

**Grizzly Flats Community Services District**  
**Notice of a Meeting of the Cost of Services Study Review Ad-Hoc Committee**

**Date: Tuesday, October 31, 2023**

**Time: 9:30 AM**

**Location: The Grizzly Flats CSD Office (4765 Sciaroni Rd., Grizzly Flats, CA)**



## **AGENDA**

**A. CALL TO ORDER, ROLL CALL OF THE COMMITTEE MEMBERS** – Directors Davidson and Malonson, Kim Gustafson (GM), Patti Jobe (District Treasurer), Mel Kelley

**B. COST OF SERVICES STUDY**

1. **Draft Financial Projections** - The committee will meet to discuss budgetary documentation and the draft rate study which Catherine Hansford of Hansford Economic Consulting LLC modified to address revisions as requested by the committee on October 20, 2023. The Committee's goal is to work through any needed revisions so that the draft final report can be presented to the Board at the November 9, 2023 regular meeting.

**C. ADJOURN**

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- *In compliance with the Americans with Disabilities Act, contact Kim Gustafson at [gfwater@sbcglobal.net](mailto:gfwater@sbcglobal.net) or (530) 622-9626 if you need special assistance to participate in this meeting. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting. (28FR35.102-35.104 ADA Title 11).*
  - ***Our next regular Board meeting will be held in person on Thursday, November 9, 2023, at 6:00 PM.***

*This institution is an equal opportunity provider and employer.*

GFCSD's Budget Comparison

FY 2017/18 to FY 2023/24

	2017/2018 Actual	2018/2019 Actual	2019/2020 Actual	2020/2021 Actual	2021/2022 Actual	2022/2023 Actual	2023/2024 Budget
<b>Total Income</b>	515,769	559,847	559,542	592,969	292,104	531,118	516,000
Total Personnel Costs	366,373	438,137	441,901	446,995	373,747	384,076	527,980
Total Operation Costs	113,022	124,291	108,279	117,759	67,141	176,635	180,888
<b>Total Expenses (Operating &amp; Personnel)</b>	479,395	562,428	550,179	564,754	440,888	560,711	708,868
Reserve Funding (Asset Mgmt & Emergency Reserve)	21,600	21,600	21,600	21,600	0	0	0
<b>Net Income (Income-Expenses)</b>	14,774	(24,181)	(12,237)	6,615	(148,784)	(29,593)	(192,868)

<b>Total Income</b>
Total Personnel Costs
Total Operation Costs
<b>Total Expenses (Operating &amp; Personnel)</b>
Reserve Funding (Asset Mgmt & Emergency Reserve)
<b>Net Income (Income-Expenses)</b>

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**Grizzly Flats Community Services District**  
**Financial Comparison July 2021 to March 2022**  
(8 months post Caldor Fire)

