



Lake Arrowhead Community Services District

P.O. Box 700
Lake Arrowhead, CA 92352

RATES NOTICE

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CUSTOMER NOTICE

TIME AND PLACE PUBLIC HEARING ON RATE INCREASE

December 8th 2015, 5:30 p.m.

LACSD Blue Jay Board Room
27307 State Highway 189, Suite 104,
Blue Jay, CA 92317

NOTICE OF PUBLIC HEARING To Consider Water and Wastewater Rate Increase

OWNER OR CUSTOMER OF RECORD

Notice is hereby given that the Board of Directors ("Board") of the Lake Arrowhead Community Services District ("LACSD" or "District") will conduct a public hearing on December 8, 2015 at 5:30 PM, in the Blue Jay Board Room, 27307 State Highway 189, Suite 104, Blue Jay, CA 92317, at a regularly held meeting, to consider adopting increases in the rates for its water and wastewater service fees.

For more information please visit lakearrowheadcsd.com.



Public Hearing

Any record owner of a parcel upon which the proposed water and/or wastewater service charges are proposed to be imposed or any tenant directly responsible for the payment of water and/or wastewater service fees (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed increases to the rates for the District's water and wastewater service fees; provided, however, only one protest will be counted per identified parcel. Each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the rate increases to the water and/or wastewater service fees; (3) provide the location of the identified parcel (by service address or assessor's parcel number); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail to: Board of Directors, Lake Arrowhead Community Services District, P.O. Box 700, Lake Arrowhead, CA 92352. Written protests may also be submitted in person at the District's office at 27307 State Highway 189, Blue Jay, CA 92317 or at the public hearing (see date, time and location on page 1). All written protests must be received prior to the conclusion of the public input portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a formal written protest.

Please identify on the front of the envelope for any protest, whether mailed or submitted in person, Attn: Public Hearing on the Proposed Increase to Water and/or Wastewater Rates.

The Board of Directors has reviewed the current water and wastewater rate structures and determined that rate increases are necessary to recover sufficient revenues to operate and maintain the District's water and wastewater systems. The proposed rate structures for the water and wastewater service fees will provide revenues that (1) recover costs reasonably borne in providing the services; (2) are equitable to all customer classes; and (3) are proportionate to the cost of the service attributable to the parcels within each customer class.

The Board will consider all written protests submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt the proposed rate increases to the water and wastewater service fees. If, after the close of the public hearing, written protests against any of the proposed rate increases as outlined above are not presented by a majority of the record owners of the identified parcels upon which they are proposed to be imposed and customers of record, the Board of Directors will be authorized to impose the rate increases. If adopted, the increases for the water and wastewater service fees are proposed to be effective for services provided on or after January 1, 2016 and January 1 for each subsequent year as specified with no additional required action or notice by the District.

Reasons for the Proposed Rate Increases

The Lake Arrowhead Community Services District is dedicated to providing exceptional water and wastewater service at the lowest possible cost while protecting the water resources of our unique community. Although LACSD continually strives for cost reductions and improvements in its use of water and wastewater system assets, the District must also keep pace with inflation and other cost increases, such as electricity. It must also maintain the systems to meet customer service levels.

The proposed water and wastewater rate increases are necessary in order for LACSD to:

- (1) recover current and projected cost increases to maintain and operate the water and wastewater systems;
- (2) construct capital infrastructure improvements needed to repair and update aging water and wastewater systems;
- (3) maintain the operational and financial stability of the water and wastewater systems and the District's AA+ credit rating;
- (4) avoid operating deficits and depletion of reserves; and
- (5) comply with state and federal regulatory requirements.

Customers receive either a combined monthly bill which shows charges for both water and wastewater services, or a bill for water or wastewater services only. Please refer to the tables on pages 2 and 3 for the proposed rate increases for all types of customers.

A description of projects and programs projected to be funded with the water and wastewater service charges are described in this newsletter. The proposed rates represent the maximum rates for each year of a five-year rate plan. The board may determine to adopt rates at a lesser amount but not higher. **If adopted, these rates would go into effect automatically beginning January 1, 2016 and January 1 of each year thereafter for the five-year planning period with no additional required action or notice by the District.**

The proposed rate increases were developed through an analysis of the District's budget and financial information by an independent rate analyst. This information became the basis for a study that calculated the proposed rates. This study, including how the rates were calculated as well as the proposed rates are available on our website.

