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ORLAND-ARTOIS WATER DISTRICT

(A UNIT OF THE SACRAMENTO VALLEY CANALS)

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July 30, 2020

Letter to Orland-Artois Water District Landowners

RE: 2020 Prop 218 notice for Proposed Water Charges for 2021 and following years;

Dear Orland-Artois Water District Landowner,

Enclosed with this letter is the Notice of Public Hearing under Proposition 218 regarding proposed water charges for 2021 and following years. Orland-Artois Water District (OAWD) is proposing 3 water charges starting in 2021. The “Operations Charge” covers the cost of district operations, the “Volumetric Charge” is the water rate, and the “Loan Conversion Charge” is for the payment of a 20-year bank loan to pay the District’s share of the Central Valley Project’s (CVP) construction.

The Operations Charge pays for cost of District operations and prudent reserves, the Tehama-Colusa Canal Authority (TCCA) annual assessment, and the State Water Resources Control Board (SWRCB) water rights fee. The OAWD Board of Directors have set a “not to exceed amount” of \$46.12 per assessed acre per-year for years 2021 through 2025. The District Budgeted Overhead is subject to adjustments for inflation but the TCCA Assessment and the SWRCB Water Rights Fee are “pass through” costs and therefore those costs are passed on to the customer.

The Volumetric Charge is a per acre-foot rate for water. The District purchases water from the United States Bureau of Reclamation (USBR), other Districts and Settlement Contractors. The water is then sold at its cost to the District. For OAWD water users, this is a pass-through cost. The USBR has not yet published the 2021 water rates, but the 2020 rate for Base water with a 50% allocation is \$85.50 per acre-foot.

The proposed Loan Conversion Charge will be a new land-based charge which will pay for the District’s share of CVP Construction. Currently, CVP Construction is paid as part of the water rate at \$34.37 per acre-foot of USBR Contract Water.

The District currently has two loans with USBR. Both are non-interest bearing and both are currently paid either by revenues from water sales or the annual assessment levied by OAWD. The first loan is for the costs of building the CVP water infrastructure required to divert water into and store surface water in Shasta Reservoir, and to convey a portion of that water to the District’s diversions on the Tehama-Colusa Canal (“CVP Construction Loan”). Presently, this loan is paid for as a portion of the water rate for contract water purchased from USBR and delivered by the District to its water users. The second loan is the “9(d) Loan”, which OAWD obtained to build the in-District water distribution system. The 9(d) Loan is being paid for by all landowners by a per-acre assessment on the assessed acres within the District.

In the past the CVP Construction Loan has been paid for as component of the Water Rate. For 2020, that amount is \$34.37 per acre-foot of contract water. With this Prop 218 Notice, the District intends to take the charge out of the water rate and convert it to a 20-year bank loan. The bank loan will be paid for with the Loan Conversion Charge with a “not to exceed amount” of \$28.31 per assessed acre per-year.

The Assessment will continue to pay for the loan on the District’s distribution system. The current non-interest-bearing loan will be converted into a 20-year bank loan paid for with the Assessment with a not to exceed amount of \$24.94 per assessed acre per-year. Both USBR loans must be paid off to achieve relief from RRA. The Assessment will continue in its current form and not be part of the Prop 218 process.

Converting the two loans to 20-year bank loans will add interest and extend the life of the loans but there are benefits to the District Landowners and for the surrounding area. The 25-year Water Service Contract will be converted to a permanent contract preserving the annual 53,000 acre-feet of contract water the District depends on. The lower cost of water will encourage more growers to use surface water instead of groundwater. With SGMA on the horizon we will likely see higher pumping costs and/or restrictions for groundwater use. With the relief of RRA there will be an opportunity for the District to expand and serve more acres and make use of surface water which is available and going unused. Using surface water when it is plentiful will preserve groundwater for times when surface water is in short supply and expensive.

Please note: the not to exceed rates are based on the best information available and the highest interest rates expected. The USBR final numbers are not yet available for the CVP Construction. Recent payments, discounts, charges, and credits have not yet been applied to OAWD's account. The amounts used in these documents are worst case and expected to be lower. The OAWD Directors are committed to negotiating best interest rates possible and provide the landowners the lowest costs possible.

All of this is explained further in the Prop 218 notice. Please read the notice carefully and visit the District's website for more detailed information by reading the Staff Report and District Policy regarding the Operations, Volumetric, and Loan Conversion Charges at <https://www.oawd.org/>, or contact the office if you would like a copy or have questions. At the bottom of this page you will find an example of the new rates compared to the old ones using 2020 50% allocation water rates.

Sincerely,



Emil Cavagnolo
General Manager

There will be an informational meeting at 6:00 PM on August 19, 2020 Please join the meeting from your computer, tablet or smartphone with the following link; <https://global.gotomeeting.com/join/958399373>
You can also dial in using your phone. For supported devices, tap a one-touch number below to join instantly.)
United States: **+1 (408) 650-3123** - One-touch: tel:+14086503123,,958399373#
Access Code: 958-399-373

Charges	Current	Low Rate 3.1%	High Rate 4.1%
Assessment 9d Loan (per acre)	\$19.94	\$18.86	\$24.23
CVP Construction (per acre)	\$0.00	\$ 20.94	\$26.19
Water Rates (per AF)	\$85.50	\$62.46	\$62.46
Total using 1 af/ac of water	\$105.44	\$102.26	\$112.88

<u>Current Conditions</u>	<u>Water Usage AF/ACRE</u>		
100 Acre Ranch	1	2	3
Assessment 9d Loan (Per Acre)	\$1,994.00	\$1,994.00	\$1,994.00
CVP (AF)	\$0.00	\$0.00	\$0.00
Water Rate (includes CVP)	\$8,550.00	\$17,100.00	\$25,650.00
Total	\$10,544.00	\$19,094.00	\$27,644.00

<u>Low Rate Scenario 3.1%</u>	<u>Water Usage AF/ACRE</u>		
100 Acre Ranch	1	2	3
Assessment 9d Loan (Per Acre)	\$1,886.00	\$1,886.00	\$1,886.00
Low Rate CVP (Per Acre)	\$2,094.00	\$2,094.00	\$2,094.00
Remaining Water (Per AF)	\$6,250.00	\$12,500.00	\$18,750.00
Total	\$10,230.00	\$16,480.00	\$22,730.00

<u>High Rate Scenario 4.1%</u>	<u>Water Usage AF/ACRE</u>		
100 Acre Ranch	1	2	3
Assessment 9d Loan (Per Acre)	\$2,423.00	\$2,423.00	\$2,423.00
High Rate CVP	\$2,619.00	\$2,619.00	\$2,619.00
Remaining Water (Per AF)	\$6,250.00	\$12,500.00	\$18,750.00
Total	\$11,292.00	\$17,542.00	\$23,792.00