

# NEVADA IRRIGATION DISTRICT

## REASON FOR THE INVESTIGATION

The Nevada County Civil Grand Jury is responsible for reviewing Special Districts within Nevada County.

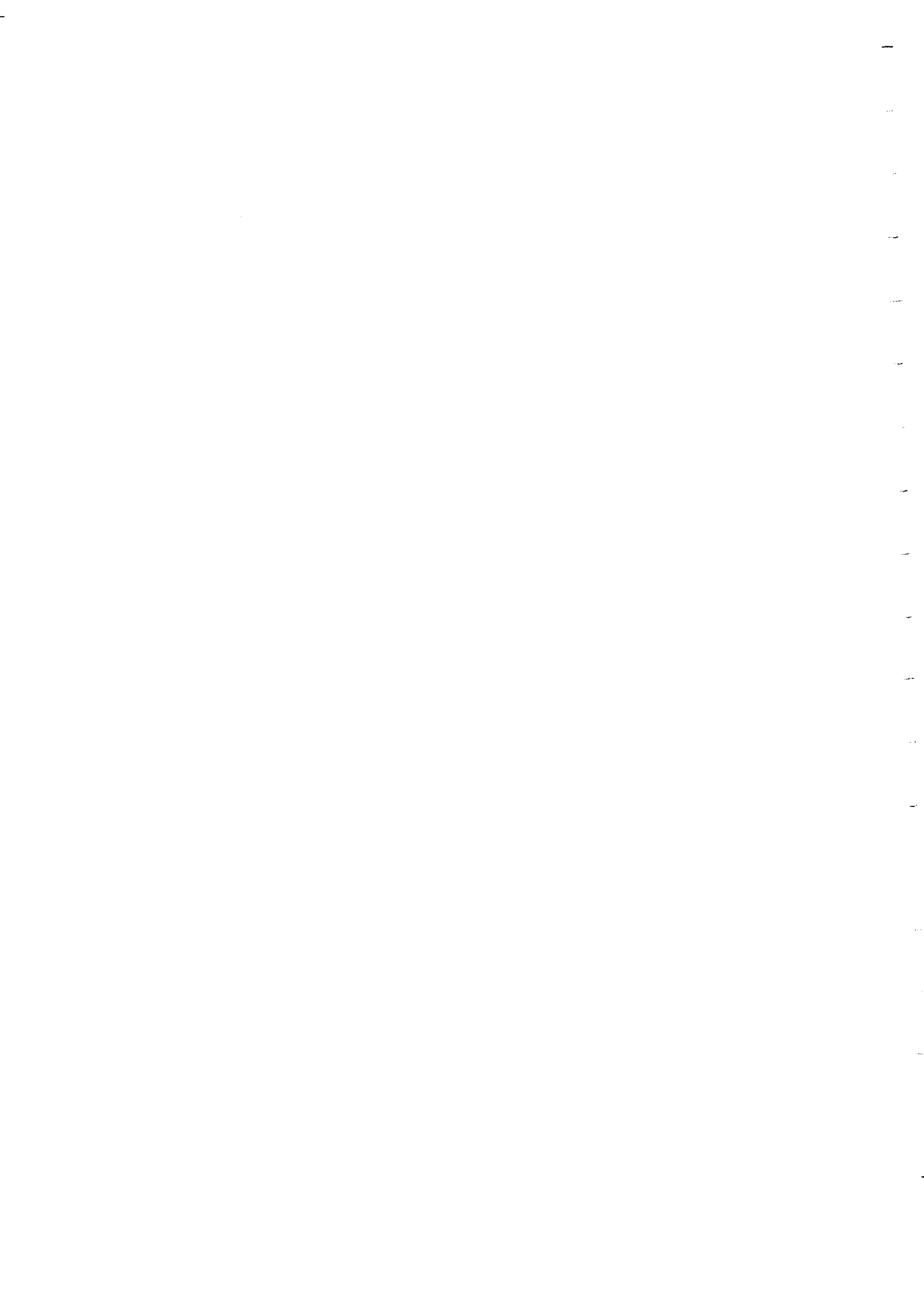
## PROCEDURE FOLLOWED

The Grand Jury reviewed the 1998-99 Grand Jury report on the Nevada Irrigation District (NID) and the response by NID to the Grand Jury findings and recommendations. The Grand Jury met with the NID General Manager.

## FINDINGS

1. The 1998-99 Nevada County Civil Grand Jury recommended that: "NID develop a standard formula based on future delivery costs that will be used for determining future user rate adjustments. Further, the Grand Jury recommends that factors used in producing user rates be published each year."
2. The NID, in its response to the above recommendation, stated: "The District's Water Rate committee has directed staff at its May 26, 1999 meeting to prepare a request for proposal to solicit assistance in performing a cost of service study of user fees. Once this study is completed, the District will review the findings and consider adoption of the results. The anticipated completion date of the study is February 2000. At the conclusion of the study, a determination will be made as to how customers will be informed in regards to annual changes in rates and fees for services provided by the District."
3. The Cost of Service Study has not been completed and is now projected to be finished by April 2001 - 14 months later than promised. The study is being performed by Economic Engineering Services, Inc. of Bellevue, Washington. A preliminary report and interim document was to be presented to the NID Water Rates Committee on December 13, 2000 at a Board of Directors meeting.
4. Although the rate-setting study was not completed, the NID Water Rates Committee on November 29, 2000 recommended a 1.8 percent water rate increase next year in its proposal to the NID Directors.
5. At the November meeting, only one of the five members of the NID Board of Directors objected to the rate increase, stating that NID should hold off on any rate increases until the Cost of Service Study is completed as recommended by the 1998-99 Nevada County Civil Grand Jury.

