

# **Water Rate Study**

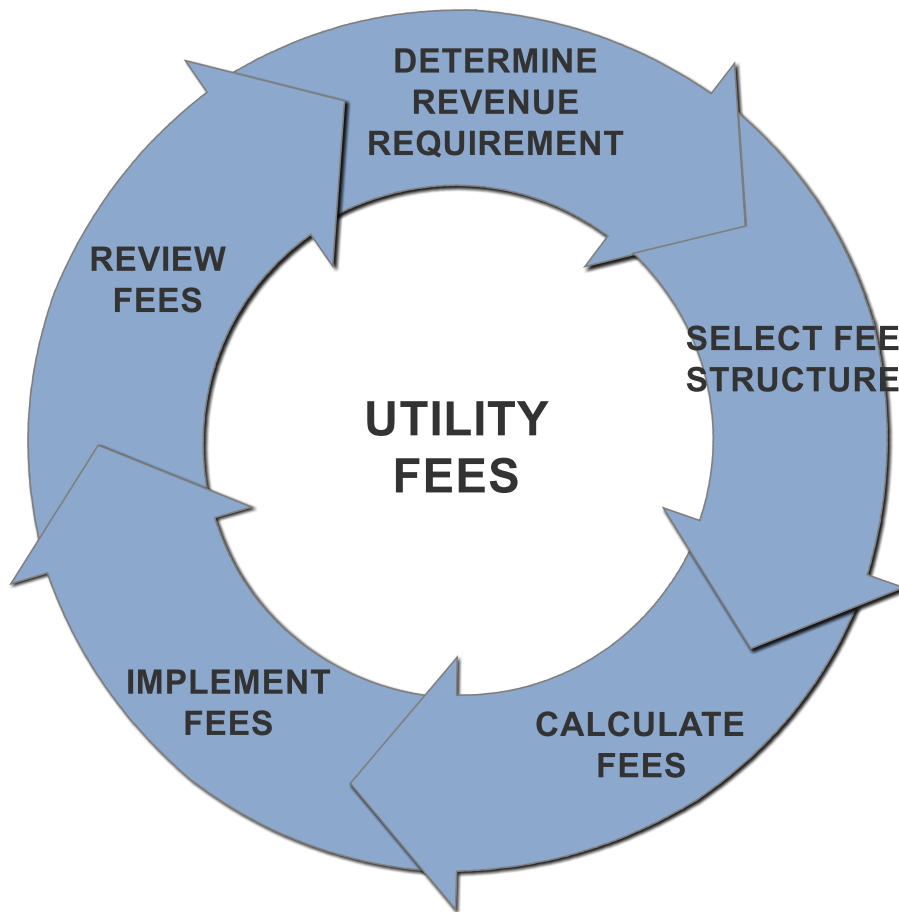
February 26<sup>th</sup>, 2024

Public Workshop

**GRIZZLY FLATS CSD**

# Property-Related Fees Every 5 Years

## Last Rate Study was 2016

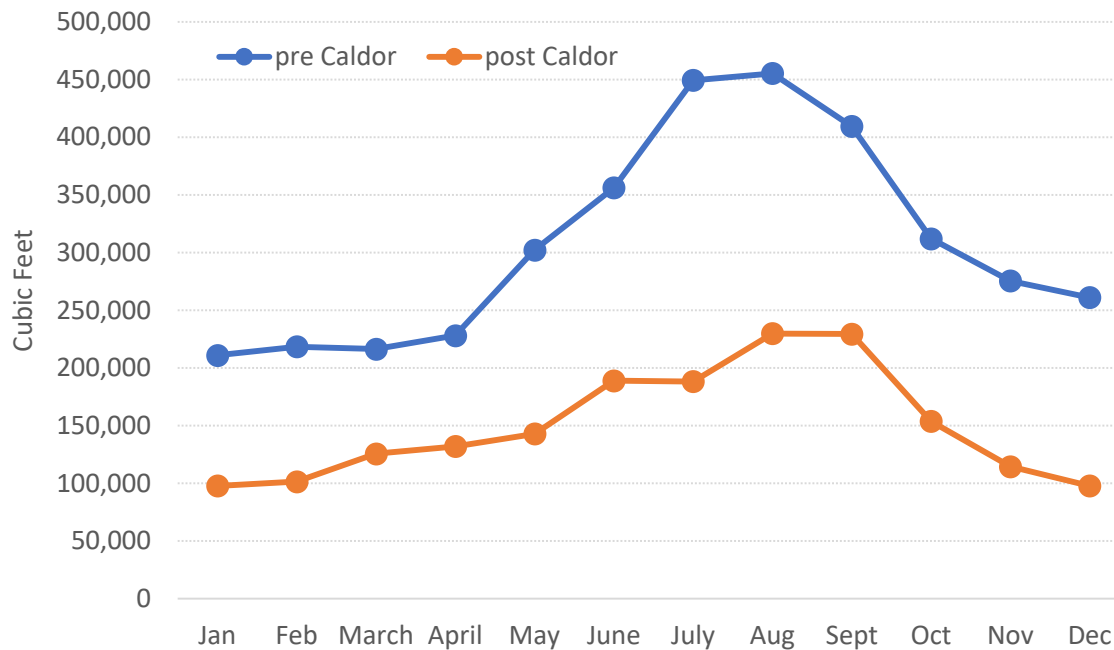


- ❑ Revenues from the fee shall not exceed funds required to provide the service.
- ❑ Revenues from the fee shall not be used for any purpose other than that for which it was imposed.
- ❑ The amount of the fee imposed as an incident of property ownership shall not exceed the proportional cost of service to the parcel.

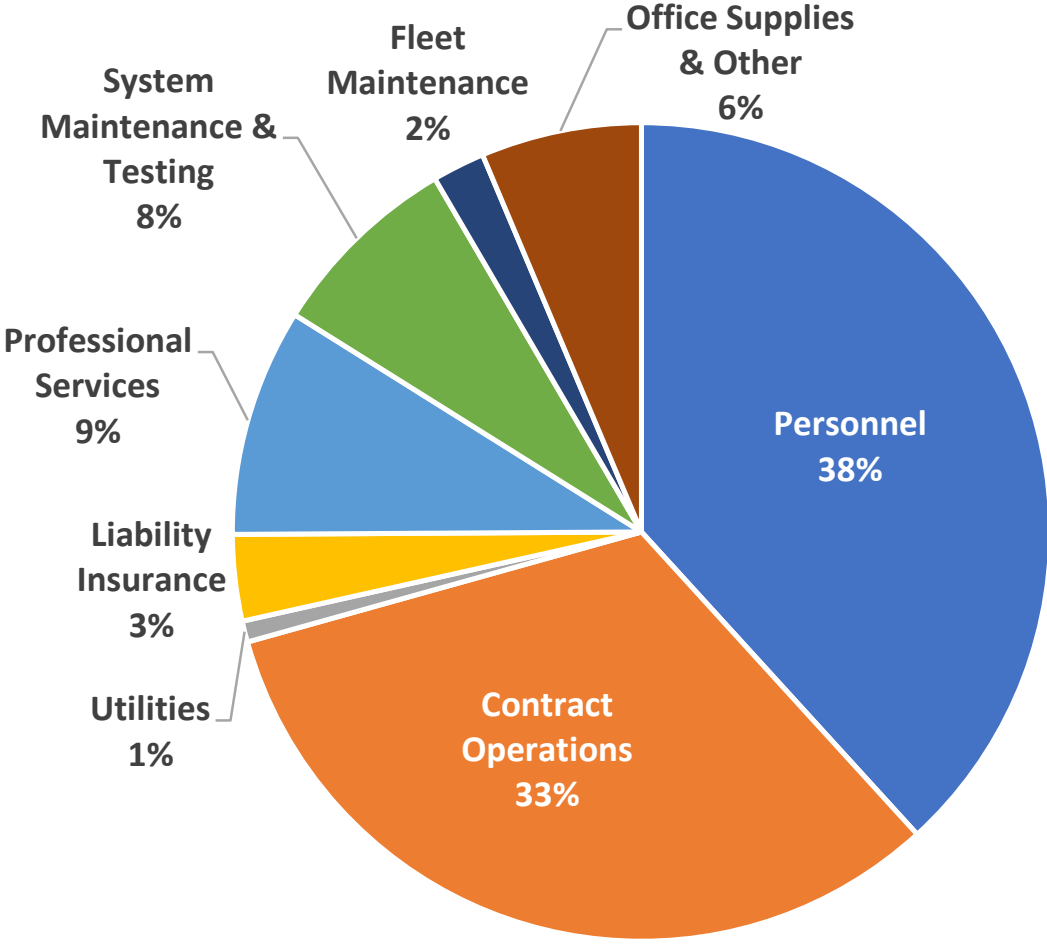
Best Practice	Grizzly Flats CSD
Rate study every 3 to 5 years	The last rate study was conducted in 2016. There was a 2-year delay in the 5-year cycle due to the Caldor Fire. <b>Rates have not been increased since 2020.</b>
Collect for system rehabilitation (for upkeep of existing infrastructure) in rates	Rehabilitation is included in the rates, but it needs to increase to keep pace with inflationary cost pressures.
Regular customer communications to educate on the utility systems and value of service	The District uses bill inserts and a quarterly newsletter to communicate with customers.
Meet bond covenants	The District has had a loan with USDA since 2011; it has maintained all requirements of its bond covenants.
Self-sufficient enterprise fund	Since the Caldor Fire, the District has struggled to fund operating costs (the fiscal year 2024 budget does not cover operating costs); in addition, many infrastructure repairs are still needed that will be grant-funded but on a reimbursement basis, requiring the District to have greater cash reserves than it currently has (or has as a target).
Meet target cash balance	The District has met its target cash balances since the Caldor Fire but will be short of its target cash balance without rate increases.

