

RATE STUDY WORKSHOP

Steven Palmer, General Manager

Georgetown Divide Public Utility District

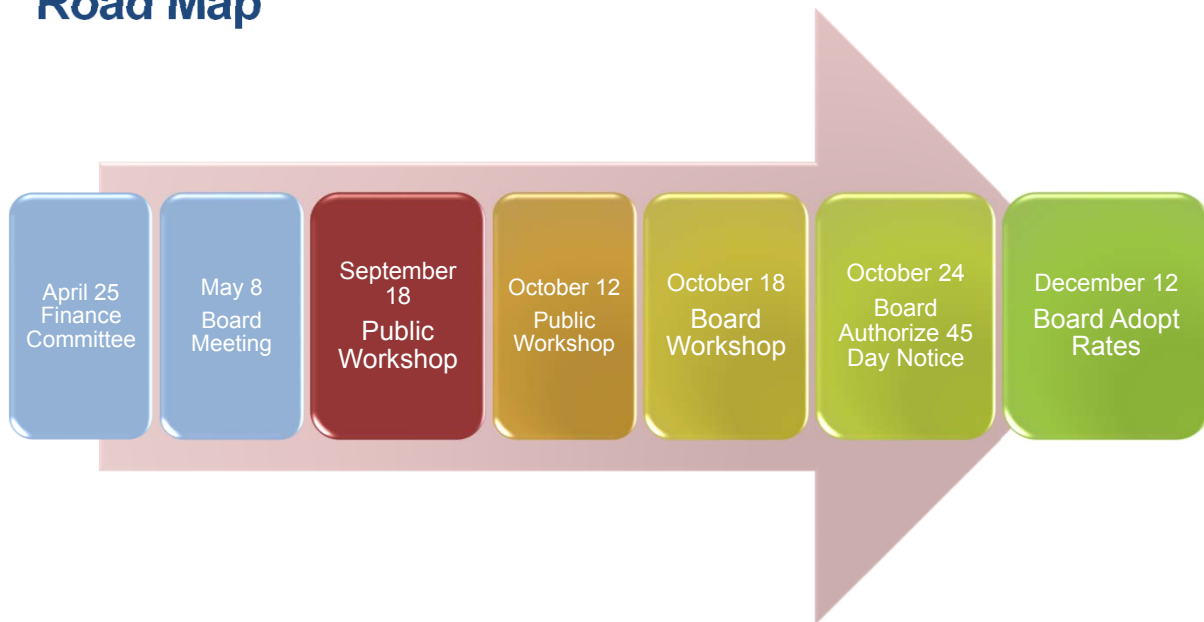
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Rural Community Assistance Corporation

Community & Environmental Services

October 12, 2017

Road Map



October 12 Workshop Objectives

Inform

- First Workshop Summary
- Rate Study Methodology
- Rate Scenarios

Feedback



GDPUD Mission Statement

It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies
- Ensure high quality drinking water
- Promote stewardship to protect community resources, public health and quality of life
- Provide excellent and responsive customer services through dedicated and valued staff
- Ensure fiscal responsibility and accountability are observed by balancing immediate and long term needs





Your Water System

- Encompasses 415 square miles
- Approximately 15,000 residents
- Approximately 3,600 treated water connections
- Approximately 400 irrigation water customers
- ~20 full time employees

