



CliftonLarsonAllen LLP  
CLAconnect.com

September 30, 2016

California State Water Resources Control Board  
Water Pollution Control Revolving Fund  
Sacramento, California

**Re: Donner Summit Public Utility District**

This report summarizes our analysis (Financial Checkup) related to the Donner Summit Public Utility District's (District) audited financials statements for the years ended June 30, 2009, 2010, 2011, 2012, 2013, 2014, and 2015. Additionally, the District requested we include District budgetary information for the year ended June 30, 2016 and prospective information in the form of financial tables included in rate studies prepared by a third party consultant for the years ending June 30, 2017, 2018, 2019, 2020, and 2021. Specifically, we analyzed this financial information to evaluate the financial condition of the District. Financial indicators have been used to analyze actual, audited data over a seven year period for the following purposes: (i) to determine financial trends of the District, (ii) to assist the District in identifying warning trends, and (iii) to recommend solutions to help offset negative trends and suggest further enhancements to positive trends. Where relevant, financial information for the years ended June 30, 2016 through 2021, has also been analyzed for the same purposes noted above.

Our Financial Checkup has been prepared by gathering data and calculating key indicators of financial condition to aid in the diagnosis of financial stress. This evaluation process can help identify underlying areas of previously unrecognized significant trends. Further, we have provided recommendations where we have determined additional analysis may be beneficial to the District and where warning trends have been identified. Our recommendations are being made solely upon the information obtained from the noted years' information source and we are not responsible for results obtained from implemented recommendations.

The information presented for the years ending June 30, 2016 – 2021 are forward looking and not historical and based upon information provided by the District from its rate studies dated January 28, 2016 which were prepared by Hansford Economic Consulting. In order to achieve the results therein various assumptions within the study such as rate increases; capital replacement; depreciation; general inflation; wage inflation and utility inflation will need to be achieved. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences between the projected and actual results, and those differences may be material. We have no responsibility to update this for events and circumstances occurring after the date of this report.

Please find attached the results of our analysis and our recommendations to the District. We would be happy to discuss and work with the District to move forward with implementing any of the recommendations provided within the Financial Checkup.

We were not engaged to, and did not conduct, an examination in accordance with generally accepted auditing standards in the United States of America, the objective of which would be the expression of an opinion on the financial statements of the District. Accordingly, we do not express such an opinion. We performed our engagement as a consulting service under the American Institute of Certified Public Accountants' ("AICPA") Statement of Standards for Consulting Services. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

*CliftonLarsonAllen LLP*

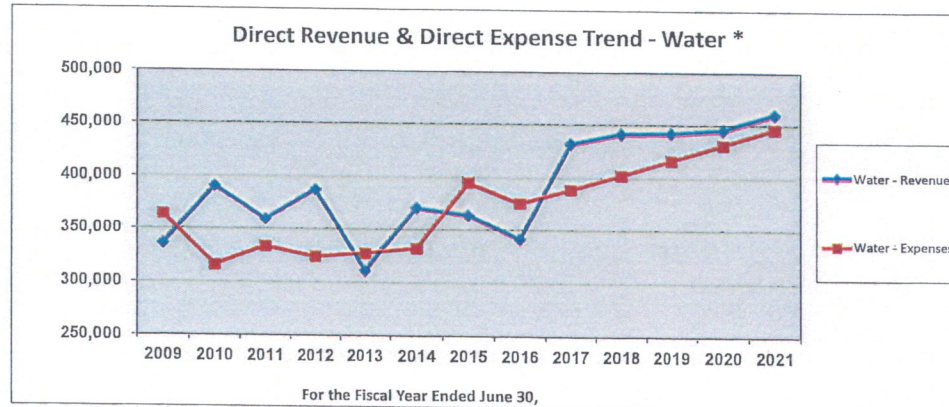
CliftonLarsonAllen LLP  
Certified Public Accountants & Consultants



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 1: WATER REVENUE & EXPENSE TREND ANALYSIS (R & E)

The R & E provides an overview analysis of total fund revenues and expenses in order to determine if there are any trends that the District may need to consider to ensure on-going fiscal sustainability.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study provided by the District which was prepared by a consultant.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water - Revenue	336,377	391,259	359,874	387,695	310,833	370,710	363,828	341,327	431,643	441,183	441,812	444,917	459,439
Water - Expenses	365,080	316,841	334,744	324,997	328,240	332,947	395,818	376,661	389,627	403,317	417,479	432,117	446,839
Rev. % increase (decrease) from PY		16.3%	-8.0%	7.7%	-19.8%	19.3%	-1.9%	-6.2%	26.5%	2.2%	0.1%	0.7%	3.3%
Exp. % increase (decrease) from PY		-13.2%	5.7%	-2.9%	1.0%	1.4%	18.9%	-4.8%	3.4%	3.5%	3.5%	3.5%	3.4%

#### Findings:

Water revenue reflects Service Fees only. The trend is slightly erratic given the lack of outdoor irrigated areas and low number of persons per household. In FY 2013, Service Fee adjustments of \$88,456 reduced Service Fee revenue. Per State direction in 2015, the District suspended the sale and use of potable water for snowmaking and contractors; until 2015, the charges for these uses were the same as the overage charge per gallon. Beginning in December 2015, the District began supplying highly treated recycled water to Soda Springs for snowmaking purposes. For FY 2009, chemical/lab supplies combined with equipment maintenance/repairs totaled \$70,668 compared to FY 2010 costs of \$31,517. Increased costs in FY 2015 are primarily due to facility maintenance and chemicals/lab supplies that totaled \$60,859 and doubled compared to FY 2014.

#### Recommendations:

The downward revenue trend in FY 2015 needs to be closely monitored to ensure service fees are covering the direct costs of providing services, especially in light of the State's direction referenced above. The District's target Water Fund fund balance is at least 4 months of operating expenses before debt service and system rehabilitation funding (a percentage of the annual depreciation expense). The upward expense trend in 2015 needs to be monitored to ensure the targeted fund balance is adequate to meet unexpected repairs or other unforeseen capital needs. The projected increases in direct revenue and direct expenses for years 2016-2021 will need to be evaluated annually to ensure that the corrective trends indicated by the rate study do in fact occur and provide a consistent level of coverage of revenue over expenses.

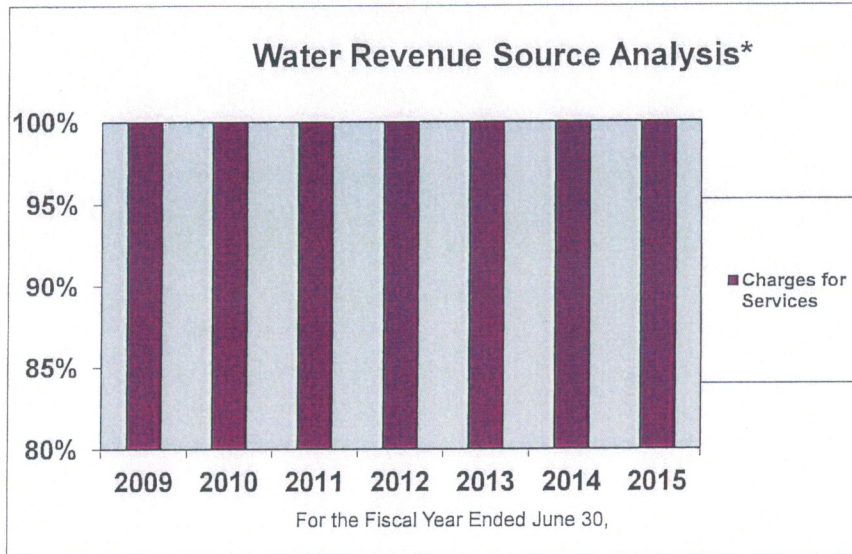
The above analysis for the years 2016-2021 includes direct operating expenses only (i.e. no debt service nor depreciation/system rehabilitation). Revenues are projected to cover direct operating costs with the exception of 2016. However, it should be noted that as part of the rate study and with the projected five year increase of rates, the District will require the use of reserves to cover costs associated with debt service and system rehabilitation for the years 2017 through 2020. By 2021, The District's rate are projected to fully cover operating expenses, debt service expenses and system rehabilitation costs which is projected to be 10-30% of depreciation over the next five years.

The District recognizes the need to set aside funds for future system rehabilitation, but does not set aside the full amount of depreciation. As a matter of policy, the District will need to discuss and determine how these funds will be used for major capital repairs and replacement. By comparing to their long-term capital improvement plan (CIP), the District can review these reserves against future needs and understand what costs may not be covered. To the extent costs are not covered, future borrowings may be needed.

## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 2: WATER REVENUE SOURCE ANALYSIS - (RSA)

The RSA provides an analysis of water revenue sources to determine if there are emerging trends and/or changes in revenue sources that the District should consider.



*Water - Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Charges for Services	\$336,377	\$391,259	\$359,874	\$387,695	\$310,833	\$370,710	\$363,828	\$354,252	\$431,643	\$441,183	\$441,812	\$444,917	\$459,439

\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study provided by the District which was prepared by a consultant.

#### Findings:

The District has one source of direct revenue for water: charges for services. Service Fees are based on the water rates set by the District.

#### Recommendations:

As the only source of direct revenue, it is critical the District ensure that the rates are set at a sufficient level to cover costs and set at an acceptable level for its Customers. The District Board of Directors has approved a 5 year plan of incremental rate increases. The District has implemented a 12.5% rate increase effective July 1, 2016 and will continue to increase rates for the 5 year period as outlined in the 5 year plan so that increased costs related to the financing of the water system improvements, system rehabilitation costs, and general annual costs increases are adequately covered. The rate study used an overall annual percentage increase of 3.5% for its direct expenses. To the extent actual costs vary from the 3.5% projected increases, the District will have to evaluate its financial position of the water enterprise fund during the annual budget process.



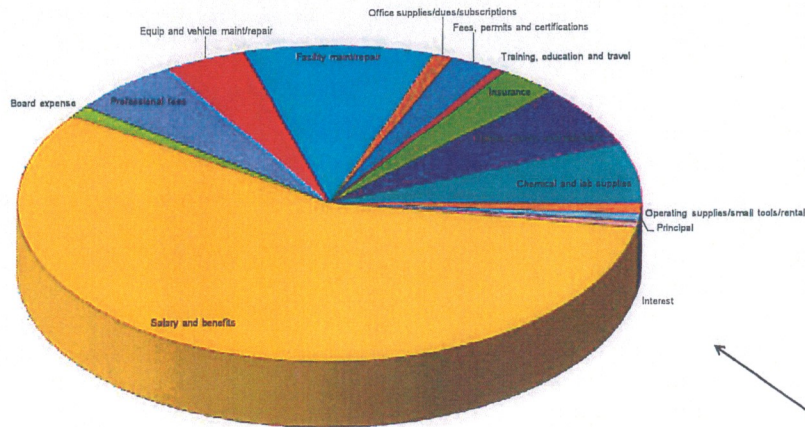
# Donner Summit Public Utility District

## Financial Checkup

### INDICATOR #3: WATER EXPENSE ANALYSIS (EA)

The EA provides an analysis of total Fund spending by function to determine if there are emerging trends and/or patterns that the District should consider in order to focus on cost-control strategies.