	Jul-21	Mar-22	Difference
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
<b>10000 · Cash In Banks</b>			
10100 · WF-O&M Checking	47,074.25	57,189.73	(10,115.48)
10200 · WF- Payroll Checking	1,156.98	6,291.75	(5,134.77)
10400 · WF- USDA Loan Reserve	41,980.00	12,693.51	29,286.49
<b>Total 10000 · Cash In Banks</b>	<u>90,211.23</u>	<u>76,174.99</u>	<u>14,036.24</u>
<b>11000 · LAIF Investments</b>			
<b>11100 · O&amp;M Funds</b>			
11110 · O & M Reserve Acct	80,000.00	56,301.96	23,698.04
11120 · Asset Management	73,728.14	0.00	73,728.14
11130 · Emergency Reserve	108,158.60	0.00	108,158.60
<b>Total 11100 · O&amp;M Funds</b>	<u>261,886.74</u>	<u>56,301.96</u>	<u>205,584.78</u>
<b>11800 · CIP Funds</b>			
11210 · CIP Dedicated Reserve	253,550.04	66,518.76	187,031.28
11220 · CIP Restricted Reserve	250,000.00	250,000.00	-
11240 · Hydrant Repair/Replace	58,518.76	0.00	58,518.76
<b>Total 11800 · CIP Funds</b>	<u>562,068.80</u>	<u>316,518.76</u>	<u>245,550.04</u>
<b>Total 11000 · LAIF Investments</b>	<u>823,955.54</u>	<u>372,820.72</u>	<u>451,134.82</u>
<b>12000 · Cash in County Treasury</b>			
12200 · CIP Funds	-317.52	6,625.54	(6,943.06)
<b>Total 12000 · Cash in County Treasury</b>	<u>-317.52</u>	<u>6,625.54</u>	<u>(6,943.06)</u>
<b>13000 · Petty Cash Fund</b>			
	100.00	100.00	-
<b>Total Checking/Savings</b>	<u>913,949.25</u>	<u>455,721.25</u>	<u>458,228.00</u>
<b>Other Current Assets</b>			
14800 · Caldor Fire Recovery	0.00	415,430.41	(415,430.41)
14900 · A/R- Water User Fees	56,887.82	16,952.09	39,935.73
15000 · Prepaid Expenses	0.00	0.00	-
15100 · Insurance	15,758.83	4,297.87	11,460.96
15200 · Worker's Comp	4,641.48	1,265.88	3,375.60
<b>Total 15000 · Prepaid Expenses</b>	<u>20,400.31</u>	<u>5,563.75</u>	<u>14,836.56</u>
<b>Total Other Current Assets</b>	<u>77,288.13</u>	<u>437,946.25</u>	<u>(360,658.12)</u>



**Grizzly Flats Community Services District**  
**Financial Comparison July 2021 to March 2022**  
(8 months post Caldor Fire)

	Jul-21	Mar-22	Difference
<b>Total Current Assets</b>	991,237.38	893,667.50	97,569.88
<b>Fixed Assets</b>			
<b>16000 · Capital Assets</b>			
16100 · Land	237,405.00	237,405.00	-
16200 · Water Plant	3,763,055.91	3,763,055.91	-
16300 · Vehicles	68,275.01	68,275.01	-
16400 · Equipment	327,315.21	327,315.21	-
16900 · Accumulated Depreciation	-1,934,970.06	-1,994,943.02	59,972.96
<b>Total 16000 · Capital Assets</b>	2,461,081.07	2,401,108.11	59,972.96
<b>17000 · Work In Progress</b>			
17700 · Water Master Plan (H2Ou)	21,935.00	29,135.00	(7,200.00)
<b>Total 17000 · Work In Progress</b>	21,935.00	29,135.00	(7,200.00)
<b>Total Fixed Assets</b>	2,483,016.07	2,430,243.11	52,772.96
<b>TOTAL ASSETS</b>	<b>3,474,253.45</b>	<b>3,323,910.61</b>	<b>150,342.84</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Accounts Payable</b>			
20000 · Accounts Payable	0.00	9,064.89	(9,064.89)
<b>Total Accounts Payable</b>	0.00	9,064.89	(9,064.89)
<b>Other Current Liabilities</b>			
22000 · Personnel Payables			
22100 · Federal Payroll Taxes	-28.00	2,805.20	(2,833.20)
22110 · State Payroll Taxes	0.00	775.40	(775.40)
22200 · Accrued HRA Medical	54,398.33	47,831.89	6,566.44
22300 · Accrued Vacation	15,899.84	15,755.14	144.70
22400 · Deferred Comp Plan	0.00	437.76	(437.76)
22600 · 457 Loan Pymt	0.00	212.24	(212.24)
<b>Total 22000 · Personnel Payables</b>	70,270.17	67,817.63	2,452.54
<b>Total Other Current Liabilities</b>	70,270.17	67,817.63	2,452.54
<b>Total Current Liabilities</b>	70,270.17	76,882.52	(6,612.35)
<b>Long Term Liabilities</b>			
20200 · USDA Loan	819,500.00	803,000.00	16,500.00
<b>Total Long Term Liabilities</b>	819,500.00	803,000.00	16,500.00
<b>Total Liabilities</b>	889,770.17	879,882.52	9,887.65



