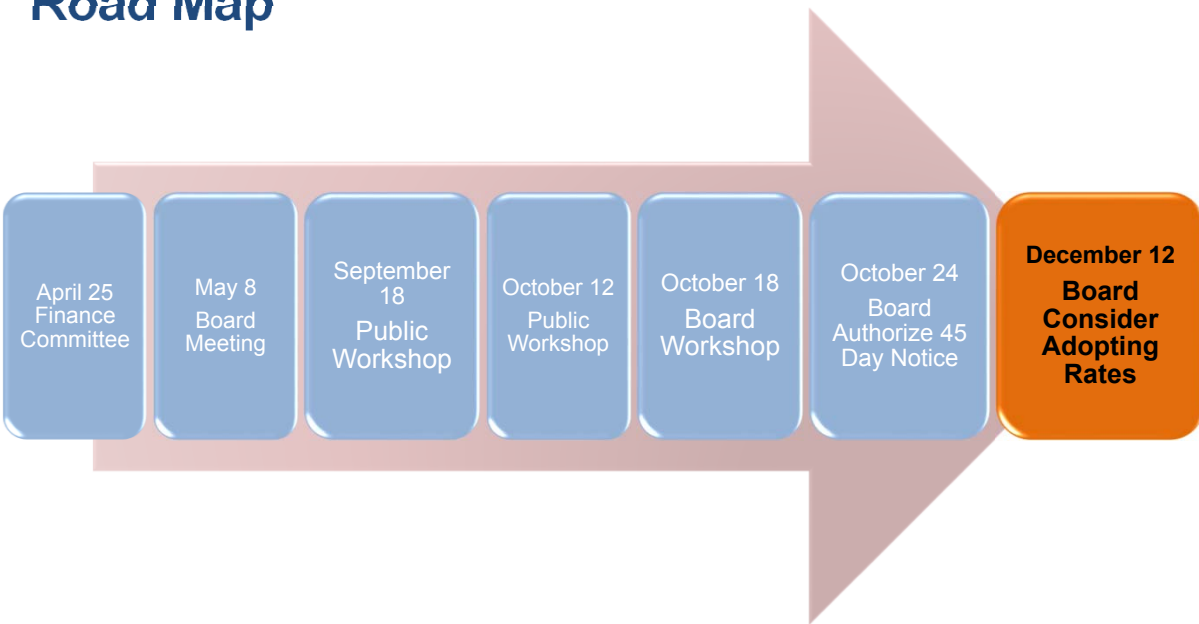


# RATE STUDY

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Steven Palmer, General Manager  
**Georgetown Divide Public Utility District**  
December 12, 2017

## Road Map



## GDPUD Mission Statement

It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies
- Ensure high quality drinking water
- Promote stewardship to protect community resources, public health and quality of life
- Provide excellent and responsive customer services through dedicated and valued staff
- Ensure fiscal responsibility and accountability are observed by balancing immediate and long term needs



## Your Water System

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- Encompasses 415 square miles
- Approximately 15,000 residents
- Approximately 3,600 treated water connections
- Approximately 400 irrigation water customers
- ~20 full time employees

## Your Water System

- Over 70 miles of canals & ditches
- 200+ miles of pipes
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Corporation yard & office building



