

# FREQUENTLY ASKED QUESTIONS

## ABOUT

### TCPUD'S PROPOSED RATE INCREASES AND FISCAL MANAGEMENT

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*TCPUD Board, management and staff are proud to work for our community. We are committed to providing excellent service at the lowest possible cost. During our 18-month public rate setting process many questions have come up that we have answered. We have listed the most frequently asked questions below with our responses.*

*Please contact us if you have any other questions that we can answer. This District was founded by you to serve you, and we never forget that fact. Our jobs are to protect your health, your property, your infrastructure assets throughout the community, and the environment of Lake Tahoe.*

#### **Why the need for such large water rate increases?**

##### ***New Rates = Capital Investment***

***Historically Conservative Rates:*** Since 1985, TCPUD's water rates have been set at levels that provided for operations and maintenance costs only, and have produced very little in funds for system improvements and replacements. Through conservative and prudent policies, TCPUD has held its rates very close to the Consumer Price Index. Over the past 23 years, TCPUD's annual water rate increases have averaged 3.8% while the Consumer Price Index (CPI) for that same period of time has averaged 3.2%. In recent years, the cost of operations has increased due to factors outside of TCPUD's direct control such as the escalating cost of materials, fuel, power, benefits and insurance. The rates began to fall behind the cost of operations, and thus a portion of property tax revenues were used for the shortfall. These rates have also not been adequate to fund capital reserves for mandated projects and provide the necessary reserve levels recommended by independent auditors for future infrastructure replacement.

***Lack of Growth:*** Unlike most other areas of the country, the Lake Tahoe area has experienced very little new growth or redevelopment. While some may see this as positive in many respects, new development and redevelopment result in growth of property tax revenues, customer fees and connection charges. Most other areas rely on growth to help shoulder the burden of repairing and replacing infrastructure. Without this growth or redevelopment, TCPUD must look to its current customers to pay for the infrastructure needs through rates and charges.

***Mandates/Requirements/Replacements:*** The proposed rates include nominal CPI increases for operating costs, but the primary purpose for the increased rates is to fund \$15 million in

infrastructure projects. (For a list of the projects see TCPUD Water Capital 5-Year Plan.) The rate increases alone will not complete these projects. TCPUD will need to borrow funds to complete the 5-year project list. Projects like the recently completed water meter installation were mandated by the State but without financial assistance from the State, placing the burden on the ratepayers.

The project list was developed through comprehensive analysis and numerous public workshops. Understanding the enormity of the situation, staff undertook a comprehensive review of previous master plans and recommendations citing over 210 capital projects that were deemed prudent for continued and improved service to our customers. Only the 66 highest priority and most critical projects were advanced to the Board of Directors for review. Each of the recommended projects fall into at least one of the following categories of need:

**Mandated Projects** - Projects to meet requirements imposed by local, State, or Federal Agency, Code, or Law including; the California Fire Code, California Water Code, the California Department of Public Health (water system regulators), Tahoe Regional Planning Agency, Lahontan Regional Water Quality Control Board, Placer County, El Dorado County, and the North Tahoe and Meeks Bay Fire Protection Districts.

**Fire** - Projects to address major fire protection deficiencies within the District or to protect major District facilities from fire.

**Seismic** - Projects to address seismic instability of major District facilities.

**Industry Standard** - Projects to bring portions of the water or sewer system into compliance with minimum industry standards. These standards are recommended to prevent system failures, spills, or contamination; to improve emergency response; and to provide minimum levels of service at the District's most vulnerable locations.

**Repair/Refurbishment** - Projects to repair, replace, refurbish, or otherwise extend the service life of the existing utility infrastructure.

## **Why the need for such large sewer rate increases?**

### ***New Rates = Capital Investment***

*See the above related to water rates.*

*TCPUD's conservative approach kept sewer rates below the Consumer Price Index during the last 23 years. The rates did not cover the cost of operations and maintenance, thus property tax revenue was used to make up the difference. Upon the advice of financial advisors, independent auditors, and best practice in the industry, the Board is gradually removing the property tax component from the operations and maintenance budget. These funds will then be used entirely for infrastructure upgrades, repairs and replacement, using the same categories as outlined in the discussion on water.*

## **What happens if the proposed rates are not enacted?**

*By April 1, 2009, all residential water customers will be paying for water usage based on consumption (meter rates) whether or not this current rate increase is enacted. (Commercial water customers already pay metered rates). The base rate will remain unchanged and consumption billing will occur at a rate of \$3.20 per 1,000 gallons of water consumed in excess of 25,000 gallons per quarter. For those using over 25,000 gallons of water per quarter the costs will be higher than the proposed rate structure. Sewer rates would remain unchanged.*