**Grizzly Flats Community Services District**  
**Financial Comparison July 2021 to March 2022**  
(8 months post Caldor Fire)

	Jul-21	Mar-22	Difference
<b>Equity</b>			
167 · Retained Earnings - Old Acct	594,270.46	578,297.46	15,973.00
30000 · Reserves-Retained Earnings	1,311,763.01	1,311,763.01	-
30100 · Reserves- CIP Restricted	540,875.62	540,875.62	-
30300 · Reserves - Asset Managment	80,548.45	80,548.45	-
30400 · Reserves - USDA Loan Reserve	42,007.89	42,007.89	-
Net Income	15,017.85	-109,464.34	124,482.19
<b>Total Equity</b>	<u>2,584,483.28</u>	<u>2,444,028.09</u>	<u>140,455.19</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>3,474,253.45</u></u>	<u><u>3,323,910.61</u></u>	<u><u>150,342.84</u></u>

## Technical Memorandum

**DRAFT**

**To:** Kim Gustafson, General Manager

**From:** Catherine Hansford, HEC

**Date:** October 30, 2023

**Subject:** Rate Study Response to Board Questions

### Purpose

HEC prepared a Draft Water Rate Study which was presented and discussed at the September 7, 2023 Board of Directors (Board) meeting. At a special meeting held September 26, 2023, the Board asked several questions, to which this memorandum responds.

### Questions and Responses

Questions and comments from the Board are answered.

**Q1. If any FEMA costs have been included, please remove them.**

None of the capital projects that are anticipated to be funded by FEMA were included in the rate calculations; there were \$300,000 in fire recovery efforts estimated to be funded by standby fees; these costs have been removed. Per the Board's direction, HEC reduced general repair and rehabilitation to \$75,000 per year in 2023 dollars. Those expenditures would begin following reconstruction of the fire damaged facilities, in fiscal year 2026.

**Q2. Personnel costs should increase with an assumed 4% COLA each year.**

Personnel costs were assumed to increase 4% each year in the rate model.

**Q3. Reserves should be built back up slowly to avoid a large rate increase in the initial year.**

The key need for the rate increase in the initial year is not to rebuild the District's reserves, it is to bring the District into compliance with its debt covenants and to cover operating expenses and stop the need to draw on cash reserves for operations. Pledged security for the USDA certificates of participation is revenues of the water fund; as such, the revenues must cover at least (1) annual operating expenses, (2) short-lived assets annual contribution, and (3) debt service.

**Q4. New facilities should result in less depreciation – for example the Clearwell Tank, one of the water treatment plants, the water storage tanks at Tyler and Winding Way, and some booster pumps.**

Depreciation has been removed from the model. Only the USDA short-lived asset reserve of \$4,457 is included to pay for replacement of assets with useful lives of 15 years or less.

**Q5. What is included in “rehabilitation” expense on page 17 of the study? CIP project costs could be reduced as the District is replacing a lot of equipment damaged by the fire.**

Rehabilitation is the funding of depreciation in the rate model. The Board has discretion to fund depreciation at any level it chooses to; however, if depreciation is not funded at least at some level, the District runs the potential to jeopardize funding rehabilitation or replacement of assets when they must be replaced, which can create the need for large rate increases and/or the need to borrow money for the projects.

**Q6. The percentage of cost that is in the volumetric rate currently does not account for staff time monitoring the water treatment process and keeping the diversion screens clean so that water flow is not impeded.**

HEC has adjusted the functional cost allocation, Table A-6, to reflect this information. Currently, 24% of field staff costs are allocated to the volumetric rate. Field staff time was re-allocated to 50% capacity and 50% commodity. The total cost to be recovered from the volumetric rate was increased from 10% to 13%.