## Your Water System



## Your Water System



## Your Water System



## Your Water System



## Your Water System



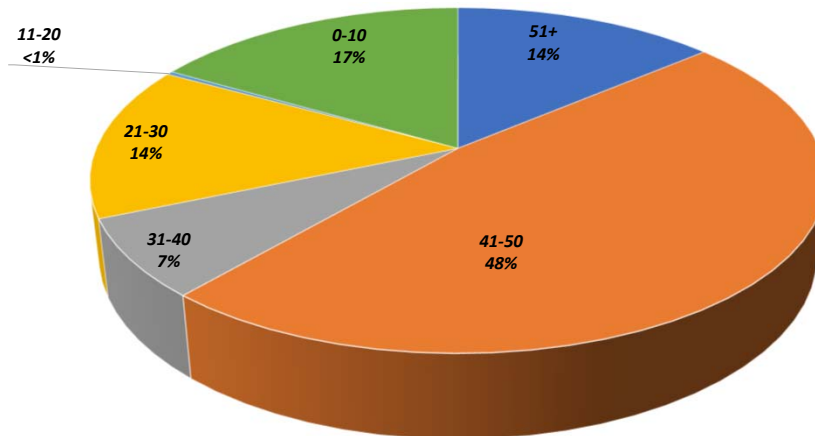
## Your Water System



## Your Water System



## Your Water System Age of Infrastructure (Years)



Over 60% of District infrastructure was installed prior to 1977

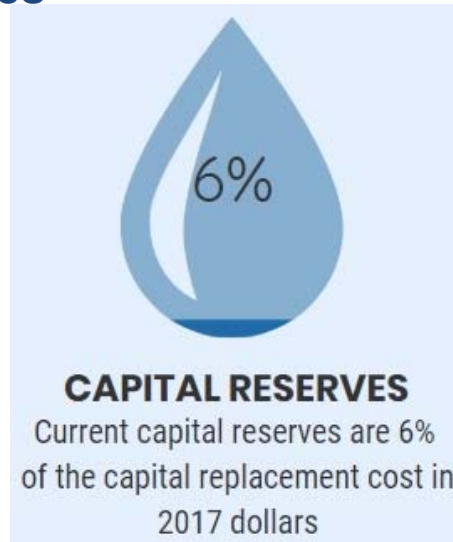
## Why Perform a Rate Study Now?

### 1) Lack of resources (\$) to start replacing aging infrastructure

- Not enough cash on hand
- Rates are too low to qualify for grants and loans
  - Current affordability <1.25%
  - Target = 1.5% to 4.0%
- Debt coverage ratio is too low
  - Min of 1.2x

## Why Perform a Rate Study Now?

### 1. Lack of resources



## Why Perform a Rate Study Now?

### 2) Legal Requirements

- Old data
  - 2008 rate study
- Recent Court Decisions
  - Tiers need to “...correspond to the actual cost of providing service at a given level of usage...”



## Why Perform a Rate Study Now?

### 2. Legal requirements

- Current rates based on 2007 actuals only
- 2008 Study recommended rate increases to 2013
- 2008 Board only adopted increases to 2011

	Adopted Maximum	Recommended Maximum
Treated	\$23.57 per month	\$26.49 per month
Irrigation	\$72.74 per MI per mo	\$88.01 per MI per month

## Why Perform a Rate Study Now?

### 2. Legal Requirements



#### Grand Jury Recommendations

- Initiate a voter approved rate increase
- Replace aging water meters and infrastructure
- Offer competitive salaries and attract qualified professional staff
- Review staffing levels and fill key positions with permanent staff
- Undertake a public information program to inform customers of impending rate changes

## Why Perform a Rate Study Now?

### 3) Funding to Comply with New State Mandates

- Improve reservoir and stream diversion gauging
- Mark Edson Dam spillway condition assessment
- Update dam Emergency Action Plan
- More stringent water audit requirements

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## Background

### Rate Study Purpose

- Identify “true cost” to deliver water
- Determine funding needed over the next 5-10 years to operate and maintain the system
- Create adequate revenue to fund capital improvements
- Ensure costs are allocated equitably
- Establish appropriate rates for 5 years
- Meet legal requirements for treated water and irrigation water rates

## Background

### Legal Requirements

- Shall not exceed the funds required to provide the service
- Shall not be used for any other purpose
- Shall not exceed the proportional cost of service
  - No “free” water included in Base Rate
  - No “tiered” Usage Charges

## Background

### Legal Requirements

- Subsidies between customer types are prohibited in rates
- Subsidies must be funded by:
  - Funds not related to rates (eg. property tax)

## Background

### Proposition 218 Implementation

- Must provide a Public Hearing Notice
  - Amount of rate
  - Basis of rate calculation
  - Reason for the rate
  - Date, time, location of public hearing
- One **written** protest per parcel (owner OR tenant, not both)
- Rate cannot be increased if >50% of property owners protest
- Affects all properties with water service available

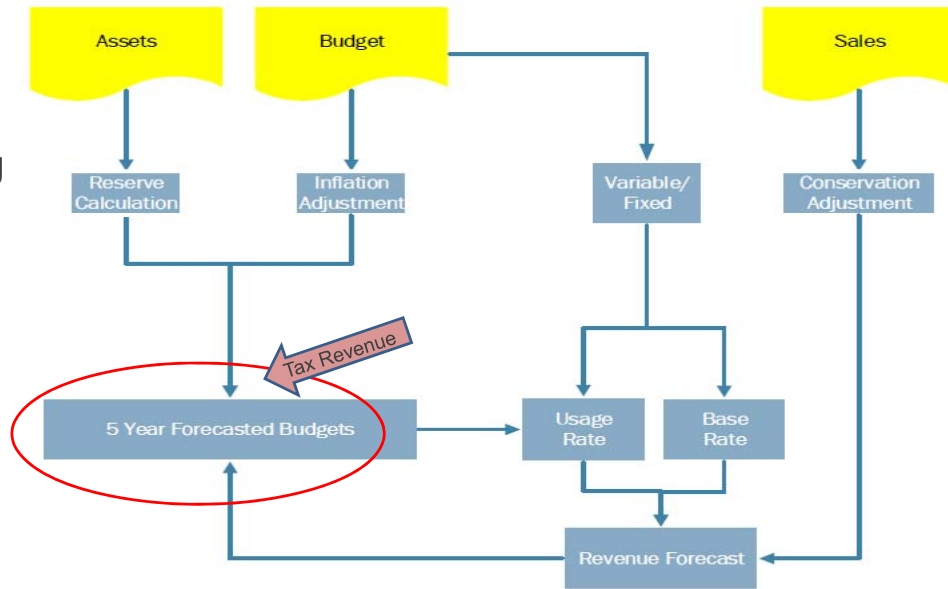
## Rate Study Calculations

- John Van den Bergh, Rural Community Assistance Corporation
  - Three scenarios were presented at Public Workshop #2
  - Five new scenarios based on input from Public Workshop #2



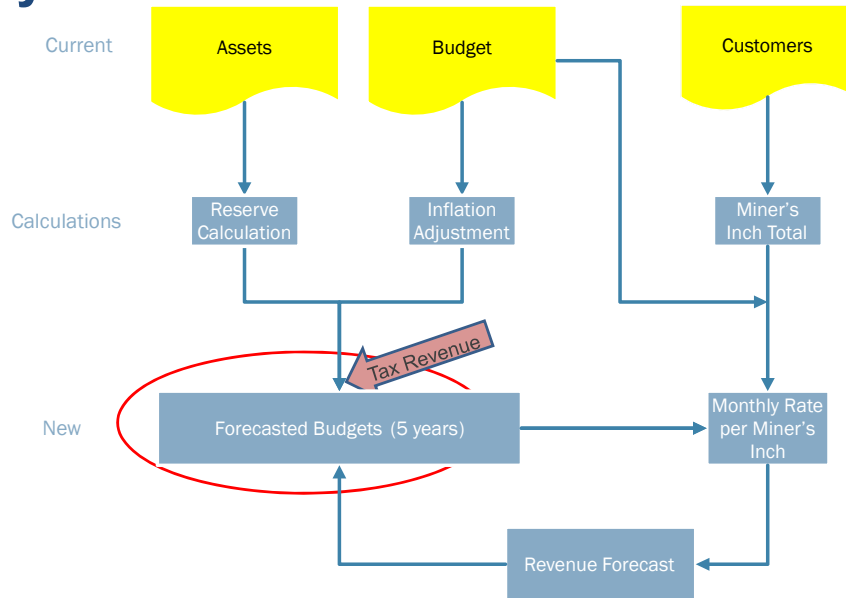
# Rate Study Calculations

Rate Setting using Water Meters



# Rate Study Calculations

Rate Setting using Miner's Inches



## **What staff did:**

- Split Admin expenses according to the number of customers
- Reviewed the replacement schedule of all capital assets
- Extended the time horizon to reach goals to 10 years
- Try to limit irrigation rate increase to 100% in the first year

## **What staff did:**

- Calculated the cash infusion needed by the irrigation enterprise (without causing cash flow problems)
- Split property tax revenues accordingly:
  - \$1,006,000 (64%) to treated and 563,000 (36%) to irrigation (was 74%-26%)
- Allocated \$35,000 of property tax to low income household assistance

## Bottom Line

### Treated

- Bi-monthly bill for 2,000 cf increases \$62.67 in first year
- Bi-monthly bill for 2,000 cf increases an additional \$23.67 by Year 5
- Capital reserve needs are met for the next 10 years (~\$1M / year)
- Need to continue raising rates after year 5

