



Executive Summary

District Grant Awards in 2021-22

Exceed \$1.0M:

Tesla Powerpacks, Powerwalls, New Generators and other Benefits from Grant and Incentive Funding

Rate Study Leads to New Service Rates Effective

July 1, 2022:

Increasing expenditures, Capital Improvement Plan and Debt Service Necessitate increased Revenue Requirements through Service Fees

Regional Board Adopts New

5-Year NPDES Discharge Permit:

Renewed Surface Water Discharge Permit Preserves Critical Capacity in the Wastewater System

Fats, Oil and Grease "FOG":

Disposal Alternatives

Collection System Program:

Investments in New System Components Retire Old Equipment and Expand Detection Capacity and Safety all at once

District Reserve Fund Planning:

2017 Target Reserve Fund Balances under consideration as Expenses and Capital Requirements Rise out of New Rate Study.

DISTRICT AWARDED OVER \$1.0M IN ENERGY RESILIENCY & COVID RELIEF FUNDS

Over the past several years, the District has aggressively pursued grant and incentive funds to underwrite various capital projects and these efforts appear to have paid off. Since November 2021, the District has been awarded \$1,026,075 in various grants and incentive funds, accelerating the pace of critical infrastructure projects that may have taken a decade or more to complete without these added resources.

In response to power outage events facing California Special Districts, the California Office of Emergency Services solicited proposals for its "Community Power Resiliency for Special Districts" program with funding up to \$300,000 per recipient. The District submitted a proposal for a range of projects including Tesla Powerwalls for two locations, replacement propane generators for two locations and a radio

telemetry system to improve the reliability of remote monitoring of several District facilities. On March 12, 2021, the District was notified that it was awarded the full \$300,000 to complete all of the projects included in the proposal. Each of these projects is in various phases of installation with anticipated completion for all by December 2022.

California's rate-payer funded Self Generation Incentive Program (SGIP) is one of the longest-running and most successful distributed generation incentive programs in the country. SGIP was initially conceived of as a peak-load reduction program in response to the energy crisis of 2001. SGIP was significantly modified in 2016, reallocating 75% of the incentive budget to energy storage projects.

In an effort to support the needs of vulnerable communities and critical infrastructure not entirely prepared

to provide continuous, uninterrupted service during extended power outages, cash incentives to cover the full cost of installation were made available to the critical infrastructure sector.

With annual consumption of 156,000 kWh and peak demand of 118 kW, the District qualified and applied to SGIP for up to three 58 kW Tesla powerpacks. On November 3, 2021, the District was awarded \$628,000 in SGIP incentive funds to underwrite a 174 kW (696 kWh) Tesla Powerpack project to energize the District's treatment facility in the event of a power outage. This project was initiated in August 2021 with completion anticipated in December 2022.

On October 1, 2021, a \$100 million COVID-19 relief fund for special districts was approved by the State legislature and placed into the 2021-22 State budget. The District applied and was awarded \$95,675 to help mitigate the effects of revenue losses and unanticipated costs incurred due to the COVID-19 public health emergency. Additionally, the District was awarded \$3000 from the Special District Technology Fund.

2022 RATE STUDY ESTABLISHES NEW SERVICE FEE STRUCTURE THROUGH 2027

On November 11, 2021, the District contracted with Bartle Wells Associates (BWA), independent public finance advisors, working in partnership with the California Rural Water Association (CRWA), to develop a comprehensive wastewater rate study for the District. The Study evaluated the District's 5-year budget projection and analyzed the District's capacity to implement its capital improvement and replacement (CIP/CRP) plan while maintaining debt service and reserve requirements.

The Study recommended increasing sewer service rates to meet the revenue requirements of the District and addresses forecasts for increasing expenditures. The District's Board of Directors formally accepted this Study at a regularly scheduled meeting of the Board on

March 22, 2022.

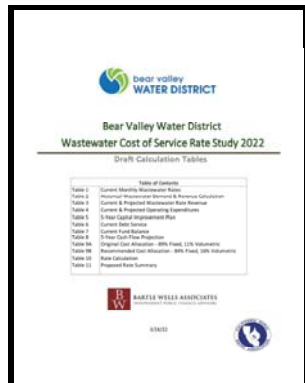
Pursuant to the 1996 "Right to Vote on Taxes Act," a Proposition 218 public hearing on the proposed new rates was held on June 25, 2022 in the Perry Walther Community Center. Insufficient objections to the rate increase proposal were received and, effective July 1, 2022, wastewater service rates increased 6%. The new monthly residential rate is \$102.13 and the new commercial volumetric rate is \$0.072 per gallon.

