

Water Words

January 2012 Newsletter
Winter Edition



President's Message

Fellow Shareholders/Customers;

To begin this year's message, I would like to share some of the challenges other rate payers are currently facing from other water agencies in our area:

- **Golden State Water Co.** to seek 49 percent increase in rates for portions of Los Osos, Edna and Nipomo, on top of an already approved 27 percent increase.
- **Atascadero** water bills could rise 7.5 percent next year.
- **Nipomo CSD** to raise water rates 9.5 percent a year for five years.
- **San Luis Obispo** OKs increase in water and sewer rates of 10 percent in 2011 and 9 percent in 2012.
- **Paso Robles** water rate increase will triple the rates by 2015.
- **Grover Beach** to raise water rates 15 percent in 2011 and 15 percent in 2012.

These challenges are paraphrased from articles published in last year's local newspapers. Each article goes on to explain that the increases are due to decline in water use and increased costs in Capital Replacement Projects to repair or replace aging infrastructure. In most cases, the lack of new development has also decreased the agency's revenue.

With all the increases, *How* do the other agencies rates compare to those of SMMWC and *Why* does it seem to be happening to every agency? The "how" answer is simple, the other agencies' rates are now almost equal to ours and may in the future exceed ours. The "why" is a more complex answer that is found in how SMMWC establishes its rate structure and will be discussed further in the Rate Change article that follows.

For 2012, the Board approved a 2 percent increase in the monthly Capital fee charge, a 4.77 percent increase in the overall base sewer charge and a modest revision to our older water usage rate structure by adding additional tiers. The new tiers will increase the total water charge by just over 1.0 percent for a small user while larger water users will see an increase of 9.2 percent. (Please see the Rate Change article for further explanations.)

In addition to the financial issues, the Board continues work on some very important operational issues for 2012 – Water Quality Issues, Water/Wastewater Treatment Plant operations and improvements, Water Supply, Aging Infrastructure and a host of others. We have made significant progress in addressing these issues and at the

same time proactively trying to be certain you are delivered superior services and products while being protected from regulatory issues (fines for water/wastewater quality violations, regulatory orders, etc.) that could wreak havoc in the future.

I would also like to thank our volunteer Board and our office and field staff for all their excellent work in 2011. I look forward to working with you all in 2012.

Sincerely,

Gerri Hall
President, SMMWC Board of Directors

Rate Changes for 2012

As mentioned in the previous article, the water rates for many local agencies are increasing rapidly and may soon surpass our SMMWC rates. These increases can be attributed to rising employee costs in the form of benefits and pensions, increased operational costs, aging infrastructure, stricter regulatory requirements and a decrease in revenue. The primary revenue source for many of these agencies is development fees or “hookup” fees. But as development has all but stopped, these agencies’ rate payers must now assume the revenue burden. This is the major difference in “why” SMMWC only modestly increases its rates.

SMMWC has never relied on development fees as a revenue source. SMMWC’s primary source of funding is from water and sewer services charged to its Residential, Commercial and Irrigation Shareholders/Customers. All of the revenue goes directly to the short term Operations and Maintenance (O&M) of our system as well as to long term Planning issues and Capital Replacement Projects (Reserves). The SMMWC Board of Directors sets your rates for these services annually based on adjustments to the Sewer Charges, Water Availability Charges, Water/Sewer Capital Replacement fee and the Water Usage rates. Every 5 years the SMMWC Board reviews the water usage rate structure/revenue model in order to maintain equality for each type of user group.

As a mutual water company each of the major customer groups; Residential, Commercial, and Irrigation, is slated to pay their fair share of the costs based on usage and impact on the SMMWC system. For example if residents as a group use half of the water supplied by the company, they should pay half of the cost. Similarly, if commercial generates one-third of the sewage they should pay one-third of the cost of providing sewer service. SMMWC rate structure reflects these goals.

The last time the rate structure/revenue model was reviewed was in 2007. As scheduled and in preparation of the 2012 budget, SMMWC staff reexamined the rate structure/revenue model and found that over the last two years the Residential user group decreased their usage, while the Commercial users increased their water usage. These changes in the usage patterns warranted the addition of new usage tiers to the 2012 rate structure/revenue model in order to maintain the balance of revenue vs. usage for each user group.

Rate Changes for 2012(continued)

Here are the new usage tiers and rates for 2012:

Gallons Used per month	Charge per 100 gallons
0 to 1500	\$ 0.000
1500 to 3500	\$ 0.400
3500 to 15000	\$ 0.965
15000 to 50000	\$ 0.975
50000 to 120000	\$ 0.985
Over 120000	\$ 1.078

As described in the President's message, the Board of Directors has approved, for 2012, a 6.0% increase to the base Sewer Rate, a 2.0 % increase to the Water/Sewer Capital fee, a 0.0% increase to the Water Availability Charge and the new tiered rates as described previously. For SMMWC we expect revenues in 2012(with the rate increase) to be increased by \$60,000.00. Overall Operations & Maintenance expenses and General & Administrative expenses have increased \$20,000.00. The remaining \$40,000.00 goes to paying for State Water and funding our State Water reserves. The nice return we usually got on our reserves put into CDs, is significantly reduced in today's financial climate and the money market rate is paltry. Overall, we expect to "break-even" for the year.

In 2012, for Residential customers the monthly Water Availability charge will be \$40.03 and the base Sewer charge will be \$46.10. These charges include a Water Capital Replacement fee of \$13.77 per month and a Sewer Capital Replacement fee of \$13.77 per month. For Commercial accounts, the Sewer charge will be \$46.10 per month per 3,000 gallons of wastewater.

For the average Residential customer, who uses 5,000 gals/mo, the water bill will increase \$2.56/mo. For Residential customers using 20,000 gals/mo, the water bill will increase \$17.91/mo. The sewer bill for all Residents will increase by \$2.10/mo.

For Commercial and Irrigation accounts, their Monthly Water Availability Charge is based on meter size. A copy of the 2011 rate schedule and budget can be obtained from Michelle in the company office.

Sodium and Chloride Levels Increasing

After the mid-2009 restriction of self regenerating water softeners, we immediately began to see a steady decrease of up to 50% in Sodium and Chloride levels in the effluent in the Wastewater Treatment Plant. **Unfortunately the levels have steadily increased in each of the last six months of testing. This means some residents have reinstalled self regenerating water softeners.** SMMWC Board will now have to reinstate the surcharge and inspection programs until these units are removed. If you are uncertain if your type of unit is restricted, please call our office @ 805-595-2348 for further information.

SMMWC Information

Many of our Shareholders/Customers do not realize that our offices are located at 6680 Bay Laurel Place, next to Blue Heron Realty. Customers can deliver their payments to our office or place them in the SMMWC drop box located next to the mail boxes across from Mallard Green. SMMWC also offers the convenience of an auto debit payment program. This method of payment allows SMMWC to directly debit bill payments from your checking account on the 15th of each month without the worry of getting charged late fees. Please inquire at our office for more information.

Capital Projects for 2012

This year our larger projects include the replacement of aging water booster pumps and Lift Station pumps. The relocation of the power supply to our lift station at the Golf Course is also scheduled. We are also starting the beginning phase of installing telemetry controls to report on real time conditions at all our Lift Stations, Booster Stations, Tanks and Treatment Facilities. This will allow us to run our equipment during off peak hours and at a lower kilowatt/hour rate.



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