

AGENDA

SPECIAL MEETING

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
BOARD OF DIRECTORS
6425 MAIN STREET, GEORGETOWN, CA 95634

Special Notation:

*Director David Halpin will participate in this meeting from a satellite location via telephone. The Public may participate in all Open Session portions of this meeting from this location. The specifics of this location while participating in this meeting are as follows:
16753 Black River Drive, Northville, MI 48168*

Tuesday, October 3, 2017
2:00 PM

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
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1. CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

2. ADOPTION OF AGENDA

3. CONSENT CALENDAR

A. Approval of Minutes of Regular Meeting of September 12, 2017

4. NEW BUSINESS

A. Report on Public Rate Study Workshop of September 18, 2017

Possible Board Action: Receive report.

B. Draft Letter to Grand Jury

Possible Board Action: Review draft letter and provide direction to staff.

C. Resolution 2017-20 - Professional Services Agreement with Blue Ribbon Personnel Services

Possible Board Action: Adopt Resolution 2017-20 Authorizing the General Manager to execute a Professional Services Agreement with Blue Ribbon Personnel Services.

5. BOARD MEMBER COMMENTS, REQUESTS FOR ADDITIONS TO FUTURE MEETING AGENDAS AND REQUESTS FOR INFORMATION OR RESEARCH TO BE COMPLETED BY STAFF – Opportunity for Board members to discuss matters of interest to them and provide input for future meetings as well as report on their District-related meeting attendance.

6. ADJOURN TO CLOSED SESSION

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

(Pursuant to Government Code section 54957(b)(1))

Title: General Manager

B. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

(Pursuant to Government Code Section 54956.9(d)(1))

1. Name of case: Mecklenberg v. Georgetown Divide Public Utility District (United States District Court, Eastern District of California Case No.: 2:14-CV-00750-TLN-DB)
2. Name of case: Leow v. Georgetown Divide Public Utility District (El Dorado Superior Court Case No.: PC 20100019; Third District Court of Appeal No. C077559)

C. CONFERENCE WITH LEGAL COUNSEL--LABOR NEGOTIATION

(Pursuant to Government Code Section 54954.5(f) and Government Code 54957.6)

District Representatives: General Manager Steven Palmer; District General Counsel

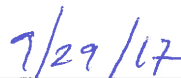
Employee Organization: International Union of Operating Engineers Stationary Engineers, Local No. 39

7. NEXT MEETING DATE AND ADJOURNMENT – Next regular meeting October 10, 2017, at 2:00 PM at the Georgetown Divide Public Utility District Office.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Steven Palmer by telephone at 530-333-4356 or by fax at 530-333-9442. Requests must be made as early as possible and at least one-full business day before the start of the meeting. In accordance with Government Code Section 54954.2(a), this agenda was posted in the District's bulletin board at the Georgetown Divide Public Utility District office, at 6425 Main Street, Georgetown, California, on September 29, 2017.



Steven Palmer, PE, General Manager



Date

**CONFORMED AGENDA
REGULAR MEETING
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS
6425 MAIN STREET, GEORGETOWN, CALIFORNIA**

**TUESDAY, SEPTEMBER 12, 2017
2:00 P.M.**

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
 - Insure fiscal responsibility and accountability are observed by balancing immediate and long term needs.
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1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

The meeting was convened at 2:00 PM.

Attendance:

Directors: David Halpin, Jesse Hanschild, Carl Hoelscher, Lon Uso, and Dane Wadle

Legal Counsel: Kerry Fuller, Churchwell White, LLP

Staff: General Manager Steven Palmer, Operations Manager Darrell Creeks, Engineering Consultant George Sanders, and Board Assistant Gloria Omania

2. ADOPTION OF AGENDA

Motion by Director Hoelscher to adopt the agenda. Second by Director Hanschild.

No public comment.

The motion passed unanimously.

- 3. PUBLIC FORUM** – Any member of the public may address the Board on any matter within the jurisdictional authority of the District. Public members desiring to provide comments, must be recognized by the Board President, and speak from the podium. Comments must be directed only to the Board. The public should address the Board members during the public meetings as President, Vice President, or Director, followed by the Board member's individual last name. The Board will hear communications on matters not on the agenda, but no action will be taken.

No disruptive conduct shall be permitted at any Board meeting. Persistence in disruptive conduct shall be grounds for summary termination, by the President, of that person's privilege of address.

No public comment.

4. CONSENT CALENDAR

A. Approval of Minutes

1. Regular Meeting of August 8, 2017
2. Special Meeting of August 22, 2017

B. Financial Reports

1. Month End Cash Disbursements Report
2. Statement of Cash and Investment Balances

C. Adopt Resolution 2017-20, Declaring Irrigation Season Ending Date

Possible Board Action: Adopt Resolution 2017-20 declaring irrigation season end date.

Motion by Director Wadle to approve the Consent Calendar. Second by Director Halpin.

Public Comment: None

The motion passed unanimously.

5. INFORMATIONAL ITEMS

A. President's Report

Director Uso reported that he accompanied the General Manager to the Chamber of Commerce meeting a week or so ago to make a presentation about the current water rate study.

B. Board Reports

Director Wadle reported that he attended the Rural Community Coalition Meeting last Monday with Operations Manager Darrell Creeks about the current water rate study being prepared. He stated that there was good dialogue and feedback with the group.

C. General Manager's Report

General Manager Steve Palmer reported on the following:

Leak Repairs. *Mr. Palmer stated that he first wanted to recognize the hard work of District employees who have been responding to calls out on nights and weekends to repair leaks. There have been 20 service lateral leaks and 6 main breaks since the beginning of August alone; there have been so far 57 leaks total—43 service and 14 main breaks—for the year. Mr. Palmer stated that this is an extraordinary number and something he's not seen before in his career. He is working with Operations Manager Darrell Creeks and Lead Operator Marty Ceirante to determine the cause and come up with a solution. He added that the District is trying to do some proactive pipeline replacements, including Kit Fox Court where there have been two breaks.*

ACWA Regional Meeting. *The General Manager stated that he attended the ACWA Region 3 and 4 joint meeting in Auburn the previous week. Representatives of various organizations, including the California Department of Forestry, Nevada Irrigation District, USDA, Jet Propulsion Laboratories, and the Sierra Nevada Institute participated. The importance of head waters and watershed management was discussed, as well as climate change, and the impact of forest management and fires on water quality in the watershed.*

Mr. Palmer stated that the District should work collaboratively with our partners to make sure our water is managed efficiently. He indicated that he found the meeting to be very interesting and educational.

Staff Recruitment Update. Mr. Palmer provided an update on staff recruitments indicating that job offers have been extended to fill two vacant maintenance worker positions and the administrative aide position, currently filled by a temporary worker. The selected candidates are now going through background checks.

The application period for the management analyst and water quality manager positions are still open, but will close on Friday, Sept. 15.

Public Workshop. Mr. Palmer stated that flyers announcing the public workshop scheduled for Monday, September 18, were inserted with the last billing, and posted on the website and Facebook. Additional community outreach efforts have included attending the meetings of the Divide Chamber of Commerce meeting and the Rural Community Coalition.

Mr. Palmer explained the flyer requested RSVP's to get some indication of how many people might be attending. An RSVP is not required; no one will be barred from attending the workshop. As of Friday, 8 RSVP's have been received.

Director Uso pointed out that this workshop is a staff-driven event and not a public-noticed Board meeting. The Board will adhere to the Brown Act so if a quorum of the Board members attend, Board members will not participate in the discussion. Attendance by Board members will be as observers. The Board expects the general manager to share feedback and input from the public with them.

Mr. Palmer reiterated that the purpose of the workshop is to inform the public and educate them on the ongoing water rate study and proposed changes to rates. Workshop attendees will be able to participate in small break-out group discussions to go over specific policy issues. He assured the Board that feedback received from the public will be incorporated in Staff's report to the Board.

D. Operation Manager's Report

Operations Manager Darrell Creeks explained the new format for his monthly reports and went over the water production and Stumpy volume numbers reflected in the graphs. He provided an update on water quality monitoring, the status of the RWQCB-required reporting on the ALT waste water Notice of Violation, and field work activities.

Mr. Creeks stated the maintenance and distribution crews have had to respond to a large number of leaks and main breaks, as well as deal with ditch overgrowth.

Director Uso commended staff on the improvement in response time to maintenance issues. He said that he was involved a customer complaint a few months ago, and the response time was dismal. He called this to the General Manager's attention and the response time has improved from 2-1/2 hours to 20 minutes.

E. ALT Treatment Plant Update

Engineering Consultant George Sanders' report included a slide presentation with his update on the Auburn Lake Trails Water Treatment Plant project.

Pointing to the project update flyer, Mr. Sanders provided information on the change order indicating the largest expense related to the additional fiberglass baffles. This was

completed working with the design engineer, District Staff, and the State Water Board. This will result in savings through the need for less chlorine.

Director Uso stated this was a good decision and well worth it. He commended Mr. Sanders for keeping the project on time and on budget.

6. NEW BUSINESS

A. Adopt Resolution 2017-22, approving ALTWTPP Filter Repair Change Order

Possible Board Action: Adopt Resolution 2017-22 approving the ALTWTPP Filter Repair Change Order.

General Manager Palmer explained the unforeseen additional work required to repair the ALTWTP filter. He was bringing this to the Board as the Change Order caused the total project to exceed the amount previously approved by the Board for the emergency repair work.

Motion by Director Hoelscher to adopt Resolution 2017-22 approving the filter repair change order. Second by Hanschild.

No public comment.

The motion passed unanimously.

B. Adopt Resolution 2017-23 approving Professional Services Agreement with GEI for the Mark Edson Spillway Assessment

Possible Board Action: Adopt Resolution 2017-23 authorizing the General Manager to execute a Professional Services Agreement with GEI for the Mark Edson Spillway Assessment.

The General Manager provided the background for this State-required project noting that the selection process was qualifications-based and follows current District policy and State law bidding procedures.

Director Hoelscher stated he has some issues with this and doesn't understand why this has not come up in the past. He pointed out that all who bid are qualified to do the job and asked why the District is not looking at prices.

Director Uso stated that the important question is whether there is time to do another RFP without getting into trouble with the State. The General Manager responded that the District is already late and has requested an extension to submit the report; he doesn't know what action the State would take if we delayed further.

Director Uso stated that he understands Director Hoelscher's concerns, but we have to move forward with this process. But, he emphasized, he doesn't want to ever do it this way again. He said he would like to see a policy that would allow the costs to be added to the ranking of the bids. He said he would like to see this new policy as soon as possible.

Director Hoelscher asked if Staff could contact the state to let them know we want to do another RFP. Director Uso asked the General Manager if he could speculate on what the savings would be. Mr. Palmer responded that it is difficult to speculate, but he can't see more than a 10% deviation as rates are pretty common throughout the industry. Director Uso stated that he wants to stay on schedule.

Director Hanschild stated that these unfunded mandates by the State is not fair to the small districts; the State should offer financial assistance.

Motion by Director Hanschild to adopt Resolution 2017-23 authorizing the General Manager to execute a Professional Services Agreement with GEI for the Mark Edson Spillway Assessment; and direct Staff to bring back a recommendation on updating the bid policy to provide for a qualifications-based and cost-based ranking of proposals. Second by Director Wadle.

Public Comment: *Jan Folkenstein commented that he would support staff delaying submittal of the report.*

Mr. Palmer reminded the Board that updating the bid policy is part of his Work Plan.

Vote:

Ayes: Hanschild, Halpin, Uso, Wadle

Noes: Hoelscher

The motion passed with a 4-1 vote.

C. Consider Request for Waiver of Ditch Water Fees by Potato Richardson

Possible Board Action: Review and consider Mr. Robertson's request for a refund of \$157.48

The General Manager provided the background on Potato Richardson's request for a refund due to his inability to access water because trapped air in the pipe is preventing water from flowing.

Director Uso agreed with the General Manager that it is not possible for air to come from the District's main line given the physics of the system.

Mr. Richardson described the testing he conducted from which he determined that the trapped air is caused by his neighbor's line and feels the solution is to install an air release valve in the main line.

The General Manager and Darrell Creeks, Operations Manager, stated that there is already an ARV in the main line.

Mr. Richardson stated that he appreciates that the District crew has been out there trying to resolve the problem, commenting again that from his testing, the problem is with his neighbor's line.

Director Halpin stated that, setting physics aside, if Steve Proe's bubble is keeping Mr. Richardson from getting water; would it be the District's problem?

Director Uso stated that the Board can't be policing between property owners. If this "y" connection to the main line is not a reliable way to provide service, the District will have to think about how to provide service. The General Manager stated that the District needs to look at this so that this doesn't happen again.

Director Uso asked if the District is responsible for Mr. Richardson not getting water for those two months. Was it something within our system that caused him to not be able to get water? Was there anything wrong with our system to cause Mr. Richardson not get water?

Mr. Palmer responded that there was nothing with the District's system that prevented Mr. Richardson to receive water.

Motion by Director Halpin to issue a refund as requested by Mr. Richardson. Director Hoelscher seconded.

Director Wadle stated that he is not inclined to support the motion because it is not the responsibility of the District.

Public Comment: Jan Folkenstein commented that because this is a unique situation and the request is for such a small amount, the Board should approve the request.

Vote:

Ayes: Hoelscher, Halpin

Noes: Wadle, Hanschild, Uso

The motion failed to pass on a 2-3 vote.

Director Uso said he wanted to make it clear that he would be happy to refund Mr. Richardson, but does not want to set a precedent.

- 7. BOARD MEMBER COMMENTS, REQUESTS FOR ADDITIONS TO FUTURE MEETING AGENDAS AND REQUESTS FOR INFORMATION OR RESEARCH TO BE COMPLETED BY STAFF** – Opportunity for Board members to discuss matters of interest to them and provide input for future meetings as well as report on their District-related meeting attendance.

Director Halpin asked for a recommendation from staff on whether a direct line for Mr. Richardson will resolve his water access issues. Mr. Palmer stated he is committed to coming up with a solution.

- 8. NEXT MEETING DATE AND ADJOURNMENT** – Next regular meeting October 11, 2017, at 2:00 PM, at the Georgetown Divide Public Utility District office.

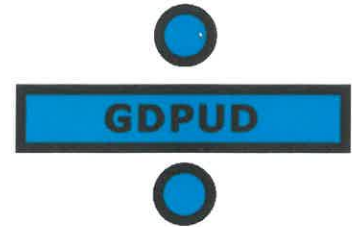
It was noted that the agenda indicated the wrong date for the next regular Board meeting. It was clarified that the next Board meeting is scheduled for October 10, 2017. The meeting was adjourned at 3:40 PM.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Steve Palmer by telephone at 530-333-4356 or by fax at 530-333-9442. Requests must be made as early as possible and at least one-full business day before the start of the meeting. In accordance with Government Code Section 54954.2(a), this agenda was posted on the District's bulletin board at the Georgetown Divide Public Utility District office, at 6425 Main Street, Georgetown, California, on September 7, 2017.

Steven Palmer, PE, General Manager

Date

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF OCTOBER 3, 2017
AGENDA ITEM NO. 4A**



AGENDA SECTION: NEW BUSINESS

**SUBJECT: REVIEW SUMMARY OF WATER RATE STUDY COMMUNITY
WORKSHOP #1 ON SEPTEMBER 18, 2017**

PREPARED BY: Steven Palmer, PE, General Manager

APPROVED BY: Steven Palmer, PE, General Manager

A blue ink signature of Steven Palmer, General Manager, written over the "APPROVED BY" line.

BACKGROUND

Current treated water and irrigation water rates were last reviewed and updated in 2008. That 2008 review and update included a 5-year phase in period and rates increased between 2008 to 2011. Rates have remained unchanged since July 1, 2011. It is considered best practices to evaluate water rates every three to five years.

