



## SPECIAL MEETING OF THE BOARD OF DIRECTORS

District Office, 18966 Ferretti Road

Groveland, CA 95321

(209) 962-7161 [www.gcsd.org](http://www.gcsd.org)

### SPECIAL AGENDA

March 24, 2025

10:00 a.m.

Location: 18966 Ferretti Road, Groveland, CA 95321

### MEMBERS OF THE PUBLIC MAY ATTEND IN PERSON AT DISTRICT OFFICE OR VIA VIDEO CONFERENCE AS DETAILED BELOW:

#### HOW TO OBSERVE AND PARTICIPATE IN THE MEETING:

**Computer, tablet or smartphone:** Watch the live streaming of the meeting from a computer by navigating to <https://us02web.zoom.us/j/7688070165> using a computer with internet access that meets Zoom's system requirements.

**Telephone:** Listen to the meeting live by calling Zoom at (253) 215-8782 or (301) 715-8592. Enter the Meeting ID# 279-281-953 followed by the pound (#) key. More phone numbers can be found on Zoom's website at <https://zoom.us/u/abb4GNs5xM> if the line is busy.

**Mobile:** Log in through the Zoom mobile app on a smartphone and enter Meeting ID# 279-281-953.

#### HOW TO SUBMIT PUBLIC COMMENTS:

**Written/ Read Aloud:** Please email your comments to [board@gcsd.org](mailto:board@gcsd.org), write "Public Comment" in the subject line. In the body of the email, include the agenda item number and title, as well as your comments. If you would like your comment to be read aloud at the meeting (not to exceed three minutes at staff's cadence), prominently write "Read Aloud at Meeting" at the top of the email.

**Telephonic / Electronic Comments:** During the meeting, the Board President or designee will announce the opportunity to make public comments by voice and in writing, and identify the cut off time for submission of written comments. Comments can be emailed in advance of the Board meeting and up to the time of Board consideration of the item during the meeting. Send email to [board@gcsd.org](mailto:board@gcsd.org), and write "Public Comment" in the subject line. Once you have joined the Board meeting online using Zoom, public comments can also be submitted using the Chat function while in the Zoom Meeting. In the body of the email or Chat, include the agenda item number and its title, as well as your comments. The Board President will also public comment to be made verbally prior to consideration of each agenda item, and will explain the procedure for making verbal comments during the meeting. Once the public comment period is closed, comments timely received in advance of consideration of the agenda item will be read aloud prior to Board action on the matter. Comments received after the close of the public comment period will be added to the record after the meeting.

**ACCESSIBILITY INFORMATION:**

Board Meetings are accessible to people with disabilities and others who need assistance. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to observe and/or participate in this meeting and access meeting-related materials should contact Rachel Pearlman, Board Secretary, at least 48 hours before a regular meeting at (209) 962-7161 or [rpearlman@gcsd.org](mailto:rpearlman@gcsd.org). Advanced notification will enable the District to swiftly resolve such requests to ensure accessibility.

**AGENDA MATERIAL:**

Physical copies of agenda material will not be available at the meeting. All agenda material can be accessed on the District Board Meeting Webpage at <https://www.gcsd.org/board-meetings-meeting-documents>. Physical copies can be obtained in advance of the meeting in the District office, once made available.

**PUBLIC RECORDS:**

Public records that relate to any item on the open session agenda for a meeting are available for public inspection. Those records that are distributed after the agenda posting deadline for the meeting are available for public inspection at the same time they are distributed to all or a majority of the members of the Board. The Board has designated the District's website located at <https://www.gcsd.org> as the place for making those public records available for inspection. The documents may also be obtained by calling the District office.

ALL AGENDA MATERIAL ARE AVAILABLE ON THE DISTRICT WEBSITE AT [WWW.GCSD.ORG](http://WWW.GCSD.ORG) OR MAY BE INSPECTED IN THE GROVELAND COMMUNITY SERVICES DISTRICT OFFICE AT 18966 FERRETTI ROAD, GROVELAND, CALIFORNIA

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*Any person who has any questions concerning this agenda may contact the District Secretary.* In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at 209-962-7161. 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)



## **SPECIAL MEETING OF THE BOARD OF DIRECTORS**

District Office, 18966 Ferretti Road

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### **SPECIAL AGENDA**

March 24, 2025

10:00 a.m.

