



# Grizzly Flats Community Services District

## Frequently Asked Questions

### Rate Structure Change

On April 20, 2016, GFCSD Board of Directors voted to proceed with the Prop 218 process to change the District's rate structure. The following are some FAQs about the rates and the process.

**1. How was the new rate structure calculated?** We will now have a base rate and a volumetric rate.

**Base Rate:** This was based on our fixed costs. Those are expenses we have every day whether we produce 100 gallons of water or 100,000 gallons of water and are 96% of our Operations & Maintenance (O&M) budget. All properties with meters will pay the same base rate so we are able to maintain the raw water infrastructure, water rights, distribution pipelines, tanks, pumps, treatment plants, and administrative operations. Unlike water districts in large cities who have thousands of customers to share the cost of operating a district, our costs are shared among the 585 customers who currently receive water service. The annual revenue requirement was divided by the projected number of customers to come up with the base rate:

<b>Base Rate Calculation</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Annual Revenue Requirement	\$ 416,998	\$ 433,770	\$ 451,231	\$ 469,386	\$ 488,308
# of customers (projected)	586	587	588	589	590
<b>Base Rate - per month</b>	<b>\$ 59.30</b>	<b>\$ 61.58</b>	<b>\$ 63.95</b>	<b>\$ 66.41</b>	<b>\$ 68.97</b>

*We are projecting a 4% increase each year, for the next five years.*

**Volumetric Rate:** This was based on our variable costs. Those are expenses that vary based on the amount of water we produce. This includes power, propane, fuel costs, and water treatment plant maintenance and expenses. Variable costs are 4% of our total O&M budget. We calculated the volumetric rate using water production from 2012/13. Public comments received by the District asked that water use from a non-drought year be considered in the calculation. We were able to lower the volumetric rate from the \$1.31 rate that was in the original proposal based on that feedback.

<b>Volumetric Rate Calculation</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Variable Costs - <i>Water treatment, power, fuel, propane</i>	\$ 26,392	\$ 26,662	\$ 26,937	\$ 27,219	\$ 27,505
Projected water use (hcf)	22,963	22,963	22,963	22,963	22,963
<b>Volumetric rate (costs / water use)</b>	<b>\$ 1.15</b>	<b>\$ 1.16</b>	<b>\$ 1.17</b>	<b>\$ 1.19</b>	<b>\$ 1.20</b>

*We are projecting a 1% increase each year, for the next five years.*

- 2. When will the new rate take effect?** Your water statement, dated August 31, 2016 would reflect the new rate structure. That statement would charge for water usage beginning July 19<sup>th</sup> through mid-August (meters would be read between the 18<sup>th</sup> and 22<sup>nd</sup> of the month).
- 3. What can I expect my monthly water bill to be?** The new rate structure actually makes it easier for you to calculate your water bill. You will have the base rate plus a uniform rate for usage. You will need your "Usage in gallons" from a recent water statement, then use it in the following formula:

	Base Rate		Volumetric Rate		Total
<i>Formula</i>	\$59.30	+	Step 1: $\frac{\text{Usage in gallons}}{748} = \text{HCF}$ 748 Step 2: HCF x volumetric rate	=	Base rate + volumetric rate = Total monthly water bill
<i>Example</i>	\$59.30	+	Step 1: $\frac{2500}{748} = 3.34 \text{ HCF}$ 748 Step 2: 3.34 HCF x \$1.15 = \$3.84	=	59.30 + 3.84 = \$63.14

HCF = One hundred cubic feet = 748 gallons

If you have questions or need your water usage history, call or email the office. Remember that your usage may vary depending on the time of year.

**4. Why is a rate increase necessary?** We haven't had a rate increase since 2011. Over those five years, we've seen a 26% increase in expenses.

