



Del Paso Manor Water District  
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**IMPORTANT INFORMATION INSIDE**  
Learn about our cost of service analysis for your water rates.

## QUICK FACTS TO KNOW

- ✓ **Customer water rates** serve as the primary revenue source for district operations and maintenance.
- ✓ **The last customer water rate increase** was six years ago. With expenses exceeding revenues, the District must increase rates to sustain operations beyond 2018.
- ✓ **A third-party financial advisor** will conduct a cost of service analysis to develop the rate structure needed for the next three to five years.
- ✓ **The cost of service analysis** will address our operations and maintenance financial needs, not our financial needs to improve aging pipelines and wells.
- ✓ **If the majority of customers** opposes the proposed rate proposal, the District will face potential consolidation or a private acquisition.
- ✓ **Under a consolidation or private acquisition**, Del Paso Manor water customers will still have to pay for all of the costs of water delivered to them.
- ✓ **We encourage you** to learn about our district, challenges and potential solutions and, ultimately, make informed decisions based on the facts.

## STAY INFORMED AND ENGAGE WITH US



[delpasomanorwd.org](http://delpasomanorwd.org)



916.487.0419



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Please share your email and phone number with us. We plan to enhance our communications with customers through additional methods as we build out our database. We're committed to keeping you informed in a transparent, proactive manner!

# COST OF SERVICES ANALYSIS UNDERWAY FOR RATE ADJUSTMENTS

Earlier this year we issued a Prop 218 notification for proposed rate increases. The proposed rate increases were necessary to cover our increased operational costs and to improve aging pipelines and wells. The rate proposal failed due to majority opposition.

With expenses exceeding revenues, we need a rate structure to sustain our operations for your water supply and community fire protection. As shared in our last newsletter, we hired Bartle Wells, an independent financial advisor, to conduct a cost of services analysis. Through this analysis, Bartle Wells will help us establish a rate structure and reserve policy we need to pay for operations over the next three to five years.

We will keep you informed through ongoing outreach and welcome your participation in this process. We plan to hold our first community meeting in February. Join us to learn more about the district, our financial situation, challenges and proposed solutions.



**YOU'RE INVITED!**  
Community meeting planned for February. Watch for more details to come with your January statement. You can also check our website or contact us for more information.

## GUIDING PRINCIPLES FOR RATE SETTING

Over a dozen customers attended our last board meeting. Bartle Wells facilitated a discussion that resulted in these guiding principles. Supported by the Board and attending customers, we will use these principles to identify the best rates for consideration.

- Rates should be simple, fair and cost-based
- Rates must comply with legal requirements
- Rates should generate adequate revenues to fund district costs
- Rates should generate adequate revenues to maintain prudent reserve fund levels and comply with debt covenants

## FREQUENTLY ASKED QUESTIONS

### Why is the District conducting a cost of service analysis?

Following the failed rate proposal, customers requested that we hire an independent consultant to determine the cost of service for operations and maintenance only. We listened. Bartle Wells will serve as a third-party advisor to evaluate our costs and develop an appropriate rate structure to cover them now and in the future. Bartle Wells has over 50 years of experience providing financial advice to public agencies including water districts.

### How is Del Paso Manor Water District funded?

As a government special district, we rely on customer water rates as our revenue source to operate and maintain your water supply service. We maintain two budgets: an operations and maintenance budget and planned system maintenance budget.

OPERATIONS AND MAINTENANCE BUDGET	PLANNED SYSTEM MAINTENANCE BUDGET
Includes expenses associated with the daily operations	Budget planned for improvement projects in our master plan
Revenue comes from "water charge" on customer bills	Revenue comes from "SMC charge" on customer bills
Cost of service analysis will address this budget	Cost of service analysis will not address this budget

### What is the District's current financial situation?

Our last customer rate increase was six years ago. Since then, our costs have increased while our revenue declined. Costs grew due to increased demands for regulatory testing and compliance, unfunded liabilities and higher leak repairs. Revenue declined due to the drought resulting in decreased water sales.

With expenses exceeding revenues, we relied on our operations and maintenance reserve to bridge the budget gap in recent years. While we do not have an official reserve fund policy, we maintain a small reserve for emergencies and/or temporary cash flow needs. This reserve will carry us through 2018.

### Will the District introduce new rates?

Yes. After Bartle Wells completes the cost of service analysis, we will propose another rate increase through a Proposition 218 notification. We anticipate this occurring in the spring.

### What happens if the rate proposal fails?

Without appropriate revenue to cover expenses, we will not be able to meet our existing bond covenants, which means the minimum financial capacity needed to pay back the bonds that financed the District's well and pipeline upgrades. At that point, the Del Paso Manor Water District Board of Directors will have to examine alternatives. Alternatives range from consolidation with an adjacent water district to the sale of the District assets to a private third party such as a water utility regulated by the California Public Utilities Commission.

### Would a private sale or consolidation of the District prevent the need for higher rates?

No. With consolidation or a private sale, Del Paso Manor customers will still have to pay for all the costs of the water delivered to them. This would take the form of a special assessment in the case of consolidation or a special rate approved by the California Public Utilities Commission in the case of a private utility acquiring the District's assets.

It is not possible to shift the costs of service to someone else or another organization. Rates will still have to be sufficient to cover the costs of service regardless of whether we stay an independent district, consolidate or are acquired. Del Paso Manor customers will have to pay these costs.