Water System Projects

Revenues from water service fees pay for increases in the costs of operating and maintaining the water system, including repairing, replacing and upgrading current infrastructure such as pipes, pumps, and treatment and storage facilities. The service fees also pay the costs to treat, purchase and deliver water. The District recently completed rehabilitating some older water tanks and replacing a large number of water services, in advance of major road work, to reduce leaks from the system. Future planned projects include replacing the intakes that pull water from North Bay into the main water treatment plant. The existing system is inefficient and requires continual repairs. The District also needs to improve water pressure in certain areas for fire protection, replace old water pipelines, and ensure long-term supply by executing the current Water Infrastructure Plan.

Wastewater System Projects

Increases in the rates for the wastewater service fees are also necessary to fund increases in the costs of operating and maintaining the wastewater system which includes two treatment plants, one percolation facility, and over 200 miles of sewer pipeline. This system requires continual repair, maintenance, and upgrades. In addition to ongoing increases in the cost of providing wastewater service, the District has committed certain funds to reduce the amount of storm water entering the wastewater system in order to reduce the possibility of overwhelming the wastewater treatment plant and causing sewer spills. LACSD is also continuing to upgrade the main sewer pipe surrounding the lake in order to extend its useful life and reduce the possibility of a sewer spill into the lake.



Proposed Water Rate Increases

The rate structure for water service covers three geographic areas: Lake Arrowhead, Deer Lodge Park, and Rimforest. Three customer classes are also part of the rate structure: residential, commercial/institutional, and irrigation.

For a typical residential water customer using 4 billing units¹ per month (about 2,992 gallons), the proposed rate increase for the Lake Arrowhead service area would result in an average increase of approximately \$2.02 per month in the first year.

The rates for the District's water service fees within each service area have two components: (1) a fixed monthly charge; and (2) a variable charge for how much water a customer uses. The rates for the fixed monthly charge are established on the basis of the size of the meter at the property receiving water service and are calculated to recover a significant portion of the District's fixed costs, such as water facilities repairs and replacements, meter reading, billing, and customer service.

The rates for water use are calculated based on the cost of developing water supplies, ground water and surface water; purchasing water from sources other than Lake Arrowhead; managing the District's water resources; and distributing water throughout the system to customers. For residential customers, there are 4 tiers which impose higher rates per unit of water used as the level of consumption increases. These higher rates are based on costs incurred by the District due to higher consumptive use. For commercial/institutional and irrigation customers, the tiers are being phased out and, after two years, all units for these customer classes will be charged at the same rate, or a uniform rate. Together, the two components (fixed and variable) are calculated to recover the proportionate cost of providing water service attributable to parcels within each service area. See Table 1 for a full list of current and proposed water rates.

Table 1

Residential, Commercial & Irrigation - Lake Arrowhead						
Meter Size	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
3/4" or smaller	\$34.38	\$36.24	\$38.23	\$40.14	\$42.19	\$44.51
1"	\$84.23	\$88.78	\$93.66	\$98.34	\$103.36	\$109.04
1 1/2"	\$168.46	\$177.56	\$187.33	\$196.70	\$206.73	\$218.10
2"	\$269.19	\$283.73	\$299.34	\$314.31	\$330.34	\$348.51
3"	\$538.72	\$567.81	\$599.04	\$628.99	\$661.07	\$697.43
4"	\$841.60	\$887.04	\$935.83	\$982.62	\$1,032.73	\$1,089.53
6"	\$1,683.21	\$1,774.10	\$1,871.68	\$1,965.26	\$2,065.49	\$2,179.09

Residential Volume Charge (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Tier 1: 0-4 CCF	\$1.18	\$1.22	\$1.26	\$1.30	\$1.34	\$1.39
Tier 2: 5-13 CCF	\$2.24	\$2.32	\$2.39	\$2.47	\$2.54	\$2.64
Tier 3: 14-30 CCF	\$6.64	\$6.87	\$7.09	\$7.32	\$7.54	\$7.82
Tier 4: 31+ CCF	\$13.84	\$14.31	\$14.78	\$15.25	\$15.72	\$16.30