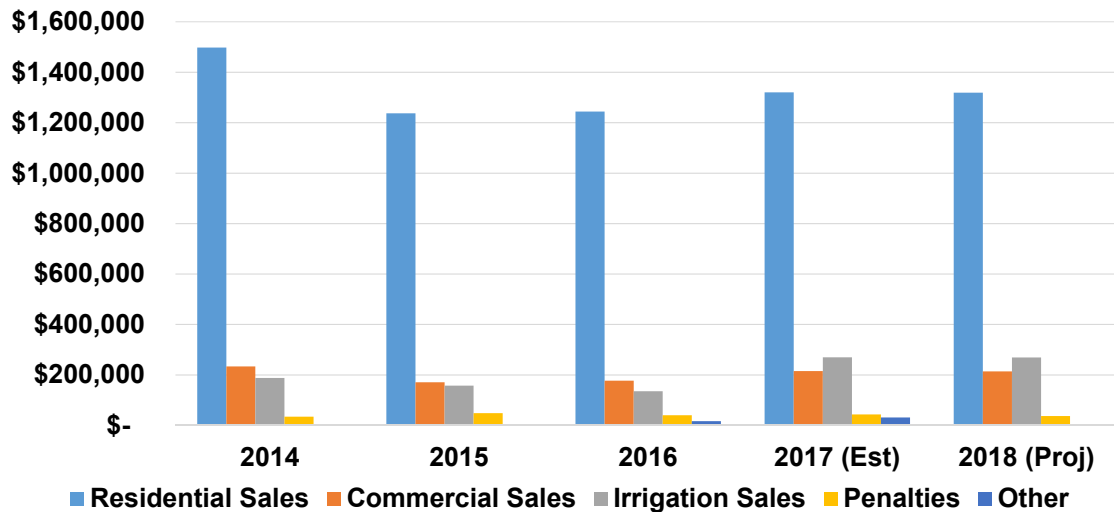
Your Water System

- Over 70 miles of canals & ditches
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Corporation yard & office building
- Replacement cost over \$150 million



Finances - Revenue

Water Operating Revenue 2014-2018



Finance - Expenses

Unfunded State Mandates

- Improve reservoir and stream diversion gauging
- Mark Edson Dam spillway condition assessment
- Update dam Emergency Action Plan
- More stringent water audit requirements
- Low income rate assistance

Fund Summary

FUND	ESTIMATED BALANCE 6/30/2017	BUDGET REVENUE 2017- 2018	BUDGET EXPENSES 2017-2018	PROJECTED BALANCE 6/30/2018
10 - GENERAL FUND				
REVENUE				
Water Operating Revenue		\$ 1,839,000		
Non-Operating Revenue		\$ 1,862,300		
Supplemental Charge		\$ 648,923		
<i>Total Revenue</i>		\$ 4,350,223		
EXPENSES				
5100			\$ 419,035	
5200			734,196	
5300			664,067	
5400			861,744	
5500			222,842	
5600			1,039,782	
<i>Total Expenses</i>			\$ 3,941,665	
TRANSFERS				
Transfer Supplemental Charge to SRF Fund 29			648,923	
Transfer from SMUD Fund		241,035		
<i>Total Transfers</i>		241,035	648,923	
Subtotal General Fund	\$ 670,946	\$ 4,591,258	\$ 4,590,588	\$ 671,615

Spending from reserves

Board Resolution 2005 Unrestricted Reserve Fund Goals

Board Resolution
(goal)

\$6,076,304

Current Reserve

\$2,552,608

\$3,523,696 Deficit

What We Heard

- Agree with mission statement.
- Recognize the state of the water supply system is deficient.
- Recognize that the District's financial situation is unsustainable.
- Recognize the need to increase rates to fund operations and capital replacement
- They would like to avoid large rate increases during the first year.
- Recommend keeping the base rate low, and emphasize the usage rate.
- Want the District to be fiscally prudent.
- Believe there should be some consideration in the form of rate reduction for irrigation customers since they are subject to water being shutoff at any moment. For example, during droughts.
- Property tax should be used to fund capital reserves
- Property tax in capital reserves should be split between irrigation and treated water enterprises base on the relative asset value (85% treated, 15% irrigation).
- Use cash as much as possible, unless this makes rates too high.

