

**2018 Cost of Service & Rate
Design for Auburn Lake Trails
Wastewater Management Zone
January 16th Presentation**

**GEORGETOWN DIVIDE PUBLIC
UTILITY DISTRICT**

Objectives of Study

- Full and equitable cost recovery for wastewater services provided in ALT
- Educate property owners on types of services received, and costs of those services
- Provide a robust financial analysis from which the District can make decisions
- All in accordance with applicable CA state laws and codes

ALT Wastewater Types of Fees

Property-related Fees --- Bi-Monthly Fees

- Adopted pursuant to Proposition 218 for wastewater service

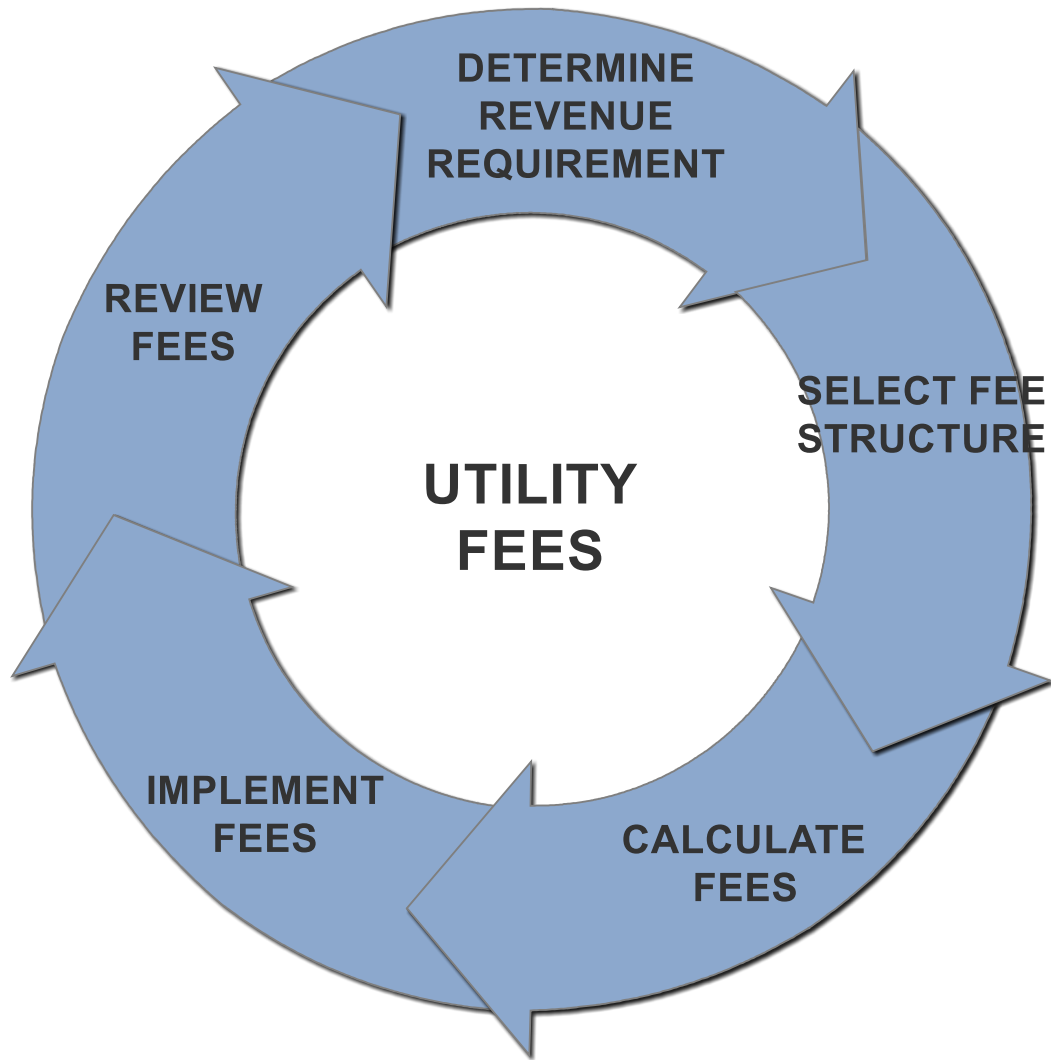
User Fees --- One Time Fees

- Adopted pursuant to Proposition 26 Section 1(e)(3) for issuing licenses and permits, performing investigations, inspections, and audits

