

**AGENDA
SPECIAL MEETING
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS**

6425 MAIN STREET, GEORGETOWN, CA

**Tuesday, August 22, 2017
2:00 PM**

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
 - Insure fiscal responsibility and accountability are observed by balancing immediate and long term needs
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1. CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

2. ADOPTION OF AGENDA

- 3. PUBLIC FORUM** – Any member of the public may address the Board on matters identified on this agenda and within the jurisdictional authority of the District. Public members desiring to provide comments must be recognized by the Board President, and speak from the podium. Comments must be directed only to the Board. The public should address the Board members during the public meetings as President, Vice President, or Director followed by the Board members individual last name. The Board will only hear communications on matters on the agenda.

No disruptive conduct shall be permitted at any Board meeting. Persistence in disruptive conduct shall be grounds for summary termination, by the President, of that person's privilege of address.

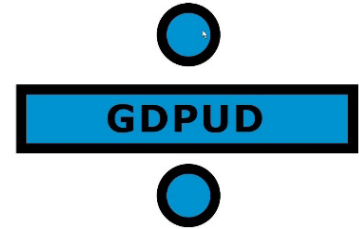
4. NEW BUSINESS - REVIEW AND APPROVE PUBLIC OUTREACH APPROACH FOR RATE STUDY

Possible Board Action: Provide Staff, by motion action, with direction on whether to move forward with the public outreach approach as presented.

- 5. NEXT MEETING DATE AND ADJOURNMENT** –Next regular meeting September 12, 2017, at 2:00 PM at the Georgetown Divide Public Utility District Office

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Steven Palmer by telephone at 530-333-4356 or by fax at 530-333-9442. Requests must be made as early as possible and at least one-full business day before the start of the meeting. In accordance with Government Code Section 54954.2(a), this agenda was posted in the District's bulletin board at the Georgetown Divide Public Utility District office, at 6425 Main Street, Georgetown, California, on August 18, 2017.

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF AUGUST 22, 2017
AGENDA ITEM NO. 4**



AGENDA SECTION: **NEW BUSINESS**

SUBJECT: **REVIEW AND APPROVE PUBLIC OUTREACH APPROACH FOR
RATE STUDY**

PREPARED BY: Steven Palmer, PE, General Manager

APPROVED BY: Steven Palmer, PE, General Manager

BACKGROUND

Current treated water and untreated water rates were last reviewed and updated in 2008. That 2008 review and update included a 5-year phase in period and rates increased between 2008 to 2011. Rates have remained unchanged since July 1, 2011. It is considered best practices to evaluate water rates every three to five years.

At the September 27, 2016 Board Meeting, the District initiated the process to enlist Rural Community Assistance Corporation (RCAC) to perform a water rate study. RCAC receives funding from the State to help communities like the District to stay in compliance with regulations. The purpose of the work by RCAC and the study is to determine the level of revenue required to adequately fund the treated and untreated water systems while providing customers with safe and reliable water that meets State and Federal requirements. The Study will provide an explanation and justification of the calculated treated and untreated water rates for five years, and documents compliance with laws and regulations.

On April 25, 2017, Staff and RCAC provided the District Finance Committee with a presentation regarding the methodology being followed for the current rate study and requested input regarding several policy related decisions. The policy questions discussed at the April 25, 2017 Finance Committee meeting are summarized below:

1. Subsidy Program for Low Income Customers

Board has provided direction to make it an option for employees to contribute money to a local nonprofit to provide water bill assistance to low income customers. *The Finance Committee expressed concern about the District expanding their role in this program due to increased time and cost to administer.*

2. Capital Reserve Fund Balance

The Capital Reserve Fund needs to have enough funds to allow the District to replace aging infrastructure before it fails, and this amount is a critical component of the rate calculation. *Finance Committee recommended revising the recapitalization amount to follow the following guidelines:*

- *Do not include recapitalization of costs less than \$3,000*

- <\$50,000 – 100% cash
- \$50,000 to \$100,000 – 75% cash
- \$100,000 to \$500,000 – 50% cash
- >\$500,000 – 25% cash

3. Non-Operating Revenue/Property Tax Allocation

A significant portion of the District's revenue are from revenue sources with flexible funds which can be spent on multiple aspects of the District. Examples are property tax and hydroelectric lease revenues. *Finance Committee recommended the following approach to allocating these revenues:*

- *Use to fund capital reserve funds for treated and untreated water only*
- *Distribute based on weighted capitalization cost*

4. Rate Tiers

The San Juan Capistrano court case established that rate tiers must be based on the actual cost of providing water. The District has only one source of water supply that is used year round, regardless of demand. Since there is one source of water, the District cannot show that it costs more to produce higher tiers of water. For this reason, the proposed rate structure consists of a base rate and a usage rate. Every customer will pay a base rate plus a usage rate for each unit of water used.

5. Function Cost Allocation (Base rate vs. usage rate)

This characterizes expenses as either fixed costs or variable costs, and divides rate revenue into either base rate or use rate. At this time, Staff and RCAC estimate that 75% of operating expenses are fixed cost and 25% are variable cost, excluding recapitalization. Allocating more expenses to the base rate has the effect of making the District less vulnerable to decreases in consumption similar to what was seen during the recent mandatory drought restrictions. A significant drawback is that a higher base rate has a large impact on low income customers. *The Finance Committee did not have any comments on the allocation as presented by RCAC.*

On May 8, 2017 Staff presented the above listed information from the Finance Committee meeting to the Board to obtain Board concurrence on moving forward with this methodology for the rate study. By motion action, the Board provided the following direction:

- Follow the Finance Committee recommendation to minimize staff time to administer the subsidy program;
- Make the following assumptions for the recapitalization program:
 - Exclude costs less than \$5,000;
 - 100% cash for improvements under \$50,000
 - 75% cash for improvements between \$50,000 and \$100,000
 - 50% cash for improvements between \$100,000 and \$500,000
 - 25% cash for improvements over \$500,000
- Exclude hydro revenue from the operating budget and rate calculation.

The staff report and presentation from May 8, 2017 are included as Attachment 1.

Since the May 8 Board meeting, RCAC and Staff have been working to incorporate the direction from the Finance Committee and the Board, and perform a thorough quality review of the water rate model.

DISCUSSION

I. American Water Works Guidelines

American Water Works Association (AWWA) guidelines (AWWA Manual M54) recommend early involvement with customers, stakeholders, and elected officials during the rate making process. The manual also states that early involvement including community meetings and workshops are typically productive and less confrontational than formal public hearings. The recommended approach for these workshops is to start with a careful explanation of the rate analysis, and end with a comparative analysis of the proposed rates.

II. Staff Recommended Approach

Staff has developed an outreach approach that is in line with these recommendations and consists of two public workshops, one Board meeting workshop, one Board meeting to authorize the 45-day public hearing, and one Board meeting to hold the public hearing required to adopt the rates. The first public workshop will include a presentation providing an overview of the District and its roles and responsibilities, the water rate study, need for capital improvements throughout the District, and the long range financial forecasts for the District's revenue and expenses. The workshop will conclude with small group discussions focused on the approach for implementing rate changes and phasing infrastructure upgrades. The second public workshop will provide customers with an update on the water rate study results and proposed implementation plan for rate changes. The proposed meeting dates are listed below, and a tentative calendar is included as Attachment 2:

September 18, 2017-Public Workshop #1

October 3, 2017 - Board Workshop (Special Meeting)

October 10, 2017 - Board Authorize 45-Day Notice (Regular Meeting)

October 24, 2017 - Public Workshop #2

November 28, 2017- Board Meeting Public Hearing to Adopt Rates (Special Meeting)

III. Alternative Approach

Another methodology that can be employed is to form an advisory committee consisting of community members that area appointed by the Board. AWWA Manual M54 suggests that this committee could benefit from using a professional facilitator as an independent third party to help move the process to a conclusion. According to AWWA, management of this type of committee is very time intensive. The committee process is broken into three (3) phases: education, review, and decision. During the education phase, time is spent by staff educating the committee on the issues facing the District, the financial situation of the District, and the need for a rate study. In the review phase, the committee utilizes the information from the education phase to review the different proposals and their impact on user groups. The decision phase occurs after the committee has been provided with background information, has reviewed proposals, and is ready to make a recommendation to the Board.

In order to utilize this alternative approach, the Board would need to take action to form an advisory committee and appoint members of the public to serve on the committee.

FISCAL IMPACT

The action to approve the public outreach approach does not have a direct impact on this year's operating or capital budget.

However, completing the water rate study update has a significant impact on the District's finances. The Draft Long Range Financial Forecast that was presented by the General Manager at the April 18, 2017 Board Meeting illustrates that total District revenue has decreased since 2009. Operating

expenses are forecast to exceed future revenue projections by significant and ever increasing amounts, reaching over \$300,000 annually within three years.

The Draft Long Range Financial Forecast and a recent proforma prepared by a lender, show that the District's debt-service coverage ratio will decrease to 1.0 in 2020. The debt-service coverage ratio is the ratio of net operating income to debt service. Lenders require a minimum ratio of 1.20 to qualify for loan programs.

Additionally, the District is not currently setting aside enough funds to fund capital replacement costs. Current restricted reserves total \$4.5M, and unrestricted reserves total \$5.5M. While this is adequate to fund required debt service accounts, it does not allow enough funds to repair or replace aging infrastructure.