Location: 18966 Ferretti Road, Groveland, CA 95321

#### **1. Call to Order**

#### **2. Pledge of Allegiance**

#### **3. Roll Call of Board Members**

Nancy Mora, President

Robert Swan, Vice President

John Armstrong, Director

Spencer Edwards, Director

Janice Kwiatkowski, Director

#### **4. Discussion and Action Items**

The Board of Directors intends to consider each of the following items and may take action at this meeting. Public comment is allowed on each individual agenda item listed below, and such comment will be considered in advance of each Board action.

A. Discussion and Direction Related to the 2024/25 Water and Sewer Cost of Service Study Including Operating Cost Estimates and the Scope, Timing, Costs and Financing of Capital Improvement/Replacement Projects and Resulting Rate Model

B. Establish Townhall Meeting Dates for April and May 2025 to Publicly Review and Receive Comments Regarding the 2025 Water and Sewer Cost of Service Study and Proposed Rate Schedule

#### **5. Adjournment**



## **BOARD MEETING AGENDA SUBMITTAL**

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**TO:** GCSB Board of Directors

**FROM:** Pete Kampa, General Manager

**DATE:** March 24, 2025

**SUBJECT: Agenda Item 4A: Discussion and Direction Related to the 2024/25 Water and Sewer Cost of Service Study Including Operating Cost Estimates and the Scope, Timing, Costs and Financing of Capital Improvement/Replacement Projects and Resulting Rate Model**

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### **RECOMMENDED ACTION:**

#### **Staff recommends the following action:**

Board of Directors review and to provide input on the preliminary results of the financial plan for the water and sewer rate studies conducted by NBS in collaboration with District staff.

### **BACKGROUND:**

The District retained NBS to conduct a comprehensive water and sewer rate study (Study) for its water and sewer enterprise funds. The District had several objectives and goals in mind for this study, including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, commonly referred to as Proposition 218 [Prop 218]). The District's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, and ensuring revenue stability in utility rates. Additionally, the District is committed to delivering safe and reliable drinking water in quantities ample to meet community water demands and firefighting needs. This commitment includes strict compliance with state permits, regulations, and laws to ensure that all systems and operations are fully compliant. Our dedication to these standards ensures the continued health and safety of the community while maintaining a high level of service.

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended for both the water and sewer utilities.

During the course of the study, NBS and District staff worked together to develop rate adjustment alternatives that will meet the District's objectives. It is important for the District to send proper price signals to its customers about the actual cost of providing service. It is essential for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices.

Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

This presentation provides an overview of the methodologies, assumptions, and data used along with the financial plan and draft rate revenue adjustments necessary as part of the study.

**FISCAL IMPACT:**

The presentation is for informational purposes only at this time.

**ATTACHMENTS:**

A. PowerPoint Presentation

A close-up photograph of water being poured from a glass, creating a dynamic splash with many bubbles. The background is a gradient of light blue and white, with a dark blue curved shape at the top right and a light green vertical bar on the left side.

***Groveland Community Services District***

***Overview of Financial Plan for  
Water and Sewer Rate Study***

***March 24, 2025***



# Overview of a Rate Study

# Rate Study Purpose & Methodology

## Why Prepare a Rate Study?

1. Required to comply with Prop 218
2. Typically prepared every 5 years
3. They demonstrate the fairness & equity of customer rates

## General Rate Study Methodology:

**1** FINANCIAL PLAN/  
REVENUE  
REQUIREMENTS

**Step 1: Financial Plan/Revenue Requirements** - Compares current sources and uses of funds to determine the revenue needed from rates and projected rate adjustments.

**2** COST-OF-SERVICE  
ANALYSIS

**Step 2: Cost-of-Service Analysis** - Proportionately allocates the revenue requirements to the customer classes in compliance with industry standards and State Law.

**3** RATE DESIGN  
ANALYSIS

**Step 3: Rate Design** - Considers what rate structure will best meet the Authority's need to collect rate revenue from each customer class.



# Rate Study Methodology – Financial Plan

## What are “Net Revenue Requirements”?

The Financial Plan estimates the costs to be recovered from customer rates:

$$\begin{aligned} & \text{O\&M Costs} \\ & + \text{Debt Service} \\ & + \text{Capital Costs} \\ & - \text{Non-Rate Revenues}^* \\ & \text{Net Revenue Requirements} \end{aligned}$$

*\* licenses, fines, application fees, etc.*

These costs should also include funding for adequate levels of reserves.

# Rate Study Methodology – Financial Plan

## Financial Plan

**Utility Revenue:** The total income generated from customer service rates to cover operational expenses, debt repayments, and capital projects, minus alternative income sources like fees and fines. It includes a provision for reserves to ensure the utility's long-term financial stability and service reliability.