*The results of less revenue in 2009 will not affect current operational service levels. However, beginning in 2009 and in future years, new projects will have to be delayed or eliminated and service levels may be reduced. Since many of these projects include mandates and/or requirements from other agencies, we can't be sure of the full financial impacts. In future years, there will be impacts to customers' services and their properties. The costs of doing the projects will only escalate with time.*

*Timely replacement of infrastructure is essential to the protection of our environment and our health and safety. Across our nation those communities who have delayed taking care of their infrastructure have created even more expensive problems for their taxpayers. Future generations would be left with the burden of "fixing" the problems we know exist today.*

## **There has been information talked about in the community that staff has received increased benefits and raises. Is that true? If so, is that the reason for the rate increases?**

*It is true that TCPUD staff have received cost of living increases and raises, but some of their benefits have been reduced. The cost of labor is not the reason for the proposed rate increases. Minimal rate increases would cover the total operational cost increases including escalating costs for: materials, permit fees, fuel, power, insurance, and labor. The proposed rates are to address capital infrastructure projects.*

*TCPUD is in the final year of a negotiated three-year contract in which some benefits were reduced. Many public agencies that are members of California Public Employees Retirement System participate in the post-retirement medical benefit program. TCPUD entered into this program in 1988. But unlike most other agencies, in 2007 TCPUD instituted caps on the post-retirement plan which saved the taxpayers approximately \$200,000 annually and reduced the total liability by over \$2 million.*

*The three-year contract did specify annual wage increases for staff. Unlike many public agencies, TCPUD staff members do not receive automatic annual increases for years of service in job classification (sometimes called "step increases"). Per the existing contract the staff receive an annual cost of living increase (based on CPI) and a 3-5% incentive increase based on performance until they reach the top of the range for their position. (For 2009 the CPI increase for employees was 0.9% effective January 1,*

2009). In all cases these increases occur annually and are based on the employee's performance over the past year.

As explained above, the vast majority of the proposed rate revenue will be used for capital projects. A more standard rate increase of 3-5% would cover increased operational costs for 2009 including the increases in fuel, power, permits, insurance, and salaries, but would leave no funding for essential capital projects.

### **Did the Board increase its salaries and benefits 19% as stated by one member of the public?**

The Board did not raise its salaries or benefit. The budgeted total amount for the Board changed because a Board member retired who did not take the medical insurance benefit. The 2009 Budget was developed assuming a new Board member with one dependent on the insurance benefit and an additional \$1,000 for attending Board member training in the first year. Since the final number of the Board member dependents covered will be less than budgeted, this cost increase will not happen.

### **There has been information in the community that the District spent all of its reserves to avoid the State's tax take in 1993/1994. Is this true?**

This is incorrect. During the State's budget problems in 1993-94 the District undertook several efforts to protect its property taxes from the State's property tax shift. It pledged a significant amount of its property tax to debt payments for capital projects. This strategy worked and reduced the revenues that the State took in future years as well. The list of capital projects undertaken as a result of that effort were part of the District's capital master plan and were reviewed in detail by the public. The projects included:

- \$1,310,200 in Utilities Plant and Equipment – equipment and vehicles for both water and sewer
- \$2,875,000 in Water Projects – 3 new wells, 1 well rehab, 4 standby power and buildings, 9 line replacements,
- \$2,071,800 in Sewer Projects – Replacement and upgrades of pumps, generators, line replacements and relocations
- \$1,108,500 in Parks Projects – Bike trail overlays, new restrooms, ADA compliance at facilities, tennis court resurfacing, community building upgrades and roof replacements, parks shop building
- \$2,600,000 for TCPUD office building

**There has been information talked about in the community that millions of dollars of reserves were spent on projects that were not water and sewer. Is this true?**

*This is not true. During the last 10 years, \$16.4 million has been spent on mandated and recommended water and sewer projects. The District's reserves are funds that have been set aside from property tax revenue for capital projects in water, sewer and parks, emergencies, working capital, and required post-retirement medical premiums. As explained above, the reserves came from property tax funds, not water and sewer rates and so they are used for projects within all service categories of the District. In addition to the \$16.4 million in water and sewer projects, approximately \$1 million was spent on the Bechdolt Soccer/Softball Field construction using reserves accumulated from property tax revenues. The other park projects such as Commons Beach and Lakeside Trail were funded through grants, not local property taxes or reserves. The District has aggressively pursued grant funding for parks and recreation projects and has received over \$18 million in funding for capital projects since 1991.*

**What will the average customer pay per month for water?**

*During the winter a customer using 6,000 gallons per month will pay \$51.30/mo in 2009 increasing to \$71.80/mo in 2013. During the peak summer months a customer with moderate irrigation will pay more. If they use 18,000 gallons during those months they will pay \$59.40/mo in 2009, increasing to \$113.90/mo in 2013.*

**How does this compare to other water rates in the area?**

*The following compares TCPUD's proposed residential water rates to other water purveyors.*

<u>PUBLIC SYSTEMS</u>	<u>AVERAGE TOTAL ANNUAL RATE *</u>	<u>\$ / Mo.</u>	<u>Over (Under)</u>
Tahoe City PUD Proposed	\$ 662.40	\$55.20	
Tahoe City PUD Current	\$ 525.12	\$43.76	-\$11.44
North Tahoe P.U.D.	\$ 958.20 **	\$79.85	\$24.65
Squaw Valley P.S.D.	\$ 686.60 ***	\$57.22	\$2.02
Squaw Valley Mutual Water Co.	\$ 893.00 ****	\$74.42	\$19.22
<u>PRIVATE SYSTEMS</u>			
Skyland	\$ 625.35	\$52.11	-\$3.09
Tahoe Park	\$ 538.12	\$44.84	-\$10.36
Lake Forest	\$ 807.52	\$67.29	\$12.09
Timberland	\$ 567.67	\$47.31	-\$7.89
Fulton	\$ 685.45	\$57.12	\$1.92

  

* 12,000 gallons / mo (8,000 gal. Oct. - April / 17,600 May - Sept.)	
** 6k to 40,500 \$2.89/1000 gal 40,501 + \$4.94/1000 gal	
*** Block 1 - 0 to 120,000 gal. - \$1.45/1000 gal Block 2 - 120,001 to 220,000 \$4.90/1000 gal Block 3 - 220,001 to 280,000 \$7.15/1000 gal Block 4 - 280,001 and up \$15.00/1000 gal Irrigation Rate - all consumption	
**** vacant lot - \$693	1
bath - \$863	2
bath - \$893	
3+ bath - \$963	

## How does TCPUD's staffing level compare to industry standards and other agencies?

TCPUD has a long history of conservative staffing levels. Currently, the District employs 39 full-time personnel. The full-time employee count has been virtually the same for the last 20 years despite the fact that TCPUD has expanded the number of water customers and facilities by 20% and expanded its trails, park amenities, and services by approximately the same. TCPUD has used part-time, seasonal, contract labor, as well as privatizing specific functions, in order to address the required services at a significantly reduced cost. Compared to other Districts of similar size, TCPUD has fewer employees. A recent comparison of utility functions demonstrated that neighboring agencies, North Tahoe Public Utility District and Incline Village General Improvement District, have fewer utility connections, fewer utility facilities, and more utility staff than TCPUD.

## **Why does water cost so much? (or does it?)**

*Water is actually one of the least expensive utilities for a property owner. Compared to the cost of heat, electricity, cable or satellite TV, water remains relatively inexpensive.*

*TCPUD's proposed rates equate to \$1.75 per day (\*) which provides 267 gallons of water. Two bottles of water at a local store provide 24 oz for approximately the same price. TCPUD provides 1.5 gallons of drinking water that meets all standards for just one penny, delivered directly to your home 24-hours per day, 7 days per week, 365 days per year.*

*Even though these rates are very competitive with other local agencies, TCPUD staff works diligently to find even greater efficiencies. Staffing has been kept stable despite increasing mandates, responsibilities and programs. We have accomplished this through working "smarter" -- using technology, privatizing, partnerships with other agencies and non-profits, shared facilities, and contracting or part-time labor for specific tasks and services. We continue to keep our operating cost increases below industry averages and search for cost-savings in all areas.*

*\*-assuming 8,000 gallons per month*

## **Why do seasonal residents pay for water and sewer when they are not here for extended periods of time?**

*All District customers pay a base amount for water and a set amount for sewer services whether or not they are using their home. This is because the vast majority (approximately 90%), of the costs associated with serving a customer's property continue even in their absence. TCPUD must be prepared to serve all homes 24 hours a day, 7 days a week throughout the year. The infrastructure, staffing, maintenance and size of facilities must be adequate to serve all customers when they choose to use their home or when fire or other emergency situations arise. Metered/consumption water billing will be beneficial for all homeowners in that they will have the ability to control their water use and hold their water bills at the base amount during their absences.*

*It is common industry practice to use volumetric billing for sewer services, basing customer bills on water consumption. TCPUD cannot institute volumetric billing for sewer service currently in that only ½ of the District's sewer customers have water meters (those within TCPUD water service areas). Until water meters are available for all TCPUD customers, the Board has determined that flat rates continue to be the most equitable and practical.*