

# CLEAR CREEK CSD



6/25/2021

Executive Summary

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## EXECUTIVE SUMMARY

### CLEAR CREEK CSD OVERVIEW

The Clear Creek Community Services District is a water district tasked with providing water to residents in an area within Shasta County that covers approximately 21,000 acres of land south of the Whiskeytown-Shasta-Trinity National Recreation Area. It is in southwestern Shasta County in a rural development area west of Anderson, California also known as the Happy Valley-Olinda area. The District infrastructure has grown incrementally and episodically in an “as needed basis” to meet the growth in the size of the district and number of metered customers.

### THE FINANCIAL CONDITION OF THE DISTRICT

The task of providing water service to customers has many challenges.<sup>1</sup> First, the District was founded as an Agricultural District with a residential component. All water deliveries both Agricultural and Residential water is delivered through the same water pipes and tanks. Early water deliveries were only required to be filtered minimally with no additional treatment requirements. This allowed Agricultural water to be delivered at low costs. As the State water quality standards for residential (M&I) water increased the District had to invest in filtration and chemical treatment technology to meet those standards. All of the water delivered in the District is treated to a residential standard. The cost of maintaining an aging water supply system and labor costs has exceeded generated revenue. In addition, the District has faced drought years, increased regulatory expenses and increased district insurance premiums, etc. Due to an imbalance between revenue and expenses, the District has spent reserves to continue water operations. Currently, an increase in revenue is needed to have a functioning water system with plans to address maintenance issues. While some expense cutting measures have been done, the time has come for a rate increase proposal.

As District budgetary distress increased, management has forgone activities that would otherwise have improved the overall function of the District including: not filling staff vacancies,<sup>2</sup> utilizing substandard equipment (suction device for draining leak areas after a break), deferring maintenance (at least \$250K is needed for the Water Treatment Plant Upgrades, and about \$800,000 is needed for system upgrades<sup>3</sup>), developing temporary fixes for components that need to be overhauled (the three most recent repairs as of this writing have initial estimates for the three repairs combined at \$45,276.80), along with deferring repayment of the WIIN Act amount of around \$800,000 to repay the Bureau of Reclamation for the District’s share of the construction of the Trinity River Diversion, and an estimated reduction in the budget of about \$15,000 for office related expenses. Overall, the District continues to do what they can to keep the water

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<sup>1</sup> For a full explanation of some of the financial challenges facing the District, as well as more in-depth explanation on other areas mentioned and that space allows a full treatment of here, please see the *Rate Increase Proposal Rationale* document.

<sup>2</sup> See **Appendix 3** in the *Rate Proposal and Rationale* document for a State Controller’s Office report for 2020/2021. The highlighted portions in that appendix item indicate positions that have not been filled totalling a reduction of \$178,047 in staff wages if these positions remain vacant.

<sup>3</sup> See the RCAC report Exhibit 1 for the capital replacement program list.

system functioning, but increased revenue is needed to get the District budget in order, address the activities forgone during the last 9 years and ensure that the CCCSD is a reliable asset for the community.

## Rate Rationale

The Community Advisory Committee has considered the RCAC rate proposal that relied on a base rate dependent upon meter size and has opted to equitably develop a fixed rate system for all regardless of meter size. The subsequent sale of water volumes to a customer, after the first unit of water, no matter how large the meter is irrelevant, as long as the water is sold in a manner that sustains the District. Given the disparate demographics within the District customer base, the goal of the CAC was to create a rate schedule that was acceptable by the majority of District customers and raised enough revenue for the District to cover its operating costs plus 10 percent while also including in the base rate the WIIN Act loan and a loan associated with a State grant.

## Developing the Proposed Rates

The rate schedule that was developed relied on the Activity Report of June, 2020 and the fiscal year totals from 2019-2020. The calculations also used the years comprehensive water use spreadsheet CCCSD *Customer Data.xls* (12-5-2020), which reports the monthly water use for each of the customer description classes from fiscal year 2019-2020. While this is a single year of revenue it reflects the most recent District costs and water consumption behavior from a “normal” water year and thus is considered most appropriate to use. The first step in developing a rate schedule was to determine what it cost the District to put 1 Hundred Cubic Feet (HCF) into the distribution pipes at the filter plant storage tank. This minimum cost of water value incorporates the cheapest rate of water the District can purchase from the Bureau and all the treatment costs (labor, chemicals, etc.) not “Irrigation” (Agricultural) water. The value of \$0.32/HCF is the minimum cost of water that the District can provide a District customer. If the District chooses to supply customers with Ag/Irrigation water from the Bureau then \$0.45/HCF is the minimum cost of water plus the CVP Restoration fee. Having determined the minimum cost of providing one HCF to the water tank at the filtration plant the base rate for covering the fixed costs of the district could be calculated. The fixed costs of delivering the first gallon of water to a parcel is represented by the total District expenses less the water purchase cost (unreported in the Activity Report) and treatment of water (\$377,000.00). For the fiscal year 2019-2020 the cost of distribution and all other administrative and regulatory costs were \$1,757,150. There are 2,710 District customers, which means the fixed costs to each customer is \$54.03/month. These fixed costs represent 69% of the total expenses of the District. The proposed rate is based upon the fixed costs of providing water to all customers in the District, divided by the total number of connections to which the District provides that water. This rate study also functions based upon the State’s constitutional requirement that the District should not charge more for water than the cost to provide the water. However, this cost can include what is needed for operations, repairs and reserves. Nor does this include

