

South Tahoe Public Utility District
Water and Sewer Rate Increase
Frequently Asked Questions

Why is the District considering rate increases?

Most of South Lake Tahoe's water and sewer system was built in the 1950s and 1960s. Much of this infrastructure needs to be upgraded, repaired or replaced. The District is considering raising water and sewer rates to provide revenue to:

1. Replace undersized pipes, install new fire hydrants, and upgrade pumping and storage facilities to ensure adequate water for firefighting. More than 10% of our water system does not have adequate water capacity to fight a major fire. Replacing undersized, aging and sometimes leaking water pipes increases water supply and pressure to meet firefighting needs.
2. Upgrade, repair and replace aging water and sewer pipes to prevent costly emergencies and spills and extend its life.

How much is the proposed increase?

The Board is considering a five-year series of rate changes. For a typical residential customer, this would be around \$7.00 per quarter for sewer, and around \$11.00-\$13.00 per quarter for water. For more detailed information about the proposed rates, visit www.stpud.us/improvements

How were the proposed rate increases developed?

The District hired an independent financial consultant who undertook a detailed financial review. The review identified revenue needs based on long-term estimated costs, engineering and facility improvement plans, water demand levels and more. From those calculations, a five-year series of changes to water and sewer rates were developed. District wide, the proposed rate increase for water is 6% and for sewer is 5% per year for five years. During the first year of implementation, the percent of the rate increase will vary by customer type (such as residential, multi-family, commercial, etc). This ensures that rates equal the costs incurred to provide service to different customer types as required by California law. In years 2-5, each customer type will receive the same rate increase.

Will the rates automatically be increased every year for the next five years?

The five year Proposition 218 notice is the maximum rate increases that can be considered per year over the next five years. Each year, the Board will review the capital improvement plan and vote on the actual rate increases to be adopted. Nothing is automatic.

What projects will be completed with the additional revenue generated from the rate increases?

On the water side, funds generated would be used to support a ten year \$70M Capital Improvement Plan (CIP). In the next five years, this would include investing in proximately 93,000 linear feet of water lines and over 100 fire hydrants, upgrading three booster stations to improve fire flow, and implementing programs and projects to extend the life of the water-system. On the sewer side, funds generated would be used to support a ten year \$81.5M CIP. Over the next five years, this would fund upgrades to the District's largest sewer pumps, rehabilitate approximately 72,000 linear feet of aging sewer lines, and completing eight projects at the wastewater treatment plant.

Annually, the District develops a ten-year CIP that identifies and prioritizes capital projects. Every year, the 10 year capital improvement plan is re-evaluated based on current needs and the adopted budget.

What happens if projects cost less than originally budgeted and there is extra revenue?

The revenue generated from the proposed rate increases coincides with priority projects on the capital improvement plan. On the water side, the revenue will help fund water-line replacement and fire hydrant installation projects to ensure our community has access to adequate water to fight a fire. For sewer, the revenue will help fund replacements to aging sewer pumps, sewer-lines and upgrading the

wastewater treatment plant. These projects are expected to be revenue neutral. If projects end up costing less than the estimated amount, the remaining funding will be made available for the next project on the list or the Board can choose to implement a lower rate increase the next year.

What happens if the District receives grant funds for infrastructure projects?

If the District is able to obtain grant funding for the capital improvement projects that are funded by these rate increases, then the Board would consider this when deciding the next annual rate increase.

What neighborhoods do not have adequate water capacity to fight a major fire and when will they be upgraded?

The proposed rate increase will fund waterline replacement and fire hydrant installation to increase water flow and pressure to fight a fire. To see the current fire flow throughout the District's service area, follow the [link](#).

Once the Board adopts rates and approves the 2019/2020 budget, the District's Engineering Department will develop a map illustrating where and when upcoming waterline replacement and fire hydrant installation projects will be completed.

What steps has the District taken to cut costs?

The District has taken steps to cut costs. For example:

- Operations and maintenance budgets are less than they were 10 years ago while inflation has increased more than 17%. These are the day to day costs of operating and maintaining the sewer collection, treatment and export system, and the water production and distribution system.
- The District has saved nearly \$2 million in interest expense. The District took advantage of record low interest rates and refinanced three loans.
- The District has obtained millions of dollars in grants. Without grant funding, many projects would not have been completed without additional rate increases.

What steps has the District taken to keep employee costs and benefits down?