Updating the rates is necessary for the future sustainability of the District. Rates must be updated to account for years of inflation since 2011, reduction in revenue due to water conservation, elimination of tiered water rates, and to set aside adequate funding to replace capital infrastructure. If rates are not updated, initially the District will be forced to draw from reserves to fund operating expenses and to defer much needed capital improvements and replacements. Once reserves are depleted the District will be unable to pay its bills and obligation. Ultimately, this lack of keeping rates current will result in pressure from the State to consolidate with a neighboring district, and could result in the State taking over the assets and obligations of the District.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) by motion action approve the Staff Recommended public outreach approach as presented in this staff report.

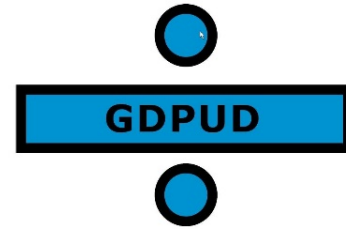
ALTERNATIVES

(a) Provide direction on an alternative public outreach approach

ATTACHMENTS

1. May 8, 2017 Staff Report and Presentation
2. Proposed Public Outreach Schedule

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF MAY 8, 2017
Agenda Item No. 6A**



AGENDA SECTION: NEW BUSINESS

**SUBJECT: REVIEW AND PROVIDE DIRECTION ON TREATED AND
UNTREATED WATER RATE STUDY**

PREPARED BY: Steven Palmer, PE, General Manager

BACKGROUND

Current treated water and untreated water rates were last reviewed and updated in 2008. That 2008 review and update included a 5-year phase in period and rates increased between 2008 to 2011. Rates have remained unchanged since July 1, 2011. It is considered best practices to evaluate water rates every three to five years.

At the September 27, 2016 Board Meeting, the District initiated the process to enlist Rural Community Assistance Corporation (RCAC) to perform a water rate study. RCAC receives funding from the State to help communities like the District to stay in compliance with regulations. The purpose of the work by RCAC and the study is to determine the level of revenue required to adequately fund the treated and untreated water systems while providing customers with safe and reliable water that meets State and Federal requirements. The Study will provide an explanation and justification of the calculated treated and untreated water rates for five years, and documents compliance with laws and regulations.

In California, the primary legal requirement for “property related” fee increases is compliance with what is commonly known as Proposition 218. Proposition 218 was approved by California voters in November 1996. This ballot measure added Articles XIII C and D to the California Constitution and requires the following when a local government agency increases fees:

- Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments.
- No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

More recently, a legal case, Capistrano Tax Payers Association v. City of San Juan Capistrano California, was resolved which resulted in additional, strict guidance regarding how water rates can be

calculated. This case established that rate tiers, like those currently used in the District, must “correspond to the actual cost of providing service at a given level of usage.” This means that in order to charge a different price per unit of water at different usage tiers, the District must demonstrate that the cost of delivery is higher per unit of water at the higher tiers.

DISCUSSION

Since the Board of Directors authorized work with RCAC on September 27, 2016, District Staff has met with John Van den Bergh of RCAC several times and worked to evaluate expenses and develop a study.

On April 25, 2017, Staff and RCAC provided the District Finance Committee with a presentation regarding the methodology being followed for the current rate study and requested input regarding several policy related decisions. The policy questions discussed at the April 25, 2017 Finance Committee meeting are summarized below:

1. Subsidy Program for Low Income Customers
Board has provided direction to make it an option for employees to contribute money to a local nonprofit to provide water bill assistance to low income customers. The Finance Committee expressed concern about the District expanding their role in this program due to increased time and cost to administer.
2. Capital Reserve Fund Balance
The Capital Reserve Fund needs to have enough funds to allow the District to replace aging infrastructure before it fails, and this amount is a critical component of the rate calculation. Finance Committee recommended revising the recapitalization amount to follow the following guidelines:
 - Do not include recapitalization of costs less than \$3,000
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 - Use to fund capital reserve funds for treated and untreated water only
 - Distribute based on weighted capitalization cost
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The San Juan Capistrano court case established that rate tiers must be based on the actual cost of providing water. The District has only one source of water supply that is used year round, regardless of demand. Since there is one source of water, the District cannot show that it costs more to produce higher tiers of water. For this reason, the proposed rate structure consists of a base rate and a usage rate. Every customer will pay a base rate plus a usage rate for each unit of water used.
5. Function Cost Allocation (Base rate vs. usage rate)
This characterizes expenses as either fixed costs or variable costs, and divides rate revenue into either base rate or use rate. At this time, Staff and RCAC estimate that 75% of operating expenses are fixed cost and 25% are variable cost, excluding recapitalization. Allocating more expenses to the base rate has the effect of making the

District less vulnerable to decreases in consumption similar to what was seen during the recent mandatory drought restrictions. A significant drawback is that a higher base rate has a large impact on low income customers. The Finance Committee did not have any comments on the allocation as presented by RCAC.

Staff is presenting this information to the Board to obtain Board concurrence on moving forward with this methodology for the rate study. Once this direction is provided, Staff and RCAC will enter this information into the model and calculate a draft rate structure and amounts for presentation and further action to the Finance Committee and Board.

FISCAL IMPACT

The Draft Long Range Financial Forecast that was presented by the General Manager at the April 18, 2017 Board Meeting illustrates that total District revenue has decreased since 2009. Operating expenses are forecast to exceed future revenue projections by significant and ever increasing amounts, reaching over \$300,000 annually within three years.

The Draft Long Range Financial Forecast and a recent proforma prepared by a lender, show that the District's debt-service coverage ratio will decrease to 1.0 in 2020. The debt-service coverage ratio is the ratio of net operating income to debt service. Lenders require a minimum ratio of 1.20 to qualify for loan programs.

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Updating the rates is necessary for the future sustainability of the District. Rates must be updated to account for years of inflation since 2011, reduction in revenue due to water conservation, elimination of tiered water rates, and to set aside adequate funding to replace capital infrastructure. If rates are not updated, initially the District will be forced to draw from reserves to fund operating expenses and to defer much needed capital improvements and replacements. Once reserves are depleted the District will be unable to pay its bills and obligation. Ultimately, this lack of keeping rates current will result in pressure from the State to consolidate with a neighboring district, and could result in the State taking over the assets and obligations of the District.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors review the recommendations from the Finance Committee that are presented in this report and provide Staff direction on whether to move forward with the methodology presented herein and with the following recommendations from the Finance Committee:

1. Revise the recapitalization/reserve amount to follow the following guidelines:
 - a. Do not include recapitalization of costs less than \$3,000
 - b. <\$50,000 – 100% cash
 - c. \$50,000 to \$100,000 – 75% cash
 - d. \$100,000 to \$500,000 – 50% cash
 - e. >\$500,000 – 25% cash
2. Allocating non-operating revenues (e.g. property tax) as follows:
 - a. Use to fund capital reserve funds for treated and untreated water only
 - b. Distribute based on weighted capitalization cost

ATTACHMENTS

1. Presentation



RCAC

Georgetown Divide PUD Water Rates

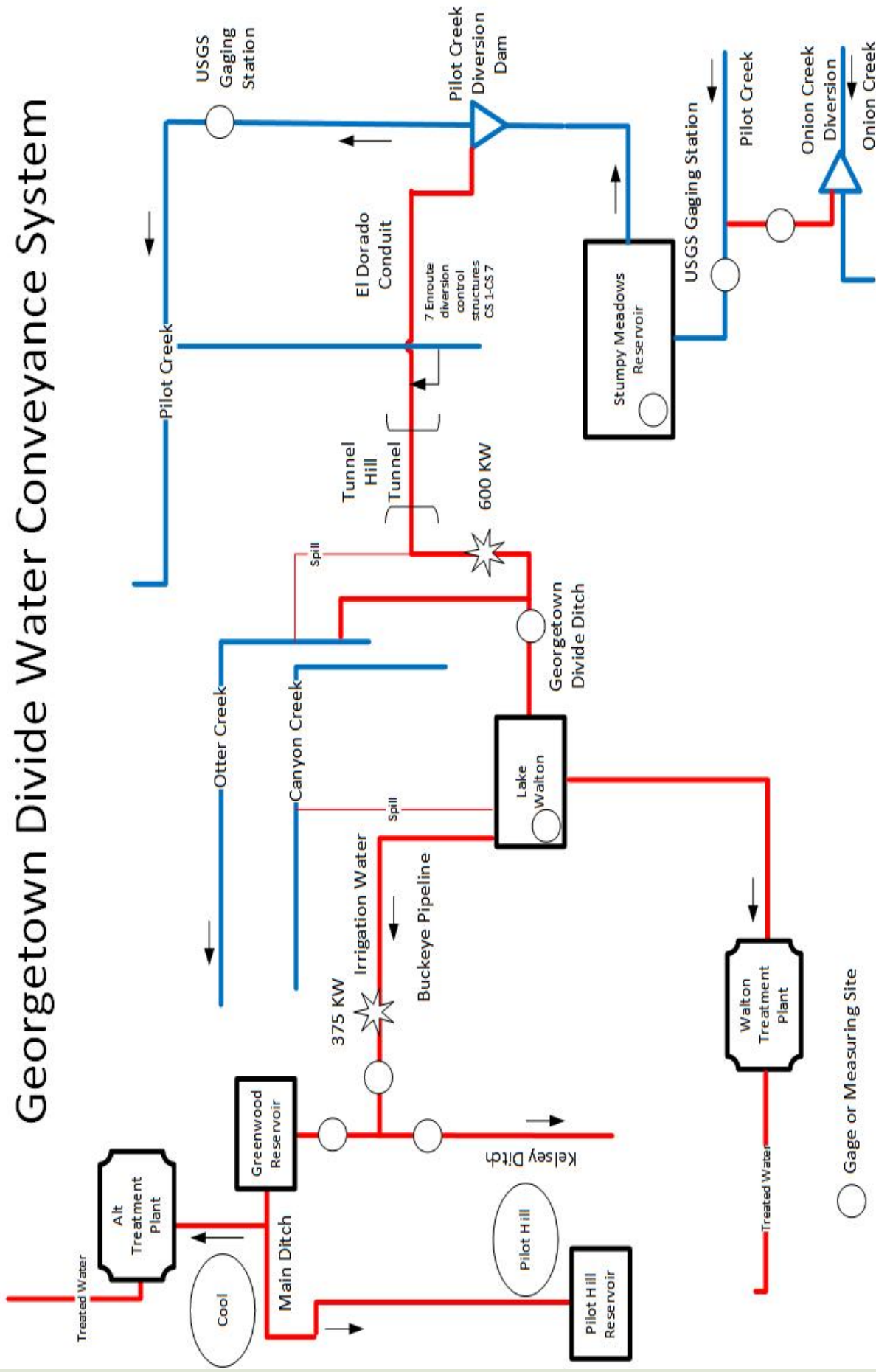
What is RCAC?

