

Memo

To: Board of Directors
From: Henry N. White
Date: September 9, 2011
Re: Item #9: Cost of Service Report

BACKGROUND/DISCUSSION:

The attached Cost of Service Analysis has been prepared with in-house resources to save the District money. The analysis has been completed in a professional manner utilizing generally accepting cost accounting principles. The analysis has been prepared to meet the legal requirements of Proposition 218.

The analysis is based on fiscal year 2010 audited information and incorporates the resources required for a \$5 million low interest loan from the United States Department of Agriculture (USDA) to complete the California Department of Public Health's (DPH) requirements to retrofit the Auburn Lake Trails Water Treatment Plant. Summary information from the District's previous cost of service analysis has been included for comparison purposes. The Analysis is comprised of the following Exhibits:

Exhibit A - Overall Summary Information

Exhibit B - Treated Water Summary Information

Exhibit C - Raw Water Summary Information

Exhibit D - Auburn Lake Trails Wastewater Summary Information

Exhibit E - Detailed Cost of Service Analysis

Exhibit F - Auburn Lake Trails Wastewater Activities Allocation

RECOMMENDATION:

Staff recommends the Board receive the report and provide any additional direction as necessary.

Georgetown Divide Public Utility District
 Cost of Service Analysis
 (Based on Fiscal Year 2010 Audited Results)
 Overall Summary Information

The summary information shows that treated water costs have declined by 7%, primarily due to a more economical means to finance the DPH requirements for water treatment at the Auburn Lake Trails Water Treatment Plant. In 2007, the District was anticipating the construction of a new water treatment plant at Greenwood Reservoir and now the plans have changed to retrofit the existing plant. However, part of this savings has been offset by increased treated water costs required to develop and train the new Water Treatment Plant Operators (WTPO) as experienced WTPO leave the District. Raw water costs have increased by 8%, primarily due to increased costs associated with proactive customer service in the Source of Water Supply and Transmission and Distribution of Raw Water departments. Auburn Lake Trails Wastewater costs have decreased by 27%, primarily due to cost saving measures and the need to allocate more resources to the treated water activities at the District to fill in for vacancies.

Chart Comparing Revenue from Rates and Cost of Service

Activity	Fiscal Year 2010 Actual Revenue	Fiscal Year 2010 Cost of Service(1)	Per Cent Subsidy	Fiscal Year 2012 Budgeted Revenue(2)	Fiscal Year 2010 Cost of Service(3)	Per Cent Subsidy
Treated Water	\$1,568,919	\$2,765,098	43.26%	\$1,870,900	\$3,043,310	38.52%
Irrigation Water	\$176,327	\$885,494	80.09%	\$204,000	\$885,494	76.96%
ALT Wastewater	\$320,845	\$324,420	1.10%	\$348,000	\$324,420	none

(1) Represents fiscal year 2010 cost of service without impact of \$5 million USDA loan.

(2) Budgeted fiscal year 2012 revenue is used to depict an estimate of revenue from the current rates.

(3) Represents fiscal year 2010 cost of service with impact of \$5 million USDA loan.

As the District's other revenues have declined and are likely to remain at a low level, it is important to determine which of the three major activities should continue to benefit the most from subsidized rates. If rates are to remain low, then consideration must be given to what District activities are to be curtailed or eliminated.

The following is a summary of the cost allocation assumptions:

- Administration and General costs are allocated as outlined on Exhibit E.

- Treated Water and Raw Water costs are allocated based on amount of water used by the customers.
- The Auburn Lake Trials Wastewater costs are the actual costs for the types of customers and the allocation of total shared costs as outlined on Exhibit F.
- Customer accounts from the 2009 Supply and Demand Report have been used and represent the counts as of December 31, 2009 which is the midpoint of fiscal year 2010.
- Consumption amounts from the 2009 Supply and Demand Report have been used and are considered representative of the fiscal year 2010 usage.

Georgetown Divide Public Utility District
Cost of Service
Based on Fiscal Year 2010 Actuals