The District has dissolved its self-insured medical plan and contracted with a lower cost health insurance provider to curb costs. Unlike many local agencies, the District has never participated in, nor offered its employees post-retirement health benefits.

Will the rate increase fund employee salaries and benefits?

No. The current revenue levels are sufficient to cover projected salaries and benefits according to the existing labor agreements approved by the Board. As a public agency, the District is required to pay employees wages that are comparable to other employees in other agencies doing the same work.

What did the last five years of rate increases fund?

The District leverages rate increases to take out low interest loans to fund capital improvement projects. The on-going revenue generated from the rate increases are used to pay the principal and interest payments on the loan for 20-30 years. In 2014, the Board approved a series of annual rate increases to fund more than \$50 million in critical improvements. Over the last five years, the District has installed more than 200 new fire hydrants and 23,000 feet of larger waterlines to improve fire flow throughout our community. To comply with the state's mandate, the District installed 5,400 new water meters with the final 2,000 to be completed in the next two years. The District also invested in pump upgrades, high efficiency motors and new electrical and control gears at Luther Pass Pump Station to ensure 3.9 million gallons of recycled water is pumped over Luther Pass every day. A new irrigation and energy recovery facility in Alpine County were installed to produce alfalfa and enough hydro-electricity to power 55

homes. Four vital wastewater treatment plant facilities were rehabilitated to extend the life of these facilities for many decades. Improvements were also completed at Fallen Leaf Lake and on the Upper Truckee Marsh to prevent sewage spills into these sensitive and beautiful areas.

Is this rate increase needed to fund the installation of the remaining meters?

No. The current revenue levels are sufficient to complete the meter installation project. For more information on where and when meters will be installed over the next two years, visit:

<http://stpud.us/customers/water-meter-installation/>

Does the District really have to export ALL of the recycled wastewater 26 miles away from the Lake?

In 1968, the State of California passed the Porter-Cologne Water Quality Control Act, which requires all wastewater, regardless of level of treatment, to be exported out of the Tahoe basin. The exporting of all wastewater out of the basin for both California and Nevada is regarded by the leading research scientists studying Lake Tahoe clarity as the single biggest achievement in protecting the Lake. This mandate requires extra energy costs to pump 3.9 million gallons per day of recycled water over Luther Pass and maintain recycled water infrastructure.

What can I do if I can't afford to pay for the increased water and sewer rate?

The District offers a low-income Customer Assistance Program for qualifying residential customers. Eligible customers receive a 20% reduction off the standard residential sewer and/or water rate that is applied as a credit to their quarterly bill. The District's Board is considering increasing the discount from 20% to 25%. Current participation in the Liberty Energy Utilities CARE Program is required. For more information or to sign-up, visit: <http://stpud.us/customers/billpay/financial-assistance/>

I am a second home owner in Lake Tahoe, why do I have to pay the same as customers who live in Tahoe full time?

More than 80% of the costs of providing water and sewer service are fixed and don't change with usage. The size of the pipes, pumps, treatment plants, and all other facilities are based on the maximum flow that must be provided or waste water treated. All of these facilities must be available 24 hours per day, whether a home is occupied or not. So no matter how frequently you turn on your faucet or flush the toilet, the District must be ready to serve any and all of our customers. Similarly, a fire hydrant needs the same amount of water and pressure to fight a fire, whether you're home or not. As such, around 80% of your bill exists whether the system is utilized or not.

What can I do if I oppose the rate increase?

You may comment at any time by contacting the District, attending the April 18, 2019 Public Meeting at 6:00 pm, or participating in the May 16, 2019 Public Hearing at 2:00 p.m. in the District Board Room at 1275 Meadow Crest Drive, South Lake Tahoe. You have the right to protest the rate change. Protests must be in writing and either mailed or hand-delivered to the District. Each protest must: (1) indicate that it is a protest for the water and/or sewer rates, (2) identify the Assessor Parcel Number for which the protest is submitted, (3) indicate the name of the person submitting the protest and (4) be signed.

How can I find out more?

For more information, visit www.stpud.us/improvements . For additional questions, email info@stpud.dst.ca.us, call 530-544-6474, or attend the Public Workshop on April 18 at 6:00 pm or the Public Hearing on May 16 at 2:00pm in the District Board Room at 1275 Meadow Crest Drive, South Lake Tahoe.