Each year hereafter for the following four years, from July 1, 2023, to July 1, 2027, the Board may adjust rates by percentage increase annually as necessary based on the United States Department of Labor All Item Consumer Price Index for All

Urban Consumers (CPI-U) – (1982-84 Base 100) published in January each year for the preceding reference year ending in December, but in no case will any annual increase in the wastewater service rate exceed 6% per year irrespective of the actual annual CPI-U increase.

With the successful adoption of the 6% service fee rate increase, aggregate annual residential revenue is expected to grow 6% or \$38,948 over the FY21-22 for a total of \$667,800 while commercial revenue is expected to increase \$35,986. Total service rate revenue for FY 22-23 is forecasted to be \$834,800, an increase of roughly 9% or \$ 74,934 from the year end revenue in the current fiscal cycle.

The District anticipates net income for fiscal year 2022-23 to be 4.5% or \$38,767 with net cash flow projected to be less than one percent or \$5,350.



Bear Valley Water District
PO Box 5027
441 Creekside Drive
Bear Valley, CA 95223
209.753.2112
<http://bvwd.ca.gov/>

PERMIT RENEWAL PRESERVES SYSTEM CAPACITY \$10K IN FIRST SURPLUS EQUIPMENT SALES



The District first submitted its Report The District consistently remains in full compliance with all discharge and regulatory permits and fiscal year 2021-2022 was no exception. All monitoring, reporting, discharge, collection system and dam maintenance requirements were satisfied over the course of the year. This includes all monthly, tri-annual and annual WDR and NPDES monitoring and reporting requirements. For all permits issued to the District, no certified violations were identified during the fiscal year.

At its March 2022 meeting, the Board of Directors approved the District's first Surplus Property Policy. As provided under California Water Code section 35604, the Policy establishes protocols that ensure appropriate controls, consistency and best practices in disposal of the District's surplus property. Surplus property is generally property that has reached the end of its useful life.

As the designated property agent, the General Manager has the authority to dispose of assets in accordance with the terms of the Policy.



The renewed order provides more restrictive effluent limitations for discharge permit preserves a key component of the District's water balance and capacity estimates. In addition to routine constituents which will help reduce annual laboratory, labor, fuel and vehicle expenses in years the District needs to discharge under this

Utilizing the government auction site www.Govdeals.com, the District sold a 1993 Ford F100 (\$7500), a 60 kW Kohler generator (\$835) and a 30 kW Kohler generator (\$1175) for a 2022 total of \$9510.

COLLECTION SYSTEM MAINTENANCE PROGRAM ENHANCEMENTS FOG – FATS, OILS & GREASE



The District's collection system includes approximately 17.38 miles (91,766 linear feet) of sewer collection pipeline, as well as 160 manholes and 3 pump stations. The pipeline ranges in size from 4 inches to 12 inches in diameter.

As a reminder, fats, cooking oils, and grease (FOG) can coat and clog pipes and cause sewer lines to back-up into homes. "FOG" can also cause blockages further down sewer lines creating system overflows as well as disrupt waste water treatment processes with detrimental results. Instead of pouring fats, oil, grease or placing greasy foods down the garbage disposal or drain, dispose properly by disposing of cooking oils and grease with your trash. Practicing safe disposal of FOG is better for your pipes and for wastewater disposal operations.

Consistently maintaining this collection network is both a regulatory requirement as well as part of the District's Mission Statement, both seeking to reduce the occurrences of sanitary sewer overflows (SSOs).

DISTRICT BOARD TO REVISIT RESERVE FUND TARGETS AS EXPENDITURE FORECASTS INCREASE



In October 2017 the District's Board of Directors adopted the agency's first Reserve Fund Policy, setting aside over \$600,000 and establishing three key protective funds seeking to provide for future financial stability through deliberate planning. Citing careful fiscal planning as a key to financial preparedness rooted in sound reserve policies, the Board set out to establish a mechanism to provide for the long term, sustainable delivery of its core services.

assets, emergency preparedness, capital improvement and replacement of assets, savings to balance budgets and proper allocation of funds for the future growth and expansion of facilities as core tenets of the this new directive.

The development of the Reserve Fund Policy included the identification of the types of reserve funds as well as the purpose, use, funding mechanism and process to routinely evaluate the adequacy of target year-end balances of each fund. It is this final point that

recent adoption of a 5-year rate study which projects current fund balances may become underfunded over the coming years. As forecasted, the \$150,000 O&M Emergency Reserve Fund requires a target balance of 3 months of expenses and is projected to be potentially under funded by more than \$11,000 in FY22-23. Similarly, the \$425,000 Capital Improvement Reserve Fund (CIP) requires a minimum balance "tied to the District's current aggregate total asset value" (\$3,297,530) with "consideration of the District's 5-Year Capital Improvement Plan" (5-year average is \$404,202). With rising costs and other budgetary changes, the Board will consider reserve fund target balances tentatively this November.

Equally critical, the Board also identified system reliability, rate stability, well-maintained public