prepared 8/19/11

Treated Water

<u>Department</u>	<u>Allocation Basis</u>	2010 <u>Amount</u>	Prior Cost of Service 2007 <u>Amount</u>
Source of Water Supply	29% of Total Consumption	\$127,511	\$105,852
Transmission and Distribution - Raw Water	29% of Total Consumption	\$209,217	\$208,521
Water Treatment (2010 amount includes a \$5 million USDA loan; 2007 included a \$10 million SRF loan)	Total Cost	\$1,461,253	\$1,973,249
Transmission and Distribution - Treated Water	Total Cost	\$763,366	\$732,911
Customer Service	90% of Total Water Customers	\$481,963	\$264,226
		<u>\$3,043,310</u>	<u>\$3,284,759</u>
Acre Feet Delivered in 2009		1,913	1,900
Residential & Commercial Customers (at December 31, 2009 for 2010 and at December 31, 2006 for 2007)		3,640	3,565
Treated Water Cost per Acre Foot		\$1,590.86	\$1,728.82
Treated Water Cost per 1,000 Cubic Foot per month		\$36.52	\$39.69
Treated Water Cost per 1,000 Gallon		\$4.88	\$5.31
Existing Residential Rate per 1,000 Cubic Foot per month		\$23.57	\$19.98
Existing Commercial Rate per 1,000 Cubic Foot per month		\$25.16	\$25.16

Georgetown Divide Public Utility District
Cost of Service
Based on Fiscal Year 2010 Actuals

prepared 8/19/11

Raw Water

Prior Cost
of Service

<u>Department</u>	<u>Allocation Basis</u>	<u>2010</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>
Source of Water Supply	71% of Total Consumption	\$315,812	\$266,079
Transmission and Distribution - Raw Water	71% of Total Consumption	\$518,176	\$524,156
Water Treatment	No Distribution	\$0	
Transmission and Distribution - Treated Water	No Distribution	\$0	
Customer Service	10% of Total Water Customers	\$51,506	\$28,831
		<u>\$885,494</u>	<u>\$819,066</u>
Acre Feet Delivered (Calendar year 2009 used for 2010 and calendar year 2006 used for 2007)		4,738	4,776
Raw Water Customers (at December 31, 2009 for 2010 and at December 31, 2006 for 2007)		389	389
Total Raw Water Cost per Acre Foot		\$186.89	\$171.50
Raw Water Cost per Miners' Inch per month		\$281.33	\$260.23
Raw Water Cost per 1,000 Gallon		\$0.57	\$0.53
Existing Rate per Miners' Inch per month		\$72.74	\$57.95

Georgetown Divide Public Utility District
Cost of Service
Based on Fiscal Year 2010 Actuals

prepared 8/19/11

Auburn Lake Trails Wastewater

<u>Department</u>	<u>Allocation Basis</u>	Prior Cost of Service	
		2010 <u>Amount</u>	2007 <u>Amount</u>
Direct Auburn Lake Trails Wastewater	100% of costs	\$261,584	\$346,765
Administrative and General Indirect)	11% of Total Administrative and General	\$62,836	\$99,077
		<u>\$324,420</u>	<u>\$445,842</u>
<u>Total Cost by Customer Type</u>			
Non-community Disposal System Customers (2010: 865 & 2007: 862)		\$211,373	\$291,909
Community Disposal System Customers (134)		\$91,227	\$126,650
Vacant Lots (2010: 100 & 2007: 103)		\$21,820	\$27,283
		<u>\$324,420</u>	<u>\$445,842</u>

Monthly Cost per Customer

	<u>Direct</u>	<u>Indirect</u>	<u>2010 Total</u>	<u>2007 Total</u>
Non-Community Disposal System - Customers	\$16.10	4.26	\$20.36	\$28.22
Community Disposal System Customers	\$47.78	8.95	\$56.73	\$78.76
Vacant Lots	\$14.68	3.50	\$18.18	\$22.07
Current Non-community Disposal System with Home Monthly Rate		\$22.51		
Current Community Disposal System with Home Monthly Rate		\$50.87		
Current Community Disposal System Vacant Lot Monthly Rate		\$17.60		
Current Non-community Disposal System Vacant Lot Monthly Rate		\$16.13		

**Cost of Service Analysis based on
Schedule of Operating Expenses
For the Fiscal Year Ended June 30, 2010
(From audited Basic Financial Statements)**

