



CAMBRIA COMMUNITY SERVICES DISTRICT

P.O. Box 65 • Cambria, CA 93428 • Telephone: (805) 927-6223 • Fax: (805) 927-5584

September 10, 2007

Dear Cambria Property Owner and Tenant Customer:

The Cambria Community Services District's (CCSD) Water and Wastewater treatment plants, transmission lines, collection systems, storage tanks, and other facilities are owned and operated by you and all the rate payers who live in Cambria. The CCSD Board of Directors is elected by the ratepayers to oversee the operations and maintenance of the utility systems and plan for future needs like the on-going search for an alternative water supply. To this end the Board embarked on a Long-Term Financial Management Plan and as a result is now proposing a significant rate increase for Cambria residents.

You will learn as you read this entire letter and attached notice that you will have the opportunity to express your feelings about the rate increase. To assist you in making that judgment we have attached information, which fully explains each aspect of the proposed changes and provides examples of how the changes will affect you personally. We hope you will take the time to carefully review this printed material and then attend a public information meeting to get your questions answered before you make your personal decision.

First here are the reasons WHY we have decided to request a rate increase for everyone at this time:

- Best business practices for public utilities require that it maintain a balance between rate income and expenditures. For a variety of reasons the CCSD has not been in compliance with this practice for some time.
- Without a reasonable balance between revenue and expenditures the CCSD will have difficulty obtaining funding from the bond market for its capital improvements (such as new water supply), as one of the requirements for approval is an unequivocal balance between revenue and expenditures.
- A major reason for the imbalance is that the CCSD has chosen not to increase rates to adequately cover costs for a number of years and has relied rather on using General Fund reserves to make up the shortfalls.
- During the Long-Term Financial Management Plan study the need became abundantly clear that the CCSD must do something it has never done and that is to maintain at least a 60-day working capital account (equaling 60 days of operating expenses), which is a requirement of existing bond covenants.
- Additional revenue through a rate increase will enable a more systematic approach to planning for important Capital Improvement Projects from resolving water storage deficiencies for firefighting to bringing in an alternative water source.

- Periodic maintenance of the existing facilities in advance of costly breaks in pipelines for example require a depreciation fund set aside for those contingencies rather than hoping cash will be available when the need arises as we do now.

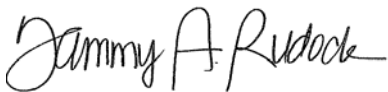
What Changes Ratepayers Can Expect

A bi-monthly bill that clearly specifies your costs based on the following:

- Your designation as one of three classes of customers/ratepayers.
- The size of your water meter and your consumption. These changes should eliminate any need for future water conservation surcharge actions.
- An amount based on your customer classification, and proportioned per EDU allocation for commercial and lodging customers, to partly fund the Buildout Reduction Program (BRP). This Program is designed to manage growth to ensure an adequate water supply for the Board-approved cap of 4,650 residential connections through the retirement and conservation of vacant lots. We are proposing only a partial fee (50%) for the BRP through June 30, 2008, which is sufficient to fund the Program's planned activities during that time period. Effective July 1, 2009, the full fee recommended by the Citizens Finance Committee for the BRP will be implemented.
- An increased level of confidence that there is a balanced budget for all utility functions with specified funding for an approved list of capital improvement projects and a depreciation fund for continued systematic replacement and maintenance of the utility infrastructure.

We encourage your active involvement in the important decisions to be made by the CCSD Board of Directors concerning the proposed rate increases at the scheduled public hearing on Thursday, October 25, 2007, at 12:30 p.m. Additionally, the proposed rates will be discussed as a regular business item at the next CCSD Board Meeting on Thursday, September 27, 2007, at 12:30 p.m. Both meetings will be held at the Veterans Memorial Building, 1000 Main Street, in Cambria.