#### 2015 Expenses:



Water Fund Expenses	2009	2010	2011	2012	2013	2014	2015
Salary and benefits	\$189,792 48.23%	\$180,202 52.39%	\$198,993 55.13%	\$204,808 62.14%	\$207,004 62.31%	\$215,531 64.08%	\$228,356 56.80%
Board expense	4,261 1.08%	4,412 1.28%	5,022 1.39%	4,945 1.50%	4,263 1.28%	4,190 1.25%	4,532 1.13%
Professional fees	22,224 5.65%	18,740 5.45%	22,093 6.12%	26,862 8.15%	25,396 7.64%	19,957 5.93%	22,769 5.66%
Equip and vehicle maint/repair	33,441 8.50%	17,451 5.07%	16,206 4.49%	10,785 3.27%	12,020 3.62%	13,083 3.89%	16,665 4.15%
Facility maint/repair	12,784 3.25%	17,350 5.04%	22,722 6.30%	9,054 2.75%	14,595 4.39%	21,047 6.26%	39,692 9.87%
Office supplies/dues/subscriptions	5,822 1.48%	5,262 1.53%	4,260 1.18%	3,901 1.18%	3,383 1.02%	2,932 0.87%	4,258 1.06%
Fees, permits and certifications	9,819 2.50%	17,600 5.12%	10,434 2.89%	7,848 2.38%	10,030 3.02%	9,228 2.74%	9,800 2.44%
Training, education and travel	1,410 0.36%	867 0.25%	901 0.25%	1,393 0.42%	531 0.16%	503 0.15%	2,299 0.57%
Insurance	18,069 4.59%	13,093 3.81%	14,912 4.13%	12,661 3.84%	12,587 3.79%	11,948 3.55%	12,548 3.12%
Utilities, comm., and telemetry	21,071 5.35%	19,368 5.63%	18,621 5.16%	30,389 9.22%	16,302 4.91%	20,831 6.19%	26,559 6.61%
Chemical and lab supplies	40,675 10.34%	18,274 5.31%	17,943 4.97%	9,372 2.84%	19,775 5.95%	9,428 2.80%	24,167 6.01%
Operating supplies/small tools/rental	5,712 1.45%	4,222 1.23%	2,637 0.73%	2,978 0.90%	2,364 0.71%	4,269 1.27%	4,173 1.04%
Principal	18,000 4.57%	19,000 5.52%	20,000 5.54%	0 0.00%	0 0.00%	0 0.00%	3,458 0.86%
Interest	10,443 2.65%	8,121 2.36%	6,196 1.72%	4,569 1.39%	3,977 1.20%	3,387 1.01%	2,764 0.69%
Total	\$393,523 100%	\$343,962 100%	\$360,640 100%	\$329,566 100%	\$332,217 100%	\$336,334 100%	\$402,040 100%

#### Findings:

This graph represents total cash outflows on an annual basis. On average over the past seven years, the District's Water Fund expenses have been: 48% salaries and benefits, 18% depreciation, 5% utilities, communications and telemetry, and 5% professional fees. Over the seven year period, facility maintenance and repair has experienced the largest percentage increase at over 200%.

#### Recommendations:

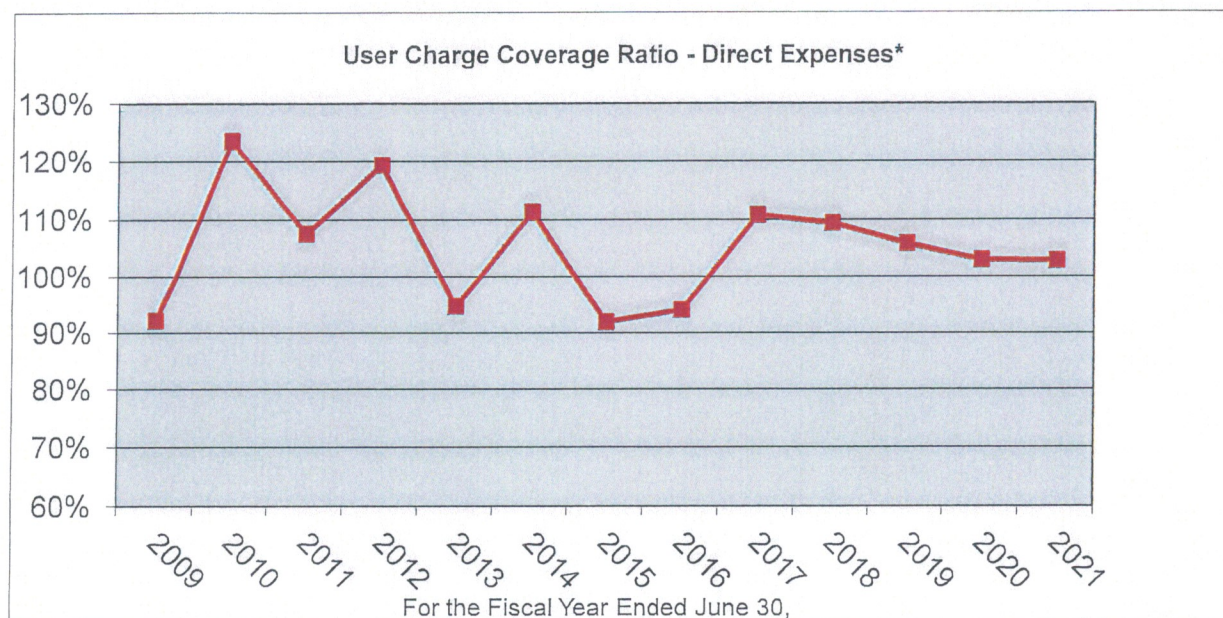
The detail above is beneficial for policy makers and the general public as it clearly shows the District's expenses. CLA recommends supporting these expenses with Board adopted policies such as "debt service expenses shall never exceed 20% of total revenue," etc. Such policies improve the budgeting process and can be used to explain rate structures and increases, as needed. As a general rule, the growing demand for water will likely cause increasingly strict effluent regulations. CLA recommends building reserves to meet these regulations.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 4A: USER CHARGE COVERAGE RATIO (UCCR) (Enterprise Funds - Water)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study provided by the District which was prepared by a consultant.

#### Findings:

Revenue includes user charges only and expenses exclude depreciation and interest. This graph demonstrates the extent to which user charges fund direct expenses. From 2009 through 2015, the District experienced fluctuating coverage due to the circumstances discussed under Indicator #1.

#### Recommendations:

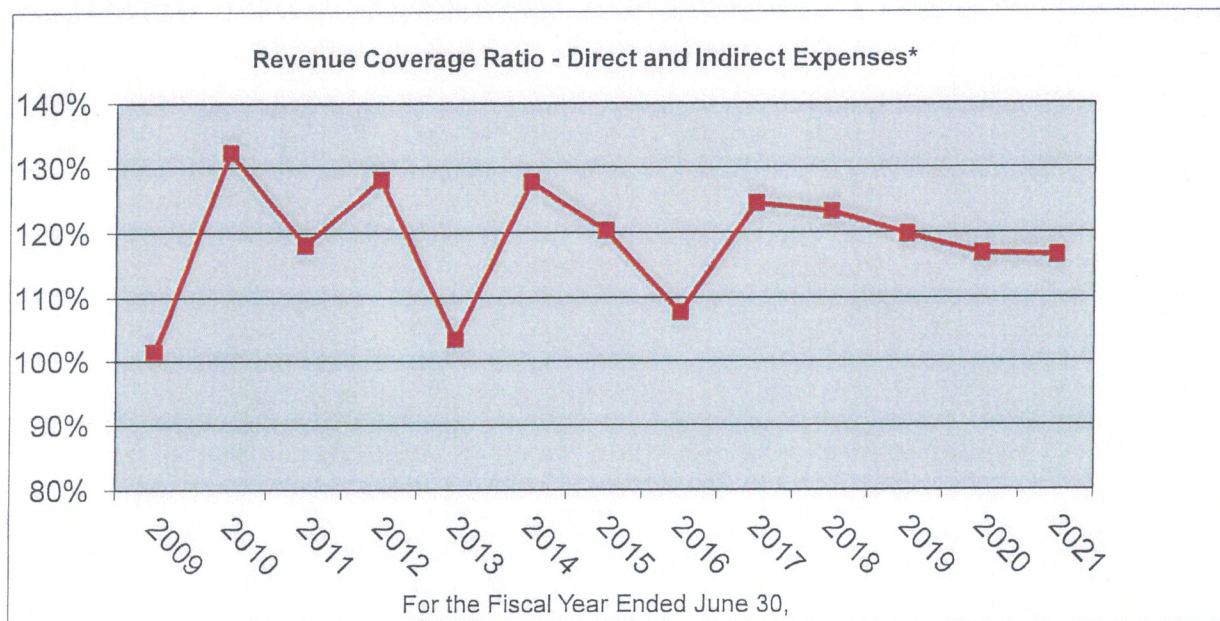
CLA recommends setting water rates in order to cover direct costs at a minimum of 100% coverage and to monitor this trend line annually. While in the early years the District did go below 100%, the action plan outlined in the rate study, does place the District above 100% coverage beginning in 2017 and through 2021. There is a slight decline projected for those years as the surplus necessary to cover indirect costs declines in a similar trend as well.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 4B: REVENUE COVERAGE RATIO (RCR) (Enterprise Funds - Water)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study provided by the District which was prepared by a consultant.

#### Findings:

The District exceeded 100% for the actual results for the years ending 2009 - 2015. Revenue includes user charges and non-operating revenue and expenses include interest, but not depreciation. This graph demonstrates the ability of all revenue sources to fund operations without consideration of asset replacement cost.

#### Recommendations:

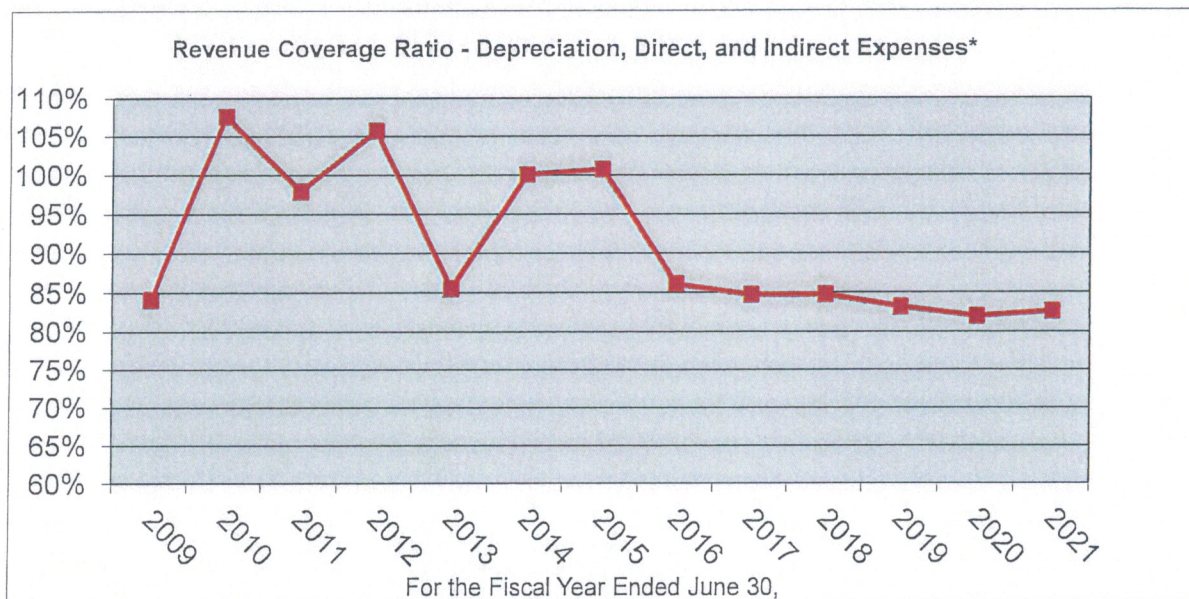
This chart communicates the District's ability to meet its cash flow needs. The ability to have greater than 100% coverage is commendable as it allows for the District to build reserves for operations and system rehabilitation expense. The District should continue to monitor this trend for purposes of cash flow management and reserve analysis.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR #4C: REVENUE COVERAGE RATIO (RCR) (Enterprise Funds - Water)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study provided by the District which was prepared by a consultant.

#### Findings:

The District was at or exceeded 100% in 4 of the 7 years presented from 2009 through 2015. Revenue includes user charges and non-operating revenue and expenses include interest and depreciation. This graph demonstrates the extent to which all revenue sources support the full cost of the water system.

#### Recommendations:

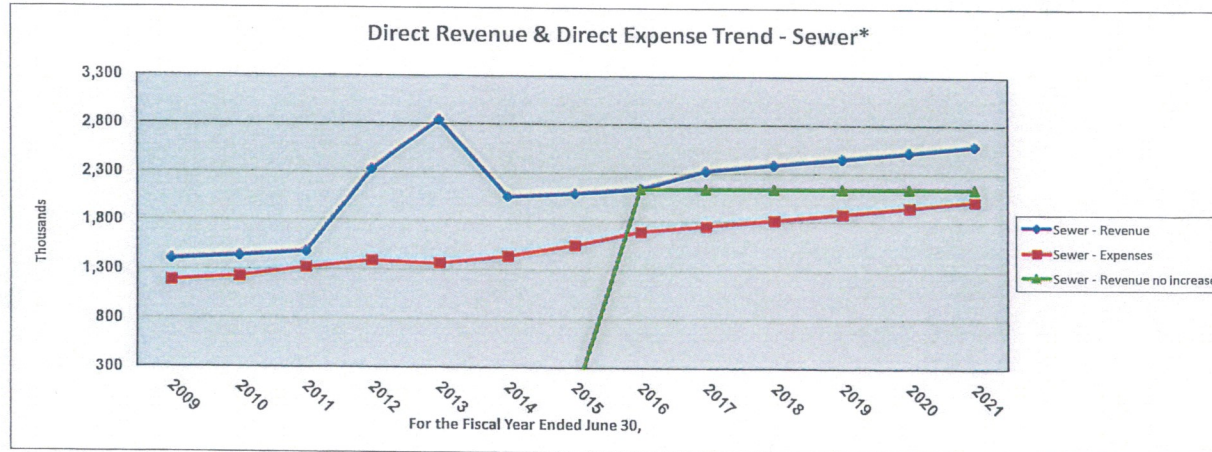
The District's rate study provides that total revenue will cover a certain percentage of depreciation on an annual basis which is why going forward in 2016-2021 the District has modeled coverage around 85%. The amounts set aside for system rehabilitation is outlined as a percentage of total depreciation on an annual basis. Over time the District is increasing this percentage as it proposes to increase rates over the next several years. We recommend that the District evaluate these percentage allocations against a long-term capital improvement plan (CIP) to determine if they are sufficient to meet the capital needs of the District well into the future (10 to 20 years) as discussed in Indicator #1. Additionally, making a determination as to whether the District intends to use operating funds to cover the improvements or borrow funds, is something that should also be implemented into the long term projection.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 5: SEWER REVENUE & EXPENSE TREND ANALYSIS (R & E)

The R & E provides an overview analysis of total fund revenues and expenses in order to determine if there are any trends that the District may need to consider to ensure on-going fiscal sustainability.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sewer - Revenue	1,410,345	1,444,679	1,487,575	2,335,612	2,847,143	2,054,399	2,088,224	2,136,050	2,325,629	2,385,119	2,446,917	2,510,546	2,576,527
Sewer - Expenses	1,189,551	1,228,886	1,321,026	1,397,303	1,368,958	1,441,011	1,555,623	1,696,315	1,755,760	1,817,250	1,881,048	1,946,777	2,014,858
Rev. % increase (decrease) from Prior Year		2.4%	3.0%	57.0%	21.9%	-27.8%	1.6%	2.3%	8.9%	2.6%	2.6%	2.6%	2.6%
Exp. % increase (decrease) from Prior Year		3.3%	7.5%	5.8%	-2.0%	5.3%	8.0%	9.0%	3.5%	3.5%	3.5%	3.5%	3.5%

\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

Sewer Service Fees increased by 57% between FY 2011 and 2012. FY 2013 and FY 2014 include future wastewater treatment fee revenue of \$1,131,885 and \$320,060, respectively. Expenses are trending upward in the last three years and revenues do not appear to be trending upward at the same rate.

#### Recommendations:

Both the revenue and expense trends in FY 2015 need to be closely monitored to ensure established service fees are covering the costs of providing services. The District's target Sewer Fund fund balance is at least 4 months of operating expenses before debt service and system rehabilitation funding (a percentage of annual depreciation expense). The upward expense trend in 2015 needs to be monitored to ensure the targeted fund balance is adequate to meet unexpected repairs or other unforeseen capital needs. The rate study illustrates that in years 2016-2021 the trend lines for direct revenues and direct expenses begin to increase at a similar rate. Continual evaluation of these trends lines will be necessary as the District makes decisions on increasing rates. The operating reserve should be preserved as well.

The above analysis for the years 2016-2021 includes direct operating revenues (i.e. only fee revenue and no property taxes) and direct expenses only (i.e. no debt service nor depreciation/system rehabilitation). Direct revenues are projected to cover direct operating costs. However, when the District adds the debt service expenses and system rehabilitation expenses which sets aside 20% of annual depreciation, the District requires the use of reserves in 2016 and for years 2017 through 2021 the District is covering all costs within \$5,000. The District recognizes the need to set aside funds for future system rehabilitation, but does not build up to set aside the full amount of depreciation. As a matter of policy, the District will need to discuss and determine how these funds will be used for major capital repairs and replacement. By comparing to their long-term capital improvement plan (CIP), the District can review these reserves against future needs and understand what costs may not be covered. To the extent costs are not covered, future borrowings may be needed.

Additionally, the District may want to compare the depreciable lives of its assets in the CIP to the sewer rate study to analyze whether funds set aside as outlined in the sewer rate study line up with the CIP at the appropriate time replacement is needed.

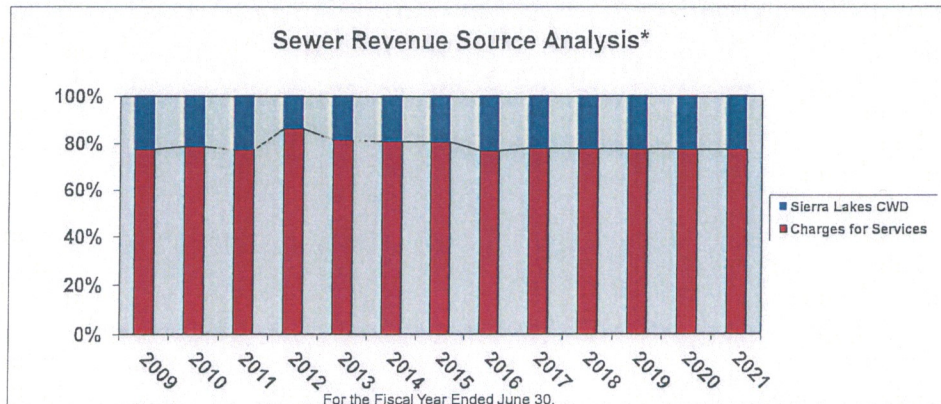
Finally, we have added the green line to illustrate what would happen if rate increases would not be implemented for years 2016 through 2021 given that the District has not yet implemented projected rate increases. This shows by 2021 that the District would not have sufficient funds remaining after operations to cover system rehabilitation and debt service. For 2021, the District would be upside down by approximately \$535K.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 6: SEWER REVENUE SOURCE ANALYSIS - (RSA)

The RSA provides an analysis of fund revenue sources to determine if there are emerging trends and/or changes in revenue sources that the District should consider.



*Sewer - Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Charges for Services	\$1,093,496	\$1,136,436	\$1,148,352	\$2,017,777	\$1,398,688	\$1,402,822	\$1,684,998	\$1,510,549	\$1,652,848	\$1,693,144	\$1,735,057	\$1,778,135	\$1,822,834
Sierra Lakes CWD reimb	\$316,849	\$308,243	\$339,223	\$317,835	\$316,570	\$331,517	\$403,226	\$453,652	\$468,247	\$483,353	\$498,987	\$515,169	\$531,817

\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

The District has two sources of revenue: Charges for services and Reimbursement from Sierra Lakes County Water District.

#### Recommendations:

As the primary source of direct revenue, it is critical the District ensure rates are set at a sufficient level for each segment of users to cover costs and set at an acceptable level for those whom the District provides service. The rate study performed for the District considers the impact of the new 2015 Loan financing entered into for the improvements to the treatment facility. The financing costs (principal and interest) and the increased system rehabilitation costs will require the District to increase its rates. The District deferred implementing a rate increase for 2016 as it continues to evaluate its financial position in connection with the terms of the Loan. We recommend the district implement the necessary rate increase next year so that the obligations of the District can be met without dipping into reserves. It should be noted that the District has a history of implementing step increases annually for its sewer operations. Further, we recommend the District continually evaluate the methodology used to calculate the reimbursement from Sierra Lakes CWD as their revenue will remain relatively constant while the District's total costs (including debt service and system rehabilitation) will increase putting more importance on the rate increases.

Additionally, the rate study provides "Base Case" scenario for rate increases which does not dip into reserves. CLA has presented this model in the Indicators where information beyond 2015 is included. The Rate Study also presents two options which implement rate increases at a lower level and requires the use of reserves. CLA does not recommend either of these options as reserves are essential to the long term sustainability of the District.

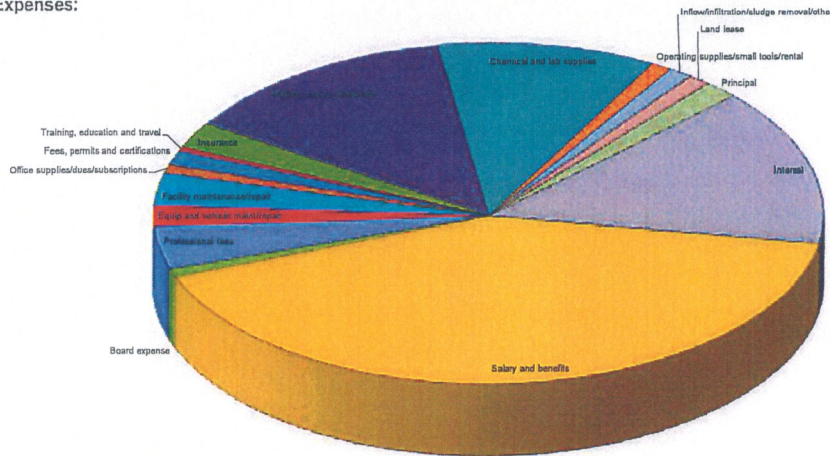


# Donner Summit Public Utility District Financial Checkup

## INDICATOR # 7: SEWER EXPENSE ANALYSIS (EA)

The EA provides an analysis of total Fund spending by function to determine if there are emerging trends and/or patterns that the District should consider in order to focus on cost-control strategies.

### 2015 Expenses:



Sewer Fund Expenses	2009	2010	2011	2012	2013	2014	2015
Salary and benefits	\$644,878 43.45%	\$608,252 40.00%	\$670,538 41.42%	\$690,384 40.76%	\$697,599 14.31%	\$726,759 47.63%	\$770,421 41.35%
Board expense	13,493 0.91%	13,872 0.92%	15,902 0.98%	15,659 0.92%	13,499 0.28%	13,267 0.87%	14,351 0.77%
Professional fees	62,723 4.23%	55,615 3.66%	58,043 3.59%	65,344 3.86%	58,098 1.19%	63,433 4.16%	77,992 4.19%
Equip and vehicle maint/repair	36,115 2.43%	60,500 3.98%	55,285 3.42%	42,424 2.50%	59,703 1.22%	45,532 2.98%	36,367 1.95%
Facility maintenance/repair	41,637 2.81%	34,853 2.29%	49,130 3.04%	76,353 4.51%	55,260 1.13%	80,964 5.31%	56,773 3.05%
Office supplies/dues/subscriptions	14,996 1.01%	11,862 0.78%	15,203 0.94%	13,039 0.77%	10,551 0.22%	11,361 0.74%	14,619 0.78%
Fees, permits and certifications	9,713 0.65%	12,865 0.85%	11,832 0.73%	36,335 2.15%	19,581 0.40%	21,775 1.43%	24,627 1.32%
Training, education and travel	4,280 0.29%	1,959 0.13%	2,038 0.13%	2,812 0.17%	1,908 0.04%	6,897 0.45%	8,387 0.45%
Insurance	57,985 3.91%	40,283 2.65%	46,650 2.88%	43,860 2.59%	43,833 0.90%	41,300 2.71%	43,469 2.33%
Utilities, comm, telemetry	162,886 10.30%	167,969 11.05%	182,384 11.27%	166,735 9.84%	154,659 3.17%	213,951 14.02%	251,081 13.48%
Chemical and lab supplies	116,804 7.87%	152,210 10.01%	165,225 10.21%	187,264 11.06%	201,161 4.13%	169,421 11.10%	197,302 10.59%
Operating supplies/small tools/rental	10,717 0.72%	11,616 0.76%	13,027 0.80%	11,411 0.67%	13,245 0.27%	15,557 1.02%	18,262 0.98%
Inflow/infiltration/sludge removal/other	2,282 0.15%	41,670 2.74%	15,519 0.96%	15,308 0.90%	19,611 0.40%	10,544 0.69%	21,722 1.17%
Land lease	21,032 1.42%	15,250 1.00%	20,250 1.25%	30,375 1.79%	20,250 0.42%	20,250 1.33%	20,250 1.09%
Principal	137,220 9.25%	144,631 9.51%	151,402 9.35%	140,530 8.30%	3,268,452 67.05%	29,442 1.93%	30,990 1.66%
Interest	157,325 10.60%	147,218 9.68%	146,334 9.04%	155,834 9.20%	237,417 4.87%	55,420 3.63%	276,382 14.84%
Total	\$1,484,096 100%	\$1,520,735 100%	\$1,616,762 100%	\$1,693,667 100%	\$4,874,827 100%	\$1,525,873 100%	\$1,852,995 100%

#### Findings:

This graph represents total cash outflows on an annual basis. On average over the past seven years, the District's Sewer Fund expenses have been: 37% salaries and benefits, 17% depreciation, 10% utilities, communications and telemetry, 9% chemicals and lab supplies, and 9% interest. Over the seven year period, inflow/infiltration/sludge removal has increased by the largest percentage, followed by fees, permits and certifications, and depreciation. Additionally, in 2013 there was an increase in principal payments as a result of restructuring/refinancing debt.

#### Recommendations:

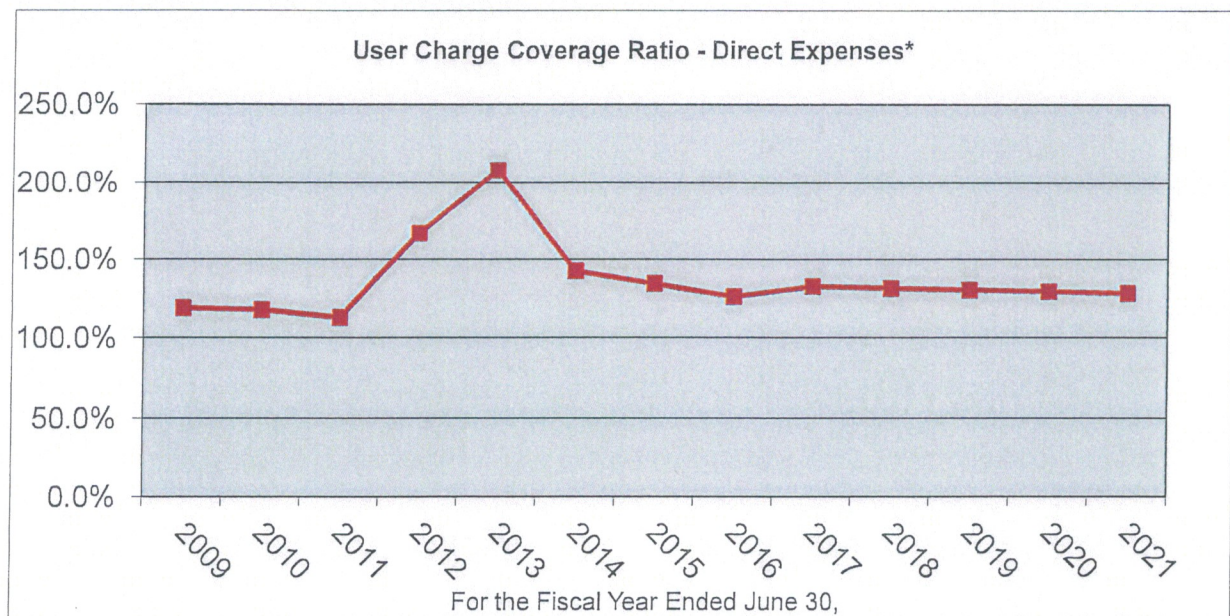
Again, this detail is beneficial for policy makers and the general public as it clearly shows the District's expenses. CLA recommends supporting these expenses with Board adopted policies such as "debt service expenses shall never exceed 20% of total revenue," etc. Such policies improve the budgeting process and can be used to explain rate structures and increases, as needed.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 8A: USER CHARGE COVERAGE RATIO (UCCR) (Enterprise Funds - Sewer)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

The District has experienced a sewer coverage ratio of 113% to 208% over the 7 years presented (2009 - 2015). Revenue includes user charges only and expenses exclude depreciation and interest. This graph demonstrates the extent to which user charges fund direct expenses. It should be noted that the large spike in 2013 is primarily related to a one-time revenue from CalTrans (\$916,689) and not generated from a rate increase. Additionally, these funds were used to set aside a reserve fund of approximately \$865,000 as required by the State Loan Agreement and are restricted from being utilized for operations.

#### Recommendations:

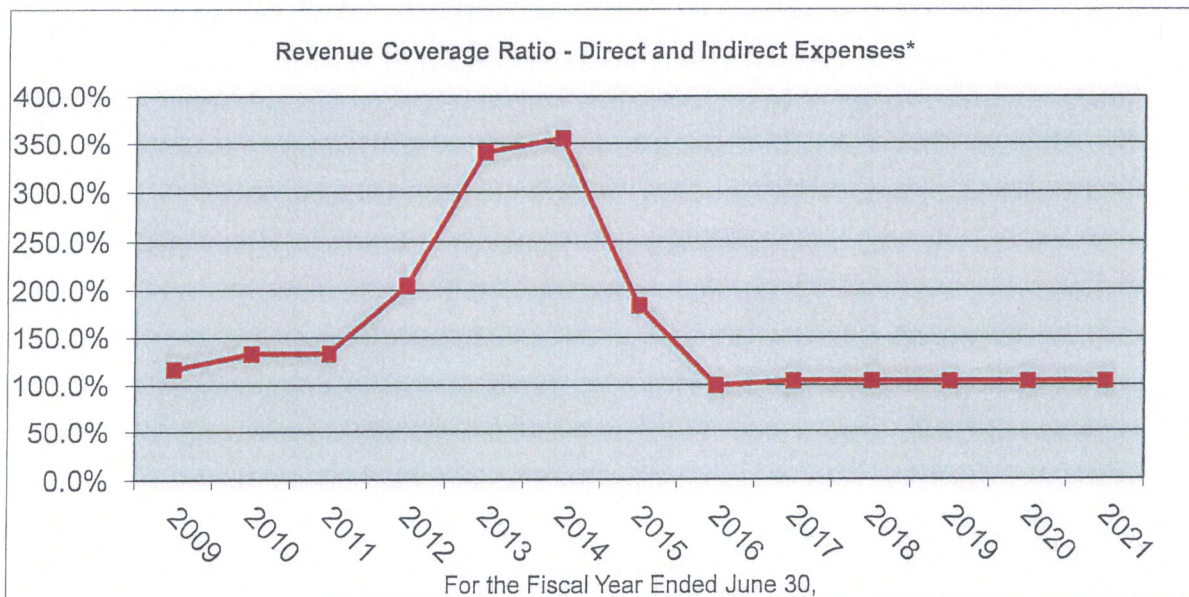
CLA recommends setting sewer rates in order to cover direct costs at a minimum of 100% coverage and to monitor this trend line annually. For the projected years 2017- 2021, the trend line is consistent and is set at approximately 128% coverage. Annual monitoring of this metric is recommended.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 8B: REVENUE COVERAGE RATIO (RCR) (Enterprise Funds - Sewer)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

The District has experienced a sewer coverage ratio above 100% over the 7 years presented (2009 to 2015) with significant increases from 2012 to 2014 due to the collection of future wastewater treatment user charges of \$1.1 million. Revenue includes user charges and non-operating revenue and expenses include interest, but not depreciation. This graph demonstrates the ability of all revenue sources to fund operations without consideration of asset replacement cost.

#### Recommendations:

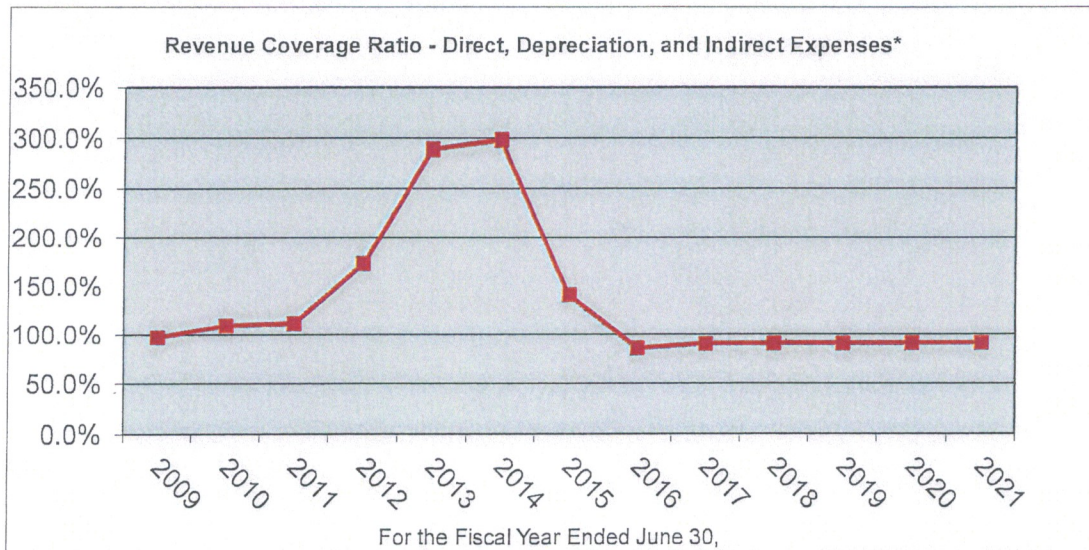
The ability to have greater than 100% coverage is commendable as it allows for the District to build reserves for operations and system rehabilitation expense. When removing the anomalies for 2012 -2014, the trend line is consistent for the actual results and through projected results (from the rate study 2016-2021) which illustrates steady coverage. However, without the projected rate increases, the trend line does not stay flat and above 100% for the projected results. Again, CLA recommends the appropriate rate increase be implemented next year, as discussed under Indicator #6, so that the steady trend may continue.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 8C: REVENUE COVERAGE RATIO (RCR) (Enterprise Funds - Sewer)

The UCCR demonstrates the District's ability to cover business-type activities expenses with related program revenues and its reliance on general revenues to subsidize certain function/program expenses. As user charge coverage declines, the burden on general revenues to support these services increases. Since many municipal accounting systems do not employ cost-accounting techniques, it is easy for inflation and/or other factors to erode user charge coverage without being readily detected.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

The District has experienced a sewer coverage ratio over 100% from 2010 through 2015 with a significant increase from 2012 to 2014 due to the collection of future wastewater treatment user charges. Revenue includes user charges and non-operating revenue and expenses include interest and depreciation. The graph demonstrates the full cost of the sewer system against all revenue sources. Future wastewater fee revenue in the amount of \$1,131,885 for 2013 and of \$320,060 for 2014 is included and was primarily used to fund the reserve requirement pursuant to the State Loan (and as noted in Indicator #8A).

#### Recommendations:

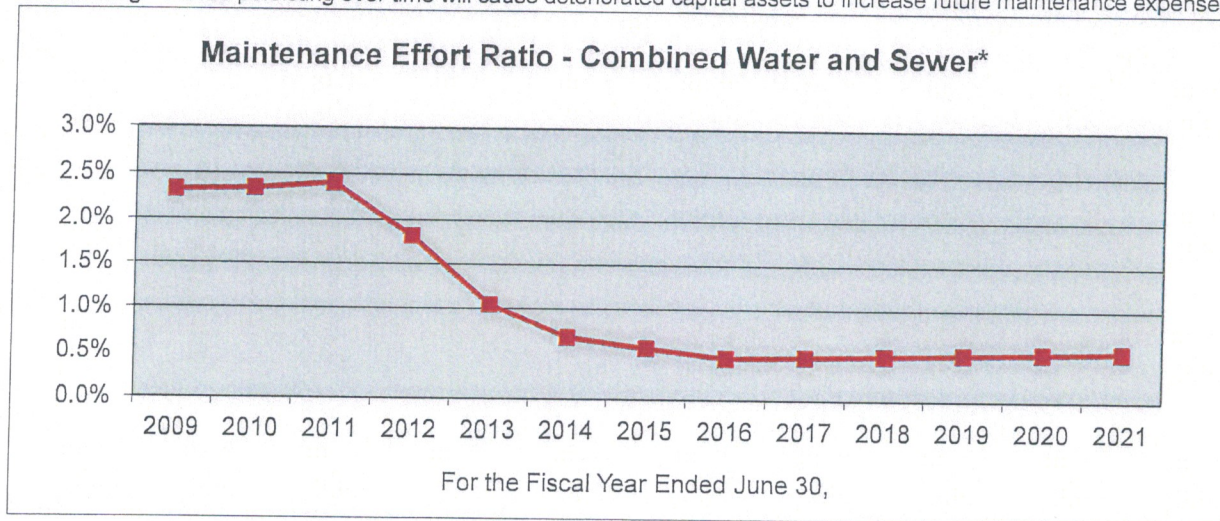
The District's rate study provides that total revenue will cover 30% of depreciation on an annual basis which is why going forward in 2016-2021 the District has modeled coverage around 90%. The amounts set aside for system rehabilitation is outlined as a percentage of total depreciation on an annual basis. We recommend that the District evaluate these percentage allocations against a long-term capital improvement plan (CIP) to determine if they are sufficient to meet the capital needs of the District well into the future (10 to 20 years). Further, the expenses included in the above graph include the principal and interest payments on the State Loan financing. The servicing of the State Loan commenced in 2015 and the impact of which was included in the rate study and rates increases were recommended accordingly. We recommend the District continue to work through the necessary analysis to fully understand the impact continual increased rates may have on its Customers. Currently, the District has not increased rates pursuant to the rate study and depending on future actions, 90% coverage may not be obtained and the necessary system rehabilitation funds may not be raised.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 9: MAINTENANCE EFFORT RATIO (MER)

The MER indicates whether capital assets are being maintained at a sufficient level to insure their useful life. Capital assets are constructed at significant cost and their decline can have far-reaching effects on business activity, property value, and future operating expenses. Deferring maintenance of these assets can also create significant unfunded liability. Generally, maintenance expenses should remain relatively consistent relative to the amount and nature of the assets. Declining ratios between maintenance expenses and capital assets may be a sign that a government's assets are deteriorating. Trends persisting over time will cause deteriorated capital assets to increase future maintenance expenses.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study and wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

The District shows a continual decline for the period presented from 2011 - 2015. The sewer plant upgrades began in 2012 and work was completed in 2014, hence the decrease in maintenance effort. A relatively new facility requires less preventative maintenance in the early years.

