



Information About Proposed Water Rates To Fund Water Services Over Five Years

NOTICE OF PUBLIC HEARING REGARDING PROPOSED WATER RATES

Groveland Community Services District (GCSD) is proposing to establish a new water rate structure to distribute the cost of providing water services. In compliance with Proposition 218, property owners and tenants are being notified of the proposed changes who are directly responsible for the payment of water service.

DATE AND TIME OF PUBLIC HEARING: January 13, 2016 at 6:00 pm.

LOCATION: Groveland Community Hall, 18720 Hwy 120, Groveland, CA 95321

WHY ARE YOU RECEIVING THIS NOTICE?

You are being notified because your property falls in the GCSD service area. The purpose of the public hearing is to consider all written protests against the proposed rate change. As the owner or customer of record of a parcel subject to the proposed rate change, you may submit a written protest against the proposed rate changes.

WHY IS AN INCREASE NEEDED?

GCSD's water rates have not been significantly increased since Fiscal Year (FY) 2007/08 (which ended 6/30/08). There was an increase of less than 1% in FY 2010/11, and a "drought increase" in the volume usage rate in FY 2013/14— which partly made up for the loss of revenue due to reduced usage during the drought— but these increases were insufficient to keep up with increased costs of power, raw water, and regulatory requirements. The District has coped with this shortfall by streamlining its management and administrative expenses (total personnel expense in the Water Fund was cut from \$1,028,666 in FY 2008/09 to \$818,875 in FY 2014/15, a reduction of 22.7%), but the District is still operating in deficit.



Water break resulting from weak and deteriorating aging distribution system

There is also a long-term problem. The rate study that was the basis of the FY 2007/08 rates did not address the need to repair and replace the aging water system infrastructure. To ensure that the District will have a functioning water system into the future, it must build a reserve fund to pay for major renovation that will have to be done, some within the next few years. While the District hopes to obtain some grants to support this work, the District will have to provide partial matching funds to win such grants.

To address these issues, the District commissioned a rate analysis, conducted by an independent agency, to determine the Water Fund's revenue requirement for sustainable future operation, and to translate that into a rate structure that fairly reflects actual cost of service.

REVENUE REQUIREMENTS

The first step in calculating revenue requirements for the Water Enterprise Fund is to establish a time frame for the revenue requirements analysis. For this study, the revenue requirements were developed for a five-year projected time period (FY 2015/16 – FY 2019/20). Fiscal year 2015/16 was a budgeted period, while FY 2016/17 and beyond were projected from this budgeted period.



Deteriorating water pipe causing water break

A significant part of the RCAC assessment was to plan for Capital Improvement and Replacement (CIR) of the District's infrastructure (which is now more than forty years old) over a twenty-year time frame. RCAC's estimate of the needed allocation to reserves was approximately \$1.8 million dollars per year. The GCSD Board directed that the final rate analysis should be based on an allocation of 25% of that amount, in anticipation that the District will be able to obtain grant funding if we can provide 25% matching funds.

Revenue projections use GCSD's budgeted amount for FY 2015/16 and, an inflationary factor of 3 percent beyond that year. Long-term debt is forecasted separately using the existing debt service schedules. Table 1-1 shows projected revenue requirements of the water fund.

Reviewing a multi-year time period is generally recommended in an attempt to identify any major expenses that may be on the horizon. By anticipating future financial requirements, GCSD can begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates.

WATER FUND BUDGET

Table 1-1 provides the projected revenue requirements (Costs) for the Water Enterprise Fund through FY 2019/20. Revenue requirements include benefits and salaries, operations and maintenance (O&M) expenses, debt service costs, reserve requirements, etc. These expenses represent the cost of operating and maintaining water supply, treatment, storage, and distribution facilities, as well as the costs of providing technical services such as laboratory services and other administrative costs of the water system. The District engaged the services of the Rural Community Assistance Corporation (RCAC) through a grant to assist in the development of the District's future rate requirements.

Table 1-2: Water Treatment Plant Operating Costs

Expense	Fiscal Year 2015/16	
	SGWTP	BCWTP
Admin	\$610,647	-
Board	\$13,672	-
Operations		
Fixed	\$413,379	\$138,750
Variable	\$65,175	\$102,702
Maintenance	\$503,556	\$64,373
CIR Reserves	\$247,500	\$202,500
Subtotal O&M	\$1,853,929	\$508,325

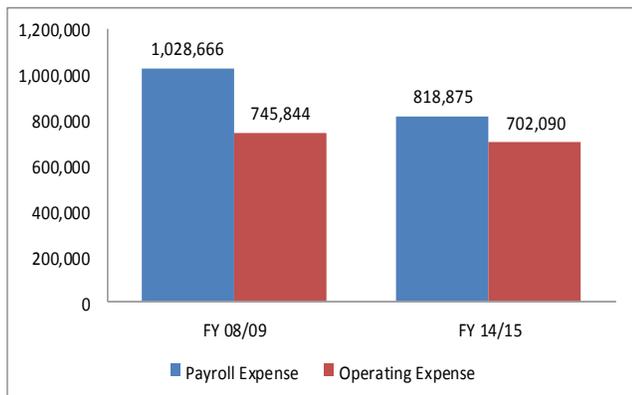
Table 1-1: Projected Revenue Requirements

