

County Service Area 44 Zones E & G

Community Meeting

State of District's Finances

San Joaquin County
Department of Public Works

February 3, 2020



SAN JOAQUIN
— COUNTY —
Greatness grows here.



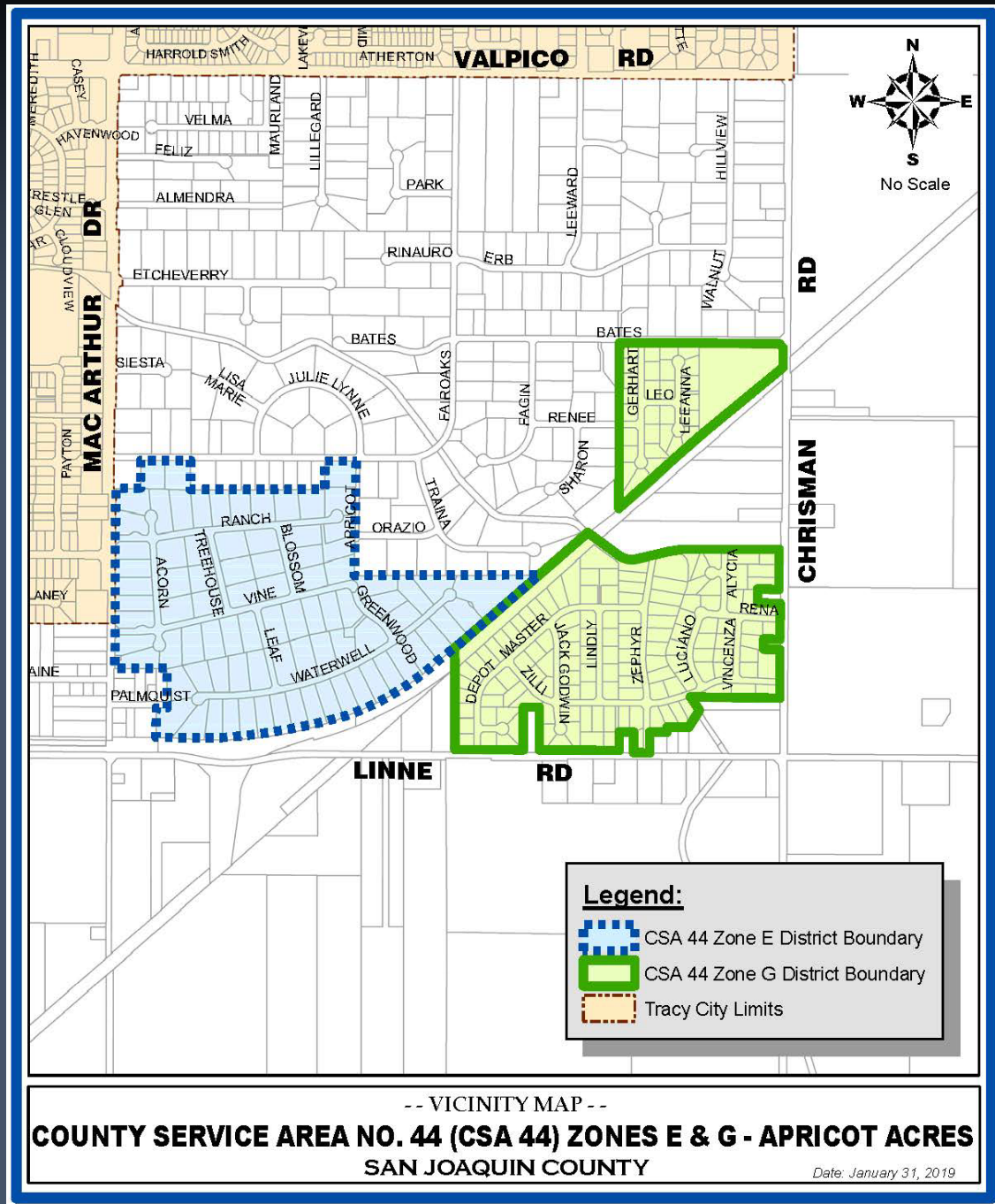
Agenda

- Introductions & Meeting Purpose
- Department, District and Zone E & G Overviews
- Financial Situation
 - Income
 - Cost Drivers
 - Financial Status
- Challenges
- Proposed Rates
- Next Steps

San Joaquin County Public Works Department CSA 44

- Operates, maintains and administers water, sewer, storm drainage and streetlight services for over 100 special districts
- Generally required by law to be self-supporting from customer service charges

- CSA 44 Zone E provides wastewater service to 91 SFEs
- CSA 44 Zone G provides wastewater service to 148 SFEs



CSA 44 Timeline

YEAR	ACTIVITY
1989	County Service Area 44 formed to provide drinking water.
2004	Formed Zones E & G for sewer, storm drainage and street lighting (Zone G only) services for Castello Estates and Linne Estates.
2004	Developer constructed wastewater treatment plants in each zone.
2005	County took over service per agreement with developer. County, along with consultant assistance, assumed operations and maintenance.

