



Mountain House Community Services District
Utility Billing Undercharges
March 21, 2023

Agenda

- Mountain House 101
- District Debt
- What is included in my utility bill?
- How did the billing errors happen?
- What happens next?

Initial Planning Process

- Mountain House envisioned as a self-contained new town community of housing, employment centers and recreational amenities
- Team of architects, engineers and planners put together an overall plan which includes twelve neighborhoods and a Town Center
- Also created master plans for circulation, infrastructure and open space
- General Plan Amendment approved by Board of Supervisors in 1993

Timing of Development

- Timing of Development typically a function of Subdivision Maps
- Issuance of Building Permits dependent on sufficient infrastructure in place to provide services to the home or business
- Parks and other amenities typically required to be completed upon issuance of 80 percent of building permits within the Village or Plan Area
- Wet Utilities designed in phases with upgrades required as certain thresholds are met
- Arterial and Collector construction/phasing also tied to specific thresholds related to building permits and/or demand

Governance Structure

- Special legislation approved within Community Services District Law for Mountain House
- Mountain House would be able to enforce Master Restrictions
- 18 Powers granted to District as part of Board of Supervisors approval in 1996 (essentially all city services except Planning & Building and Animal Control)
- Board of Supervisors to serve as CSD Board until 1,000 registered voters reside in Mountain House

Financing Plan

- In order to ensure there would be no financial burden on County, all upfront costs were to be funded by the Developer
- Developer would front all improvements and be reimbursed through future development impact fees and debt service collections on utility bills

Infrastructure Development

- There was no existing backbone infrastructure in the Mountain House area.
- Developer responsible for securing all permits for water, wastewater and storm drainage.
- Also responsible for funding all improvements.
- In addition to wet utilities, had to secure agreements for gas, electric, cable television, telecommunications, freeway access, transit, public safety and education.

District Debt

- The initial construction of all Capital Facilities are the responsibility of the Master Developers.
- Facilities include roads, wet utilities (water, wastewater, storm), public facilities, parks and open space.
- When facilities are completed and accepted, District is obligated to pay back the Master Developer for the allowable costs of the facility.
- This District Debt is paid back via impact fees on building permits and debt service fees on utility bills.
- As the District continues to grow, the District will continue to be obligated to accept facilities and pay back the debt.

Utility Billing Components – O & M

- Water, wastewater and stormwater services require the District to plan, design, and construct treatment facilities, water storage, booster pump stations, and pipelines to meet peak water and sewer demands of District customers.
- The District's water, sewer and stormwater utilities rely on rates paid by customers to fund the costs of providing safe and reliable services, including operations, maintenance, and infrastructure improvements.

Utility Billing Components – O & M

- O & M charges for water and wastewater approved by Board in accordance with Prop 218 proceedings
- O & M charges for stormwater based on density (zoning)

Utility Billing Components - PFC

Pledged Facility Component

- Per Code of Ordinances - MH-1-3003. – DEFINITIONS
 - "Pledged Facility Component" means the portion of the Utility Rates pledged by the MHCS D to acquire from or reimburse developers for Utility Facilities funded and/or constructed by developers or pay debt service on revenue bonds.

- Per Code of Ordinances - MH-3-1309, PFC is collected and used only to –
 - Pay debt service on revenue bonds issued to cover the costs of acquisition from or reimbursement to developers for utility facilities;
 - Acquire utility facilities from, or to reimburse, developers who have funded and/or designed and constructed utility facilities;
 - Pay for design and construction of utility facilities, reasonable costs of outside consultant studies related thereto, and other certified costs;
 - Reimburse the MHCS D for utility facilities constructed by the MHCS D with funds from other sources.

How is PFC Calculated?

Pledged Facility Component – Debt Service

Monthly Pledged Facility Component per Equivalent Dwelling Unit

FY 2022-2023

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>
2018-19	\$39.70 per EDU	\$34.30 per EDU	\$11.56 per EDU
2019-20	\$40.89 per EDU	\$35.33 per EDU	\$11.91 per EDU
2020-21	\$41.71 per EDU	\$36.04 per EDU	\$12.15 per EDU
2021-22	\$42.83 per EDU	\$37.01 per EDU	\$12.47 per EDU
2022-23	\$46.44 per EDU	\$40.13 per EDU	\$13.52 per EDU

PFC rates adjusted annually by ENR cost of construction index or 2%, whichever is greater

Monthly charge = Monthly PFC charge X EDU Factor

How is PFC Calculated?