Expense	Fiscal Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Admin	\$610,647	\$628,966	\$647,835	\$667,270	\$687,288
Board	\$13,672	\$14,082	\$14,504	\$14,939	\$15,387
Operations					
Fixed	\$552,129	\$568,693	\$585,754	\$603,326	\$621,426
Variable	\$167,877	\$172,913	\$178,101	\$183,444	\$188,947
Maintenance	\$567,929	\$584,967	\$602,516	\$620,591	\$639,209
CIR Reserves	\$450,000	\$463,500	\$477,405	\$491,727	\$506,479
Subtotal O&M	\$2,362,254	\$2,433,121	\$2,506,115	\$2,581,297	\$2,658,736
Debt Service					
1996-98 Bond	\$306,159	\$306,159	\$306,159	\$306,159	\$306,159
2007 Bond	\$378,224	\$375,224	\$375,224	\$375,224	\$375,224
Other Debt	\$9,350	\$9,350	\$9,350	\$9,350	\$9,350
Subtotal Debt Service	\$693,733	\$690,733	\$690,733	\$690,733	\$690,733
Total	\$3,055,987	\$3,123,854	\$3,196,847	\$3,272,031	\$3,349,470

Furthermore, the O&M revenue requirements can be broken down into expenses associated with operating the Second Garrote Water Treatment Plant (SGWTP) to meet baseline supply needs, and expenses associated with operating the Big Creek Water Treatment Plant (BCWTP) used to meet peak usage demands (Table 1-2). The Second Garrote Water Treatment Plant is the lead facility to produce water at GCSD.

FY 08/09 vs. FY 14/15

Payroll and Operating Expense



Administrative, board and maintenance expenses are assigned to the Second Garrote Water Treatment Plant. The costs to operate the Big Creek Water Treatment Plant are exclusively variable costs associated with providing water to meet peak water demand.

COST OF SERVICE

The rate analysis reflects that the true cost of delivering water depends on the volume usage demand. The proposed new rate structure will allow customers who are water conscientious and who stay within the baseline consumption to not share in the additional cost associated with those who exceed the baseline consumption. Customers who exceed the baseline consumption level will bear the full cost of providing the additional water. The new rate structure will consist of a fixed monthly rate plus a usage rate based on metered consumption. The fixed rate will cover GCSD’s fixed utility expenses, and debt service. Metered consumption will be billed at a Baseline Usage Rate up to a maximum allowance and at a higher Peak Usage rate beyond the allowance. The fixed monthly rates as well as Baseline and Peak usage rates are shown in Table 1-3.

The following sections provide justification of how the various elements of the new rates were developed.

BASELINE CONSUMPTION

A baseline allowance of 3,300 gallons per connection is being proposed. The baseline consumption uses a 55 gallons per capita per day and 2 people in a household. According to US Census information, most households in Groveland, Big Oak Flat

and Pine Mountain Lake fit within that household size. The per capita allowance is considered to be adequate to sustain household water use.

In order to estimate the total annual baseline consumption in million gallons (MG) the analysis uses population estimates from the 2010 US Census. Using the 2010 Census population of 3,397 x 55 gallons x 365 days, the annual baseline consumption would be 68,194,775 gallons or approximately 68.2 MG, the capacity of the Second Garrote Water Treatment Plant.

FIXED RATE COMPONENT

A fixed rate component is being proposed to recover fixed utility expenses and debt service associated with providing the baseline water consumption. Baseline water demands are provided by the Second Garrote Water Treatment Plant only. Therefore, only the O&M costs assigned to the Second Garrote Water Treatment Plant are used to calculate the fixed rate.

The fixed rate consists of a fixed monthly amount. The fixed costs are calculated as 75 percent of the total revenue requirements assigned to the Second Garrote Water Treatment Plant divided by the total number of connections plus debt service requirements. The debt service charges for the 1996-98 Capital Facilities Bond and 2007 Water Debt Service will remain unchanged.