Irrigation Volume Charge (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Tier 1: 0-13 CCF	\$2.25	\$3.00	\$4.25	n/a	n/a	n/a
Tier 2: 14+ CCF	\$13.84	\$11.15	\$8.30	n/a	n/a	n/a
All Units	n/a	n/a	n/a	\$7.15	\$7.50	\$7.90

Commercial Volume Charge (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Tier 1	\$3.11	\$3.41	\$3.81	n/a	n/a	n/a
Tier 2	\$6.21	\$5.50	\$4.15	n/a	n/a	n/a
Tier 3	\$12.93	\$10.50	\$4.60	n/a	n/a	n/a
All Units	n/a	n/a	n/a	\$4.00	\$4.15	\$4.32

For the past 20 years, Deer Lodge Park has seen minimal rate increases. The fixed monthly fee has increased \$4.32 since 1996. As a result, water service to Deer Lodge Park is not generating sufficient revenue to cover the operational costs associated with the purchase of imported water and the treatment and distribution of groundwater. One of the tanks in Deer Lodge Park is in need of replacement and the ion exchange canisters that purify the groundwater will need to be replaced. For a typical residential customer using 4 billing units¹ per month, the proposed rate increase in Deer Lodge Park would result in an average increase of approximately \$3.88 to the District's water service charges per month in the first year. See Table 2 for the proposed Deer Lodge Park rate increases.

Table 2

Deer Lodge Park						
Meter Size	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
3/4" or smaller	\$24.32	\$27.48	\$31.05	\$35.09	\$39.65	\$44.51
1"	\$59.59	\$67.34	\$76.09	\$85.98	\$97.16	\$109.04
1 1/2"	\$119.17	\$134.66	\$152.17	\$171.95	\$194.30	\$218.10
2"	\$190.43	\$215.19	\$243.16	\$274.77	\$310.49	\$348.51

Deer Lodge Park Volume Charge (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Tier 1: 0 - 10 CCF	\$3.27	\$3.45	\$3.60	\$3.75	\$3.90	\$4.10
Tier 2: 11 + CCF	\$3.90	\$4.12	\$4.30	\$4.48	\$4.66	\$4.90

In addition to the water service charges described above, the District also imposes a fixed monthly private fire service fee on certain properties as a condition of extending or initiating water service by (1) the installation of a private fire suppression system, and (2) upon the request of the consumer or property owner for the delivery of water to the property for the purpose of private fire service protection. The rates for the monthly fire service fees are established on the basis of the size of the meter through which water is delivered and are calculated to recover the cost of providing water to such properties for private fire service protection. See Table 3 for the proposed Fire Protection rates.

California is experiencing an unprecedented drought and the Lake Arrowhead community has responded by reducing its consumption in excess of what the State of California required. As a result, these necessary water conservation efforts have meant that the water system is experiencing reduced revenues. A drought surcharge is being proposed in the event the drought continues another year and the District needs to offset revenue declines sufficient to fund the District's water services. The proposed surcharges would be paid in addition to the volumetric charges then in effect.

Table 3

Fire Protection Meters						
Meter Size	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
1"	\$12.00	\$12.54	\$13.10	\$13.69	\$14.31	\$15.03
1 1/2"	\$15.83	\$16.54	\$17.28	\$18.06	\$18.87	\$19.81
2"	\$17.76	\$18.56	\$19.40	\$20.27	\$21.18	\$22.24
3"	\$27.83	\$29.08	\$30.39	\$31.76	\$33.19	\$34.85
4"	\$37.16	\$38.83	\$40.58	\$42.41	\$44.32	\$46.54
6"	\$51.33	\$53.64	\$56.05	\$58.57	\$61.21	\$64.27

Fire Protection Volume Charge (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Tier 1: 0-4 CCF	\$1.18	\$1.22	\$1.26	\$1.30	\$1.34	\$1.39
Tier 2: 5-13 CCF	\$2.24	\$2.32	\$2.39	\$2.47	\$2.54	\$2.64
Tier 3: 14-30 CCF	\$6.64	\$6.87	\$7.09	\$7.32	\$7.54	\$7.82
Tier 4: 31+ CCF	\$13.84	\$14.31	\$14.78	\$15.25	\$15.72	\$16.30