Together these values were used for Rate Plan A which is intended to provide stability to the District finances by requiring a base rate to each customer that reflects the costs of delivering water to their meter throughout the year and a water rate that covers the costs of purchasing and treating the water from the Bureau of Reclamation. Rate Plan Domestic: \$55/month base rate and \$0.32/HCF water rate (plus \$.05 estimated CVP Restoration fee that is determined annually). Added to this base rate is an additional amount of \$1.88/per month per customer for the WIIN Act CVP repayment and an estimated \$1.00/per month per customer for a loan/grant opportunity with the State. In total, the base rate for fixed costs would be **\$57.88**.

A second rate with the AG moniker has also been considered by the CAC. The issue with providing an AG moniker is that those customer classes cannot segregate their water use at their meter and more importantly this moniker implies the purchase of “Irrigation” water from the Bureau. The issue with purchasing “Irrigation” water is that it is 2.6 times more expensive than “M&I” water even with the reduced Restoration fee cost (\$0.025/HCF compared to \$0.05/HCF for Domestic) associated with “Irrigation” water. Therefore, the cost of providing a Plan AG that utilized “Irrigation” water would require a water rate of \$0.45/HCF to cover the additional \$0.125/HCF cost of purchasing “Irrigation” water and treating it - all water must be treated in the Clear Creek Community Services District. Add the CVP Restoration fee of \$.025 and the usage rate is \$.47/(HCF). The District could provide an AG customer with the same usage rate as Domestic, but the District would have to only buy “M&I” water for that plan and not “Irrigation” water. So, the rate structure below shows the added cost of utilizing an AG designation for water service.

Overall, the rate increases being proposed are summarized in the table below:

<b>Rate Plan</b>	<b>Year 1:</b> By September 1, 2021	<b>Year 2:</b> By July 1,2022	<b>Year 3:</b> By July 1, 2023	<b>Year 4:</b> By July 1, 2024	<b>Year 5:</b> By July 1, 2025
Ag	<b>Monthly Base Rate:</b> \$57.88  <b>Usage Rate<sup>4</sup>:</b> \$.47/Unit (HCF)	<b>Monthly Base Rate:</b> \$58.98  <b>Usage Rate:</b> \$.48/Unit (HCF)	<b>Monthly Base Rate:</b> \$60.10  <b>Usage Rate:</b> \$.49/Unit (HCF)	<b>Monthly Base Rate:</b> \$61.24  <b>Usage Rate:</b> \$.50/Unit (HCF)	<b>Monthly Base Rate:</b> \$62.40  <b>Usage Rate:</b> \$.51/Unit (HCF)
Domestic	<b>Monthly Base Rate:</b> \$57.88  <b>Usage Rate:</b> \$.37/Unit (HCF)	<b>Monthly Base Rate:</b> \$58.98  <b>Usage Rate:</b> \$.38/Unit (HCF)	<b>Monthly Base Rate:</b> \$60.10  <b>Usage Rate:</b> \$.39/Unit (HCF)	<b>Monthly Base Rate:</b> \$61.24  <b>Usage Rate:</b> \$.40/Unit (HCF)	<b>Monthly Base Rate:</b> \$62.40  <b>Usage Rate:</b> \$.41/Unit (HCF)
Drought	<b>Usage Rate:</b> <del>\$.47</del> <u>\$.8293</u> /HCF	<b>Usage Rate:</b> Actual additional cost incurred per unit with a 30-day notice.	<b>Usage Rate:</b> Actual additional cost incurred per unit with a 30-day notice.	<b>Usage Rate:</b> Actual additional cost incurred per unit with a 30-day notice.	<b>Usage Rate:</b> Actual additional cost incurred per unit with a 30-day notice.
Other Fees and Charges	<b>\$7.93</b> plus list of operational fees	Increase of 1.9%	Increase of 1.9%	Increase of 1.9%	Increase of 1.9%

## Other Considerations and Conclusion

It is believed that the rate increases proposed above will provide for the costs associated with operating the Clear Creek Community Services water district and provide water that is as affordable as possible. Your feedback is solicited to facilitate making any feasible adjustments to the rate increase proposal.

<sup>4</sup> Includes the CVP Restoration Fee (\$.05 per 100 CF on M&I water; AG water is \$.025/HCF) which is determined annually.