Table 1-3: Proposed FY 15/16 Rates

Meter Size	Fixed Rate	Debt Service	Usage Rate	
			Baseline Usage per Gallon	Peak Demand Usage per Gallon
5/8" x 3/4"	\$35.22	\$20.58	\$0.00680	\$0.01345
3/4" x 3/4"	\$35.22	\$20.58	\$0.00680	\$0.01345
1"	\$56.36	\$32.93	\$0.00680	\$0.01345
1 1/2"	\$91.57	\$53.51	\$0.00680	\$0.01345
2"	\$123.27	\$72.03	\$0.00680	\$0.01345
3"	\$193.70	\$113.19	\$0.00680	\$0.01345
4"	\$274.71	\$160.53	\$0.00680	\$0.01345

The cost of providing the 3,300 gallons of allowance per connection (approximately 68.2 MG based on population estimates) is calculated as 25 percent of the total revenue requirements assigned to the Second Garrote Water Treatment Plant divided by 68.2 MG. The current rate structure charges a fixed fee of \$50.64 for a typical residential connection plus a usage rate of \$0.00188 per gallon (up to 4,000 gallons). For example, the current rate for a connection that uses 3,300 gallons of water per month is \$56.84.

The new rate for an equivalent connection at \$0.00680 per gallon will be \$78.24. The new rate supposes an increase for this example of approximately 37.5 percent during FY 2015/16. Approximately 52% of the proposed rate increase will fund Capital Improvement Reserves.

PEAK DEMAND RATE

The Peak Demand Usage Rate is intended to cover any additional water system costs associated with providing water demand above the baseline of 3,300 gal per month. As described earlier in this analysis, the baseline consumption is provided by the Second Garrote Water Treatment Plant while any consumption beyond the baseline requires the use of the Big Creek Water Treatment Plant.

Table 1-4 lists the proposed rate increases in subsequent years through FY 2019/20. Proposition 218 allows a utility to adopt rate increases for five consecutive years. If rates are adopted in FY 2015/16 then the last rate increase would be in FY 2019/20 and rates would remain at the same level thereafter.

Table 1-4: Proposed New Rates Through FY 19/20

Meter Size	FY 2016/17			FY 2017/18		
	Fixed Rate	Baseline Usage	Peak Demand Usage	Fixed Rate	Baseline Usage	Peak Demand Usage
5/8" x 3/4"	\$36.28	\$0.00700	\$0.01385	\$37.36	\$0.00721	\$0.01427
3/4" x 3/4"	\$36.28	\$0.00700	\$0.01385	\$37.36	\$0.00721	\$0.01427
1"	\$58.05	\$0.00700	\$0.01385	\$59.79	\$0.00721	\$0.01427
1 1/2"	\$94.32	\$0.00700	\$0.01385	\$97.15	\$0.00721	\$0.01427
2"	\$126.96	\$0.00700	\$0.01385	\$130.77	\$0.00721	\$0.01427
3"	\$199.52	\$0.00700	\$0.01385	\$205.50	\$0.00721	\$0.01427
4"	\$282.95	\$0.00700	\$0.01385	\$291.44	\$0.00721	\$0.01427
Meter Size	FY 2018/19			FY 2019/20		
	Fixed Rate	Baseline Usage	Peak Demand Usage	Fixed Rate	Baseline Usage	Peak Demand Usage
5/8" x 3/4"	\$38.48	\$0.00743	\$0.01469	\$39.64	\$0.00765	\$0.01514
3/4" x 3/4"	\$38.48	\$0.00743	\$0.01469	\$39.64	\$0.00765	\$0.01514
1"	\$61.58	\$0.00743	\$0.01469	\$63.43	\$0.00765	\$0.01514
1 1/2"	\$100.07	\$0.00743	\$0.01469	\$103.07	\$0.00765	\$0.01514
2"	\$134.70	\$0.00743	\$0.01469	\$138.74	\$0.00765	\$0.01514
3"	\$211.67	\$0.00743	\$0.01469	\$218.02	\$0.00765	\$0.01514
4"	\$300.18	\$0.00743	\$0.01469	\$309.19	\$0.00765	\$0.01514

Baseline Usage Allocation will be determined by meter size. Example: A 1" meter would be allocated 3,300 X 1.6, equaling 5,280 gallons of consumption before the Peak Demand Usage Rate would apply. For more information, and billing examples, visit our website at www.gcsd.org.

TO PROTEST THESE CHANGES

If you have questions or comments about the proposed rate changes or wish to protest, you may:

Address the Board of Directors: Attend the Public Hearing on January 13, 2016 at 6:00pm at the Groveland Community Hall located at 18720 Hwy 120, Groveland, CA 95321.

Write: Written protests against the proposed rate change must be received by the District by the close of the public hearing on January 13, 2016 and must identify an owner of the property, the parcel (APN) number or address of the affected property, and include the original signature of an owner or renter/lessee (if they are financially responsible for the bill) of the parcel. Only one objection per parcel will be counted in calculating a

majority protest to the proposed rate change.

If the District receives written protests against the proposed rates by a majority of the affected property owners/renters/lessees prior to the end of the hearing, the District cannot approve the change.

Written protests may be sent to:
Groveland Community Services District,
PO Box 350, Groveland, CA 95321

Please note that E-mail and photo copies of signed protests will not be accepted.