Proposition 218 Notice of Proposed Water Rate Adjustments and Changes to the District's Water Rate Calculation Methodology

NOTICE OF PUBLIC HEARING

A public hearing regarding Quartz Hill Water District's proposed water rate increases and changes in the rate calculation methodology will be held on:

DATE: Thursday, June 19, 2025
TIME: 5:30 p.m.

WHERE: Quartz Hill Water District Board Room, 5034 W Avenue L, Lancaster, CA 93536

Written protests to the proposed rate increases will be accepted if received at QHWD by the end of the public hearing on June 19, 2025, as long as the protests conform to the Proposition 218 procedures provided in this notice.

A copy of the rate study is available at the front counter of the Quartz Hill Water District office, 5034 W Avenue L, Lancaster, CA 93536

A link to the rate study is available here: https://qhwd.org/wp-content/uploads/2025/04/QHWD-2025-Water-Rate-Study-Final-Report.pdf

INTRODUCTION

The last rate study conducted by the Quartz Hill Water District (QHWD or District) occurred five years ago in 2020. Since that time, regulations and costs for QHWD have changed considerably. QHWD, as required by Article XIIID of the California Constitution (Proposition 218), has conducted a new Water Rate Study to review the existing rates, and to determine the estimated future costs of maintaining the District's high level of service, meeting State regulations, and completing system-wide maintenance projects to cover the next five years (July 1, 2025 through June 30, 2030).
This 45-day notice is hereby given in accordance with Section 6(a) of Article XIIID of the California Constitution. The purpose of this notice is to provide you with information about the proposed rate increase and changes in methodology, and to inform you about your opportunity to protest the rate increase by submitting written protests prior to or during the public hearing. On April 17, 2025, the District considered the Water Rate Study and directed QHWD staff to send out this notice.

REASONS FOR THE CHANGES

As a public agency, the revenues collected from rates must adequately fund QHWD operations, maintenance, capital improvement projects, and compliance with existing or new State of California

regulations; mitigate droughts; and meet environmental standards. The immediate needs over the next five years include:

- **Ensure Safe Drinking Water -** QHWD needs to continue investing in water treatment and testing techniques to ensure drinking water remains safe for current and future customers.
- **Modernize Aging Infrastructure -** QHWD plans to upgrade operational efficiencies with numerous projects, such as modernizing heavy machinery, vehicles, wells, watermain lines, and booster pumps.
- **Fulfill Debt Coverage Requirements -** As a condition of debt issued for major capital improvements, the District must maintain a certain debt service coverage level of revenues above operating expenses. Maintaining health debt service coverage ratios ensures that future borrowing is done on the best terms for the District.

Quartz Hill Water District staff provided a five-year history of financial information to demonstrate the need to increase rates to support the continued delivery of safe, clean and reliable water to customers. The Water Rate Study was conducted by Robert D. Niehaus, Inc. (RDN), an independent economic consulting firm. Using economic trends in California and QHWD's detailed financial history, RDN recommended the revenue increases to ensure QHWD meets its reserve goals while having the funds to upgrade its aging systems and equipment, extend the life of existing equipment, minimize water system leakage, and increase water-use efficiency. As a public agency, all rates, fees and charges are calculated to cover only the actual cost of providing safe and reliable water service that meet State and Federal requirements. QHWD does not make a profit.

HOW THE RATES WERE CALCULATED

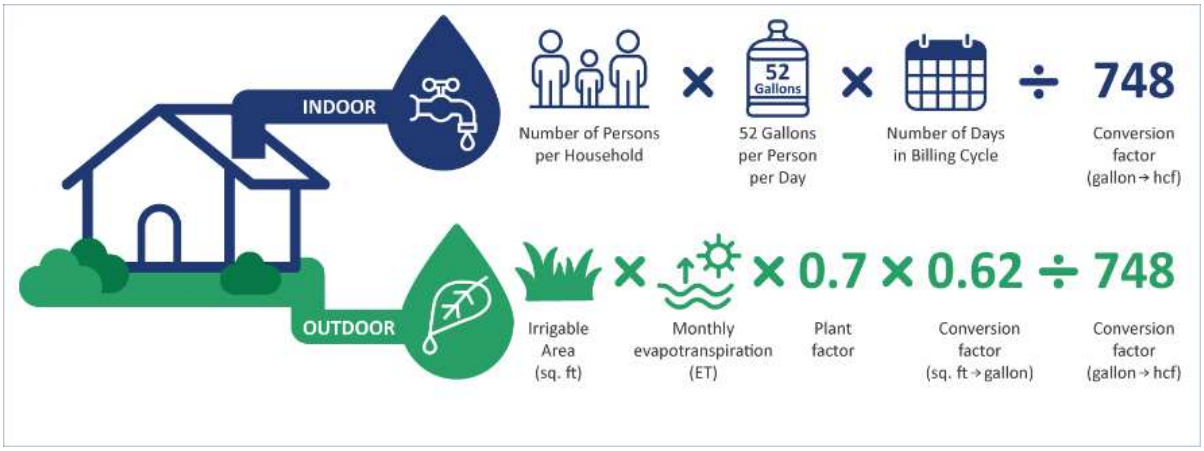
The **Fixed Charge** pays for the District's fixed costs of operating and maintaining the water system. These costs do not change based on the amount of water used by customers. More fixed costs are applied to customers with larger meters to reflect the additional capacity needs of those meters. The **Variable Charge** pays for the amount of water actually used by a customer. The proposed variable charge is split into three tiers and increases as customer water use exceeds the designated tier thresholds. Tier widths are determined for each individual customer based on their water profile.

