

**PHYSICAL ADDRESS:**

1656 SUTTER ROAD  
McKINLEYVILLE, CA 95519

**MAILING ADDRESS:**

P.O. BOX 2037  
McKINLEYVILLE, CA 95519



[mckinleyvillecsd.com](http://mckinleyvillecsd.com)

**MAIN OFFICE:**

PHONE: (707) 839-3251  
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**PARKS & RECREATION OFFICE:**

PHONE: (707) 839-9003  
FAX: (707) 839-5964

**FOR IMMEDIATE RELEASE**

**RELEASE DATE: JANUARY 17, 2014**

**RUN THROUGH DATE: JANUARY 24, 2014**

**FROM: MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
GREG ORSINI, GENERAL MANAGER  
(707) 839-3251**

**SUBJECT: MCSD TO CONSIDER ADJUSTING WATER RATES**

McKinleyville, CA – On January 8, 2014, the McKinleyville Community Services District (MCSD) Board of Directors initiated the Proposition 218 process related to future water rate adjustments. MCSD customers will be receiving a notice in the mail with instructions related to the process.

The cost of wholesale water was not properly accounted for in the 2012 rate analysis. Therefore, in the coming months, MCSD will be proposing a pass through for the wholesale cost of water from Humboldt Bay Municipal Water District. This pass through will reflect the actual cost of providing water to the community. Recouping revenues lost because of the Proposition 218 processing error will be accomplished through a \$3.66 per month per Equivalent Residential Unit surcharge.

MCSD customers can access our website at [www.mckinleyvillecsd.com](http://www.mckinleyvillecsd.com) to utilize a rate calculator to see how much their water bill will be adjusted. A "Frequently Asked Questions" sheet is also located on the website with additional information.

Community members will have opportunities to hear and speak about the adjustment in the coming months. The next opportunity will be at the MCSD Board meeting on February 5, 2014, with the Protest Hearing being held on Wednesday, March 5, 2014. Both meetings will be held at 7:00 pm at Azalea Hall in McKinleyville.

MCSD provides water service to over 5,000 residential and commercial customers. Monthly water rates charged to customers are the primary source of revenue to operate the water system, and are used solely for this purpose.

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(End)

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January 17, 2014

## Proposed Water Rates FREQUENTLY ASKED QUESTIONS

**Q. How can I figure out what my water bill will be after the adjustment?**

A There is a link on the MCSD website.

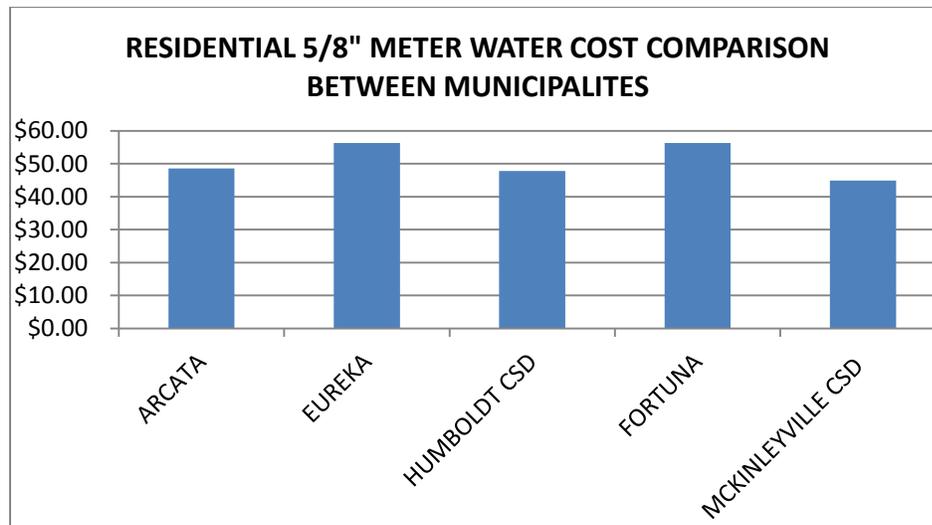
<http://www.mckinleyvillecsd.com/water-rate-increase>

**Q. Why are water rates going up?**

A The cost of water purchased from Humboldt Bay Municipal Water District (HBMWD) for resale to MCSD customers was not included as a cost component of the 2012 water rates, and was therefore not being collected from MCSD customers, resulting in a revenue shortfall.