Updated: 8/19/11

	Source of Water Supply	Transmission and Distribution - Raw Water	Water Treatment	Transmission and Distribution - Treated Water	Customer Service	Administrative and Hydroelectric	A.L.T. On-Site Wastewater Disposal Zone	2010 Total	2009 Total
Salaries and part-time labor	\$ 112,857	\$ 276,716	\$ 280,490	\$ 222,891	\$ 223,007	\$ 288,218	\$ 98,733	\$ 1,502,912	\$ 1,498,851
CalPERS benefits	23,700	61,644	52,787	50,120	56,135	47,468	28,129	319,983	332,524
ICMA benefits	-	-	-	-	-	-	-	-	-
Payroll taxes	11,117	19,678	23,398	17,820	16,147	24,541	8,890	121,591	116,654
Insurance - health and life plans	21,642	51,274	49,192	47,028	37,633	55,148	21,089	283,006	286,185
Insurance - workers' compensation	4,160	16,659	8,331	8,585	1,031	2,975	4,394	46,135	61,481
Insurance - District plan	-	-	-	-	-	14,329	-	14,329	11,723
Accounting and audit fees	-	-	-	-	-	8,330	-	8,330	8,160
Building maintenance and repairs	-	-	373	-	-	8,098	-	8,471	7,749
Director stipends	-	-	-	-	-	24,000	-	24,000	24,000
Engineering fees	21,175	-	7,371	1,170	-	18,249	-	47,965	7,701
Insurance - general	1,813	15,486	14,973	13,697	6,508	12,133	6,155	70,765	96,232
Legal - general	1,748	15,074	1,364	-	6,258	39,797	2,159	66,400	50,989
Supplies, rentals and durable goods	12,558	12,033	83,453	29,029	545	941	4,058	142,617	127,503
Office supplies	-	61	1,525	469	10,997	10,955	2,778	26,785	23,956
Outside services	4,578	6,663	5,086	6,453	702	34,966	2,174	60,622	118,563
Retiree benefits	-	-	-	-	-	134,758	-	134,758	72,088
Development and travel	97	421	3,151	845	-	9,047	1,481	15,042	18,124
Utilities	74	209	140,745	5,796	1,462	16,294	7,697	172,277	184,416
Equipment and vehicle maintenance	6,791	8,215	2,572	6,715	1,518	8,065	3,438	37,314	32,720
Vehicle operations	6,143	18,809	4,118	11,051	2,747	4,107	5,021	51,996	47,334
Regulatory requirements and fees	25,721	(317)	29,871	528	-	5,031	32,557	93,391	101,699
Other - County election admin.	-	-	-	-	84	-	-	84	8,026
Other - County property tax admin.	-	-	-	-	-	34,080	-	34,080	34,835
Other - Memberships	-	-	-	151	850	11,213	330	12,544	10,083
Depreciation	109,244	72,851	132,810	215,368	41,749	12,725	32,128	616,875	619,770
Amortization	-	-	-	-	-	17,605	-	17,605	11,823
Other	-	649	-	-	5,319	413	373	6,754	7,881
Direct Cost Subtotal	\$363,418	\$576,125	\$841,610	\$637,716	\$412,692	\$843,486	\$261,584	\$3,936,631	\$3,921,070

**Allocation of Administrative and General Costs
For the Fiscal Year Ended June 30, 2010**

	Source of Water Supply	Transmission and Distribution - Raw Water	Water Treatment	Transmission and Distribution - Treated Water	Customer Service	Administrative and General	A.L.T. On-Site Wastewater Disposal Zone	Administrative and General Total	Administrative and General Allocation Base
Admin. & General Allocation:									
Salaries and part-time labor	26,778	65,658	66,554	52,887	52,914	-	23,427	288,218	Salaries
CalPERS benefits	4,410	10,814	10,961	8,710	8,715	-	3,858	47,468	Salaries
ICMA benefits	-	-	-	-	-	-	-	-	Salaries
Payroll taxes	2,280	5,591	5,667	4,503	4,506	-	1,995	24,541	Salaries
Insurance - health and life plans	5,124	12,563	12,734	10,119	10,125	-	4,483	55,148	Salaries
Insurance - workers' compensation	276	678	687	546	546	-	242	2,975	Salaries
Insurance - District plan	1,331	3,264	3,309	2,629	2,631	-	1,165	14,329	Salaries
Accounting and audit fees	979	1,552	2,266	1,717	1,111	-	704	8,330	Total Direct Costs
Building maintenance and repairs	752	1,845	1,870	1,486	1,487	-	658	8,098	Salaries
Director stipends	1,821	-	17,036	-	-	-	5,144	24,000	Customers
Engineering fees	2,144	3,399	4,965	3,762	2,435	-	1,543	18,249	Total Direct Costs
Insurance - general	1,127	2,764	2,802	2,226	2,228	-	986	12,133	Salaries
Legal - general	3,842	-	35,955	-	-	-	-	39,797	Water Related
Supplies, rentals and durable goods	87	214	217	173	173	-	76	941	Salaries
Office supplies	1,018	2,496	2,530	2,010	2,011	-	890	10,955	Salaries
Outside services	3,376	-	31,590	-	-	-	-	34,966	Water Related
Retiree benefits	12,520	30,699	31,118	24,727	24,740	-	10,953	134,758	Salaries
Development and travel	841	2,061	2,089	1,660	1,661	-	735	9,047	Salaries
Utilities	1,914	3,035	4,433	3,359	2,174	-	1,378	16,294	Total Direct Costs
Equipment and vehicle maintenance	948	1,502	2,194	1,663	1,076	-	682	8,065	Total Direct Costs
Vehicle operations	483	765	1,117	847	548	-	347	4,107	Total Direct Costs
Regulatory requirements and fees	486	-	4,545	-	-	-	-	5,031	Water Customers
Other - County election admin.	-	-	-	-	-	-	-	-	Treated Only
Other - County property tax admin.	3,290	-	30,790	-	-	-	-	34,080	Water Related
Other - Memberships	851	-	7,959	-	-	-	2,403	11,213	Customers
Depreciation	1,495	2,370	3,462	2,624	1,698	-	1,076	12,725	Total Direct Costs
Amortization	1,700	-	15,905	-	-	-	-	17,605	Water Customers
Other	31	-	293	-	-	-	89	413	Customers
Admin. & General Allocation	-	-	-	-	-	(843,486)	-	(843,486)	
Total Costs with Allocation	\$ 443,323	\$ 727,394	\$ 1,144,659	\$ 763,366	\$ 533,470	\$ -	\$ 324,420	\$ 3,936,631	