Account	2011/12	2015/16 (estimated)	\$ change	% change
<b>Salaries</b> Wages , overtime, on call and holiday pay	186,952.81	237,390.00	50,437.19	27%
<b>Payroll Taxes &amp; Workers Comp Ins.</b> Federal & State payroll taxes and Workers Comp Insurance	25,846.93	31,200.00	5,353.07	21%
<b>Benefits</b> Deferred Comp (3% match, optional), Health Reimbursement Account (\$650/month/employee), and life insurance.	33,036.92	38,175.00	5,138.08	16%
<b>60000- OPERATIONS &amp; UTILITIES EXPENSES</b> Alarm service, phone & internet service, fire/safety supplies, fuel, power, propane, trash disposal, website.	21,202.95	19,700.00	(1,502.95)	-7%
<b>61000- WATER TREATMENT EXPENSES</b> Chemicals, equipment & supplies, and testing/lab reports.	11,386.11	7,500.00	(3,886.11)	-34%
<b>62000- MAINTENANCE EXPENSES</b> Buildings, meters, distribution system, grounds, Eagle Ditch & gages, office equipment, parts & equipment, road repairs, service contracts (copier, computer maint), treatment plants.	10,193.01	26,800.00	16,606.99	163%
<b>63000- VEHICLE EXPENSES</b> Oil/Grease, parts & repairs, tires & snow chains (trucks & backhoe), Tractor Maintenance & repairs.	1,802.98	6,860.00	5,057.02	280%
<b>64000- EMPLOYEE EXPENSES</b> Clothing (t-shirts for staff and volunteers), boot allowance, Education & Certifications, employee auto mileage and transportation & travel.	1,772.34	2,550.00	777.66	44%
<b>65000- ADMINISTRATION EXPENSES</b> Agency admin fees (state & county fees, water rights, liens, etc.), bank fees & supplies, conservation activities, election costs (odd years only), janitorial supplies, meeting expenses, memberships, office supplies, postage, public notices, and software.	17,704.99	24,850.00	7,145.01	40%
<b>66000- PROFESSIONAL SERVICES</b> Annual audit & accounting support, legal fees, liability/auto insurance and other professional services.	24,350.47	25,351.00	1,000.53	4%
<b>Total - Operating Expenses</b>	<b>\$334,249.51</b>	<b>\$420,376.00</b>	<b>\$86,126.49</b>	<b>26%</b>

This District does everything it can to keep expenses low. Our staff works extremely hard and tackles huge projects in-house to save the District money. We've also worked to improve our efficiency which has reduced our utility expenses by 7% and our water treatment costs by 34%. Our largest increases have come from new State regulations and maintenance expenses. Keeping a 50 year old water system running can be challenging.

When rate increases are being discussed, employee costs are often scrutinized because it is one of our biggest expenses. Our employees are also our biggest asset. Our employees' hourly wages have increased 13% over the last five years (an average of 2.6% per year) with merit increases that were well deserved and cost of living adjustments. Several things have impacted the personnel costs over the last five years. In 2011/12, part of our staff time was paid with the CIP budget (not water rates) due to the Water System Improvement Project (WSIP). Then, in mid-2012 the District restructured our staff. By adding a maintenance position and eliminating an admin position, we were able to do more projects in-house, but had to increase our part time employees to full time to keep up with the workload, both in the field and in the office.

**5. Why are we changing the rate structure and the allotment?** The District has been considering changing the rate structure for several years. The current rate structure, which has 24 tiers and included a 300 gallon per day allotment, has become cumbersome. It was our goal to implement a rate structure that conforms to legal requirements, generates adequate revenues, is fair and defensible, and is easily understandable. What we have done, is broken up our expenses into a base rate and volumetric rate which is more in line with the industry standard. Eliminating the allotment was probably our hardest decision to make during this process. The two most important factors that went into our decision were:

**Legal Requirements** – Recent court decisions (*Palmdale and San Juan Capistrano*) have limited how water districts can structure water rates. Our attorneys (Barbara Brenner and Kerry Fuller at Churchwell White) stated, “An allotment creates two classes of customers; those that use only the allotment and those that use more than the allotment and must pay a volumetric charge.” Using allotments results in a large jump in the volumetric charge once the allotment is exceeded and the District cannot tie a cost of service to that increase.