# Key Reasons for Rate Increase

- Cost increases since 2020
- Large project costs (grant-funded) cash flow needs
- Water usage decrease since the Caldor Fire



# What are Monthly Fees Spent On?

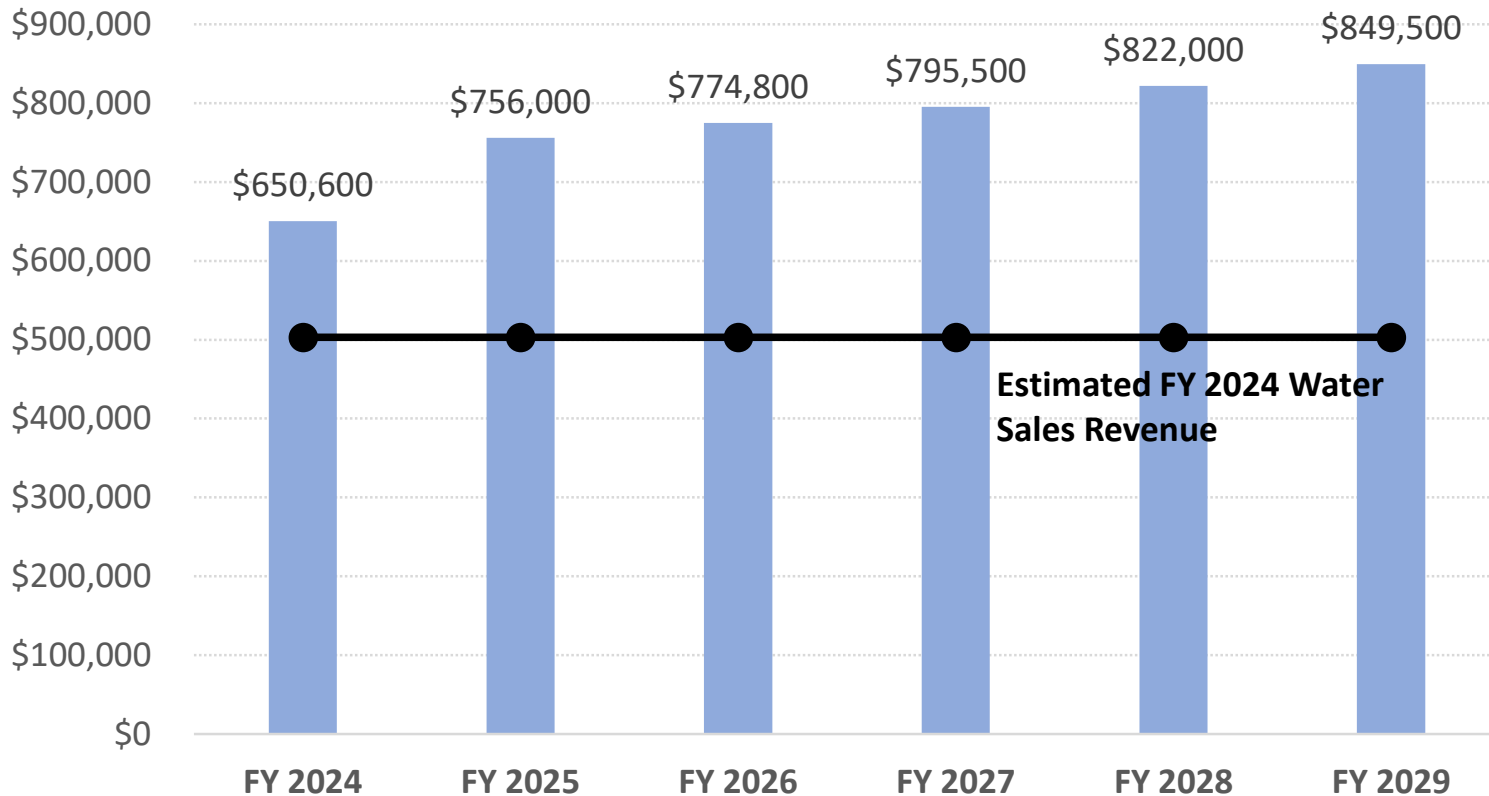


# Determination of Rates

- **Operating Costs**
  - Staff, fuel, electric, equipment, supplies, insurance
- **USDA Debt Service**
- **Capital Outlay**
  - Routine repair and rehabilitation of the system such as replacement of aging pipes and older meters
- **Less Credits**
  - Interest income, service installations, water user penalties, other