- Rural Community Assistance Corporation
- State funded to help communities like Georgetown Divide
- ...stay in compliance with the rules and regulations

Finance Committee Roll

- Review methodology
- Provide feedback to rate study team
- Provide recommendations on policy questions
- Resource to educate and share information

Georgetown Divide Water Conveyance System



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

- Rate Study Purpose
- Stay solvent
- Required for grants and loans
 - Current Affordability: 1.25%
 - Disqualification for State and USDA Grants
 - Should be 1.50% to 4.00%

Legal Requirements

- Proposition 218
 - 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
- Affects all properties with water service available

Legal Requirements

- 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

Legal Requirements

- San Juan Capistrano Case
 - 2015 case that created strict standards on how tiered rates can be created
 - Tiers need to “ ...correspond to the actual cost of providing service at a given level of usage...”
 - In response, many agencies have eliminated tiered rates or revised their tiered rates

Legal Requirements

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

Draft Long Range Financial Forecast

- Over 70 miles of canals & ditches
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Two miles of sewer pipelines
- 5 community wastewater disposal fields
- Corporation yard & office building

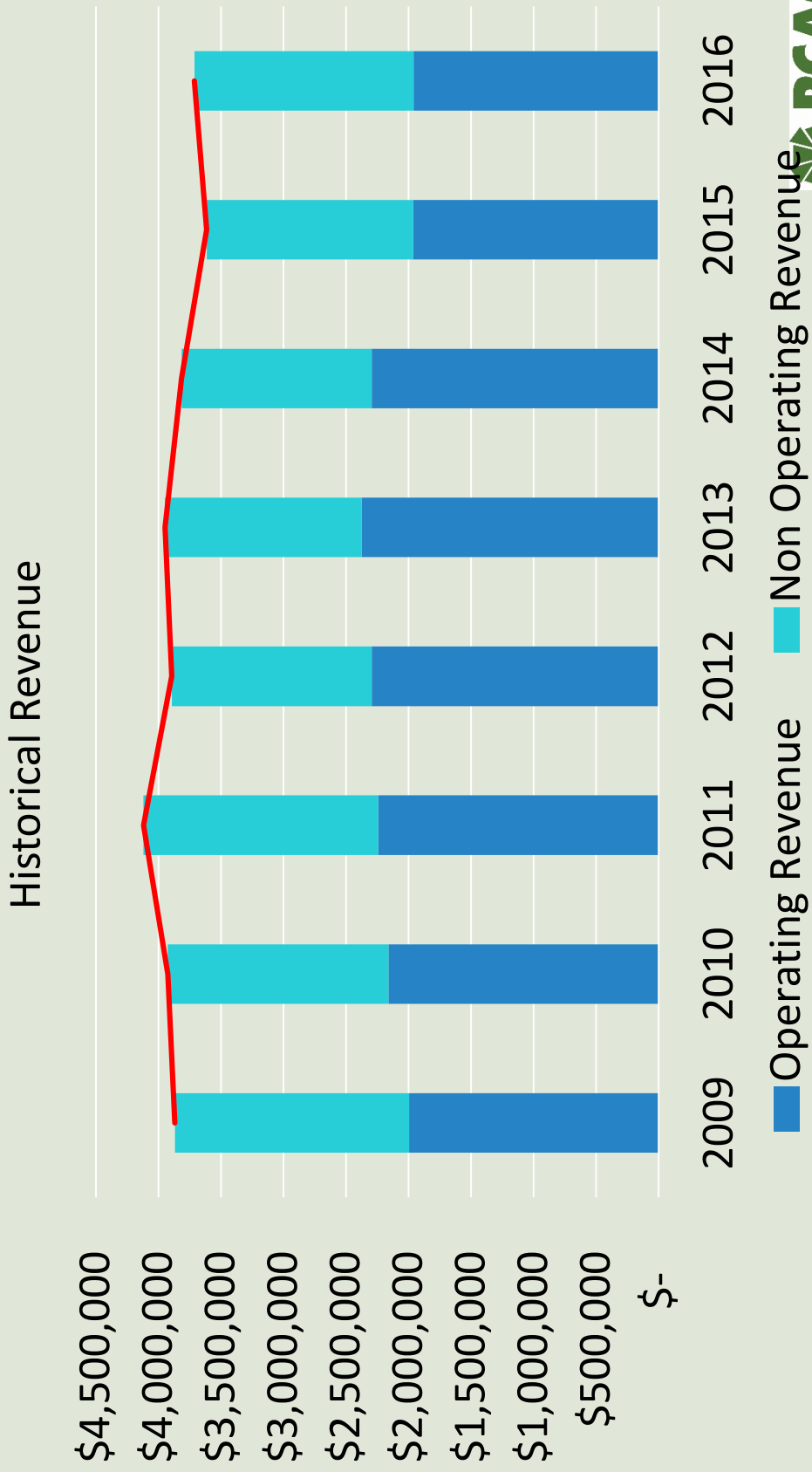
Draft Long Range Financial Forecast

- 21 full time employees
- Encompasses 415 square miles
- Approximately 15,000 residents
- Approximately 3,600 treated water connections