Sincerely,



Tammy A. Rudock
General Manager



September 10, 2007

Dear Property Owner and Tenant Customer:

As part of its Long-Term Financial Management Plan that provides for adoption of best management practices within the industry and establishes sustainability within each utility as a self-supporting enterprise fund, the Cambria Community Services District (CCSD) is proposing increases in the water and sewer rates.

Along with the established residential and commercial classifications, a third customer class is being proposed for lodging establishments, including hotels, motels, lodges, vacation rentals, and B&Bs (Bed and Breakfasts) to address the unique service characteristics.

Water rate increases will include a fee for the CCSD Buildout Reduction Program. Development of these fees is outlined and discussed in the report developed by the Citizens Finance Committee for the Buildout Reduction Program.

This notice explains the proposed rate increases as required by Proposition 218. The proposed rate increases are recommended for adoption by the CCSD Board of Directors at a public hearing described in this notice. Property owners and tenant customers are encouraged to attend.

NOTICE OF PUBLIC HEARING

At a public hearing the CCSD will consider proposed increases in the water and sewer rates. The proposed changes are listed in this notice. The public hearing will be held:

Date: Thursday, October 25, 2007
Time: 12:30 p.m.
Place: Veterans Memorial Building, 1000 Main Street, Cambria 93428

This notice is being sent to all property owners and customers who are tenants of leased properties that are directly responsible for payment of water and sewer services within the CCSD. If adopted, the proposed rate increases will become effective beginning January 1, 2008, and will be reflected in the customer's bill mailed on March 10, 2008.

Subsequently, water and sewer rate increases are proposed to take effect at the beginning of each fiscal year as follows: July 1, 2008; July 1, 2009; July 1, 2010; and July 1, 2011.

One-half of the recommended fees for the Buildout Reduction Program will be included in the water rate increases effective January 1, 2008. The remaining half will be incorporated with the water rate increases effective July 1, 2009.

WHY CHANGE WATER AND SEWER RATES?

The CCSD is required to provide water and sewer services primarily through user rates. Each utility has its own enterprise fund, one for water and the other for sewer operations. These utilities are

expected to be self-sufficient pursuant to professional best management practices within the water and sewer utility industry. Each operation should generate enough revenues to cover its expenses.

An interim rate adjustment was implemented by the CCSD in 2006 to cover inflationary costs. Also, CPI (Consumer Price Index) adjustments were made to the rates in 2002 and 2003. Otherwise, the CCSD has not implemented a rate increase since 1992. While managed for cost containment, service expenses increased throughout the past 15 years, while revenues remained the same. The CCSD customer base became fixed when the moratorium was imposed in 2001 as a result of insufficient water supply. Revenues from connection fee resources became relatively nonexistent.

Therefore, the water and sewer enterprise utilities have generated negative cash flow for the last several years. Revenues have not kept up with the operating costs of providing water and sewer services. Operating budgets have been balanced with “borrowed” reserves from the General Fund.

Finally, the CCSD has curtailed routine infrastructure maintenance and improvement projects. Further delays may result in system failures, operational deficiencies, and regulatory compliance concerns.

Priority capital improvement projects have been funded with cash for the past few years, and availability of utilities cash reserve funds has been depleted. The proposed water and sewer rates provide for bond financing using respective utility revenues for identified priority projects as follows:

- CCSD Water Capital Improvement Program attached as **Exhibit “A”**; and
- CCSD Wastewater Capital Improvement Program attached as **Exhibit “B”**.

Therefore, the proposed water and sewer rate increases are necessary to:

1. Provide sufficient funds for ongoing operations and maintenance.
2. Support rehabilitation and repair of water and sewer infrastructure and facilities, which provide service, and to comply with governmental regulations.
3. Maintain working capital reserves to reduce risk and prudently manage the CCSD’s utility system resources, and to comply with revenue bond requirements.

WHY DEVELOP A CLASS FOR LODGING ESTABLISHMENTS?

In developing an equitable rate structure, revenue requirements are allocated to various customer classifications according to the cost of service rendered. Allocation to customer classes within the CCSD is based upon annual volume of water consumed, capacity related to peak flow periods (including fire protection requirements), strengths of wastewater, and the number of customers. Customers are classified to reflect groups of customers with similar system demand requirements who can be served at a similar cost.