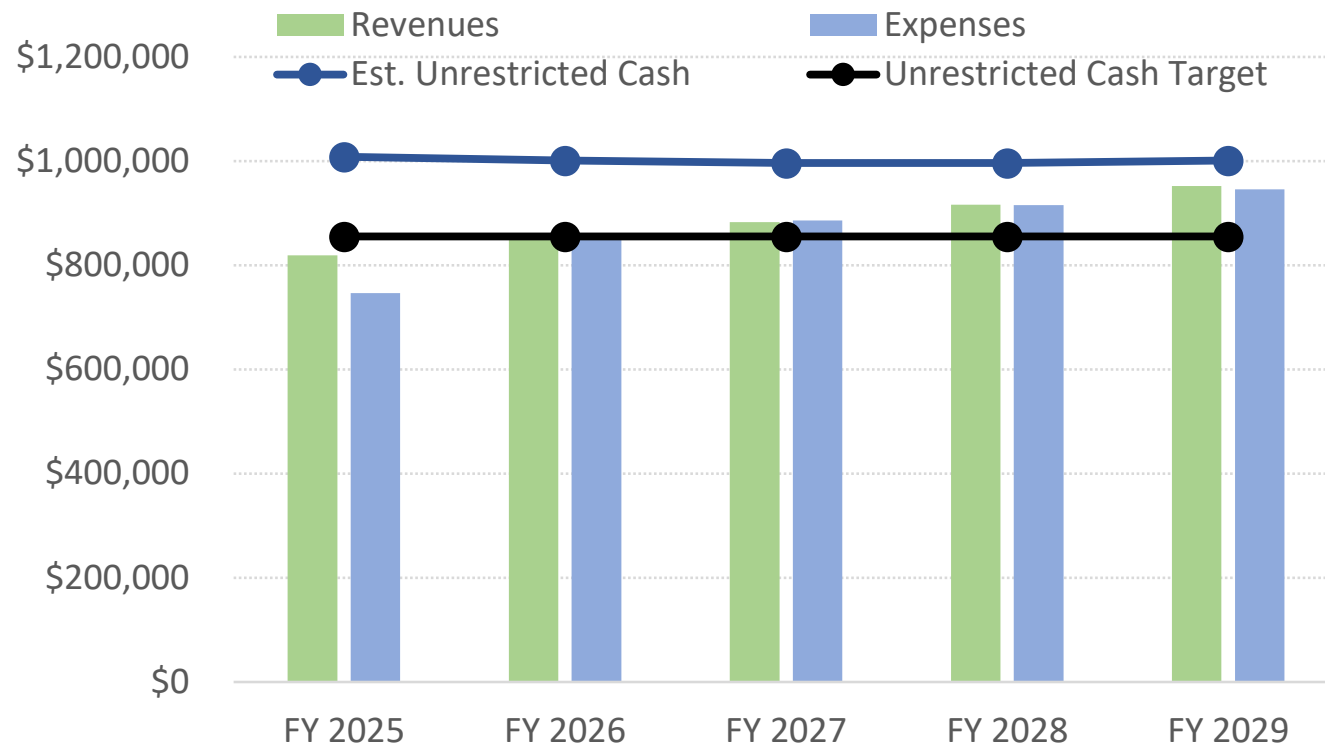
# Revenue Requirement

The revenue requirement is the amount that must be raised by water rates each year



# Projected Cash Balances

District needs to carry cash balances greater than targets set by policy because it will have to fund restoration of the water system from the Caldor Fire. Although the costs of restoration are expected to be paid by grants, the District will receive the money on a reimbursement basis and must have cash flow available to carry the costs until reimbursements are made.





# Grant-Funded Improvements (2023 \$'s)

System Rebuild & Improvements	Total
Completion of Fire Damage Repairs	\$300,000
Clearwell & Booster Pump Station Reliability	\$2,530,000
Hazard Tree Removal Eagle Ditch	\$998,250
Intake Diversions Watershed Restoration	\$209,850
<b>TOTAL</b>	<b>\$4,038,100</b>

Additionally, capital outlay for annual routine repair costs of \$75,000 per year starting FY2026 inflated each year 3.5%.

# Major Findings

## Monthly Rates

- Continue to collect monthly base rates from all water connections
- Increase the base monthly charge and water use rate:
  - Operating revenues projected to be insufficient to cover operating expenses
  - Need to build reserve funds to complete restoration of the water system