Municipal Code Section MH-3-1306

Pledged Facility Component – Debt Service

- Charges for PFC based on density (zoning) per MH-3-1306

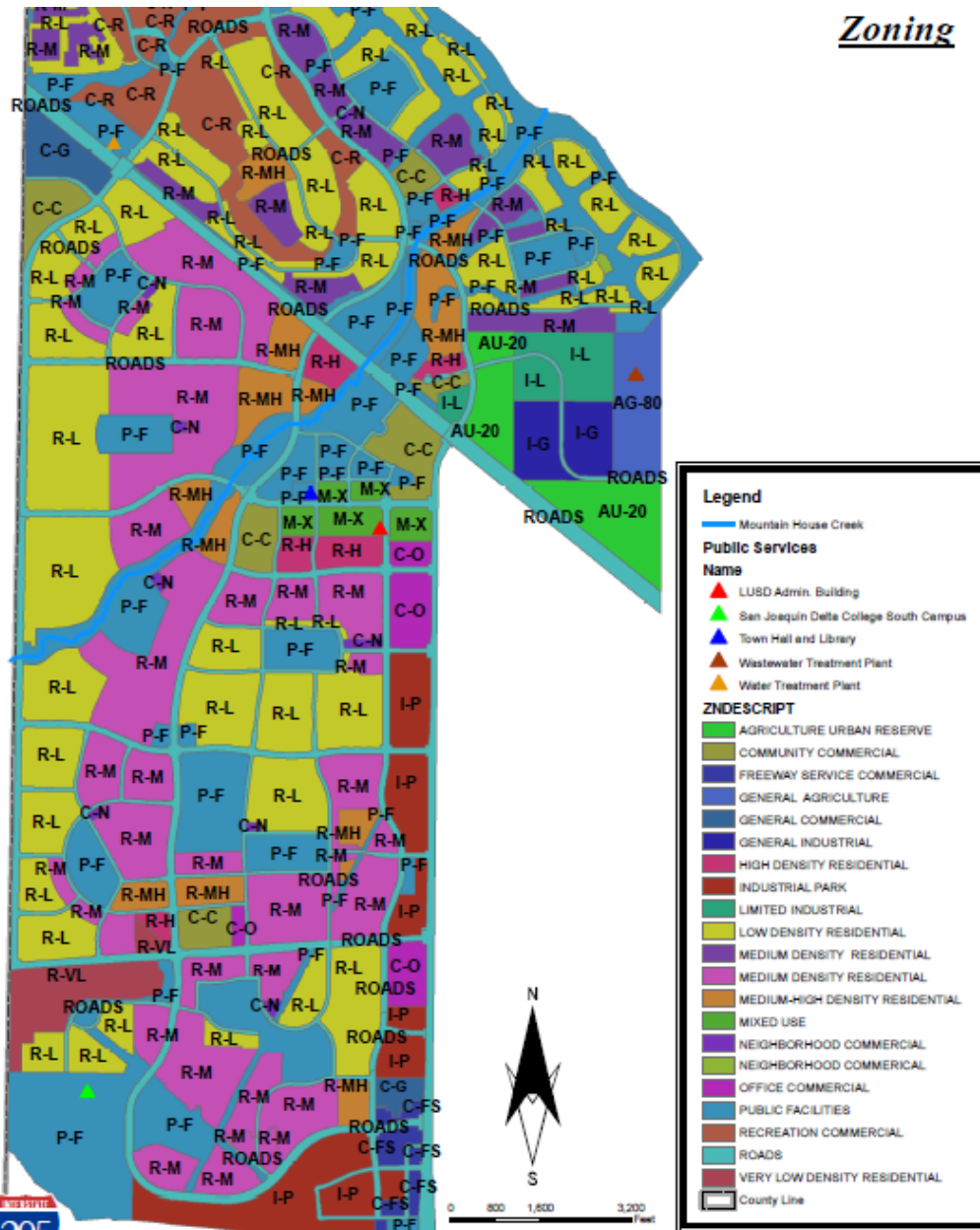
EQUIVALENT DWELLING UNIT FACTORS FOR CALCULATION OF THE PLEDGED FACILITY COMPONENT FOR EACH LAND USE CATEGORY

	EDU Factor Water	EDU Factor Sewer	EDU Factor Storm
Residential Land Uses	Per Residential Unit		
Very Low Density	2.97	1.15	1.80
Low Density	1.32	1.15	1.00
Medium Density	1.00	1.00	1.00
Medium High Density	0.53	0.74	0.56
High Density	0.38	0.74	0.39

What is Density?

- The MH Code of Ordinances established factors to be used in setting utility rates based on density - Municipal Code Section MH-3-1306
- Density – or zoning – is a land use designation
- Density determines how many residential units can be built on an acre of land
- Zoning was established when the District was created

Zoning



What is Included on the Utility Bill?