Cost of Service Analysis Based on 2010 Actuals

Exhibit E

	Source of Water Supply Total Water	Transmission and Distribution - Raw Water Total Water	Water Treatment Total Water Usage	Transmission and Distribution - Treated Water Total Treated Water Usage	Customer Service Total Water Customers	Administrative and General See Separate Allocation by Account above	A.L.T. On-Site Wastewater Disposal Zone Total Zone Customers	Total Cost 2010	Revised for ALT loan costs	Total 2010 Cost Revised
Allocation Basis:										
Acre Feet	6,651	6,651	1,913	1,913						
Customers					3,640		1,099			
Raw Water Costs:	\$315,812	\$518,176			\$51,506			\$885,494		
Treated Water Costs:	\$127,511	\$209,217	\$ 1,144,659	\$ 763,366	\$481,963			\$2,726,716	\$316,594	\$3,043,310
Wastewater Costs:							\$ 324,420	\$324,420		
Subtotal	\$443,323	\$727,393	\$1,144,659	\$763,366	\$533,470	\$0	\$324,420	\$3,936,631		

New costs related to Loans for treatment plant required changes:

Walton Lake:					Customer Accounts from					
Filter loan annual debt service			\$25,058		Dec. 31, 2009 Billing:		% of Total			
Filter loan annual reserve requirement			\$2,506		Residential	3,478	86.32%			
Filter loan annual net income requirement (Annual payment * 1.1 less next years principal)			\$10,818		Commercial	162	4.02%			
Auburn Lake Trails (\$5 million loan):					Irrigation	389	9.66%			
Retrofit loan annual debt service			\$252,617			<u>4,029</u>	<u>100.00%</u>			
Retrofit loan annual reserve requirement			\$25,262		Zone Wastewater	1,099				
Retrofit loan annual short-lived asset requirement			\$333		Customers with Zone	<u>5,128</u>				
Subtotal for additional costs			<u>\$316,594</u>		Raw water cost per miners' inch per month:		\$281.33			
Revised subtotal for Water Treatment			<u>\$1,461,253</u>		Treated water cost per 1,000 cubic foot:		\$32.72			\$36.52
From 2009 Supply & Demand Report	Sales	Water needed to start season	Total	% of Total	Ave. Wastewater cost per account per month:		\$24.60			
Ag Water	4,738	0	4,738	71.24%	Raw water cost per gallon:		\$0.00057			
Treated Water	1,913	0	1,913	28.76%	Treated water cost per gallon:		\$0.00437			\$0.00488
Total AF	<u>6,651</u>	<u>0</u>	<u>6,651</u>	<u>100.00%</u>						

**Schedule of Operating Expenses
For the Fiscal Year Ended June 30, 2010
(From audited Basic Financial Statements)
Auburn Lake Trails Wastewater Activities Allocation**