**Q. How do MCSD's water rates compare to other local cities & districts?**

A



**Q. What will happen if the rates aren't increased?**

A Overall reduction in customer related services:

- Reduced office hours
- No leak notifications
- Potential for only quarterly billing
- Reduction in courtesy reminders
- Delayed service orders and longer response time
- Deferred maintenance

**Q. What are the consequences to deferring maintenance or projects?**

A We lose the integrity and efficiency of our water system:

- Ability to provide safe and adequate drinking water will be compromised
- Water system becomes unreliable
- Unable to meet regulatory requirements resulting in increased expense due to fines
- Delayed maintenance becomes equipment replacement
- Overall cost escalation requiring greater rate increases in the future

**Q. How much does the cost of purchased water from HBMWD have to do with this rate adjustment?**

A Approximately 37% of water costs are related to the wholesale purchase of water from HBMWD.

**Q. Will HBMWD increase the cost for wholesale water in the coming years?**

A The previous two (2) year average HBMWD increase has been 10% per year, but can fluctuate as much as 15%.

**Q. Why didn't MCSD do smaller adjustments in past years so that it didn't have to do such a large adjustment now?**

A In 2009 it was decided that adjusting capacity fees was a higher priority.

**Q. How did MCSD come up with this rate adjustment recommendation and what do my water rates pay for?**

A An engineering firm was hired to conduct a water rate analysis to determine fees necessary to cover costs of day to day operations, repay loans, and to fund future maintenance and replacement projects.

**Q. What is the recovery surcharge and how much will it be? How long do we have to pay this?**

A The purpose of the Recovery Surcharge is to restore MCSD's reserves, which were used to cover the unpaid cost of water purchased from HBMWD. While the period of time this occurred was approximately 18 months, the recovery of this amount will be extended over four years to reduce the impact on MCSD customers.

The amount of the Surcharge will be calculated as \$3.66 per Equivalent Residential Unit (ERU), per month. Residential customers are considered one ERU, and larger meter sizes have correspondingly higher ERU values. This approach apportions the cost of previously purchased water to customers based on the cost incurred for serving those customers.

**Q. Why are the rates increasing over several years instead of all at once?**

A To reduce the financial impact on MCSD customers.

**Q. How will the additional revenue be used?**

A Water rate revenue provides funding for costs related to wholesale water purchased from HBMWD, system operations, capital projects, loan payments, administration, as well as costs related to maintaining adequate fund reserves and planning for contingencies.

**Q. Is there any assistance for low-income customers?**

A MCSD is not legally permitted to subsidize one group of customers by increasing rates to another group.

**Q. How will the proposed rate adjustment impact commercial customers?**

A Commercial and residential customers will be impacted the same based on water consumption and meter size.

**Q. Do other local cities and special districts face similar challenges?**

A All municipal customers of HBMWD are facing the same challenges related to increased costs for providing services.

**Q Why aren't the consultants who did the 2012 rate analysis responsible for the loss in revenue?**

A Since customers received water at a rate below the actual cost, it is consistent with legal statute that the customers are responsible to repay the reserves that were used to subsidize the cost of wholesale water.

**Q. What do I have to do to protest the rate adjustment?**

A MCSD will consider the new rate structure and proposed revenue increase at a Public Hearing on Wednesday, March 5, 2014 at 7:00 p.m. at Azalea Hall, 1620 Pickett Road, in McKinleyville. You are invited to present oral or written testimony at the public hearing.

Any owner or customer of record of a parcel subject to the proposed rates may submit a written protest against the proposed rate revisions. If written protests are filed with respect to a majority of the affected property parcels, the proposed rate revisions will not be adopted.

A written protest must contain the street address or Assessor's Parcel Number (APN) for the parcel(s) with respect to which the protest is made. The protest must also be signed by the owner or customer. Protests may be mailed or hand delivered to the District's offices at 1656 Sutter Road, McKinleyville, California 95519. Protests may also be delivered to the District Secretary at the public hearing. To be valid, a signed written protest must be received by the Board Secretary at or before the time of the protest hearing.