

Groveland CSD Sewer Rate Increase

Frequently Asked Questions, Revised July 25, 2018

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Why is GCSD raising the sewer rates?

The sewer rates are proposed to increase to cover the cost of providing public sewer collection and wastewater treatment services to your home. GCSD's only source of funding for sewer system operation is the monthly rates charged to customers. Without a connection to public sewer service, you would be required to have an approved septic system designed, permitted and built meeting county and state standards; which is very expensive. At the current rates, the GCSD does not have enough money to repair and replace the sewer and wastewater treatment system, comply with strict state regulations, and to operate the system safely and efficiently.



Why Increase the Rates so much all at once? (7-18 meeting)

Unfortunately, the sewer rates have not been increased since 2010, causing a significant shortfall in the money available to the District to immediately complete necessary sewer infrastructure replacement and improvements. Also, the District qualifies for state grant money and can receive up to \$6 million to make needed repairs and replacements throughout the system. To receive the grant, we need to increase our rates to increase revenue to be able to repay a loan of approximately \$1,300,000 and have the cashflow to be able to balance the operating budget. The portion of the rate increase attributable to payments on the loan is approximately \$3.82 per month.



This level of rate increase is needed right away to qualify for the grants and be able to continue making system improvements. If we are not able to increase the rates and secure the grant money, the \$6.8 million in sewer system renovations are still necessary to be completed right away, and will be funded directly through the monthly rates charged to customers. Securing the grants will **save** customers approximately **\$19.03 per month** in loan payments.

How did GCSD determine it needed a rate increase, and did you involve the public in the decision? (7-18 meeting)

The proposed sewer rate increase has been in the development for nearly the past two years; and has received much public input. So how does the GCSD go about securing public input before the final rate proposal is established? The industry standard process used by GCSD for increasing sewer rates is described below:



1) Expenses are predicted by management to exceed the sewer rate revenue received by the District

a) Budgeted sewer expenses have exceeded the revenue received from sewer rates 7 out of 8 years since 2010. In both fiscal years 2017/18 and 2018/19 without an increase in revenue, major capital improvement projects and equipment replacement have been delayed due to lack of funding

2) Expenses are reduced where possible.

a) Operating expenses including salary and benefits have been reduced by approximately \$250,000 since 2010

3) A financial planning firm is contracted to evaluate the District rate structure and propose revised/increased rates if necessary so that revenue and expenses balance

a) Bartle Wells Associates was hired to perform a rate study in 2016

4) District management develops a five year or longer revenue and expense forecast, based on known and projected costs, improvement needs and customer numbers to determine the necessary level of rates over the period

a) Between 2016 and June 2018, multiple versions of the 5-year budget projections were publicly reviewed with the Board and public at meetings

5) The rate consultant utilizes the 5-year (or longer) financial forecast to develop a proposed rate structure (rate model)

a) Draft preliminary increased sewer rates were discussed in public meetings in November 2017, and again at GCSD Board meetings in April, May and June 2018.

6) The District Board accepts the proposed draft recommended rate plan based on the professional recommendation of management and the rate consultant

a) A final draft proposed sewer rate plan was accepted by the Board on June 22, 2018 and included in a notice to the public, advising of the proposed rate increase and method for protest.

7) The District Board establishes a public hearing date to consider public comments and protests on the proposed rate increase



a) The Board has called a special meeting for August 15, 2018 at 6:00 PM to hear comments and protests on the proposed rates

What is with hiring a new employee for \$150,000 per year salary? (7-18 meeting)

There are no plans to hire an employee with a salary of \$150,000. During the June 9, 2018 Board of Directors meeting, the GCSD General Manager presented a [staff report](#) outlining the need to increase direct leadership and supervision of the 12 GCSD field employees, who are all supervised by a single employee that has responsibility for the entire operations of the water treatment, wastewater treatment, sewer collection and water distribution systems. The staff report outlined the total cost of such an employee, including salary, benefits, recruitment, training, uniforms, safety equipment and vehicle could cost as much as \$150,000. This position was presented to the Board to get their direction to begin evaluation the cost and benefits of such a position, if one were to be reestablished in the District.



When do the new rates go into effect?

The new increased rates are proposed to go into effect on September 1, 2018; so the first time you will notice an increase in your bill, if the rates are approved, would be on the bill you receive in early October 2018.

How do you protest?

To protest the rate increase, you must file a written protest with the District. You can deliver the written protest by hand deliver to the GCSD office, by mail to the GCSD office address, or hand delivered to the GCSD in person at the hearing. Written protests against the proposed rate increase must be received by the District by the close of the public hearing on August 15, 2018 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 written protest 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 on August 15, 2018, the District cannot approve the rate increase.

