



January 13, 2025

Dear Stakeholders,

Last year we sent out notification on our water rates and the need for an increase.

As we have communicated previously, the district hired an engineering firm (RDN Engineering) to do a rate study as required by proposition 218.

We held a public hearing on December 3, 2023. The board voted to accept the rates recommended by RDN for 75% funding requirements for infrastructure repair/ replacement.

The rates required by the State of California under prop 218 must be equitable for all water users.

Our rates are structured in two parts.

There is a fixed rate, and a variable rate based on gallon water used. All water customers have the same fixed rate per lot and the Timber Cove Resort also has a fixed rate based on their percentage of benefit.

The study and the public hearing contain a 5-year plan on rates to ensure we can fund the necessary repairs and upgrades. On December 7, 2024, the board voted to continue to follow the recommendations made by RDN engineering.

The new rates will be as follows

Fixed rate for each lot \$112.70, Up from \$98.00

Variable rate for each lot \$0.0661

Timber Cove Resort fixed rate \$12,476.59, Up from \$10,849.21

Variable rate for TCI \$0.0666

You will see these rates in effect beginning with your billings in February.

The board also hired an engineering firm (Coastal engineering) to do a full system evaluation to determine priorities on distribution upgrades as well as our actual water plant. That study determined several priorities to be completed.

Our plant is in very good shape, but we do have some required upgrades to complete, specifically in electronics and the back wash containment pond. (to be concrete lined)

There are several items identified in our distribution system. The top three recommendations for distribution upgrades based on age and condition are as follows

1. Pacific view- this street has been proven to be the most problematic and has several types of lines contributing to failure, thus is the highest priority
2. Amanita circle. This is our second priority as the line is concrete/asbestos. Its expected lifespan would be up somewhere between 2030 and 2050. Please keep in mind that when this type of line fails, it tends to fail catastrophically thus making it a priority.
3. Koftinow. This is our third priority. This street has a volume issue that contributes to low pressure, particularly when there is higher usage on the street. The line needs to be upgraded with a larger distribution line to assist in relieving pressure issues and fire flow requirements.

It is the board's intention to move forward with the top three distribution priorities as soon as we can get financing approved.

There are multiple other recommendations, however, the board recognizes that it would require an even higher rate structure, something we feel is not necessary at this time which is why we only voted to fund 75%.

**Will this rate be able to pay for all the work?**

No, but it will be sufficient to secure financing the funds to upgrade the system.

The rate will enable us to service the loan to ensure we have a safe and reliable water supply for years to come. In fact, the rate structure is designed to become 75% funded for the next 10 years for repairs

We have been working with the USDA to obtain financing. It is a long and laborious process, but the rates offered by the USDA are favorable and frankly, our best bet in obtaining financing. We would have been unable to secure any financing though the USDA had we not done the rate study and fixed our rates. They made that very clear when we first approached them.

We understand that having rates increase is not desirable for any of us. The board members are also rate payers and feel the pain of this additional expense.

The alternative, however, is much worse if our system is not upgraded with necessary repairs and risk interruption of our water supply.

As a reminder, our board meetings are on the 4<sup>th</sup> Saturday of the month with our next meeting on January 25,2025.

Please refer to our website for agendas and updates.

I would like to invite you to please attend with any questions you may have

Thank You,

John Gray