

Proposition 218
Notice of Public Hearing On Proposed Rate Increases for
Sewer Collection and Treatment
Mendocino County Waterworks District II

Public Hearing 4:30 pm May 31, 2024

Elaine Jacobs Center
38550 CA-1, Gualala, CA 95445

The Board of Directors of the Mendocino County Waterworks District II (MCWD2 or the "District") will hold a public hearing on May 31, 2024, at 4:30 PM to consider changes to its current sewer rates and rate structure. Members of the public may attend the public hearing or may participate by phone by dialing (669) 444 9171 Meeting ID: 832 1146 1931 Passcode: 991960.

If you have any questions regarding the proposed rate increases or have questions on how to submit a written protest, please contact Chris Troyan at (707) 785-2331 or ctroyan@gualalacsd.org.

What do your sewer rates fund?

MCWD2 provides sewer collection and treatment services to approximately 100 customers (residential, commercial and campground) along the costal corridor within the town of Anchor Bay. The District must be financially self-sufficient. Service and capital improvement fees paid by customers are the only sources of revenue to fund the District's operations. All revenue generated from your sewer fees is used to fund administration, operation, maintenance, and capital replacement costs related to providing sewer collection services to properties within the MCWD2 Service Area, as well as funding adequate reserves and (when applicable) debt service.

How are the rates calculated?

The District is committed to providing effective and efficient sewer collection and treatment services while maintaining operational and fiscal security for its systems and keeping costs as low as possible to its customers. To that end, the District retained MC Engineering to prepare a cost-of-service analysis and rate study, to determine whether current rates for sewer collection and treatment service fees are sufficient to meet the District's cost of providing sewer service over the next five years. Many factors were considered in the financial assessment, including the operating and capital investments required to provide wastewater service safely and reliably to District customers. A copy of the cost-of-service analysis and rate study is available at the District office located at 39150 S Highway 1, Suite #3, Gualala CA 95445, and on the District webpage: <https://gualalacsd.org/mcwd2>.

Why are increased rates for sewer service fees necessary?

State law requires the collection of revenues to cover the cost of providing sewer service. Such costs include the cost of power (electricity & gas), insurance, management, chemical and wastewater treatment, equipment, personnel, supplies, and regulatory requirements. As discussed in the rate study, the District has not been generating sufficient revenue to cover those costs, which has led to deferral of necessary capital improvements and having to use reserve monies the District has maintained in the event of a catastrophic event.

The proposed sewer service charges were calculated by the District in order to equitably spread applicable costs among sewer users according to the cost of providing service to that user. The District faces a need to revise and adjust its current rates to keep pace with inflation, increasing operational costs, the urgent need to replace most of the District's out of date Orangeburg pipe, and the need to build the District's operating, emergency, and capital reserves to prudent levels.

Overall, increases are necessary to rehabilitate, upgrade and replace existing sewer systems and treatment facilities and cover all related operating, maintenance, and administrative costs.

Critical Capital Projects

The proposed rates for the next five years will allow the District to begin and complete a portion of needed sewer collection system rehabilitation: replace deteriorating Orangeburg pipe to reduce Inflow and Infiltration (I&I) to prevent stormwater and groundwater from entering into the collection system, and to prevent pipe blockages by roots or collapse. Regular assessment and replacement of deteriorating infrastructure is critical to the overall and long-term health of the wastewater collection system.

Definitions

- a. **Sewer Fee-** A charge to provide for the costs of operating and maintaining the collection system and wastewater treatment plant and the administration of the District. The charge shall be assessed against only those properties which are required to be connected to the sewerage system. Customers connected to the public sewer shall be required to pay sewer service charges throughout the period of connection notwithstanding any temporary vacancies in any building(s) located on such properties unless and until such time as such parcels are disconnected from the public sewer in accordance with the District's Ordinance.
- b. **Standby Fee-** A charge for providing the availability of sewer service on an immediate basis whether the sewer service is actually used or not. This charge is applied to each vacant parcel and is multiplied by the number of assigned ESD/EDU within the District service area.
- c. **Capital Replacement Fee (CRP)/ Reserve Fee-** A charge to recover the cost of replacing critical infrastructure, and to set aside funds for future projects.
- d. **ESD- Equivalent Single Family Dwelling-** Each parcel within the district boundaries was assigned a predetermined number of equivalent single-family dwelling units (ESDs) based on the Anchor Bay Sewer Assessment District formed in 1987. This term will be replaced by EDU. An EDU/ESD is
- e. **Equivalent Dwelling Unit (EDU)-** The equivalent of the average daily waste flow from a single-family dwelling, which are calculated in the rate study from past raw sewage flows and water meter records as collected from the North Gualala Water Company (NGWC). It is the unit of measure by which a commercial or multiunit user is charged for sewer service. One