CSA 44 Timeline

YEAR	ACTIVITY
2008	County assumed full operations and maintenance services, and soon afterward discovered system and permit compliance issues.
2010	<ul style="list-style-type: none"><li data-bbox="426 582 1418 694">• Finalized/approved consultant's technical analysis/corrective action plan.<li data-bbox="426 711 1792 882">• Board of Supervisors approved \$1.65 million in short-term bridge loans to cover emergency system improvement conditions.<li data-bbox="426 899 1673 1071">• Property owners successfully opposed sewer rate increases proposed to cover loan repayment, leaving County with no loan repayment mechanism.<li data-bbox="426 1088 1750 1325">• Property owners were opposed to loan repayment since County had accepted treatment plants with design inadequacies (felt County should repay loans itself) and sewer rates would have been too burdensome.

CSA 44 Timeline

YEAR	ACTIVITY
2011	Supervisors authorized \$664,000 Special District Settlement Fund loan with repayment plan.
2011	Due to failed 2010 sewer rate process: <ul style="list-style-type: none"><li data-bbox="421 686 1731 793">• treatment plant operation/maintenance costs incurring deficit.<li data-bbox="421 811 1280 861">• loan repayment has not transpired.<li data-bbox="421 878 1769 928">• adjustment factor not in place to cover inflationary costs.
2019	Zones E & G fund balances at negative \$505,760 and \$411,196, respectively as of June 30, 2019.

CSA 44 Timeline

YEAR	ACTIVITY
2020	<ul style="list-style-type: none"> • County conducts property owners outreach. • County staff to propose rate increase to Supervisors in accordance with Proposition 218 requirements.
February 25, 2020	<p>Staff to recommend to Supervisors:</p> <ul style="list-style-type: none"> • Declare intention to increase sewer rates. • Waive repayment of General Fund loan (\$1.1 million) • Approve engineer's report. • Authorize repayment of Special District Settlement Fund loan by County General Fund (\$760k)
April 21, 2020	Proposed public hearing date at 9 a.m. to receive rate increase testimony.
FY 2021/22 thru 2025/26	Five year annual adjustment factor for inflation (not to exceed 5%)

