

Water Words



2018 Newsletter Winter Edition

President's Message

Dear fellow Shareholders/Customers,

In looking at last January's Message, I noted we had over a foot of rain in the prior two-week period. This year we've had barely 3 1/3" of rainfall since the first of last July!

While there's the hope for some significant rain by the end of this month, the truth is that it is probable that our drought has and will continue. So, it is a good thing that we remain under the State's mandate of 25% reduction. Unfortunately, we are required to report our results; and, those results show we did not meet our goals at the end this past year. Almost entirely across the board, landscape watering is the culprit. So, take a close look at Staff's presentation that follows this letter for tips on correcting this problem.

Your company produced over 55.763 million gallons of water last year. 37.424 million was State Water and the rest came from our wells. You should recall that the cost of producing potable State Water is significantly more expensive than our harder well water. We continue to mix as much well water with the treated State Water as is possible. Please also note we are going to drill for more water this year, thus one of many stated reasons for our rates going up.

Lastly, here's my annual update on reservoir capacities as of today's date:
Nacimiento = 41.63%; San Antonio = 31%; Lopez = 51.20% & San Luis Reservoir = 84%

On a more serious note, I sincerely thank our volunteer Board for the time they have given this past year. To our office and field staff, my best wishes for the ongoing 2018 New Year and special thanks for your fine work in 2017. I look forward to working with all of you the remainder of this year.

Sincerely,



John Delehant, Board President

How SMMWC Rates are Established

SMMWC's primary source of funding is from water and sewer services charged to its Residential, Commercial and Irrigation Shareholders/Customers. All of the revenue goes directly to the short-term Operations and Maintenance (O&M) of our system as well as to long term Planning issues and Capital Replacement Projects (Reserves) both System Infrastructure and Residential/Commercial Infrastructure. The SMMWC Board of Directors sets your rates for these services annually based on adjustments to the Sewer Charges, Water Availability Charges, Water/Sewer Capital Replacement fee and the Water Usage rates. Every 5 years the SMMWC Board reviews the water usage rate structure/revenue model in order to maintain equality for each type of user group.

As a mutual water company each of the major customer groups; Residential, Commercial, and Irrigation, is slated to pay their fair share of the costs based on usage and impact on the SMMWC system. For example, if residents as a group use half of the water supplied by the company, they should pay half of the cost. Similarly, if commercial generates one-third of the sewage they should pay one-third of the cost of providing sewer service. SMMWC rate structure reflects these goals.

In the past, the rate structure/revenue model was reviewed in 2007, 2012 and again, as scheduled, in 2017 in preparation of the 2018 budget. For 2018 the anticipate usage is slightly higher than 2017. These changes in the usage patterns have normalized the revenue stream throughout the year. For the 2018 budget we have created a Water division and a Wastewater division each with their own income and expenses. We have also divided our Capital Projects into those that are for System Infrastructure (Treatment Facilities, Transmission piping, Storage Tanks) and Residential / Commercial Infrastructure.

The SMMWC Board will now be able to set the actual rates (charges) based on projections of Operations, Maintenance and Administrative expenses, State Water Delivery costs, proposed Capital Projects for each division and the continue funding of our Capital reserves based on the System and Residential / Commercial anticipated projects.

New Rates for 2018

For 2018, the Board has decided that there will be an adjustment to the water base availability charge by -2% and an increase in the minimum availability charge for Wastewater of 2%. These adjustments are necessary to make the water and wastewater divisions self-sustaining. For the Capital charge, there will be a \$5.00 increase for both Water and Wastewater in order to build reserves for future projects (see the next article). This means that the total availability rate for Water has increased from \$48.90 to \$53.28 and the total availability rate for Wastewater has increased from \$57.50 to \$63.29.

Capital Projects – Planning and Maintaining for the Future

In order to better to plan for and target our funding for our Capital Projects, we have prioritized them into two categories: System Infrastructure (Treatment Facilities, Transmission piping, Storage Tanks) and Residential/Commercial Infrastructure (Residential and Commercial Tracts). The following table identifies the major portions of our Residential/Commercial Infrastructure by year installed, location, type of material and expected life.

Identification of Infrastructure Projects

Year Installed	Location	Type	Material	Expected Life
1970	Indian Hill	Water / Sewer	AC	2020
1970	Golf Course	Water	AC	2020
1987	Pelican Point	Water / Sewer	PVC	2062
1992	Mallard Green	Water / Sewer	PVC	2067
1993	Avila Village	Water / Sewer	PVC	2068
1994	A. V. Orchards	Water / Sewer	PVC	2069
1998	Heron Crest	Water / Sewer	PVC	2073
2000	Skylark	Water / Sewer	PVC	2075
2000	Kingfisher	Water / Sewer	PVC	2075
2002	Silver Oak	Water / Sewer	PVC	2077

This table clearly shows that we have two areas where the 1970 era pipe has about reached its expected life, while the newer PVC piping has a much longer life cycle. For Residential/Commercial Infrastructure funding purposes, we need to build our reserves quickly to be ready to replace the older piping, than we have some breathing room prior to a consistent replacement program starting in 2062.