EDU equals 100 Gallons per day (GPD). In prior documents this was referred to as ESD (Equivalent Single Family Dwelling).

- f. **EDU Equivalent-** Any commercial properties using more than 100 GPD will be given an EDU value equivalent to the number of residential EDU’s.

Residential Properties

The Board is considering rates that include an initial 8% sewer fee increase and a 20% increase of the CRP/Reserve Fee for fiscal year 2024-25. Current Residential customer will be charged a minimum of \$1959.07 plus the \$132 CRP/ Reserve Fee each year. Both fees will continue to be assessed on their annual property tax bill. The Standby Fee for vacant parcels remains unchanged at \$110.

The annual residential sewer rate for 2024/25 is broken down into the following three categories:

- a. Sewer Fee- \$1959.07 (Charged to Improved Parcels)
- b. Standby Fee- \$110.00 (Charged to Unimproved Parcels/ Per assigned EDU’s)
- c. Capital Improvement Plan Fee (CRP)/ Reserves- \$132.00 (Charged to Improved Parcels)

Total minimum sewer bill: \$2091.07 (Charged to Improved Parcels).

Residential	Unimproved Residential Vacant Parcel	Improved Residential Parcel
Standby Fee (Per Assigned EDU)	\$110	\$0
Sewer Fee	\$0	\$1959.07
CRP/Reserves	\$0	\$132.00
Total Sewer Bill	\$110.00	\$2091.07

The property tax bill will show possibly two charges, one for the property’s Sewer Fee, which includes the CRP Fee and a separate stand-alone charge for the Standby Fee, if applicable.

The Sewer Fees and CRP/Reserves fee will increase each fiscal year through 2028/29 per the following chart unless the Board revisits the rate structure during that period.

	Annual Sewer Fee + CRP Fee per EDU 2024/25	Annual Sewer Fee + CRP Fee per EDU 2025/26	Annual Sewer Fee + CRP Fee per EDU 2026/27	Annual Sewer Fee + CRP Fee per EDU 2027/28	Annual Sewer Fee + CRP Fee per EDU 2028/29
Minimum flat rate sewer fee	\$1959.07	\$2,057.02	\$2,159.87	\$2,267.87	\$2,381.26
CRP Fee	\$132.00	\$158.40	\$166.32	\$174.64	\$183.37
Increase from prior year	Sewer Fee (+8%) CRP Fee (+20%)	Sewer Fee (+5%) CRP Fee (+20%)	Sewer Fee (+5%) CRP Fee (+5%)	Sewer Fee (+5%) CRP Fee (+5%)	Sewer Fee (+5%) CRP Fee (+5%)
Total annual sewer bill:	\$2091.07	\$2215.42	\$2,326.19	\$2,442.50	\$2,564.63

Commercial Properties

Commercial Property will be categorized into two classes of users (Campground/ RV Park and Standard Commercial) and will be billed on an annual basis. All associated fees will continue to be assessed on their annual property tax bill. There will be an initial eight percent (8%) sewer fee increase for fiscal year 2024-25 and an increase of five percent (5%) increase each fiscal year thereafter will be applied ending in the 2028-29 fiscal year.

The Commercial EDU equivalent is based on water usage of the property and will be used in calculating your annual sewer bill. In order to calculate the EDU equivalent the total annual water usage of all improved residential customers is compiled and then divided by the number of total customers. The District will use these figures to find out what each customer’s daily water usage based on a 3- year average. According to the engineer’s rate study the EDU equivalent is 100 GPD, per EDU. Each year your sewer bill will use the previous year’s water usage to determine your EDU equivalent on Standard Commercials only. The water usage will be provided by North Gualala Water Company (NGWC).