# RESPONSES



# NID Nevada Irrigation District

1036 W Main St ♦ PO Box 1019 ♦ Grass Valley, CA 95945-1019 ♦ (530) 273-6185  
From Auburn & Lincoln: 1-800-222-4102 FAX: (530) 477-2646

*The District pledges to provide its customers with a safe dependable water supply for urban and agricultural uses at the lowest feasible cost utilizing available resources today and in the future.*

IN REPLYING REFER  
TO FILE NO.

February 15, 2001

*rec'd*  
FEB 20 2001

The Honorable Carl F. Bryan, II  
Presiding Judge of Nevada County Superior Court  
201 Church Street  
Nevada City, CA 95959

Dear Judge Bryan:

In order to accept and comply with your request in your letter dated December 18, 2000 of the report prepared by the Civil Grand Jury on the Nevada Irrigation District the following is in response to your Findings and Recommendations:

## FINDINGS/RESPONSES:

1. *The 1998-99 Nevada County Civil Grand Jury recommended that: "NID develop a standard formula based on future delivery costs that will be used for determining future user rate adjustments. Further, the Grand Jury recommends that factors used in producing user rates be published each year."*

Response: Agree.

2. *The NID, in its response to the above recommendation, stated: "The District's Water Rate committee has directed staff at its May 26, 1999 meeting to prepare a request for proposal to solicit assistance in performing a cost of service study of user fees. Once this study is completed, the District will review the findings and consider adoption of the results. The anticipated completion date of the study is February 2000. At the conclusion of the study, a determination will be made as to how customers will be informed in regards to annual changes in rates and fees for services provided by the District."*

Response: Agree.

3. *The Cost of Service Study has not been completed and is now projected to be finished by April 2001—14 months later than promised. The study is being performed by Economic Engineering Services, Inc. of Bellevue, Washington. A preliminary report and interim document was to be presented to the NID*

*Water Rates Committee on December 13, 2000 at a Board of Directors meeting.*

Response: Agree. However, it should be noted that the preliminary report and interim document was only presented to the NID Water Rates Committee, not the full Board. The committee is advisory to the Board.

- 4. Although the rate setting study was not completed, the NID Water Rates Committee on November 29, 2000 recommended a 1.8 percent water rate increase next year in its proposal to the NID Directors.*

Response: Agree.

- 5. At the November meeting, only one of the five members of the NID Board of Directors objected to the rate increase, stating that NID should hold off on any rate increases until the Cost of Service Study is completed as recommended by the 1998-99 Nevada County Civil Grand Jury.*

Response: Agree.

- 6. Information presented to the Grand Jury indicates that NID's current reserve funds have grown from \$8,279,000 to \$42,960,000 since 1990.*

Response: Agree. The Grand Jury should know that these reserves do not include the Cascade Bench Flume Replacement Project Certificates of Participation (COP's). Additionally, the Grand Jury should also be aware that these reserves are used to fund scheduled improvements/maintenance projects that have grown from \$7,489,311 in 1990 to \$12,537,226 in 1999 (67% increase). In addition, during the years 2000 and 2001, revenue reserves will be utilized to fund the funding deficit of the Cascade Project by approximately \$5.2 million dollars.

- 7. Anticipated income to be generated from the proposed 1.8 percent water rate increase is \$168,000 per year.*

Response: Agree

#### RECOMMENDATIONS:

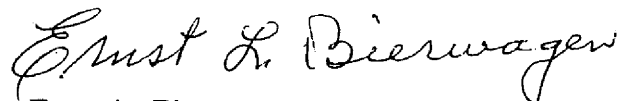
- 1. The Grand Jury recommends that the NID Board of Directors postpone implementation of any water rate increase until it has received the Cost of Service Study and has presented its contents to the public.*

Response: Disagree. The additional dollars are needed to help cover the increased power usage and electricity charges.

2. *The Grand Jury further recommends that, if based on the above mentioned study, the Board of Directors still believes \$168,000 in additional revenue is in order, funds should be taken from current reserves.*

Response: The Board of Directors strongly disagrees. Reserve funds have been developed and approved by other Boards of Directors as a means for anticipated and unanticipated maintenance and infrastructure needs.

Sincerely,

  
Ernst L. Bierwagen  
President

JPC:scg

cc: NID Board of Directors

6. Information presented to the Grand Jury indicates that NID's current reserve funds have grown from \$8,279,000 to \$42,960,000 since 1990.
7. Anticipated income to be generated from the proposed 1.8 percent water rate increase is \$168,000 per year.

### **CONCLUSIONS**

1. The NID Water Rates Committee and Board of Directors do not have a completed Cost of Service Study to use as a guide in recommending and justifying user rate changes.
2. The anticipated income from the proposed water rate increase is a minuscule portion of NID's reserves and would have little effect on the total value of NID reserves.

### **RECOMMENDATIONS**

1. The Grand Jury recommends that the NID Board of Directors postpone implementation of any water rate increase until it has received the Cost of Service Study and has presented its contents to the public.
2. The Grand Jury further recommends that, if based on the above mentioned study, the Board of Directors still believes \$168,000 in additional revenue is in order, funds should be taken from current reserves.

### **REQUIRED RESPONSE**

NID Board of Directors: February 20, 2001