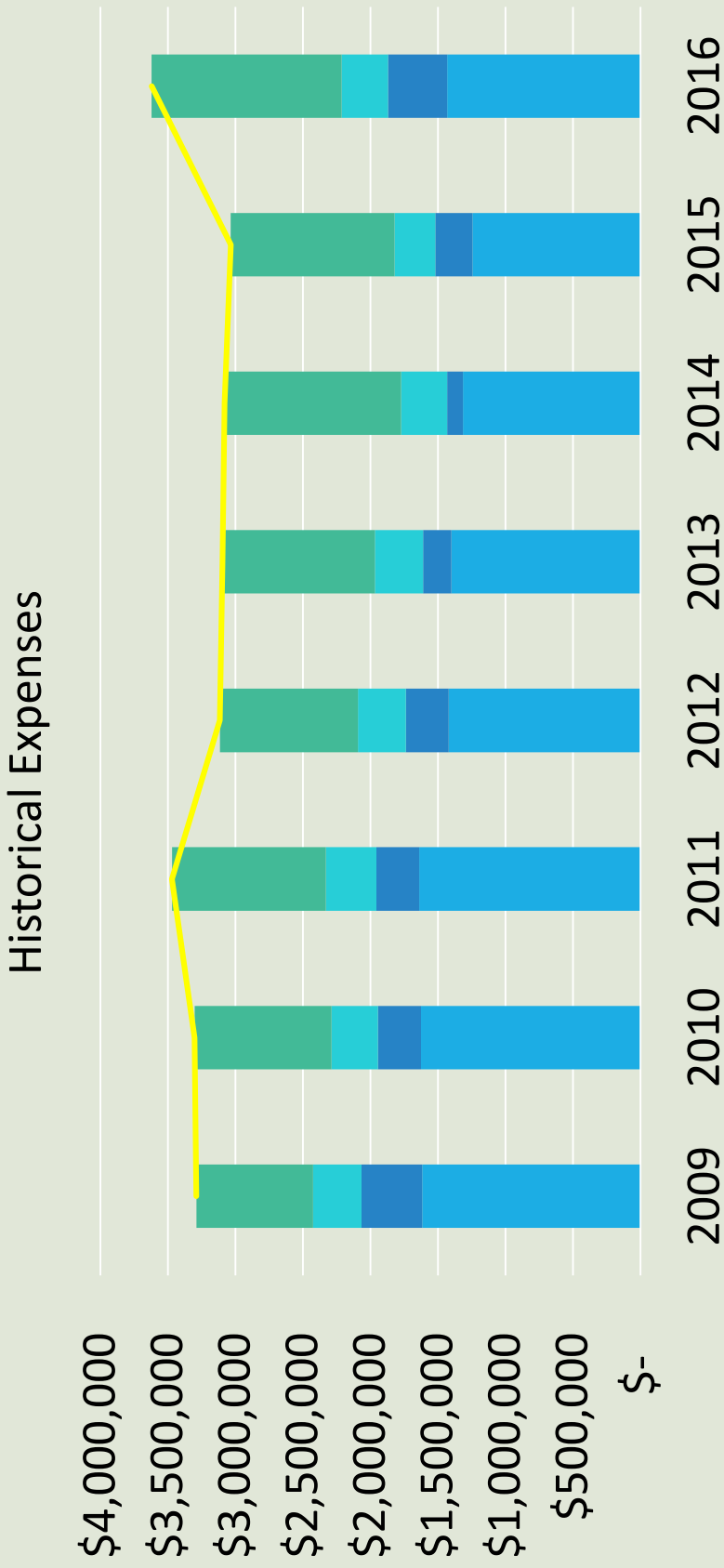
Draft Long Range Financial Forecast

- Historical Perspective
 - End of Statewide 6-year drought
 - Snowpack low of 15% of average
 - Reservoir storage low of 66% of average
 - Stumpy Meadows storage low of 41% of capacity
 - Operating revenue dropped by 17% as compared to 2013

Draft Long Range Financial Forecast



Draft Long Range Financial Forecast



■ Salaries & Payroll Tax
■ Employee Insurance

■ CalPERS
■ Service and Supplies



Draft Long Range Financial Forecast

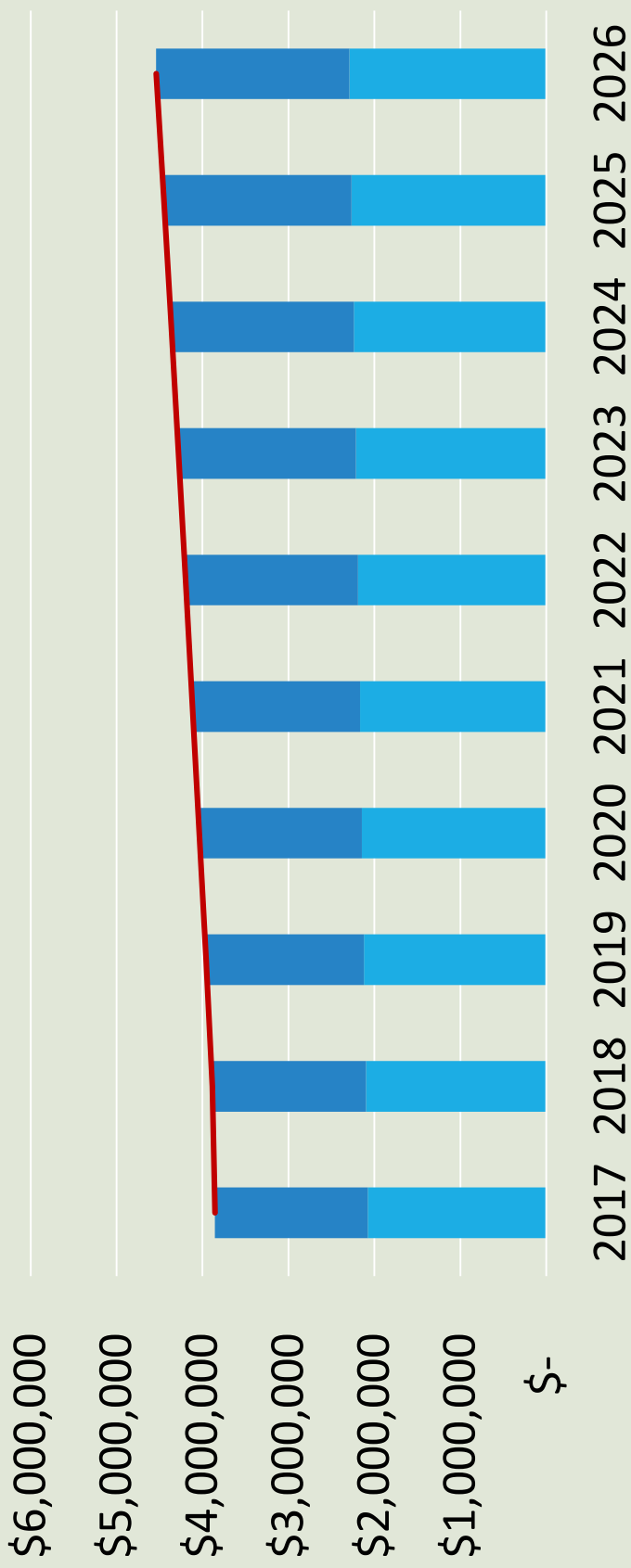
- Forecast Assumptions

Revenue	Forecast Growth per Year
Water Sales	1.1%
Property Tax	3.0%
Misc (penalties, etc)	2.5%

Expenses	Forecast Growth per Year
Salary	2.5% after 17/18
Pension	6.0% after 20/21
Health Insurance	6.0%
Payroll Tax	2.5%
Materials & Supplies	5.0%

