

Heritage Plaza snowman ...
a visitor's gift
to our community



TCPUD

QUARTERLY

NEWS

A Report to Our Community

March 2009

For The Record ...

During the recent Proposition 218 rate protest process information was circulated by members of the community that was not accurate. In an effort to clarify the facts, TCPUD provided an extensive amount of information on its website www.tahoecitypud.com that addressed the incorrect information. District staff also hosted workshops, attended local community meetings, submitted information to the local newspaper, responded to direct inquiries, and met with individuals on a one-on-one basis. Any customer who has unanswered questions is encouraged to email, fax, or call us. We are here to serve you!

The following are just a few of the issues that were raised:

WHY WERE RATE INCREASES NECESSARY?

TCPUD's historically conservative rates were not adequate to fund the costs of new mandated projects and much necessary capital replacements. The average age of TCPUD's water and sewer infrastructure is 40 years. There have been many changes in construction design and standards during those 40 years. Most significantly TCPUD's water infrastructure was not designed to meet current fire suppression standards.

Over the last five years the Board of Directors was advised by financial experts, independent auditors, and

HDR, a national-ly-recognized engineering firm,

that significant rate increases would be necessary. As a result, the Board directed a two-year comprehensive rate study during which board and staff examined in detail the justifications for each capital project, and searched for the most efficient and economic methods to address the needs. Engineering analysis indicated \$26.2 million was required for water and sewer infrastructure projects. The board recognized the significant financial burden this would pose. It pared the water capital projects list to \$15.2 million by addressing only the *most* critical needs. And similarly, pared the sewer capital five-year project list from \$6.1 million to \$5.8 million.

The following are mandates and service needs which will be resolved with the increased rate revenues:

- Adequate water, declining wells in Tahoe City and McKinney/Chambers – projects will provide two lake intakes with treatment facilities
- Fire suppression – projects will provide adequate water storage, flows and hydrants that meet new fire standards
- Emergency response – projects will address emergency power, seismic requirements, and defensible space around TCPUD service facilities sites

HOW MUCH HAS TCPUD SPENT ON WATER AND SEWER INFRASTRUCTURE?

Since 1990, TCPUD has spent \$31 million of tax and rate revenue on

water and sewer system projects – averaging \$1.6 million per year. Statements made that TCPUD spent reserves on “other projects” are neither substantiated or accurate.

WHAT HAS TCPUD DONE TO CURB OPERATING COSTS?

Historically, TCPUD's elected board members have been consistently conservative and very proactive in managing labor and benefit costs. As with other public agencies these are the most significant elements of operating budgets.

- No increased staff – TCPUD has maintained the same number of full time employees for the past 20 years despite increasing the number of facilities/connections by over 25%
- Privatized functions – when prudent, reduced staffing needs, since 1990's
- Medical benefits – reduced since 2003
- Performance based pay incentives – reduced since 2004
- Post-retirement benefits – reduced since 2006

There are no new salary or benefit increases for 2009. Contracts for some employee groups expire at the end of 2009 and will be renegotiated. The 2009 operating budget adopted in November reflected an overall 2.1% increase. Based on recent projections, this has already been reduced and may be completely eliminated. The Board continues to monitor all expenditures and has directed staff to report monthly on new cost-saving and revenue enhancing opportunities.

Results of Protest Hearing - Board Reduces Rates for 2009 & Initiates Process for Future Decreases

At the conclusion of the Rate Protest Hearing on February 25, 2009, it was announced that the final counts for the protests were below the 50% plus one required to stop the rate increases. The majority of TCPUD customers did not protest the rate increases. The District hired McClintock Accountancy to oversee the process and validate the results. The final validated counts were:

	Total Customers	Needed Protests	Protests Received	% of Customers
Water	3,910	1,956	1,123	29%
Sewer	7,443	3,722	1,594	21%

The Board of Directors approved the five-year rate plan with the understanding that these were the maximum rates for water and sewer for each of the specific years. The Board adopted resolutions which establish that it will annually review cost-of-service, cost-of-projects, and revenues received, as compared to the projections set forth in the Comprehensive Rate Study, and then set rates for the coming year based on actual results.

In setting the 2009 rates the Board directed staff to use the following formula to determine variations from the projections. It is evident that the recent economic downturn has reduced

Formula for Annual Rate-Setting Adjustments
 +/- Actual Operating Costs vs. rate study projections
 +/- Actual Revenue vs. rate study projections
 +/- Actual Construction Costs vs. rate study projections
 = Rate Adjustments (below or at Maximum Adopted level)

District operating costs, and TCPUD has been able to secure additional revenue from other funding sources. As a result, ratepayers will benefit from reduced rates - the Board reduced water by approximately 3% and sewer by 2%.

For water customers the base charge for most dropped to \$47/month, consumption in the first two tiers dropped to 50¢ per 1,000 gallons up to 8,000 gallons/month, and 60¢ per 1,000 gallons up to 20,000 gallons/month. The top two tiers remain at proposed rates to encourage conservation.

For sewer service the quarterly charges for 2009 will drop from the proposed rate of \$63.54 to \$62.27. The Board emphasized that these changes were the beginning of a five-year process that will set rates annually. The current economic situation only re-emphasizes the Board's tight control and scrutiny of all operating expenses, and the need for continued pursuit of outside revenue to assist with capital infrastructure costs.

TCPUD Receives Clean Audit Report

Independent auditors, Caporicci & Larson, completed their analysis of TCPUD's financials for 2008. They will present their report at two meetings:

- April 16 TCPUD's Audit Committee
- April 17 Board of Directors.

The public is encouraged to attend.

Water Customers Get New Monthly Billing

Beginning in April your water bill will show your base (flat) rate in advance of service. At the beginning of the following month your bill will include actual water used for the previous month. If the meter detects a leak a red box will appear on the bill. It will also provide water usage history so you can monitor your usage and help conserve water. Call 530-587-3796, x16 for more information.

2009 Federal Omnibus Bill Includes Funding for TCPUD Water Projects

After two years of partnership effort and with the leadership of California Senators Feinstein and Boxer, and Nevada Senators Reid and Ensign, funding for TCPUD to address fire suppression needs was included in the Federal Omnibus Bill. Just signed by President Obama, the details of the award are still being worked on at press time. South Tahoe PUD took the lead on this tremendous effort. TCPUD assisted attending meetings in Washington, DC, with key staff of the California and Nevada delegations.



EMPLOYEE OF THE YEAR - UNSUNG HERO CAROL HACKBARTH



Many of the District's employees provide vital services to the public without much recognition. Each year, TCPUD employees nominate one of their fellow employees who has gone "above and beyond" in service to the public and dedication to TCPUD. This year's choice is Carol Hackbarth.

Carol has been providing exceptional service to the Utilities and Customer Service departments for over nine years. She routinely works long hours offering assistance to the public and her fellow employees. She regularly volunteers for additional duties, and provides dedicated professionalism in all her areas of responsibility.

In addition to her regular duties, a few of Carol's outstanding accomplishments for 2008 include:

- sending out over 1300 leak notices to property owners, answering their questions, and guiding them to find and repair their leaks
- single-handedly completing the mandated 2007/08 Lead and Copper water quality sampling program
- completing the database analysis for the 2007/08 meter installations (2,900)
- saving District training funds by self-learning the complex maintenance management/workorder system that ensures staffing efficiencies and effectiveness
- maintaining the Sewer TV database system for the last eight years indexing over 30 miles/year

Carol accomplished all this while continuing to provide complete administrative support for 13 full-time and two part-time Utility employees. Carol, is reliable, efficient, and always willing to take on new challenges. She exemplifies the dedication and professionalism of TCPUD's employees.