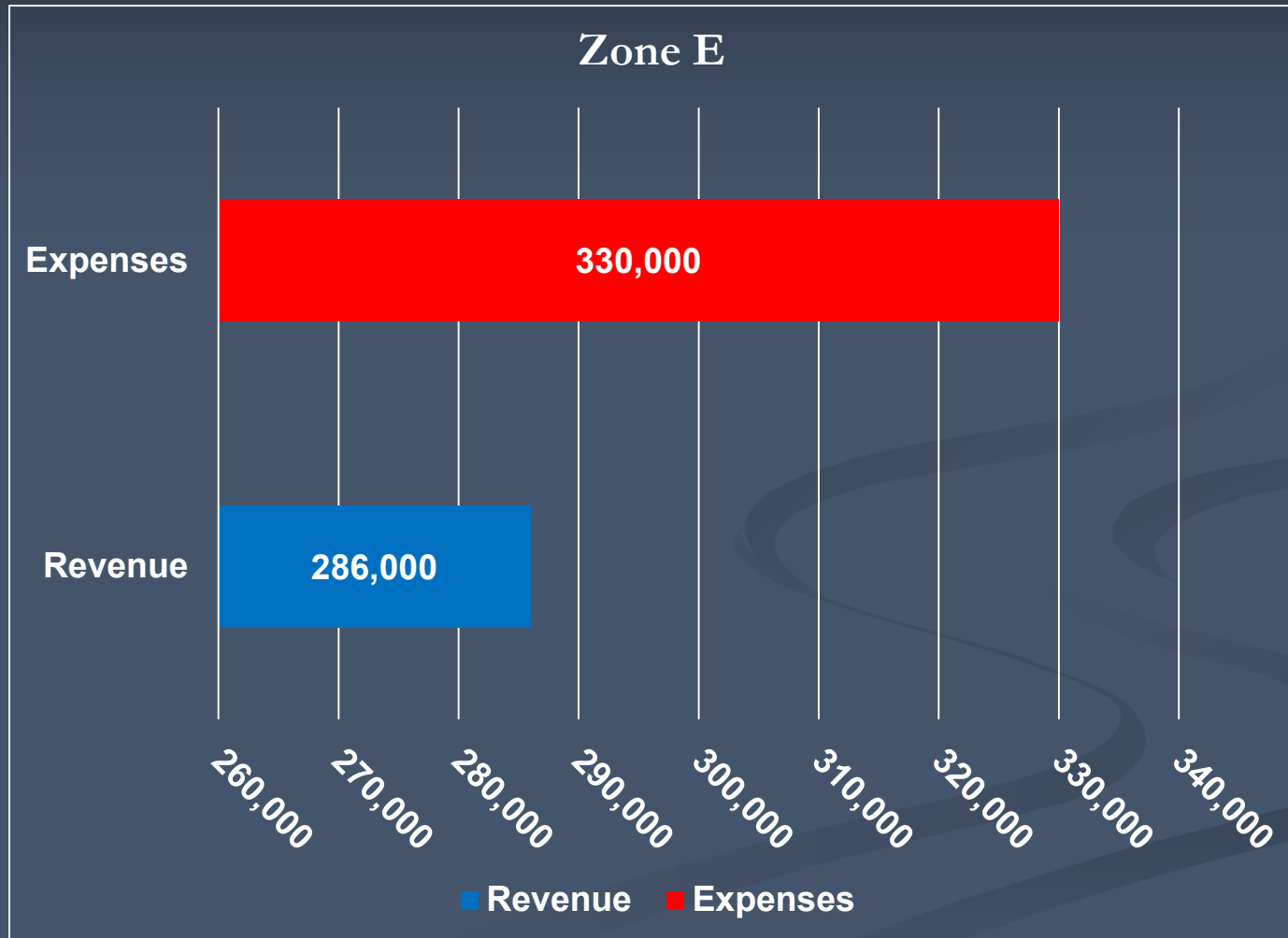
Current Rates

- CSA 44 Zone E is \$1,820
 - \$151.67/month
- CSA 44 Zone G is \$1,461
 - \$121.75/month
- Paid annually on property tax bill
- Most recent rate increase 2007-2008 (5% increase)

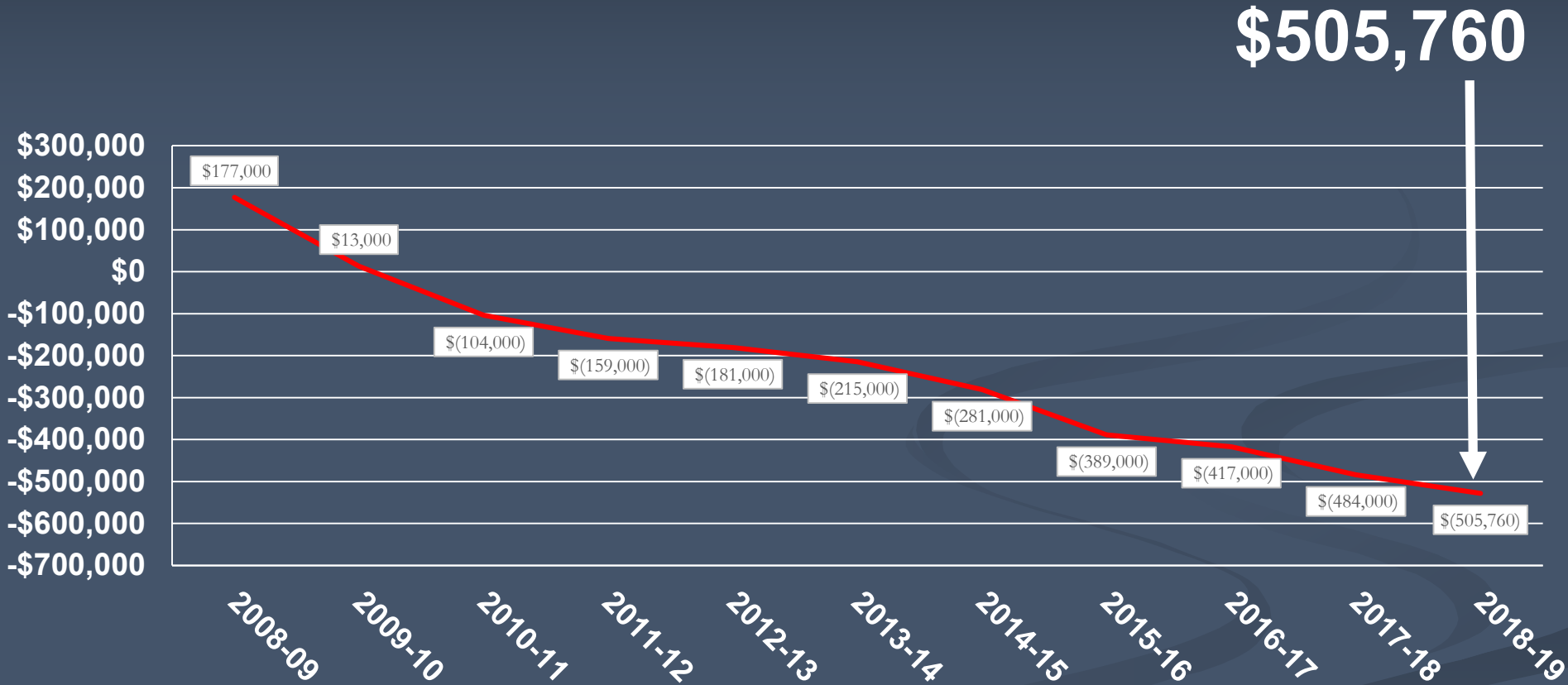
What Your Rates Pay For

- Operation and maintenance of the system
- Sewer system costs:
 - Equipment maintenance and repair/replacement
 - Labor/staff costs to operate the system
 - Billing and administrative costs