For our long term System Infrastructure Capital Projects, SMMWC staff is developing a 10 year plan. This plan includes a schedule for the basic maintenance of our Lift Stations, Water Booster Stations and our Water and Wastewater Treatment Facilities.

Capital Projects completed in 2017

In 2017, we are nearing completion of the SCADA system for both the water and wastewater systems. The radio-based system reports and records all telemetry data directly to our office. Our biggest undertaking this year was to refurbish the Exteriors of Tanks 100, 200 and 400. This was done to insure the structural integrity of our tanks so we can maintain proper storage and security of our water supply. The other project that was planned and completed was the Realignment of the Effluent Line from the WWTP to the distribution ponds. Due to some extreme weather we had some unexpected Projects; Repairs to the Wild Cherry Road and Culverts, Lift Station 3 Water Line and VFD Replacement.

Capital Projects for 2018

For 2018 System projects will include building repairs to protect the electronics and generators at the water treatment plant, wastewater treatment plant and lift station facilities. We will also improve our pumps with high efficiency motors and replace aging water meters. Lastly, we hope to finalize the completion of our SCADA system. The Residential / Commercial Infrastructure project is to join forces with the Indian Hill HOA and start the planning process for the future replacement of both the water and wastewater facilities within Indian Hill.

Our Location

For those of you who have not visited our office yet, we are located at **1561 Sparrow Street**, behind the Cal-Fire Station. Our mailing address has not changed. Customers can still save postage by placing their payments in our SMMWC drop box at the Lupine Canyon mailboxes across from Mallard Green or deliver their payments to our new office. Our office also has a payment drop slot next to the front door for afterhours use.

SMMWC now offers Online Bill Pay

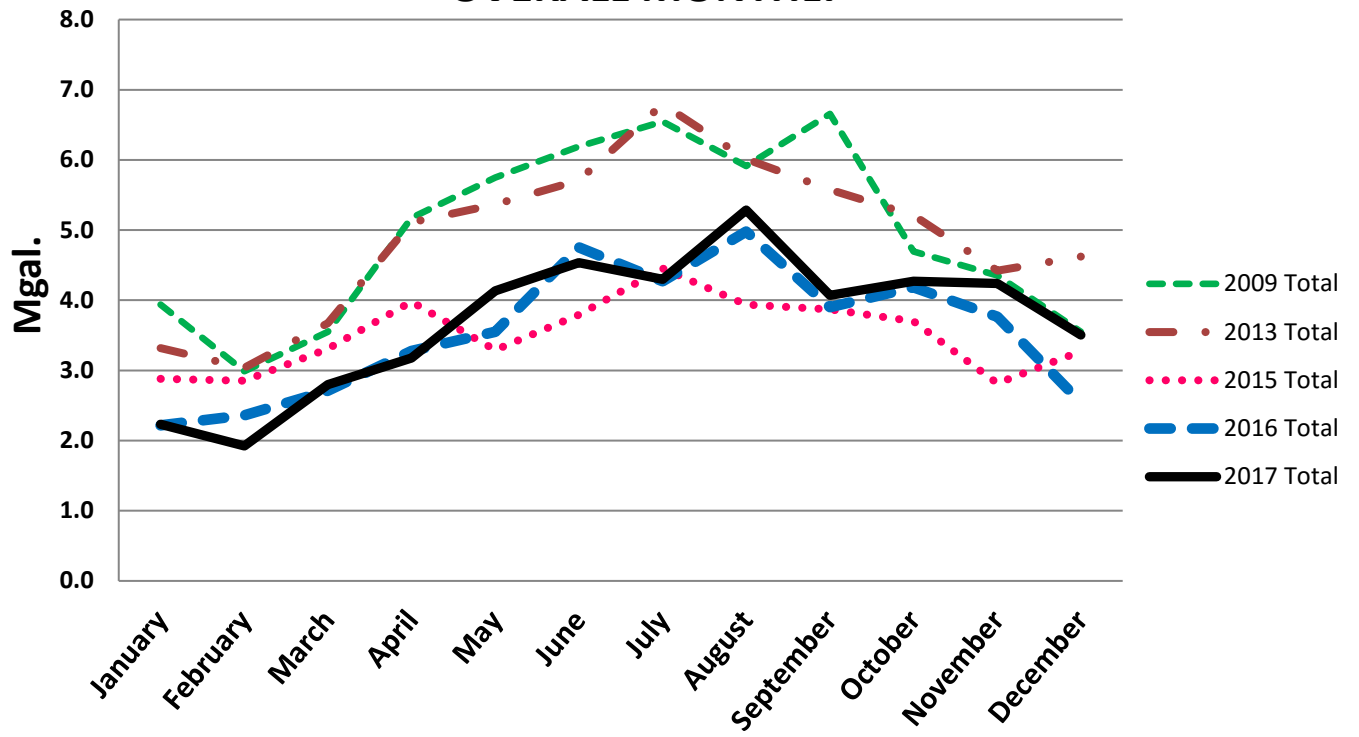
Please visit our web site at smmwc.com for information regarding the option to pay your bill online. This feature can be found on our homepage, just click on “Pay my Bill “. Please note that this option is through a secure third-party website, so a small fee will also be charged to your credit card.

