

Department of Public Works



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November 10, 2011

Dear County Service Area 11 (Pescadero Water System) Customers and Property Owners:

Este informe contiene información muy importante sobre su agua potable. Si necesita una traducción en Español de esta carta llame al numero (650) 599-1473

Re: Proposed Water Rates and Community Input

The County of San Mateo Department of Public Works (Department) would like to thank those of you who attended the evening public meeting regarding County Service Area 11 (CSA-11) on Wednesday, October 19, 2011. CSA-11 customers and property owners were notified of the meeting by a letter dated September 29, 2011. The meeting notification letter and the Department's presentation can be found by selecting "CSA 11" on our website at: www.co.sanmateo.ca.us/water. The presentation contains important information about your water system including: the formation of CSA-11, the water supply and distribution system, operations of CSA-11, August 2011 water outage, financial information, existing and proposed water rates, and options for operating CSA-11. The website also contains additional information about CSA-11. We encourage you to review the information that was presented at the meeting.

Based on the input received at the meeting, the consensus was for the Department to move forward with proposed increases to the meter monthly service charges, establish a tiered water rate structure, and increase the water rates based on usage. It was also determined that a letter should be sent to all ratepayers and property owners informing them of the proposed rates, soliciting their input, and providing a timeline for the steps involved in establishing new rates. The purpose of this letter is to provide you with this information.

CSA-11 is an independent special district which is financially self-sufficient and has its own budget. CSA-11 does not receive property tax revenue as it was formed after implementation of Proposition 13 and the rates must be set to adequately support the water system. CSA-11's revenue is generated from water sales and monthly service charges from a small customer base of 99. These collected charges are spent solely on CSA-11 expenses.

The Department provides staff to CSA-11 and performs the following services: meter reading, customer billing, customer support, emergency response, water system maintenance (pumps and pipes), compliance with regulations, and backflow prevention device testing and certification. Fortunately the quality of the CSA-11 water is very good and does not require treatment.

The current water rates were set in 2003, are very low in comparison to the rates of other water providers, and are insufficient to adequately support the costs of operating the CSA-11 water system. CSA-11 faces several significant challenges including: establishing and maintaining rates to support the necessary water system operations, a limited life aquifer which may require construction of a deeper well, an aging water system, and the need to establish a fund reserve for necessary repairs or emergencies. The average annual expenditure for CSA-11 is \$66,000, which exceeds the average annual revenue of approximately \$46,000. The average annual expenditures include a loan payment of approximately \$20,000 to the State in connection with the 20-year loan utilized to help fund the construction of the water system. The last payment to the State is due in October 2012.

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Although this will help in reducing future expenditures, it is still necessary to raise water rates to pay for upcoming capital improvements and to establish a prudent reserve fund.

Proposed Water Rates

We are proposing to establish a tiered rate structure in which the cost of water increases based on the amount of water used. We believe the tiered structure is more equitable to customers who use less water and will encourage water conservation, which will help preserve the life of the water supply or aquifer.

The proposed water rates would pay for:

- Operation and maintenance of the pump and well systems
- Operation and maintenance of the storage tank and distribution system
- Water system improvements or upgrades
- Repairs to and replacement of the fire hydrants, pipes, fittings and valves
- Emergency response and repairs
- Compliance with local, state and federal health, safety and environmental protection regulations
- Meter reading, billing, administration, and customer service
- Establishing a prudent fund reserve for unanticipated costs.

The table below illustrates the proposed monthly service charges and water rates for CSA-11, as well as the rates currently charged by nearby water agencies. As indicated in the table, the CSA-11 water rates are significantly lower than the rates of other water providers. The proposed rates strive to balance the increase to guaranteed revenue (Meter Monthly Service Charges) with a revenue increase from water charges based on water rate increases, tiered rate structure, and the fluctuations based on customer usage.

No. of Customers	CSA - 11		Other Water Agencies		
	Current Rate	Proposed Tiered Rates	Coastside County Water Rates	North Coast County Water Rates	Montara Water & Sanitary Rates
		99	6,583	12,412	1,656
5/8" x 3/4" Meter Monthly Service Charge	\$22	\$28	\$15.36	\$24.94	\$20.84
1-1/2" Meter Monthly Service Charge	\$33	\$42	\$74.32	\$44.95	\$37.51
Tier 1 Water Rate (0-8 Unit*)	\$1.38	\$2.69	\$5.02	\$2.53 (0-5 Unit)	\$6.54 (0-6 Unit)
Tier 2 Water Rate (9-25 Unit)	-	\$4.04	\$5.53	\$5.62 (6-16 Unit)	\$8.72 (7-13 Unit)
Tier 3 Water Rate (26-40 Unit)	-	\$5.45	\$7.19	\$8.04 (17-28 Unit)	\$10.9 (14-27 Unit)
Tier 4 Water Rate (> 40 Unit)	-	\$7.36	\$8.88	\$14.75 (> 28 Unit)	\$15.26 (> 27 Unit)

* 1 unit of water is equal to 748 gallons or one hundred cubic feet of water.

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The following provides the calculation of charges based on the existing and proposed rates for a residential customer that uses 12 units of water in one month:

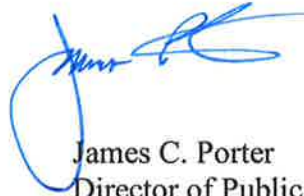
Calculation of Charges for 12 Units of Water Based on:	Existing Rate Structure		Proposed Rate Structure	
Monthly Service Charge (5/8" x 3/4" meter)		\$22.00		\$28.00
Water Usage Charge	\$1.38 x 12 units	\$16.56	\$2.69 x 8 units	\$21.52
			\$4.04 x 4 units	\$16.16
Total Charges		\$38.56		\$65.68

The Department plans to ask the Board of Supervisors to set a place, date and time for a public hearing to consider the proposed rates in February 2012. We would like to hear your comments and input on this issue before we finalize our recommendations for the Board of Supervisors, and provide answers to any questions you may have. Please submit your comments and questions to us by Wednesday, November 30, 2011, and we will post your questions and our responses on our website.

Your questions and comments may be directed to:

America Sanchez, Associate Engineer
Department of Public Works
County of San Mateo
555 County Center, 5th Floor
Redwood City, CA 94065
Telephone: (650) 363-4100
or
e-mail: acsanchez@co.sanmateo.ca.us

Very truly yours,



James C. Porter
Director of Public Works

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cc: Pescadero Municipal Advisory Council, P.O. Box 733, Pescadero, CA 94060
Supervisor Don Horsley