Draft Long Range Financial Forecast

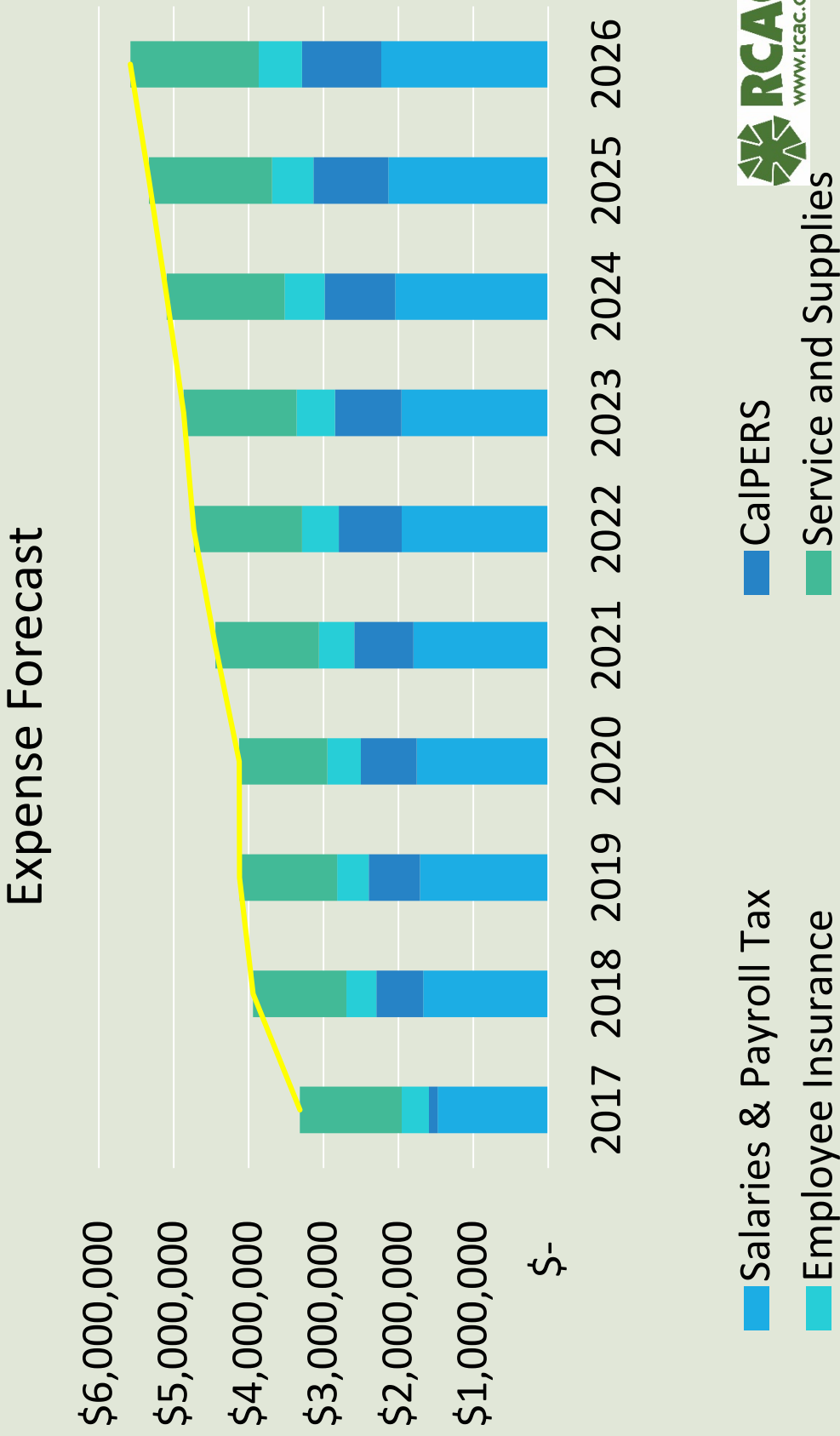
Revenue Forecast



■ Total Operating Revenue ■ Total Non Operating Revenue — Total Revenue

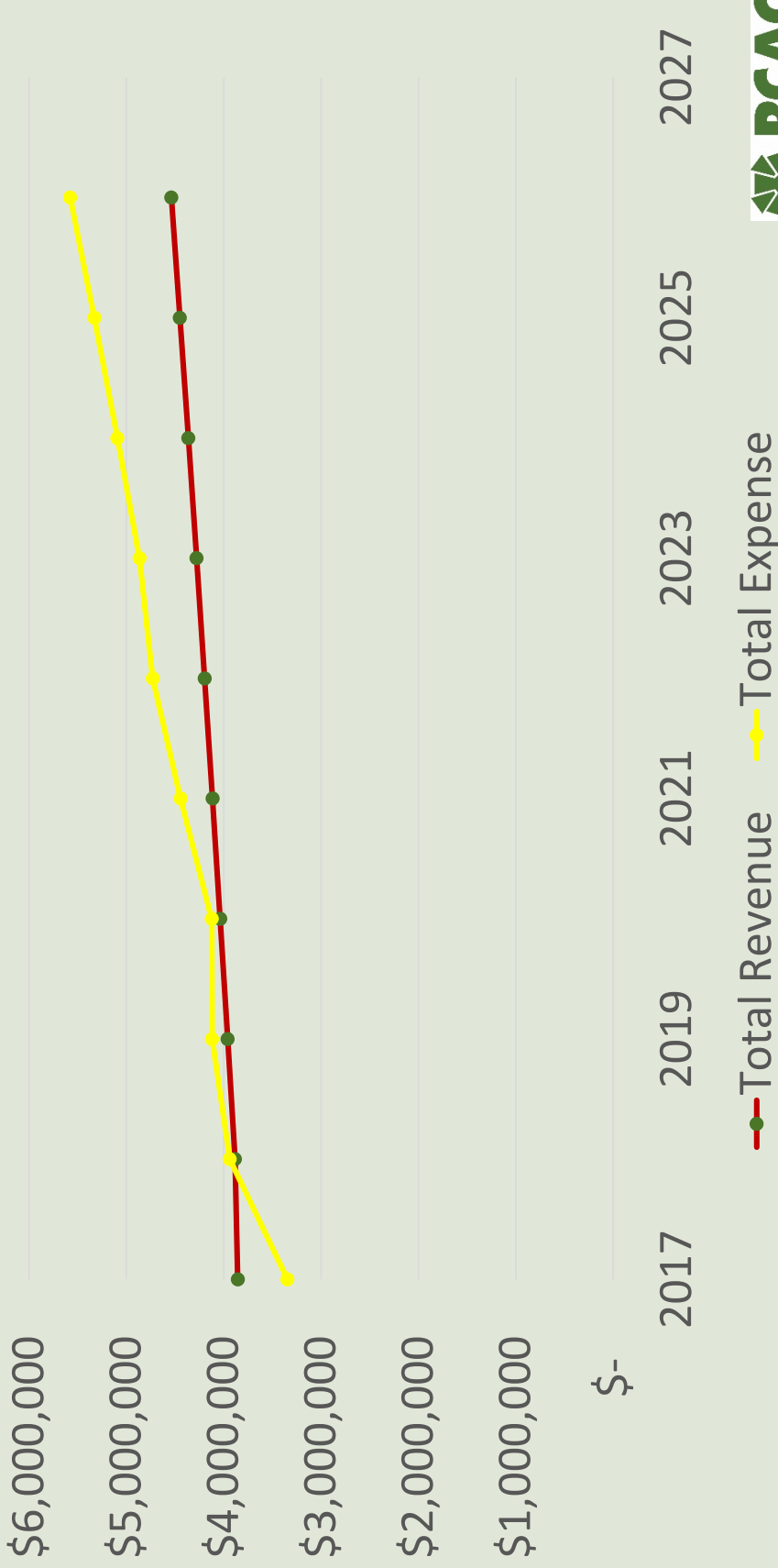


Draft Long Range Financial Forecast



Draft Long Range Financial Forecast

Revenue vs. Expense Forecast



Draft Long Range Financial Forecast

- Observations
 - Total revenue has decreased since 2009
 - Non-operating revenue (property tax) is forecast to increase faster than operating revenue (rates)
- CalPERS
 - Significant portion of annual expenses
 - Increases are expected to continue
- Expenses are forecast to exceed revenue by \$55,000 in FY17/18 and \$328,000 in FY20/21

Draft Long Range Financial Forecast

- **Current Reserves**
- **Restricted - \$4.5M**
- **Unrestricted, Designated - \$4.5M**
- **Unrestricted, Undesignated - \$1.0M**

Treated vs Irrigation Water

- Reasons for splitting
 - Different assets
 - Different cost structure
 - Different rates
- Split
 - Assets
 - Budget
 - Reserves

Treated Water Rate Study

- Current Rate Structure
- Adopted on September 9, 2008
- Last rate increase on July 1, 2011

Treated Water Rate Study

- Current Rate Structure
 - Bi-monthly charge for consumption up to 2,000 cubic feet
 - Residential = \$ 47.14
 - Commercial = \$ 50.32
 - Bi-monthly Supplemental Charge for treatment plant construction loan:
 - \$30.16

Treated Water Rate Study

- Current Rate Structure
- Consumption exceeding 2,000 cubic feet during a billing period:

2,001 – 4,000 cf	\$0.0138 per cf
4,001 – 6,000 cf	\$0.0165 per cf
6,001 – 8,000 cf	\$0.0193 per cf
8,001+ cf	\$0.0221 per cf

Treated Water Rate Study

- **Methodology**
- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Allocate costs into fixed and variable
- Distribute fixed costs by meter size
- Calculate usage rates based on usage

Treated Water Rate Study

- Operating Costs
- Recent budgets and projections
- \$2.7M per year excluding depreciation, and capital improvements – treated water only

Treated Water Rate Study

- **Capital Needs**
- **Recapitalization Cost**
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$116M
 - Assume amounts funded with grants, loans, and cash

Treated Water Rate Study

- Capital Needs
 - Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash

Treated Water Rate Study

- **Functional Cost Allocation**
 - Expenses allocated to fixed and variable
 - Base rate based on fixed expenses
 - Usage rate based on variable expenses
 - 74% fixed costs
 - 26% variable

Irrigation Water Rate Study

- **Current Rates**
- Bi-monthly in advance
- May 1 through September 1

0.5 miner's inch	\$94.00
1+ miner's inch	\$145.48 per miner's inch

Irrigation Water Rate Study

- **Methodology**
- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Distribute costs by service size/flow rate

Irrigation Water Rate Study

- **Capital Needs**
- **Recapitalization Cost**
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$40M
 - Assume amounts funded with grants, loans, and cash

Irrigation Water Rate Study

- **Capital Needs**
- Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash

Finance Committee Recommendations

- Subsidies
 - *Concerned about time and cost to administer*
- Recapitalization Costs/Reserve Needs
 - *Do not include costs less than \$3,000*
 - *<\$50,000 – 100% cash*
 - *\$50,000 to \$100,000 – 75% cash*
 - *\$100,000 to \$500,000 – 50% cash*
 - *>\$500,000 – 25% cash*

Finance Committee Recommendations

- Non-Operating Revenue/Property Tax Allocation
 - *Fund reserves*
 - *Exclude wastewater*
 - *Based on weighted recapitalization cost*
- Functional Cost Allocation
 - *No comments*