#### Recommendations:

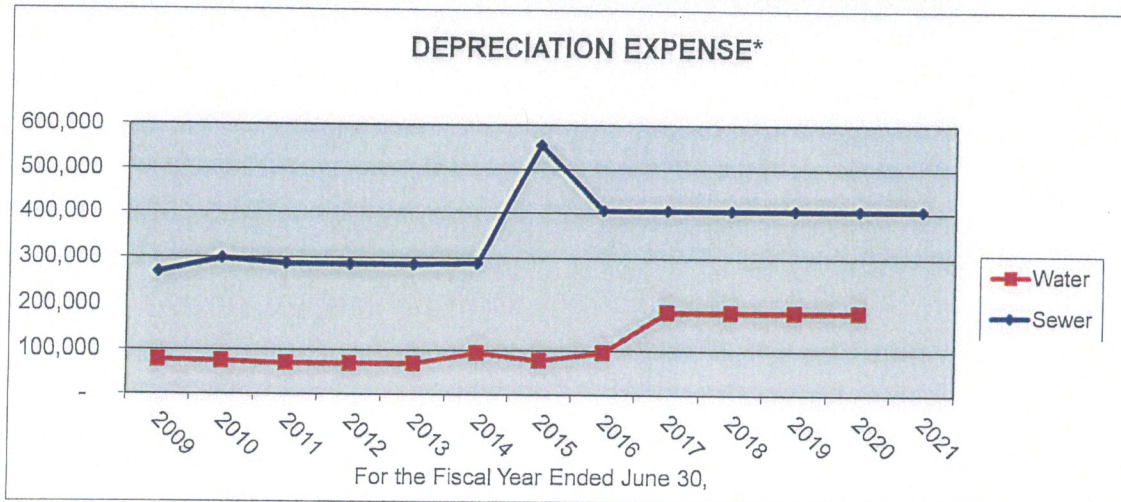
The District anticipates keeping a consistent MER from 2016 through 2021. The District will need to continually evaluate whether or not a MER of 0.5% will be sufficient over the next 6 years. This metric becomes helpful over time as the District will be able to measure the level of financial resources put towards maintaining the assets of the District. The % amount is not as important as the consistent effort and the overall general condition of assets that is maintained over the years.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 10: DEPRECIATION EXPENSE

Depreciation is a non-cash expense of the District. While current resources are not utilized on an annual basis, depreciation expense is indicative of the potential future investment required to replace infrastructure.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study and wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

Depreciation has held constant for the Water fund over the years presented. The increase in depreciation in 2015 is due to the completion of the wastewater treatment plant. The District has projected level depreciation for the 2016-2021.

#### Recommendations:

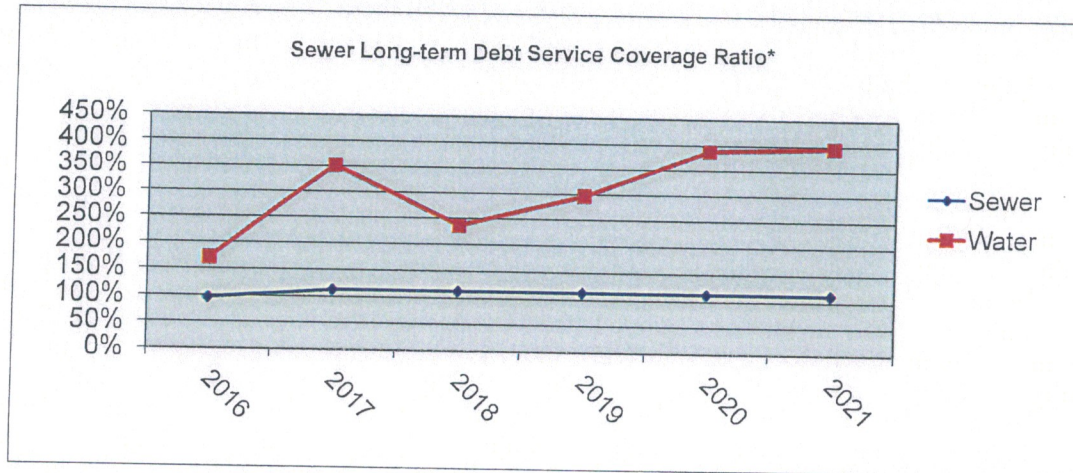
The District understands the annual depreciation of its assets and the potential impact on future cash flow needs by way of large repairs and replacement. As part of the rate studies, the District has built system rehabilitation costs into its proposed rate increases. For the Water enterprise, the percentage of savings increases over time from 10% to 30% of depreciation expense. For the Sewer enterprise, 20% of annual depreciation is built into the rates proposed for 2016-2021. The impact of not increasing rates for the Sewer enterprise will impact the ability to set aside funds for system rehabilitation in the future and will further impact the discussion noted in Indicator #1 and Indicator #5. We commend the District for recognizing the need to implement provisions to allow for future, major repairs and replacement. The District will need to continually evaluate whether or not the percentages are appropriate to cover the long-term needs of both enterprises.



## Donner Summit Public Utility District Financial Checkup

### INDICATOR # 11:SEWER LONG-TERM DEBT SERVICE COVERAGE RATIO (LTDSCR)

The LTDSCR illustrates the District's coverage ratio after direct expenses are funded. The LTDSCR is typically a requirement of certain financing arrangements.



\*The financial information for the years ending June 30, 2009-2015 is taken from the audited financial statements of the District. The projected financial information for the years ending June 30, 2016-2021 was taken from the water rate study and wastewater rate study provided by the District which was prepared by a consultant.

#### Findings:

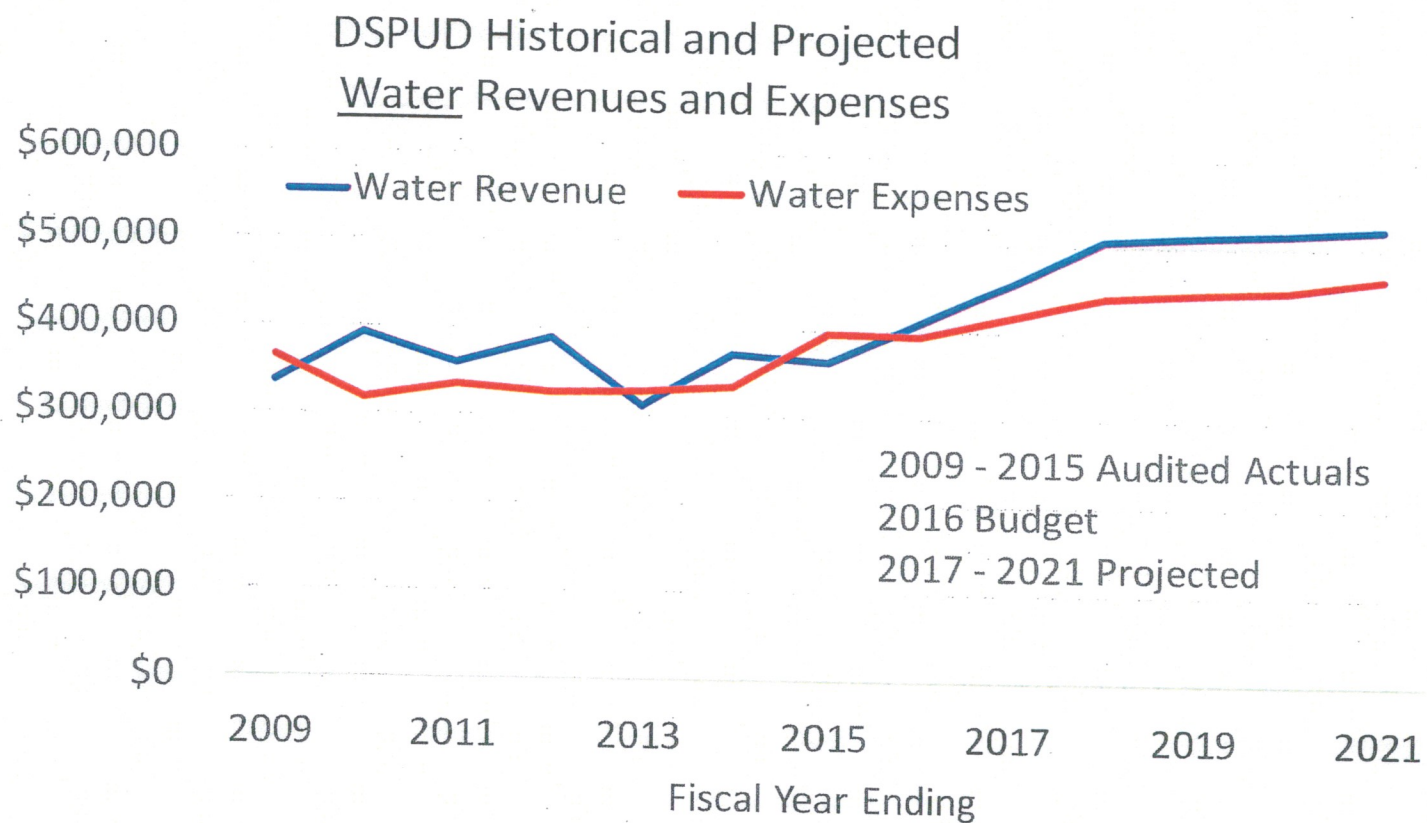
During 2015, the District entered into a Loan Agreement, which includes refinancing previous obligations, for the sewer treatment plant improvements which requires 110% coverage. The rate study incorporates obtaining 110% coverage by 2017. The District's debt obligations for water services area also included based on their existing Loan which matures in 2019. A new, proposed 2017 Loan for water is also included.

#### Recommendations:

The District has a history of implementing rate increases to meet operational expenses and State loan requirements. Although the District's rate study provides for sufficient coverage, Management of the District has expressed concerns about its rate payers' (who pay \$2,004 annually or \$167 monthly for sewer) ability to fund and support future rate increases. CLA recommends that the District continue to take action in order to meet its obligations.