What is the money spent on? (modified from 7-18 meeting)

GCSD is responsible for Wastewater Collection for approximately 1,500 properties within the Groveland and Big Oak Flat communities. The Wastewater Collection System includes 16 sewerage lift stations, 35 miles of gravity mains, 7 miles of force mains, a recycled water treatment plant, 2 surface storage reservoirs, and approximately 15 acres of spray fields. Your sewer rates are spent on state certified operations personnel, materials, supplies, pumps, valves, controls, monitoring systems, chemicals, testing and sampling, state inspections and permits, wastewater disposal costs, sewer cleaning and inspections, pipeline repair and replacements, and administrative costs. A graphic showing how your rate dollars are spent can be downloaded [HERE](#).

The money collected in your sewer rates can only be spent to operate, maintain and improve the sewer system. The proposed rate increases are necessary to raise additional money to begin major repairs and replacements of the sewer collection and treatment systems. In Fiscal Year 2018-19, the proposed rate increase will be spent as shown [HERE](#). The District is in the final planning and permitting stages of a major \$6 million sewer system replacement project, funded 75% by state grants so long as the GCSD can increase the rates enough to also pay the loan payments on 25% of the project cost. The proposed rate increase will provide the GCSD enough money to qualify for the \$6 million grant; money that we would have to spend out of ratepayer's pockets at 100% if we did not receive the grant.

If the rate increase is approved, in addition to funding the staff, materials, supplies, utilities, chemical and other operating expenses, the District will invest:

- **\$100,000** set aside in a restricted reserve fund for sewer main, manhole and force main replacements and to fund treatment plant improvements for regulatory compliance
- **\$300,000** allocated annually for system improvements to improve reliability and increase operating efficiency; replace equipment, pumps, valves and vehicles
- **\$61,394** in new annual loan payments needed to receive a \$6 million state grant for major sewer system replacements planned to start construction in 2019
- Pay for comprehensive sewer master plan study to evaluate sewage collection and treatment system and identify deficiencies and set replacement priorities and schedules

Rate increases are proposed to be approved to be charged beginning in September 2018, then July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022. A graphic showing how the rate increases will be spent in fiscal year 2022/23 is shown [HERE](#).



Doesn't GCSD have enough money in reserves to not raise rates?

No, unfortunately the GCSD has not increased the sewer rates in 8 years, resulting in annual expenses exceeding revenue generated from rates; a depletion of the small accumulated reserves and requiring deferral of critically important infrastructure projects. GCSD currently has less than \$600,000 in cash available in the sewer fund, and a need to begin spending approximately \$300,000 per year to replace infrastructure. Without the rate increase, the GCSD sewer account will be depleted by approximately June 30, 2019. We are planning NOW to make sure we can continue delivering service and comply with state regulations.

Can't GCSD just move money from another place instead of raising rates? (from July 18 meeting)



Unfortunately, the only source of money available to GCSD to fund sewer services are the monthly charges to customers. The law does not allow GCSD to borrow from other funds, such as the Fire or Water Funds to pay the cost of sewer service. Many urban sewer service providers are able to fund improvements and replacements using connection, capacity and monthly fees charged to new customers. Growth in the number of GCSD sewer customers is almost non-existent, and therefore no revenue is available from new connections to the system.

Why can't the GCSD just cut expenses instead of raising rates? (Revised from 7-18 meeting)

The District has reduced expenses nearly every year since the rates were last increased in 2010. Cutting expenses results in less preventative maintenance performed, less staff for system inspections and improvements, and less spent on scheduled equipment replacement. Just as with your own personal home or car, if you don't perform maintenance, you can plan to replace expensive items such as pumps, valves, controls and other critical system components sooner. Much of the 50 year old infrastructure is worn out, and beginning to fail; some prematurely.



The need to invest in infrastructure replacements has increased tremendously over the past decade. With only 1500 customers, GCSD simply cannot reduce expenses enough to provide the needed \$300,000 to \$400,000 per year to begin replacing infrastructure now or in the future.

What will happen if GCSD does not replace failing equipment and infrastructure? (From 7-18 meeting)

If GCSD does not raise revenue to begin replacing pumps, valves, controls, rehabilitating manholes, and setting aside funds in reserve to replace underground pipes in the future; the rate of system failure and breakdown will increase, sewer overflows will increase, operating efficiencies will decrease (more unpredictable time fixing versus maintaining, manual control of automatic processes, etc), Staff time and



overtime costs will increase just to maintain the same level of service. Overflows and treatment process upsets can result in noncompliance with regulations, which in turn results in mandatory fines from regulatory agencies of up to \$10,000 per day, which has to be funded through the rates we charge to customers.