	Total		Shared Cost Allocation by Lot Count except for Depreciation & Utilities							<u>TOTAL</u>
	per Audit		NonCDS Conventional Systems Direct Costs	NonCDS Other Systems Direct Costs	Total Shared Costs by all lots	Non-	Non-	Community Disposal System	Vacant Lots	
	On-Site					Community	Community			
	Wastewater Disposal <u>Zone</u>	Direct CDS Costs	Disposal System <u>Conventional</u>	Disposal System <u>Other</u>	Disposal System	Disposal System	Disposal System	Disposal System		
Salaries and part-time labor	\$ 98,733	\$ 13,942	\$ 7,502	\$ 7,175	\$ 70,114	\$39,082	\$30,780	\$22,491	\$6,380	\$ 98,733
CalPERS benefits	28,129	-	-	-	28,129	12,670	9,470	3,430	2,560	28,129
ICMA benefits	-	-	-	-	-	0	0	0	0	0
Payroll taxes	8,890	-	-	-	8,890	4,004	2,993	1,084	809	8,890
Insurance - health and life plans	21,089	-	-	-	21,089	9,499	7,100	2,571	1,919	21,089
Insurance - workers' compensation	4,394	-	-	-	4,394	1,979	1,479	536	400	4,394
Insurance - District plan	-	-	-	-	0	0	0	0	0	0
Accounting and audit fees	-	-	-	-	0	0	0	0	0	0
Building maintenance and repairs	-	-	-	-	0	0	0	0	0	0
Director stipends	-	-	-	-	0	0	0	0	0	0
Engineering fees	-	-	-	-	0	0	0	0	0	0
Insurance - general	6,155	-	-	-	6,155	2,772	2,072	750	560	6,155
Legal - general	2,159	498	-	-	1,661	748	559	701	151	2,159
Supplies, rentals and durable goods	4,058	3,172	-	-	886	399	298	3,280	81	4,058
Office supplies	2,778	-	-	-	2,778	1,251	935	339	253	2,778
Outside services	2,174	2,174	-	-	0	0	0	2,174	0	2,174
Retiree benefits	-	-	-	-	0	0	0	0	0	0
Development and travel	1,481	-	-	-	1,481	667	499	181	135	1,481
Utilities	7,697	3,058	-	-	4,639	2,089	1,562	3,624	422	7,697
Equipment and vehicle maintenance	3,438	220	-	-	3,218	1,449	1,083	612	293	3,438
Vehicle operations	5,021	25	-	-	4,996	2,250	1,682	634	455	5,021
Regulatory requirements and fees	32,557	1,682	-	-	30,875	13,906	10,395	5,447	2,809	32,557
Other - County election admin.	-	-	-	-	0	0	0	0	0	0
Other - County property tax admin.	-	-	-	-	0	0	0	0	0	0
Other - Memberships	330	-	-	-	330	149	111	40	30	330
Depreciation	32,128	28,440	-	-	3,688	1,661	1,242	28,890	336	32,128
Amortization	-	-	-	-	0	0	0	0	0	0
Other	373	-	-	-	373	168	126	45	34	373
Direct Cost Subtotal	\$261,584	\$53,211	\$7,502	\$7,175	\$193,696	94,745	72,387	76,828	17,625	261,584
						Monthly cost per customer	15.95	16.30	47.78	14.69

Indirect Allocation Basis	Allocation of Indirect					TOTAL
	Wastewater Share of Indirect Costs	Non-Community Disposal System	Non-Community Disposal System	Community Disposal System	Vacant Lots	
		Conventional	Non-conventional	System	System	
Salaries	23,427	9,273	7,303	5,337	1,514	23,427
Salaries	3,858	1,527	1,203	879	249	3,858
Salaries	0	0	0	0	0	0
Salaries	1,995	790	622	454	129	1,995
Salaries	4,483	1,774	1,397	1,021	290	4,483
Salaries	242	96	75	55	16	242
Lots	1,165	525	392	142	106	1,165
Total Allocated Costs	704	245	190	226	43	704
Salaries	658	261	205	150	43	658
Lots	5,144	2,317	1,732	627	468	5,144
Total Allocated Costs	1,543	537	417	496	93	1,543
Salaries	986	390	307	225	64	986
Not applicable	0	0	0	0	0	0
Salaries	76	30	24	17	5	76
Salaries	890	352	278	203	58	890
Not applicable	0	0	0	0	0	0
Salaries	10,953	4,336	3,415	2,495	708	10,953
Salaries	735	291	229	168	48	735
Total Allocated Costs	1,378	479	372	443	83	1,378
Total Allocated Costs	682	237	184	219	41	682
Total Allocated Costs	347	121	94	112	21	347
Not applicable	0	0	0	0	0	0
Not applicable	0	0	0	0	0	0
Not applicable	0	0	0	0	0	0
Lots	2,403	836	649	773	145	2,403
Total Allocated Costs	1,076	374	291	346	65	1,076
Not applicable	0	0	0	0	0	0
Lots	89	40	30	11	8	89
	<u>62,836</u>	<u>24,831</u>	<u>19,410</u>	<u>14,399</u>	<u>4,195</u>	<u>62,836</u>

4.18 4.37 8.95 3.50