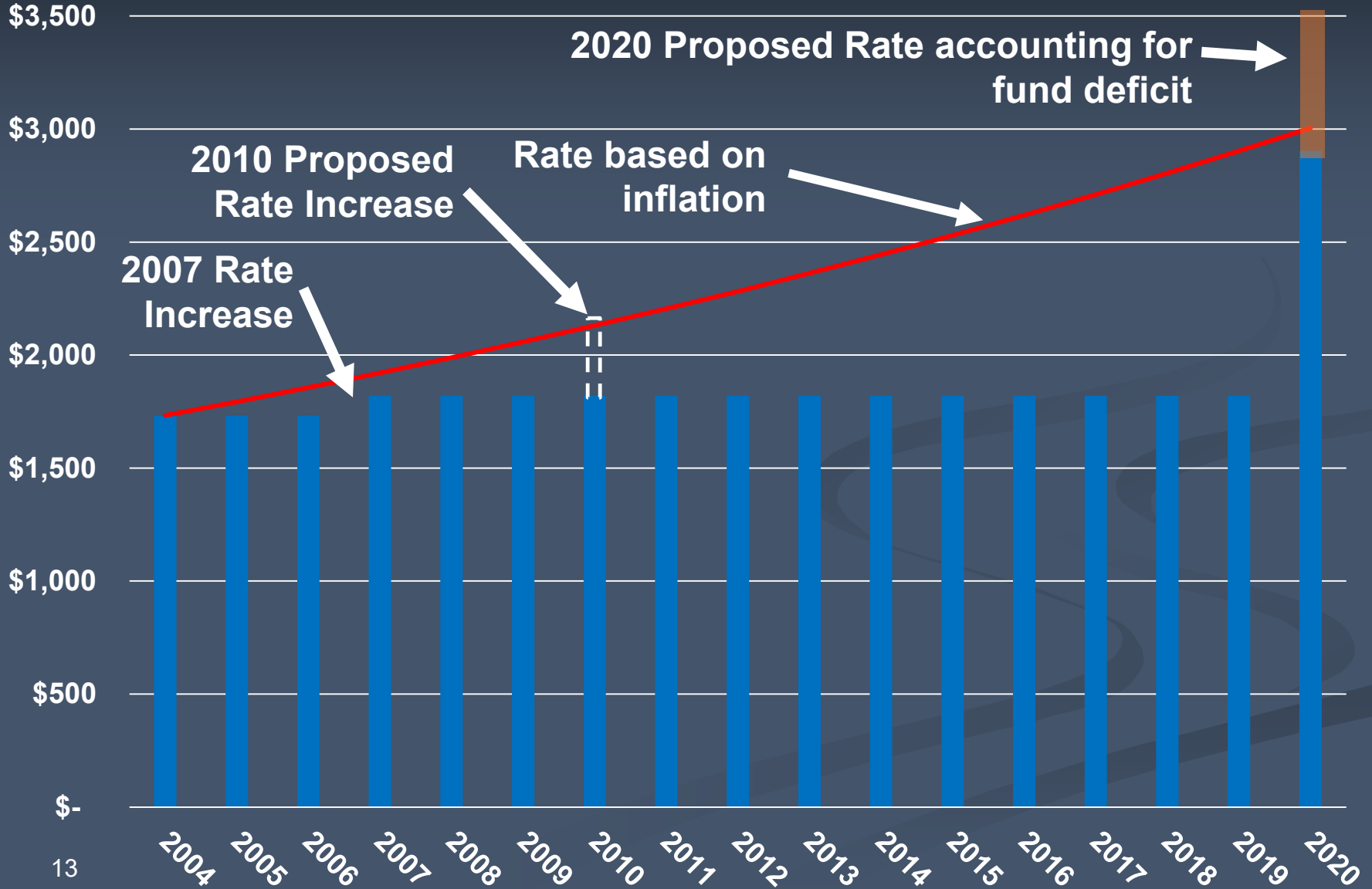
Average Revenue vs. Expenses



CSA 44 Sewer Financial Status: Zone E Fund Balance History



