

CSA 23 2019 Rate Increase FREQUENTLY ASKED QUESTIONS

June 2019

Why another rate increase when we just had one?

The 2015 rate increase did not generate the additional revenues needed. This is because of 2 issues with the rate increase calculation. 1) The target revenues in 2015 were based on the community using 50,000 units of water per year, and this amount matched the governor's mandated conservation during the drought. The reality was that Santa Margarita conserved more than that, as low as 43,677 units, and so the rates were unable to generate the needed revenues.

2) The second incorrect assumption was that the Operations & Maintenance budget was sufficient as it was so the target revenue was not enough to do what was actually needed. Unfortunately, the O&M needs had been underfunded for years and the operators did what they could with the budget that was available. Most of the time that resulted in band-aid type fixes and very little preventative maintenance.

We have addressed these issues in the currently proposed rate increase.

Will this be the last increase we will see?

Unfortunately, this will not be the last increase. This increase will enable CSA 23 to meet currently identified system needs. However, these needs change based on changing regulations and costs for providing safe drinking water will increase year to year just like any other service. In addition, your water system is over 60 years old and will require replacement of its components. We will need to be strategic and proactive and address these needs over time starting with the most immediate needs.

Why do we need to build reserves?

A reasonable operating reserve is important to be able to continue operating during fluctuations in revenues or implement unforeseen emergency projects. Like a savings account, reserves should be maintained at approximately 50% of the annual operating budget which is \$250,000 for CSA 23. It is anticipated that at end of this fiscal year (June 30, 2019) reserves will be ~ \$1,400 due to additional O&M needs and unbudgeted projects that need to be implemented, the cost for them will need to be paid for from reserves.

What is the plan for future rate increases?

Future rate increases will occur more regularly, so that they are smaller increases but implemented more frequently to reduce impacts to customers.

Why is there urgency to raise rates now?

Your water system is entirely financed by the fees you pay for water service. CSA 23 must generate sufficient income to cover costs, debt service and maintain a reasonable operating reserve. Currently, CSA 23 revenues are significantly short in meeting these needs. If there is not enough cash in the CSA 23 fund, then a loan will be required which will cost CSA 23 and you, as a rate payer, more in the future.

What if there is extra money? Where does it go?

CSA 23 is an enterprise fund and that means that your payments will be used to perform operation and maintenance and complete projects in your water system. Your money will stay in the CSA 23 fund and is not allowed to be used elsewhere in the County. Any extra money will be used to build reserves or improve your water system.