Each customer class is allocated its share of base, maximum day and peak hour costs. The number of units of service required by each customer class provides a means for the proportionate distribution of costs.

Lodging establishments were extracted from the commercial class because of the large volume of water consumed and the system demand requirements to serve these business enterprises. The proposed rate structure for lodging establishments recognizes the higher service demands and provides for rate tiers to accommodate the increased usage.

PROPOSED WATER AND SEWER RATE INCREASES

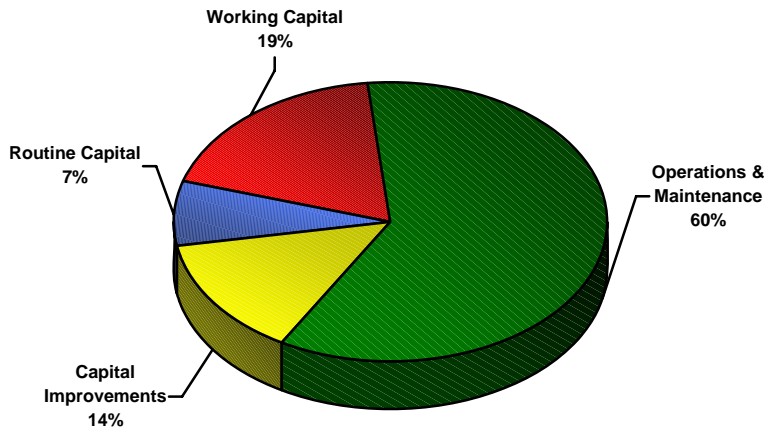
The proposed water rate structure takes into consideration the service demands of each customer class and reflects inclining tiers for each unit (ccf) of water consumed, for continued and enhanced water conservation. One unit of water equals 748 gallons.

Please see the attached rate schedules:

- CCSD Proposed Water Rates – **Exhibit “C”**; and
- CCSD Proposed Wastewater Rates – **Exhibit “D”**.

WHERE DOES YOUR DOLLAR GO?

For both water and sewer, during the first year of rate increases, the revenues generated will go to:



Inflationary increase alone is \$26.28/bill

WHY IS THE BRP FEE ADDED TO PROPOSED WATER RATES?

The fee for the Buildout Reduction Program is proposed to be included into the water rate increases. Implementation of the Buildout Reduction Program is underway and funds are necessary for maintenance of the retired lots and acquisition of vacant lots to meet the program's objectives.

The Buildout Reduction Program is a water conservation program, which reduces the future demand for water within the Cambria community. Its implementation allows for accurate planning as to the size of storage tanks, transmission lines, and supplemental water projects. Recently, the CCSD contracted with the Land Conservancy of San Luis Obispo County to assist with this process.

The report of the Citizens Finance Committee for the Buildout Reduction Program is available at the CCSD website: www.cambriacsd.org, or at the Administrative Offices for the CCSD located at 1316 Tamson Drive, Suite 201, in Cambria, California. It proposes BRP fees as follows:

- Residential: \$8.81 monthly, or \$17.62 bi-monthly
- Commercial: \$39.40 monthly, or \$78.80 bi-monthly (varies depending upon use)

PROPOSED BRP FEES

The following BRP fees will be added to the water rate increases:

- Residential: \$8.81 bi-monthly, effective 1/1/08
\$17.62 bi-monthly, effective 7/1/09

- Commercial and Lodging, based upon EDU allocation as follows:

<i>BRP FEE TIER</i>	<i>EDU ALLOCATION</i>	<i>BI-MONTHLY BRP FEE, EFFECTIVE 1/1/08</i>	<i>BI-MONTHLY BRP FEE, EFFECTIVE 7/1/09</i>
1	0.33 – 3.99	\$9.85	\$19.70
2	4.00 – 9.99	\$19.71	\$39.40
3	10.00 – 14.99	\$39.40	\$78.80
4	15.00 – 19.99	\$59.10	\$118.20
5	20.00 and above	\$78.80	\$157.60