Residential essential (tier 1) and efficient (tier 2) widths are based on household sizes and lot sizes as shown in the image below.

Non-residential essential (tier 1) and efficient (tier 2) widths are based on historical minimums and averages of water use for each customer to address the heterogeneity of water demand for customers in the non-residential category.

The incremental price difference for each tier is based on the increasing cost of the District to produce water from different water sources. Tier 3 for all customers represents use beyond their unique water budget.

Figure 1. Proposed Residential Tier Width Determination



The proposed rate structure changes are as follows:

- The District will bill all customers based on the same rate schedule
- The District will remove the 4th tier from residential rates to better align with supply costs
- The District will adjust non-residential variable rate tiers to reflect essential and efficient water use for each customer

Table 1. Current and Proposed Fixed Charges

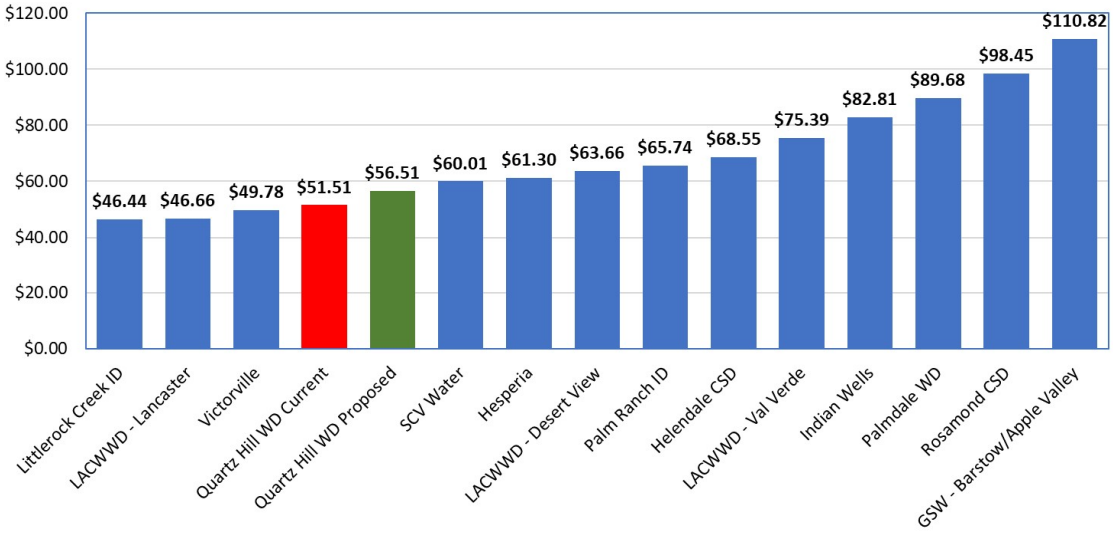
Meter Size	Current Residential	Current Non-Residential	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
3/4"	$31.25	$32.34	$33.16	$34.99	$36.91	$38.94	$41.09
1"	$31.25	$32.34	$33.16	$34.99	$36.91	$38.94	$41.09
1 1/2"		$64.69	$57.57	$60.74	$64.08	$67.60	$71.32
2"		$97.88	$86.86	$91.64	$96.68	$101.99	$107.60
3"		$285.95	$179.61	$189.48	$199.91	$210.90	$222.50
4"		$562.53	$316.29	$333.68	$352.03	$371.40	$391.82
6"		$894.42	$643.34	$678.72	$716.05	$755.43	$796.98
8"		$1,281.63	$1,375.55	$1,451.20	$1,531.02	$1,615.22	$1,704.06

Table 2. Current and Proposed Variable Charges

Tier	Current Residential	Current Non-Residential	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Tier 1	$1.15	$1.04	$1.27	$1.34	$1.41	$1.49	$1.57
Tier 2	$1.58	$1.27	$1.89	$1.99	$2.10	$2.22	$2.34
Tier 3	$2.71	$2.64	$3.42	$3.61	$3.80	$4.01	$4.23
Tier 4	$4.03						

Figure 2. Impact of Proposed Rate Change on Current Median Residential Customer

Customer Comparison with proposed Increase – 15 hcf (billing units)– Median Residential - ¾" Meter



HOW TO PROTEST PROPOSED WATER RATE CHANGES AND INCREASES

This notice has been mailed to each parcel holder. Persons responsible for the payment of the water charges (which includes owners of real property subject to the charges or renters of such property who actually pay the charges) who wish to protest the increases can send in a written protest to the address below or attend the public hearing on the increases to register their written protest at the hearing. Only one written protest per assessor parcel relating to the rate increase will be heard. Written protests must be received prior to or during the public hearing on **June 19, 2025.** Any written protests received after the close of the public hearing will not be counted. All written protests must (at a minimum) include the following information to be counted: (a) Address or assessor parcel numbers of property subject to the rate increase, (b) whether the protester is an owner or renter and (c) a clear statement protesting a particular rate or rates pursuant to this notice. The District will not adopt the rate increase if written protests are presented by a majority (50% +1) of owners or tenants of the parcels upon which the increase will be imposed. Oral protests presented at the hearing will be heard but will not be counted. Only written protests will be counted.

Protests may be mailed or personally delivered to: Quartz Hill Water District, **5034 W Avenue L, Lancaster, CA 93536.** Any protests must be received at QHWD's main office no later than the end of the public hearing on June 19, 2025. Any protests received after the end of the public hearing will not be counted. E-mail protests will not be counted.

Pursuant to Government Code Section 53759, a judicial action to challenge any new, increased, or extended fee or charge must be brought within 120 days of the final approval of the fee or charge.

QUARTZ HILL
WATER DISTRICT

Customer Address: