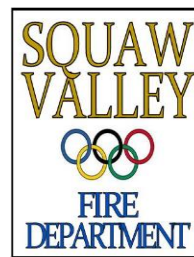




SQUAW VALLEY PUBLIC SERVICE DISTRICT



NOTICE OF PROPOSED RATE INCREASES FOR FISCAL YEAR 2015-16

DATE: March 24, 2015

TO: District Board Members

FROM: Tom Campbell, Finance & Administration Manger

SUBJECT: Notice of Proposed Rate Increases for Fiscal Year 2015-16

BACKGROUND: The State of California, via Proposition 218, mandates each special district to issue a notice of any proposed rate increases. In preparation for this mandate, staff has generated a draft 2015-16 budget to determine the maximum potential rates necessary to maintain a consistent and quality level of service to its customers, in addition to contributions to the fixed asset replacement funds for capital replacements.

DISCUSSION: The District has endured some trying times over the past 7 years. The onset of the "Great Recession" and resulting declining real estate values have dramatically diminished ad valorem tax revenue collected by the District. The Great Recession has also reduced consumer spending and tourism, resulting in smaller water sales. Further reduced snowfall during the valley's peak tourism season over 4 of the past 5 years has further reduced water sales. The combined impact of these events has imposed the District to make challenging decisions, including increases to water and sewer rates at a pace greater than prior historic trends, expenditure and staff cuts, in addition to inadequately funding the District's Fixed Asset Replacement Funds (FARF), which are our capital reserves dedicated to replace aging assets and infrastructure.

The adverse consequence from under funding these FARF accounts could result in a need for alternative funding mechanisms if a catastrophic emergency or repair should occur. If the costs of such a hypothetical catastrophic event should exceed the balances acquired in the FARF accounts, alternative funding mechanisms would include special assessments, debt financing, and/or dramatic rate increases.

Suggested methodologies to forecast adequate funding to the FARF accounts include creation of a capital replacement plan, or the utilization of a depreciation

figure. Annual depreciation expense, by definition, is how an asset's value diminishes over time based on its estimated useful life and original cost. Utilizing annual depreciation expense is a simple gauge to determine the cost and timing to replace an aging asset; however, this does not take certain factors into consideration, such as cost change impacts resulting from inflation and/or changes in technologies. In its simplest form, and not including the inflation and/or technology variable, the FARF accounts should be funded at a ratio of no less than a 1 to 1 comparison to depreciation.

Utilizing a Capital Replacement Plan (CRP) is a more precise method to determine the timing and replacement cost of aging assets. A CRP would determine the timing and replacement value of each individual asset, and in accumulation, would dictate annual replacement costs in any given year. Funding for the applicable FARF accounts would then be estimated based on the future funding needs resulting from the CRP analysis. In 2006, a Capital Replacement Plan was organized to determine the replacement cost and timing of the utility infrastructure. Shortly after publishing the CRP, the adverse financial consequences of the Great Recession constrained the District to under fund the FARF accounts to the recommended amount, generating a deficit that has been growing each year thereafter.

Since the onset of the Great Recession, staff has been making the bare minimum contributions into the FARF accounts when it came to determining rates. These contributions were determined by immediate capital replacement needs, in addition to a minor contribution to the FARF account, typically less than 20% of the recommended amount suggested by the 2006 CRP.

Moving forward, staff is recommending the engagement of an updated Capital Replacement Plan, with the resulting needs to dictate a 5-year rate assessment and maximum potential increases. In lieu of a comprehensive updated Capital Replacement Plan, staff would next suggest utilizing a depreciation standard to establish annual rates; however, this could drive rate increases in excess of 20%. The next alternative to determining rates would be utilizing the present capital replacement needs, while funding the FARF accounts in excess of the capital needs at a smaller rate than suggested by the depreciation standard or the 2006 CRP. This would require a rate increase range of 10-15%. Staff will continue to scrutinize the upcoming 2015-16 budget for expense savings and synergies, but would recommend approving the rate increase notice based on a prudent 15% of existing capital needs with minor funding into the FARF accounts.

ALTERNATIVES:

1. Publish the rate increase notice based on a 15% increase in water and sewer rates, and a 3% increase in garbage rates.

2. Publish the rate increase notice based on utilizing depreciation as a gauge to adequately fund the Fixed Asset Replacement Funds. Proposed rate increases would entail a 20% increase in water and sewer rates, and a 3% increase in garbage rates.
3. Publish the rate increase notice based on no rate changes.
4. Publish the rate increase notice based on an alternative amount.

