

Georgetown Divide PUD

Water and Zone Wastewater Cost of Service and Rate Study

ALT Town Hall

September 24, 2024



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

Agenda

- Rate Study Process
- Rate Study Meetings
- Proposition 218 Requirements
- Zone Wastewater Financial Plan
- Zone Wastewater Rates
- Water Financial Plan
- Treated and Raw Water Rates

Rate Study Process

- 1. Policy framework:** Identify key policy objectives (revenue stability, customer affordability, conservation, etc.)
- 2. Financial plan:** Develop multi-year cash flow projections to determine annual rate revenue requirement
- 3. Cost-of-service analysis:** Allocate the rate revenue requirement to customers based on proportional use of the water and wastewater systems
- 4. Rate design:** Identify appropriate rate structure changes and calculate proposed rates
- 5. Documentation:** Develop a study report to provide transparency and defensibility

Rate Study Meetings

- **April 17, 2024** – Kickoff Meeting
- **May 2, 2024** – Board Meeting, Study Background and Introduction
- **July 10, 2024** – Board Meeting, Water and Zone Financial Plan
- **August 13, 2024** – Board Meeting, Water and Zone Rates
- **August 14 and 15, 2024** – Public Outreach, Water and Zone Rates
- **September 24, 2024 (today)** – ALT Town Hall

Proposition 218 Requirements

- Proposition 218 requirements for water and wastewater rates:
 - Rates must be proportional to and may not exceed the cost of providing service
 - One customer class (residential, commercial, etc.) may not subsidize another customer class
 - Retail agencies typically conduct a “cost-of-service analysis” at least once every 5 years to ensure a sufficient nexus between rates and costs

Zone Wastewater

Zone Wastewater History

- GDPUD was asked to run the Wastewater Facilities as the District was the closest Special District.
- In 1984 Litigation set the Enterprise Fund with the District.
- In 2022 and 2023 GDPUD worked with Bennett Engineering to update the WDR permit for the ALT community.
- It was determined that we were not able to update the Permit and must stay at the operator of the system, unless the community wants to operate it on their own.

Zone Wastewater History

- In 2018 a special rate study was conducted in order to reduce a reserve account that had grown to approx. \$1.2M.
- The study lowered the rates to:
 - non-CDS developed lot customers from approx. \$44 every two months and reduced it to the current \$22.
 - CDS developed lot customers from approx. \$101 every two months and reduced it to the current \$99
- With these reduction in rates the reserve fund has been reduced back to approx. \$250K.

Zone Wastewater Financial Plan

- Staff and WRE reviewed the Zone Wastewater financial plan and made the following updates:
 - Revised operating expenses to exclude non-cash pension expenses
 - Reduced expenses results in lower revenue adjustments needed to maintain financial sufficiency
 - Revenue adjustment in first year (FY 2025) is reduced from 155% to 90%

Zone Wastewater Financial Plan

- The currently adopted rates are insufficient due to:
 - Last rate study done in 2018
 - Since 2018, inflation has increased by over 21%

Expense are two times higher than revenue

The wastewater fund will run out of money by 2027

Zone Wastewater Reserve Policy

Beginning Fund Balances (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves	\$940	Operating, capital, emergency
Total - Beginning Funds	\$940	

Reserve Target (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves		
Operating	\$141	33% of operating expenses
Capital Replacement	\$13	100% of 5-year average CIP
Emergency	\$50	\$50k for emergencies
Total - Unrestricted Target	\$204	

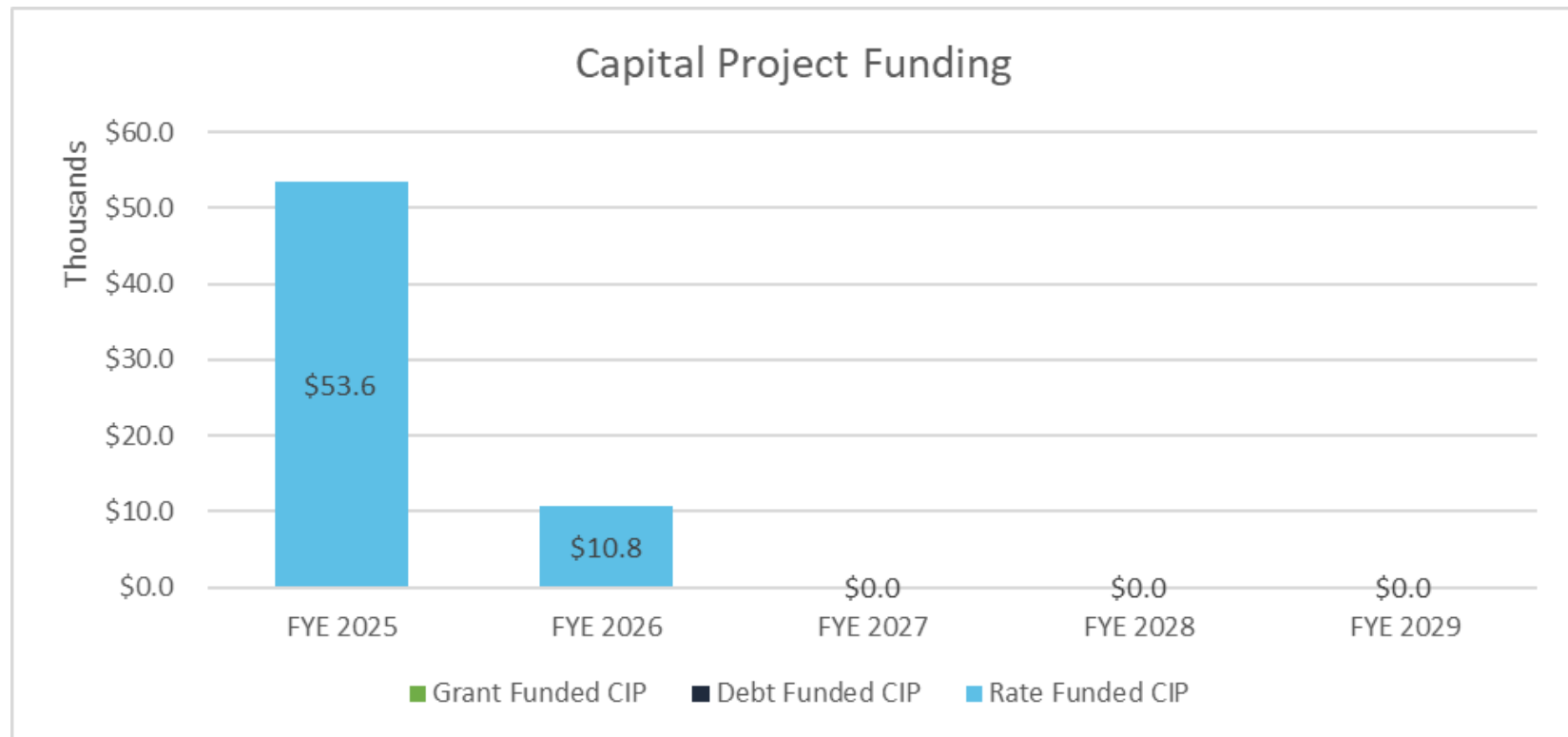
Reserve policy allows the District to:

- Fund unexpected operating expenses
- Award contracts to construct CIP
- Mitigate risks associated with emergencies and/or natural disasters

Zone Wastewater Financial Plan – Status Quo

- Cannot fund \$65K in CIP over 5-year period

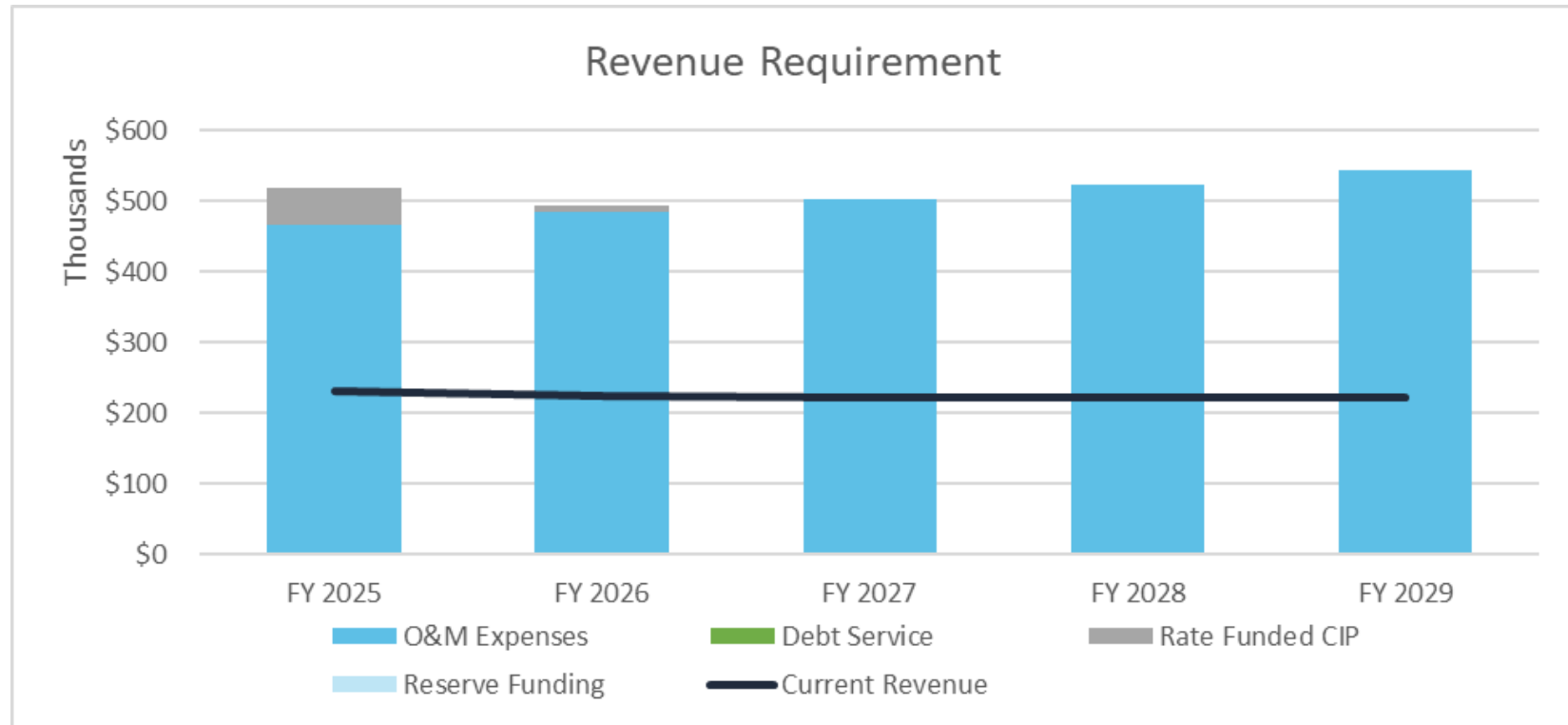
Fiscal Year	Rev. Adj.
2025	0%
2026	0%
2027	0%
2028	0%
2029	0%



Zone Wastewater Financial Plan – Status Quo

- Revenues not sufficient to fund O&M

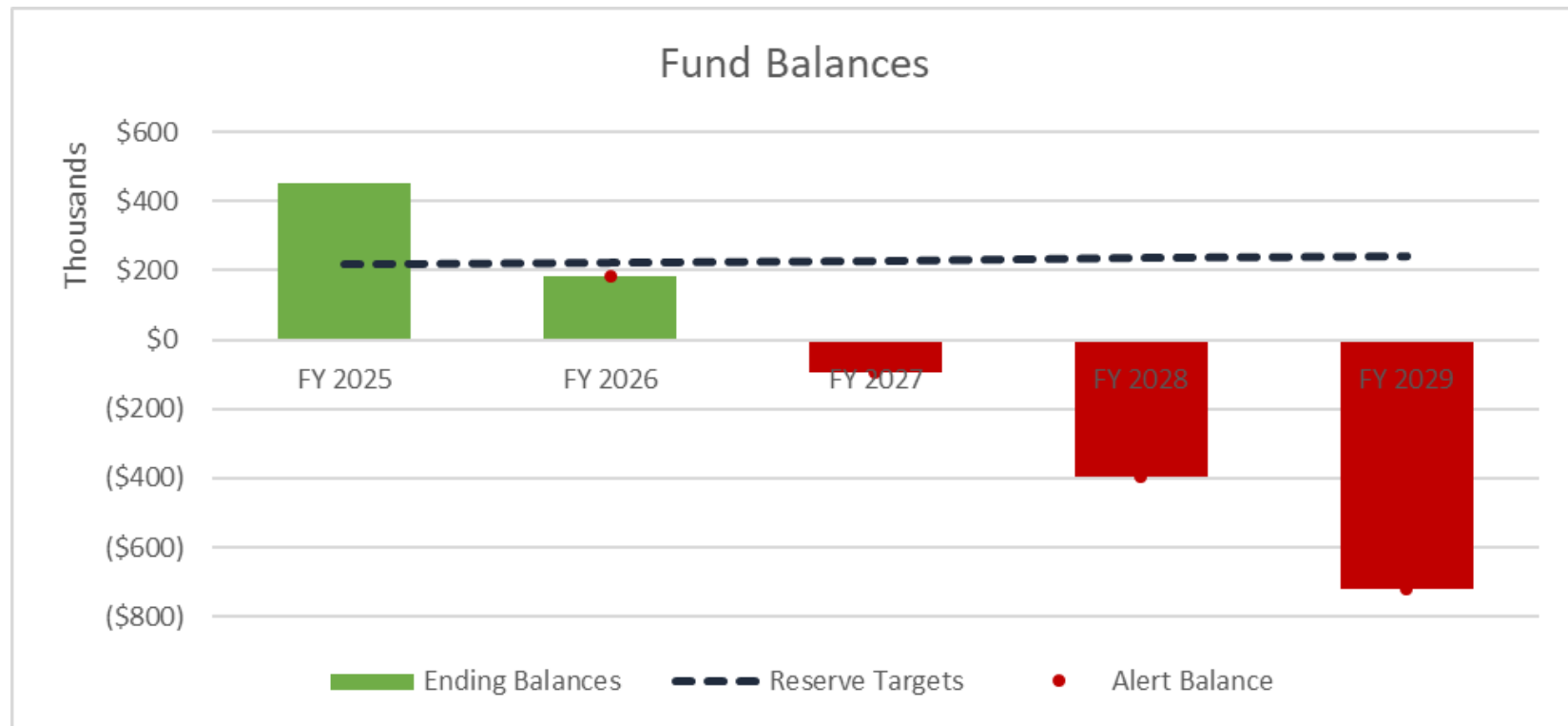
Fiscal Year	Rev. Adj.
2025	0%
2026	0%
2027	0%
2028	0%
2029	0%



Zone Wastewater Financial Plan – Status Quo

- Fund balances go negative in FY 2027

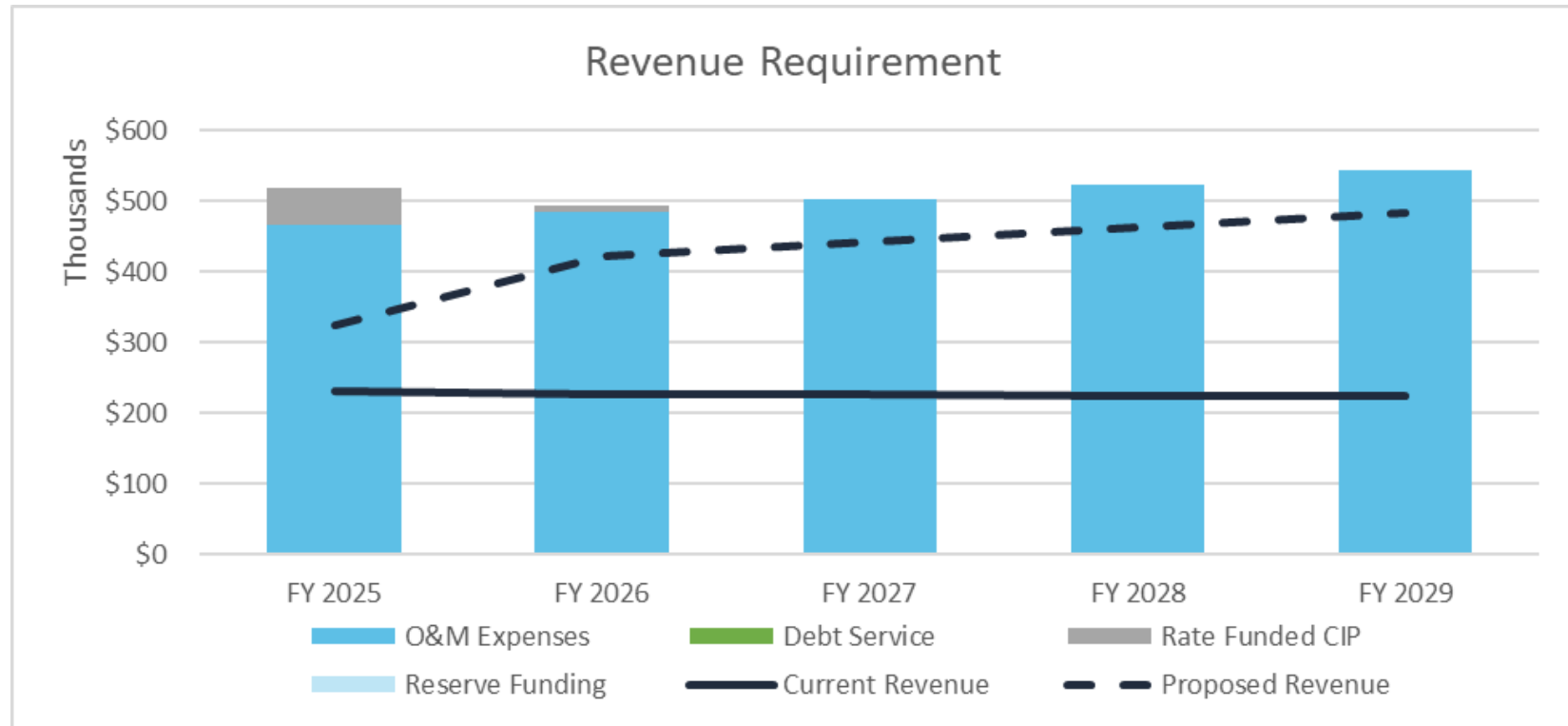
Fiscal Year	Rev. Adj.
2025	0%
2026	0%
2027	0%
2028	0%
2029	0%



Zone Wastewater Financial Plan – Proposed Scenario

- Revenues are sufficient to meet expenses and build reserves

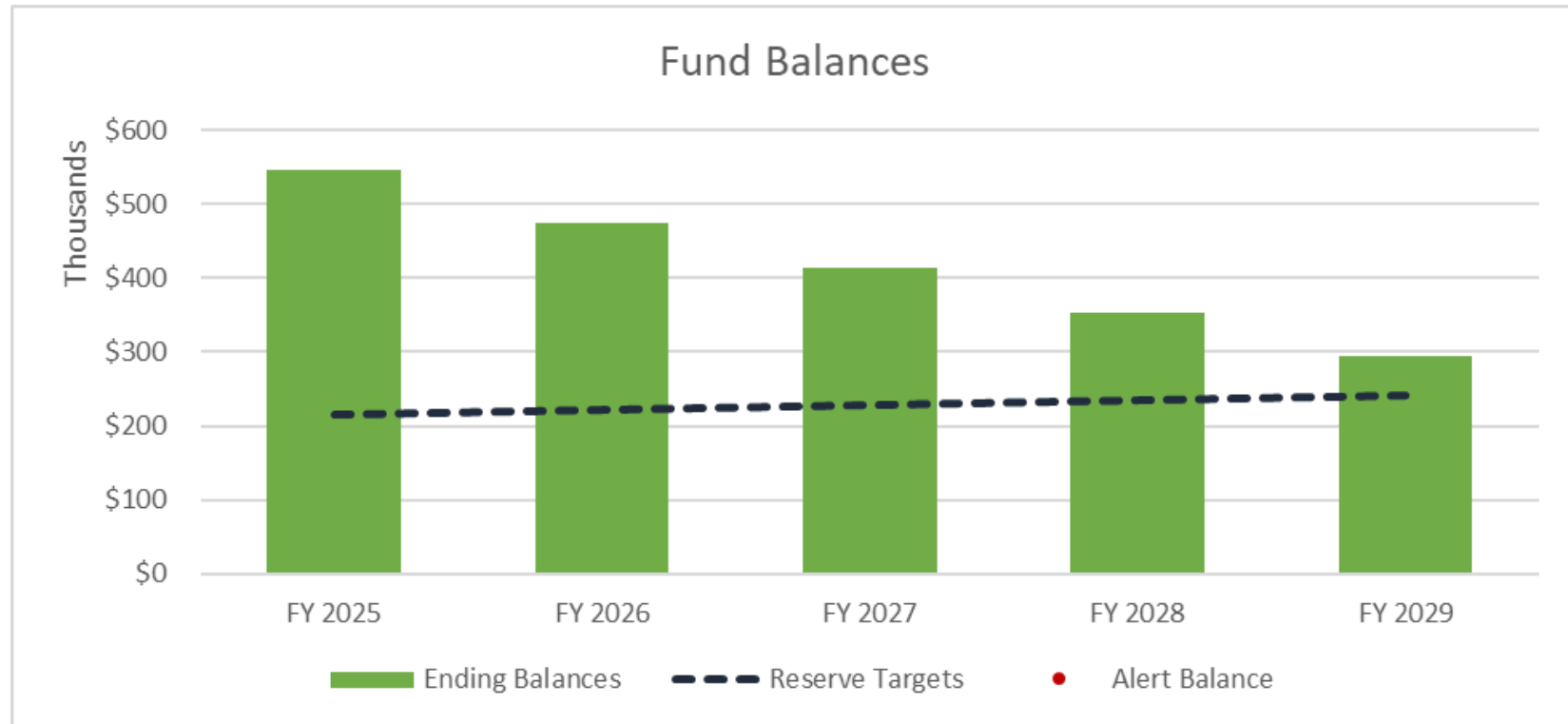
Fiscal Year	Rev. Adj.
2025	90%
2026	5%
2027	5%
2028	5%
2029	5%



Zone Wastewater Financial Plan – Proposed Scenario

- Meets fund balance targets for all years

Fiscal Year	Rev. Adj.
2025	90%
2026	5%
2027	5%
2028	5%
2029	5%



Zone Wastewater Cost Allocation

- No proposed changes to the Zone wastewater rate structure
- Allocation methodology stays the same and is as follows:

Rate Calculation	CDS O&M	Non-CDS O&M	Permit Mgmt.	CIP
Bi-Monthly Fees (CDS Customer)				
Developed Lot	X		X	X
Undeveloped Lot			X	X
Bi-Monthly Fees (Non-CDS Customer)				
Developed Lot		X	X	
Undeveloped Lot			X	

Zone Wastewater Revenue Neutral Rate

Rate Calculation	CDS O&M	Non-CDS O&M	Permit Mgmt.	CIP	COS Charge
Bi-Monthly Fees (CDS Customer)					
Developed Lot	\$60.92	\$0.00	\$9.76	\$6.22	\$76.90
Undeveloped Lot	\$0.00	\$0.00	\$9.76	\$6.22	\$15.98
Bi-Monthly Fees (Non-CDS Customer)					
Developed Lot	\$0.00	\$16.64	\$9.76	\$0.00	\$26.40
Undeveloped Lot	\$0.00	\$0.00	\$9.76	\$0.00	\$9.76

Zone Wastewater Rates (w/ Rev. Adj.)

Revenue Adjustment		90%	5%	5%	5%	5%
ALT Wastewater Rates	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Bi-Monthly Fees (CDS Customer)						
Developed Lot	\$99.77	\$146.11	\$153.42	\$161.10	\$169.16	\$177.62
Undeveloped Lot	\$35.20	\$30.37	\$31.89	\$33.49	\$35.17	\$36.93
Bi-Monthly Fees (Non-CDS Customer)						
Developed Lot	\$22.19	\$50.18	\$52.69	\$55.33	\$58.10	\$61.01
Undeveloped Lot	\$19.35	\$18.55	\$19.48	\$20.46	\$21.49	\$22.57

Zone Wastewater Bi-Monthly Impacts

Zone Wastewater Impacts	Current Zone Bill	Proposed Zone Bill	Difference (\$)	Difference (%)	w/ Current Water Bill	w/ Proposed Water Bill	Difference (\$)	Difference (%)
CDS Customer								
Developed Lot	\$99.77	\$146.11	\$46.34	46%	\$261.37	\$323.03	\$61.66	24%
Undeveloped Lot	\$35.20	\$30.37	(\$4.83)	-14%	\$196.80	\$207.29	\$10.49	5%
Non-CDS Customer								
Developed Lot	\$22.19	\$50.18	\$27.99	126%	\$183.79	\$227.10	\$43.31	24%
Undeveloped Lot	\$19.35	\$18.55	(\$0.80)	-4%	\$180.95	\$195.47	\$14.52	8%



Water Resources Economics

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