

Frequently Asked Questions

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

Following the failed rate proposal for both operations and maintenance and much needed planned system maintenance budget, some customers requested 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 operations and maintenance costs we need for the next three to five years. Bartle Wells has over 50 years of experience providing financial advice to public agencies including water districts.

How is the 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 a planned system maintenance budget.

Operations and Maintenance Budget	Planned System Maintenance Budget
<ul style="list-style-type: none">✓ Includes expenses associated with our daily operations✓ Revenue comes from “water charge” on customer bills✓ Cost of service analysis will address this budget	<ul style="list-style-type: none">✓ Budget planned for pipeline and well improvement projects in our master plan✓ Revenue comes from “SMC charge” on customer bills✓ Cost of service analysis will not address this budget

What is a special district?

A special district is a form of local government created to provide a special public service to an area within defined boundaries.

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 also declined due to the drought, resulting in decreased water sales.

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

Use of the reserve allowed the District to cover rising costs despite declining revenues. We were also able to avoid a customer rate increase. This reserve will only carry your District 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 mailed 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. This means we will not have 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 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 another agency or organization. Rates will still have to be sufficient to cover the costs of service regardless of whether our District stays an independent district, consolidates or is acquired. Del Paso Manor customers will have to pay these costs.