**Operations and Maintenance (O&M) Bucket:** This is the first bucket. It covers the costs of running and maintaining the service or infrastructure. The day-to-day expenses to keep things going.

**Capital Reserves Bucket:** Once O&M is funded, the money can flow to the next bucket. This bucket is for capital reserves, used for future significant investments or infrastructure upgrades.

**Rate-Funded Capital or Other Expenditures Bucket:** If there's money left over after filling the first two buckets, it can then be allocated to other areas in the water enterprise such as pay-as-you-go rate-funded capital projects.

## Utility Revenue



# Rate Study Methodology – Cost of Service

## How Are Water Costs Assigned to Customers?

Cost of Service Analysis (COSA) allocates costs based on the cost to serve each type of customer.

**Water Costs** are typically allocated by:

1. System Capacity Costs (based on system peaking factors)
2. Commodity Costs (annual consumption)
3. Customer Costs (number of accounts)

**Cost Allocations** – Costs are then allocated to each customer class based on their proportional share of the above criteria.

# Rate Study Methodology – Cost of Service

## How Are Sewer Costs Assigned to Customers?

**Sewer Costs** are typically allocated to customers based on:

1. Flow-Related Costs (the amount of effluent generated)
2. Effluent Strength-Related Costs
  - Biochemical Oxygen Demand (BOD/COD)
  - Total Suspended Solids (TSS)
3. Customer Costs

**What are Customer Classes?** – Customers with similar characteristics (effluent strength, volume, system demands, etc.) are grouped into classes.

*(Note: Costs, rates and Prop 218 requirements are focused on Classes, not individual customers or properties)*

# Rate Study Methodology – Rate Design

## What are Rate Design Objectives?

- Rates are proportional to cost of service (i.e., the cost to serve each customer or customer class)
- The San Juan Capistrano court decision (2015) mandated that rates “demonstrate the cost basis” in order to comply with Prop 218
  - Primarily related to tiered water rates
  - Basic principles apply to all rates
- Equitable & non-discriminating
- Ease of administration and understanding
- Provide revenue stability

# Water Rate Study: Financial Plan Overview

# Water Rate Study Objectives

## Purpose of a Water Rate Study:

- Ensuring water rates will be able to cover all operating and maintenance costs.
- Ensuring sufficient funding for essential Capital Improvement Projects.
- Maintaining appropriate reserve funds.
- Complying with legal requirements of Prop 218.

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# **Water Utility Financial Plan Summary**



# Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Sources of Water Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 2,584,484	\$ 2,592,754	\$ 2,601,051	\$ 2,609,375	\$ 2,617,725	\$ 2,626,101
Non-Rate Revenues	600,752	706,523	389,084	237,597	87,873	88,154
Interest Earnings	110,350	30,602	36,576	40,800	41,303	41,934
<b>Total Sources of Funds</b>	<b>\$ 3,295,586</b>	<b>\$ 3,329,880</b>	<b>\$ 3,026,710</b>	<b>\$ 2,887,771</b>	<b>\$ 2,746,900</b>	<b>\$ 2,756,190</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 3,953,833	\$ 4,120,317	\$ 4,270,670	\$ 4,426,694	\$ 4,624,214	\$ 4,756,663
Existing Debt Service	626,638	754,836	432,434	280,657	17,998	17,985
New Debt Service	-	-	453,067	453,067	453,067	453,067
Rate-Funded Capital Expenses	-	-	-	-	76,501	656,460
<b>Total Use of Funds</b>	<b>\$ 4,580,471</b>	<b>\$ 4,875,153</b>	<b>\$ 5,156,171</b>	<b>\$ 5,160,418</b>	<b>\$ 5,171,779</b>	<b>\$ 5,884,176</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (1,284,885)</b>	<b>\$ (1,545,273)</b>	<b>\$ (2,129,461)</b>	<b>\$ (2,272,647)</b>	<b>\$ (2,424,879)</b>	<b>\$ (3,127,986)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	1,555,653	2,601,051	2,870,312	3,154,358	3,453,980
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (1,284,885)</b>	<b>\$ 10,379</b>	<b>\$ 471,590</b>	<b>\$ 597,665</b>	<b>\$ 729,479</b>	<b>\$ 325,993</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>60.00%</b>	<b>25.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 3,869,369</b>	<b>\$ 4,138,028</b>	<b>\$ 4,730,512</b>	<b>\$ 4,882,021</b>	<b>\$ 5,042,604</b>	<b>\$ 5,754,088</b>