### Irrigation

- Increase of \$407.30 in first year (1-MI)
- Increases an additional \$358.00 by Year 5 (1-MI)
- Average bill for season \$1,129/MI
- Capital reserve needs can not be funded
- Further delay in capital improvements
- Need to continue raising rates after 4 years

## Bottom Line – Treated Water

Meter Size	Current Bi-Monthly Base Rate	Proposed Bi-Monthly Base Rate (Year 1)	Proposed Bi-Monthly Base Rate (Year 5)
5/8"	\$47.14	\$58.81	\$71.48
3/4"	\$47.14	\$58.81	\$71.48
1"	\$47.14	\$58.81	\$71.48
1.5"	\$47.14	\$196.04	\$ 238.30
2"	\$47.14	\$313.66	\$ 381.26
3"	\$47.14	\$627.32	\$ 762.50
4"	\$47.14	\$980.18	\$ 1,191.42

## Bottom Line – Treated Water

Tier	Usage Rate (per CF)		
	Current	Year 1	Year 5
<1000 CF	--	\$ 0.0255	\$ 0.0310
1000-2000	\$ 0.0138	\$ 0.0255	\$ 0.0310
2001-3000	\$ 0.0165	\$ 0.0255	\$ 0.0310
3001-4000	\$ 0.0193	\$ 0.0255	\$ 0.0310
>4001 CF	\$ 0.0221	\$ 0.0255	\$ 0.0310

## Bottom Line - Irrigation

Service Size	Current Seasonal Rate	Proposed Seasonal Rate (Y1)	Proposed Seasonal Rate (Y5)
½"	\$235.00	\$385.00	\$564.00
1"	\$363.70	\$771.00	\$1,129.00

Rates shown are for one irrigation season of service (5 months)



## Existing vs. Proposed (Year 1)

Usage	Existing Base Charge	Existing Supplemental Charge	Existing Usage Rate	Existing Bi-Monthly	Proposed Base Charge	Existing Supplemental Charge	Proposed Usage Charge	Proposed Bi-Monthly
1000	\$ 47.14	\$ 30.16	\$ -	\$ 77.30	\$ 58.81	\$ 30.16	\$ 25.50	\$ 114.47
2000	\$ 47.14	\$ 30.16	\$ -	\$ 77.30	\$ 58.81	\$ 30.16	\$ 51.00	\$ 139.97
3000	\$ 47.14	\$ 30.16	\$ 13.80	\$ 91.10	\$ 58.81	\$ 30.16	\$ 76.50	\$ 165.47
4000	\$ 47.14	\$ 30.16	\$ 27.60	\$ 104.90	\$ 58.81	\$ 30.16	\$ 102.00	\$ 190.97

## Existing vs. Proposed (Year 5)

Usage	Existing Base Charge	Existing Supplemental Charge	Existing Usage Rate	Existing Bi-Monthly	Proposed Base Charge	Existing Supplemental Charge	Proposed Usage Charge	Proposed Bi-Monthly
1000	\$ 47.14	\$ 30.16	\$ -	\$ 77.30	\$ 71.48	\$ 30.16	\$ 31.00	\$ 132.64
2000	\$ 47.14	\$ 30.16	\$ -	\$ 77.30	\$ 71.48	\$ 30.16	\$ 62.00	\$ 163.64
3000	\$ 47.14	\$ 30.16	\$ 13.80	\$ 91.10	\$ 71.48	\$ 30.16	\$ 93.00	\$ 194.64
4000	\$ 47.14	\$ 30.16	\$ 27.60	\$ 104.90	\$ 71.48	\$ 30.16	\$ 124.00	\$ 225.64

## Consequences of not raising rates enough

1. Reduction in reserves
2. Inability to maintain system = fines and increased cost
3. Inability to comply with State mandates
4. Inability to pay bills
5. Extra pressure from state to consolidate with neighboring systems
6. Take-over by the state = Receivership

## Next steps

- Questions from Board
- Hear testimony
- Close protest period
- Discussion/Questions from Board
- Count protest letters
- Possibly adopt the rates
- Commit to a new rate study within 4 years
- Commit to creating a payment assistance program for low-income customers

**QUESTIONS?**