

Allegheny County Water District

Prepared by Rae Bell Arbogast GM

Special meeting 4/26/2022

Summary:

Attached is a letter that was sent to the State Division of Finance explaining why the Board chose not to adopt the rates as recommended in the recent rate study.

Since 2015 the State has invested over 1.5 million dollars in ACWD's infrastructure and the pending improvements at the Ram Spring Site (including a small building) are estimated to cost another \$850,000. The State cannot continue to invest money in ACWD without the board demonstrating that everything is being done to keep the district financially solvent. Regardless of what the State says, inflation has gone crazy this year, and ACWD should expect most operating expenses to increase.

At the last meeting a tentative suggestion of raising the base rate from \$40 to \$42 was suggested. This would still include up to 8,000 gallons of water. It was also suggested that the cost per thousand gallons of water over 8,000 gallons be raised from \$3 to \$4.

I did a brief analysis of how this might impact both the customers and district revenues.

For most of the customers, most of the time, this represents a 5% increase which is reasonable, but looking at the cost of 20,000 gallons, I found the following:

Currently 20,000 gallons of usage would result in a water bill of \$76. (\$40 for the first 8,000 gallons plus \$36 for the 12,000 gallons over 8,000 gallons)

Under the suggested rate change 20,000 gallons would cost \$90 (\$42 for the first 8,000 gallons plus \$48 for the 12,000 gallons over 8,000 gallons)

This represents a \$14 or 18% increase in the cost of 20,000 gallons.

On the district revenue side Currently we have 53 customers. Increasing the base rate by \$2 would bring in another \$106 per month (\$2 x 53) or \$1,270 per year. Plus there would be overage income for water use over 8,000 gallons.

Potential overage revenue, we do not have a "crystal ball" to predict future water usage. The best we can do, is to look back. I studied the actual water use for *calendar year 2021 and found the following: Water overages for all customers combined came to approximately 550,000 gallons. My best guestimate in looking at the monthly usage for each customer is that about 100,000 gallons of this overage amount was from leaks. The district does offer leak overage forgiveness for 50% of overage charges, so half of the leak overages or 50,000 gallons is subtracted for this projection.

Using 450,000 gallons (500,000-50,000) for the overage figure that represents income of \$1,350 at \$3 per thousand gallons (current overage rate) and \$1,800 at \$4 per thousand (suggested new overage rate). This is \$450 more in potential annual revenue.

* The district's accounting is on a fiscal year (July 1st through June 30th) but data for the calendar year is what was available without additional work.

Summary: total expected increase in annual revenue comes to : \$1,720. (\$1,270 + \$450)

Based on a look at current expenses without even accounting for inflation this is not enough. (see attached worksheet with 5-year history)

Alternative suggestion:

Raise the flat rate to \$44 to include 8,000 gallons and increase the overage by only .50 cents rather than \$1.00.

Using the example above, this would result in a 10% rate increase for most customers most of the time.

Under this scheme 20,000 gallons of water would cost: \$88 (\$12 more) representing a 16% rather than an 18% increase as shown above.

This scenario moves the burden of the rate change to all customers relying less on water overages.

Projected additional revenue: 53 customers at \$4 per month = $\$212 \times 12 = \$2,544$ more per year in flat rate fees, plus approximately another \$225 for water use overages (450,000 gallons).

Summary, this alternative would result in approximately \$2,769 in additional annual revenue for the district.

Based on the financial results for fiscal year 2020-2021 I was hoping that we could come up with \$3,000 but this is pretty close. The amount of excess water use will have less of a bearing on income under this scenario, and since that is an unknown figure, this might be best.

Alleghany County Water District

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~ Established March 8, 1939 ~

April 15, 2022

Gary Chan, PE
DFA SWRCB
PO Box 997377 MS 7418
Sacramento, CA 95899-7413

Re: Financial analysis and rate recommendation completed in 2021

Dear Gary:

Alleghany County Water District (ACWD) is very appreciative of the help that it has received and continues to receive through various State Programs, including DFA and SAFER.

ACWD is in much better shape than it was seven years ago. Over the last seven years, DFA has assisted ACWD with both infrastructure funding and technical, managerial and financial assistance (TMF). The rate analysis by RCAC was part of the most recent TMF analysis.

On April 12th, at our regular board meeting, the ACWD board along with two staff members and a member of the public discussed the rate analysis in depth. The ACWD board concluded that it cannot in good conscience pass a resolution to adopt the proposed rates (to begin the proposition 218 process), because of the disparity in how the proposed rates impact different customers.

The following information is based upon 2021 actual water use: while most of the customers would experience only a 3 to 13% rate increase (the first year and up from there over a period of five years), the other 20% of our customers would experience a much higher rate increase from 25 to 50% in the first year alone. Many of the most financially vulnerable residents happen to be in the higher water use category (larger households, more likely to experience water leaks). For this reason, the ACWD board cannot endorse the proposed rate plan.

The financial analysis included in the rate plan is a valuable tool that ACWD will consult as we work on an alternative rate increase. Almost everybody at the table last night agreed that the rates must be increased. The challenge before us, is how to do that in a way that will impact all customers in a more uniform way without eliciting protests from more than half of our constituents.

Some ideas were floated last night. GM Rae Bell will be "crunching the numbers". A follow-up phone conference is planned for Tuesday April 26th (open to the public and posted per the Brown Act). The goal will be to come up with a tentative proposal to present at a public hearing to be held with the regular board meeting on May 10th. Hopefully, a resolution will be passed at the May 10th meeting to start the proposition 218 process.

Sincerely,


Tobyn Mehrmann
President ACWD Board of Directors

	16 -17 Actual	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual
Income					
4000 - Operating Income					
4100 - Water Sales	31,127	27,045	27,754	28,605	28,321
4200 - Property Tax Revenue	5,091	5,096	4,572	4,423	4,263
4800 - Customer Fees	435	392	1,714		232
Total 4000 - Operating Income	36,653	32,533	34,040	33,028	32,816
5000 - Other Operating Income					
5110 - Surplus equip. sales				-39,000.00	
5100 - Donations District	198	92			
5300 - Hist. Church Admin. Fee	240	240	240	240	240
5300 - Grant Funding	274,702	67,807	784,715	233,264	
Total 5000 - Other Income	275,140	68,139	784,955	194,504	240
Total Income	311,793	100,672	818,995	227,532	33,056
Expense					
6000 - Payroll Expense					
Total 6000 - Water Operation	7,491	7,119	8,519	19,907	12,952
6020 - Secretary Contract	405	390	510	345	345
Total Staff Expense	7,896	7,509	9,029	20,252	13,297
6100 - Professional Services					
6110 - Engineering					
6120 - Auditor Fee	2,000	2,500	2,800	2,800	2,800
6130 - Legal Fees				120	950
Total 6100 - Professional Services	2,000	2,500	2,800	2,920	3,750
6160 - SRF Projects	238,403	500	17,739		2,038
6200 - Utilities					
6210 - Telephone	217	226	323	473	515
6220 - PG & E	4,284	2,334	2,388	2,389	2,472
6230 - Propane	465	285	564	501	157
Total 6200 - Utilities	4,966	2,845	3,275	3,363	3,144
6255 - Depreciation expense	16,667	16,831	20,701	30,184	31,468

ACWD FIVE YEAR HISTORY AUDITED

Prepared for special meeting dated 4/26/2022

	16 -17 Actual	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual
6300 - Water Operation					
6301 - Mileage	1,219	1,047	739	1,005	1,397
6302 - Water Tests	1,387	1,505	670	1,586	945
6303 - System Repair & Maint.	5,789	2,868	4,057	3,069	1,614
6304 - Chemicals	859	668	653	1,012	1,324
6305 - Fees & Licenses	647	393	565	500	710
Total 6300 - Water Operation	9,901	6,481	6,683	7,173	5,990
6500 - Office Expense					
6550 - Computer	383	425	509	942	962
6555 - Office Supplies	149	123	0	283	47
6560 - Postage	286	259	344	148	185
Total 6500 - Office Expense	818	807	853	1,373	1,194
6700 - Insurance	3,854	4,356	4,437	5,401	5,576
7000 - Other operating expenses					
7011 - Rent Expense	67	72	72	72	72
7020 - Dues & Subscriptions	351	359	385	404	409
7030 - Penalties					
7040 - Bank Service Charges	47		27		30
7050 - Misc. Expense	1				28
7070 - Interest Expense	410			99	23
Total 7000 - Other operating expens	876	431	484	575	562
Total Expense	285,380	42,260	66,001	71,241	67,019
QB Net Ordinary Income	26,413	58,412	752,994	156,292	-33,963
Transfer to tank inspection Fund					
Transfer to Reserves		4,500	5,500	5,500	
USDA LOAN PRINCIPLE PMNT.	6,370	2,994			
Water Operation "bottom line"	20,043	55,418	747,494	150,792	(33,963)
Add depreciation expense to FY 20/21 and the net result is a loss of \$2,495					
BUT \$2,030 in SRF project expenses will be reimbursed once the current application is approved.					
Leaving a net loss of \$465 and NO money to transfer to reserve funds.					