What We Did

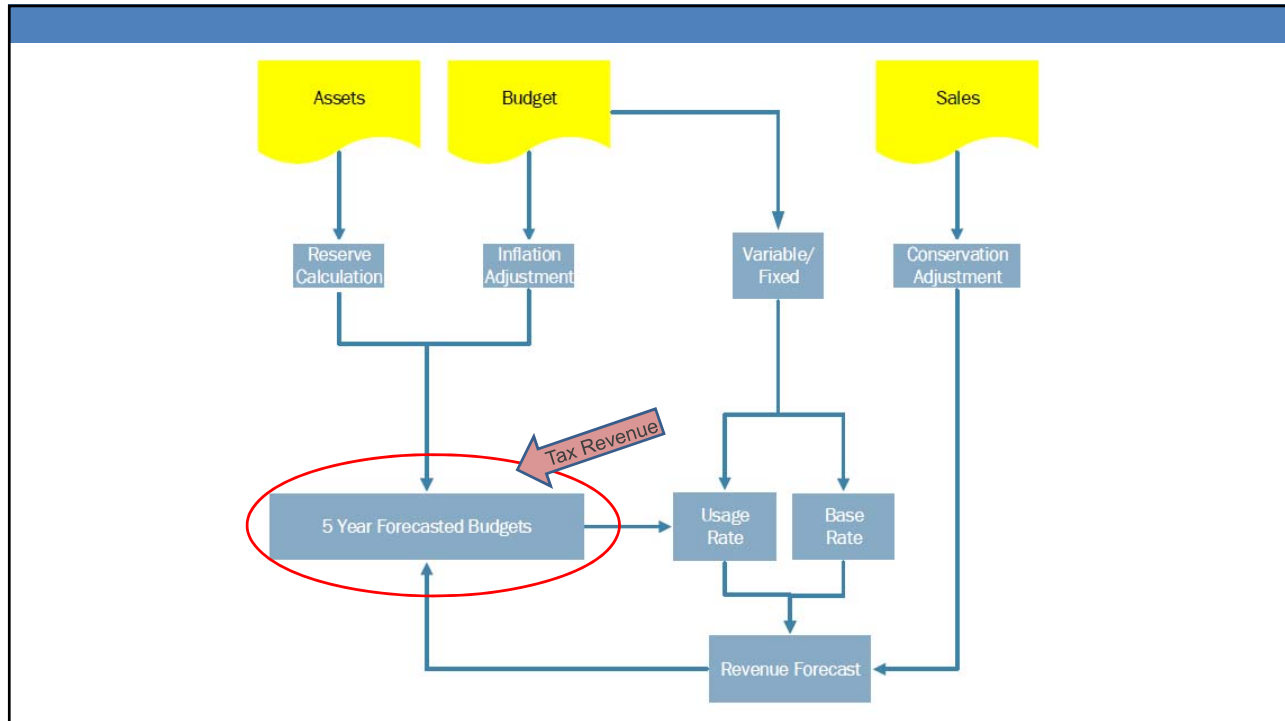
- Published first workshop questionnaire and responses on website
- Reported to Board of Directors on October 3, 2017
 - Summary of first workshop
- Incorporated feedback from workshop and calculated rates for three scenarios
 - Regulatory requirements
 - Sound fiscal practice
 - Community input

Possible split of Tax Revenue (\$1,569,000) between Treated and Irrigation Water

1. Asset Value: 85% Treated, 15% Irrigation
\$1,333,650 / \$235,350
2. Costs: 74% - 26%
\$1,161,060 / \$407,940
3. Evenly: 50% - 50%
\$784,500 / \$784,500

Treated Water vs Irrigation Water

- One Water System
- Two User Classes
- Separate Rate Calculations
- Split
 - All infrastructure
 - Expenses
 - Existing debts
 - Existing reserves



Reserve Calculation (Treated Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
5300 – Lake Walton WTP															
Lake Walton Plant Replacement (4)	1992	\$12,728,909	C	\$7,681,448	50	25	\$12,728,909	25	25	\$20,883,124	25%		75%	\$617,318	\$152,158
Raw Water Bypass (1)	1974	\$500,000	C	\$209,745	40	43	\$500,000	-3	19	\$728,406	25%		75%	\$28,508	\$7,250
Lake Walton Outlet Works (1)	1974	\$50,000	C	\$20,974	40	43	\$50,000	-3	19	\$72,841	100%		0%	\$11,403	\$2,900
Lake Walton Dredging (1)	1974	\$500,000	C	\$301,732	40	25	\$500,000	15	22	\$772,990	25%		75%	\$30,253	\$6,522
						43		-43							\$0
5300 – AUBURN LAKE TRAILS PLANT															
ALT Water Treatment Plant (4)	2018	\$12,728,909	C	\$12,988,683	50	-1	\$12,728,909	51	51	\$34,946,199	25%		75%	\$1,367,714	\$105,338
															\$0
5400 T & D METERS & METER BOXES															
Automated Meter Reading and Meter Replacement Project (5)	2018	\$1,745,800	C	\$1,781,429	20	-1	\$1,745,800	21	2	\$1,816,330	25%		75%	\$71,087	\$190,368

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
OFFICE EQUIPMENT (3)															
Computer Network	2001	\$3,254	H	\$3,254	10	16	\$4,468	-6	5		100%		0%	\$0	
Canon Copier	2002	\$4,795	H	\$4,795	10	15	\$6,454	-5	5	\$7,125	100%		0%	\$1,115	\$1,174
Phone System (Equip&Software)	2002	\$4,744	H	\$4,744	3	15	\$6,385	-12	5	\$7,049	100%		0%	\$1,104	\$1,161
Dell Server &software	2005	\$2,185	H	\$2,185	3	12	\$2,771	-9	5		100%		0%	\$0	
DELL Computers	2007	\$4,637	H	\$4,637	5	10	\$5,652	-5	5	\$6,240	100%		0%	\$977	\$1,028
														\$0	
DISTRIBUTION (3)															
Pressure Reducing Valves	1987	\$2,455	H	\$93,278	40	30	\$168,960	10	10	\$205,961	50%	50%	0%	\$16,122	\$8,231
Air Relief Valves	1987	\$709	H	\$121,970	40	30	\$220,932	10	10	\$269,315	50%	50%	0%	\$21,081	\$10,763
Isolation Valves	1987	\$2,291	H	\$966,816	40	30	\$1,751,254	10	10	\$2,134,769	25%	75%	0%	\$83,550	\$42,656
Other Valves	1987	\$2,018	H	\$498,518	40	30	\$902,997	10	10	\$1,100,748	25%	75%	0%	\$43,081	\$21,995
Firehydrants	1987	\$3,273	H	\$1,901,558	60	30	\$3,444,410	30	30	\$6,239,071	25%	75%	0%	\$244,183	\$36,701
Pressure Reducing Valves	2017	\$5,000	C	\$100,000	40	0	\$100,000	40	40	\$220,804	50%		50%	\$17,284	\$1,626
														\$0	
Subtotal Existing Capital Assets				\$45,444,111			\$79,203,010			\$124,327,988	26%	6%	67%	\$5,142,180	\$1,995,633

Annual Reserve Requirement: \$1,995,633

Reserve Calculation (Irrigation Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Main Ditch #2 below ALT	1964	\$663,376	C	\$227,376	40	59	\$669,976	-19	5	\$792,421	25%		75%	\$10,814	\$33,733
Pilot Hill Ditch (Main)	1964	\$429,126	C	\$147,084	40	53	\$429,126	-13	5	\$473,790	50%		50%	\$13,990	\$43,643
Pilot Hill Ditch	1964	\$1,070,876	C	\$367,047	40	53	\$1,070,876	-13	5	\$1,182,334	25%		75%	\$17,456	\$54,455
Kelsey Ditch #1	1964	\$571,625	C	\$195,327	40	53	\$571,625	-13	5	\$631,120	25%		75%	\$9,318	\$29,068
Kelsey Ditch #2 Imp	1964	\$1,112,565	C	\$381,336	40	53	\$1,112,565	-13	5	\$1,228,362	25%		75%	\$18,136	\$56,575
Spanish Dry Diggins Ditch	1964	\$37,375	C	\$12,610	40	53	\$37,375	-13	5	\$41,265	100%		0%	\$2,437	\$7,602
Taylor Mine Ditch	1964	\$36,563	C	\$12,532	40	53	\$36,563	-13	5	\$40,369	100%		0%	\$2,384	\$7,437

Annual Reserve Requirement: \$369,748

Option 2: Allocation of Taxes by Cost

- User Class with higher costs receive more tax revenue
 - Higher costs include larger reserve contribution
- User Class with lower costs don't need as much tax revenue support
- 74% Treated vs 26% Irrigation