Tough decisions must be made



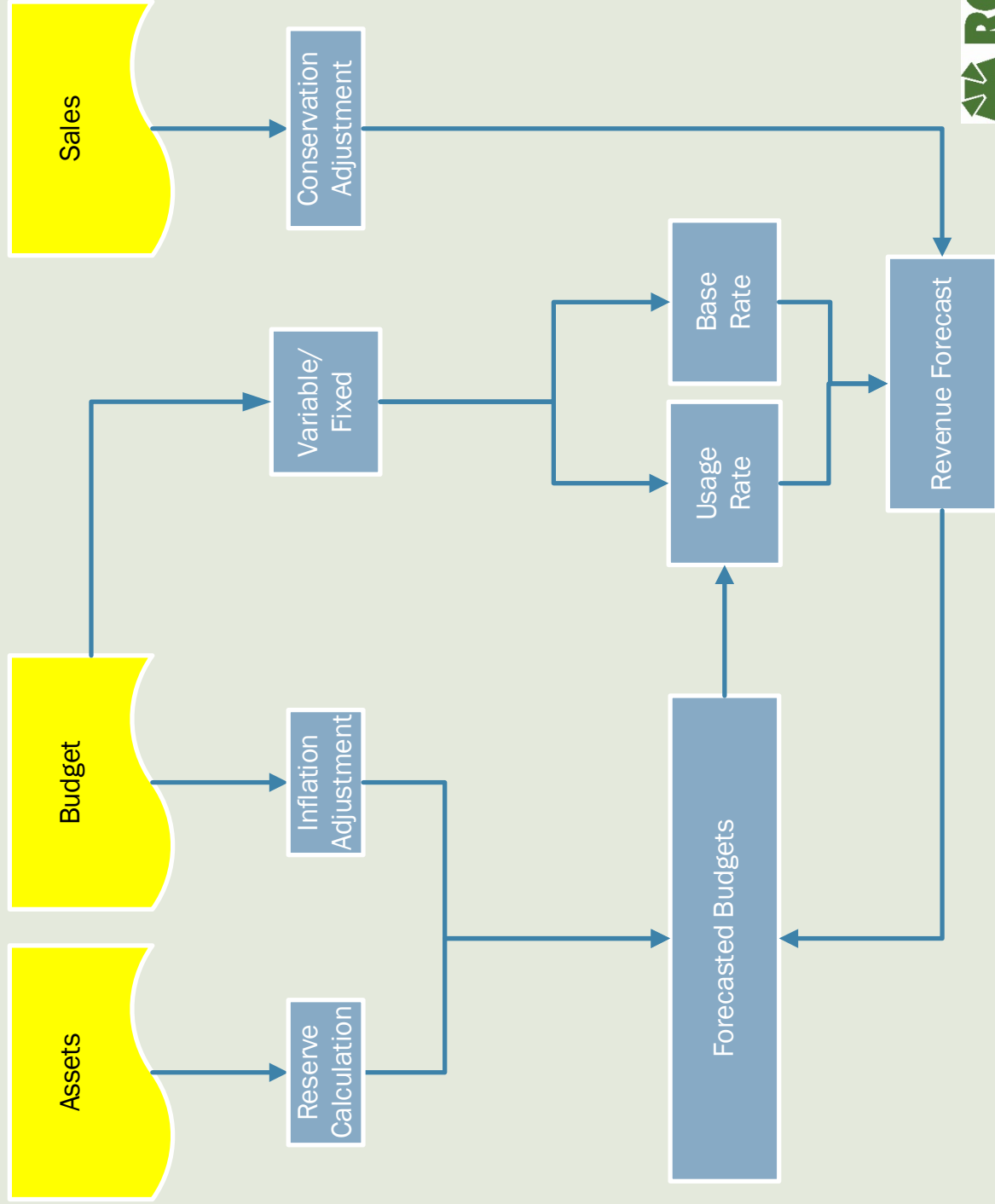
Consequences of not raising rates enough

1. Reduction in reserves
2. Inability to pay bills
3. Inability to maintain system
4. Extra pressure from state to consolidate with neighboring systems
5. Take-over by the state=Receivership

Guiding Principles of this Rate Study

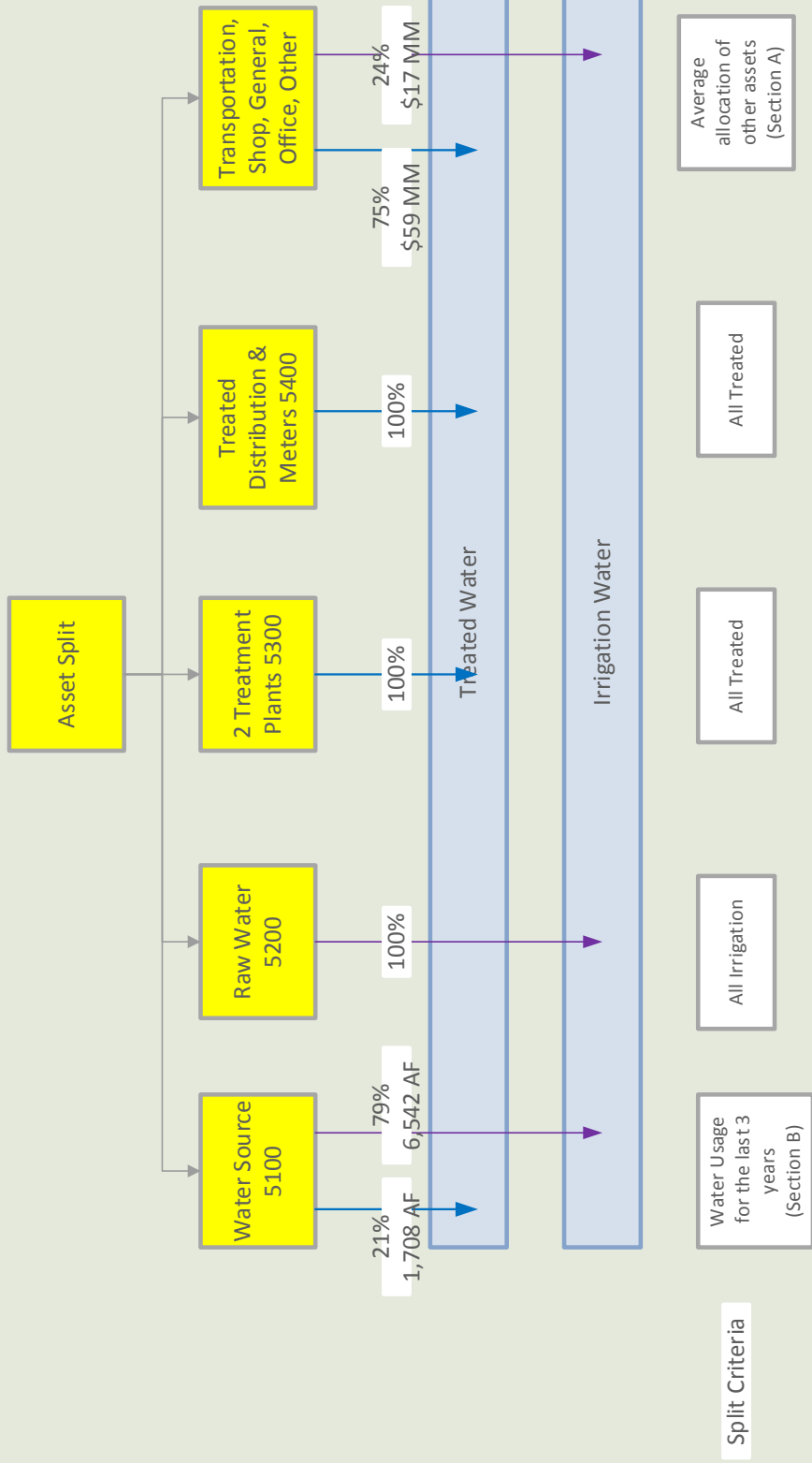
- Sustainable
- Fair
- Conservation
- Justifiable

Current



New

Asset Split



Reserve Calculation (Treated Water)