SAMPLE RESIDENTIAL UTILITY SERVICE BILL (CONSUMPTION: 12 UNITS)

Current Charges:		Proposed Charges: (Effective 1/1/08)	
Water	\$ 54.76	Water	\$ 92.99 (including BRP)
Sewer	\$ 75.14	Sewer	\$ 99.95
TOTAL	\$129.90	TOTAL	\$192.94

OPPORTUNITY FOR COMMUNITY INPUT

The CCSD consulted and contracted with the professional engineering firm of Black & Veatch, which conducted a thorough cost of service analysis of the water and sewer utilities. The development of a Long-Term Financial Management Plan for the CCSD ensures financial sustainability and continuance as a utility business enterprise. Initial findings were reported to the community during a workshop conducted on Wednesday, June 13, 2007, at 6:30 p.m., at the Vets Hall in Cambria.

Last month, on August 23, 2007, Black & Veatch presented the Draft Long-Term Financial Management Plan for the Water and Wastewater Utilities to the Board of Directors at its regular meeting. The draft report is available for review at the CCSD website: www.cambriacsd.org, or at the Administrative Offices for the CCSD located at 1316 Tamson Drive, Suite 201, in Cambria, California.

Property owners and tenant customers may express their support or opposition to the proposed water and sewer rate changes and/or added customer class for lodging establishments during the public hearing on Thursday, October 25, 2007, at 12:30 p.m. Alternatively, a written statement of support or protest may be filed by the both the property owner and tenant customer with the CCSD District Clerk at or before the time set for the public hearing. A written statement of support or protest must include:

- The portion of the rate changes that are being supported or protested;
- Name of property owner or tenant customer;
- Service address; and
- Original signature of property owner or tenant customer; no copies will be accepted.

Support or protest statements can be mailed or personally delivered to the CCSD District Clerk on or before the close of the public hearing on Thursday, October 25, 2007, at 12:30 p.m., as follows:

<u>By Mail:</u>	Cambria CSD Post Office Box 65 Cambria, CA 93428	<u>In Person:</u>	Cambria CSD 1316 Tamson Drive, Suite 201 Cambria, CA 93428
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QUESTIONS?

For more information regarding this notice of the proposed water and sewer increases, or for personal consultation regarding the impact of these proposed water and sewer rates on your bi-monthly CCSD utility bill, please contact the CCSD at (805) 927-6223.

EXHIBIT “A” – CCSD PROPOSED WATER CAPITAL IMPROVEMENT PROGRAM

Description	Budget Year	Projected					Total
	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12	FY12/13	
	\$	\$	\$	\$	\$	\$	\$
Water Projects							
Water Master Plan: EIR Certification	129,400	0	0	0	0	0	129,400
Desal Project - 30% Design/Geotech Investigation	742,600	668,400	0	0	0	0	1,411,000
Desal Project EIS/EIR	281,400	0	0	0	0	0	281,400
Pine Knolls Storage Tank Replacement	619,000	650,000	0	0	0	0	1,269,000
Rodeo Grounds Booster PS Replacement	395,700	531,400	580,100	245,600	0	0	1,752,800
Stuart Street Tank Fire Storage	168,700	274,000	295,900	0	0	0	738,600
SCADA System - Water Portion	391,600	0	0	0	0	0	391,600
Subtotal (Priority 1)	2,728,400	2,123,800	876,000	245,600	0	0	5,973,800
							0
Leimert Tank - Seismic Upgrade	0	0	0	228,100	246,600	0	474,700
Fiscallini Tank - Seismic Upgrade	0	0	0	0	239,500	258,900	498,400
Charing Road Emergency Fire Pump Station	112,600	182,600	131,700	0	0	0	426,900
Water Yard Relocation	70,300	182,600	197,400	0	0	0	450,300
Financial Management Software	0	182,600	0	0	0	0	182,600
Subtotal (Priority 1&2)	2,911,300	2,671,600	1,205,100	473,700	486,100	258,900	8,006,700
							0
Non-specified Replacement Projects	112,600	121,800	131,700	142,300	0	0	508,400
Automated Creek Metering& SCADA	0	16,200	17,500	19,000	0	0	52,700
Total Water CIP (Priority 1,2,3)	3,023,900	2,809,600	1,354,300	635,000	486,100	258,900	8,567,800