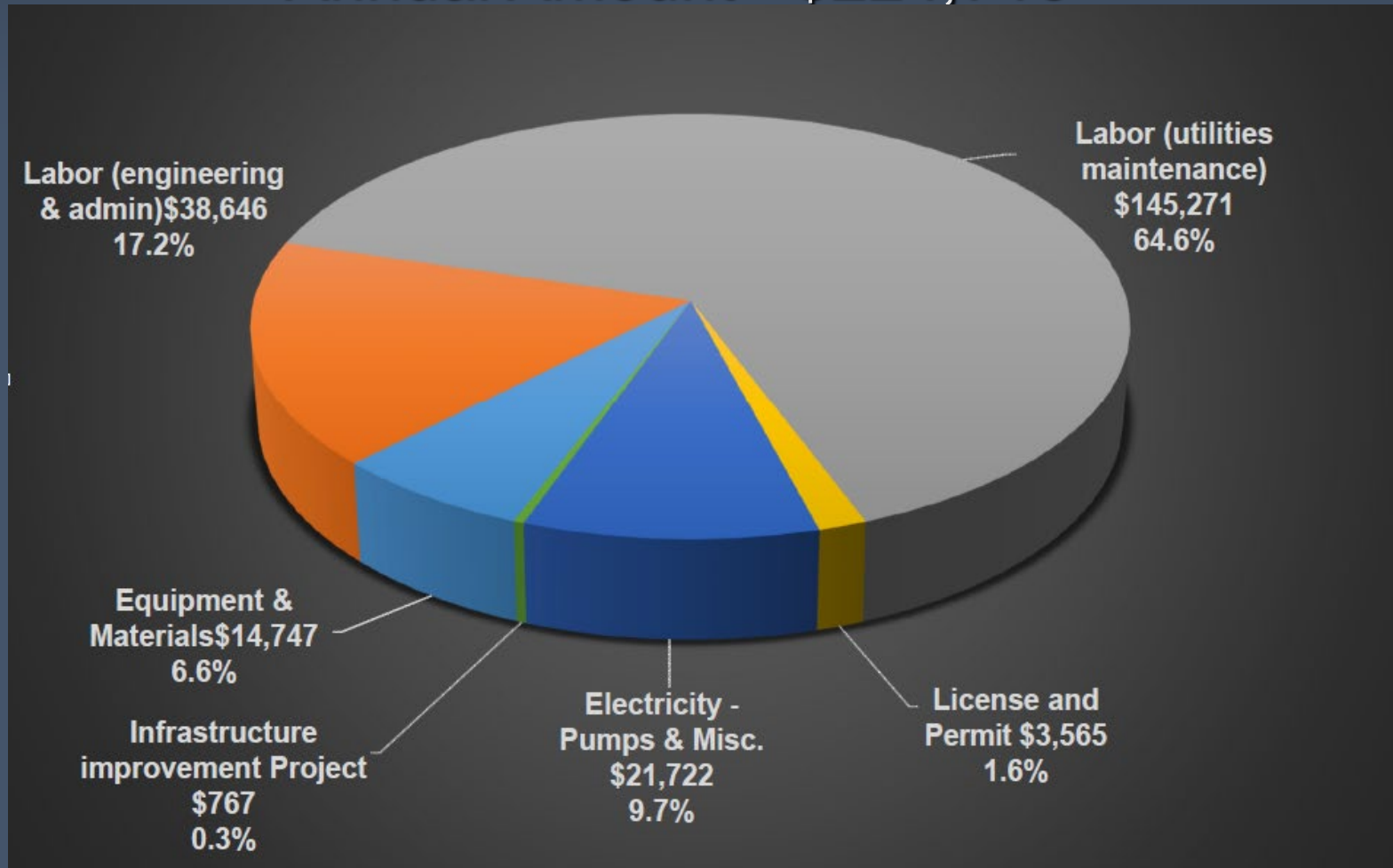
CSA 44 Zone E Proposed Rates vs. Rates Based on Inflation



CSA 44 Zone E

2018-19 Annual Sanitary Sewer Operating Expenses

Annual Amount - \$224,718

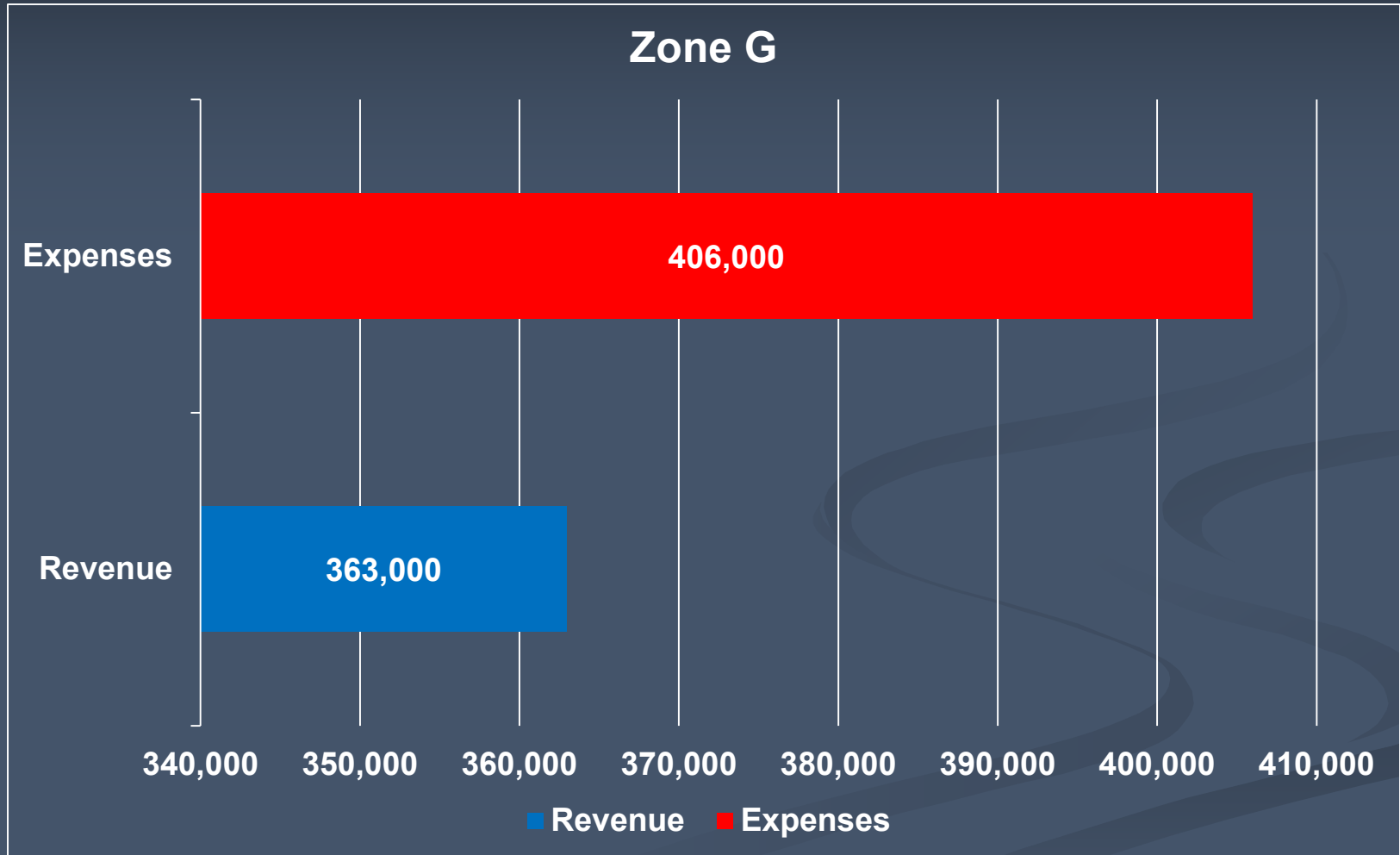


Proposed Rates CSA 44 Zone E

- Covers annual operations and adds an annual contribution for capital reserves and gradually pays down the negative fund balance
- Rate will be adjustable for inflation each year, not to exceed 5% for 5 years

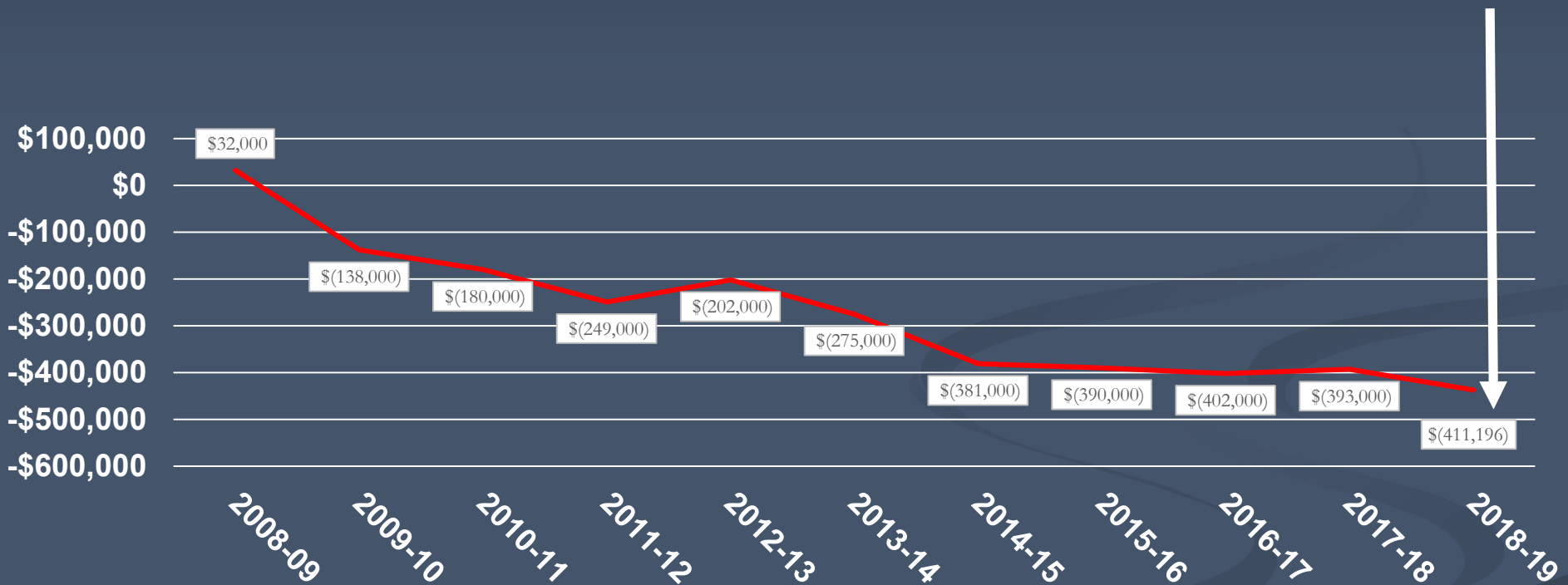
	CURRENT	PROPOSED
CSA 44 Zone E	\$1,820	\$3,520