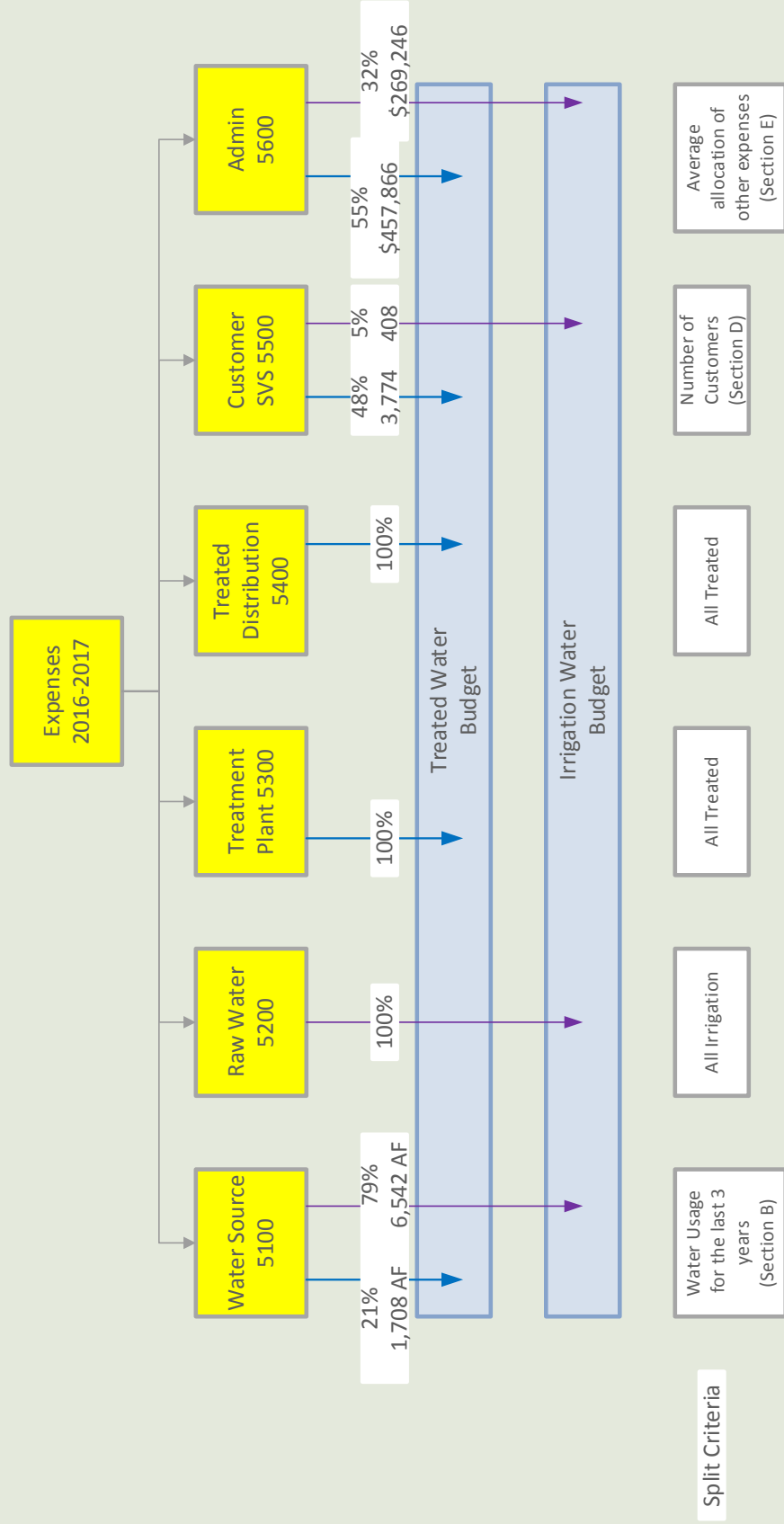
Component	Year Acquired	Unit Cost (Historic, Current or Future)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Pilot Hill North Pipeline	1991	\$514,837	60	26	\$861,537	34	35	\$1,722,978	20%		80%	\$47,887	\$6,903
Pipe & Related Additions 91-92	1992	\$18,445	30	25	\$30,261	5	6	\$34,078	20%		80%	\$1,682	\$828
Highway 49 Crossing	1992	\$1,255	30	25	\$2,059	5	6	\$2,319	100%		0%	\$572	\$282
Pipeline Extensions 91-92	1992	\$31,666	30	25	\$51,952	5	6	\$58,506	20%		80%	\$2,888	\$1,421
Pilot Hill North Pipeline Addition	1992	\$26,028	60	25	\$42,702	35	36	\$87,106	20%		80%	\$2,374	\$338
Kelsey & Pilot Hill Storage Tanks	1992	\$474,340	60	25	\$778,205	35	36	\$1,587,450	20%		80%	\$43,255	\$6,169
Kelsey South Pipeline	1992	\$594,471	60	25	\$975,292	35	36	\$1,989,486	20%		80%	\$54,210	\$7,731
Pilot Hill South Pipeline	1992	\$385,410	60	25	\$632,306	35	36	\$1,289,832	20%		80%	\$35,146	\$5,012
Kelsey North Pipeline	1992	\$824,623	60	25	\$1,352,862	35	36	\$2,759,726	20%		80%	\$75,198	\$10,724
Kelsey/Pilot Hill Tank Add. Phase 2	1992	\$308	60	25	\$506	35	36	\$1,032	100%		0%	\$141	\$20
Kelsey/Pilot Hill Phase 1 Additions	1992	\$95,621	60	25	\$156,876	35	36	\$320,010	20%		80%	\$8,720	\$1,244
Buffalo Hill Siphon	1993	\$364,867	60	24	\$566,866	36	37	\$1,221,084	20%		80%	\$32,620	\$4,605
Pipe & Related Additions 92-93	1993	\$9,193	30	24	\$14,787	6	7	\$16,985	20%		80%	\$822	\$354
Buffalo Hill-Final (see B.H. Siphon)	1993	\$19,737	59	24	\$31,745	35	36	\$64,757	20%		80%	\$1,765	\$252
Bayne Road Pipeline	1994	\$188,562	30	23	\$265,806	7	8	\$311,434	20%		80%	\$14,774	\$5,671
Pipe & Related Additions 93-94	1994	\$8,644	30	23	\$13,630	7	8	\$15,970	20%		80%	\$758	\$291
Hackmillier P/L Ext. 186	1994	\$9,185	30	23	\$14,483	7	8	\$16,970	20%		80%	\$805	\$309
Garden Valley/Greenwood P/L	1994	\$295,070	60	23	\$465,296	37	38	\$987,496	20%		80%	\$25,863	\$3,617

Qty	Component	Year Acquired	Unit Cost (Historic, Current or Future)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
50567	12" Main	1987	\$55	40	30	\$4,996,370	10	10	\$6,090,547	20%	80%	0%	\$277,716	\$88,658
282	15" Main	1987	\$65	40	30	\$33,436	10	10	\$40,759	20%	80%	0%	\$1,859	\$593
36	2" Laterals	1987	\$17	45	30	\$1,198	15	15	\$1,532	20%	80%	0%	\$63	\$15
20727	4" Laterals	1987	\$19	45	30	\$716,790	15	15	\$964,705	20%	80%	0%	\$39,842	\$9,330
1433	6" Laterals	1987	\$22	45	30	\$56,636	15	15	\$76,225	20%	80%	0%	\$3,148	\$737
77	10" Laterals	1987	\$44	45	30	\$6,087	15	15	\$8,192	20%	80%	0%	\$338	\$79
94135	1" Service Lines	1987	\$15	45	30	\$2,511,321	15	15	\$3,379,908	20%	80%	0%	\$139,588	\$32,689
													\$0	
													\$0	
	Subtotal Existing Capital Assets					\$82,196,779			\$116,170,406	21%	42%	37%	\$4,781,695	\$1,480,009

Annual Reserve Requirement: \$1,480,009



Split of Expenses



Budget (Treated Water)

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
OPERATIONS & MAINTENANCE EXPENSES					
Labor Related	1,641,518.00	1,674,348.36	1,707,835.33	1,741,992.03	1,776,831.87
Materials & Supplies	150,650.00	153,663.00	156,736.26	159,870.99	163,068.40
Rentals	21,200.00	21,624.00	22,056.48	22,497.61	22,947.56
Staff Development	10,500.00	10,710.00	10,924.20	11,142.68	11,365.54
Travel-Conference	15,000.00	15,300.00	15,606.00	15,918.12	16,236.48
Utilities	178,300.00	181,866.00	185,503.32	189,213.39	192,997.65
Vehicle Maintenance	31,000.00	31,620.00	32,252.40	32,897.45	33,555.40
Vehicle Operations	25,200.00	25,704.00	26,218.08	26,742.44	27,277.29
Govt Reg/Lab Fees	87,900.00	89,658.00	91,451.16	93,280.18	95,145.79
Engineering Studies	35,000.00	35,700.00	36,414.00	37,142.28	37,885.13
Retiree Health	132,000.00	134,640.00	137,332.80	140,079.46	142,881.05
		0.00	0.00	0.00	0.00
Total Operation and Maintenance Expenses:	2,328,268.00	2,374,833.36	2,422,330.03	2,470,776.63	2,520,192.16
GENERAL & ADMINISTRATIVE EXPENSES					
-		0.00	0.00	0.00	0.00
Debt Reserve	5,011.60	5,011.60	5,011.60	5,011.60	5,011.60
Operating Reserve	0.00	0.00	0.00	0.00	0.00
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	1,480,008.83	1,480,008.83	1,480,008.83	1,479,668.61	1,479,668.61
Funded Project Replacement Program	0.00	0.00	0.00	0.00	0.00
Future Capital Improvement Program	0.00	0.00	0.00	0.00	0.00
Debt Payments (Principle + Interest)	120,078.26	120,078.26	116,584.00	116,584.00	116,584.00
Consultants	76,000.00	77,520.00	79,070.40	80,651.81	82,264.84
Other General & Administrative	310,000.00	316,200.00	322,524.00	328,974.48	335,553.97
Total General and Administrative Expenses:	1,991,098.69	1,998,818.69	2,003,198.83	2,010,890.49	2,019,083.02
TOTAL EXPENSES	4,319,366.69	4,373,652.05	4,425,528.86	4,481,667.12	4,539,275.18

Fixed – Variable Expense Split

	2017	% Fixed	\$ Fixed	\$ Variable
OPERATIONS & MAINTENANCE EXPENSES				
Labor Related	\$1,641,518.00	80%	\$1,313,214	\$328,304
Materials & Supplies	\$150,650.00	50%	\$75,325	\$75,325
Rentals	\$21,200.00	50%	\$10,600	\$10,600
Staff Development	\$10,500.00	100%	\$10,500	\$0
Travel-Conference	\$15,000.00	100%	\$15,000	\$0
Utilities	\$178,300.00	5%	\$8,915	\$169,385
Vehicle Maintenance	\$31,000.00	50%	\$15,500	\$15,500
Vehicle Operations	\$25,200.00	50%	\$12,600	\$12,600
Govt Reg/Lab Fees	\$87,900.00	100%	\$87,900	\$0
Engineering Studies	\$35,000.00		\$0	\$35,000
Retiree Health	\$132,000.00	80%	\$105,600	\$26,400
0	\$0.00		\$0	\$0
Total Operation and Maintenance Expenses:	\$2,328,268.00		\$1,655,154	\$673,114
GENERAL & ADMINISTRATIVE EXPENSES				
-	\$0.00		\$0	\$0
Debt Reserve	\$5,011.60	100%	\$5,012	\$0
Operating Reserve	\$0.00	100%	\$0	\$0
Emergency Reserve	\$0.00	100%	\$0	\$0
Existing Capital Replacement Program	\$1,480,008.83	100%	\$1,480,009	\$0
Funded Project Replacement Program	\$0.00	100%	\$0	\$0
Future Capital Improvement Program	\$0.00	100%	\$0	\$0
Debt Payments (Principle + Interest)	\$120,078.26	100%	\$120,078	\$0
Consultants	\$76,000.00	90%	\$68,400	\$7,600
Other General & Administrative	\$310,000.00	90%	\$279,000	\$31,000
Total General and Administrative Expenses:	\$1,991,098.69		\$1,952,498.69	\$38,600.00
Total All Expenses	\$4,319,366.69		\$3,607,653.09	\$711,713.60
Fixed-Variable as % of all Expenses			83.52%	16.48%

Reserve Calculation (Irrigation Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Buckeye Conduit	1955	\$414,696	H	\$414,696	100	62	\$1,415,600	38	39	\$3,064,412	20%		80%	\$11,053	\$12,643
Wagner Reservoir	1969	\$26,598	H	\$26,598	40	48	\$68,812	-8	10	\$83,881	20%		80%	\$537	\$1,550
Wagner Reservoir Addition	1970	\$1,830	H	\$1,830	40	47	\$4,642	-7	5	\$5,125	100%		0%	\$181	\$368
Clark Hill Project	1963	\$9,359	H	\$9,359	40	54	\$27,266	-14	5	\$30,104	20%		80%	\$213	\$1,138
Kelsey Ditch	1963	\$2,671	H	\$2,671	30	54	\$7,781	-24	10	\$9,485	100%		0%	\$304	\$876
Garden Valley Pipeline	1965	\$28,567	H	\$28,567	40	52	\$80,054	-12	10	\$37,585	20%		80%	\$625	\$1,803
Kelsey Ditch	1965	\$4,239	H	\$4,239	30	52	\$11,870	-22	5	\$13,106	20%		80%	\$93	\$495
Buckeye-Schroeder Pipeline	1967	\$780	H	\$780	30	50	\$2,098	-20	5	\$2,317	100%		0%	\$82	\$438
Garden Valley - Spurgin	1967	\$3,902	H	\$3,902	30	50	\$10,503	-20	5	\$11,596	20%		80%	\$82	\$438
Henness Reservoir Improvements	1969	\$799	H	\$799	10	48	\$2,066	-38	5	\$2,281	100%		0%	\$81	\$431
Salgado Siphone	1972	\$25,197	H	\$25,197	20	45	\$61,427	-25	10	\$74,879	20%		80%	\$480	\$1,383
Kaiser Pipe & Kelsey Flume	1973	\$49,037	H	\$49,037	30	44	\$117,200	-14	10	\$142,866	20%		80%	\$915	\$2,640
Cunningham Reservoir	1973	\$3,244	H	\$3,244	30	44	\$7,753	-14	10	\$9,451	100%		0%	\$303	\$873
Frampton Extension	1978	\$2,880	H	\$2,880	30	39	\$6,234	-9	5	\$6,882	100%		0%	\$243	\$1,301
R & M Roadways	1979	\$905	H	\$905	30	38	\$1,920	-8	5	\$2,120	100%		0%	\$75	\$401
PIL Extension	1980	\$2,400	H	\$2,400	30	37	\$4,994	-7	5	\$5,514	100%		0%	\$195	\$1,042
Shoemaker Siphon	1980	\$37,940	H	\$37,940	30	37	\$78,941	-7	10	\$96,229	20%		80%	\$616	\$1,778
Lake Walton Sediment Removal	1980	\$20,839	H	\$20,839	30	37	\$43,359	-7	5	\$47,872	20%		80%	\$339	\$1,809
Ditch Improvements 80-81	1981	\$28,381	H	\$28,381	30	36	\$57,884	-6	5	\$63,919	20%		80%	\$452	\$2,416
Ditch Improvements 81-82	1982	\$5,667	H	\$5,667	30	35	\$11,334	-5	5	\$12,513	20%		80%	\$88	\$473
Ditch Improvements 82-83	1982	\$13,835	H	\$13,835	30	35	\$27,669	-5	5	\$30,549	20%		80%	\$216	\$1,155
Ditch Improvements 83-84	1984	\$5,202	H	\$5,202	30	33	\$9,999	-3	5	\$11,040	20%		80%	\$78	\$417
Ditch Improvements 84-85	1985	\$21,640	H	\$21,640	30	32	\$40,782	-2	5	\$45,027	20%		80%	\$318	\$1,702
Ditch Improvements 86-87	1985	\$11,481	H	\$11,481	30	32	\$21,637	-2	5	\$23,889	20%		80%	\$169	\$903
Flood '86 Repair Item #6	1986	\$1,326	H	\$1,326	30	31	\$3,559	-1	5	\$3,929	100%		0%	\$139	\$742

Qty	Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
1	Verizon Capital Lease	2007	\$37,040	H	\$37,040	20	10	\$45,152	10	11	\$56,140	20%		80%	\$353	\$939
1	DELL Computer	2008	\$308	H	\$308	5	9	\$368	-4	5	\$406	100%		0%	\$14	\$77
1	4 DELL Computers & Office Pro	2009	\$664	H	\$664	5	8	\$778	-3	5	\$858	100%		0%	\$30	\$162
1	SonicWall - firewall	2010	\$277	H	\$277	5	7	\$318	-2	5	\$351	100%		0%	\$12	\$66
1	Carahhan - new server	2011	\$742	H	\$742	5	6	\$836	-1	5	\$923	100%		0%	\$33	\$174
1	Dell Computer	2011	\$103	H	\$103	5	6	\$115	-1	5	\$127	100%		0%	\$5	\$24
1	HP Multifunction Office Printer	2012	\$243	H	\$243	5	5	\$268	0	5	\$296	100%		0%	\$10	\$56
1	Workstation	2013	\$330	H	\$330	5	4	\$358	1	5	\$395	100%		0%	\$14	\$75
1	Office Safe	2014	\$172	H	\$172	5	3	\$182	2	5	\$201	100%		0%	\$7	\$38
1	Office Computers	2015	\$2,290	H	\$2,290	5	2	\$2,383	3	5	\$2,631	100%		0%	\$93	\$437
															\$0	
															\$0	
															\$0	
															\$0	
															\$0	
															\$0	
					\$5,443,751			\$18,304,419			\$39,895,008	14%	13%	72%	\$119,797	\$259,406
	Existing Capital Replacement Program															

Annual Reserve Requirement: \$259,406



Budget (Irrigation Water)

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
OPERATIONS & MAINTENANCE EXPENSES					
Labor Related	564,657.00	575,950.14	587,469.14	599,218.53	611,202.90
Materials & Supplies	20,000.00	20,400.00	20,808.00	21,224.16	21,648.64
Rentals	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16
Staff Development	0.00	0.00	0.00	0.00	0.00
Travel-Conference	0.00	0.00	0.00	0.00	0.00
Utilities	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Vehicle Maintenance	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32
Vehicle Operations	12,000.00	12,240.00	12,484.80	12,734.50	12,989.19
Govt Reg/Lab Fees	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
Total Operation and Maintenance Expenses:	613,657.00	625,930.14	638,448.74	651,217.72	664,242.07
GENERAL & ADMINISTRATIVE EXPENSES					
-		0.00	0.00	0.00	0.00
Debt Reserve	0.00	0.00	0.00	0.00	0.00
Operating Reserve	0.00	0.00	0.00	0.00	0.00
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	259,405.89	259,405.89	259,405.89	259,405.89	259,405.89
Funded Project Replacement Program	0.00	0.00	0.00	0.00	0.00
Future Capital Improvement Program	0.00	0.00	0.00	0.00	0.00
Debt Payments (Principle + Interest)	1,043.74	1,043.74	0.00	0.00	0.00
Consultants	12,000.00	12,240.00	12,484.80	12,734.50	12,989.19
Other General & Administrative	23,000.00	23,460.00	23,929.20	24,407.78	24,895.94
Total General and Administrative Expenses:	295,449.63	296,149.63	295,819.89	296,548.17	297,291.02
TOTAL EXPENSES	909,106.63	922,079.77	934,268.64	947,765.89	961,533.09

Summary/Recommendations

- Subsidies
- Recapitalization Costs/Reserve Needs
- Property Tax Allocation
- Functional Cost Allocation

Tough decisions must be made



AUGUST 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
				MAIL BILLS WITH FLYER		

SEPTEMBER 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1	2
3	4	5	6	7	8	9
	HOLIDAY	Email Notification to Customer List	Social Media	Follow Up Calls to Key Stakeholders Identified by the Board	Social Media	
10	11	12	13	14	15	16
		BOARD MEETING	Email Reminder to Customer List	Social Media	Social Media	
17	18	19	20	21	22	23
	Email Reminder 530 - PUBLIC WORKSHOP AT SCHOOL DISTRICT					
24	25	26	27	28	29	30
GEORGETOWN FOUNDERS DAY						

OCTOBER 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3 SPECIAL BOARD MEETING - REVIEW RATE STUDY REPORT	4	5	6	7
8	9	10 BOARD MEETING - AUTHORIZE 45-DAY NOTICE	11	12	13	14
15	16	17	18	19	20	21
22	23	24 PUBLIC WORKSHOP ? - COOL HALL ?	25	26	27	28
29	30	31	1	2	3	4

NOVEMBER 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	BOARD MEETING 21	22	23	24	25
26	27	28	29	HOLIDAY 30	1	2
		SPECIAL MEETING - ADOPT RATES				

DECEMBER 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19 BOARD MEETING	20	21	22	23
24	25	26	27	28	29	30
	HOLIDAY					
31	1	2	3	4	5	6
	HOLIDAY					