EXHIBIT “B” – CCSD PROPOSED WASTEWATER CAPITAL IMPROVEMENT PROGRAM

Description	Budget Year	Projected					Total
	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12	FY12/13	
	\$	\$	\$	\$	\$	\$	\$
Wastewater Projects							
Biosolids Dewatering	478,400	0	0	0	0	0	478,400
SCADA System - Wastewater Portion	239,200	0	0	0	0	0	239,200
State Park Wetlands Effluent Pipe Relocation	0	0	0	0	168,200	0	168,200
Subtotal (Priority 1)	<u>717,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>168,200</u>	<u>0</u>	885,800
WWTP Facilities Master Plan	0	60,800	65,900	0	0	0	126,700
Power Reduction & Reliability Study	33,700	0	0	0	0	0	33,700
Collection System Facilities Plan/GIS	45,000	48,700	26,300	0	0	0	120,000
Pump Station B-1 Flood Rehabilitation	0	0	0	122,800	129,000	135,400	387,200
Hydro-geological Modeling / San Simeon Lagoon Area	84,400	0	0	0	0	0	84,400
Blower Building Generator Transfer Switch	0	0	0	0	0	331,700	331,700
WWTP Denitrification Process Upgrades	0	0	0	0	193,400	209,200	402,600
Recycled Water Park Supply	0	0	0	148,600	0	0	148,600
Title 22 Recycled Water Facilities	0	0	0	0	211,400	259,000	470,400
RW pipeline, WWTP to Future Elementary School	0	0	0	0	0	229,800	229,800
RW Storage & Pumping	0	0	0	0	0	73,900	73,900
Collection System Safety Improvements	66,300	69,600	73,100	76,800	80,600	84,600	451,000
Financial Management Software	0	182,600	0	0	0	0	182,600
Subtotal (Priority 1&2)	<u>947,000</u>	<u>361,700</u>	<u>165,300</u>	<u>348,200</u>	<u>782,600</u>	<u>1,323,600</u>	3,928,400
Non-Specified, Future Replacement Projects	0	0	0	0	136,800	148,000	284,800
RAS & Clarifier Piping Improvements	0	0	0	0	37,400	0	37,400
Flow Equalization Improvements	0	0	0	0	144,600	0	144,600
Salt Management Plan	0	0	0	0	34,200	37,000	71,200
Total Wastewater CIP (Priority 1,2&3)	<u>947,000</u>	<u>361,700</u>	<u>165,300</u>	<u>348,200</u>	<u>1,135,600</u>	<u>1,508,600</u>	4,466,400

EXHIBIT "C" - CCSD PROPOSED WATER RATES

FY 2007/2008

Meter Size	Service Charge	Usage	Residential	Usage	Commercial	Usage	Lodging (Motels/B&Bs)
inches	\$/bi-monthly	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
5/8" x 3/4"	28.45	0-6	0.00	0-6	2.40	0-6	2.28
1"	37.29	7-10	7.85	7-15	4.80	7-15	5.36
1 1/2"	62.79	11-18	12.17	16-40	9.60	16-40	9.92
2"	88.28	19-25	21.59	41-80	14.40	41-85	15.96
3"	200.46	>25	31.40	81-125	24.00	86-150	20.52
4"	327.93			125-175	28.80	151-350	34.20
6"	646.62			>175	36.00	>350	45.60
8"	965.30						