Commercial properties with multiple rental spaces will be billed a minimum of 0.5 (1/2) EDU/ESD’s per rental space or the EDU Equivalent based on water usage of 100 GPD, whichever is greater.

The annual commercial sewer rate for one commercial EDU consist of the following fees:

- a. Sewer Fee- \$1959.07 (Charged to Improved Parcels multiplied by the EDU Equivalent).
- b. Standby Fee- \$110.00 (Charged to Unimproved Commercial Parcels)
- c. Capital Replacement Fee (CRP)/ Reserves- \$132.00 (Charged to Improved Parcels)

Commercial	Unimproved Vacant Parcel	Improved Commercial Parcel (1 EDU or Equivalent)
Standby Fee	\$110.00 (Multiplied by the assigned EDU’s)	\$0.00
Sewer Fee	\$0.00	\$1959.07 (based on EDU Equivalent)
CRP/Reserves	\$0.00	\$132.00
Total Sewer Bill	\$110.00	\$2091.07

Example Scenario:

A building has three (3) rental spaces and was assigned five (5) EDU’s during the assessment district. If each rental space uses less than 100GPD of water their sewer bill would be as follows:

The sewer fee of \$1959.07 is divided by 2, then multiplied by the three rental spaces. The CRP/ Reserve fee of \$132.00 is then added to the sewer fee. The Standby Fee is then multiplied by the remaining EDU’s, which in this case is four (4). (One (1) EDU is used for the CRP fee for the building).

In this case the property tax bill will show two charges, one for the property's Sewer Fee, which includes the CRP Fee, and a separate stand-alone charge for the Standby Fee.

Their sewer Fee would be \$2938.61

Annual CRP Reserve Fee would be \$132.00 (One (1) EDU x \$132)

Standby Fee- \$440.00 (Four (4) EDU x \$110)

Campground

The campground will use the same methodology as the standard commercial except they will be billed 60% of their water usage for the first year only (2024-25). After the first year (2024-25) the district will use sewer flow readings and calculate the EDU Equivalent based on actual sewer flow and not water usage from the NGWC. Sewer flow will be measured by a newly installed flow meter.

Public Hearing and Protest Procedures

Any property owner may file with the District a written protest against the proposed sewer rate increase by using the provided form or by showing up in person to the public hearing on May 31, 2024. The protest must include the property by address and parcel number, the name of the property owner, and be signed by the owner of the property or an authorized representative.

Any person is also invited to provide oral testimony at the Public Hearing on May 31, 2024, at 4:30 p.m., at the Elaine Jacob Center located at 38550 CA-1, Gualala, CA 95445; however, **only written protests will be counted for the purpose of determining whether a majority protest exists.**

A protest form is provided for your use. The written protests may be mailed to the following address:

MCWD2/ Protest Form
PO Box 104
Gualala, CA 95445

Customers may also hand deliver their protest form to the District at the following address:
39150 S Highway 1, Suite #3, Gualala CA 95445.

Protests may be hand-delivered up until the end of the Public Hearing. Protests by telephone, fax, or e-mail will not be accepted. A majority protest exists if, at the end of the Public Hearing, there are valid written protests submitted by owners of a majority of the parcels subject to the proposed fee increase.

Pursuant to Government Code Section 53759, there is a 120-day statute of limitations for any judicial action or proceeding challenging any new, increased, or extended water or sewer fee or charge.

Protest Form

To protest the proposed Sewer Rate increase, you may complete this Protest Form and mail it to the address listed on the previous page. To be counted, the District must receive a mailed written protest no later than 3:30 pm May 31st. Protests may be hand-delivered to the District up until the end of the Public Hearing. Only one protest is allowed per parcel.

Parcel APN:

Parcel Address:

I protest the proposed Sewer rate increase to fund operation, maintenance and replacement/capital costs related to providing Sewer service to properties within the Mendocino County Waterworks District II Area.

I hereby declare under penalty of perjury that I am the owner of the above listed parcel(s) or the authorized representative of the owner of the above listed property.

Please sign here:

Please print name here: