

# Grizzly Ranch Community Service District

## Water and Sewer Rate Study

June 2021

## Executive Summary

### Background

Grizzly Ranch Community Services District (the District) is located in Plumas County. The District serves a small community of 56 homes, a golf course and a fire station. The district has infrastructure to serve up to 302 connections. The District owns and operates water and wastewater systems. The water and wastewater utilities are operated as a self-supporting enterprise. The revenues are derived exclusively from standby service charges which are charged equally on both connected and non-connected parcels.

The District is unable to fund Replacement Reserves and needed maintenance due in part by non-payment of charges by non-connected parcels. It is anticipated this situation will not improve until 2026. The District is planning to implement usage charges to help offset this.

Other than the initial rate study done when the District was formed in 2003, no additional rate studies have been done. The District has raised the standby charge at various times as statutorily allowed since its formation based on a formula using the CPI. The major objectives of this study include:

- Developing a five-year financial plan to insure continued financial health and stability of the District.
- Developing a projection of operating costs and replacement reserves requirements.
- Maintaining equity among all users of the system and ensuring compliance with all legal requirements such as Proposition 218.

### Proposition 218

Utility rates are subject to the requirements of Proposition 218 adopted by California voters in 1996 and the added Articles 13C and 13d to the California Constitution. They state that:

1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the funds required to provide the property related service.
2. Revenues derived from the charge shall not be used for any other purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

Proposition 218 ensures that water rates cannot be “arbitrary and capricious”, meaning that the rate setting methodology must be sound and that there must be a relationship between costs and the rate charge.

## System Findings

### Financial Overview

The Water and Wastewater Systems currently operate at a deficit. The projected 5-year financials for the District are:

#### 5-Year System Financials

<b>Expense</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
Personnel	\$205,848	\$221,561	\$227,526	\$238,670	\$243,929
Overhead (excl. personnel)	\$212,975	\$211,253	\$267,562	\$218,326	\$223,043
Operations/Maintenance	\$273,126	\$288,622	\$295,143	\$300,741	\$302,934
Replacement Reserves	\$267,039	\$268,956	\$270,911	\$272,906	\$274,940
<b>Total Expenses</b>	<b>\$958,988</b>	<b>\$990,662</b>	<b>\$1,061,143</b>	<b>\$1,030,644</b>	<b>\$1,044,847</b>
<b>Revenue</b>					
Standby	\$509,322	\$505,328	\$512,074	\$506,412	\$540,144
Usage Base Fee (new)	\$33,638	\$48,214	\$59,718	\$65,065	\$74,030
Usage Volume Fee (new)	\$59,002	\$111,940	\$126,852	\$146,271	\$156,145
New Connection Fee	\$21,042	\$14,309	\$14,595	\$14,887	\$15,184
<b>Total Revenue</b>	<b>\$623,004</b>	<b>\$679,791</b>	<b>\$713,239</b>	<b>\$732,634</b>	<b>\$785,504</b>
<b>Surplus/Deficit</b>	<b>-\$335,984</b>	<b>-\$310,879</b>	<b>-\$347,904</b>	<b>-\$298,010</b>	<b>-\$259,344</b>

Notes:

- **Overhead** includes "Bad Debt"
- **Operations/Maintenance** includes "Depreciation"

#### System Improvements

The District is planning the following system improvements over the next 5 years:

- The replacement of 17 sewer system grinders at an estimated cost of \$289,000.
- An infrastructure Engineering Study to determine the future life of key components at an estimated cost of \$50,000
- A district vehicle at an estimated cost of \$40,000.
- The rebuilding of one water well at an estimated cost of \$35,000.

#### Current System Rates

The current system revenues are collected bi-annually as a standby fee on the county tax bill in the amount of \$1550. There are no base usage or volume fees. Standby fees are intended to support the base operation and capital project needs of the District. The current annual rate per connection is: Water \$924; Wastewater \$626

### Proposed System Rates

The District is proposing, in addition to the current Standby Fee, a fixed and variable charge for connected lots. This will be used to offset the actual cost of maintaining a connection and the production costs of water and wastewater treatment.

The additional fees would be effective September 1, 2021 and then July 1<sup>st</sup> of each of the following years.

### Proposed Usage Rates

	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
Annual Base Usage Rate (Includes 3000 gallons per quarter)	\$684	\$778	\$933	\$986	\$1089
Volume Rate (per 1000 gal)	\$18.88	\$22.80	\$25.20	\$28.20	\$29.40
Est. Average per User	\$2,203	\$2,583	\$2,915	\$3,202	\$3,385

Charges will be billed quarterly and the Base Usage Rate will include the first 3000 gallons each quarter at no charge.

## Water System Findings

### Financial Overview

The Water System projected 5-year expenses for the district are:

### 5-Year Water System Expenses

<b>Expense</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
Personnel	\$103,161	\$110,600	\$112,402	\$116,626	\$116,800
Overhead (excl. personnel)	\$109,184	\$107,473	\$133,132	\$106,767	\$105,073
Operations/Maintenance	\$142,390	\$148,620	\$147,861	\$147,161	\$140,821
Replacement Reserves	\$179,312	\$179,312	\$179,312	\$179,312	\$179,312
<b>Total Expenses</b>	<b>\$534,046</b>	<b>\$546,004</b>	<b>\$572,807</b>	<b>\$549,865</b>	<b>\$542,005</b>

Notes:

- **Overhead** includes "Bad Debt"
- **Operations/Maintenance** includes "Depreciation"

## Sewer System Findings

### Financial Overview

The Sewer System projected 5-year expenses for the district are:

#### 5-Year Sewer System Expenses

<b>Expense</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
Personnel	\$102,688	\$110,962	\$115,124	\$122,044	\$127,129
Overhead (excl. personnel)	\$103,791	\$104,050	\$134,330	\$111,559	\$117,970
Operations/Maintenance	\$130,736	\$140,003	\$147,282	\$153,581	\$162,113
Replacement Reserves	\$87,727	\$89,644	\$91,600	\$93,594	\$95,629
<b>Total Expenses</b>	<b>\$424,941</b>	<b>\$444,659</b>	<b>\$488,336</b>	<b>\$480,779</b>	<b>\$502,842</b>

Notes:

- **Overhead** includes "Bad Debt"
- **Operations/Maintenance** includes "Depreciation"