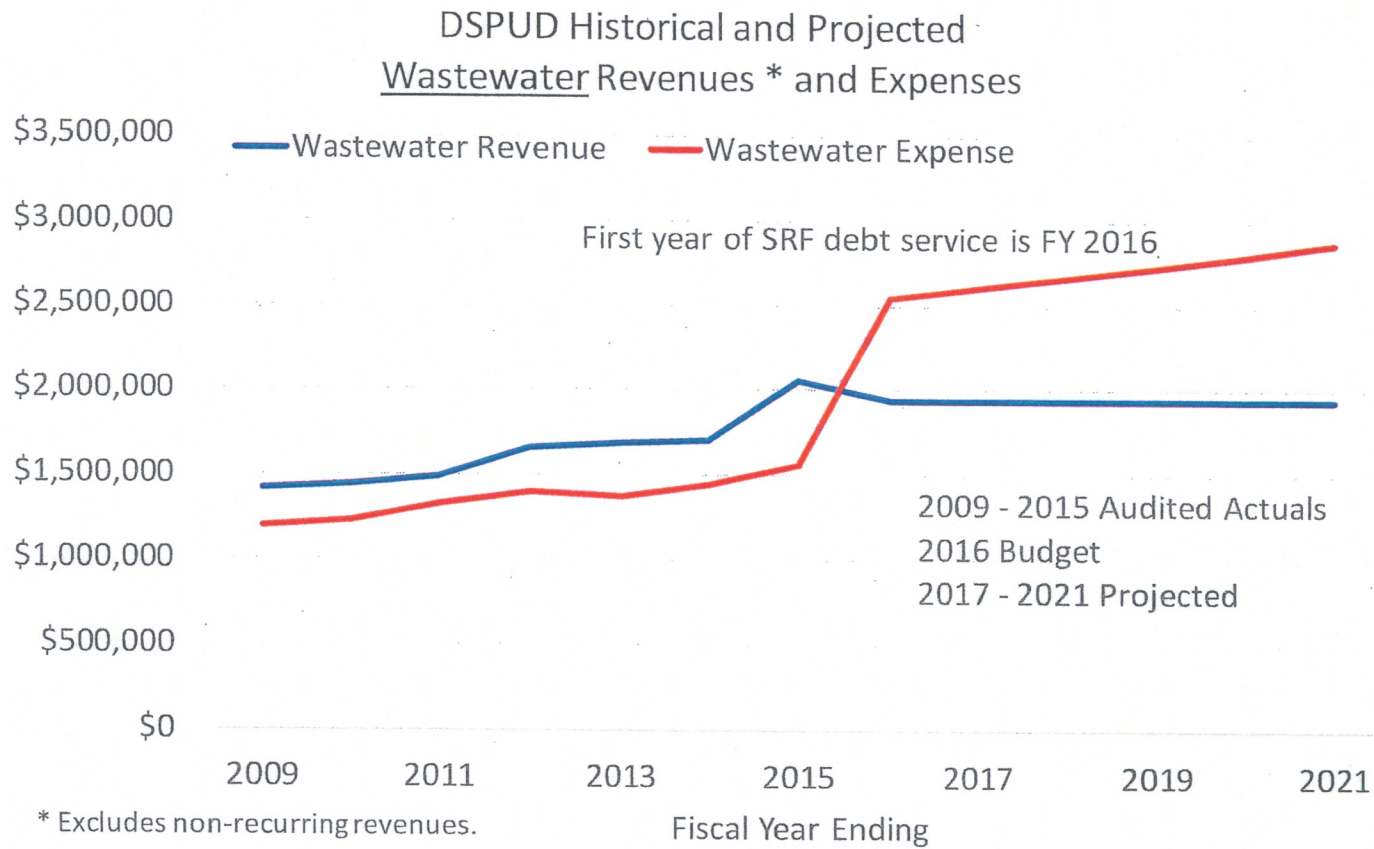


# Figure 1



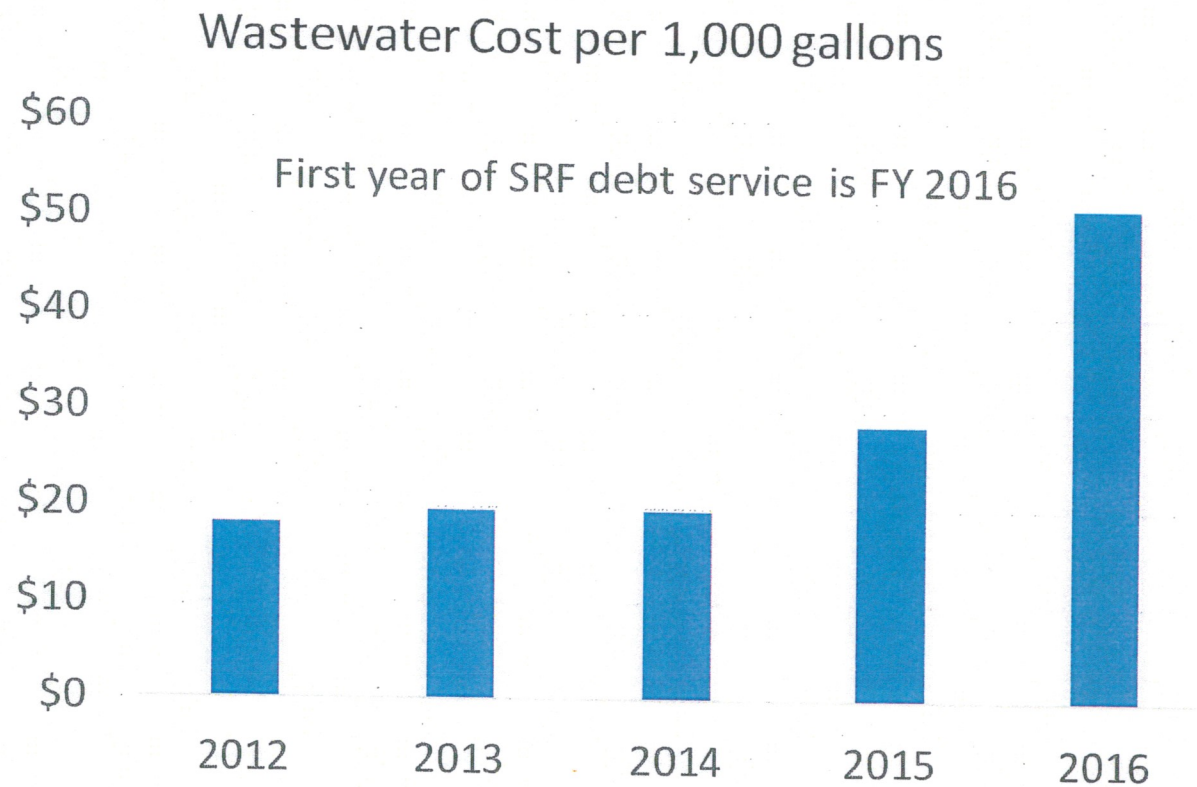


## Figure 2





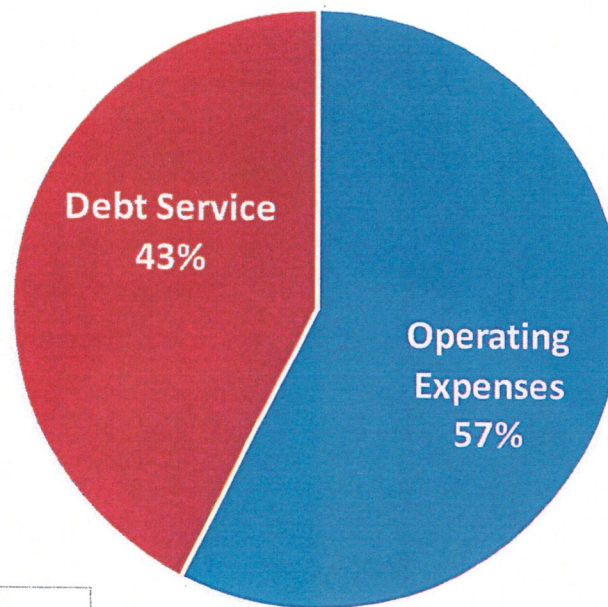
## Figure 3





# Figure 4

## Donner Summit Public Utility District Wastewater Fund Annual Expenses

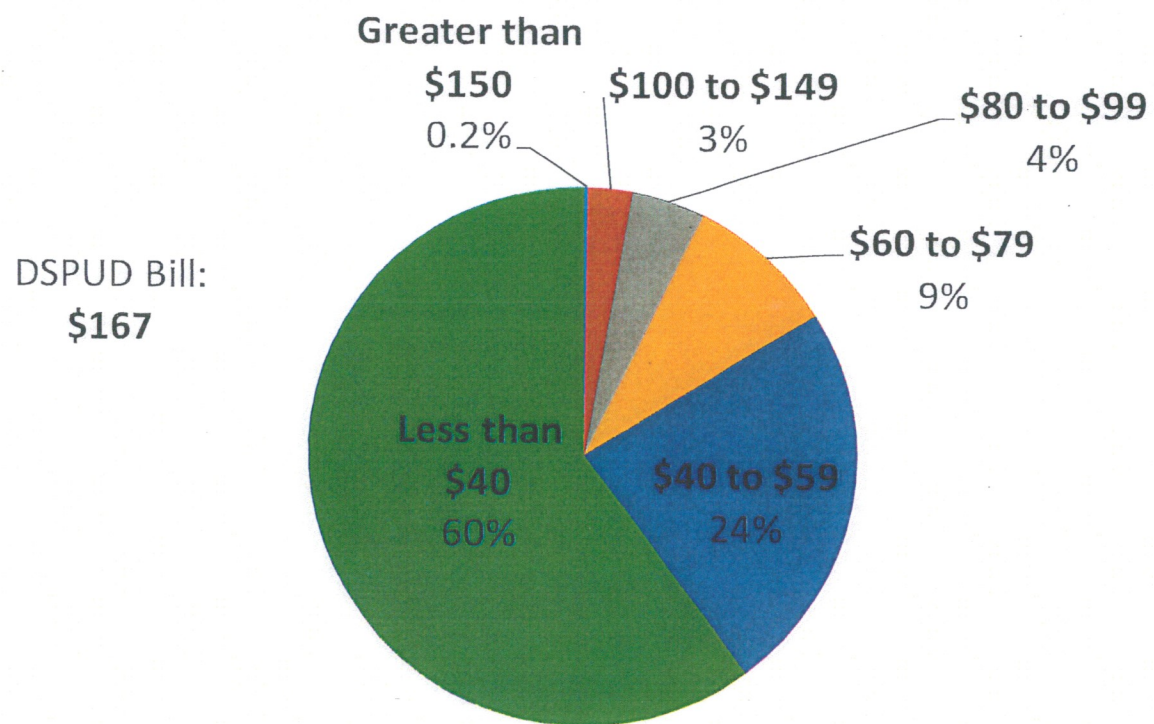


Excludes Depreciation



## Figure 5

### Monthly Wastewater Bill Comparison\*

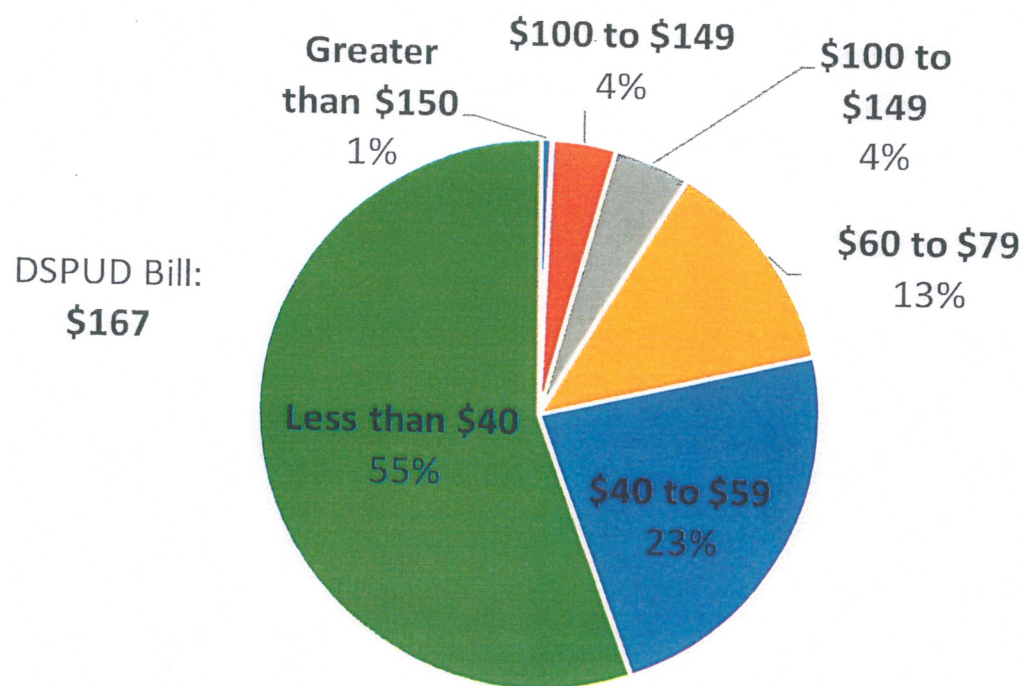


\* SWRCB Wastewater User Charge Survey 2015



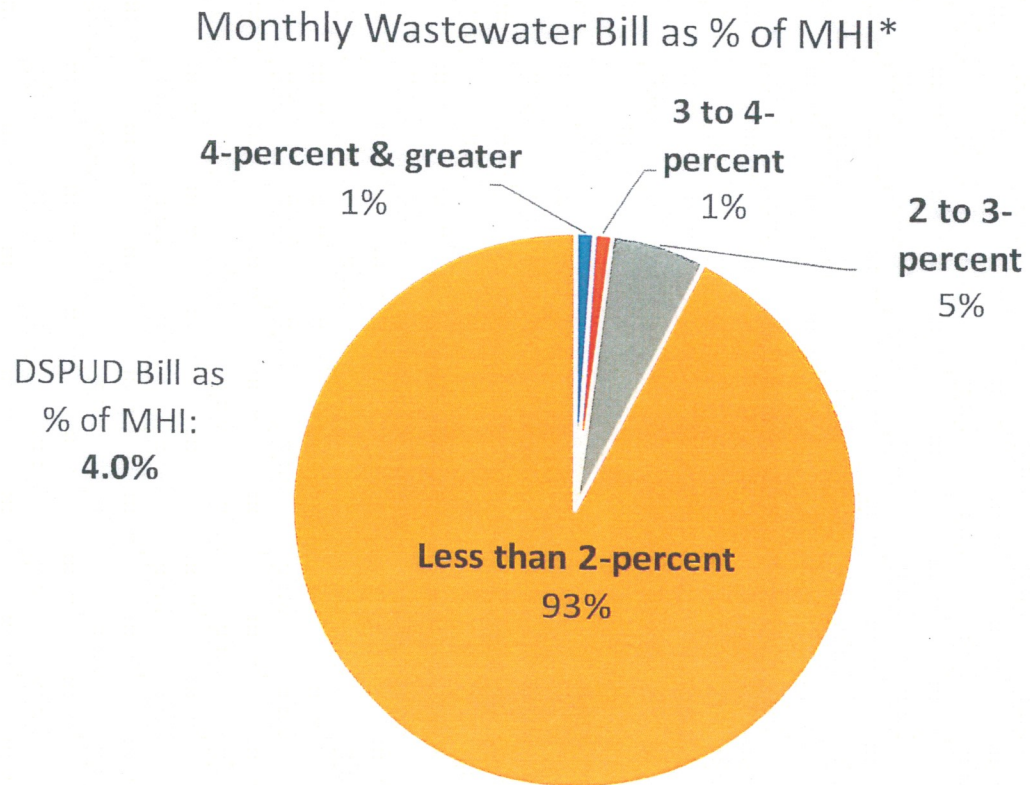
## Figure 6

### Monthly Wastewater Bill Comparison for Small Disadvantaged Communities\*



\* SWRCB Wastewater User Charge Survey 2015

# Figure 7



\* SWRCB Wastewater User Charge Survey 2015



**Table 1**  
**DSPUD Water Use and WWTP Flows**

SKI AREAS	Fiscal Year										TOTAL	Averages
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016		
September through August Water Use and Sewer Flow												
SUGAR BOWL												
Water Use (gallons)	1,512,600	1,438,100	1,249,600	1,600,200	1,350,000	1,066,500	1,081,000	1,075,200	1,083,350	1,079,850	12,536,400	1,253,640
% of Water Usage to Total DSPUD WWTP Flow	2.7%	3.4%	2.7%	3.6%	2.0%	2.0%	1.9%	2.2%	1.8%	2.9%		2.5%
% Change in Water Use		-4.9%	-13.1%	28.1%	-15.6%	-21.0%	1.4%	-0.5%	0.8%	-0.3%		
BOREAL												
Water Use (gallons)	928,200	872,100	827,500	885,000	917,500	1,082,177	1,579,000	956,000	876,210	985,226	9,908,913	990,891
% of Water Usage to Total DSPUD WWTP Flow	1.6%	2.1%	1.8%	2.0%	1.4%	2.1%	2.8%	1.9%	1.4%	2.6%		2.0%
% Change in Water Use		-6.0%	-5.1%	6.9%	3.7%	17.9%	45.9%	-39.5%	-8.3%	12.4%		
SODA SPRINGS												
Water Use (gallons)	239,800	315,700	336,700	424,100	284,500	303,900	409,800	375,000	347,500	342,133	3,379,133	337,913
% of Water Usage to Total DSPUD WWTP Flow	0.4%	0.7%	0.7%	1.0%	0.4%	0.6%	0.7%	0.8%	0.6%	0.9%		0.7%
% Change in Water Use		31.7%	6.7%	26.0%	-32.9%	6.8%	34.8%	-8.5%	-7.3%	-1.5%		
DONNER SKI RANCH												
Water Use (gallons)	552,600	695,300	847,800	669,300	568,400	682,938	777,400	680,700	705,250	689,629	6,869,317	686,932
% of Water Usage to Total DSPUD WWTP Flow	1.0%	1.6%	1.8%	1.5%	0.9%	1.3%	1.4%	1.4%	1.2%	1.9%		1.4%
% Change in Water Use		25.8%	21.9%	-21.1%	-15.1%	20.2%	13.8%	-12.4%	3.6%	-2.2%		
CAL TRANS												
3" Meter Water Use (gallons)	1,265,270	1,485,790	1,387,130	1,040,870	CLOSED	CLOSED	1,150,839	1,059,150	1,163,630	1,124,540	9,677,219	967,722
3" Meter Water Use (gallons)	1,840,600	1,799,500	1,772,800	1,002,900	CLOSED	CLOSED	640,500	738,700	1,062,900	814,033	9,671,933	967,193
6" Meter Water Use (gallons)	4,000	4,700	7,000	4,000	CLOSED	CLOSED	1,000	2,000	18,000	7,000	47,700	4,770
Total Water Use (gallons)	3,109,870	3,289,990	3,166,930	2,047,770	CLOSED	CLOSED	1,792,339	1,799,850	2,244,530	1,945,573	19,396,852	
% of Water Usage to Total DSPUD WWTP Flow	5.5%	7.8%	6.9%	4.6%	CLOSED	CLOSED	3.2%	3.6%	3.7%	5.2%		4.0%
% Change in Water Use		5.8%	-3.7%	-35.3%	CLOSED	CLOSED	n.a.	0.4%	24.7%	-13.3%		
Total Ski Area and Cal Trans Water Use (gallons) [1]	6,343,070	6,611,190	6,428,530	5,626,370	3,120,400	3,135,515	5,639,539	4,886,750	5,256,840	5,042,411	52,090,615	5,209,062
Total DSPUD WWTP Flow (gallons) [2]	56,300,000	42,200,000	46,200,000	44,600,000	66,198,870	52,614,720	56,656,480	49,653,220	61,307,000	37,238,450	512,968,740	51,296,874
% of Water Usage to Total DSPUD WWTP Flow [1]	11.3%	15.7%	13.9%	12.6%	4.7%	6.0%	10.0%	9.8%	8.6%	13.5%		10.6%
% Change in Water Use [1]		4.2%	-2.8%	-12.5%	-44.5%	0.5%	79.9%	-13.3%	7.6%	-4.1%		