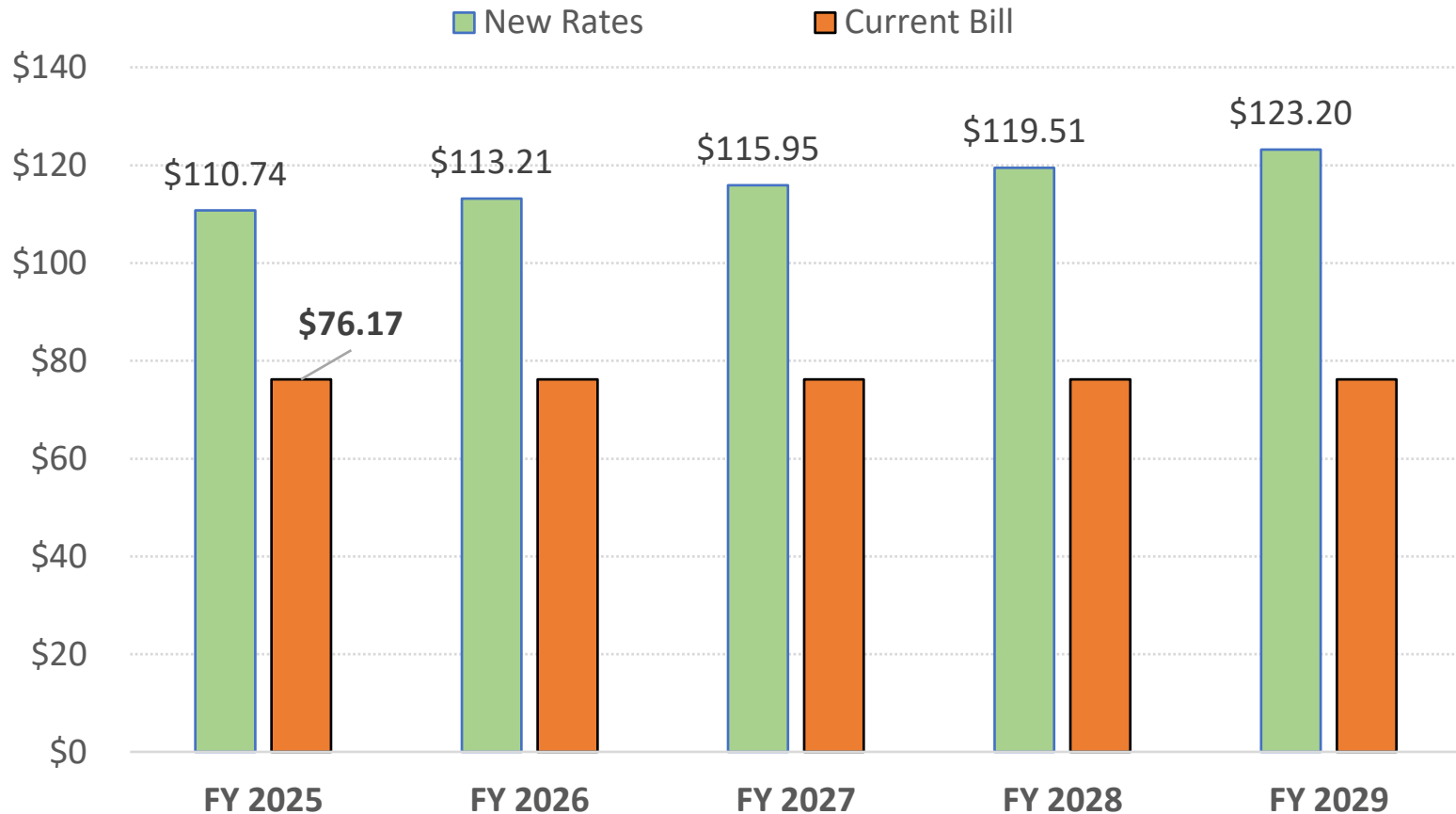
## Cost of Service

- Customers with larger water meters greater capacity to use the water system; recommended rate structure charges the base monthly water rate by meter size

# Calculated Water Rates

	<b>CURRENT</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Charge Implementation --&gt;</b>		1-Jul-24	1-Jul-25	1-Jul-26	1-Jul-27	1-Jul-28
<b>Base Charge per Month</b>						
1-inch or smaller	<b>\$68.97</b>	\$87.53	\$89.42	\$91.52	\$94.27	\$97.11
1.5-inch		\$175.06	\$178.84	\$183.03	\$188.53	\$194.23
2-inch		\$280.09	\$286.14	\$292.85	\$301.65	\$310.76
3-inch		\$560.18	\$572.28	\$585.71	\$603.30	\$621.52
4-inch		\$875.28	\$894.19	\$915.17	\$942.66	\$971.13
6-inch		\$1,750.56	\$1,788.38	\$1,830.33	\$1,885.32	\$1,942.25
8-inch		\$2,800.89	\$2,861.41	\$2,928.53	\$3,016.51	\$3,107.60
Use Charge, per HCF	<b>\$1.20</b>	\$3.87	\$3.97	\$4.07	\$4.21	\$4.35

# Projected Monthly Water Cost @ 6 HCF



# Is the Increase in Rates Reasonable?

- Utility bills nationwide typically increase 6% to 12% per year (see next slide).
- District has had the same rates for 4 Years.
- Inflation alone accounts for about half of the necessary increase.