At the September 27, 2016 Board Meeting, the District initiated the process to enlist Rural Community Assistance Corporation (RCAC) to perform a water rate study. RCAC receives funding from the State to help communities like the District to stay in compliance with regulations. The purpose of the work by RCAC and the study is to determine the level of revenue required to adequately fund the treated and irrigation water systems while providing customers with safe and reliable water that meets State and Federal requirements. The Study will provide an explanation and justification of the calculated treated and irrigation water rates for five years, and documents compliance with laws and regulations.

On April 25, 2017, Staff and RCAC provided the District Finance Committee with a presentation regarding the methodology being followed for the current rate study and requested input regarding several policy related decisions. The policy questions discussed at the April 25, 2017 Finance Committee meeting are summarized below:

1. Subsidy Program for Low Income Customers
Board has provided direction to make it an option for employees to contribute money to a local nonprofit to provide water bill assistance to low income customers. *The Finance Committee expressed concern about the District expanding their role in this program due to increased time and cost to administer.*
2. Capital Reserve Fund Balance
The Capital Reserve Fund needs to have enough funds to allow the District to replace aging infrastructure before it fails, and this amount is a critical component of the rate

calculation. *Finance Committee recommended revising the cash portion of capital replacement projects to follow the following guidelines:*

- *Do not include recapitalization of costs less than \$3,000*
- *<\$50,000 – 100% cash*
- *\$50,000 to \$100,000 – 75% cash*
- *\$100,000 to \$500,000 – 50% cash*
- *>\$500,000 – 25% cash*

3. Non-Operating Revenue/Property Tax Allocation

A significant portion of the District's revenue are from revenue sources with flexible funds which can be spent on multiple aspects of the District. Examples are property tax and hydroelectric lease revenues. *Finance Committee recommended the following approach to allocating these revenues:*

- *Use to fund capital reserve funds for treated and untreated water only*
- *Distribute based on weighted capitalization cost*

4. Rate Tiers

The San Juan Capistrano court case established that rate tiers must be based on the actual cost of providing water. The District has only one source of water supply that is used year-round, regardless of demand. Since there is one source of water, the District cannot show that it costs more to produce higher tiers of water. For this reason, the proposed rate structure consists of a base rate and a usage rate. Every customer will pay a base rate plus the same usage rate for each unit of water used.

5. Function Cost Allocation (Base rate vs. usage rate)

This characterizes expenses as either fixed costs or variable costs, and divides rate revenue into either base rate or use rate. At this time, Staff and RCAC estimate that 75% of operating expenses are fixed cost and 25% are variable cost, excluding recapitalization. Allocating more expenses to the base rate has the effect of making the District less vulnerable to decreases in consumption similar to what was seen during the recent mandatory drought restrictions. A significant drawback is that a higher base rate has a large impact on low income customers. *The Finance Committee did not have any comments on the allocation as presented by RCAC.*

On May 8, 2017 Staff presented the above listed information from the Finance Committee meeting to the Board to obtain Board concurrence on moving forward with this methodology for the rate study. By motion action, the Board provided the following direction:

- Follow the Finance Committee recommendation to minimize staff time to administer the subsidy program;
- Make the following assumptions for the recapitalization program:
 - Exclude costs less than \$5,000;
 - 100% cash for improvements under \$50,000
 - 75% cash for improvements between \$50,000 and \$100,000
 - 50% cash for improvements between \$100,000 and \$500,000
 - 25% cash for improvements over \$500,000
- Exclude hydro revenue from the operating budget and rate calculation.

The staff report and presentation from May 8, 2017 are included as Attachment 1.

At a Special Meeting of the Board of Directors on August 22, 2017, the Board approved an outreach approach for the water rate study consisting of two public workshops, one Board meeting workshop,

Special Board Meeting of October 3, 2017

Agenda Item #4A

one Board meeting to authorize the 45-day public hearing, and one Board meeting to hold the public hearing required to adopt the rates. There was discussion at the Board meeting about the meeting schedule, and Board directed that the second public workshop be held before the Board authorized the 45-Day Notice. The revised schedule resulting from that change is listed below:

September 18, 2017- Public Workshop #1
October 3, 2017 - Board Workshop (Special Meeting)
October 9-13, 2017 - Public Workshop #2
October 16-20, 2017 - Board Authorize 45-Day Notice (Regular Meeting)
December 11-15, 2017- Board Meeting Public Hearing to Adopt Rates (Special Meeting)

Following the Board meeting on August 22, 2017, Public Workshop #1 was held at 5:30pm on September 18, 2017 at the Georgetown Elementary School.

DISCUSSION

A concerted effort was made to invite as many customers as possible to Public Workshop #1. Notices inviting customers were:

- Inserted in all customers' bills that were mailed at the end of August;
- Emailed two notifications to 297 customers that have provided email addresses to the District; including customers that only receive electronic bills;
- Posted on the District Facebook page multiple times;
- Posted on the District's website;
- Distributed by a press release to the local newspaper and everyone on the District's email list;
- Handed out at the Georgetown Chamber of Commerce meeting on September 5, 2017;
- Handed out at the El Dorado County Rural Community Coalition meeting on September 5, 2017;
- Handed out at the Georgetown Rotary meeting on September 13, 2017; and
- Posted at the District office.

The primary goals of Public Workshop #1 were:

1. Inform customers; and
2. Provide a mechanism for customers to provide meaningful input into the rate study before calculating rates.

Public Workshop #1 was divided into two (2) parts. The first part was a PowerPoint Presentation by the District's General Manager Steven Palmer, Operations Manager Darrell Creeks, and RCAC rate study consultant John VanDenBerg. Staff answered questions posed by community members. During the second part of the workshop, District Staff and consultants facilitated small group discussion to review information from the presentation, answer additional questions posed by community members, and receive input on six (6) specific questions about the proposed rate structure.

During the first part of the workshop, Operations Manager Creeks discussed the condition of District facilities and operational challenges; General Manager Palmer discussed the condition of District finances and financial challenges; and RCAC rate study consultant Jon VanDenBerg discussed the rate study methodology and legal constraints. A copy of the PowerPoint presentation presented at the September 18, 2017 workshop is included as Attachment 2.

For the second part of the workshop, the attendees were divided into three (3) smaller groups and asked to complete a questionnaire with six (6) questions. District Staff and consultants were available to each group to provide additional information and guidance, and take notes on the discussions and feedback

from attendees. The six (6) questions are listed below, along with the direction from the Board of Directors in *italics*:

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”*

2. How should the District pay for repairs and maintenance to the water system? Please circle your preferred option and explain why.

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

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

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

Finance Committee and Board recommended the following guidelines:

- *Do not include recapitalization of costs less than \$3,000*
- *<\$50,000 – 100% cash*
- *\$50,000 to \$100,000 – 75% cash*
- *\$100,000 to \$500,000 – 50% cash*
- *>\$500,000 – 25% cash*

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

Option A

- Increase the base rate to 91% to cover fixed costs
- Decrease the usage rate to 9% to cover variable costs

Option B

- Increase the base rate to 60%
- Decrease the usage rate to 40%

This characterizes expenses as either fixed costs or variable costs, and divides rate revenue into either base rate or use rate. Allocating more expenses to the base rate has the effect of making the District less vulnerable to decreases in consumption similar to what was seen during the recent mandatory drought restrictions. A significant drawback is that a higher base rate has a large impact on low income customers. The Finance Committee and the Board did not have any comments on the allocation as presented by RCAC.

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?

Finance Committee and Board recommended using property taxes for capital reserve funds for treated and untreated water only. The Board also recommended setting hydroelectric revenue aside for future needs.

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?

Finance Committee and Board recommended distributing property taxes between treated water and irrigation water capital reserves based on weighted capitalization cost.

6. Do you have any additional comments or questions you would like to add?

The sixth and final question was an opportunity for attendees to ask additional questions or make other suggestions for the rate study.

After the workshop, the questionnaires were gathered and compiled with notes taken by the District into the Workshop Summary included as Attachment 3. Generally speaking, District Staff and consultants heard the following from the attendees:

- 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.

In response to the input from this workshop, District Staff and consultants are taking the following actions:

- The General Manager and RCAC are preparing written responses to questions received on the questionnaires. The workshop summary and District responses

- will be emailed to all attendees, and posted on the District website and Facebook page.
- RCAC is incorporating the feedback into the rate study model and will calculate treated water and irrigation water rates for three different scenarios. For each scenario, the property tax revenue will be allocated differently between treated and irrigation water enterprises.

Public Workshop #2 will be held on October 12, 2017 at the Cool Community Hall. At Public Workshop #2, District Staff and RCAC will present the summary of Public Workshop #1 and response to questions, and share the rates and the associated scenarios that meet regulatory requirements, sound fiscal practice, and community input. The community will have additional opportunity to ask questions and provide input.

In order to share input received from Public Workshop #1 and additional information related to this water rate study, a webpage dedicated to the water rate study update has been created on the District website - http://gd-pud.org/#2017_Water_Rate_Update. The following information has been placed on the website to date: April 25, 2017 Finance Committee Rate Study Presentation, May 8, 2017 Board of Directors Rate Study Presentation, and September 18, 2017 Public Workshop 1 Presentation. The Public Workshop 1 questionnaire along with District responses will be uploaded to this webpage when they are complete, and additional information from public meetings will be uploaded to this webpage as available.

Following Public Workshop 2 on October 12, 2017, the Board of Directors will be presented with the rate study calculations performed to date, the input received from the public workshops, and requested to provide direction on preparation of the Final Rate Study Report. The anticipated schedule for upcoming water rate study meetings is:

October 12, 2017 – Public Workshop 2, Cool Community Hall at 530pm
October 18, 2017 – Special Board Meeting, Review Public Workshop 2 and Draft Rates
October 24, 2017 – Special Board Meeting, Final Rate Study Report and Authorize 45 Day Notice
December 12, 2017 – Regular Board Meeting, Public Hearing to Adopt New Rates
January 1, 2018 – New Rates Become Effective

FISCAL IMPACT

This item is informational and does not have a direct impact on this year's operating or capital budget.

Completing the water rate study update has a significant impact on the District's finances. The Draft Long Range Financial Forecast that was presented by the General Manager at the April 18, 2017 Board Meeting illustrates that total District revenue has decreased since 2009. Operating expenses are forecast to exceed future revenue projections by significant and ever increasing amounts, reaching over \$300,000 annually within three years.

The Draft Long Range Financial Forecast and a recent proforma prepared by a lender, show that the District's debt-service coverage ratio will decrease to 1.0 in 2020. The debt-service coverage ratio is the ratio of net operating income to debt service. Lenders require a minimum ratio of 1.20 to qualify for loan programs. The District's water rates are too low to qualify for loans.

RCAC calculates the current water affordability for the District as 1.25%. In other words, the average water bill in the District is 1.25% of the median household income. In order to qualify for State and

Federal grants, the District must maintain an affordability index ranging between 1.5% and 4.0%. The District's water rates are too low to qualify for State and Federal grants.

Additionally, the District is not currently setting aside enough funds to fund capital replacement costs. Current restricted reserves total \$4.5M, and unrestricted reserves total \$5.5M. While this is adequate to fund required debt service accounts, it does not allow enough funds to repair or replace aging infrastructure.

Updating the rates is necessary for the future sustainability of the District. Rates must be updated to account for years of inflation since 2011, reduction in revenue due to water conservation, elimination of tiered water rates, and to set aside adequate funding to replace capital infrastructure. If rates are not updated, initially the District will be forced to draw from reserves to fund operating expenses and to defer much needed capital improvements and replacements. Once reserves are depleted the District will be unable to pay its bills and obligation. Ultimately, this lack of keeping rates current will result in pressure from the State to consolidate with a neighboring district, and could result in the State taking over the assets and obligations of the District.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) receive and file this report.

ATTACHMENTS

1. May 8, 2017 Staff Report and Presentation
2. September 18, 2017 Rate Study Workshop Presentation
3. September 18, 2017 Rate Study Workshop Summary

REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF MAY 8, 2017
Agenda Item No. 6A



AGENDA SECTION: NEW BUSINESS

**SUBJECT: REVIEW AND PROVIDE DIRECTION ON TREATED AND
UNTREATED WATER RATE STUDY**

PREPARED BY: Steven Palmer, PE, General Manager

BACKGROUND

Current treated water and untreated water rates were last reviewed and updated in 2008. That 2008 review and update included a 5-year phase in period and rates increased between 2008 to 2011. Rates have remained unchanged since July 1, 2011. It is considered best practices to evaluate water rates every three to five years.

At the September 27, 2016 Board Meeting, the District initiated the process to enlist Rural Community Assistance Corporation (RCAC) to perform a water rate study. RCAC receives funding from the State to help communities like the District to stay in compliance with regulations. The purpose of the work by RCAC and the study is to determine the level of revenue required to adequately fund the treated and untreated water systems while providing customers with safe and reliable water that meets State and Federal requirements. The Study will provide an explanation and justification of the calculated treated and untreated water rates for five years, and documents compliance with laws and regulations.

In California, the primary legal requirement for "property related" fee increases is compliance with what is commonly known as Proposition 218. Proposition 218 was approved by California voters in November 1996. This ballot measure added Articles XIII C and D to the California Constitution and requires the following when a local government agency increases fees:

- Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments.
- No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

More recently, a legal case, Capistrano Tax Payers Association v. City of San Juan Capistrano California, was resolved which resulted in additional, strict guidance regarding how water rates can be

calculated. This case established that rate tiers, like those currently used in the District, must “correspond to the actual cost of providing service at a given level of usage.” This means that in order to charge a different price per unit of water at different usage tiers, the District must demonstrate that the cost of delivery is higher per unit of water at the higher tiers.

DISCUSSION

Since the Board of Directors authorized work with RCAC on September 27, 2016, District Staff has met with John Van den Bergh of RCAC several times and worked to evaluate expenses and develop a study.

On April 25, 2017, Staff and RCAC provided the District Finance Committee with a presentation regarding the methodology being followed for the current rate study and requested input regarding several policy related decisions. The policy questions discussed at the April 25, 2017 Finance Committee meeting are summarized below:

1. Subsidy Program for Low Income Customers

Board has provided direction to make it an option for employees to contribute money to a local nonprofit to provide water bill assistance to low income customers. The Finance Committee expressed concern about the District expanding their role in this program due to increased time and cost to administer.

2. Capital Reserve Fund Balance

The Capital Reserve Fund needs to have enough funds to allow the District to replace aging infrastructure before it fails, and this amount is a critical component of the rate calculation. Finance Committee recommended revising the recapitalization amount to follow the following guidelines:

- Do not include recapitalization of costs less than \$3,000
- <\$50,000 – 100% cash
- \$50,000 to \$100,000 – 75% cash
- \$100,000 to \$500,000 – 50% cash
- >\$500,000 – 25% cash

3. Non-Operating Revenue/Property Tax Allocation

A significant portion of the District’s revenue are from revenue sources with flexible funds which can be spent on multiple aspects of the District. Examples are property tax and hydroelectric lease revenues. Finance Committee recommended the following approach to allocating these revenues:

- Use to fund capital reserve funds for treated and untreated water only
- Distribute based on weighted capitalization cost

4. Rate Tiers

The San Juan Capistrano court case established that rate tiers must be based on the actual cost of providing water. The District has only one source of water supply that is used year round, regardless of demand. Since there is one source of water, the District cannot show that it costs more to produce higher tiers of water. For this reason, the proposed rate structure consists of a base rate and a usage rate. Every customer will pay a base rate plus a usage rate for each unit of water used.