FY 2008/2009

Meter Size	Service Charge	Usage	Residential	Usage	Commercial	Usage	Lodging (Motels/B&Bs)
inches	\$/bi-monthly	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
5/8" x 3/4"	30.72	0-6	0.00	0-6	2.59	0-6	2.46
1"	40.28	7-10	8.48	7-15	5.18	7-15	5.79
1 1/2"	67.81	11-18	13.14	16-40	10.37	16-40	10.71
2"	95.34	19-25	23.31	41-80	15.55	41-85	17.24
3"	216.50	>25	33.91	81-125	25.92	86-150	22.16
4"	354.17			125-175	31.10	151-350	36.94
6"	698.35			>175	38.88	>350	49.25
8"	1,042.53						

FY 2009/2010

Meter Size	Service Charge	Usage	Residential	Usage	Commercial	Usage	Lodging (Motels/B&Bs)
inches	\$/bi-monthly	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
5/8" x 3/4"	33.18	0-6	0.00	0-6	2.80	0-6	2.66
1"	43.50	7-10	9.16	7-15	5.59	7-15	6.25
1 1/2"	73.23	11-18	14.19	16-40	11.20	16-40	11.57
2"	102.97	19-25	25.17	41-80	16.79	41-85	18.62
3"	233.82	>25	36.62	81-125	27.99	86-150	23.93
4"	382.50			125-175	33.59	151-350	39.90
6"	754.22			>175	41.99	>350	53.19
8"	1,125.93						

FY 2010/2011

Meter Size	Service Charge	Usage	Residential	Usage	Commercial	Usage	Lodging (Motels/B&Bs)
inches	\$/bi-monthly	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
5/8" x 3/4"	35.83	0-6	0.00	0-6	3.02	0-6	2.87
1"	46.98	7-10	9.89	7-15	6.04	7-15	6.75
1 1/2"	79.09	11-18	15.33	16-40	12.10	16-40	12.50
2"	111.21	19-25	27.18	41-80	18.13	41-85	20.11
3"	252.53	>25	39.55	81-125	30.23	86-150	25.84
4"	413.10			125-175	36.28	151-350	43.09
6"	814.56			>175	45.35	>350	57.45
8"	1,216.00						

FY 2011/2012

Meter Size	Service Charge	Usage	Residential	Usage	Commercial	Usage	Lodging (Motels/B&Bs)
inches	\$/bi-monthly	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
5/8" x 3/4"	38.70	0-6	0.00	0-6	3.26	0-6	3.10
1"	50.74	7-10	10.68	7-15	6.52	7-15	7.29
1 1/2"	85.42	11-18	16.56	16-40	13.07	16-40	13.50
2"	120.11	19-25	29.35	41-80	19.58	41-85	21.72
3"	272.73	>25	42.71	81-125	32.65	86-150	27.91
4"	446.15			125-175	39.18	151-350	46.54
6"	879.72			>175	48.98	>350	62.05
8"	1,313.28						

EXHIBIT "D" - CCSD PROPOSED WASTEWATER RATES

	FY 2007/2008		FY 2008/2009		FY 2009/2010		FY 2010/2011		FY 2011/2012	
	Phased In Rates		Phased In Rates		Phased In Rates		Cost of Service Rates		Cost of Service Rates	
	Residential	Commercial	Residential	Commercial	Residential	Commercial	Residential	Commercial	Residential	Commercial
Bi-Monthly Service Charge (0-3 Units)	\$/bi-mo 68.00	\$/bi-mo 68.00	\$/bi-mo 55.00	\$/bi-mo 55.00	\$/bi-mo 33.00	\$/bi-mo 33.00	\$/bi-mo 19.34	\$/bi-mo 19.34	\$/bi-mo 20.50	\$/bi-mo 20.50
Commodity Service Charge	\$/ccf 3.55	\$/ccf 5.14	\$/ccf 6.20	\$/ccf 9.19	\$/ccf 8.80	\$/ccf 13.23	\$/ccf 11.10	\$/ccf 16.69	\$/ccf 11.77	\$/ccf 17.69