- Operations & Maintenance Charges:
 - * Water volumetric
 - Water base
 - Wastewater base
 - Stormwater base
- Debt service charges:
 - Water
 - Wastewater
 - Stormwater
- * Garbage
 - * *Water volumetric and garbage charges were not impacted by billing errors*

2022-2023 Monthly O&M and PFC Charges

	O&M					PFC				O&M + PFC
Density	Water Base	Water Charge	Storm Fee	Sewer Fee	Monthly Total	Water Debt Service	Storm Debt Service	Sewer Debt Service	Monthly Total	Monthly Total
Low	\$ 28.79	\$ 0.83	\$ 7.84	\$48.63	\$86.09	\$ 61.30	\$ 13.52	\$ 46.15	\$120.97	\$ 207.06
Medium	\$ 22.53	\$ 0.83	\$ 7.84	\$40.27	\$71.47	\$ 46.44	\$ 13.52	\$ 40.13	\$100.09	\$ 171.56
Medium-High	\$ 22.53	\$ 0.83	\$ 4.39	\$40.27	\$68.02	\$ 24.61	\$ 7.57	\$ 29.70	\$ 61.88	\$ 129.90

How Did This Happen?

- The District has performed water meter inspections since 2003, when the first homes were completed. We received information from the SJC Planning Department and builders, which created opportunities for human error.
- Errors in the density classification for residential accounts date back to 2003.

How Did This Happen? (Cont.)

- Until recently, when District staff performed an inspection of a water meter installation at a residential build, the builder provided an inspection form listing various information including the residence address, APN, GPS coordinates and serial number of the water meter, and density (zoning) of the property.
- After District staff signed off on the water meter information, the builder sent the form to the utility plant contractor to set up the utility account.

How Did This Happen? (Cont.)

- Although District staff reviewed the information about the address and water meter, they did not confirm that the density information on the form was correct.
- The density classification determines rates to be charged for stormwater base and debt service charges.

How Did This Happen? (Cont.)

- Other than the condos, the residences built before the last four years were either low or medium density. Recently, developers built duets, which have a medium high density classification.
- Some duet residents questioned their utility charges because they knew that the density of the property should have been classified as medium high density.

How Did This Happen? (Cont.)

- Staff investigated the complaints and determined that charges to the duets were based on low density classification.
- Because of the findings of classification errors for the duets and new complaints from other property owners, staff expanded the scope of analysis to include all existing 7,001 residential utility accounts existing at the time.

Corrective Action Taken

- Staff ensuring that density classifications are correct before field inspections are conducted and accounts are set up by the billing company.
- Staff developing a process to track and reconcile addresses, APNs and density classifications from the building permit information provided by the County to the building inspection forms.
- Builders will schedule inspections and provide information on the inspection form, but each element of information will be confirmed by District staff before inspections are conducted.

No inspections will be performed and no utility accounts will be established until this review is completed.

Legal Guidelines

Overcharges

- A person needs to make a claim under the Tort Claims Act in order to pursue a refund
- A claim accrues each time one pays an unlawful charge
- Claims must be filed within 1 year of accrual. So, the District is only obligated to pay 1 years' worth of refunds
- District is nonetheless electing to make 3 years' worth of refunds

Undercharges

- The District can recoup undercharges up to three years

What Happens Next

After careful review and consideration of the billing errors, the Board of Directors directed the following actions:

- Current account holders will be billed for undercharges over calendar years 2020, 2021, and 2022 or the time the account was held by the customer
- Underbilled account holders can pay the charge in full or opt to pay the charges over 36 months
- Staff will post charges in the amount of the undercharges to customers' accounts

What Happens Next

- To pay over 36 months: Complete the Amortization Plan form and return it to Customer Service
- NOTE: IF YOU ARE CURRENTLY ENROLLED IN AUTO PAY AND WISH TO PAY OVER 36 MONTHS, YOU MUST OPT OUT OF AUTO PAY
- Because you, and not future owners of your property, are liable for the undercharges, the District needs to take steps to make sure that the unpaid amounts will be paid if you sell your property. It will place a lien on the property in the amount of the undercharge. When the undercharge is fully paid, the lien will be released. If you sell the property before it is paid off, the lien will be settled through escrow.

Amortization Agreement

Date: _____ Account No: XXXXX
Owner/Tenant: XXXX
Address: XXXX Mountain House, CA 95391
Total Amount: \$XXX.XX Monthly Payment: \$XX.XX
Duration: 36 Months

Agreement

1. Property owner/tenant and Mountain House Community Service District (MHCSD) agree that customer may amortize delinquent utility charges by making monthly payments for the period set forth above.
2. Property owner shall make a monthly payment of \$XX.XX in addition to the amount of their current utility bill.
3. In addition to this amortization payment, **all future utility bills must be kept current.**
4. Failure to pay this amortization amount along with future charges will result in disconnection of services and further collection processes. In addition, this contract will become void.
5. This agreement will not show on your bill. It is your responsibility to check your bill each month for the current charges that are due, and add your monthly amortization payment of \$XX.XX to those charges.

Owner/Tenant's Signature

Date: _____

Approved By

Date: _____