5. Function Cost Allocation (Base rate vs. usage rate)

This characterizes expenses as either fixed costs or variable costs, and divides rate revenue into either base rate or use rate. At this time, Staff and RCAC estimate that 75% of operating expenses are fixed cost and 25% are variable cost, excluding recapitalization. Allocating more expenses to the base rate has the effect of making the

District less vulnerable to decreases in consumption similar to what was seen during the recent mandatory drought restrictions. A significant drawback is that a higher base rate has a large impact on low income customers. The Finance Committee did not have any comments on the allocation as presented by RCAC.

Staff is presenting this information to the Board to obtain Board concurrence on moving forward with this methodology for the rate study. Once this direction is provided, Staff and RCAC will enter this information into the model and calculate a draft rate structure and amounts for presentation and further action to the Finance Committee and Board.

FISCAL IMPACT

The Draft Long Range Financial Forecast that was presented by the General Manager at the April 18, 2017 Board Meeting illustrates that total District revenue has decreased since 2009. Operating expenses are forecast to exceed future revenue projections by significant and ever increasing amounts, reaching over \$300,000 annually within three years.

The Draft Long Range Financial Forecast and a recent proforma prepared by a lender, show that the District's debt-service coverage ratio will decrease to 1.0 in 2020. The debt-service coverage ratio is the ratio of net operating income to debt service. Lenders require a minimum ratio of 1.20 to qualify for loan programs.

Additionally, the District is not currently setting aside enough funds to fund capital replacement costs. Current restricted reserves total \$4.5M, and unrestricted reserves total \$5.5M. While this is adequate to fund required debt service accounts, it does not allow enough funds to repair or replace aging infrastructure.

Updating the rates is necessary for the future sustainability of the District. Rates must be updated to account for years of inflation since 2011, reduction in revenue due to water conservation, elimination of tiered water rates, and to set aside adequate funding to replace capital infrastructure. If rates are not updated, initially the District will be forced to draw from reserves to fund operating expenses and to defer much needed capital improvements and replacements. Once reserves are depleted the District will be unable to pay its bills and obligation. Ultimately, this lack of keeping rates current will result in pressure from the State to consolidate with a neighboring district, and could result in the State taking over the assets and obligations of the District.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors review the recommendations from the Finance Committee that are presented in this report and provide Staff direction on whether to move forward with the methodology presented herein and with the following recommendations from the Finance Committee:

1. Revise the recapitalization/reserve amount to follow the following guidelines:
 - a. Do not include recapitalization of costs less than \$3,000
 - b. <\$50,000 – 100% cash
 - c. \$50,000 to \$100,000 – 75% cash
 - d. \$100,000 to \$500,000 – 50% cash
 - e. >\$500,000 – 25% cash
2. Allocating non-operating revenues (e.g. property tax) as follows:
 - a. Use to fund capital reserve funds for treated and untreated water only
 - b. Distribute based on weighted capitalization cost

ATTACHMENTS

1. Presentation




RCAC

**Georgetown Divide PUD
Water Rates**


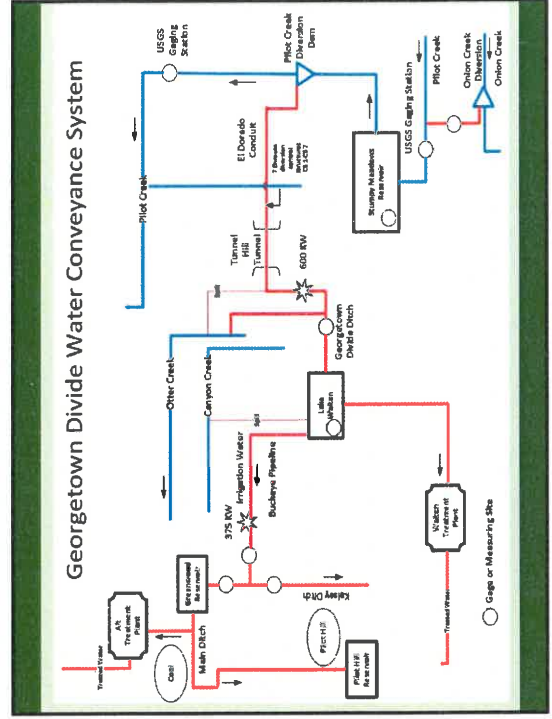
What is RCAC?

- Rural Community Assistance Corporation
- State funded to help communities like Georgetown Divide
- ...stay in compliance with the rules and regulations



Finance Committee Roll

- Review methodology
- Provide feedback to rate study team
- Provide recommendations on policy questions
- Resource to educate and share information

Background

- Rate Study Purpose
 - Identify "true cost" to deliver water
 - Determine funding needed over the next 5-10 years to operate and maintain the system
 - Create adequate revenue to fund capital improvements
 - Ensure costs are allocated equitably
 - Establish appropriate rates for 5 years
 - Meet legal requirements for treated water and irrigation water rates



Background

- Rate Study Purpose
 - Stay solvent
 - Required for grants and loans
 - Current Affordability: 1.25%
 - Disqualification for State and USDA Grants
 - Should be 1.50% to 4.00%



Legal Requirements

- Proposition 218
 - Shall not exceed the funds required to provide the service
 - Shall not be used for any other purpose
 - Shall not exceed the proportional cost of service
 - Affects all properties with water service available



Legal Requirements

- Proposition 218 Implementation
 - Must provide a Public Hearing Notice
 - Amount of rate
 - Basis of rate calculation
 - Reason for the rate
 - Date, time, location of public hearing
 - One **written** protest per parcel (owner OR tenant, not both)
 - Rate cannot be increased if >50% of property owners protest



Legal Requirements

- San Juan Capistrano Case
 - 2015 case that created strict standards on how tiered rates can be created
 - Tiers need to "...correspond to the actual cost of providing service at a given level of usage..."
 - In response, many agencies have eliminated tiered rates or revised their tiered rates



Legal Requirements

- Subsidies
 - Subsidies between customer types are prohibited in rates
 - Subsidies must be funded by:
 - Funds not related to rates (eg. property tax)
 - Voluntary donations by other customers



Draft Long Range Financial Forecast

- Over 70 miles of canals & ditches
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Two miles of sewer pipelines
- 5 community wastewater disposal fields
- Corporation yard & office building



Draft Long Range Financial Forecast

- 21 full time employees
- Encompasses 415 square miles
- Approximately 15,000 residents
- Approximately 3,600 treated water connections

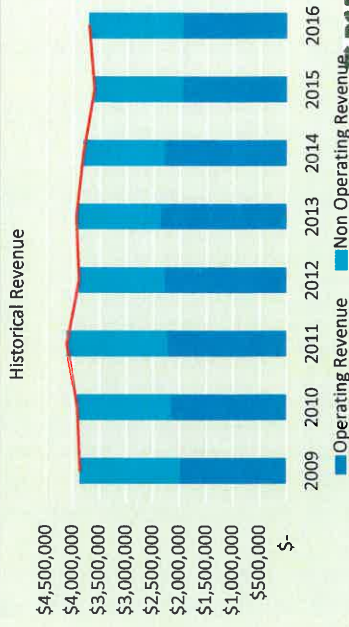


Draft Long Range Financial Forecast

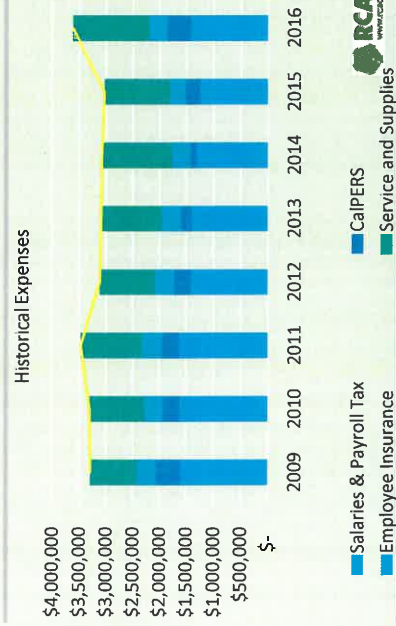
- Historical Perspective
 - End of Statewide 6-year drought
 - Snowpack low of 15% of average
 - Reservoir storage low of 66% of average
 - Stumpy Meadows storage low of 41% of capacity
 - Operating revenue dropped by 17% as compared to 2013



Draft Long Range Financial Forecast



Draft Long Range Financial Forecast



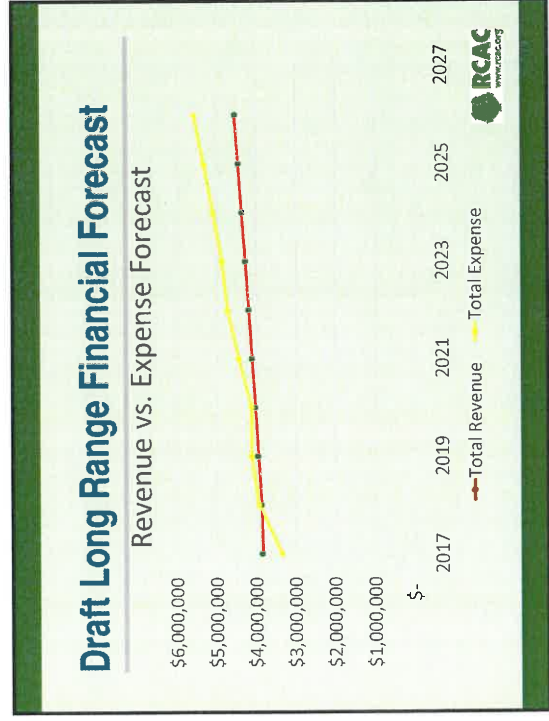
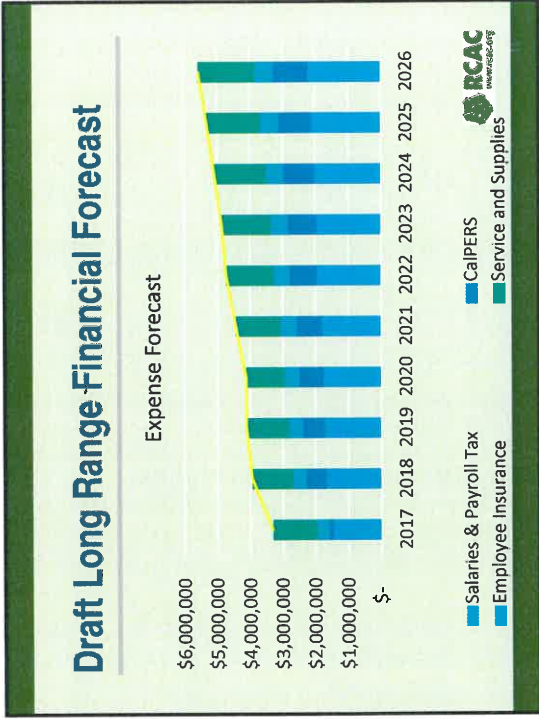
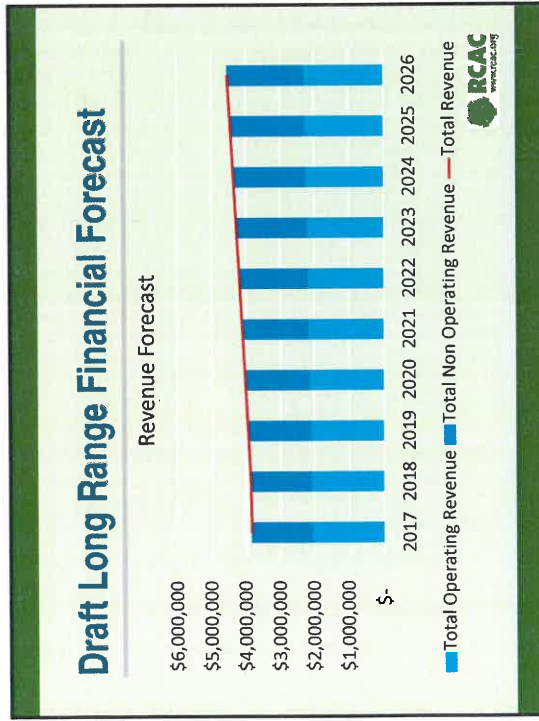
Draft Long Range Financial Forecast

Forecast Assumptions

Revenue	Forecast Growth per Year
Water Sales	1.1%
Property Tax	3.0%
Misc (penalties, etc)	2.5%

Expenses	Forecast Growth per Year
Salary	2.5% after 17/18
Pension	6.0% after 20/21
Health Insurance	6.0%
Payroll Tax	2.5%
Materials & Supplies	5.0%






- ### Draft Long Range Financial Forecast
- Observations
 - Total revenue has decreased since 2009
 - Non-operating revenue (property tax) is forecast to increase faster than operating revenue (rates)
 - CalPERS
 - Significant portion of annual expenses
 - Increases are expected to continue
 - Expenses are forecast to exceed revenue by \$55,000 in FY17/18 and \$328,000 in FY20/21
- RCAC
www.rcac.org

Draft Long Range Financial Forecast

- Current Reserves
 - Restricted - \$4.5M
 - Unrestricted, Designated - \$4.5M
 - Unrestricted, Undesignated - \$1.0M




Treated vs Irrigation Water

- Reasons for splitting
 - Different assets
 - Different cost structure
 - Different rates
- Split
 - Assets
 - Budget
 - Reserves




Treated Water Rate Study

- Current Rate Structure
 - Adopted on September 9, 2008
 - Last rate increase on July 1, 2011



Treated Water Rate Study


- Current Rate Structure
 - Bi-monthly charge for consumption up to 2,000 cubic feet
 - Residential = \$ 47.14
 - Commercial = \$ 50.32
 - Bi-monthly Supplemental Charge for treatment plant construction loan:
 - \$30.16



Treated Water Rate Study

- Current Rate Structure
 - Consumption exceeding 2,000 cubic feet during a billing period:

2,001 – 4,000 cf	\$0.0138 per cf
4,001 – 6,000 cf	\$0.0165 per cf
6,001 – 8,000 cf	\$0.0193 per cf
8,001+ cf	\$0.0221 per cf



Treated Water Rate Study

- Methodology
 - Calculate operating costs
 - Calculate capital replacement costs
 - Establish reserve targets
 - Allocate costs into fixed and variable
 - Distribute fixed costs by meter size
 - Calculate usage rates based on usage



Treated Water Rate Study

- Operating Costs
 - Recent budgets and projections
 - \$2.7M per year excluding depreciation, and capital improvements – treated water only



Treated Water Rate Study

- Capital Needs
 - Recapitalization Cost
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$116M
 - Assume amounts funded with grants, loans, and cash



Treated Water Rate Study

- **Capital Needs**
 - Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash



Treated Water Rate Study

- **Functional Cost Allocation**
 - Expenses allocated to fixed and variable
 - Base rate based on fixed expenses
 - Usage rate based on variable expenses
 - 74% fixed costs
 - 26% variable



Irrigation Water Rate Study


- **Current Rates**
 - Bi-monthly in advance
 - May 1 through September 1

0.5 miner's inch	\$94.00
1+ miner's inch	\$145.48 per miner's inch



Irrigation Water Rate Study

- **Methodology**
 - Calculate operating costs
 - Calculate capital replacement costs
 - Establish reserve targets
 - Distribute costs by service size/flow rate




Irrigation Water Rate Study

- **Capital Needs**
 - Recapitalization Cost
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$40M
 - Assume amounts funded with grants, loans, and cash



Irrigation Water Rate Study

- **Capital Needs**
 - Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash



Finance Committee Recommendations

- Subsidies
 - Concerned about time and cost to administer
- Recapitalization Costs/Reserve Needs
 - Do not include costs less than \$3,000
 - <\$50,000 – 100% cash
 - \$50,000 to \$100,000 – 75% cash
 - \$100,000 to \$500,000 – 50% cash
 - >\$500,000 – 25% cash



Finance Committee Recommendations

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



Tough decisions must be made



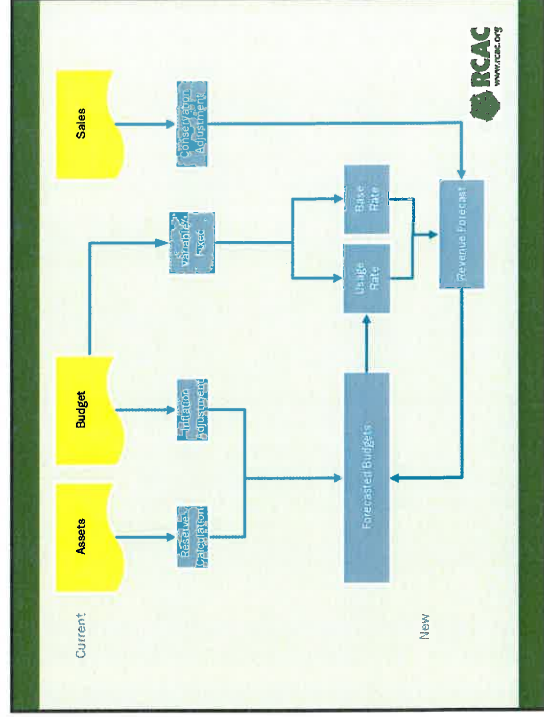
Consequences of not raising rates enough

1. Reduction in reserves
2. Inability to pay bills
3. Inability to maintain system
4. Extra pressure from state to consolidate with neighboring systems
5. Take-over by the state=Receivership



Guiding Principles of this Rate Study

- Sustainable
- Fair
- Conservation
- Justifiable



Fixed – Variable Expense Split

Component	2017	%	2016	%
OPERATIONS & MAINTENANCE EXPENSES	1,441,414.00	50%	1,341,140.00	49%
EXPENSES & SUPPLIES	1,441,414.00	50%	1,341,140.00	49%
Electricity	221,800.00	15%	215,000.00	16%
Fuel	151,800.00	11%	145,000.00	11%
Oil	100,000.00	7%	95,000.00	7%
Water	100,000.00	7%	95,000.00	7%
Sewer	100,000.00	7%	95,000.00	7%
Telephone	100,000.00	7%	95,000.00	7%
Miscellaneous	100,000.00	7%	95,000.00	7%
Travel	100,000.00	7%	95,000.00	7%
Repairs & Maintenance	100,000.00	7%	95,000.00	7%
Insurance	100,000.00	7%	95,000.00	7%
Depreciation	100,000.00	7%	95,000.00	7%
Amortization	100,000.00	7%	95,000.00	7%
Interest	100,000.00	7%	95,000.00	7%
Taxes	100,000.00	7%	95,000.00	7%
Professional Fees	100,000.00	7%	95,000.00	7%
Legal	100,000.00	7%	95,000.00	7%
Accounting	100,000.00	7%	95,000.00	7%
Consulting	100,000.00	7%	95,000.00	7%
Other	100,000.00	7%	95,000.00	7%
TOTAL OPERATIONS & MAINTENANCE EXPENSES	1,441,414.00	50%	1,341,140.00	49%
GENERAL & ADMINISTRATIVE EXPENSES	1,441,414.00	50%	1,341,140.00	49%
Salaries & Benefits	1,441,414.00	50%	1,341,140.00	49%
Office Supplies	1,441,414.00	50%	1,341,140.00	49%
Travel	1,441,414.00	50%	1,341,140.00	49%
Miscellaneous	1,441,414.00	50%	1,341,140.00	49%
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	1,441,414.00	50%	1,341,140.00	49%
TOTAL EXPENSES	2,882,828.00	100%	2,682,280.00	100%



Budget (Treated Water)

Component	2017	2016	2015	2014	2013
OPERATIONS & MAINTENANCE EXPENSES	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
EXPENSES & SUPPLIES	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
Electricity	221,800.00	215,000.00	208,200.00	201,400.00	194,600.00
Fuel	151,800.00	145,000.00	138,200.00	131,400.00	124,600.00
Oil	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Water	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Sewer	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Telephone	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Miscellaneous	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Travel	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Repairs & Maintenance	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Insurance	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Depreciation	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Amortization	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Interest	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Taxes	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Professional Fees	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Legal	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Accounting	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Consulting	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
Other	100,000.00	95,000.00	90,000.00	85,000.00	80,000.00
TOTAL OPERATIONS & MAINTENANCE EXPENSES	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
GENERAL & ADMINISTRATIVE EXPENSES	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
Salaries & Benefits	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
Office Supplies	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
Travel	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
Miscellaneous	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	1,441,414.00	1,341,140.00	1,240,865.00	1,140,590.00	1,040,315.00
TOTAL BUDGET	2,882,828.00	2,682,280.00	2,481,730.00	2,281,180.00	2,080,630.00



Reserve Calculation (Irrigation Water)

Component	View	Year	Rate	Volume	Cost	Rate	Volume	Cost	Rate	Volume	Cost	Rate	Volume	Cost
Water	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Electricity	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Fuel	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Oil	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Water	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sewer	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Telephone	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Miscellaneous	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Travel	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Repairs & Maintenance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Insurance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Depreciation	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Amortization	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Interest	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Taxes	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Professional Fees	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Legal	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Accounting	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Consulting	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
TOTAL RESERVE REQUIREMENT														



Annual Reserve Requirement: \$259,406

Budget (Irrigation Water)

	2017	2016	2015	2014	2013
EXPENSES AND SOURCES OF FUNDS					
OPERATIONS & MAINTENANCE EXPENSES					
Water Production	57,822,467	57,822,467	57,822,467	57,822,467	57,822,467
Electricity	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Maintenance & Repairs	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Materials	500,000	500,000	500,000	500,000	500,000
Travel	500,000	500,000	500,000	500,000	500,000
Printing	500,000	500,000	500,000	500,000	500,000
Telephone	500,000	500,000	500,000	500,000	500,000
Utilities	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Depreciation	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Other Operating Costs	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Operating & Maintenance Expenses	87,922,467	87,922,467	87,922,467	87,922,467	87,922,467
GENERAL & ADMINISTRATIVE EXPENSES					
Office Salaries	0.00	0.00	0.00	0.00	0.00
Operating Salaries	0.00	0.00	0.00	0.00	0.00
Salaries & Benefits	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Travel	500,000	500,000	500,000	500,000	500,000
Printing	500,000	500,000	500,000	500,000	500,000
Telephone	500,000	500,000	500,000	500,000	500,000
Utilities	500,000	500,000	500,000	500,000	500,000
Depreciation	500,000	500,000	500,000	500,000	500,000
Other General & Administrative	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total General & Administrative Expenses	29,000,000	29,000,000	29,000,000	29,000,000	29,000,000
TOTAL EXPENSES	116,922,467	116,922,467	116,922,467	116,922,467	116,922,467



Summary/Recommendations

- Subsidies
- Recapitalization Costs/Reserve Needs
- Property Tax Allocation
- Functional Cost Allocation



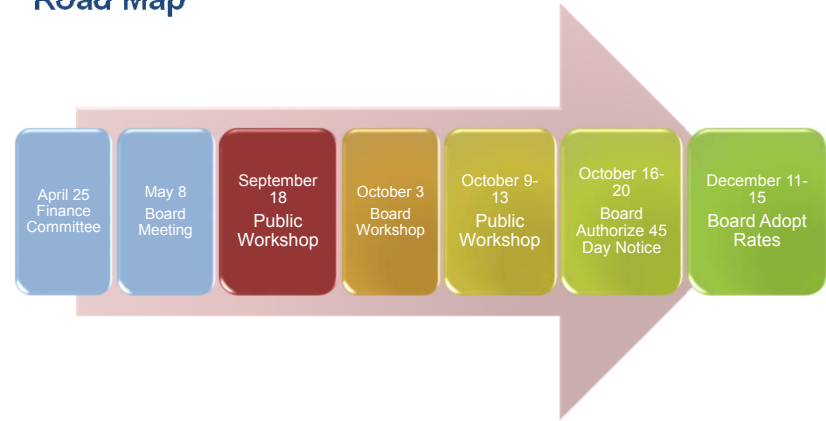
Tough decisions must be made



RATE STUDY WORKSHOP

Steven Palmer, General Manager
Darrell Creeks, Operations Manager
Georgetown Divide Public Utility District
September 18, 2017

Road Map



Overview

- I. Introduction
- II. Road Map
- III. Today's Objectives
- IV. District Overview
 - A. Infrastructure
 - B. Finances
- V. Rate Study
 - A. Background
 - B. Methodology

Workshop Objectives (Why are we here)

- Educate
 - District Infrastructure
 - District Finances
 - Rate Study Requirements
 - Rate Study Methodology
- Meaningful Input



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

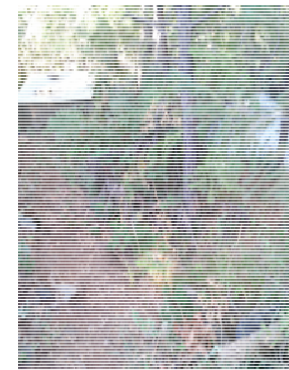
- Over 70 miles of canals & ditches
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Corporation yard & office building
- Replacement cost over \$150 million



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



Your Water System



Your Water System



Your Water System



Your Water System

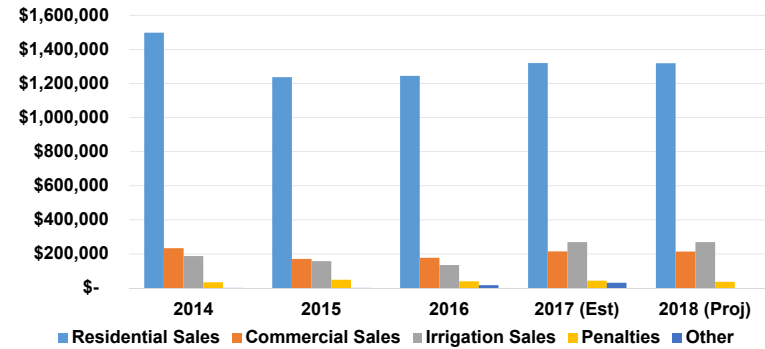


Your Water System



Finances - Revenue

Water Operating Revenue 2014-2018



Your Water System



Finance – Expenses - Capital

PROJECT	FY 17/18 BUDGET	5-YEAR ESTIMATED COSTS
ALT Water Treatment Plant	\$10,229,416	\$10,229,416
Reservoir & Stream Gauging	\$26,500	\$234,960
Office & Corp Yard Repairs	\$30,000	\$30,000
2017 Pavement Repair	\$75,000	\$75,000
Annual Tank Recoating	\$200,000	\$1,000,000
Meter Replacement	--	\$1,745,744
Annual Canal Lining	--	\$400,000
2016 Canal Lining	\$1,081,894	\$1,081,894
Repair Safety Walkways	\$30,000	\$30,000
2017 Manhole Sealing	\$10,000	\$10,000
Wastewater Lift Station Upgrade	--	\$120,000
Total	\$11,682,810	\$14,957,014

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
UNRESTRICTED RESERVE FUNDS				
8 - SMUD FUND	\$ 324,069	-	\$ 241,035	\$ 83,034
10 - GENERAL FUND	670,946	4,591,258	4,590,588	671,616
19 - STUMPY MEADOWS RESERVE	1,044,130	-	-	1,044,130
43 - CAPITAL RESERVE	749,047	-	597,500	151,547
30 - SMALL HYDRO FUND	603,069	-	-	603,069
24 - ALT WTP CAPITAL RESERVE	766,122	-	729,416	36,706
Total Unrestricted Reserve Funds \$ 3,486,437				\$ 2,590,102

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

Fund Summary

FUND	ESTIMATED BALANCE 6/30/2017	BUDGET REVENUE 2017-2018	BUDGET EXPENSES 2017-2018	PROJECTED BALANCE 6/30/2018
RESTRICTED FUNDS (4)				
9 - CABY GRANT	-	845,894	845,894	-
14 - STEWART MINE	24,458	14,200	14,200	24,458
25 - BAYNE ROAD & OTHER AD	34,267	3,000	37,267	-
17 - WATER DEVELOPMENT	402,053	-	-	402,053
53 - PILOT HILL NORTH	(7,480)	-	-	(7,480)
54 - PILOT HILL SOUTH	50,136	-	50,136	-
51 - KELSEY NORTH	103,102	9,480	33,535	79,047
52 - KELSEY SOUTH	190,533	2,580	180,000	13,113
29 - STATE REVOLVING FUND (5) (6)	57,087	10,176,475	10,176,475	57,087
35 - EPA GRANT	-	-	-	-
37 - GARDEN VALLEY WATER IMPROVEMENT DISTRICT	71,574	-	2,400	69,174
39 - CAPITAL FACILITY CHARGES	1,695,922	-	10,000	1,685,922
40 - ALT ZONE FUND (CAPITAL)	948,542	-	-	948,542
41 - ALT TANK REPLACEMENT LOANS & REPAIR	33,791	-	-	33,791
42 - ALT CDS RESERVE CONNECTION	213,840	-	-	213,840
Total Restricted Funds \$ 2,869,283				\$ 11,051,629
				\$ 11,349,907
				\$ 2,571,005

Board Resolution 2005 Unrestricted Reserve Fund Goals

Board Resolution (goal)	Current Reserve
\$6,076,304	\$2,552,608

\$3,523,696 Deficit

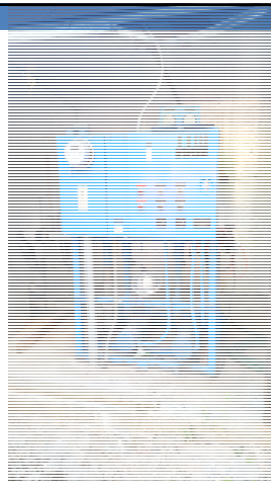
Rate Study Purpose Grand Jury Recommendations



- Initiate a voter approved rate increase
- Replace aging water meters and infrastructure
- Offer competitive salaries and attract qualified professional staff
- Review staffing levels and fill key positions with permanent staff
- Undertake a public information program to inform customers of impending rate changes

Rate Study Purpose

- Current Rate Structure (Treated and Irrigation)
- Adopted on September 9, 2008
- Last increase on July 1, 2011



WATER RATE STUDY

John Van den Bergh, Rural Development Specialist
Rural Community Assistance Corporation
Community & Environmental Services

Background

Rate Study Purpose

- Identify “true cost” to deliver water
- Determine funding needed over the next 5-10 years to operate and maintain the system
- Create adequate revenue to fund capital improvements
- Ensure costs are allocated equitably
- Establish appropriate rates for 5 years
- Meet legal requirements for treated water and irrigation water rates

Legal Requirements

Proposition 218

- Shall not exceed the funds required to provide the service
- Shall not be used for any other purpose
- Shall not exceed the proportional cost of service
 - No “free” water included in Base Rate
 - No “tiered” Usage Charges

Background

- Last review in 2008 - Last increase in 2011
- Stay solvent
- Required for grants and loans
 - Grants
 - Current Affordability: 1.25%
 - Disqualification for State and USDA Grants
 - Should be 1.50% to 4.00%
 - Loans Requirement
 - 1.2x debt coverage ratio required by loan covenants
 - Cannot maintain

Legal Requirements

Proposition 218 Implementation

- Must provide a Public Hearing Notice
 - Amount of rate
 - Basis of rate calculation
 - Reason for the rate
 - Date, time, location of public hearing
- One **written** protest per parcel (owner OR tenant, not both)
- Rate cannot be increased if >50% of property owners protest
- Affects all properties with water service available

Legal Requirements

San Juan Capistrano Case

- 2015 case that created strict standards on how tiered rates can be created
- Tiers need to "...correspond to the actual cost of providing service at a given level of usage..."
- In response, many agencies have eliminated tiered rates or revised their tiered rates

Treated vs Irrigation Water

Reasons for splitting

- Legal requirements
- Different assets
- Different cost structure
- Different rates

Split

- Assets
- Budget
- Reserves

Legal Requirements

Subsidies

- Subsidies between customer types are prohibited in rates
- Subsidies must be funded by:
 - Funds not related to rates (eg. property tax)
 - Voluntary donations by other customers

Treated Water Rate Study

Current Rate Structure

- Bi-monthly charge for consumption up to 2,000 cubic feet
 - Residential = \$ 47.14
 - Commercial = \$ 50.32
- Bi-monthly Supplemental Charge for treatment plant construction loan:
 - \$30.16

Treated Water Rate Study

Current Rate Structure

- Consumption exceeding 2,000 cubic feet during a billing period:

2,001 – 4,000 cf	\$0.0138 per cf
4,001 – 6,000 cf	\$0.0165 per cf
6,001 – 8,000 cf	\$0.0193 per cf
8,001+ cf	\$0.0221 per cf

Treated Water Rate Study

Operating Costs

- Recent budgets and projections
- \$2.7M per year excluding depreciation, and capital improvements – treated water only

Treated Water Rate Study

Methodology

- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Allocate costs into fixed and variable
- Distribute fixed costs by meter size
- Calculate usage rates based on variable costs

Treated Water Rate Study

Capital Needs

- Recapitalization Cost
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$124M
 - Assume amounts funded with grants, loans, and cash

37

Treated Water Rate Study

Capital Needs

- Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash

38

Irrigation Water Rate Study

Current Rates

- Bi-monthly in advance
- May 1 through September 1

0.5 miner's inch	\$94.00
1+ miner's inch	\$145.48 per miner's inch

39

Treated Water Rate Study

Functional Cost Allocation

- Expenses allocated to fixed and variable
- Base rate based on fixed expenses
- Usage rate based on variable expenses
- 91% fixed costs
- 9% variable

40

Irrigation Water Rate Study

Methodology

- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Distribute costs by service size/flow rate

Irrigation Water Rate Study

Capital Needs

- Recapitalization Cost
 - List all assets and infrastructure
 - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
 - Estimated future cost \$40M
 - Assume amounts funded with grants, loans, and cash

Finance Committee Recommendations

- Subsidies to low-income users
 - *Concerned about time and cost to administer*
- Recapitalization Costs/Reserve Needs
 - *Do not include costs less than \$5,000*
 - *<\$50,000 – 100% cash*
 - *\$50,000 to \$100,000 – 75% cash*
 - *\$100,000 to \$500,000 – 50% cash*
 - *>\$500,000 – 25% cash*

Irrigation Water Rate Study

Capital Needs

- Reserve Amounts
 - Based on cost of projects funded with cash
 - Minimum recommendation is 20% cash

Finance Committee Recommendations

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

Tough decisions must be made

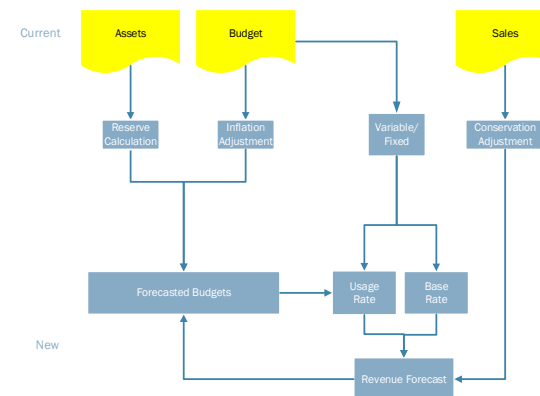


Guiding Principles of this Rate Study

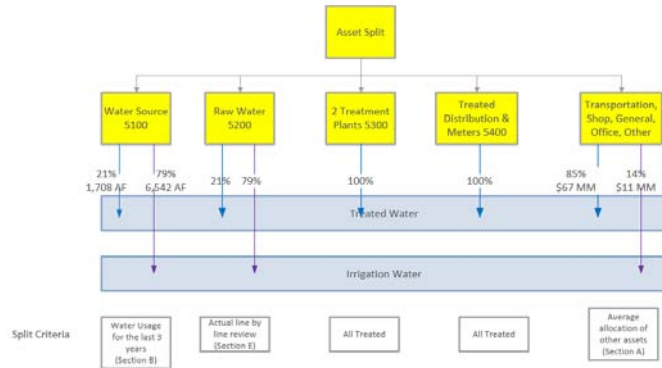
- Sustainable
- Fair
- Conservation
- Justifiable

Consequences of not raising rates enough

1. Reduction in reserves
2. Inability to pay bills
3. Inability to maintain system=fines
4. Extra pressure from state to consolidate with neighboring systems
5. Take-over by the state=Receivership



Asset Split



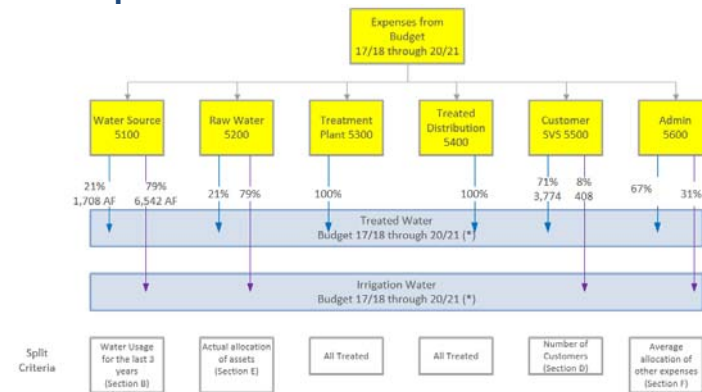
Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (I, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Request
OFFICE EQUIPMENT															
Computer Network	2001	\$3,254	H	\$3,254	5	16	\$4,688	-4	5		100%			\$0	\$0
Canon Copier	2002	\$4,736	H	\$4,736	5	15	\$6,454	-5	5	\$7,125	100%			\$1,195	\$1,174
Phone System (Equip&Software)	2002	\$4,744	H	\$4,744	3	15	\$6,385	-5	5	\$7,043	100%			\$1,154	\$1,81
Dell Server Roshare	2005	\$2,365	H	\$2,365	3	12	\$2,771	-5	5		100%			\$0	\$0
DELL Computers	2007	\$4,637	H	\$4,637	5	10	\$5,652	-5	5	\$6,245	100%			\$377	\$1,020
INFRASTRUCTURE															
Pressure Reducing Values	1997	\$2,405	H	\$93,276	40	30	\$98,960	5	10	\$205,961	50%	50%		\$36,022	\$9,231
Air Filter Values	1997	\$709	H	\$92,170	40	30	\$200,932	5	10	\$208,315	50%	50%		\$21,089	\$9,763
Isolation Values	1997	\$2,231	H	\$366,836	40	30	\$1,751,254	5	10	\$2,134,769	25%	75%		\$83,550	\$42,656
Other Values	1997	\$2,076	H	\$436,576	40	30	\$302,397	5	10	\$1,930,749	25%	75%		\$43,091	\$21,995
Fluvalants	1997	\$3,273	H	\$130,158	40	30	\$3,444,416	30	30	\$6,239,071	25%	75%		\$244,919	\$36,701
Pressure Reducing Values	2017	\$5,000	C	\$300,000	40	0	\$300,000	40	40	\$200,904	50%	50%		\$10,284	\$1,626
Subtotal Existing Capital Assets				\$95,484,111			\$79,203,093			\$124,327,989	28%	67%		\$5,942,935	\$1,995,633

Annual Reserve Requirement: \$1,995,633

Reserve Calculation (Treated Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (I, 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 Request
5300 - Lake Valon WTP															
Lake Valon Plant Replacement (E)	1992	\$12,728,309	C	\$7,691,448	50	25	\$12,728,309	25	25	\$20,880,124	25%	75%		\$87,318	\$152,158
Raw Water Bypass (E)	1974	\$500,000	C	\$209,749	40	43	\$500,000	-3	18	\$728,406	25%	75%		\$29,508	\$7,250
Lake Valon Outer Works (E)	1974	\$500,000	C	\$20,974	40	43	\$500,000	-3	18	\$72,841	100%			\$1,403	\$2,900
Lake Valon Dredging (E)	1974	\$500,000	C	\$301,732	40	28	\$500,000	15	22	\$772,890	25%	75%		\$30,253	\$6,522
5300 - JUBBERLAKE TRAIL PLANT															
ALT Water Treatment Plant (E)	2016	\$12,728,309	C	\$12,888,683	50	-1	\$12,728,309	51	51	\$34,946,199	25%	75%		\$1,967,714	\$105,338
5400 T.S. OPERATOR'S METER BENCHES															
Automated Meter Reading and Meter Replacement Project (E)	2016	\$1,745,800	C	\$1,781,428	20	-1	\$1,745,800	21	21	\$1,816,330	25%	75%		\$71,087	\$190,968

Split of Expenses



Budget (Treated Water)

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	2,251,341.22	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	8,418.81	8,840.80	9,282.84	9,746.90	9,942.92
Travel-Conference	7,759.10	8,147.05	8,554.41	8,982.13	9,181.77
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	20,484.03	21,308.23	22,383.84	23,712.87	24,187.08
Building Maintenance	6,675.63	7,005.41	7,355.85	7,727.88	7,882.44
Govt. Reg./Lab Fees	35,904.33	38,699.55	41,634.53	44,716.25	46,010.58
Outside Services/Consultants	57,996.31	60,896.12	63,940.93	67,137.98	68,480.73
	0.00	0.00	0.00	0.00	0.00
Total Operation and Maintenance Expenses:	2,496,621.52	2,607,680.43	2,716,622.91	2,826,800.44	2,883,136.45
GENERAL & ADMINISTRATIVE EXPENSES					
Retiree Health Premium	90,810.00	95,250.62	100,118.15	105,134.00	107,236.54
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	1,995,633.36	1,991,412.99	1,823,788.89	1,823,788.89	1,823,788.89
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	144,112.17	144,112.17	144,112.12
Legal, Audit, Insurance	125,567.54	131,845.92	138,438.21	145,560.12	148,267.33
Other General & Administrative	105,037.25	110,289.11	115,803.31	121,951.79	124,025.82
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	4,995,927.33	5,038,843.87	5,166,739.39	5,230,716.96

Reserve Calculation (Irrigation Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (L, 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	53	\$663,376	-13	0	\$730,427	25%	75%	\$10,034	\$33,733	
Pine Hill Ditch (Main)	1964	\$423,126	C	\$147,694	40	53	\$423,126	-13	0	\$473,790	50%	50%	\$13,930	\$43,643	
Pine Hill Ditch	1964	\$1,070,876	C	\$367,647	40	53	\$1,070,876	-13	0	\$1,182,334	25%	75%	\$17,456	\$54,455	
Kelley Ditch #1	1964	\$571,625	C	\$195,507	40	53	\$571,625	-13	0	\$631,100	25%	75%	\$9,338	\$29,088	
Kelley Ditch #2 Imp.	1964	\$1,112,505	C	\$361,336	40	53	\$1,112,505	-13	0	\$1,220,362	25%	75%	\$18,136	\$56,576	
Spanish Oro Diggins Ditch	1964	\$37,375	C	\$12,816	40	53	\$37,375	-13	0	\$41,288	100%	0%	\$2,437	\$7,602	
Tucker Pine Ditch	1964	\$38,543	C	\$12,532	40	53	\$38,543	-13	0	\$40,969	100%	0%	\$2,384	\$7,437	

Fixed - Variable Expense Split

OPERATIONS & MAINTENANCE EXPENSES	2017	% Fixed	\$ Fixed	\$ Variable
Personnel Related	\$1,999,518.21	100%	\$1,999,518	\$0
Materials and Supplies	\$147,315.56	50%	\$73,658	\$73,658
Rental/Durable	\$9,191.05	50%	\$4,596	\$4,596
Staff Development	\$8,418.81	100%	\$8,420	\$0
Travel-Conference	\$7,759.10	80%	\$6,207	\$1,552
Utilities	\$180,729.69	5%	\$9,036	\$171,693
Vehicle & Equipment Maintenance	\$2,627.81	50%	\$1,314	\$1,314
Vehicle Operations	\$20,484.03	50%	\$10,242	\$10,242
Building Maintenance	\$6,675.63	100%	\$6,676	\$0
Govt. Reg./Lab Fees	\$35,904.33	50%	\$17,952	\$17,952
Outside Services/Consultants	\$57,996.31	80%	\$46,397	\$11,599
0	\$0.00	0%	\$0	\$0
Total Operation and Maintenance Expenses	\$2,496,621.52		\$2,166,064	\$330,558
GENERAL & ADMINISTRATIVE EXPENSES				
Retiree Health Premium	\$90,810.00	50%	\$45,405	\$45,405
Debt Reserve	\$0.00	100%	\$0	\$0
Operating Reserve	\$0.00	100%	\$0	\$0
Emergency Reserve	\$0.00	100%	\$0	\$0
Existing Capital Replacement Program	\$1,995,633.36	100%	\$1,995,633	\$0
Funded Project Replacement Program	\$0.00	100%	\$0	\$0
Future Capital Improvement Program	\$0.00	100%	\$0	\$0
Debt Payments (Principle + Interest)	\$59,348.26	100%	\$59,348	\$0
Legal, Audit, Insurance	\$125,567.54	90%	\$113,011	\$12,557
Other General & Administrative	\$105,037.25	90%	\$94,534	\$10,504
Total General and Administrative Expenses	\$2,376,396.41		\$2,282,525.93	\$93,870.48
Total All Expenses	\$4,873,017.93		\$4,448,589.93	\$424,428.00
Fixed/Variable as % of all Expenses			90.88%	9.12%

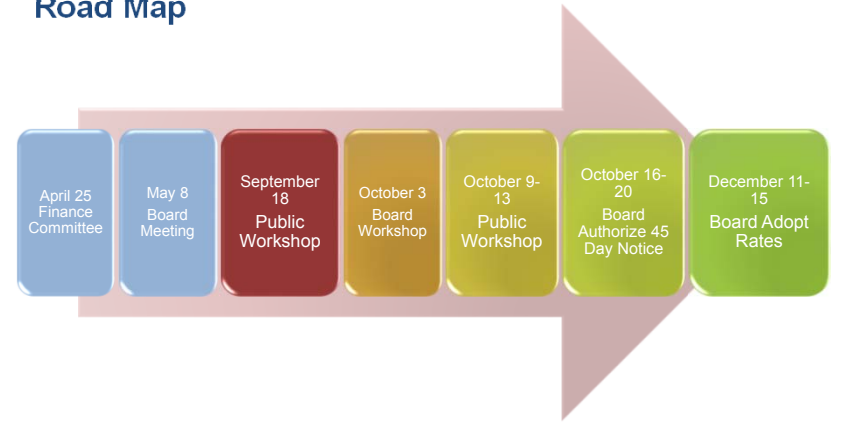
Budget (Irrigation Water)

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
OPERATIONS & MAINTENANCE EXPENSES					
Personnel Related	1,010,085.13	1,057,894.47	1,108,838.79	1,154,040.79	1,177,121.61
Materials and Supplies	28,784.44	30,223.66	31,734.85	33,321.59	33,588.02
Rental/Durable	15,808.95	16,599.40	17,429.57	18,300.84	18,666.86
Staff Development	3,232.67	3,394.11	3,564.02	3,742.22	3,817.07
Travel-Conference	2,708.41	2,843.83	2,986.02	3,135.12	3,198.03
Utilities	14,419.87	15,140.88	15,897.90	16,692.80	17,026.85
Vehicle & Equipment Maintenance	2,372.19	2,490.50	2,615.34	2,746.10	2,801.05
Vehicle Operations	15,032.97	15,766.77	16,555.11	17,382.87	17,730.53
Building Maintenance	2,669.15	2,802.61	2,942.74	3,089.88	3,151.68
Govt. Reg./Lab Fees	28,235.41	29,647.18	31,129.54	32,686.01	33,339.73
Outside Services/Consultants	46,167.03	48,475.50	50,899.15	53,444.11	54,512.99
0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Operation and Maintenance Expenses:	1,169,499.23	1,225,279.28	1,284,592.84	1,338,582.54	1,365,354.19
GENERAL & ADMINISTRATIVE EXPENSES					
Retiree Health Premium	42,704.00	44,842.00	47,084.00	49,438.00	50,426.76
Debt Reserve	0.00	0.00	0.00	0.00	0.00
Operating Reserve	8,011.25	8,011.25	8,011.25	8,011.25	8,011.25
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	369,747.83	364,974.01	364,974.01	364,974.01	364,974.01
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)	1,043.74	1,043.74	0.00	0.00	0.00
Legal, Audit, Insurance	58,056.40	60,939.22	64,007.13	67,207.04	68,551.09
Other General & Administrative	33,013.08	34,763.73	36,651.92	38,684.51	39,958.20
Total General and Administrative Expenses:	544,528.30	572,593.90	594,728.36	618,315.31	625,921.91
TOTAL EXPENSES	1,714,027.53	1,797,873.23	1,879,321.19	1,956,897.85	1,991,276.10

Summary/Recommendations

- Subsidies
- Recapitalization Costs/Reserve Needs
- Property Tax Allocation
- Functional Cost Allocation

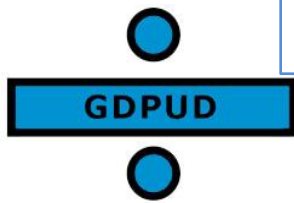
Road Map



Tough decisions must be made



Thank You



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.

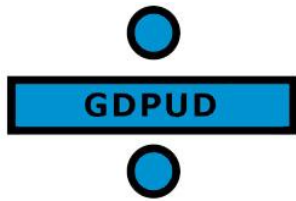
Community Feedback

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



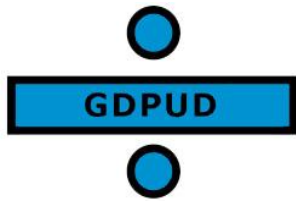
Responses to Question 1

- 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.

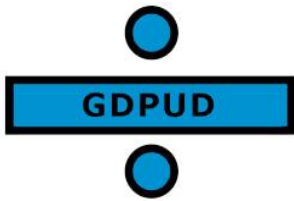
- a. *Option A (Finance Committee Recommendations to Review and Analyze)*
 - <\$50,000 - 100% cash
 - \$50,000 to 100,000 – 75% cash
 - \$100,000 to \$500,000 – 50% cash
 - \$500,000 – 25% cash
- b. *Option B (Pay as you go)*
 - \$50,000 – \$100,000 – 100% cash
 - \$100,000 to \$200,000 – 100% cash
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

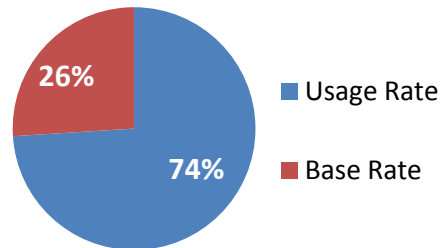
- At the present interest rate, borrowing is probably a good way to go, but should be reviewed each year.
- Option A
- Option A for repairs and maintenance to the water system.
- Option A makes the best sense for paying equipment.
- Option A.
- Option A. Put money aside now. Option B - Rates are high 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



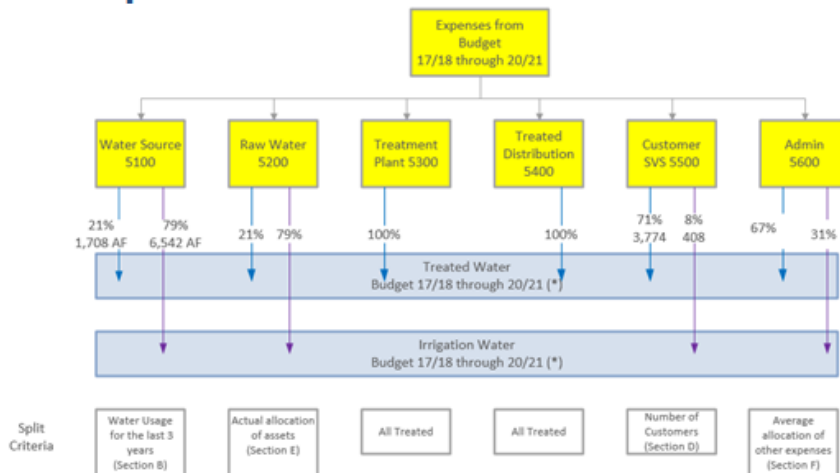
Responses to Question 3

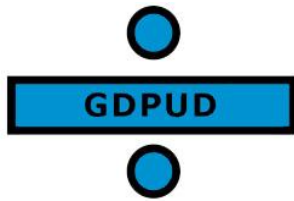
- How and why do we allocate overhead General and Administration?

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

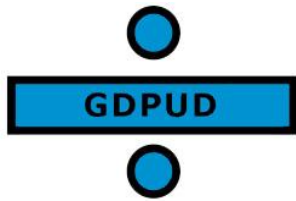
- Non-Operating Revenue/Property Tax Allocation
 - Fund reserves
 - Exclude wastewater
 - Based on weighted recapitalization cost
- Functional Cost Allocation
 - No comments

- 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.



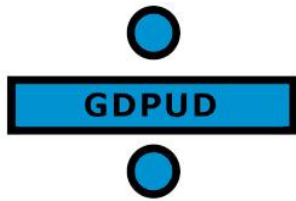
- Option A. Best guess without having any financial information to base a decision on.
- Option A. Cover your base rate cost.
- Option B
- Option B with subsidy for tax revenue. We need to have better reserves. It's cheaper to pay as we go! (As long as loans stay about 2.5% or lower option A will work, 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.

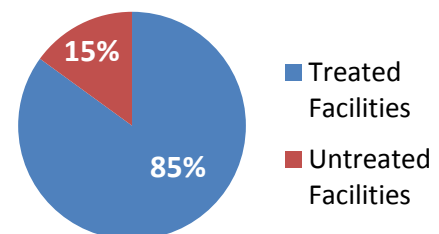


- Put into a low income plan. A volunteer program will not work by itself.
- Reserves for capital improvements as long as there is a clear board policy regarding reserves and the public has access to the capital improvements plan so that the board can be held accountable.
- Reserves for maintenance, 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.

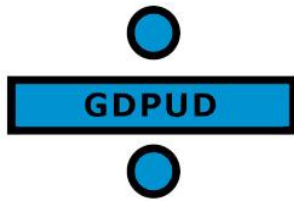
Should the District consider splitting the property tax revenue proportionate to the value of treated versus untreated facilities?

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?

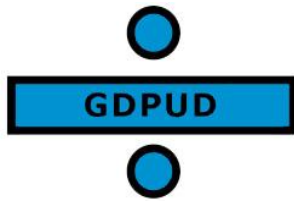
Responses to Question 6

- 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?

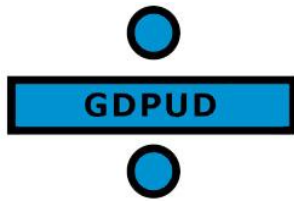
District Response:

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:

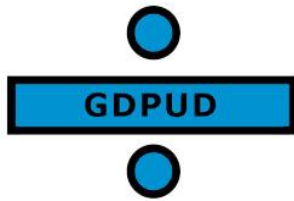
The total cost of the different financing amounts has not been calculated. In general terms, assuming more financing results in higher total cost in the long term and lower rates in the short term. The higher total cost is spread over 20-30 years, effectively shifting the cost burden of the project onto 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:

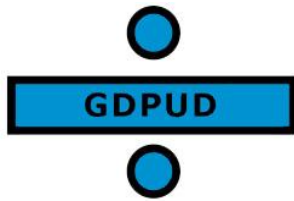
The District can allocate all the property tax revenue to maintenance and repair, or only a portion to maintenance and repair and use the remainder for operations.

- 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?

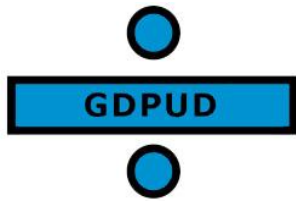
District Response:

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)



Georgetown Divide Public Utility District

Community Workshop #1

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

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.

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF OCTOBER 3, 2017
Agenda Item No. 4B**



AGENDA SECTION: NEW BUSINESS

SUBJECT: REVIEW AND PROVIDE DIRECTION ON DRAFT RESPONSE TO LETTER FROM EL DORADO COUNTY GRAND JURY

PREPARED BY: Steven Palmer, PE, General Manager

A handwritten signature in blue ink, appearing to be "S. Palmer", is written over the printed name of Steven Palmer.

BACKGROUND

The El Dorado County Grand Jury investigated actions by the Georgetown Divide Public Utility District (District) over the last six (6) years, and released a report of its findings titled "Positive Changes and Continuing Challenges, 2016-2017 El Dorado County Grand Jury Case No. GJ 2016-17-007," on May 17, 2017 (Report).

The Report requested a response from the Board of Directors as to all findings and recommendations. The Board reviewed and approved a response letter at its June 13, 2017 meeting, and that response was submitted to the Grand Jury in a letter dated, June 14, 2017 (Attachment 1).

The District recently received a letter dated September 14, 2017 from the Grand Jury, stating that the District's responses were not in compliance with California Penal Code Section 933.05 et seq. That letter is included as Attachment 2, and the Penal Code Section 933.05 is Attachment 3.

DISCUSSION

The September 14, 2017 letter from the Grand Jury specifically indicated that the Board's responses to findings F3, F5, F7, and F8 are not in compliance with Penal Code Section 933.05(a) because they qualify the responses. Findings F3, F5, F7, and F8 along with the Board responses are listed below:

F3. The District loses significant revenue due to outdated water meters.
The Board agrees that revenue is lost due to outdated water meters.

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.
The Board lacks sufficient information to form an opinion on this finding.

F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.
The Board agrees that the District needs to thoroughly evaluate revenue sources, including those other than connection fees and rates. However, the rates are the primary mechanism by which the District funds operations and capital improvements.

F8. The Jury found no evidence that either the District Board or staff is "preparing the ground" with their customers for what may be steep increases in their bills.

The Board agrees that at the time the Grand Jury investigation was performed, minimal work had been done on a new rate study. Since that time, the District has accomplished the following related to a new rate study:

- *Retained Rural Community Assistance Corporation (“RCAC”) to perform a rate study.*
- *Held two public meetings of the District Finance Committee meeting to review the methodology and policy questions for the rate study.*
- *Held one public Board meeting to review the methodology and policy questions for the rate study.*
- *Additional public meetings will be held to educate the public before any Proposition 218 hearing.*

The September 14, 2017 letter from the Grand Jury also states that the Board responses to the Grand Jury report recommendations are not in compliance with the penal code because they do not include timeframes. The letter specifically identifies that the Board response does not comply with Penal Code Section 933.05(b)(2) and 933.05(b)(3).

District legal counsel has reviewed the letter from the Grand Jury and prepared a draft letter response for review and approval by the Board, Attachment 4.

ANALYSIS

The draft letter response included in Attachment 4 was prepared by District legal counsel for Board review and comment, approval, and signature by the Board President. As required by Penal Code Section 933.05, the draft letter clarifies the District responses and includes the required timelines.

FISCAL IMPACT

There is no fiscal impact associated with approving the letter response.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors provide Staff with direction in preparing the final response to the El Dorado County Grand Jury Report.

ATTACHMENTS

1. June 14, 2017 Letter from Board to Grand Jury
2. September 14, 2017 Letter from Grand Jury to Board of Directors
3. California Penal Code
4. Draft Clarifying Letter from Board to Grand Jury

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF MAY 8, 2017
Agenda Item No. 6A**



AGENDA SECTION: NEW BUSINESS

**SUBJECT: REVIEW AND PROVIDE DIRECTION ON TREATED AND
UNTREATED WATER RATE STUDY**

PREPARED BY: Steven Palmer, PE, General Manager



BACKGROUND

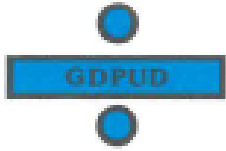
Current treated water and untreated water rates were last reviewed and updated in 2008. That 2008 review and update included a 5-year phase in period and rates increased between 2008 to 2011. Rates have remained unchanged since July 1, 2011. It is considered best practices to evaluate water rates every three to five years.

At the September 27, 2016 Board Meeting, the District initiated the process to enlist Rural Community Assistance Corporation (RCAC) to perform a water rate study. RCAC receives funding from the State to help communities like the District to stay in compliance with regulations. The purpose of the work by RCAC and the study is to determine the level of revenue required to adequately fund the treated and untreated water systems while providing customers with safe and reliable water that meets State and Federal requirements. The Study will provide an explanation and justification of the calculated treated and untreated water rates for five years, and documents compliance with laws and regulations.

In California, the primary legal requirement for "property related" fee increases is compliance with what is commonly known as Proposition 218. Proposition 218 was approved by California voters in November 1996. This ballot measure added Articles XIII C and D to the California Constitution and requires the following when a local government agency increases fees:

- Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments.
- No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

More recently, a legal case, Capistrano Tax Payers Association v. City of San Juan Capistrano California, was resolved which resulted in additional, strict guidance regarding how water rates can be



June 14, 2017

El Dorado County Grand Jury
PO Box 472
Placerville, California 95667

RE: 2016-2017 El Dorado County Grand Jury Case No. GJ 2016-17-007

Dear El Dorado County Grand Jury,

On May 17, 2017, the El Dorado County Grand Jury (“Grand Jury”) released a report summarizing its review of actions by the Georgetown Divide Public Utility District (“GDPUD” or the “District”) over the last six years. The report titled “Positive Changes and Continuing Challenges” listed eight (8) findings and provided five (5) recommendations on how GDPUD can conquer the challenges of aging infrastructure, inadequate revenues, over-worked staff, and a lack of leadership.

As required by California Penal Code Section 933, the GDPUD Board of Directors (“Board”) hereby submits its response to the findings and recommendations of the Grand Jury Report.

Below are the eight (8) findings from the Grand Jury Report, along with the Board response to each in italics:

F1. The District water rates are insufficient to support current operations and infrastructure and maintenance.

The Board agrees with this finding.

F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.

The Board agrees with this finding.

F3. The District loses significant revenue due to outdated water meters.

The Board agrees that revenue is lost due to outdated water meters.

F4. The District also loses water and revenue due to leaks in the aging infrastructure.

The Board agrees with this finding.

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.

The Board lacks sufficient information to form an opinion on this finding.

F6. The current staffing levels are insufficient, which impairs the District’s ability to operate efficiently.

The Board agrees with this finding.

F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.

The Board agrees that the District needs to thoroughly evaluate revenue sources, including those other than connection fees and rates. However, the rates are the primary mechanism by which the District funds operations and capital improvements.

F8. The Jury found no evidence that either the District Board or staff is “preparing the ground” with their customers for what may be steep increases in their bills.

The Board agrees that at the time the Grand Jury investigation was performed, minimal work had been done on a new rate study. Since that time, the District has accomplished the following related to a new rate study:

- *Retained Rural Community Assistance Corporation (“RCAC”) to perform a rate study.*
- *Held two public meetings of the District Finance Committee meeting to review the methodology and policy questions for the rate study.*
- *Held one public Board meeting to review the methodology and policy questions for the rate study.*
- *Additional public meetings will be held to educate the public before any Proposition 218 hearing.*

The five (5) recommendations from the Grand Jury Report are listed below with the Board responses in italics.

R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.

The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing.

R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.

The Board is implementing this recommendation. The District has received construction bids to replace all water meters and upgrade from paper meter reading to electronic meter reading, however the District does not have sufficient reserves or revenue to be able to borrow funds to complete this project. Rates must be increased to fund or finance any infrastructure improvements.

R3. The District must offer competitive salaries to attract qualified professional staff.

This recommendation requires further analysis. The Board does not have enough information at this time to make a determination of the appropriateness of current salaries. The District has limited reserves and revenue to fund personnel costs. To ensure sustainability of the District, rates must be increased to fund any additional personnel costs, including costs associated with a determination of competitive salaries.

R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.

The Board agrees with this recommendation. However, the District has limited reserves and revenue to fund additional staff beyond the current level of staffing. To ensure sustainability of the District, rates must be increased to fund any additional personnel costs.

R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.

The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing.

The current Board has made long term sustainability a key goal for the District. The Board appreciates the findings and recommendations of the Grand Jury, and makes it a priority of the Board to address the findings and incorporate the recommendations into the current Board's goals.

Sincerely,

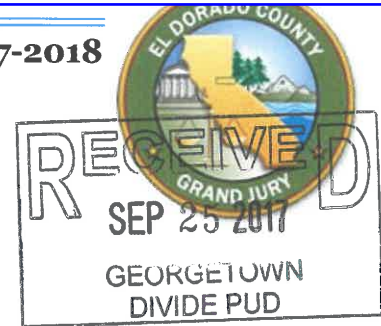
Londres Uso
President

STATE OF CALIFORNIA

GRAND JURY
El Dorado County

P.O. Box 472
Placerville, California 95667
(530) 621-7477 Fax: (530) 295-0763
Grand.jury@edcgov.us

2017-2018



September 14, 2017

Londres Uso, President, Board of Directors
Steven Palmer P.E., General Manager
Georgetown Divide Public Utility District
P.O. Box 4240
Georgetown, CA 95634

RE: 2016-2017 Grand Jury Case no. GJ 2016-17-007 Responses

Gentlemen:

We received your responses to the Grand Jury report GJ-2016-17-007. The responses are not in compliance with California Penal Code Section 933.05 et seq. Specifically:

- 1) Your responses to findings F3, F5, F7, and F8 are not in compliance with Penal Code Section 933.05 § (a) in that they qualify the responses. If the respondents do not totally agree with the finding the responding agency or individual should respond with disagrees wholly or partially, and provide an explanation.
- 2) Your responses to our report's recommendations do not include timeframes. California Penal Code § 933.05(b)(2) requires that you provide a timeframe for implementation. California Penal Code § 933.05(b)(3) necessitates the inclusion of your analysis to be prepared, not to exceed six months.

Attached is an excerpt of the Code section for your reference with the specific sections highlighted with emphasis added as underlined.

Please provide your response within 60 days for the individual and 90 days for the governing board to:

Honorable Suzanne N. Kingsbury
Presiding Judge of the El Dorado County Superior Court
1354 Johnson Blvd
South Lake Tahoe, CA 96150

Regards,

Tom Simpson, Foreman
El Dorado County 2017-2018 Grand Jury

cc: Judge Kingsbury
Attachment (1)

Attachment:

933.05.

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decisionmaking authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report. (CAL PENAL CODE § 933.05 et seq)



PENAL CODE - PEN

PART 2. OF CRIMINAL PROCEDURE [681 - 1620] (*Part 2 enacted 1872.)*

TITLE 4. GRAND JURY PROCEEDINGS [888 - 939.91] (*Title 4 repealed and added by Stats. 1959, Ch. 501.)*

CHAPTER 3. Powers and Duties of Grand Jury [914 - 939.91] (*Chapter 3 added by Stats. 1959, Ch. 501.)*

ARTICLE 2. Investigation of County, City, and District Affairs [925 - 933.6] (*Heading of Article 2 amended by Stats. 1973, Ch. 1036.)*

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

933.05.

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decisionmaking authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

(*Amended by Stats. 1997, Ch. 443, Sec. 5. Effective January 1, 1998.*)



October 3, 2017

El Dorado County Grand Jury
PO Box 472
Placerville, California 95667

RE: 2016-2017 El Dorado County Grand Jury Case No. GJ 2016-17-007

Dear El Dorado County Grand Jury,

On May 17, 2017, the El Dorado County Grand Jury ("Grand Jury") released a report summarizing its review of actions by the Georgetown Divide Public Utility District ("GDPUD" or the "District") over the last six years. The report titled "Positive Changes and Continuing Challenges" listed eight (8) findings and provided five (5) recommendations on how GDPUD can conquer the challenges of aging infrastructure, inadequate revenues, over-worked staff, and a lack of leadership.

As required by California Penal Code Section 933, the GDPUD Board of Directors ("Board") submitted its response to the findings and recommendations of the Grand Jury Report in a letter dated June 14, 2017. The District recently received a letter dated September 14, 2017 from the Grand Jury, stating that the District's response was not in compliance with California Penal Code Section 933.05 et seq. The District is submitting this revised letter to more clearly demonstrate compliance with California Penal Code Section 933.05 et seq.

Below are the eight (8) findings from the Grand Jury Report, along with the Board's revised responses to each in italics:

F1. The District water rates are insufficient to support current operations and infrastructure and maintenance.

The Board agrees with this finding.

F2. Total revenues are not adequate to support operations and fund needed capital improvement reserves.

The Board agrees with this finding.

F3. The District loses significant revenue due to outdated water meters.

The Board partially disagrees with this finding that "significant" revenue is lost due to outdated water meters. The Board agrees that revenue is lost due to outdated water meters. The exact amount of revenue lost is difficult to estimate. A July 2014 report prepared by MC Engineering, Inc. estimated that the lost revenue associated with residential meters is about \$31,500 and will increase by 0.25% per year. This is 1.7% of the District's estimated Fiscal Year 2017/2018 annual revenue from water sales of \$1,839,000. However, the value of this study is limited as it relied on data from available

literature and the age of the residential water meters. The study did not test any residential meters.

F4. The District also loses water and revenue due to leaks in the aging infrastructure.
The Board agrees with this finding.

F5. Employee compensation is too low for an agency this size, making recruitment and retention difficult.
The Board partially disagrees with this finding. A salary and compensation survey has not been completed recently. The District has recently had success recruiting and retaining employees, though it has struggled with recruitment and retention in the past.

F6. The current staffing levels are insufficient, which impairs the District's ability to operate efficiently.

The Board agrees with this finding.

F7. The District cannot depend on new hookups and ratepayers to supplement revenues as population growth has slowed on the Divide, necessitating the need for the District to look internally for revenue.

The Board partially disagrees with this finding. The Board acknowledges that the District needs to thoroughly evaluate revenue sources, including those other than connection fees and rates. However, the rates are the primary mechanism by which the District funds operations and capital improvements.

F8. The Jury found no evidence that either the District Board or staff is "preparing the ground" with their customers for what may be steep increases in their bills.

The Board partially disagrees with this finding that the District Board or staff is not "preparing the ground" for potential rate increases. The Board acknowledges that at the time the Grand Jury investigation was performed, minimal work had been done on a new rate study. Since that time, the District has accomplished the following related to a new rate study:

- *Retained Rural Community Assistance Corporation ("RCAC") to perform a rate study.*
- *Held two public meetings of the District Finance Committee meeting to review the methodology and policy questions for the rate study.*
- *Held one public Board meeting to review the methodology and policy questions for the rate study*
- *The General Manager and one Board member attended and made presentations regarding the water rate update at the September 5, 2017 meeting of the Georgetown Chamber of Commerce, and at the September 12, 2017 meeting of the Georgetown Rotary.*
- *The Operations Manager and one Board member attended and made a presentation regarding the water rate update at the September 5, 2017 meeting of the El Dorado County Rural Community Coalition.*
- *Held the first of two public workshops regarding updating the water rates on September 18, 2017 at the Georgetown Elementary School. This workshop focused on educating and informing customers on the state of District facilities and financial needs; and gathering meaningful input that will shape rate calculation. The meeting*

was advertised via billing inserts, customer email database, Facebook, and District website.

- *The second public workshop will be held on October 12, 2017 at the Cool Community Hall. The second workshop will involve a discussion of the feedback from the last meeting, and presentation of rate calculations for a few different scenarios.*
- *Two more Board meetings are planned before the Proposition 218 hearing.*

The five (5) recommendations from the Grand Jury Report are listed below with the Board responses in italics.

R1. Once the water rate study is submitted to the Board, the District must initiate a voter-approved rate increase process as soon as possible.

The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Informational meetings have been held with the Georgetown Chamber of Commerce, El Dorado County Rural Community Coalition, and Georgetown Rotary. The first of two public workshops was held on September 18, 2017, and additional public meetings will be held to educate the public before any Proposition 218 hearing. The tentative timeline for the water rate study adoption and Proposition 218 process is:

- *September and October 2017: Engage in public outreach and hold informational meetings regarding the rate study.*
- *October 2017: Rate study issued and 45-day public notice issued for Proposition 218 Public Hearing*
- *December 2017: Public Hearing for Proposition 218 held and Board action on new rates*

R2. Along with replacing the aging water meters, the District must upgrade their aging infrastructure and prioritize maintenance and capital improvement projects.

The Board is implementing this recommendation. The District has received construction bids to replace all water meters and upgrade from paper meter reading to electronic meter reading, however the District does not have sufficient reserves or revenue to be able to borrow funds to complete this project. Rates must be increased to fund or finance any infrastructure improvements. This infrastructure improvement is currently planned for fiscal year 2018-2019, provided rates are increased to cover the cost of such improvements.

R3. The District must offer competitive salaries to attract qualified professional staff.

This recommendation has not yet been implemented, but will be implemented in the future. The District has limited reserves and revenue to fund personnel costs, including costs related to determining appropriate salaries to attract qualified professional staff. Following the proposed Proposition 218 process currently scheduled to be completed in December 2018, the District will turn to the process of determining the appropriateness of current salaries for several positions at the District as part of its budgeting process for fiscal year 2018-2019.

R4. The District must review staffing levels and fill key positions with permanent staff to ensure continuity of operations.

The Board has implemented a portion of this recommendation but it will not be fully implemented at this time because the cost of this recommendation is currently unreasonable. The General Manager reviewed the staffing levels and presented the

Board with a recommended organizational chart with the Draft Fiscal Year 2017/2018 budget. Due to limited reserves and revenue, that organizational chart was not adopted and an organizational chart with reduced staffing levels and reduced budget was adopted instead. The Approved Fiscal Year 2017/2018 Budget includes one new professional position, Water Resources Manager, and one reclassified position, Management Analyst. The recruitment to fill these positions is currently underway. The District does not have sufficient reserves and revenue to fund additional staff beyond that newly approved level of staffing. Should the District be able to increase rates, staffing levels may be increased in the future.

R5. The District must undertake a public information program to inform its customers of impending changes in their water rates and consumption recording.
The Board is implementing this recommendation. A water rate study is underway, and the methodology has been presented in public meetings to the Finance Committee and the Board. Additional public meetings will be held to educate the public before any Proposition 218 hearing. As discussed above, public outreach activities began in September 2017 and will continue to take place through December 2017. If the rates are successfully adopted, public outreach will continue through the implementation of the new rates in 2018.

The current Board has made long term sustainability a key goal for the District. The Board appreciates the findings and recommendations of the Grand Jury, and makes it a priority of the Board to address the findings and incorporate the recommendations into the current Board's goals.

Sincerely,

Londres Uso
President

**REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF October 03, 2017
AGENDA ITEM NO. 4C**



AGENDA SECTION: NEW BUSINESS

SUBJECT: APPROVAL OF PROFESSIONAL SERVICES AGREEMENT WITH BLUE RIBBON PERSONNEL SERVICES

PREPARED BY: Gloria Omania, Board Assistant

APPROVED BY: Steven Palmer, PE, General Manager

A blue ink handwritten signature, likely of Steven Palmer, is written over the name.

BACKGROUND

The District has utilized the services of Blue Ribbon Personnel Services to recruit qualified employees to fill temporary job assignments for the District since April 29, 2005. The District uses temporary field labor to accommodate increased workload during irrigation season; and temporary administrative staff to accommodate increased workload during billing cycles and to provide coverage during vacations.

Attachment 1 of this staff report is the most recent contract with Blue Ribbon Personnel Services.

DISCUSSION

The District continues to require these temporary personnel services. Staff and legal counsel have found that the current agreement is not in the District standard template, and does not address issues such as sick and vacation time. Accordingly, District Staff requested and MJ Enterprises, Inc., a California corporation doing business as Blue Ribbon Personnel Services, provided a revised Scope of Services and Rate Schedule that is acceptable to the District.

The proposed Professional Services Agreement is included with this report as **Attachment 2**.

FISCAL IMPACT

The adopted FY 2017-18 Budget includes funds for temporary labor in the amount of \$37,600. A budget adjustment is not required at this time.

CEQA ASSESSMENT

This is not a CEQA Project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) adopt Resolution 2017-21 authorizing the General Manager to execute a Professional Services Agreement with MJ Enterprises for temporary personnel services.

ALTERNATIVES

(a) Request substantive changes to the Resolution for staff to implement; (b) Reject the Resolution.

ATTACHMENTS

1. Current contract with MJ Enterprises
2. Professional Services Agreement
3. Resolution 2017-21



GDPUD Board Meeting of 10/3/2017
AGENDA ITEM NO. 4C
Attachment 1

Georgetown PUD
6425 Main Street
Georgetown, CA 95634

Welcome and thank you for choosing Blue Ribbon Personnel Services as your staffing resource. The following agreements below and on the back of our time card (enclosed) set forth the terms that will constitute our contract with you. Please return a signed copy of this Agreement to us in the enclosed self-addressed envelope. Feel free to call with any questions you may have.

IT IS AGREED THAT:

You have engaged us to supply qualified employees to fill job assignments for your company.

All MJT Enterprises, Inc., dba Blue Ribbon Personnel Services (BLUE RIBBON) employees supplied to Georgetown PUD (CLIENT) will be employed solely by Blue Ribbon Personnel Services. Blue Ribbon Personnel will comply with all applicable State and Federal laws and assumes full responsibility for paying its employees, withholding and transmitting payroll taxes, making unemployment contributions, and responding to claims for unemployment and workers' compensation proceedings involving employees. Blue Ribbon employees shall not be treated as employees of CLIENT for purposes of holidays, vacations, disability insurance, pensions or other employee benefits offered or provided by CLIENT unless otherwise directed by local, state or federal law. CLIENT agrees to notify Blue Ribbon staff of issues related to any Blue Ribbon employee's job performance, e.g., dismissal, discipline for cause, recognition for merit.

When making a staffing request, CLIENT assumes full responsibility for determining whether the position requested is entitled to the payment of prevailing wages pursuant to California law and or any applicable federal prevailing wage laws, and for determining the appropriate class of prevailing wages to be paid.

CLIENT and Blue Ribbon Personnel Services shall not discriminate against any individual with respect to hiring, compensation, terms or conditions of employment, because of race, color, religion, sex, age, national origin, or disability, or other recognized protected class nor will CLIENT and Blue Ribbon limit, segregate or classify employees in any way to deprive any individual in these protected classes of employment opportunities or engage in other discriminatory acts. The CLIENT acknowledges that it has a written policy of maintaining a workplace free of harassment of individuals CLIENT and Blue Ribbon Personnel Services agree to cooperate fully and to allow the investigation of any complaints, claims, actions, or proceedings, which may involve or be related to Blue Ribbon Personnel Services or its employees.

CLIENT will supply a safe and suitable workplace for Blue Ribbon Personnel Services' employees, and shall be solely responsible for complying with applicable federal and state occupational safety and health laws and regulations, including training, supplying protective equipment and providing information, warnings and safety instructions. CLIENT will notify Blue Ribbon immediately of any safety infractions, as well as notify Blue Ribbon immediately of any injuries.

Blue Ribbon will indemnify and hold CLIENT harmless from and against any claims, demands, suits, losses, damages, costs and expenses arising out of any non-compliance or violation or alleged non-compliance or violation by Blue Ribbon of any such laws. CLIENT will indemnify and hold Blue Ribbon harmless from and against any claims, demands, suits, losses, damages, costs and expenses arising out of any non-compliance or violation or alleged non-compliance or violation by CLIENT of any such laws. CLIENT will indemnify and hold Blue Ribbon harmless from and against any claims, assessments, determinations, demands, suits, losses, costs and expenses arising out of CLIENT's failure to inform Blue Ribbon that a requested position qualifies for prevailing wage rates under California or any federal prevailing wage laws.

In the event a Blue Ribbon provides career placement candidates the fees will be billed in accordance with our standard fees. Client agrees that Blue Ribbon Personnel Services is the representative of any candidate submitted to Client by Blue Ribbon and the resumes submitted are **confidential and for Client use only**. Accordingly, CLIENT agrees that if any candidate submitted to CLIENT by Blue Ribbon Personnel Services is hired by Client, directly or indirectly, without Blue Ribbon's involvement, within 180 days of receipt

PROFESSIONAL SERVICES AGREEMENT

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is made and entered into this 3rd day of October, 2017, (the “Effective Date”) by and between the Georgetown Divide Public Utilities District, a California Public Utilities District (“District”), and MJT Enterprises, Inc., a California corporation, doing business as Blue Ribbon Personnel Services (the “Agency”). District and Agency may be referred to individually as a “Party” and collectively as the “Parties”. There are no other parties to this Agreement.

RECITALS

A. District has determined that personnel services are required to identify qualified employees to fill temporary job assignments for the District.

B. Agency has submitted a proposal to provide temporary employees to District that includes a Scope of Services, attached hereto and described more fully in **Exhibit A** (the “Services”).

C. Agency represents that it is qualified, willing, and able to provide the Services to District according to the mark-up rate schedule (“Mark-up Rate Schedule”), included and attached hereto as **Exhibit B**.

NOW, THEREFORE, in consideration of the promises and covenants set forth below, the Parties agree as follows:

AGREEMENT

1. Recitals. The recitals set forth above (“Recitals”) are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Sections 1 through 16 of this Agreement, Section 1 through 16 shall prevail.

2. Services. Agency agrees to perform the Services for District under the terms and conditions described in **Exhibit A**.

3. Compensation. District shall pay Agency according to the Mark-up Rate Schedule set forth in **Exhibit B** as full remuneration for the performance of the Services. On a weekly basis, Agency shall provide District, in reasonable and understandable detail, an invoice of the Services rendered in the previous billing period. Payment is due upon receipt of invoice. District shall pay such invoice within thirty (30) days of its receipt. If District disputes any portion of any invoice, District shall pay the undisputed portion within the time stated above, and at the same time advise Agency in writing of the disputed portion. The balance due on any invoice that is more than thirty (30) days past due shall bear interest at the rate of 18% per annum.

4. Term. This Agreement shall become effective on the Effective Date and will continue in effect until October 3, 2018 (the “Term”).

5. Termination. District may terminate this Agreement at any time without cause or reason (“Termination”), by notifying Agency in writing of District’s desire to terminate this Agreement (the “Termination Notice”). Upon receipt of a Termination Notice, Agency shall immediately cease performing the Services. Agency will be entitled to compensation, as of the date Agency receives the Termination Notice, only for Services actually performed.

6. Duties of Agency. Agency shall perform all of the following:

A. Reasonably recruit, screen, interview, hire, and assign its employees (“Assigned Employees”) to perform the work requested by District, under District’s supervision at the location specified by District.

B. Pay all of Assigned Employees’ wages and provide them with any applicable benefits, as required by local, state, or federal law, including, but not limited to, access to low cost group Medical, Dental, Vision and Life benefit plans, holiday and vacation bonuses for qualifying temporary employees, and sick leave accrual after 30 or more days of employment at no cost to District.

C. Pay, withhold, and transmit payroll taxes for Assigned Employees and provide unemployment insurance and workers’ compensation benefits to Assigned Employees.

D. Comply with federal, state, and local labor and employment laws applicable to Assigned Employees, including but not limited to federal, state, and county safety and health regulations. Agency shall perform all work according to generally accepted standards within the industry. Agency shall comply with all ordinances, laws, orders, rules, and regulations, including the administrative policies and guidelines of District.

7. Duties of District. In order to allow Agency to render the Services contemplated by this Agreement, District shall do all of the following:

A. Furnish to Agency a written job order with a sufficient job description and established hourly rate for the position requested from Agency. When District makes a staffing request, District assumes full responsibility for determining whether the position requested is entitled to the payment of prevailing wages pursuant to California law and or any applicable federal prevailing wage laws, and for determining the appropriate class of prevailing wages to be paid.

B. Properly supervise, control, and safeguard its premises, processes, and systems. District shall not allow Assigned Employees to (i) operate any vehicle or machinery; (ii) be entrusted with any unattended cash, negotiable instruments, or other valuables; or (iii) perform work other than the Services specified for that assignment. District shall maintain a written workplace harassment policy applicable to Assigned Employees.

C. Provide a safe and suitable workplace for Assigned Employees. District shall be solely responsible for complying with applicable federal and state occupational safety and health laws and regulations, including training, supplying protective equipment and providing information, warnings and safety instructions, and ensuring meal and rest periods are taken. District shall notify Agency immediately of any safety infractions or injuries.

D. Notify Agency of issues relating to job performance of Assigned Employees. For purposes of this Agreement, job performance includes Assigned Employees' dismissal, discipline for cause, or recognition for merit. District shall direct any evaluations of Assigned Employees to Agency rather than to Assigned Employees.

8. Employees of Agency. All Assigned Employees shall be employed solely by Agency. Assigned Employees shall not be treated as employees of District for purposes of sick leave, holidays, vacations, disability insurance, pensions, or other employee benefits offered or provided by District, unless otherwise required by local, state, or federal law.

9. District Hiring of Assigned Employees. If District hires, without Agency's involvement, any Assigned Employee provided by Agency directly or indirectly to District within one hundred and eighty (180) days of receipt of that Assigned Employee's resume, District shall pay Agency an amount equal to thirty percent (30%) of that Assigned Employee's annual salary.

10. Indemnification. To the extent permitted by law, Agency hereby agrees to indemnify, defend, and hold harmless District, its agents, officers, employees and volunteers (collectively, "District's Agents"), against all liability, obligations, claims, demands, losses, costs, and expenses caused or created by Agency or its agents negligence or willful misconduct related to acts or omissions of Agency in connection with the Services, or arising out of injuries suffered or allegedly suffered by Assigned Employees in the course of their employment by Agency or upon premises owned or controlled by District. Agency's obligation to indemnify, defend, and hold District and District's Agents harmless shall survive the expiration of the Term.

To the extent permitted by law, District hereby agrees to indemnify, defend, and hold harmless Agency, its agents, officers, employees and volunteers (collectively, "Agency's Agents"), against all liability, obligations, claims, demands, losses, costs, and expenses caused or created by District or District's Agents negligence or willful misconduct related to acts or omissions of District in connection with the Services, or arising out of injuries suffered or allegedly suffered by Assigned Employees upon premises owned or controlled by District. District's obligation to indemnify, defend, and hold Agency and Agency's Agents harmless shall survive the expiration of the Term.

11. Independent Contractor; Subcontracting. Agency and Assigned Employees shall represent and conduct themselves as independent contractors and not as employees of District. Agency has no authority to bind or incur any obligation on behalf of District. Except as District may specify in writing, Agency shall have no authority, express or implied, to act on behalf of District in any capacity. Agency is prohibited from subcontracting this Agreement in whole or in part unless such subcontracting is expressly approved by District in writing.

12. Confidential Information. A Party may receive information that is proprietary or confidential to the other Party or its affiliated companies and their clients. The Parties agree not to disclose such information to third parties or to use such information for any purpose whatsoever other than performance under this Agreement or as required by law. District agrees that the resumes submitted by Agency to District are confidential.

13. Workers' Compensation Insurance. Agency shall carry workers' compensation insurance as required by the State of California under the Labor Code. Agency shall also carry employer's liability insurance in the amount of One Million Dollars (\$1,000,000.00) per accident, with a One Million Dollar (\$1,000,000.00) policy limit for bodily injury by disease, and a One Million Dollar (\$1,000,000.00) limit for each employee's bodily injury by disease.

14. Costs and Attorney's Fees. In the event that either Party brings an action under this Agreement for the breach or enforcement hereof, or must incur any collection expenses for any amounts due hereunder the prevailing Party in such action shall be entitled to its costs including reasonable attorney's fees, whether or not such action is prosecuted to judgment.

15. Notices. Any notice or communication required hereunder between District or Agency must be in writing, and may be given either personally, by registered or certified mail (return receipt requested), or by Federal Express, UPS, or other similar couriers providing overnight delivery. If personally delivered, a notice shall be deemed to have been given when delivered to the Party to whom it is addressed. Notices given by registered or certified mail shall be deemed to have been given and received on the first to occur of (a) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, (b) on the date delivered as shown on a receipt issued by the courier, or (c) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at the addresses in this paragraph set forth below:

If to District: Georgetown Divide Public Utility District
P.O. Box 4240
6425 Main Street
Georgetown, CA 95634
Attention: General Manager

With courtesy copies to: Churchwell White LLP
1414 K Street, 3rd Floor
Sacramento, California 95814
Attention: Barbara A. Brenner, Esq.

{CW046466.7}

If to Agency:

MJT Enterprises, Inc.
dba Blue Ribbon Personnel Services
601 Main Street, Placerville, CA 95667
Attention: Nancy Dixon, President/Manager

16. General Provisions.

A. Modification. No alteration, modification, or termination of this Agreement shall be valid unless made in writing and executed by all Parties.

B. Waiver. The waiver by any Party of a breach of any provision hereof shall be in writing and shall not operate or be construed as a waiver of any other or subsequent breach hereof unless specifically stated in writing.

C. Assignment. No Party shall assign, transfer, or otherwise dispose of this Agreement in whole or in part to any individual, firm, or corporation without the prior written consent of the other Party. Subject to the forgoing provisions, this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties.

D. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of California.

E. Venue. Venue for all legal proceedings shall be in the Superior Court of California for the County of El Dorado.

F. Partial Invalidity. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

G. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original and all of which shall be deemed a single agreement.

H. Severability. If any term, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall remain in effect.

I. Audit. District shall have access at all reasonable times to all reports, contract records, contract documents, contract files, and personnel necessary to audit and verify Consultant's charges to District under this Agreement.

J. Entire Agreement. This Agreement sets forth the entire understanding between the Parties as to the subject matter of this Agreement and merges all prior discussions, negotiations, proposal letters or other promises, whether oral or in writing.

K. Headings Not Controlling. Headings used in this Agreement are for reference purposes only and shall not be considered in construing this Agreement.

{CW046466.7}

L. Time is of the Essence. Time is of the essence in this Agreement for each covenant and term of a condition herein.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the last day and date below written.

DISTRICT:

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT, a California Public Utilities District

By: _____
Steven Palmer, General Manager

Date: _____

AGENCY:

MJT ENTERPRISES, INC., a California Corporation, doing business as Blue Ribbon Personnel Services

By: Nancy Dixon, President
Nancy Dixon, President/Manager
Blue Ribbon Personnel Services

Date: 9-28-17

Approved as to Form:

Barbara A. Brenner, General Counsel



Professional Services Agreement

**Between Georgetown Divide Public Utility District
and MJ Enterprises, Inc. dba Blue Ribbon Personnel Services**

EXHIBIT A

Scope of Services

MJ Enterprises, dba Blue Ribbon Personnel Services (“Agency”) agrees to provide the Georgetown Divide Public Utility District (“District”) with personnel services including, but not limited to, the following:

1. Agency shall recruit, screen, interview, hire, and assign its employees (“Assigned Employees”) to perform the work requested by District. This work is to be performed under District’s supervision at the location specified by District.
2. Assigned Employees are employed solely by Blue Ribbon Personnel Services. Agency shall comply with all applicable State and Federal laws and assume full responsibility for paying all of Assigned Employees’ wages, withholding and transmitting payroll taxes, and providing applicable benefits required by local, state, or federal law, including sick leave, vacation and holidays.
3. Agency shall provide unemployment insurance and workers’ compensation benefits to Assigned Employees and respond to claims for unemployment and workers’ compensation proceedings involving Assigned Employees.
4. Agency shall comply with federal, state, and local labor and employment laws applicable to Assigned Employees, including, but not limited to federal, state, and county safety and health regulations.



**Professional Services Agreement
Between Georgetown Divide Public Utility District
and MJ Enterprises, Inc. dba Blue Ribbon Personnel Services**

EXHIBIT B

Mark-Up Rate Schedule for Georgetown Public Utilities District

Blue Ribbon Personnel Services (“Agency”) shall bill the Georgetown Divide Public Utility District (“District”) for its services rendered based upon the hourly mark-up rate of each of the Agency’s Assigned Employees, as described below:

<u>Positions</u>	<u>Mark-up Rate</u>
All Clerical Positions	40%
Utility/Maintenance Workers	52%
Meter Readers	45%

These mark-up rates are based on the employee’s hourly pay (as established by District), employer payroll taxes, workers’ compensation coverage, and Agency fee.

RESOLUTION NO. 2017-21

**RESOLUTION AUTHORIZING THE GENERAL MANAGER TO EXECUTE A
PROFESSIONAL SERVICES AGREEMENT WITH MJ ENTERPRISES
FOR PERSONNEL SERVICES**

WHEREAS, the Georgetown Divide Public Utility District ("District") has utilized the services of MJ Enterprises, a California Corporation, doing business as Blue Ribbon Personnel Services, ("Agency") to identify qualified employees to fill temporary job assignments for the District; and

WHEREAS, the District has a need for additional personnel services to fill temporary assignments with qualified employees; and

WHEREAS, the Agency is well qualified and has submitted a proposal that includes a Scope of Services and Rate Schedule that is acceptable to the District;

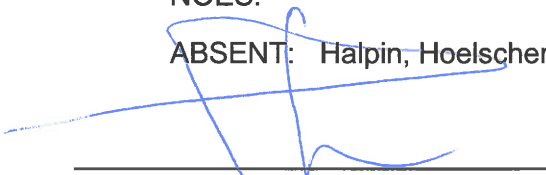
NOW, THEREFORE, IT IS HEREBY RESOLVED that the General Manager is authorized to execute a professional services agreement with MJ Enterprises for personnel services.

PASSED AND ADOPTED on this 3rd day of October, 2017, by the following vote:

AYES: Hanschild, Uso, Wadle

NOES:

ABSENT: Halpin, Hoelscher



Londres Uso, President
Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ATTEST:

Steven Palmer, Clerk and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true and correct copy of Resolution 2017-21, duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on the 3rd day of October, 2017.

Steven Palmer, Clerk and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT