

Workshop Summary

Introduction

On Monday, September 18 the Georgetown Divide Public Utility District (GDPUD) held a community workshop about water rates and the district's needs. 30 community members attended the workshop at the Georgetown School Multi-purpose Room, located at 6530 Wentworth Springs Road.



Community Workshop Purpose

The GDPUD hosted a community workshop to inform customers about the ongoing water rate study and the proposed changes to water rates. The community was invited to provide input on the District's financial strategy to improve water infrastructure.

Community Workshop Format

The workshop included a presentation by Steve Palmer, General Manager at Georgetown Divide Public Utility District, and John Van den Bergh, Rural Development Specialist at Rural Community Assistance Corporation.

Following the workshop, community members participated in small group discussions focused on six questions included in a questionnaire.

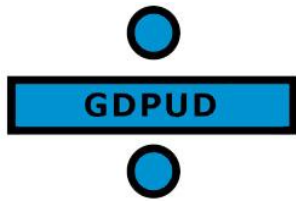
Community Feedback

Below is a summary of all the feedback provided on the questionnaire.

1. Do you agree with all of the Georgetown Divide Public Utility District's priorities? Is anything missing or should any change?

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

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



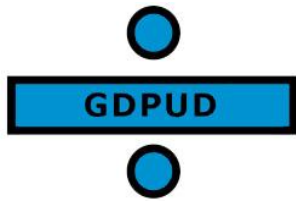
Responses to Question 1

- All are good.
- All are good. Maybe we also need to cut salaries because of retirement costs.
- Don't skip reading a meter. No trucks came out and lied to owner that they couldn't find it, (You can see them from across the road.) and overcharged people. If they didn't complain in writing, they didn't get a new water bill.
- Good goals. District has a history of mismanagement that prevents achieving these goals.
- Guarantee accurate meter readings (accountability).
- I agree with the basic goals. We need additional goals of the GDPUD that could help with large volume users (i.e. park or school district use).
- Make sure meters are read properly and pressure is acceptable. We put a reducer on our system at street because the pressure was too high.
- OK
- OK
- Provide some help to those customers who really cannot afford big rate increases.
- Those are good mission statements and goals and objectives.
- Water as a right, not a privilege. Violates state constitution. Subsidies have to go outside of rates: non-profit, voluntary donations.
- Yes

2. How should the District pay for repairs and maintenance to the water system?

Please circle your preferred option and explain why.

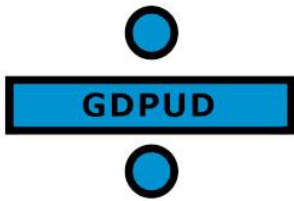
- a. *Option A (Finance Committee Recommendations to Review and Analyze)*
 - <\$50,000 - 100% cash
 - \$50,000 to 100,000 – 75% cash
 - \$100,000 to \$500,000 – 50% cash
 - \$500,000 – 25% cash
- b. *Option B (Pay as you go)*
 - \$50,000 – \$100,000 – 100% cash
 - \$100,000 to \$200,000 – 100% cash
 - \$250,000 - \$500,000 – 20% cash
 - >\$500,000 – 20% cash



- c. *Option C (Finance through debt)*
- \$50,000 – \$100,000 – 20% cash
 - \$100,000 to \$200,000 – 20% cash
 - \$250,000 - \$500,000 – 20% cash
 - >\$500,000 – 20% cash

Responses to Question 2

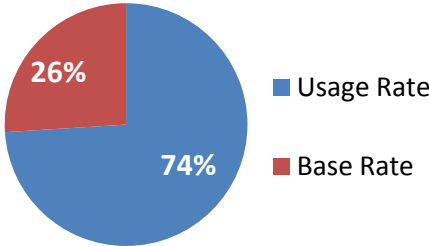
- At the present interest rate, borrowing is probably a good way to go, but should be reviewed each year.
- Option A
- Option A for repairs and maintenance to the water system.
- Option A makes the best sense for paying equipment.
- Option A.
- Option A. Put money aside now. Option B - Rates are high now. Option C - High debt and hard to qualify for.
- Option A. Finance committee recommendations.
- Option A. Fiscal balance.
- Option B- Pay as needed.
- Option B. If we pay as we go, we will better limit our expenditures on extraneous things. We will discipline ourselves to work with what we have for only what we need.
- Option B. Pay as go to get started and see and adjust down the road.
- Option D - Reduce maintenance costs. Pay particular attention to fat retirement benefits in addition to a mix of the above options.
- Small tanks must be covered. Small pump stations. Balloons wear out early in higher summer heat. \$2 million cash proportion.
\$126 million, 1 1/2 mile property taxes, 1% per year- General Fund vs Reserve (preferred).
Truth is compared to lots of places our rates have not inflation raised. 140 million treated assets means we need accountability. Reserves go to reserves. Property tax should be spent on emergency hardware
- We will need the cost of each of the above options.



3. How should the District implement any proposed water rate changes? Please circle your preferred approach and explain why.

- a. Option A
 - i. Increase the base rate to 91% to cover fixed costs
 - ii. Decrease the usage rate to 9% to cover variable costs
- b. Option B
 - iii. Increase the base rate to 60%
 - iv. Decrease the usage rate to 40%

Current Water Rate Structure



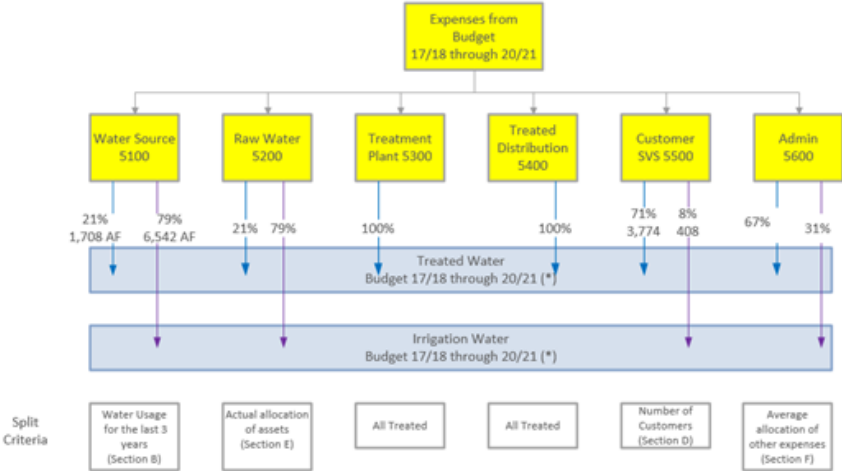
Responses to Question 3

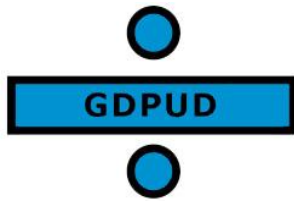
- How and why do we allocate overhead General and Administration?

District Response:
 As shown on Slide 52 of 60 of the Rate Study Workshop presentation from September 18, 2017, General and Administration costs are divided between treated water and irrigation water based on the average allocation of all other expenses.



Split of Expenses





- How and why do we allocate property taxes? How will we allocate future available water?

District Response:

At the September 18, 2017 workshop, Staff requested input from customers regarding property tax allocation. The recommendation from the Finance Committee and the Board is to allocate based on weighted capitalization costs. Please see Slide 44 of 60 of the Rate Study Workshop presentation from September 18, 2017. This allocation is 85% to treated water and 15% to irrigation water; see Question 5 of this Questionnaire.

Finance Committee Recommendations

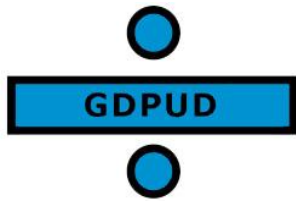
- Non-Operating Revenue/Property Tax Allocation
 - Fund reserves
 - Exclude wastewater
 - Based on weighted recapitalization cost
- Functional Cost Allocation
 - No comments

- How do we grow our rate and property tax? Guess by conserving water and marketing it?

District Response:

The District has no control over property tax revenue. The property tax rate cannot be changed, so the revenue is driven entirely by variation in home values. The only significant revenue within control of the District are treated water and irrigation water rates.

- Eliminate base rate. Price per cubic foot.
- Get rid of the base rate and increase the use rate to equal out the increases and make rates more equitable based on units used.
- Need more information, and easily-explained.
- Neither option. The percentages should stay as currently.
- Not enough information to decide.
- Option A
- Option A
- Option A. A little nervous about escalating cost. However, also wonder about irrigation.



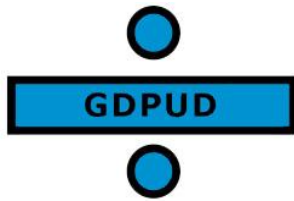
- Option A. Best guess without having any financial information to base a decision on.
- Option A. Cover your base rate cost.
- Option B
- Option B with subsidy for tax revenue. We need to have better reserves. It's cheaper to pay as we go! (As long as loans stay about 2.5% or lower option A will work, but rates are going to go up. And our maintenance is in serious need!!)
- Option B. If base rate is raised, it should help with the situation and can be looked at another time as needed?
- Option B. 60% is even too high. That would be an \$18 increase on top of our \$47 base rate for a total of \$65. That's a very steep increase. People would be agreeable to 30%.
- Option C: Eliminate or decrease the base rate substantially. Raise usage rate to cover actual costs. Option A subsidizes large water users. Very unfair.
- Rates should be directly related to water volume consumed. No "base" charge. Large water consumers pay too little with the present system.
- I think that there should be a lower base rate and higher water user cubic foot rate. This would help the lower income/user customers.

4. Currently, 100% of the property taxes going to the GDPUD are allocated to the General Fund. The GDPUD is considering allocating those revenues into reserves for maintenance, repairs and improvements.

Should the District allocate property tax revenue into reserves or keep it in the General Fund?

Responses to Question 4

- Allocate property tax revenues for maintenance, repairs and improvements.
- Allocated to reserves for capital and improvements.
- Base rate should be minimized to spread the cubic foot rate, for "Avg Cubic foot" is born by all
- Have to do something whether we like it or not. But invest "carefully" and what gets lost-cut employees? Can't trust general funds money. Maybe maintenance or sudden bust equipment.
- Legally, the Board can spend the property tax revenue for nearly any district expense.
- Money should go into reserves for maintenance, repairs and improvements.
- Need more information before I can answer this question.
- Not to General Fund.

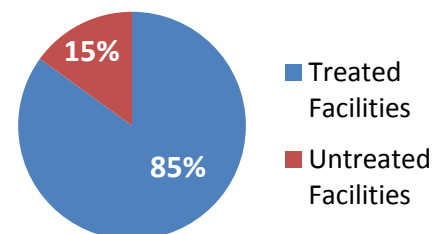


- Put into a low income plan. A volunteer program will not work by itself.
- Reserves for capital improvements as long as there is a clear board policy regarding reserves and the public has access to the capital improvements plan so that the board can be held accountable.
- Reserves for maintenance, repairs and improvements, not for operations/administration.
- Suggest allowing at least a portion to be put into reserves. 50% General Fund and 50% Reserves, or perhaps 25% General Fund and 75% Reserves.
- Yes, allocated property tax revenue into reserves, not general fund.
- Yes, in the reserves.
- Yes, we should allocate those revenues into reserves for maintenance, repairs and improvements. Property tax should be for capital costs.
- Yes.
- Yes. We need to increase reserves on aging capital.

5. Untreated facilities represent about 15% of the water system facility costs while 85% goes to funding treated facilities.

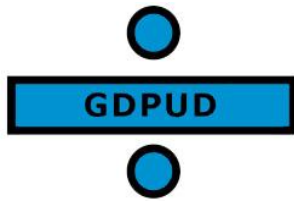
Should the District consider splitting the property tax revenue proportionate to the value of treated versus untreated facilities?

Water System Facility Costs



Responses to Question 5

- 50% irrigation, 50% treated
- Do not understand how to answer this question.
- No, because they use more untreated water.
- Should be split on fix costs.
- The money should be split 15% for water facility costs and 85% for funding treated facilities.
- Yes
- Yes
- Yes
- Yes
- Yes
- Yes



- Yes!
- Yes, if not too extravagant. If extravagant, start reasonable and fair split by 5 years, 2018 - 2022.
- Yes, in proportion.
- Yes, proportionate
- Yes. 15% and 85%.
- Divide the revenue between the 3 sections and proportion the tax revenue by each section value. That's the only fair way to do it. In fact all non-operational revenue should be split that way.

6. Do you have any addition comments of questions you would like to add?

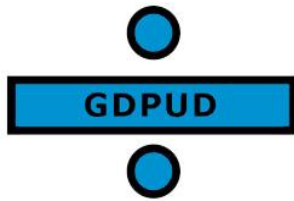
Responses to Question 6

- Even hearing and seeing this presentation, these questions are still hard to answer.
- You need more than a volunteer low income program.
- Many to most in the audience needed much more financial data to make any decisions.
- Where can I get a list of employees (or positions) and base salary and benefits? I am concerned with the rising cost of PERS contributions and keeping that in mind with future hiring.

District Response:

The District reports compensation information annually to the State Controller's Government Compensation website at: <http://publicpay.ca.gov>. All new District employees that are not already CalPERS members, now join CalPERS under the pension reform act (PEPRA) that took effect in January 2013. The CalPERS formula for PEPRA members is 2% at 62, with the member contribution paid by the employee. This means that the District cost for employees covered by PEPRA are significantly lower than the cost for employees that were employed prior to January 2013. A large portion of District payments to CalPERS is for former employees that have already retired. The District will pay to CalPERS \$449,000 this year to fund retirement benefits for District employees that have already retired. These are payments that the District is contractually obligated to make.

- The GDPUD Boards need to raise rates to offset base costs instead of kicking the can down the road.
- Improve ditches to reduce evaporation and improve safety. Look for grants when possible.



Georgetown Divide Public Utility District
Community Workshop #1

Monday, September 18, 2017 | 5:30 – 7:30 p.m.
Georgetown School

- 1) Lower hook up rates a lot so new customers will build new houses and existing residents will finally hook up to GDPUD.
- 2) Sell GDPUD to the residents not hooked up. Sell, sell, sell water.
- Having board meetings that are more convenient for customers could get you more community involvement. Having them during regular business hours seems ridiculous to me.
- I think there should be more of these meetings. Information should be provided in a longer timeline so this information can be absorbed to give you the better answers you want.
- Allocated to all. Yes, has to be reasonable growth, but in proportion. Not raising rates in nine years is foolish.
- Is there help with wells, or grants or regulation issues like Back Flow Inspection for large users?

District Response:

The District is not aware of any grant programs for this specific issue. However, the District is constantly searching for opportunities to fund improvements with grants.

- More detailed information required for study
- How should the district pay for repairs and maintenance to the water system questions requires additional finance information:
 - The ability to secure loans requires an increase from the current 1.25% to 1.5% of our annual average income to be dedicated to revenue collection. What is the annual average income of our area?

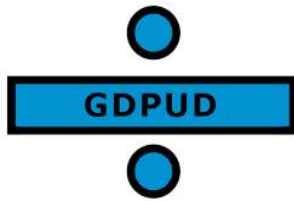
District Response:

The Median Household Income for the District's service area is \$46,136.

- What is the projected near term repair and maintenance plan and the associated funding requirement? What is the five year plan for repair and maintenance and its projected funding requirement?

District Response:

The costs associated with the maintenance and repair plan utilized in the rate study update will be discussed at the next public workshop.



- What are the available lines of credit, interest rates, and maximum loan amounts we can secure?

District Response:

Lenders have not indicated an amount they would be willing to lend at this time.

The District recently tried to obtain a loan for the automated meter replacement project, and was turned down. The total project cost is estimated to be \$1,745,800.

- Are there State and Federal grants available for water system improvements from EPA, Dept. of the Interior, etc.?

District Response:

The District is constantly looking for grant opportunities, and occasionally grants are available. The rate study will assume a certain level of grant funding. Current rates are too low to qualify for grants. As shown on Slide 26 of 60 of the Rate Study Workshop presentation from September 18, 2017, State and USDA grants require an affordability ratio between 1.5% and 4.0%. The current affordability ratio for the District is 1.25%.

- If loans are secured, what would be the total cost of money for each of the options listed in Questionnaire #2?

District Response:

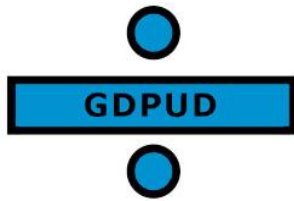
The total cost of the different financing amounts has not been calculated. In general terms, assuming more financing results in higher total cost in the long term and lower rates in the short term. The higher total cost is spread over 20-30 years, effectively shifting the cost burden of the project onto future rate payers. The next public workshop will present a more detailed discussion of the costs to replace assets, along with a rate calculation.

- How should the District implement any proposed water rate changes?

- If we suggest a standard rate and eliminate the Base rate, how will the District address low income customers?

District Response:

The District is not allowed to adopt rates that subsidize one rate payer at the expense of another, and cannot use money from rates to offer low income assistance programs. The District can offer a low income rate assistance program that is funded from sources other than rates (eg. voluntary contributions, property tax, leases, etc.). American Water Works Association Standards recommend having



a base rate and a usage charge. Eliminating the base rate presents cash flow problems for the District. For example, usage and revenue is lower in the winter but fixed expenses are the same all year long.

- What would be the increased revenue amount from eliminating the base rate?

District Response:

The amount of revenue required to operate and maintain the water system does not change by eliminating the base rate. The analysis by RCAC shows that 91% of District costs are fixed. One approach is to cover all of these fixed costs with the base rate. This would provide a high degree of revenue certainty for the District and provide stability during drought years, but it does little to encourage conservation. The other end of the spectrum is to cover all of the water system costs with the usage charge. This would encourage conservation, and revenue would decrease significantly during drought years.

- Currently, 100% of the property taxes going to the GDPUD are allocated to the General Fund.

- What is the value of the property tax going to GDPUD?

District Response:

The District is estimated to receive \$1,569,000 from property tax revenue in Fiscal Year 2017-2018.

- If allocated for maintenance and repair, would that revenue be unavailable for General Fund expenditures?

District Response:

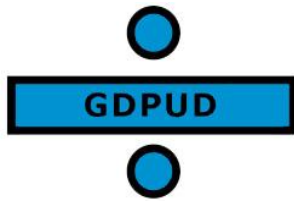
The District can allocate all the property tax revenue to maintenance and repair, or only a portion to maintenance and repair and use the remainder for operations.

- Again, the amount of money required for near term and five year repair and maintenance plan are not available for a qualified decision.

- How long would it take and how much money is required to update our ageing systems to ensure at a minimum, the GDPUD mission statement goals and objectives are delivered?

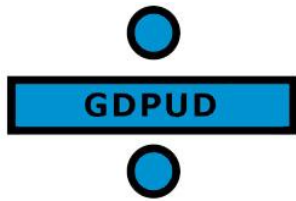
District Response:

The capital replacement plan developed by RCAC answers this question. The plan estimates the value of every single piece of District owned infrastructure and



equipment, the lifespan of that infrastructure, and the timing for replacement. The total value of replacing that infrastructure (ie. Capital replacement cost is ~ \$164,000,000. Replacements are made on a rolling schedule and as long as the District is operating a water system there will be equipment and facilities to replace. Repairs, maintenance, and replacement will always be needed.

- The use of ditches for the transportation of our water is not secure and/or cost effective. The maintenance costs to keep the ditches operational should be used for a new water pipe construction.
- The final report generated by the State funded study should be made available for our review.
- If we deployed some relatively inexpensive technology, our Operations Manager would not need to spend his valuable time taking manual (measuring stick) daily reservoir depth readings required by the State.
- As a previously licensed water plant operator (Class C, State of FL) and GDPUD customer, I was profoundly shock at the state of our water system equipment and the ancient water transportation design (use of open ditches) still in operation. According to what I heard last night, there was a rate study conducted in 2008. Were there discussions about the deplorable condition of our water system at that time? Where were the funds at that time for repairs and updates to capital equipment? The current state of our water system, is not the fault of our fine water plant personnel. They're probably doing everything in their power to keep the system operational, but they need the Board's financial support to make the required repairs as soon as possible.
The system didn't get in this condition overnight, but from many years of the Board's poor planning and just plain financial neglect. Let's face it, they control the money. The customers of GDPUD should not bare sole responsibility to pay for the Board's governance failure to act in good faith on their behalf. It's the District's financial responsibility to take on a large portion of a five year plan to make repairs out of the General Fund (property taxes) until the system is updated and in good working order. A reasonable increase in rates are expected, but higher water rates on the backs of our low income folks (elimination of Base Rate) to fund the Board's negligence is not acceptable.
- Choose a single rate per CF of treated water for all customers, providing an adequate revenue stream... probably between 4 to 6 cents per cubic foot.
- Abandon current treated water "base" charge entirely (\$47.14)
- 5 year plan ... add inflation adjustment per year (ie. \$.040, \$0.041, \$0.042, \$0.043, \$0.044)



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Georgetown School

- All irrigation customers to be charged one rate per miner's inch ... same as current. Rate to be determined with District and customer approval.
- Create a "rate stabilization" fund to offset any future water sales reductions from norm.
 - Suggest this fund could be a minimum of \$300,000. – to be 're-funded' annually as needed.
 - This would cover most known (drought?) annual treated water sales reductions.
- Board and staff to decide allocation of revenue to "operating," "capital improvements," etc. Suggest these decisions be left to District experts. Too complicated for uninitiated.
- Note: ALT loan repayment surcharge (\$30.16 bi-monthly) continues unchanged.