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Description automatically generatedGold Mountain Community Services District (GMCSD/District)**

**Gold Mountain Community Services District Formation**

The District was originally formed in 1996 and operated under direction from the Plumas County Board of Supervisors. The community petitioned for local control in 2004 and took control of District governance in 2005.

District Directors assumed responsibility for delivering safe and reliable water and sewer services to the community; however, the commitment came with minimal resources, incomplete infrastructure, and a rate structure that was incapable of sustaining operations. Within the first 18 months, the developer filed bankruptcy. The District also responded to a failure of the Windsong leach field and a landslide that threatened the District’s water storage tanks, resulting in the use of substantial reserves in both circumstances to secure continued operations.

In 2006, the District completed a rate study that established sustainable revenue through new water and sewer rates. The bankruptcy settlement with the developer and passing of the District’s Fire Tax, coupled with a five-year rate plan, allowed the District to gain sound financial footing for the next 10 years.

The District has matured in its operations over the ensuing years as demonstrated by key milestones:

* development of new wells to provide a stable water source to support the growing community
* expansion of leach field capacity
* development of in-place maintenance plans, and
* hired and trained experienced staff well-versed in all aspects of District operations.

The 2006 rate study resulted in incremental water and sewer rate increases through 2011. Using sound fiscal management and the ability to defer maintenance without impacting the ability to provide safe, reliable, quality services, the District was able to operate without implementing rate increases for the following 10 years.

**Gold Mountain Community Services District Today**

The District has used substantial reserves to fund needed capital improvements and major maintenance requirements, placing a strain on the operational budget. The District faces a new set of challenges including aging infrastructure, record inflation costs on material goods, growing customer service demands, increasingly stringent federal and state regulations, and increased state oversite and inspections.

The District has two overarching priorities: first, to continue to provide safe and reliable services to our existing customer base and second, to meet the long-term service needs of the growing community. While the District has addressed water production sufficiency by developing new wells, the wastewater systems are operating at near capacity during the summer and require significant capital investment to keep pace with community growth. The community saw meaningful signs of growth in 2021 with both homes and lots turning over at rates not seen in 10 years. There are multiple homes under construction and the Nakoma Resort is operating an array of first-class facilities and anticipating future growth. It is imperative that the District be able to meet current demand and stay ahead of growth over the next five years. The ability to provide reliable services to the community has a direct and measurable impact on property values. The District also has a responsibility to service the Nakoma Community Association and Nakoma Resort to maintain the community’s premier status.

**Significant Factoids Impacting Cost of Service**

* ***Cost of living*** – the overall inflation rate in California averaged 1.78% per year since 2010 resulting in a 21.4% increase in cost. Inflation is projected to exceed 5% per year over the next 5 years.
* ***Cost of Electricity*** - California electricity rates have increased from 14.75 cents per kilowatt hour in 2010, to 21.43 cents per kilowatt hour in 2021– representing a 45% increase in the electrical operating cost of the pressurized water and sewer systems.
* ***Aging infrastructure*** – GMCSD system maintenance costs have increased 40% since 2010. While considered relatively new infrastructure in 2010, the infrastructure has now been in place over 20 years. The District currently experiences regular valve and pump failures due to age.
* ***Increasing State mandates*** – the requirements for inspections and reporting, increase yearly as the State of California places additional emphasis on water safety and drought resilience.
* ***Increased staffing*** - In 2010, the District had the equivalent of two full time employees. Due to aforementioned pressures, the District now has four full-time employees and two part-time employees, including a part-time Fire Coordinator, to meet the array of new and increasing requirements.

**Current Cost of Service and Rate Study**

In 2021, the District conducted a thorough search and selection process to identify a consulting firm, with experience working with small districts, to guide the GMCSD through the rate study process. The last rate study was 15 years ago, well beyond the best industry standards of every five years. The District selected Hansford Economic Consulting (HEC) out of Truckee, primarily due to their excellent reputation working with small community districts as well as their locality, allowing for in-person planning and consulting sessions.

The District operates with two funds, which by law, cannot be commingled. The Government Fund is funded through the District’s Fire Tax billed by Plumas County and used for Fire Protection and Prevention purposes. The District uses an Enterprise Fund for water and sewer operations and maintenance, which is funded through quarterly rates and assessments. **The rate study is focused on only the water and sewer Enterprise Fund**.

The cost of service and rate study examined all aspects of the water and sewer accounts including:

* Revenue sufficiency – both operations and maintenance - in line with current State statutes
* Operating cost
* System maintenance and rehabilitation costs
* Capital Improvement Projects (CIP) – funding and timing, including debt service capacity
* Equity between classes of customers, and current and future customers
* Reserve fund accumulation including capital, operating, and equipment reserves

The resultant study provides a detailed review of the District’s background, financial health, customer base, financial goals, capital improvements, rate analysis, and development of new fees. The study provides an in-depth report on each element including tables, charts, and graphs, providing a comprehensive picture of District finances.

**Topline Summary**

The rate report is an in-depth narrative that provides the findings, analysis, supporting charts and tables, best industry practices and references, and similar pertinent factors that determined the recommendations provided in the report. All definitions, exceptions, exemptions, and classifications are explained in the report. The following is a topline of rate-related key points captured from the report.

* Rate schedule increases for the next five years are recommended for water and sewer customers to keep pace with inflation, maintain needed staffing, meet required rehabilitation costs, and maintain a prudent level of reserves.
* Currently, water and sewer charges are billed as one charge. If adopted, water and sewer charges will be separated and assigned specific rate schedules. This change will provide a clear delineation of customers’ payment responsibilities for water and sewer services.
* All customers, regardless of connection status, will pay a customer fee and a service fee. Connected lots will pay a usage fee (water) and flow charge (wastewater).
* All residential and commercial lots in the District have connections available to the system and share to some extent in the cost of maintaining these infrastructure-intense systems. To make the total cost allocation equitable, assessments for standby fees will be abandoned and all unconnected lots will pay a flat customer charge and service charge.
* The rate schedules for water and sewer rates define charges for three classifications of customers:
* Residential and Residential Commercial Lots
* Commercial Lots
* Unconnected Lots
* Each classification takes into consideration the usage demand and impact on the water and sewer systems.
* Billings for water, including water use, and wastewater will be billed quarterly.

**New Water Rate Structure Overview**

* Every three months, customers will pay a customer charge, service charge, and usage charge for gallons used recorded through water meters, making customers more aware of their actual water use.
* The current water usage tiers will be removed in compliance with State law when costs do not increase with increased water use on a per gallon basis.
* Residential and Commercial will pay the same rate for every 1,000 gallons used.
* Unconnected lots will pay a customer charge, and a service charge based on a standard 1-inch water service connection; not subject to a usage charge until connected.

**New Wastewater Rate Structure Overview**

* Connected customers will pay a customer charge, service charge and flow charge, which together comprises a flat charge billed every three months.
* Unconnected lots will pay a flat customer charge and service charge for one Equivalent Dwelling Unit (EDU); not subject to a flow charge until connected.

**Rate Impact Tables Should the Proposed Rates be Adopted**

**District Rate Impacts:** Adopting the recommended rates places the District on sound financial footing through 2027.

**Projected District Year-End Cash Balances**



**Customer Rate Impacts**

**Annual Utility Bill Projection for a Typical Residential Lot using 72,000 Gallons**



**Annual Utility Bill Projection for an Unconnected Lot**



**Year 1 Impact to Non-Residential Accounts**