Budget Treated Water

Tax Split 74% - 26%
Option 2

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
OPERATIONS & MAINTENANCE EXPENSES					
Personnel Related	1,999,518.21	2,081,721.95	2,168,566.51	2,251,841.22	2,296,368.04
Materials and Supplies	147,315.56	154,681.34	162,415.40	170,536.17	173,946.90
Rental/Durable	9,191.05	9,650.60	10,133.13	10,639.79	10,852.58
Staff Development	8,419.81	8,840.80	9,282.84	9,746.98	9,941.92
Travel—Conference	7,759.10	8,147.05	8,554.41	8,982.13	9,161.77
Utilities	180,729.69	189,766.18	199,254.48	209,217.21	213,401.55
Vehicle & Equipment Maintenance	2,627.81	2,759.20	2,897.16	3,042.02	3,102.86
Vehicle Operations	20,484.09	21,508.23	22,583.64	23,712.82	24,187.08
Building Maintenance	6,675.63	7,009.41	7,359.88	7,727.88	7,882.44
Govt. Reg./Lab Fees	55,904.33	58,699.55	61,634.53	64,716.25	66,010.58
Outside Service/Consultants	57,996.31	60,896.12	63,940.93	67,137.98	68,480.73
		0.00	0.00	0.00	0.00
Total Operation and Maintenance Expenses:	2,496,621.52	2,603,680.43	2,716,622.91	2,826,800.44	2,883,336.45
GENERAL & ADMINISTRATIVE EXPENSES					
Retiree Health Premium	90,810.00	95,350.62	100,118.15	105,124.06	107,226.54
Debt Reserve	0.00	0.00	0.00	0.00	0.00
Operating Reserve	0.00	0.00	0.00	0.00	0.00
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	1,995,689.36	1,991,412.99	1,823,748.89	1,823,748.89	1,823,748.89
Funded Project Replacement Program	0.00	0.00	0.00	0.00	0.00
Future Capital Improvement Program	0.00	0.00	0.00	0.00	0.00
Debt Payments (Principle + Interest)	59,348.26	59,348.26	144,112.12	144,112.12	144,112.12
Legal, Audit, Insurance	125,567.54	131,845.92	138,438.21	145,360.12	148,267.33
Other General & Administrative	105,037.25	110,289.11	115,803.57	121,593.75	124,025.62
Total General and Administrative Expenses:	2,376,396.41	2,388,246.90	2,322,220.95	2,339,938.95	2,347,380.51
TOTAL EXPENSES	4,873,017.93	4,991,927.33	5,038,843.87	5,166,739.39	5,230,716.96
SOURCE OF FUNDS / REVENUES RECEIVED					
Water Revenue	3,169,350.40	3,242,763.98	3,546,727.89	3,737,800.87	3,924,732.62
Property Tax	1,181,080.00	1,197,891.30	1,231,768.55	1,268,721.61	1,306,783.26
SI/UD, Hydro, Leases, Interest, etc	293,300.00	299,166.00	305,149.32	311,252.31	317,477.35
Hydro	-60,000.00	-61,200.00	-62,424.00	-63,672.48	-64,945.93
	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUE (Lines 29 through 37):	4,563,710.40	4,786,621.78	5,021,221.76	5,254,102.30	5,484,047.30
NET LOSS OR GAIN:	-309,307.54	-205,305.56	-17,622.11	87,362.91	253,330.53

Rates (Bi-Monthly) Treated Water

Tax Split 74% - 26%
Option 2

Meter Size	Theoretical Bi-Monthly Base Rate by Meter Size	Base Rate as % of Theoretical Rate	Existing Base Rate	Proposed Base Charge for Year 1	Year 2	Year 3	Year 4	Year 5
Future Increases					5.0%	5.0%	5.0%	5.0%
5/8"	\$82.68	90%	\$47.14	\$ 74.41	\$78.13	\$82.04	\$86.14	\$90.45
3/4"	\$124.02	90%	\$47.14	\$ 111.62	\$117.20	\$123.06	\$129.21	\$135.67
1"	\$206.70	90%	\$47.14	\$ 186.03	\$195.34	\$205.11	\$215.37	\$226.14
1.5"	\$413.41	90%	\$47.14	\$ 372.07	\$390.67	\$410.20	\$430.71	\$452.25
2"	\$661.45	90%	\$47.14	\$ 595.31	\$625.07	\$656.32	\$689.14	\$723.60
3"	\$1,322.90	90%	\$47.14	\$ 1,190.61	\$1,250.15	\$1,312.66	\$1,378.29	\$1,447.20
4"	\$2,067.04	90%	\$50.32	\$ 1,860.34	\$1,953.35	\$2,051.02	\$2,153.57	\$2,261.25

Usage Rate Calculat

Tier	Bottom of Tier	Top of Tier	Usage Rate for Year 1	Year 2	Year 3	Year 4	Year 5	Current	
Future Increases				5.0%	5.0%	5.0%	5.0%		
1	-	20	\$2.2500	\$2.36	\$2.48	\$2.60	\$2.73		
2	21	999,999	\$2.2500	\$2.36	\$2.48	\$2.60	\$2.73	\$ 1.38	
3	1,000,000	999,999	\$2.2500	\$2.36	\$2.48	\$2.60	\$2.73	\$ 1.65	
4	1,000,000	999,999	\$2.2500	\$2.36	\$2.48	\$2.60	\$2.73	\$ 1.93	
5	1,000,000	999,999	\$2.2500	\$2.36	\$2.48	\$2.60	\$2.73	\$ 2.21	
Estimated profit/loss with new rates				-309,308	-205,306	-17,622	87,363	253,330	
Balanced Budget?				No	No	No	Yes	Yes	
Estimate contribution to Reserves				1,686,326	1,786,107	1,806,127	1,911,112	2,077,079	
Affordability Index MH				46,700.00	3.03%	3.21%	3.39%	3.58%	3.75%
Project funding \$30.16/2 months				0.39%	0.39%	0.39%	0.39%	0.39%	
Affordability of total rate				3.42%	3.59%	3.78%	3.96%	4.14%	