Connection Fees --- One Time Fees

- CDS System Only – applicable for remaining 2 lots
- Adopted pursuant to the Mitigation Fee Act (CA Code 66013)

Fee-Setting Process: 3-5 Years



Goals

Ensure compliance with State Permit

WDR Order R5-2002-0031 by:

- Adequately funding the provision of service to the ALT wastewater systems and maintaining prudent reserve
- CDS System - Provide timely maintenance extending assets' useful lives as far as possible and collect sufficient revenues for future system rehabilitation costs

ALT Wastewater Fund

- Fund 40 – Unrestricted. *All monies can be used for any purpose (CDS or non-CDS)*
- Fund 41 – Restricted. *CDS Loan Program*
- Fund 42 – Restricted. *CDS Reserve*

	Unrestricted Cash 6/30/18	Restricted Cash 6/30/18	
Fund 40	\$955,886	\$170,063	Fund 41
		\$39,450	Fund 42
	\$955,886	\$209,513	

What is Prudent Reserve?

Sufficient cash balance to be available to:

- Serve cash flow needs
- Pay for emergency and unplanned necessary repairs
- Accumulate for system rehabilitation (planned improvements)
- Provide rate stabilization

Measurements to define “prudent” or “sufficient”

- Several accepted, depends on the system and policies
- Government Finance Officers Association (GFOA) best practice is to start with a baseline of 90 days and adjust depending on local circumstance
- Most typical is to have an amount equal to a number of months of operating expenses available in unrestricted cash – small system usually 3 to 6 months

ALT Considerations for Reserves

Arguments in Favor of Lower than 90-day Reserve:

- Predictable, steady revenues – lowers cash flow concern
- No large system assets that might fail / require immediate replacement
- Uniform customer base – not dependent on a few large customers

Arguments in Favor of Higher than 90-day Reserve:

- Unpredictable weather events – emergency work needed
- Ever-increasing California environmental standards / requirements for treatment – may require new infrastructure and/or monitoring
- Enterprise fund – all revenue from fees, no general fund transfer potential, water fund gets all property taxes
- Rate stabilization – raising rates is unappealing; especially with a small customer base

Bi-Monthly Fees Revenue Requirement

- Projection based on FY 2019 Adopted Budget with adjustments for non-recurring costs
- Operating Expenses about \$400,000; majority (about 60%) is for personnel
- System Rehabilitation – CDS Only \$41,000 /year
- Credits – Other Income sources deducted
- Total Costs \$385,000 /yr increase to \$410,000 /yr over 5 yrs

Bi-Monthly Fees Calculation Methodology

1. Operating Expenses allocated to all CDS and Non-CDS lots (Developed and Undeveloped). *All lots pay for personnel, insurance, regulatory requirements and fees.*
2. Utilities Costs allocated to Developed CDS lots only.
3. System Rehabilitation Costs allocated to All CDS lots only.
4. Credits allocated to all CDS and Non-CDS lots (*interest income, design review & escrow fees*)
5. Reserves allocated to all lots to lower Bi-Monthly Fees
6. Allocated Revenue Requirement divided by number of lots