1. Assumes new rates are implemented July 1, 2025.

2. Total use of funds less non-rate revenues and interest earnings.

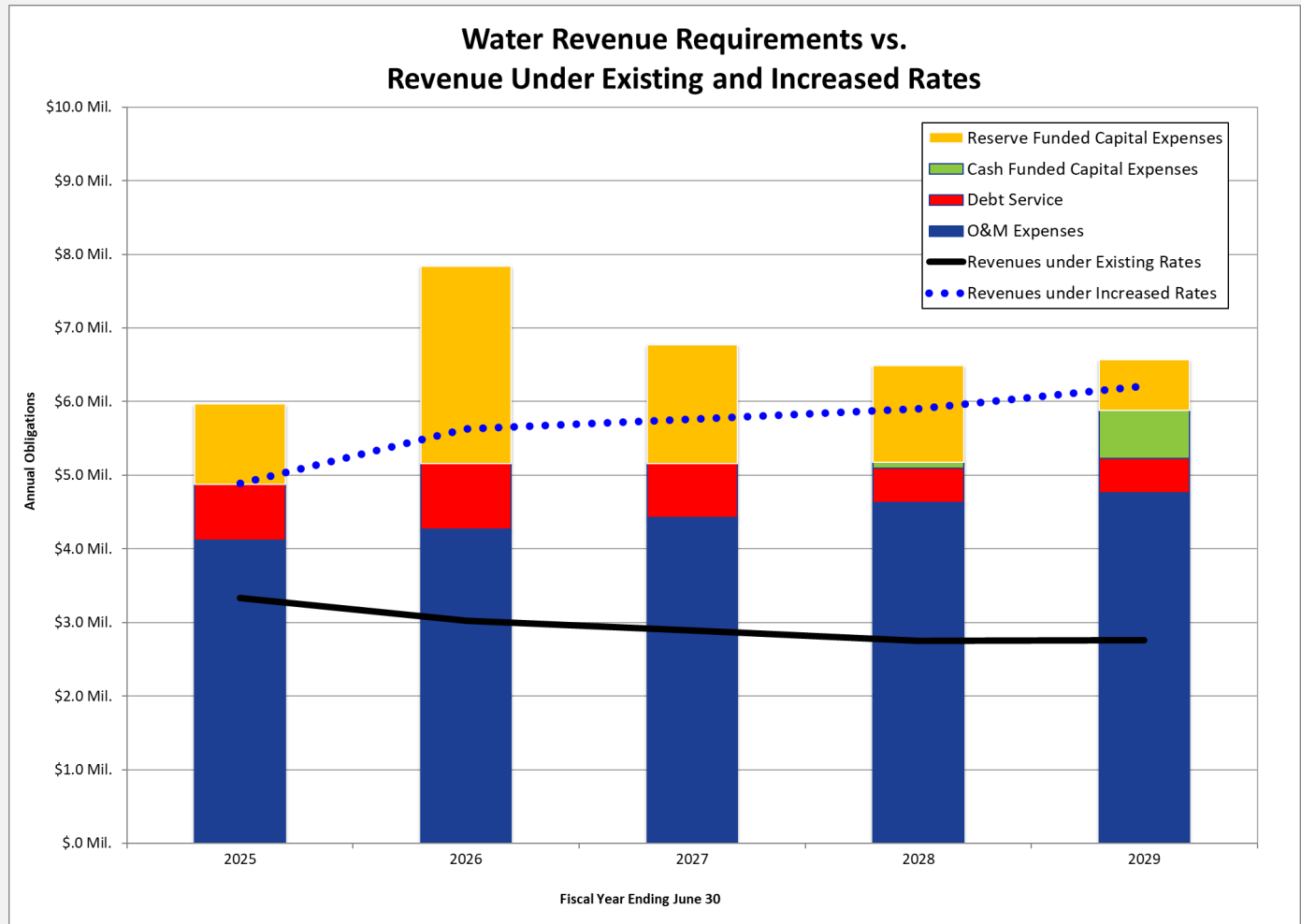
# Rate Increases and CIP Program Costs

Water model analysis investigated rate revenue adjustment scenarios based on CIP and Debt Funding options:

- Draft financial plan shows following recommendations:
  - Utilization of new revenue bond to fund 25% of the District identified CIP over the 5-year rate implementation period
- Rate Adjustment Summary:
  - Year 1 and Year 2 rate adjustments necessary to address existing budget deficit
  - Years 3 through 5 rate adjustments necessary to keep pace with inflation and maintain minimum reserve levels