% Change in DSPUD WWTP Flow [2]		-25.0%	9.5%	-3.5%	48.4%	-20.5%	7.7%	-12.4%	23.5%	-39.3%		

Source: Donner Summit PUD, ski areas, and Cal Trans.

[1] Cal Trans facility was closed during fiscal years 2011 and 2012.

[2] Flow does not include flows for Sierra Lakes.

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**Table 2**  
**DSPUD Ski Area Sewer Revenues**

SKI AREAS	Fiscal Year										TOTAL	Averages	Average Water Use as % of WWTP Flow	
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016				
Ski Area and Cal Trans Owned Accounts Only														
SUGAR BOWL														
Total Sewer Bill	\$216,508	\$220,847	\$231,895	\$266,690	\$278,284	\$278,284	\$278,284	\$289,661	\$308,129	\$311,681	\$2,680,264	\$511,298	Table 1	
WWTP Tax/Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$124,655	\$124,655	\$130,994	\$130,994				
% of Total DSPUD Sewer Revenue	18.1%	24.4%	21.2%	23.5%	24.2%	13.8%	21.1%	20.6%	22.3%	22.4%				
BOREAL														
Total Sewer Bill	\$98,361	\$100,332	\$105,352	\$121,155	\$126,427	\$126,427	\$131,259	\$138,302	\$139,336	\$139,897	\$1,226,848	\$225,037	9.6%	2.0%
WWTP Tax/Fee	\$0	\$0	\$0	\$0	\$0	\$9,575	\$38,954	\$58,836	\$58,836	\$58,836				
% of Total DSPUD Sewer Revenue	8.2%	11.1%	9.6%	10.7%	11.0%	6.7%	8.9%	9.8%	10.1%	10.0%				
SODA SPRINGS														
Total Sewer Bill	\$21,938	\$22,378	\$23,497	\$27,023	\$28,198	\$28,198	\$28,198	\$29,351	\$29,711	\$30,053	\$268,545	\$48,421	2.1%	0.7%
WWTP Tax/Fee	\$0	\$0	\$0	\$0	\$0	\$2,136	\$8,368	\$12,639	\$12,639	\$12,639				
% of Total DSPUD Sewer Revenue	1.8%	2.5%	2.1%	2.4%	2.5%	1.5%	1.9%	2.1%	2.2%	2.2%				
DONNER SKI RANCH														
Total Sewer Bill	\$41,549	\$42,381	\$44,535	\$51,178	\$53,404	\$53,404	\$53,404	\$55,587	\$56,269	\$56,918	\$508,629	\$91,707	4.0%	1.4%
WWTP Tax/Fee	\$0	\$0	\$0	\$0	\$0	\$4,044	\$15,849	\$23,938	\$23,938	\$23,938				
% of Total DSPUD Sewer Revenue	3.5%	4.7%	4.1%	4.5%	4.7%	2.8%	3.6%	4.0%	4.1%	4.1%				
CAL TRANS [1]														
Total Sewer Bill	\$33,904	\$31,142	\$31,311	\$24,308	CLOSED	CLOSED	\$120,469	\$125,394	\$126,934	\$128,397	\$621,859	\$0	4.6%	4.0%
WWTP Tax/Fee	\$0	\$0	\$0	\$0	CLOSED	CLOSED	\$0	\$0	\$0	\$0				
% of Total DSPUD Sewer Revenue	2.8%	3.4%	2.9%	2.1%	CLOSED	CLOSED	6.3%	6.2%	6.4%	6.5%				
TOTAL SEWER BILLS [2]														
Total Sewer Bill	\$412,260	\$417,080	\$436,590	\$490,354	\$486,313	\$486,313	\$611,614	\$638,295	\$660,379	\$666,946	\$5,306,145	\$876,463	42.3%	10.6%
WWTP Tax/Fee	\$0	\$0	\$0	\$0	\$0	\$15,755	\$187,826	\$220,068	\$226,407	\$226,407				
% of Total DSPUD Sewer Revenue	34.4%	46.1%	39.9%	43.1%	42.3%	24.9%	41.9%	42.6%	45.0%	45.1%				
Total DSPUD Sewer Billing Revenue [3]	\$1,198,832	\$904,170	\$1,093,496	\$1,136,436	\$1,148,351	\$2,017,777	\$1,621,805	\$1,724,581	\$1,686,073	\$1,686,251	\$14,217,772			
Total DSPUD WWTP Tax/Fee Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$286,961	\$288,623	\$283,105	\$292,666	\$1,151,355			
Total DSPUD Sewer Revenue [3]	\$1,198,832	\$904,170	\$1,093,496	\$1,136,436	\$1,148,351	\$2,017,777	\$1,908,766	\$2,013,204	\$1,969,178	\$1,978,917	\$15,369,127			

Source: Donner Summit PUD, ski areas, and Cal Trans.

[1] WWTP upgrade and expansion monies paid up front FY 12/13.

[2] Cal Trans facility was closed during fiscal years 2011 and 2012.

[3] Includes WWTP fee effective 01/01/12. The total does not include one-time payments. Total revenue in fiscal year 2011-2012 includes deferred payments recorded for audit purposes.