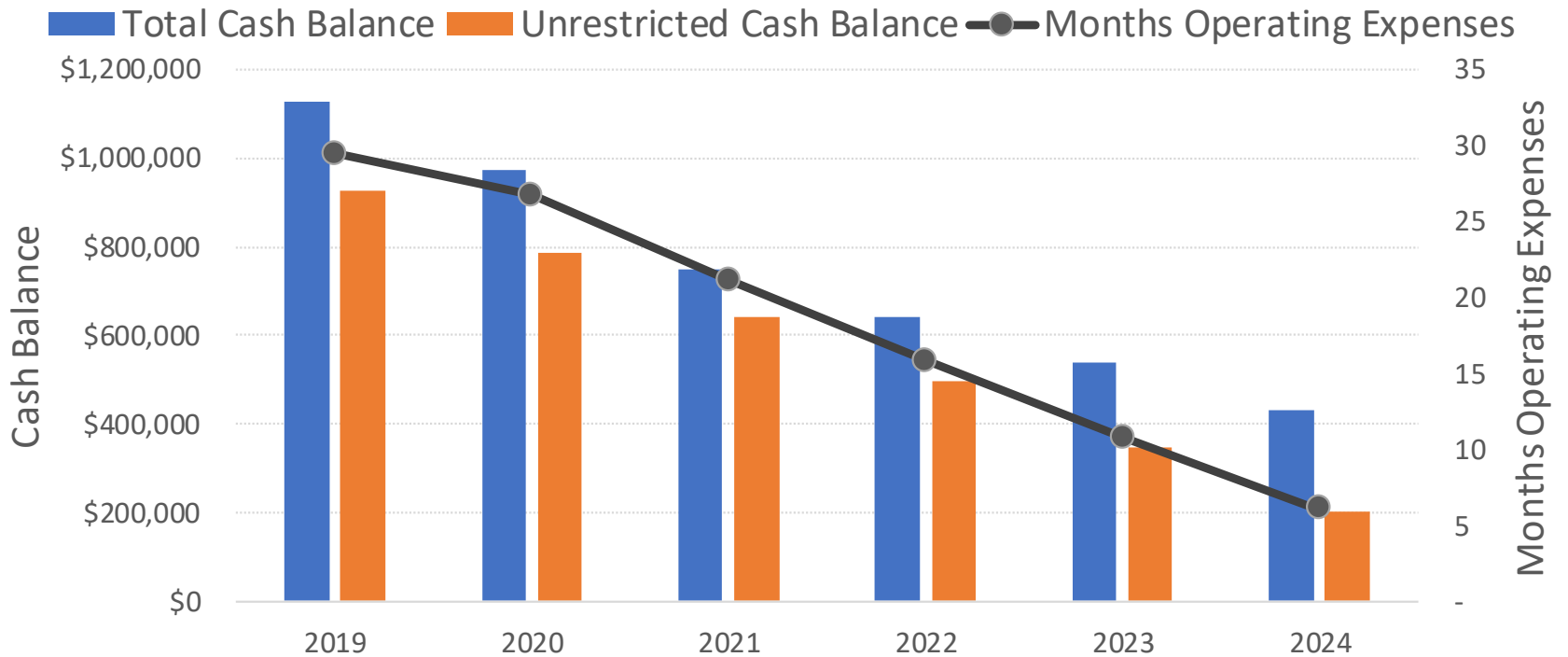
Bi-Monthly Fees Findings

- Fees decrease beginning July 1, 2019
- Fees increase again the following year; by end of Year 5 the CDS Developed Lot rate is the same as current, all others lower
- Shift of Costs from Non-CDS to CDS Lots
- Ratio of undeveloped CDS lot cost to developed CDS lot cost increases; slight decrease in ratio for non-CDS lots

Calculated Bi-Monthly Fees – 1st Year

System and Lot Type	Current Fees	Proposed Fees 7/1/19
CDS	<i>Bi-Monthly Fees</i>	
Developed Lot	\$101.74	\$80.47
Undeveloped Lot	\$35.20	\$58.64
Non-CDS		
Developed Lot	\$40.72	\$19.21
Undeveloped Lot	\$32.26	\$15.84

Projected Cash Balance



Board Decisions

- Amount of Reserve to apply to Fees
 - Recommend use \$180,000 each year for next 5 years to draw down reserves to 6 months of operating expenses; currently 29 months of operating expenses
 - Recommend apply to CDS and non-CDS lots; historical records not clear enough to distinguish otherwise
- Consolidate Funds 41 and 42 into Fund 40 or keep all 3 funds
 - Recommend consolidate; unsure amounts in funds 41 & 42 were exclusively from CDS-only fees and CDS lots pay full annual depreciation of CDS assets therefore they are covering their own costs

User Fees Methodology

- Remove fees for services no longer performed
- Determine staff time in hours by staff level to complete task (such as escrow inspection)
- Apply cost per hour to staff time
 - Cost per hour based on 2018 payroll records
 - Cost includes administrative cost markup of 15%
- Results in some fees increasing and some decreasing

CDS Connection Fee Methodology

Fee **Increase** Applicable to 2 Remaining Undeveloped Lots

1. Determine net book value of CDS Assets
 - Methodology consistent with water rate study
2. Determine future customers' share of value
3. Divide future customers' share by number of lots undeveloped

Calculated User Fees and CDS Connection Fees

Fee	Current	July 1, 2019
Escrow Inspection - First	\$400	\$420
Escrow Inspection – Each Additional	\$200	\$190
Special Inspection	\$125	\$190
Wastewater System Design Review & Inspection	\$600	\$770
CDS Only		
Design Review & Inspections	\$900	\$700
Connection Fee	\$1,500	\$2,590