Average Revenue vs. Expenses

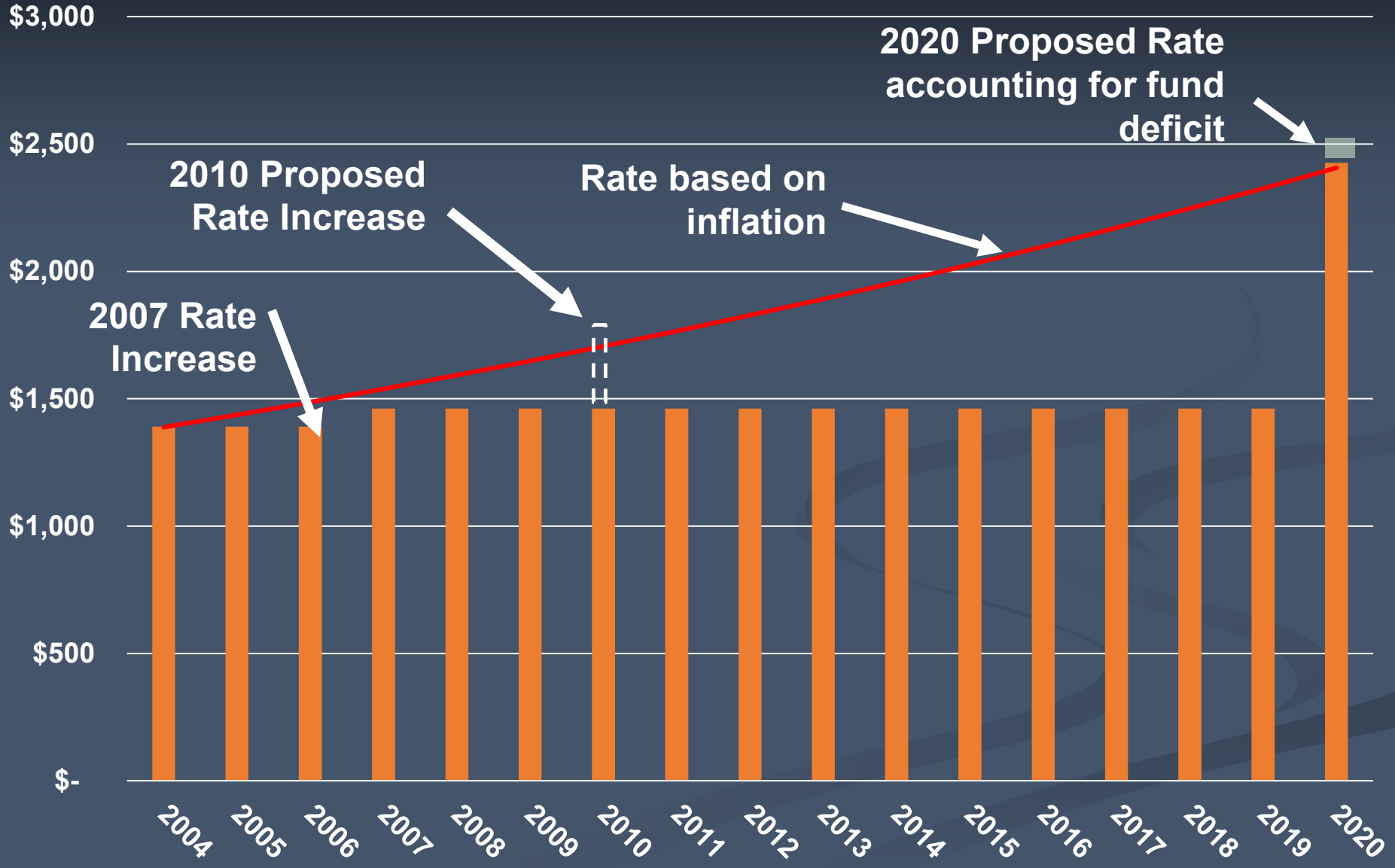


CSA 44 Sewer Financial Status: Zone G Fund Balance History

\$411,196



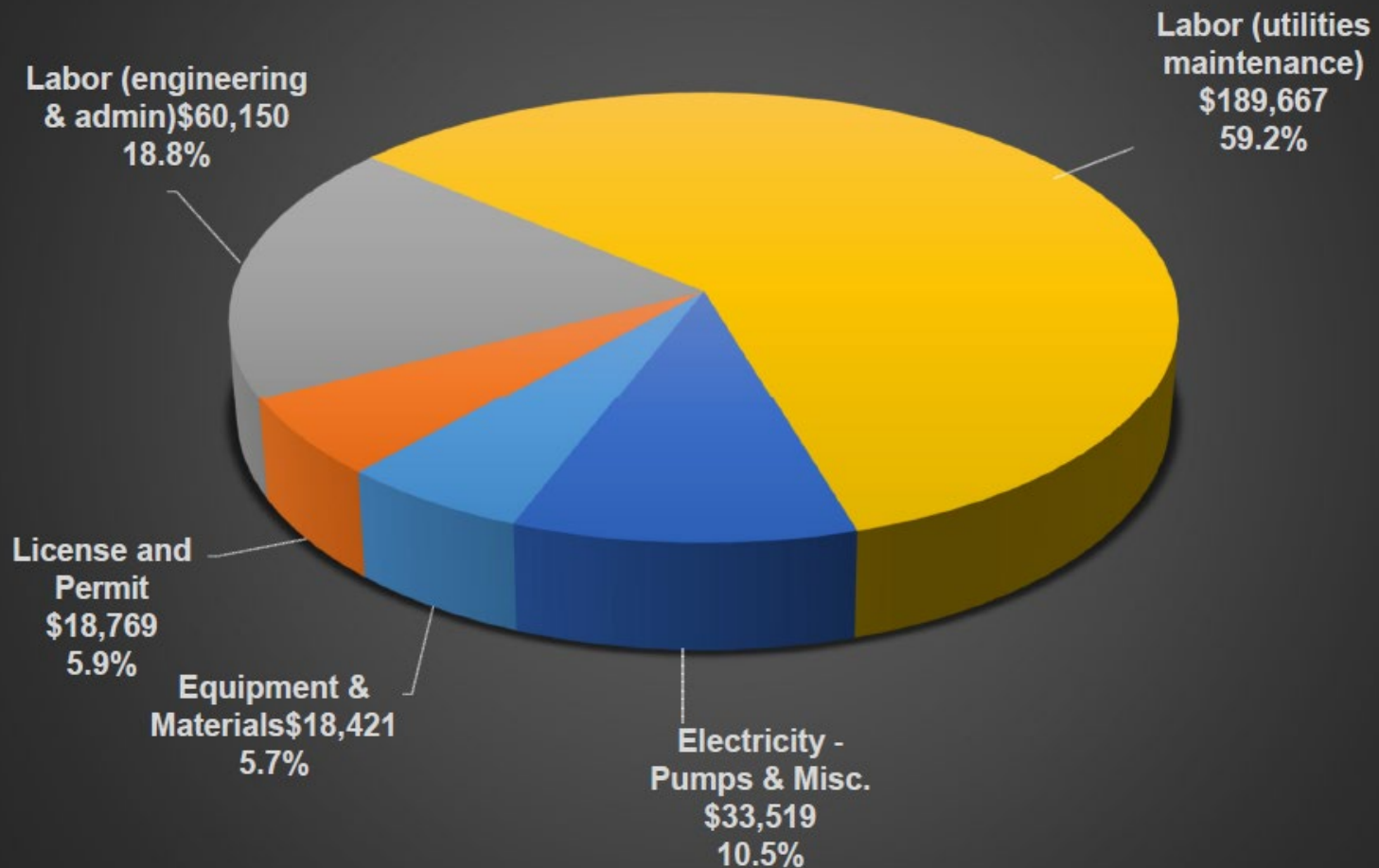
CSA 44 Zone G Proposed Rates vs. Rates Based on Inflation



CSA 44 Zone G

2018-19 Annual Sanitary Sewer Operating Expenses

Annual Amount - \$320,526



Proposed Rates CSA 44 Zone G

- Covers annual operations and adds an annual contribution for capital reserves and pays down the negative fund balance
- Rate will be adjustable for inflation each year not to exceed 5% for 5 years

	CURRENT	PROPOSED
CSA 44 Zone G	\$1,461	\$2,736

CSA 44 Zones E & G Challenges

- Must receive sufficient revenue to ensure proper wastewater system operation, maintenance and replacement reserves
- 13 years since last rate adjustment, one in 16 years of existence
- County is unable to subsidize or pay for operating costs

If Rates Are Not Approved

Without sufficient revenue, County will need to implement cost saving measures

- County may not forgive the loan debt
- Rates will need to be even higher
- Reduction of after-hours and weekend service calls
- Reduction of regular system maintenance
- Postponement of equipment replacement
- Reduced service levels could possibly lead to operational issues, potentially resulting in privatization or State receivership

Next Steps

- **Tonight**
 - **Answer questions**
 - **Discuss solutions**
- **Questions? Call or email:**
 - **Public Outreach Coordinator,
Lucy Crocker – (916) 715-1165
lucy@lucycompanypr.com**

Q & A

- Objective: To ensure everyone has an equal opportunity to speak and be heard
- Please wait for facilitator to call on you
- Please raise your hand and stand to ask questions
- No more than two questions/comments per person each turn
- Please speak for yourself and not others
- Once an issue/concern is answered, meeting will progress in a forward fashion