**Fairness** - It was our goal to have a rate structure that was equitable to all customers. In fact, that's required by Proposition 218. Our discussions just kept coming back to asking if it was fair for us ask customers who use 50 gallons per day to pay the same as those using 300 gallons per day. Low water users shouldn't have to subsidize high users, which is what an allotment does. The fairest way to charge for water is to have a uniform rate for all usage.

**6. With the elimination of the allotment, will I be limited on how much water I can use?** This rate structure doesn't limit your water use. As long as there is no State Conservation mandates or Emergency Water Stages declared by the District, you have access to as much water as you need to maintain your home and property. The great thing about this rate structure is that it gives you some control over your water bill.

**7. Why are rate increases being proposed for multiple years?** The five year schedule of rate increases being proposed, varying in amounts, beginning July 2016 and ending June 2021, is based on the District's future expense projections. The increases being authorized for future years are “up to” amounts that will be reevaluated each year. The District Board will have the option of implementing a lesser increase or no increase if circumstances change and the authorized level of increase is not necessary. By projecting out five years, it saves the District the expense of going through the Prop 218 process every year.

**8. What will happen if the rates are not approved?** Without the proposed rate increases, the District will exhaust its operating cash because our expenses are greater than our income. This would severely handicap our ability to provide our current level of service and jeopardize our ability to meet regulatory requirements to deliver safe, potable water.

**9. What are the District’s reserve accounts and what are the balances?** Some of you have asked where our “net income” goes since the District is not currently running in the red. The Operating net income is used to fund our Operations & Maintenance (O&M) Reserve accounts. Reserves are an important part of the District’s operations and ensure we are a strong, fiscally responsible agency. The new base rate includes an annual amount of \$21,600 (about \$3 per meter, per month) to fund the reserves. Each reserve has a specific purpose and a target balance. Once the target is met, we no longer fund that reserve unless the balance falls below the target or the target is changed:

Reserve Account	Purpose	Target Balance
Asset Management	Asset replacement expenditures have the possibility to significantly impact the annual O&M budget. The reserve account is used to fund these replacements while stabilizing the annual budget for the District’s rate payers. A 5 Year Plan for Asset Management was developed in 2013. This is a living document that changes based on the current needs of the District. This reserve account funds that plan.	Target amount: \$75,000  Balance as of 3/31/16: \$63,057
O&M Emergency Reserve	An emergency reserve is cash set aside for unplanned major maintenance or equipment failure. Industry standards suggest setting aside enough cash to cover the cost of replacing the most vulnerable component of your system; the component that would cause the greatest disruption of service and is the most costly to replace. Replacement of a source of supply, the largest piece of pumping equipment or a key transmission line are examples of the most vulnerable component for many water systems	Target amount: \$150,000  Balance as of 3/31/16: \$88,053
O&M Reserve	These funds are used to ensure the continued orderly operation of the District. Such funds are used to immediately undertake unanticipated O&M activities and to manage cash-flow fluctuations. A 45-day operating reserve is a frequently used industry norm. The operating reserve can also cover costs of unplanned expenses such as increase in electrical or operational costs; costs caused by leaks; extra callouts, late payments, etc.	Target amount: \$80,000  Balance as of 3/31/16: \$80,000

**10. What does Prop 218 mean to me?** Proposition 218 requires that public utility providers follow a strictly defined process for increasing fees such as water service rates. Generally speaking, the District must 1) inform affected property owners of the proposed rates, 2) clearly demonstrate the amounts of the proposed rates are cost justified, and 3) hold a public hearing no less than 45 days after noticing property owners, at which the District hears all protests to the proposed rates. The process to protest the change is outlined in the Prop 218 Notice.

**11. Where can I get more information?** Additional information is available on the District’s website at [www.grizzlyflatcsd.com](http://www.grizzlyflatcsd.com) or by calling our District office at (530) 622-9626. You can also email questions to [gfwater@sbcglobal.net](mailto:gfwater@sbcglobal.net). Our office is open Monday through Friday, from 9:00 AM to 2:00 PM.