Rates (Season) Irrigation Water

Tax Split 74% - 26%
Option 2

Meter Size (MI)	Meter Size (metric)	Theoretical Seasonal Rate by MI	as % of Theoretical Rate	Proposed Base Charge for Year 1	Year 2	Year 3	Year 4	Year 5
Future Increases					10.0%	10.0%	10.0%	10.0%
1/2"	0.500	\$1,370	65%	\$890	\$979	\$1,077	\$1,185	\$1,304
1"	1.000	\$2,740	65%	\$1,781	\$1,959	\$2,155	\$2,370	\$2,607
1.5"	1.500	\$4,110	65%	\$2,671	\$2,938	\$3,232	\$3,555	\$3,911
2"	2.000	\$5,479	65%	\$3,562	\$3,918	\$4,310	\$4,740	\$5,215
2.5"	2.500	\$6,849	65%	\$4,452	\$4,897	\$5,387	\$5,926	\$6,518
3"	3.000	\$8,219	65%	\$5,342	\$5,877	\$6,464	\$7,111	\$7,822
3.5"	3.500	\$9,589	65%	\$6,233	\$6,856	\$7,542	\$8,296	\$9,125
4"	4.000	\$10,959	65%	\$7,123	\$7,835	\$8,619	\$9,481	\$10,429
5"	5.000	\$13,698	65%	\$8,904	\$9,794	\$10,774	\$11,851	\$13,036
6"	6.000	\$16,438	65%	\$10,685	\$11,753	\$12,929	\$14,221	\$15,644
7"	7.000	\$19,178	65%	\$12,466	\$13,712	\$15,083	\$16,592	\$18,251
8"	8.000	\$21,917	65%	\$14,246	\$15,671	\$17,238	\$18,962	\$20,858
9"	9.000	\$24,657	65%	\$16,027	\$17,630	\$19,393	\$21,332	\$23,465
10"	10.000	\$27,397	65%	\$17,808	\$19,589	\$21,548	\$23,702	\$26,073
12"	12.000	\$32,876	65%	\$21,369	\$23,506	\$25,857	\$28,443	\$31,287
15"	15.000	\$41,095	65%	\$26,712	\$29,383	\$32,321	\$35,553	\$39,109
16"	16.000	\$43,835	65%	\$28,493	\$31,342	\$34,476	\$37,924	\$41,716
18"	18.000	\$49,314	65%	\$32,054	\$35,260	\$38,786	\$42,654	\$46,931
20"	20.000	\$54,793	65%	\$35,616	\$39,177	\$43,095	\$47,405	\$52,145
25"	25.000	\$68,492	65%	\$44,520	\$48,972	\$53,869	\$59,256	\$65,181
30"	30.000	\$82,190	65%	\$53,424	\$58,766	\$64,643	\$71,107	\$78,218
40"	40.000	\$109,587	65%	\$71,232	\$78,355	\$86,190	\$94,809	\$104,290
43"	43.000	\$117,806	65%	\$76,574	\$84,231	\$92,654	\$101,920	\$112,112

Expenses from Budget	\$ 1,704,078	\$ 1,762,873	\$ 1,829,321	\$ 1,891,898	\$ 1,922,276
Income Generated by the Selected Rate	\$ 1,107,650	\$ 1,218,415	\$ 1,340,257	\$ 1,474,283	\$ 1,621,711
Net Gain or Loss	-188,487	-128,359	-64,643	15,294	141,002
Balanced Budget?	No	No	No	Yes	Yes
Contributions to Reserve	\$ 189,272	\$ 244,626	\$ 308,342	\$ 388,279	\$ 513,987
Target Contribution to Reserve	\$ 377,759	\$ 372,985	\$ 372,985	\$ 372,985	\$ 372,985