Why do we need a rate increase?

About Your District

The Humboldt Community Services District was created in 1952 to provide water and sewer service to the unincorporated areas of Eureka. Over time, the District expanded the service area to include Cutten, Ridgewood, Myrtletown, Pine Hill, Humboldt Hill, Fields Landing, King Salmon, Pigeon Point, Rosewood and Freshwater. Expansion was accomplished both by District construction of new facilities, such as in Myrtletown and Cutten, and by assumption of existing facilities such as the Pialorsi water system in Humboldt Hill and the County Service Area No. 3 in King Salmon and Fields Landing. The District is governed by five elected officials and has a staff of 22 dedicated and knowledgeable employees.

Over the past 65 years of operations, the District has always dedicated itself to providing the highest level of customer service and to minimizing deferred maintenance. Being proactive with regard to maintaining more than 160 miles of water and sewer pipelines, 10 water storage tanks and more than 40 sewer and water pumping stations over a 15 square-mile area has created a water and sewer system with a minimum of disruptions to our customers and a high level of reliability.

Why is an increase to water and sewer rates necessary?

Periodically, due to increases in energy costs, compliance with State and Federal regulations, transportation, contractual obligations with other agencies, equipment and supply costs, the District must reexamine the amount of funds the District requires to continue to provide a high level of customer service and sustain this vast amount of infrastructure.

In order to obtain an objective analysis of the District's financial needs, in June 2016 the District retained a reputable consulting firm (NBS) to develop a financial plan, conduct a cost of service analysis and then develop a rate design that meets the

District's needs for the next five years. The District's Board of Directors met with NBS at the Board meetings of January 24, February 7 and February 28. Through these meetings, the District's Board continually refined the rate proposal to minimize the impact to District customers while at the same time providing the funds necessary to sustain a safe and reliable water and sewer system.

Outside factors that affect the rates

Except for the District-owned water wells near Humboldt Hill, the District purchases the majority of the approximately 730 million-gallons of water per year the District uses from either the Humboldt Bay Municipal Water District or the City of Eureka. In both cases, the District has contracts with each agency and therefore the District is subject to increases in the cost of water and the cost of capital improvement to those agencies water supply infrastructure. NBS has made the best accounting possible for these expenses over the next five-years in the proposed rates.

Similarly, the District collects wastewater from District customers and sends it to the City of Eureka's wastewater treatment plant. A "Wastewater Agreement" with the City details that:

- The District is obligated to pay 32.1% of the Capital expenses at the treatment plant
- The District is obligated to pay 32.1% of the Fixed Operation and Maintenance expenses (personnel, administration, upkeep, building maintenance, etc)
- District receives a 32.1% capacity share (of the Elk River Wastewater Treatment Plant and a proportional capacity share of other components of the GEAWP.
- The District is obligated to pay for a portion of the variable expenses at the treatment plant (electricity, chemicals, biosolids processing, equipment repair, etc) based upon the District's volumetric share of flow.
- The District is obligated to pay 3% of the City's annual O&M costs of wastewater collection and pumping.

Since the wastewater treatment plant is more than 30 years old and is nearing the end of its design life, major structural components are trending toward failure or emergency repairs at an increasing rate. As can be seen above, the District is obligated for a portion of the cost of those repairs/replacements. In recent years, these District obligations have involved significant and unpredictable District cash outlays to maintain the function of the treatment plant. NBS has worked with the City of Eureka to make the best financial predictions possible to include the likely repairs and replacements in the District's proposed five-year rates.

How do the "Percent Rate Increases" Work?

The rate study's financial plan determined the total amount of rate revenue needed each year. The first year of rate increases (FY 2017/18) is the "test year" and reflects the cost-of-service analysis applied to each customer classification and rate. As a result, the proposed FY 2017/18 rates did not all increase by exactly the same percentage for each customer -- in other words, some rates went up by more or less than the total percent increase reflected in the table summarizing the new proposed rates. Subsequent rates for FY 2018/19 and later increased by exactly the annual percentage increase reflected in the table of proposed rates.

What do I get for increased rates?

1. Continued safe and reliable water and sewer service. The main benefit of the increased rates is that for the next five-years, the District will be able to continue provide safe and reliable water service to all District customers and wastewater collection and disposal for District customers with sewer service. Without the rate increase, the District will be required to defer maintenance on critical infrastructure and will not be able to meet contractual obligations in emergency situations.