FISCAL/RESOURCE IMPACTS: By utilizing the first alternative of 15%, and pending any catastrophic incidents, the proposed rates will provide adequate funding for staffing and resources to continue providing consistent and quality services to the residents and visitors of Olympic Valley. Establishing water/sewer rates below the aforementioned 15% can have an adverse impact on FARF account balances, and could lead to alternative funding consequences if a catastrophic event should take place costing more than the reserves in the FARF accounts.

RECOMMENDATIONS: Staff recommends the Board to approve the publication of the attached rate increase notice based on a maximum rate increase of 15% for water and sewer, and 3% for garbage.

ATTACHMENTS: Notice to Property Owners & Customers of Proposed Draft
Water/Sewer/Garbage Rates & Charges & Notice of Public Hearings

DATE PREPARED: March 18, 2015

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
NOTICE TO PROPERTY OWNERS & CUSTOMERS OF PROPOSED DRAFT
WATER/SEWER/GARBAGE RATES & CHARGES & NOTICE OF PUBLIC HEARINGS**

This notice is to inform you of **PROPOSED** increases to water, sewer, and/or garbage rates and charges for each property owner of record and to those tenants of real property who are liable to pay the District's rates and charges for utility services. Public hearings on the **PROPOSED** increases will be held on **May 26, 2015 and June 30, 2015 at 8:30 a.m.** by the District's Board of Directors at 305 Squaw Valley Road, Olympic Valley, CA. The **PROPOSED** rate increases will become effective **July 1, 2015**, if adopted. The new rates are proposed to increase revenue due to decreased water sales, increasing operating costs, funding of capital projects, replacement of equipment and infrastructure, and to ensure long-term financial stability. Please call the District offices at **530-583-4692**, Monday through Friday, between the hours of 8 AM-12 PM and 1-5 PM with any questions regarding this notice.

You may communicate your concerns by sending **written comments** to the **Board of Directors, SVPSPD, PO Box 2026, Olympic Valley CA 96146**, or by delivering them in person at the hearings. **Fax and e-mail submissions cannot be accepted.** Property owners' **protests must be received prior to the close of the public hearing on June 30, 2015.** All protests must include a description of your property (parcel number or physical address), the type of rate protested, printed name AND signature. The person signing must appear on District billing records, or the Placer County Assessor's records, or other written evidence that the person signing has the authority to sign for the trust, company, partnership, etc. One protest per parcel and the parcel must have active water and/or sewer service. If you acquired the property since the last Placer County tax roll was issued, please include written confirmation that you presently own the property. If written protests against any of the proposed rate increases are presented by a majority of property owners and/or customers within the District's service boundary, the District will not impose that increase. In order to be considered, written protests must be received by the District prior to the close of the public hearings. The Board of Directors, after the close of the public hearings, will establish rates for 2015-2016, which rates and charges will not exceed the proposed increase set forth herein.
Squaw Valley Public Service District, By Kathryn Obayashi-Bartsch, Secretary to the Board

Proposed Rates 2015-16

15% Increase Water 15% Increase Sewer

Water Rates

Residential Base Rate	\$781.00
Multi-Family Units Base Rate	\$390.50
Consumption	
Tier I	\$2.83
Tier II	\$9.69
Tier III	\$14.12
Tier IV	\$29.62
Residential Pool or Spa Base Rate	\$781.00

Residential Irrigation Consumption

Rate:

0-220,000 gallons	\$11.58
220,001-280,000	\$14.12
280,001 & up	\$29.62

Commercial & Residential Irrigation Base Rates

5/8" Meter	\$266
3/4" Meter	\$291
1" Meter	\$324
1.5" Meter	\$651
2" Meter	\$1,039
3" Meter	\$1,950
4" Meter	\$3,251
6" Meter	\$6,503
Commercial Non-Irrigation Consumption	\$10.34
Irrigation Rate	\$11.58

Sewer Rates

Residential Base (Individually Metered)	\$542.00
Residential Condo Master Meter Base	\$469.00
Multi-Family Base	\$469.00
Residential Pool (Base Flat Fee)	\$771.00
Commercial Base (75,000 gal@\$1000	\$960.00
Overages per gallon @ \$/1,000	\$12.80

Residential Garbage Rates: 3.00% Increase	\$249.00
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All base rates rounded up to nearest whole dollar