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Figure 1

WWTP Flow and Total Ski Area Water Use

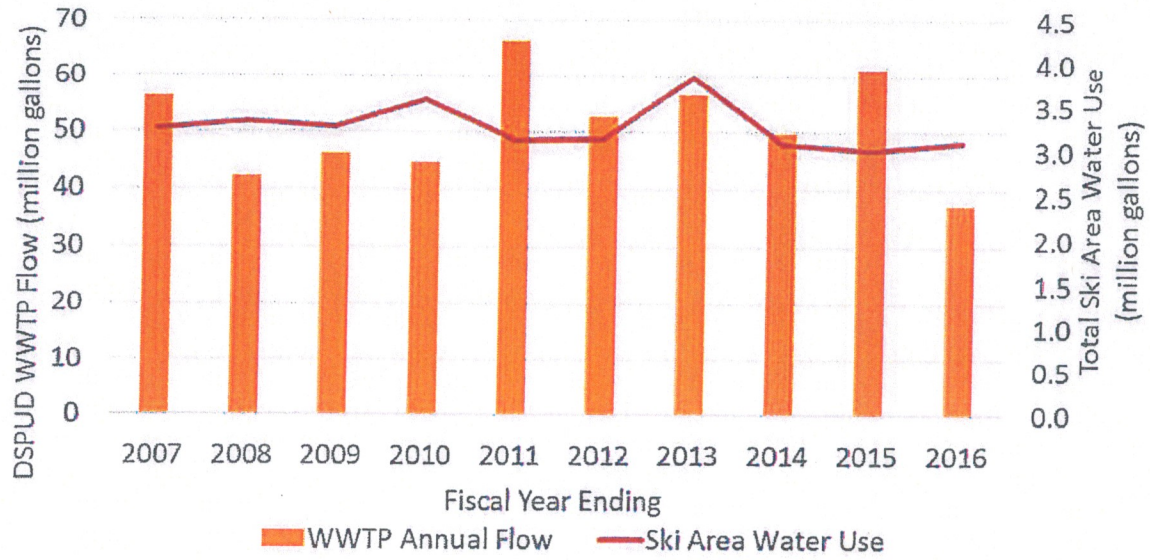
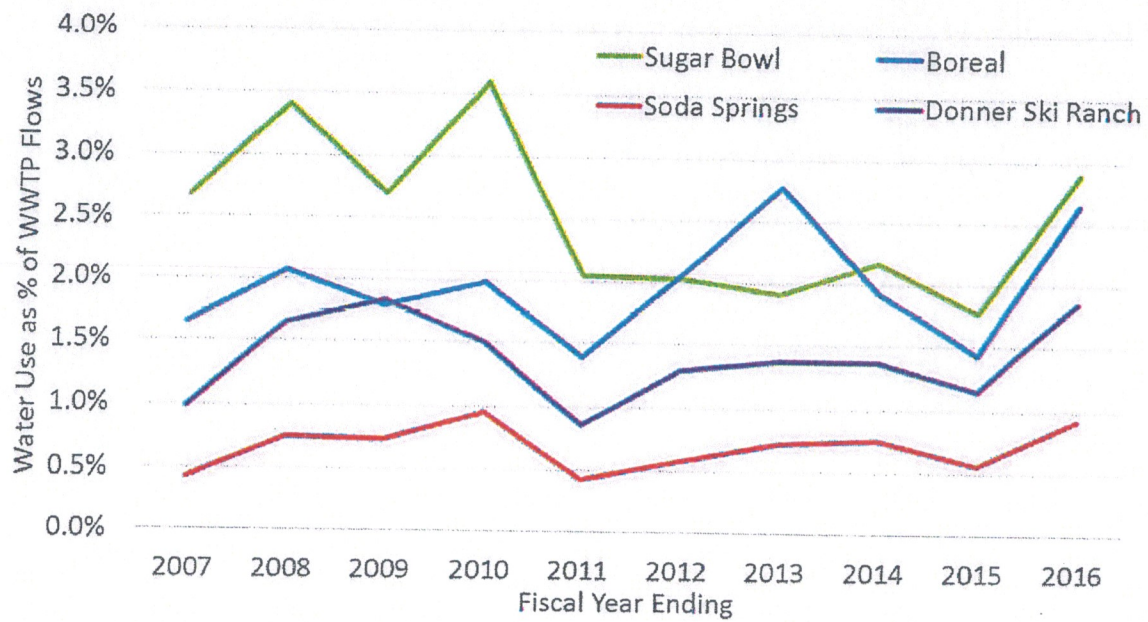


Figure 2  
Water Use as a Percentage of WWTP Flow





**Figure 3**  
**Percentage of DSPUD Sewer Revenue**

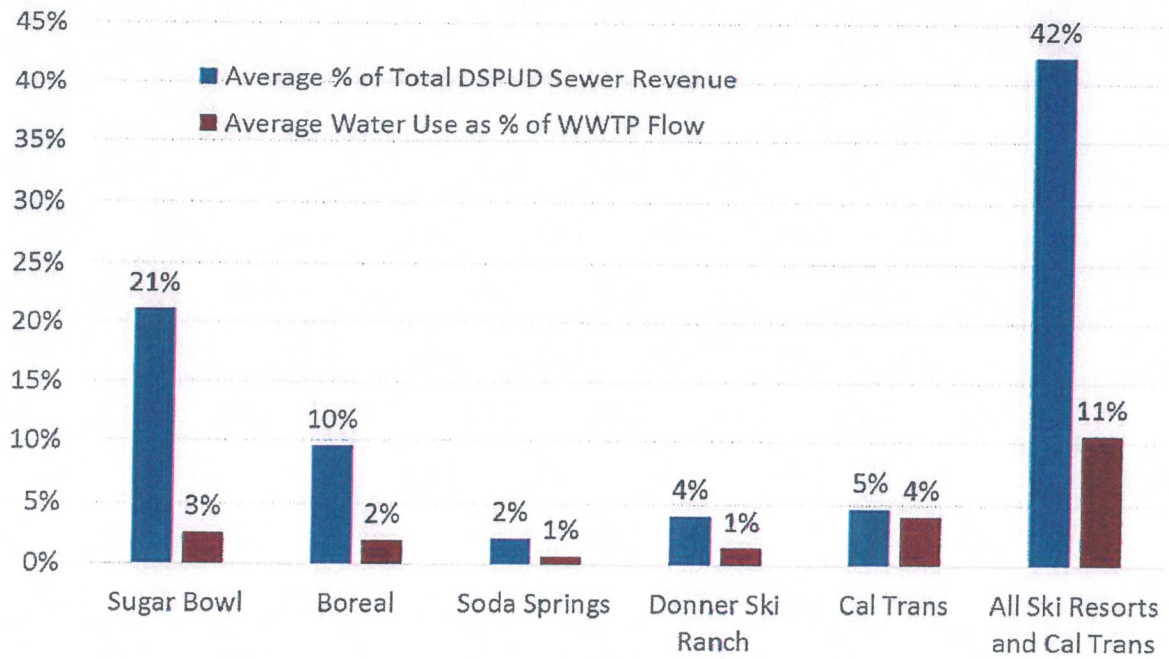


Figure 4  
Percentage of DSPUD Sewer Revenue

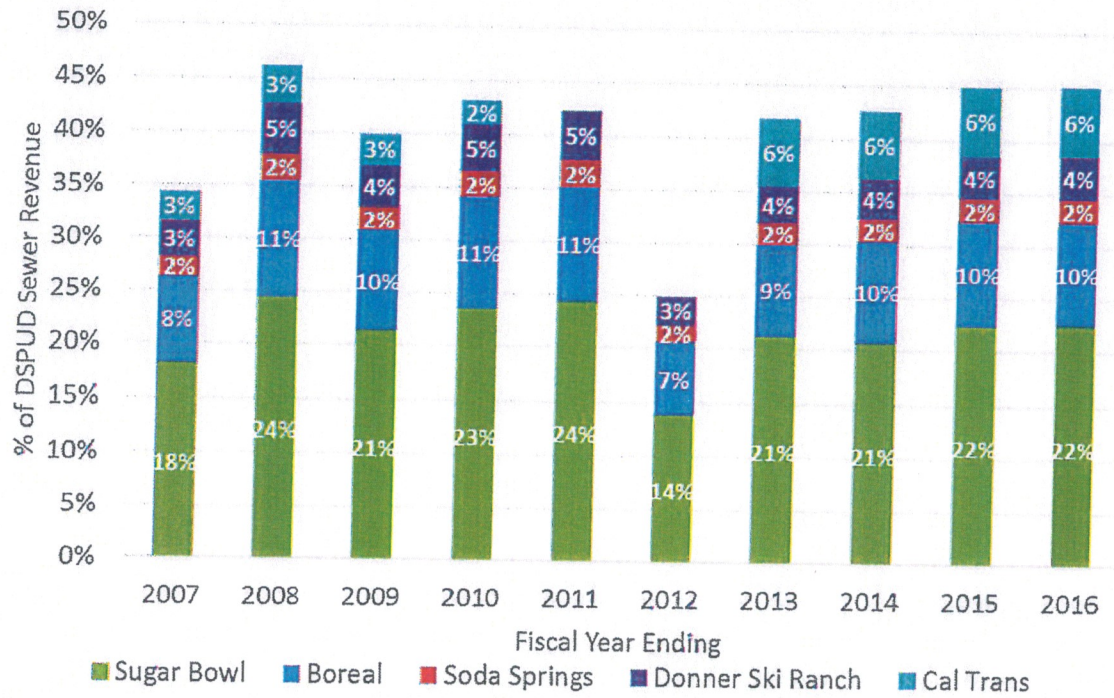




Figure 5  
Change in Water Use and DSPUD WWTP Flow

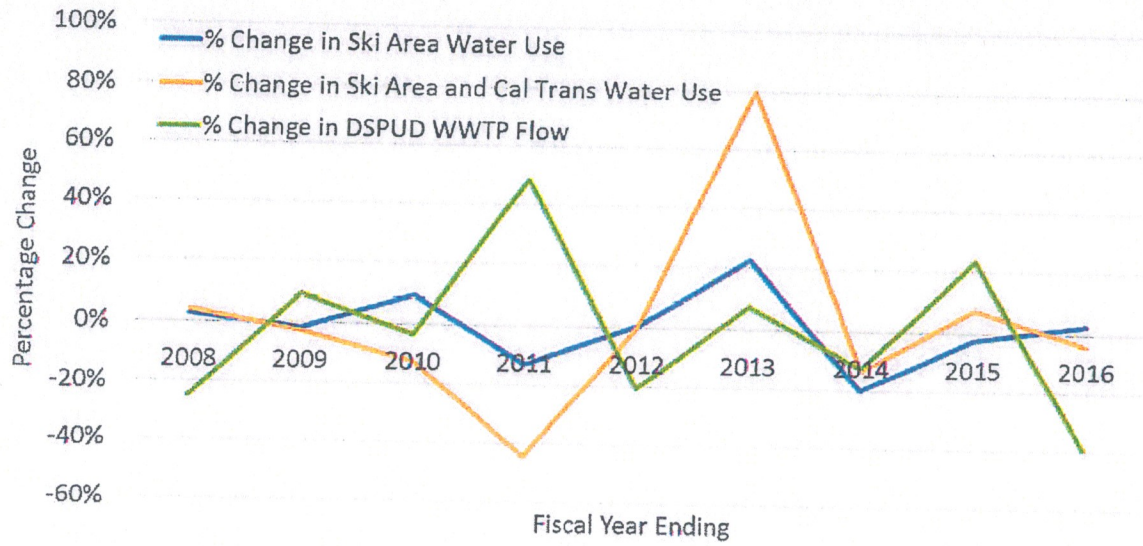


Figure 6  
Annual Bill and Water Use

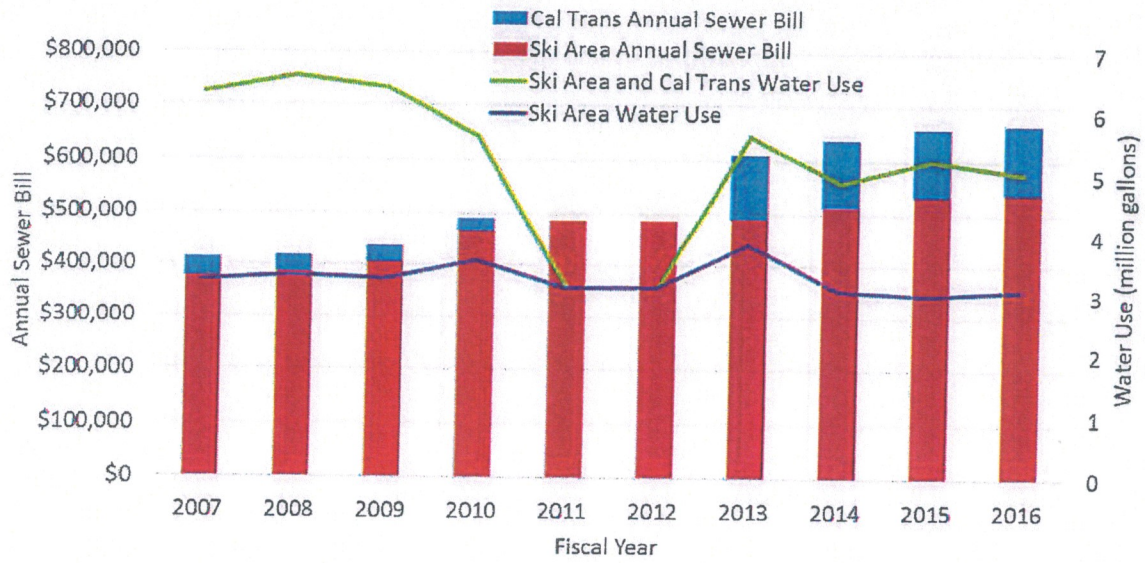




Figure 7  
Water Use for All Ski Areas