2. Capital Improvements continue to be made. In order to minimize major water or sewer disruptions with health or environmental consequences, the District must continue its tradition of proactive infrastructure maintenance and repair. With the new rates in place, the District will be able to accomplish the following water and sewer system improvements that otherwise could not be completed:

    a. Install a replacement South Bay well.
        i. Since the 1980s, the existing South Bay well was the largest producer of water of all the District wells near Humboldt Hill. Well casing deterioration has caused this well to be out of service creating water supply and management concerns for the District.
    b. Replace Truesdale water pump station pumps
        i. The Truesdale pump station near the Bayshore Mall is the only connection the District has to obtain water from the Humboldt Bay Municipal Water District. These four pumps provide more than 1/3 of all of the District's water needs. The pumps are at the end of their useful life and need to be replaced in order to assure a reliable water supply to District customers.
    c. Paint four of the District's 10 water storage tanks
        i. All infrastructure subject to constant use and exposed to the elements requires periodic maintenance and refurbishment

in order to avail catastrophic and expensive failure. Four of the District's water storage tanks are in need of exterior painting and minor repairs. In order to provide seamless water availability and to minimize disruptions in water service, these tanks need to be refurbished.

d. Conduct a system-wide leak detection survey.
    i. With more than 80 miles of water main line in service throughout the District, water loss through leaks in the pipes is always a concern for many reasons. Within the next five years it is proposed that the District undertake a system-wide leak detection survey and then schedule repairs as necessary.

e. Continue steel water line replacement project
    i. Started in the 1990's, the District undertook a steady and gradual program to replace all the steel water mains in the District. Steel water lines are subject to leaking after many years and thus need to be replaced. To-date, the District has replaced more than 60,000 feet (~11.5 miles) of steel water line and presently only have approximately 1.3 miles remaining. During the next five years, the District proposes to replace an additional 4,100' reducing water loss and improving water system reliability.

f. Reverse/eliminate 5 sewer lift stations as a part of the Martin Slough Interceptor project
    i. In the early 1980's the concept of a regional sewage lift station serving both the City of Eureka and District customers was explored. The general concept had multiple benefits:

        1. To eliminate existing sewer overflows and provide increased environmental protection;
        2. Eliminate approximately three major and three minor City and 10 minor District lift stations;
        3. Reduce the large pumping and maintenance costs associated with pumping into a cascading lift station system, which has to be pumped along an in-direct route, completely around the City; and
        4. Provide for future development of new residential units in the non-sewered areas of Westgate and Ridgewood as contained in the existing Eureka Community Plan.

The result was that the City of Eureka and the District partnered on the Martin Slough Interceptor Project to achieve the above benefits. In 2015, the main interceptor line had been completed and put into service. The City of Eureka owns and operates the system with a 36 percent allocated volumetric capacity and the District paying for and receiving the remaining 64 percent volumetric capacity. In 2015/16 the District began the process of decommissioning by eliminating the first lift station and reversing the flow to the Martin Slough gravity interceptor. Within the next five-years, the District proposes to reverse the flow and eliminate five more lift stations increasing sewer system reliability, minimizing sewer spills and reducing energy costs.

g. Condition survey of critical sewer lines
    i. Since the 1980's, the District has operated and maintained a pressure sewer line that is located between the District's South Broadway sewer pump station and the wastewater treatment plant. This line is aging and is critical to the providing sewer service to much of the District. During the next five-years, the District proposes to proactively assess the condition of this line and based upon that assessment, take necessary actions to plan its replacement.

3. Maintain adequate reserves. The District has a policy of reserving 60-days of operational expenses in order to be able to react to emergency situations. As noted previously, the District is subject to contractual obligations by other agencies that have recently significantly reduced the District's reserves. The proposed rates build back those reserves in order for the District to be able to sustain any unforeseen emergency expenses.

Humboldt Community Services District

THE DISTRICT AT A GLANCE

SERVICE AREA – Approximately 15 square miles serving the unincorporated area around Eureka, including Cutten, Rosewood, Worthington, Pine Hill, Humboldt Hill, Fields Landing, King Salmon, Cummings Road, Pigeon Point, Mitchell Heights, and Freshwater Valley.

POPULATION – Estimated 22,842

WATER SOURCES

MAD RIVER – Purchased direct from Humboldt Bay Municipal Water District, with connection behind Bayshore Mall at the Truesdale water booster pump station. Mad River water is also purchased from the City of Eureka through connection near Redwood Acres at the Harris and Hubbard water booster pump station.
GROUND WATER – From District-owned deep wells (3) located at the base of Humboldt Hill at the Spruce Point, South Bay and Princeton wells.

WATER

WELLS	3 (2 Active)
FIRE HYDRANTS	426
SERVICE CONNECTIONS (TOTAL ACCOUNTS)	7698
WATER STORAGE RESERVOIRS	10
TOTAL STORAGE CAPACITY (MG)	5
WATER BOOSTER PUMPING STATIONS	13
PEAK DAILY WATER CONSUMPTION (MG)	3.20
AVERAGE DAILY WATER CONSUMPTION (MG)	2.58
APPROXIMATE LENGTH OF WATER MAIN (MILES)	87

SEWER

SERVICE CONNECTIONS (TOTAL ACCOUNTS)	6326
WASTEWATER PUMPING STATIONS	28
PEAK DAILY WASTEWATER FLOW (DEC) (MG)	1.92
AVERAGE DAILY WASTEWATER FLOW GENERATED (MG)	0.92
APPROXIMATE TOTAL LENGTH OF SEWER MAIN (MILES)	78

STREET LIGHTS

STREET LIGHTS	524