---

---

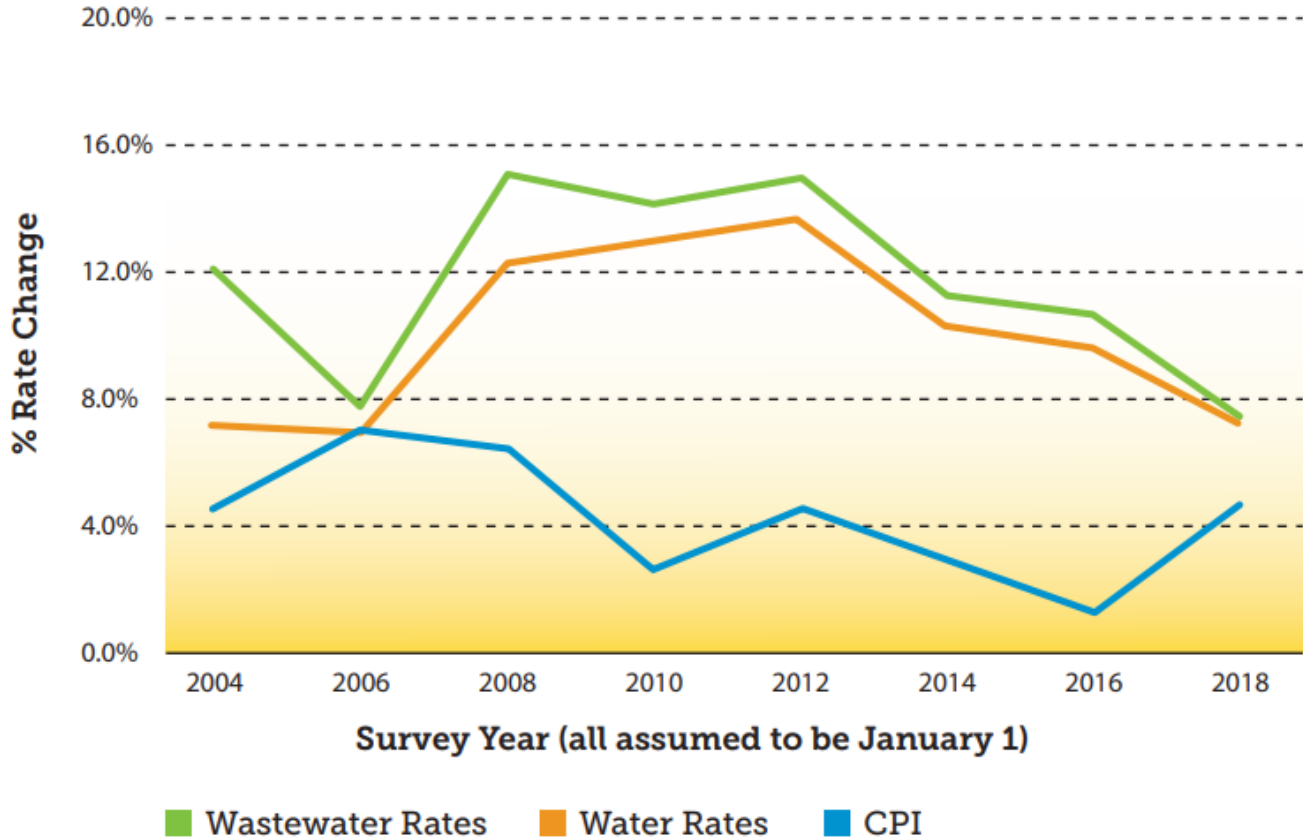
	<b>2020</b>	<b>2024</b>	<b>Avg Annual % Change</b>	<b>Source</b>
Water Bill 6 HCF	\$76.17	\$110.74	<b>9.81%</b>	<b>HEC 2024 Rate Study</b>
Retail Good Same Price	\$76.17	\$90.83	<b>4.50%</b>	<b>Western Region CPI</b>

---

---

- District's increase is reasonable given the cost of utilities provision increases at a greater pace than inflation, plus financial damage from the COVID-19 pandemic and Caldor Fire.

# Rate Trends in Survey Years

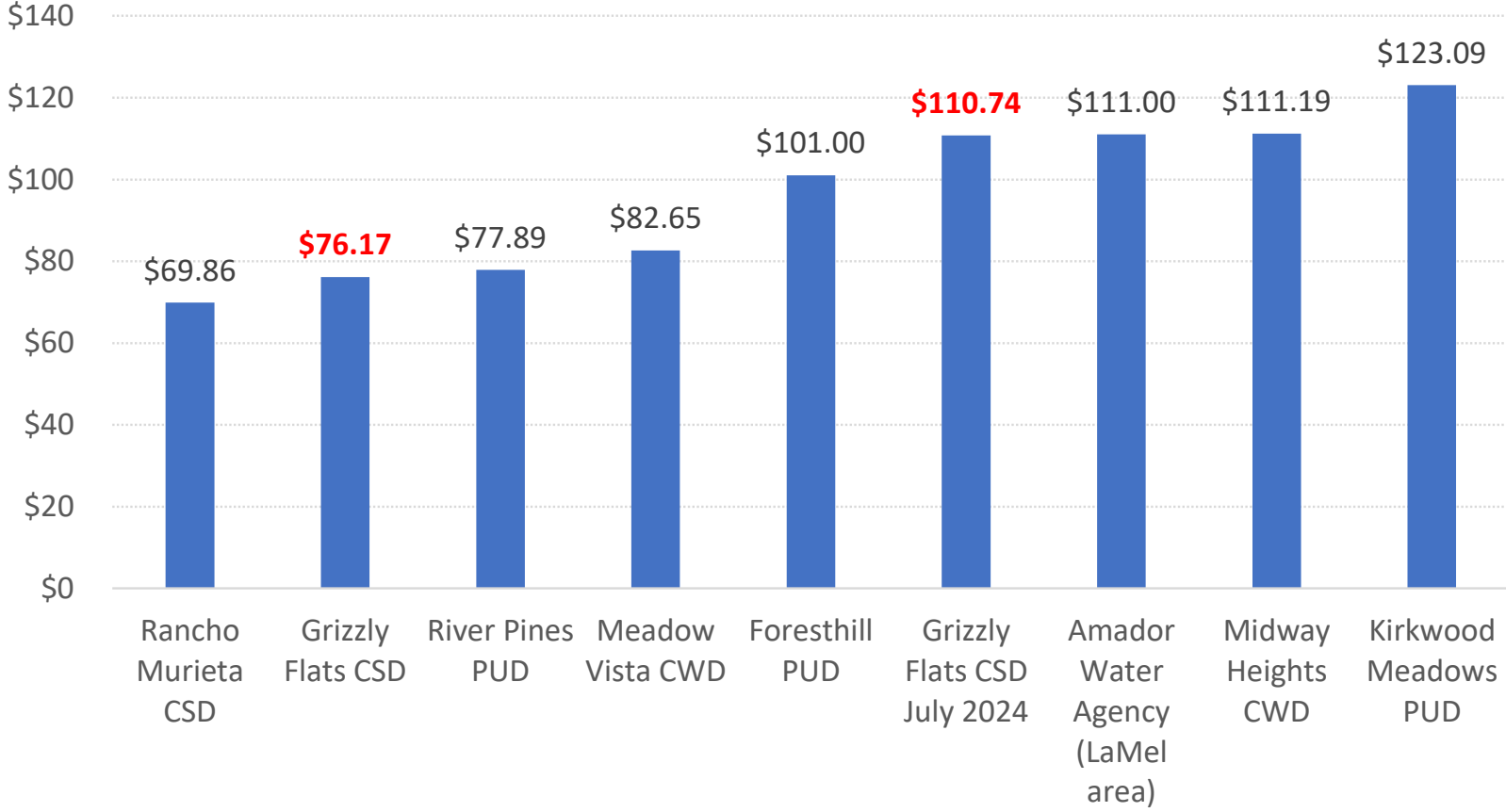


Survey Year	Water Rates	Wastewater Rates	CPI
1998	12.3%	3.5%	4.7%
2000	6.5%	10.1%	4.5%
2002	8.8%	7.9%	4.9%
2004	7.2%	12.1%	4.6%
2006	7.0%	7.8%	7.1%
2008	12.3%	15.1%	6.4%
2010	13.0%	14.2%	2.7%
2012	13.7%	15.0%	4.6%
2014	10.3%	11.3%	3.2%
2016	9.6%	10.7%	1.3%
2018	7.2%	7.5%	4.6%



# Comparison Water Bills

3/4-inch meter using 6 HCF



# Customer's Right to Protest

- Every property owner has the right to protest the proposed rates included in the Proposition 218 notice
- Only one protest per parcel can be counted\*
- Protest must be mailed or otherwise physically submitted in handwriting to the District – *electronic submittals are invalid*
- A valid protest will be counted if received by close of the public hearing and it includes:
  1. Customer's name (must be legible)
  2. Address or Assessor Parcel Number of the property
  3. A statement of the rates being protested
  4. Signature and Date

\*Protests must be filed with the District for a period of 2 years



# Adoption of New Rates

- Public Hearing date ***Saturday April 13, 2024***  
Pioneer Park Community Center 10.00 a.m.
- Upon close of the public hearing, the protests are counted.
- If >50% of the owners of public record protest the District cannot proceed.
- Absent a majority protest, the District can proceed with adoption of maximum rates.
- **At any time in the next 5 years, the District can freeze or reduce the rates shown on the notice** but cannot increase them without another Proposition 218 public noticing process.

# Customer's Rights after Adoption of Rates

As of January 1, 2022, pursuant to Government Code 53759(d), there is a 120-day state of limitation for ratepayers to challenge increased rates.

Any challenge must be filed within 120 days of the effective date or date of final passage, adoption, or approval of the resolution adopting the water rates.