LACSD is currently in a Stage 3, Level 1 Water Shortage which limits irrigation to two days per week May 1st through October 15th. Other restrictions are also in place and can be found on our website at www.lakearrowheadcsd.com/conservation. Under the proposed drought surcharge rates, customers who meet water use restrictions then in effect most likely will not see an increase in the amount they normally pay. Those who fail to reduce water use, may see their bills go up. Table 4 shows the proposed drought surcharges for all customers which would be applicable to all water use if enacted. The rates listed are based on the conservation stage declared by the Board of Directors and are the worst case scenario. If implementation of a surcharge is required, the Board of Directors may enact an increase less than these rates based on LACSD's financial position and conditions around the state. Revenue generated by the drought surcharge is intended to offset the financial deficit created by reduced water sales. Even with a drought surcharge, the District's revenue will decline more than its costs.

Table 4

Drought Rate Surcharges - Arrowhead Woods Residential (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Stage 1 all units	\$-	\$0.79	\$0.82	\$0.84	\$0.87	\$0.90
Stage 2 all units	\$-	\$1.81	\$1.87	\$1.93	\$1.99	\$2.06
Stage 3 all units	\$-	\$7.00	\$7.22	\$7.46	\$7.68	\$7.97

Drought Rate Surcharges - Arrowhead Woods Irrigation (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Stage 1 all units	\$-	\$1.49	\$1.35	\$1.41	\$1.48	\$1.56
Stage 2 all units	\$-	\$4.91	\$4.45	\$4.65	\$4.88	\$5.13
Stage 3 all units	\$-	\$36.48	\$33.05	\$34.56	\$36.23	\$38.14

Drought Rate Surcharges - Arrowhead Woods Commercial (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Stage 1 all units	\$-	\$0.66	\$0.69	\$0.72	\$0.75	\$0.78
Stage 2 all units	\$-	\$2.07	\$2.17	\$2.25	\$2.34	\$2.43
Stage 3 all units	\$-	\$6.15	\$6.45	\$6.69	\$6.95	\$7.23

Drought Rate Surcharges - Deer Lodge Park (\$/CCF)						
Tier Volume	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Stage 1 all units	\$-	\$0.85	\$0.89	\$0.93	\$0.97	\$1.01
Stage 2 all units	\$-	\$2.16	\$2.16	\$2.16	\$2.16	\$2.16
Stage 3 all units	\$-	\$9.63	\$9.63	\$9.63	\$9.63	\$9.63

Proposed Wastewater Rate Increases

The District's rate structure for the wastewater service fees has two customer classes: residential and commercial/institutional. Due to continued cost control and revenue stability, the Wastewater service fees will not increase in 2016. Subsequent increases are designed to keep up with inflation impacting the District's operations and maintenance costs, and renewal and replacement funding needs. Rates for residential wastewater customers are based on a fixed monthly charge and are structured to recover the costs of operating and maintaining the wastewater system and to proportionately allocate these costs attributed to residential properties that receive wastewater services.

The rate structure for commercial/institutional wastewater service is comprised of two components—a fixed monthly charge and a flow-based, or volumetric charge. The fixed monthly charge is structured to recover a portion of the fixed costs of operating and maintaining the wastewater system. The variable charge is determined on the basis of the amount of metered water delivered to the property and engineering assumptions about the amount of water returned to the sewer system and treated at the District's wastewater treatment plant. Volumetric charges apply to customers who return more than 500 cubic feet (5 CCF) to the system.

This volumetric charge is structured to recover a proportionate share of the District's variable costs of operating and maintaining the wastewater system. Together, the two components of the rate structure are calculated to allocate the costs of providing wastewater service proportionately to parcels receiving this service. See Table 5 for current and proposed rates for wastewater service.

Table 5

Wastewater - Residential						
Description	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Monthly Fixed Fee	\$48.28	\$48.28	\$49.97	\$51.72	\$53.53	\$55.40

Wastewater - Commercial						
Description	Current		PROPOSED			
	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	
Monthly Fixed Fee	\$48.28	\$48.28	\$49.97	\$51.72	\$53.53	\$55.40
Volume Fee ² >5CCF	\$6.99	\$6.99	\$7.23	\$7.48	\$7.74	\$8.01

² Volume Fee applies to water usage over 5 CCF's per month.



¹ One Billing Unit is One Hundred Cubic Feet or 748 gallons.