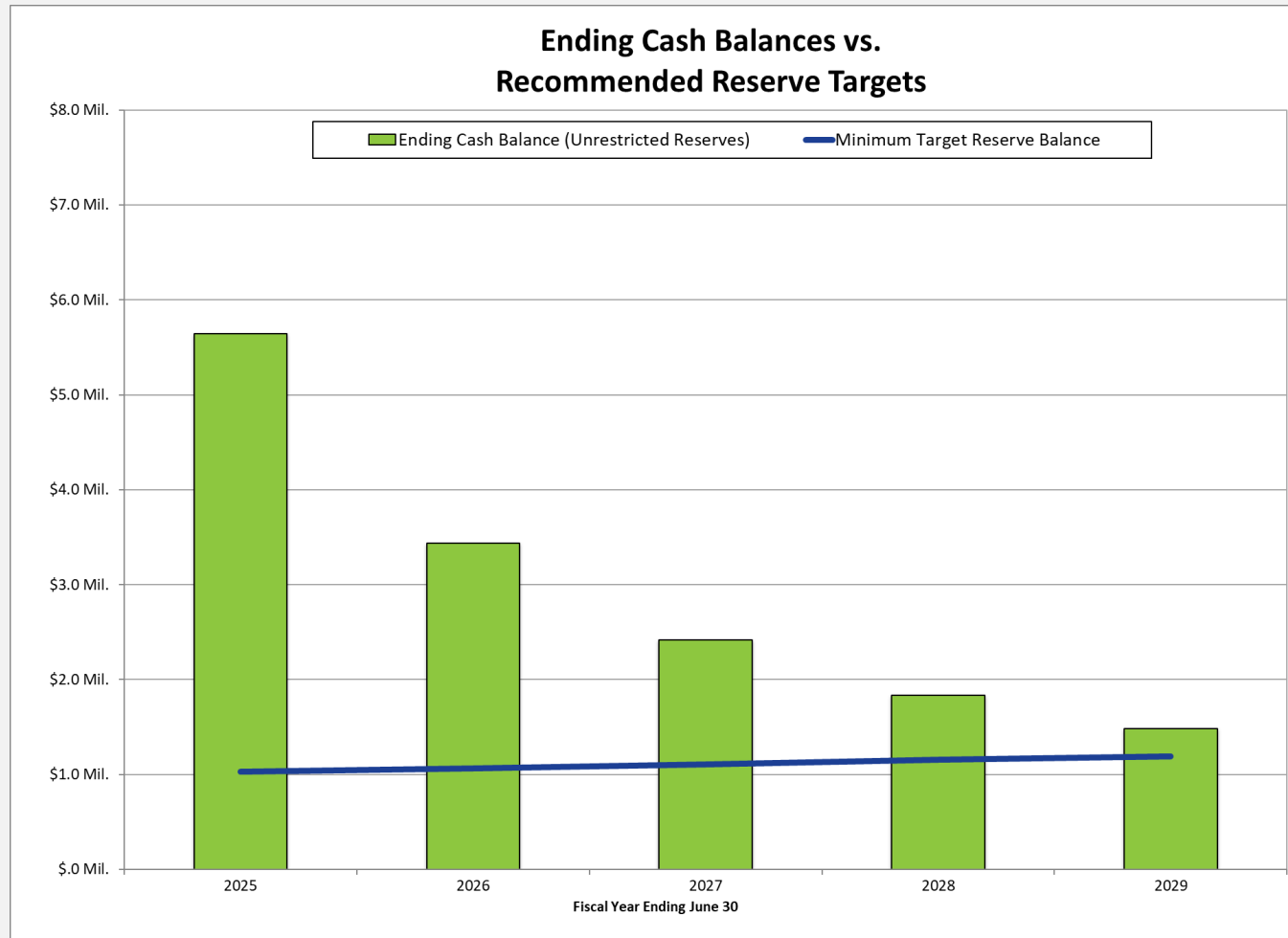
# Water Rate Study – Financial Plan

## Graphical Picture of Water Financial Plan:



# Reserve Fund Levels

## Water Reserves Under Proposed Water Rates & Financial Plan:



# Sewer Rate Study: Financial Plan Overview

# Sewer Rate Study Objectives

## Purpose of a Sewer Rate Study:

- Ensuring sewer rates will be able to cover all operating and maintenance costs.
- Ensuring sufficient funding for essential Capital Improvement Projects.
- Maintaining appropriate reserve funds.
- Complying with legal requirements of Prop 218.

