

LOS MOLINOS COMMUNITY SERVICES DISTRICT

Proposition 218 Notification Notice of Public Hearing Proposed Water Rate Increase

Public Workshop Date and Time: 7:00 P.M., JULY 1, 2025

Hearing Date and Time: 7:00 P.M., AUGUST 13, 2025

Hearing and Public Workshop Location: LOS MOLINOS VETERAN'S MEMORIAL HALL- 7980 SHERWOOD BLVD

The Los Molinos Community Services District (LMCSD) is proposing a five-year water rate adjustment schedule for all residential and commercial customers. The increases are necessary to ensure that LMCSD has sufficient revenues to pay the ongoing operational and maintenance costs for operating the water system to serve a safe and reliable supply of potable water to LMCSD customers. You are receiving this notice in compliance with Proposition 218, which requires LMCSD to inform property owners and tenants that a proposed rate increase is being considered; the amount of the proposed rate adjustment; the basis on which the rates are calculated; and the reasons for the adjustment. If you have any questions in regard to this notice, please contact District staff by email lmcsd01@gmail.com, or call 530-384-2737.

ABOUT LOS MOLINOS COMMUNITY SERVICES DISTRICT

LMCSD was formed in 1994 and started delivering water in 1995. LMCSD serves treated drinking water to a population of approximately 1,450, comprised of residential and commercial customers, through 402 connections. LMCSD is governed by a five-member Board of Directors. Each Director lives in the District and is elected by the voters to serve four-year staggered terms.

REASON AND BASIS FOR THE PROPOSED RATE ADJUSTMENT

LMCSD has not increased its water rates since it started delivering water in 1995. Over this thirty-year period, the cost of providing water service to LMCSD's customers has increased exponentially and the original water rates no longer cover even the basic operating and maintenance costs of the water system. The result of not increasing rates is that LMCSD has been operating at a deficit for many years and using increasing amounts of its financial reserves to subsidize rates. The consequence of operating at a loss is that the District has limited financial ability to deal with emergencies and to operate a capital replacement program to keep up with water system repairs and replacements. District expenses have increased significantly -- for example, since 2004-2005, PG&E costs have increased approximately 228%, water testing 334%, labor 174%, postage 164%, and insurance 50%.

LMCSD has conducted a comprehensive line-by-line review of LMCSD's budgetary expenditures to maximize available resources and reduce operational costs to a minimum. To date, LMCSD maintains a shared labor force with the Los Molinos Mutual Water Company and the City of Tehama, has reduced front office staff to a four-day workweek, deferred the replacement of the District's water meters, and reduced the District's annual replacement reserves and operating reserves to a minimum. Despite these cost cutting measures, LMCSD suffered operating losses in Fiscal Year 2022 and 2023 in the amounts of \$83,612 and \$56,380. Historically, operating losses have been covered by LMCSD's reserves, which has led to an unsustainable decrease in the District's cash reserves. If the trend is not reversed, LMCSD will run out of reserves by 2027 and will no longer be able to serve safe, reliable water to its customers.

Through grant funding provided by the California State Water Resources Control Board, LMCSO commissioned a 2025 Comprehensive Water Rate Study (Rate Study), which provides a detailed review of LMCSO's costs to serve its customers, and the rates needed to support providing safe, high-quality, and reliable water service. The Rate Study, prepared by a qualified, independent non-profit rate consultant, Rural Community Assistance Corporation, includes an in-depth look at current and projected revenues, operation and maintenance costs, capital spending, and reserves of LMCSO.

The Rate Study found that LMCSO's current water rate revenues are insufficient to cover the cost of providing service to District customers. But LMCSO is required by state law to collect revenues sufficient to fund current and future costs of operating, maintaining and administering the water system, including capital improvements and infrastructure replacement program. These revenues allow the LMCSO to protect public health and safety and reliably deliver clean, safe drinking water to all connections. The cost of service includes, but is not limited to, staffing and administration, the operation and maintenance of the LMCSO's water system, and the ongoing repair and replacement of infrastructure. To fully recover operating costs and fund capital replacement reserves, the Rate Study determined that a rate adjustment is necessary. The LMCSO Board of Directors has reviewed the Rate Study and is proposing to adopt Option #4. Option #4 allocates meter base rates according to historic usage and uses an alternative fixed vs. variable allocation based on the concept that capital assets (pumps, valves, pipelines, etc.) are sized above average daily demand of existing customers and that the extra capacity should be assigned to variable costs. A copy of the Rate Study is available for review by the public at the LMCSO office at 25162 Josephine Street, Los Molinos and on LMCSO's website: <https://www.losmolinoscsd.com>.

PROPOSED MONTHLY RATE SCHEDULE

The proposed rate schedule is based on the Rate Study Option #4, which is described below. The water rate schedule is based on a cost-of-service analysis that includes fixed costs to cover non-consumption related expenses such as customer service and billing, operation and maintenance of the water system, and fund capital replacement reserves. This fixed cost, also called a base rate, is the same every month, regardless of consumption. The base rate a customer pays is determined by the size of the water meter. Variable costs, which are a function of the quantity of water consumed, are included in the usage rate.

Water rates are proposed to be adjusted beginning SEPTEMBER 1, 2025, and on the anniversary date of the initial increase in each of the subsequent four years. The final adjustment under this rate schedule will occur on SEPTEMBER 1, 2029.

Rate Study Option #4 Monthly Base Rates						
Meter Size	Current Rate	1st Year Rate	2 nd Year Rate	3 rd Year Rate	4 th Year Rate	5 th Year Rate
5/8"	\$ 14.00	\$ 32.00	\$32.85	\$33.73	\$34.63	\$35.56
2"	\$ 14.00	\$ 153.92	\$ 158.03	\$ 162.25	\$ 166.58	\$ 171.03
6"	\$ 14.00	\$ 918.72	\$ 943.25	\$ 968.43	\$ 994.29	\$ 1020.24
6" Fire Service	\$10.00	\$23.42	\$24.06	\$24.70	\$25.36	\$26.03
Rate Study Option #4 Usage Rates						
1 st 1100 CF	0	\$1.35/CCF	\$1.39/CCF	\$1.42CCF	\$1.46CCF	\$1.50CCF
Next 1400 CF	.50 /CCF	\$1.35/CCF	\$1.39/CCF	\$1.42CCF	\$1.46CCF	\$1.50CCF
Over 2500 CF	.75/CCF	\$1.35/CCF	\$1.39/CCF	\$1.42CCF	\$1.46CCF	\$1.50CCF

CF=Cubic Feet CCF=100 Cubic Feet

It is important to note that LMCS D’s existing water rates are by far the lowest in the area. Even with the proposed increase in rates, LMCS D’s rates would be well within the range of other local purveyors’ current water rates.

LMCS D WATER RATE COMPARISON

Monthly Water Rates for Single Family Homes			
Local Agency	Effective Date of Rate	Base Water Rate Charge	Water Charge Per CCF
LMCS D Current Rate	February 15, 1995	\$14.00	\$0 up to 1100 CCF
LMCS D Proposed Rate	September 1, 2025	\$32.00	\$1.35/ CCF
Municipality of Durham	January 1, 2025	\$22.81	\$3.85/CCF
City of Redding	January 1, 2025	\$29.72	\$2.00/CCF
Gerber Los Flores CSD	September 22, 2022	\$34.00	\$1.00/CCF
City of Shasta Lake	July 1, 2024	\$44.29	\$2.85/CCF
Clear Creek CSD	July 1, 2024	\$69.01	\$.54/CCF
City of Tehama Proposed Rate	July 1, 2025	\$44.15	\$.63/1000G

PUBLIC WORKSHOP

All property owners, customers of record, and other interested parties are invited to attend the public workshop at 7:00 P.M., JULY 1, 2025, at the Los Molinos Veteran’s Memorial Hall. At the workshop, District staff and the Board of Directors will hear and address public comments and Rural Community Assistance Corporation, the independent non-profit rate consultant, will provide a presentation on the proposed water rate increase. Please attend if you would like to learn more about the proposed water rate increase.

PROPOSITION 218 PUBLIC HEARING PROCEDURE

All property owners, customers of record, and other interested parties are invited to attend the hearing and present written and/or oral comments. Under the majority protest process, any property owner or customer of record (if different than the property owner) may submit a written protest to the proposed increases. However, only one protest will be counted per identified parcel. If protests are filed on behalf of a majority of the parcels subject to the rates, LMCS D cannot adopt the proposed rates. A majority means 50% plus one of all parcels subject to the proposed rates.

Every written protest MUST include ALL of the following to be counted:

1. A statement protesting the proposed charge that is the subject of the hearing;
2. Name of the record owner or customer of record who is submitting the protest;
3. Identification of assessor’s parcel number, street address, or account number of the parcel with respect to which the protest is made; and
4. Original signature and legibly printed name of the record owner or customer of record who is submitting the protest.

Valid written protests must be received by LMCSO prior to the conclusion of the public comment portion of the Public Hearing on AUGUST 13, 2025. (Postmark dates will not be accepted.) Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to LMCSO, that the enclosed protest is for the Public Hearing on the Proposed Water Rate Increases. Oral comments at the Public Hearing will not qualify as a formal protest unless accompanied by a timely-submitted written protest.

Written protests may be submitted ONLY by:

1. Mail to the District, P.O. Box 9, Los Molinos, CA 96055;
2. In-person delivery to 25162 Josephine St., Los Molinos CA 96055 during published business hours; or
3. In-person at the public hearing, prior to the conclusion of the public hearing.

LMCSO will hold the Public Hearing on AUGUST 13, 2025, at 7:00 p.m. at LOS MOLINOS VETERAN'S MEMORIAL HALL- 7980 SHERWOOD BLVD. The Board will receive a presentation on the rates from the General Manager and rate consultant and review the amount of the rates and the methodology for calculating the proposed rates. The Board then will receive any oral public comments regarding the rate study and proposed rates. At the conclusion of the hearing, protests will be counted and validated. Members of the public may observe the tabulation of protests. All protest forms submitted are public records and must be maintained by LMCSO for two years. If protests are filed on behalf of a majority of the parcels subject to the rates before the end of the Public Hearing, LMCSO cannot adopt the proposed rates. If a majority of the parcels do not protest the proposed increase, LMCSO has the authority to adopt the proposed rates at the proposed amount or any lower rates the Board may authorize. The first-year rate change, if enacted, will go into effect on SEPTEMBER 1, 2025.

Pursuant to California Government Code 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended rate or charge adopted, modified, or amended by the Board of Directors pursuant to this notice.