As an additional convenience to our Customers, SMMWC offers our **ACH auto debit payment program at no additional charge**. This method of payment allows SMMWC, through our Bank, to directly debit Customer payments through Customer checking accounts. SMMWC submits all ACH debits on the 15th of each month so there is no worry of getting a late charge from SMMWC. Please inquire at our office for more information. For those of our shareholders who use their own bank’s “Bill Pay” process, please remember to schedule the delivery of your payment far enough in advance to allow for slower USPS deliveries during the Holidays and bad weather.

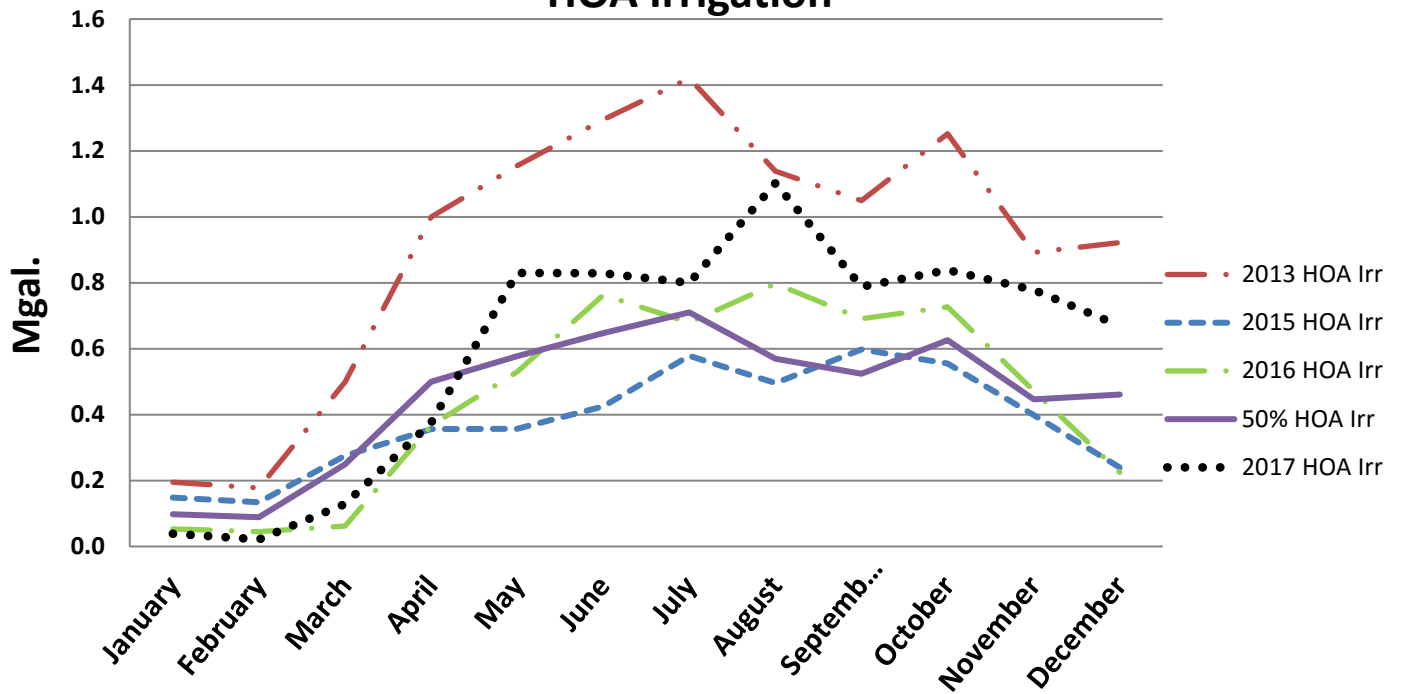
Conservation Tips

- Check all faucets, pipes and toilets for leaks
- Install new toilets that use less than 1.6 gallons per flush
- Never use your toilet as a wastebasket
- Put faucet aerators on sink faucets
- Turn off the water while brushing teeth and soaping hands
- Use low flow showerheads
- Try and keep showers under 10 minutes – 5 is better
- Shut shower water off while you lather up
- Water your yard and outdoor plants early or late in the day to reduce evaporation
- Use Plants that require less water
- Mulch around plants to hold water in the soil
- Use a broom, not a hose to clean driveways a walkways
- Use a shut off nozzle on your hose
- Get an Energy Star labeled washing machine
- Wash only full loads

OVERALL MONTHLY



HOA Irrigation





A mutual water company serving the San Luis Bay Estates Area
Post Office Box 2120 - Avila Beach, CA 93424-2120

SAN MIGUELITO
MUTUAL WATER COMPANY