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# **Sewer Utility Financial Plan Summary**

# Summary of Sewer Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 2,325,447	\$ 2,332,888	\$ 2,340,354	\$ 2,347,843	\$ 2,355,356	\$ 2,362,893
Non-Rate Revenues	33,250	33,356	33,463	33,570	33,678	33,785
Interest Earnings	147,487	22,268	14,996	15,043	15,092	15,140
<b>Total: Sources of Funds</b>	<b>\$ 2,506,184</b>	<b>\$ 2,388,513</b>	<b>\$ 2,388,812</b>	<b>\$ 2,396,457</b>	<b>\$ 2,404,125</b>	<b>\$ 2,411,818</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 2,777,916	\$ 2,964,800	\$ 3,084,012	\$ 3,209,051	\$ 3,375,819	\$ 3,478,174
Existing Debt Service	-	-	279,391	279,391	279,391	279,391
Future Debt Service	-	-	-	-	-	236,180
Rate-Funded Capital Expenses	-	-	-	-	-	236,180
<b>Total: Use of Funds</b>	<b>\$ 2,777,916</b>	<b>\$ 2,964,800</b>	<b>\$ 3,363,403</b>	<b>\$ 3,488,443</b>	<b>\$ 3,655,210</b>	<b>\$ 4,229,926</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (271,732)</b>	<b>\$ (576,288)</b>	<b>\$ (974,591)</b>	<b>\$ (1,091,986)</b>	<b>\$ (1,251,085)</b>	<b>\$ (1,818,108)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	933,155	1,427,616	1,621,185	1,825,460	2,041,011
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (271,732)</b>	<b>\$ 356,868</b>	<b>\$ 453,025</b>	<b>\$ 529,199</b>	<b>\$ 574,375</b>	<b>\$ 222,903</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>40.00%</b>	<b>15.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 2,729,404</b>	<b>\$ 3,079,804</b>	<b>\$ 3,482,395</b>	<b>\$ 3,607,271</b>	<b>\$ 3,641,651</b>	<b>\$ 3,980,022</b>

