



Prop 218 Water and Sewer Rate Changes - Questions and Answers:

Also see: <https://ocsd.specialdistrict.org/water-wastewater-rate-increase-information>

1. Why are commercial water rates going down in the first year?

To establish the cost basis of the meter charge we need to use the unit costs from the cost-of-service analysis. This is on a meter basis, not a class (res vs. comm) basis. The cost of service showed that the base (5/8X3/4) is \$84.90 and then increases based on meter size for larger meters. This results in a slight decrease for commercial fixed charges in FY 25/26 as we “reset” the base rate, while volumetric consumption charges increase.

2. Is there a form for the 218 protest ?

There is no form, you can simply write “I protest the proposed sewer or water rate increase” with your service address.

3. I request more detailed information regarding the specific capital improvement projects that necessitate these rate increases for both the water and wastewater systems. Understanding the scope, timeline, and expected costs of these projects will help residents assess the urgency and necessity of these adjustments. Furthermore, I would like to know if the District has thoroughly explored all available alternative funding sources, such as state or federal grants and low-interest loans, to potentially offset the financial impact on ratepayers.

- Wastewater CIP List:

<https://www.oceanocsd.org/files/2353cd9af/6B+May+2025+Draft+OCSD+Sanitary+Sewer+CIP+Summary.pdf>

- Water CIP List: https://www.oceanocsd.org/files/488b8d56a/OCSD_PER_Draft-USDA+Prepared+March+2025+R3.pdf

- For both Water and Wastewater, the rate analysis assumes no debt issuance in the first 5 years, strong reliance on continuing to seek outside grant funding (60%?) for capital improvements while better preparing for local control and rate funded capital (40% of CIP costs?).
4. I would appreciate more clarity on how new construction and development within the Oceano CSD area are factored into the demand for and the costs of our water and wastewater services. Understanding the relationship between growth and infrastructure needs is crucial for a fair and equitable rate structure.
- The Water and Wastewater Rate Studies cover the construction and new development in Oceano CSD. New construction is relatively low in Oceano, aside from remodeling and ADU additions. New demand for water is included since new rate payers will pay connection fees, base fees and usage fees and OCSD's available water portfolio exceeds anticipated demand.
 - Wastewater Rate Study:
<https://www.oceanocsd.org/files/52ae47278/Oceano+CSD+-+Sewer+Draft+Report+Report.pdf>
 - Water Rate Study Page 14:
<https://www.oceanocsd.org/files/e443ba365/2025+OCSD+Water+Rate+Analysis.pdf>
5. Can residents of the mobile home parks write letters since we receive water from OCSD but do not pay directly to OCSD?

Yes, a property owner and tenant are both eligible to protest, but only one protest will count per parcel.

6. How much reserves will this give the District?
- The Water and Wastewater Rate Studies cover funding reserves. Reserves have been falling for wastewater and need to be replenished, while reserves have stabilized for the water utility. Reserves are needed for emergencies, funding capital improvements, and developing a minimum reserve policy in the event of catastrophes like wildfire or earthquake.
 - Wastewater Rate Study page 38:
<https://www.oceanocsd.org/files/52ae47278/Oceano+CSD+-+Sewer+Draft+Report+Report.pdf>
 - Water Rate Study Page 15:
<https://www.oceanocsd.org/files/e443ba365/2025+OCSD+Water+Rate+Analysis.pdf>

7. Programs for low-income customers?

- We do not have programs for low-income customers because our utilities are based on the cost of service. PG&E is an investor-owned, for-profit electric utility and has the capacity to offer discounts, whereas OCSD is required to provide wastewater conveyance and drinking water at the cost of service to customers. To offer discounts, and absent discretionary general fund revenue that some cities have, some customers would have to subsidize others, which is not permitted by law.

8. California Taxes are already allocated to improve water quality and infrastructure (why do I have to pay OCSD for water service)?

The District has received both Prop 1 and Prop 84 grants from the State of CA for CIP projects and will be seeking Prop 4 funds when available. However, competitive grants, bond measures, etc. do not provide for the operation of local utilities.

9. Could the rates be lower than the proposal?

Prop 218 allows the Board to adopt lower rate increases but not raise them higher than the rates identified in the notice mailed to customers. If reserves are raised in prudent amounts and not being used to fund operations and maintenance, and construction costs and deferred maintenance level off, the Board may be in a better position in 5 years to consider holding rates lower or consider only slight increases.

10. Could the District explore other avenues of revenue generation?

The Wastewater and water rates studies provide “Outside Funding” which include grants, system connection fees (paid by new development), loans for equipment and revenue bonds. Our primary revenue source will always be ratepayers providing for the cost of the services they receive. However, the District has a strong track record and robust plans to continue to rely on being successful in seeking competitive grants to keep rates as low as possible and is exploring excess water transfers during the coming 5 year period to further offset future rate increases and recoup costs to date. Lastly, we cannot rely on competitive grants to fund CIP and operations because grants are not a reliable source of revenue and are often denied since funding agencies receive many more application requests than funds available.

11. Could OCSD lower operational costs?

Operations costs are already as low as possible with a lean crew of 4 utility workers for a District serving 7,500 residents. However, with such a small staff, who do things like meter reading and water sampling manually, the District is increasingly needing outside contractors to perform O/M work. This rate structure proposed a minor increase in staffing by adding one FTE to the Utility Division. This has the potential to decrease overall operating costs by bringing in more work in-house and decreasing the use of contractors.

12. Why are they being proposed for 5 years?

Both rate studies look at 10 years of operational, labor, capital and wholesale water needs. Five-year forecasts are beneficial because they enable the Board to account for anticipated costs over a longer period and allow time to restore depleted operational and emergency reserves. It is possible to do shorter periods, 2-3 years, but that has added costs in terms of updating rate studies, staff/labor estimates and more regularly revisiting, analyzing and changing rate structures, which can make rates higher and less stable over time.

13. Are farms and hotels paying for their share?

Yes, all District rate payers (commercial, industrial, residential, etc.) pay base fees and volumetric charges, and for the first time the District is accounting for volumetric charges in the wastewater utility. A two-tiered rate structure further provides for fair share contributions since increased demand increases District need to use State water, which is more expensive than local sources, although costs of Lopez water are anticipated to grow faster than State water in the rate period. Lastly, because of tiered and volumetric rate structures, customers looking to minimize water and sewer expenditures are incentivized to do so through conservation.

Most farms and agricultural businesses in the area are not OCSD customers and use groundwater.

14. Could you reduce your costs by not sending out all these mailers?

No, the notices are legally required by Prop 218, and the cost of the mailers is minimal.