

NOTICE TO PROPERTY OWNERS AND RATE PAYERS REGARDING PUBLIC HEARING ON PROPOSED WATER RATES

Dear Property Owner or Primary Ratepayer,

The Denair Community Services District (the "District") will hold a Public Hearing on proposed water rate increases to customers of the District. The Public Hearing will be held at the following location, date, and time.

Date: Tuesday, November 18, 2025
Time: 6:00 p.m.
Place: Denair Community Center: 3850 N. Gratton Rd. Denair, CA 95316

Why are you receiving this notice?

The Denair Community Services District (District) is mailing this notice to you because you are a water customer or are the owner of record of a property that receives water service. This notice describes proposed changes to the water rates and provides information about a Public Hearing to be held on Tuesday, November 18, 2025, at the Denair Community Center, 3850 N. Gratton Rd., Denair, CA, 95316 regarding these proposed changes.

Why are rates changing?

The District is facing increased operating capital expenses for its water system. The District's operating expenses continue to increase, which include salaries and benefits, maintenance, electricity, chemicals, and general and administrative costs. Additionally, the District's is planning to construct needed water system capital improvements as part of their five-year capital improvement plan. The projects include a 1-million-gallon (MG) water tank with 2,100 horsepower (hp) pump, an 8-inch water line replacement from well #8 to the proposed 1MG tank, a 12-inch looped line, and Denair Village and other water line replacements. These operating expenses and capital improvements are necessary to maintain a financially stable water enterprise. The proposed rates herein include the above-mentioned increases in operating and capital expenses.

What do water rates fund?

The District provides water service to a mix of residential and commercial customers. Monthly water rates charged to system users (customers) are the primary source of revenue for the water system. Rate revenue provides funding for annual operating and maintenance costs, capital projects to improve water infrastructure, administration, and maintaining adequate fund reserves and planning for contingencies.

Why are rate increases needed?

The District has not increased water rates since July 1, 2018, or 7 years. Current rates do not provide adequate funding for long-term operation and maintenance expenses and capital projects. The District engaged a consultant to perform a study of the District's water fund and to recommend user rates designed to meet the District's financial needs, including operating and maintenance service costs, funds for needed capital projects, and maintenance of reserves.

New rates

In order to provide the necessary funding to operate, maintain, and carry out long-term improvements of the water system, the District is proposing to implement new water rates. The table on the next page summarizes the proposed water rates. The rates proposed are intended to be in effect for the next five years.

Schedule of Proposed Water Rates

	Current Rate	January 1, 2026	January 1, 2027	January 1, 2028	January 1, 2029	January 1, 2030
Fixed Charge (\$ per month)						
Single-family	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Multifamily	30.00	30.00	30.00	30.00	30.00	30.00
Mobile Home	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
Commercial						
Meter Size						
<= 1"	\$16.70	\$16.75	\$18.03	\$19.42	\$20.91	\$22.52
1.5"	25.05	25.13	27.05	29.13	31.37	33.78
2"	33.40	33.50	36.06	38.84	41.82	45.04
2.5"	43.42	43.55	46.88	50.49	54.37	58.55
3"	53.44	53.60	57.70	62.14	66.91	72.06
4"	106.88	107.20	115.39	124.29	133.82	144.13
6"	167.00	167.50	180.30	194.20	209.10	225.20
Variable Charge (\$ per Kgal)						
Residential	\$0.65	\$0.90	\$1.12	\$1.36	\$1.61	\$1.88
Commercial	\$1.80	\$1.75	\$1.88	\$2.03	\$2.19	\$2.36

Impact on your residential bill

For the proposed rates effective January 1, 2026, a typical single family home water bill with a 3/4-inch meter using 16 thousand gallons (kgal) per month would increase from \$40.40 per billing cycle (every month) to \$44.40 per billing cycle or \$4.00 more per month for the January 1, 2026, increase. Increases for other usage levels are shown in the table below.

Residential Bill Impacts from the Proposed Water Rates

Use Level	Use (kgal)	Current Bill	Proposed Bill - January 1, 2026		
			Proposed Bill	Dollar Difference	Percent Difference
	0	\$30.00	\$30.00	\$0.00	0.0%
	5	\$33.25	\$34.50	\$1.25	3.8%
	10	\$36.50	\$39.00	\$2.50	6.8%
Average	16	\$40.40	\$44.40	\$4.00	9.9%
	20	\$43.00	\$48.00	\$5.00	11.6%
	25	\$46.25	\$52.50	\$6.25	13.5%
	30	\$49.50	\$57.00	\$7.50	15.2%
	40	\$56.00	\$66.00	\$10.00	17.9%
	50	\$62.50	\$75.00	\$12.50	20.0%

Water Rate Development Process

The District hired a consultant to perform a study of the District's water fund, and to recommend user rates designed to meet the District's financial needs, including operating and maintenance costs, funds for needed capital projects, and maintenance of reserves. The rate structures developed in the study comply with federal, state, and local laws and guidelines. They are consistent with good industry practices and are fair and equitable among the District's customer classes. At the District's Board of Directors Meeting on August 19, 2025, the recommended utility rates for a five-year period were presented. The Board of Directors reviewed the presentation and approved the proposed rate schedule to be considered at a Public Hearing on November 18, 2025. The rate study report providing the rate development methodology is available at the District offices and on the District's website at www.denaircsd.org.

How do you file a protest or participate in the Public Hearing?

Section 6 of the California Constitution, Article XIID (Prop. 218), requires a notification to be sent to the record owner of each identified parcel upon which any new water rates or charges that are being proposed for adoption 45 days in advance of the Public Hearing.

If you oppose any of the proposed rate increases, your protest must be submitted in writing to be considered, even if you plan to attend the Public Hearing. Your written protest must be received by the District Secretary of the Denair Community Services District prior to the 18th day of November 2025, Public Hearing.

Protests must contain the following information:

- 1) A description of the property, such as the assessor's parcel number;
- 2) Your Denair Community Services District municipal services account number;
- 3) Whether you are the property owner of record or a tenant (Please note that if you were not the owner of the property as of Stanislaus County's last tax roll, please include written confirmation that you presently own the property).

The Denair Community Services District Board of Directors will consider all protests against the proposed rate increases. If written protests against the proposed increases are presented by the majority of property owners, the Board of Directors will not impose the increases. If there is no majority protest and should the Board of Directors adopt the proposed rates, increases in the water rates shall become effective as of January 1, 2026.

You may send your written protest to:

District Secretary, Denair Community Services District, P.O. Box 217, Denair, CA 95316

Pursuant to Government Code Section 53759 there is a 120-day statute of limitations for challenging any new, increased, or extended fee or charge.