1. Assumes new rates are implemented July 1, 2025.

2. Total use of funds less non-rate revenues and interest earnings.



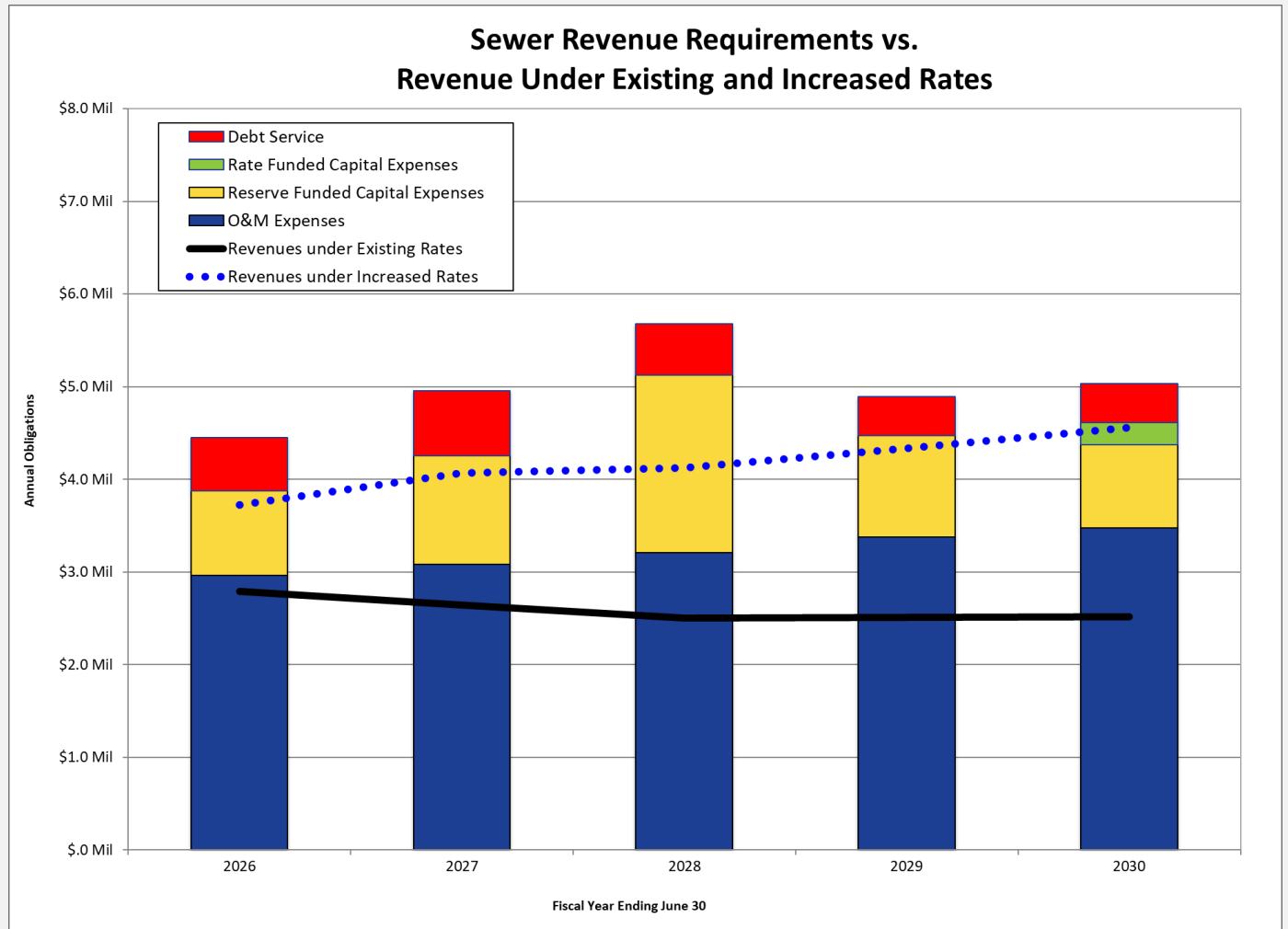
# Rate Increases and CIP Program Costs

Sewer model analysis investigated rate revenue adjustment scenarios based on CIP and Debt Funding options:

- Draft financial plan shows following recommendations:
  - Utilization of new revenue bond to fund 50% of the District identified CIP over the 5-year rate implementation period
- Rate Adjustment Summary:
  - Year 1 and Year 2 rate adjustments necessary to address existing budget deficit
  - Years 3 through 5 rate adjustments necessary to keep pace with inflation and maintain minimum reserve levels