**Q7. Although inflation is currently high, it is not likely to keep increasing at 6-8% over the next five years.**

Inflation in the rate model is factored at 3.5% per year. The higher 6-8% increase was for special taxes, and this was a result of the special tax calculations, not driven by inflation. The Board is not pursuing the special tax idea.

**Q8. Annual cost for operations and maintenance by H2O Urban Solutions should be updated to \$272,224 per year.**

This has been updated in the model, from \$200,000 to \$272,300 starting fiscal year 2025.

**Q9. On page 14, Professional Services jumps from \$31,309 in 2023 to \$55,500 in 2024, why?**

The amount matches the Board-approved budget. Professional services in the rate study includes Audit & Accounting (66100), Legal (66200) and Professional Services (66900) combined.

**Q10. Since the fire we have had less customer water consumption and more water flow. Is it possible to sell excess water to supplement the current revenue sources. If so, could this revenue be used for any purpose?**

HEC does not know what opportunities exist in the region to sell excess water. A district can sell excess water. Usually, this will be sold raw for irrigation purposes, fire suppression (typically pond storage), environmental purposes, recreational purposes, or cultural purposes, or it may be sold either raw or treated to another water provider. The revenue could be used for any purpose.

## Findings

**Table A** shows the October 30<sup>th</sup> calculated rates with the above-described adjustments made. **Table B** provides the calculated rates in the August 30<sup>th</sup> Draft Rate Study. Note, the rates for meters larger than 1-inch are not shown in these tables.

The use rate increases to account for the shift in cost from capacity to commodity. The base rate decreases. Overall, the adjustments decrease the water bills from the Draft Rate Study.



**Table A**  
**Updated Calculated Water Rates and Example Bills**

<b>Charge Type</b>	<b>Current Implementation -&gt;</b>	<b>FY 2025 1-Jul-24</b>	<b>FY 2026 1-Jul-25</b>	<b>FY 2027 1-Jul-26</b>	<b>FY 2028 1-Jul-27</b>	<b>FY 2029 1-Jul-28</b>
<b>Rates</b>						
Base Rate, per Month	\$68.97	\$87.53	\$89.42	\$91.52	\$94.27	\$97.11
Use Rate, per HCF	\$1.20	\$3.87	\$3.97	\$4.07	\$4.21	\$4.35
<b>Example Bills</b>						
Home using 12 HCF	\$83.37	\$133.96	\$137.01	\$140.37	\$144.75	\$149.29
Home using 6 HCF	\$76.17	\$110.74	\$113.21	\$115.95	\$119.51	\$123.20
Home not using water	\$68.97	\$87.53	\$89.42	\$91.52	\$94.27	\$97.11

Source: HEC October 30 2023.

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**Table B**  
**Draft Rate Study Calculated Water Rates and Example Bills**

<b>Charge Type</b>	<b>Current Implementation -&gt;</b>	<b>FY 2025 1-Jul-24</b>	<b>FY 2026 1-Jul-25</b>	<b>FY 2027 1-Jul-26</b>	<b>FY 2028 1-Jul-27</b>	<b>FY 2029 1-Jul-28</b>
<b>Rates</b>						
Base Rate, per Month	\$68.97	\$98.71	\$99.98	\$100.68	\$102.69	\$106.01
Use Rate, per HCF	\$1.20	\$3.24	\$3.30	\$3.33	\$3.41	\$3.53
<b>Example Bills</b>						
Home using 12 HCF	\$83.37	\$137.59	\$139.58	\$140.64	\$143.61	\$148.37
Home using 6 HCF	\$76.17	\$118.15	\$119.78	\$120.66	\$123.15	\$127.19
Home not using water	\$68.97	\$98.71	\$99.98	\$100.68	\$102.69	\$106.01

Source: HEC August 2023.