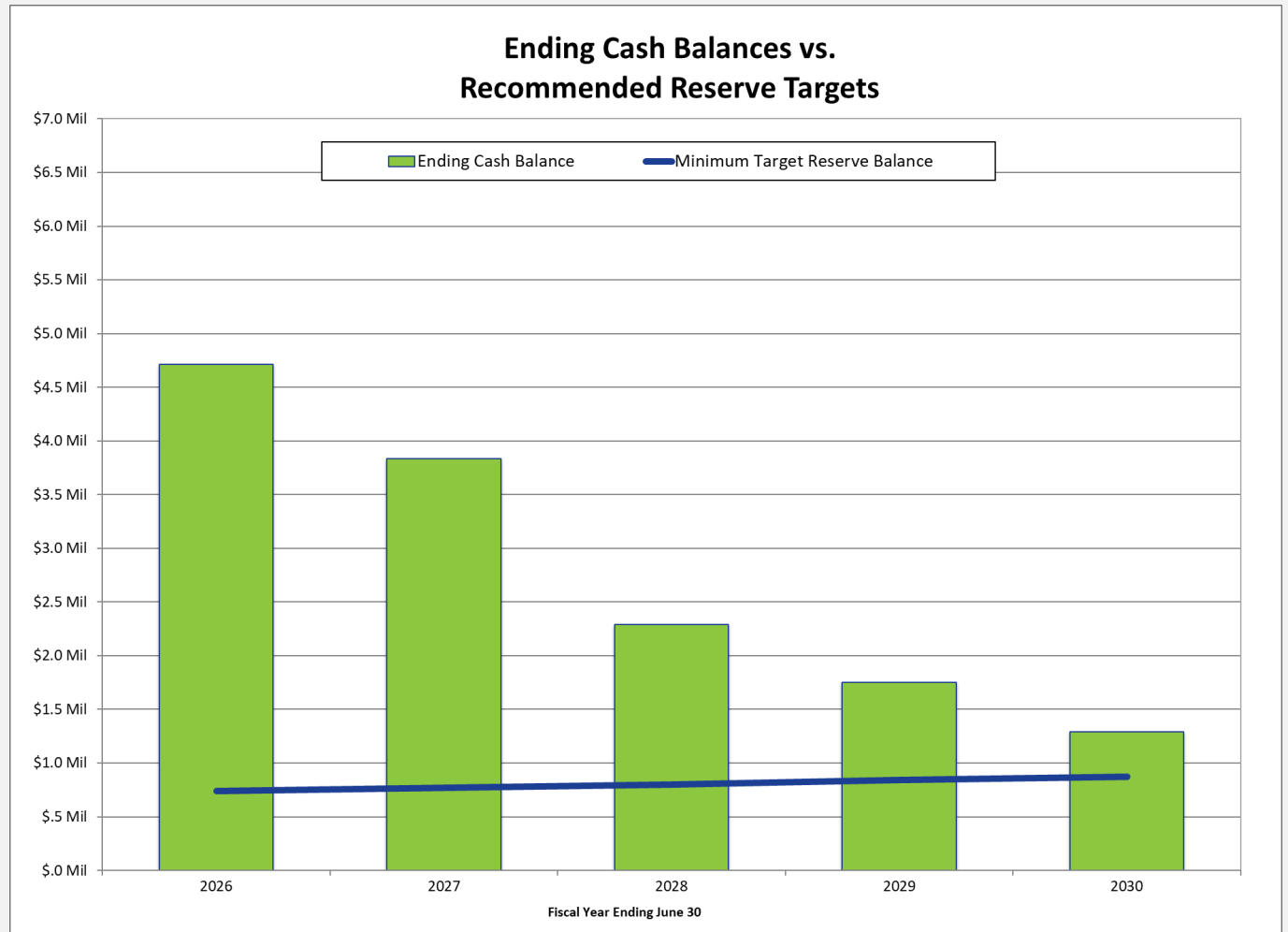
# Sewer Rate Study – Financial Plan

## Graphical Picture of Sewer Financial Plan:



# Reserve Fund Levels

## Sewer Reserves Under Proposed Sewer Rates & Financial Plan:



# Questions & Discussion





## **BOARD MEETING AGENDA SUBMITTAL**

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**TO:** GCSO Board of Directors

**FROM:** Peter Kampa, General Manager

**DATE:** March 24, 2025

**SUBJECT: Agenda Item 4B: Establish Townhall Meeting Dates for April and May 2025 to Publicly Review and Receive Comments Regarding the 2025 Water and Sewer Cost of Service Study and Proposed Rate Schedule**

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### **RECOMMENDED ACTION:**

#### **Staff recommends the following action:**

*I move to establish a Townhall Meeting for April, \_\_\_\_\_, 2025 to Publicly Review and Receive Comments Regarding the 2025 Water and Sewer Cost of Service Study and Proposed Rate Schedule*

*I move to establish a Townhall Meeting for May, \_\_\_\_\_, 2025 to Publicly Review and Receive Comments Regarding the 2025 Water and Sewer Cost of Service Study and Proposed Rate Schedule.*

### **BACKGROUND:**

The District is undertaking a comprehensive study of the water and sewer rates to ensure the financial sustainability of our water and wastewater services. As part of this process, it is essential to involve the community in discussions regarding the proposed rate adjustments. The study will analyze the cost of service, funding needs, and potential impacts on residents and businesses.

The purpose for holding two public town hall meetings to engage the community in reviewing and providing comments on the 2025 Water and Sewer Rate Study and the proposed rate schedule. These meetings aim to foster transparency, gather public input, and ensure that stakeholders are informed about the upcoming changes to water and sewer rates.

### **OBJECTIVES:**

1. **Inform the Public:** Provide an overview of the findings from the 2025 Water and Sewer Rate Study.
2. **Gather Feedback:** Collect input from residents and stakeholders regarding the proposed rate schedule.

3. **Enhance Transparency:** Foster trust between the District and the community by encouraging open dialogue.
4. **Address Concerns:** Allow residents to voice concerns and ask questions about the rate changes.

**OUTREACH MEETINGS:**

On January 14, 2025, the District entered into a Professional Services Agreement with NBS to provide staff support relating to the District Water and Sewer Service Cost Study and Proposed Rate Schedule. NBS Consultant Scope of Services includes the following Meeting Outreach:

- Host and facilitate up to two virtual or in-person meetings to help educate the community on rates and allow community members to discuss items of importance.
- One or more postcards will be created to announce the community meetings.
- The NBS team will lead meetings with a core focus on the water and sewer rate structures' foundational principles.
- Creation of meeting materials such as posters and exhibits in multiple languages.
- Develop action items based on feedback received at community meetings.
- Record virtual community meetings to be shared on CivicMic.com, the District webpage, and social media sites.