

4% proposed STPUD rate hike comes with questions

By Kathryn Reed



When ratepayers in South Tahoe Public Utility District incurred a 4 percent hike in 2007 it generated about \$668,000 in revenue. Salary and benefit increases that year for STPUD totaled about \$750,000. When ratepayers incurred another 4 percent hike in 2008 it raised about \$700,000, with the district spending about \$1.7 million on salaries and benefits that year.

The district is proposing a rate hike of 4 percent that would take effect July 1 – the start of the fiscal year. No raises are expected for the more than 100 employees. The money generated is earmarked for capital improvement projects.

On May 6 at 6pm the board will conduct a public hearing on the 2010-11 budget at 1275 Meadow Crest Drive, South Lake Tahoe. The board will vote on the rate increase on the May 20 meeting that starts at 2pm.

That is also the last day the 17,000 ratepayers can submit comments about the proposal. If 50 percent plus one objects to the increase, the proposal dies per California Proposition 218. The board could also vote against it.

As of April 27 there were 66 objections. Two years ago the rate increase received 65 objections and there were more than 160, or less than 1 percent of the ratepayers, who objected three years ago.

“The thing that is the driving force for the increase is the capital improvement program for the next two years,” South Tahoe PUD General Manager Richard Solbrig said. “The next two years there is a real glut of projects to get done. We need some cash upfront right away to take advantage of all of these programs.”

Part of the urgency is matching dollars and low interest loan programs the district has received from the state and federal governments. Some of the money will be spent on installing water meters, some to upgrade the water flow for fire suppression and some to improve the 51-year-old wastewater treatment plant.

Board President Dale Rise believes a 4 percent rate increase is too much.

“I was hoping to convince the board of 2 percent,” Rise said. “My problem is they want a 4 percent increase every year for the next 10 years.”

If the rate hike were approved, the average household would pay an additional \$8 per quarter or \$32 a year. Rise is concerned about the cumulative affect of 4 percent hikes, pointing out that in three years it’s more than \$100 more a year that people would be paying for water and sewer each year compared to today’s rates.

The district does its budget calculations on a 10-year cycle to project its current and anticipated needs.

“If we did zero percent this year and did 4 percent for the remaining nine years and did all the capital projects, we would have a deficiency in the ending balance,” Solbrig said.

To that, Rise says perhaps some of the projects should be deferred.

If the 4 percent hike is not approved, Solbrig says the board

will have to decide which capital improvement projects need to be shelved and/or approve other cost-cutting measures.

In the \$40 million annual budget about one-third is used for capital improvements, one-third for maintenance and operations, and one-third for salaries and benefits.

The latter has caused several disgruntled ratepayers to voice their dissatisfaction with how the district spends ratepayers' money. The highest paid employee in the district is Solbrig, who makes \$180,744 a year. The lowest wage is \$16/hour. The average annual salary at the district is \$75,474.

There are 100 workers who are represented by one union. The 15 managers operate under a memorandum of understanding with the district. The highest paid union worker makes about \$95,000/year.

Below is the salary range for the 10 highest paid positions beneath the general manager. All are management positions.

Position	Minimum	Maximum							
Assistant GM	\$127,016	\$162,108							
CFO	\$108,587	\$138,588							
Eng Dept Manager	\$110,205	\$140,652							
Mgr of Field Ops	\$102,213	\$130,452							
Principal Engineer	\$99,157	\$126,552							
Mgr of Plant Ops	\$99,157	\$126,552							
Human Resources	\$90,215	\$115,140							
Senior Engineer	\$88,100	\$112,440							

Hydrogeologist	\$88,100	\$112,440							
Land App Mgr	\$88,100	\$112,440							

Most employees in the district are at the highest level of the five-step range for their position, Solbrig said.

He and CFO Paul Hughes explained the large salary-benefit spike in 2008 was twofold. First, salaries were adjusted to bring STPUD employees inline with the state median for their respective positions. This was the first survey conducted since Solbrig started with the district in 1990. It was a board decision to pay the median salary. Second, the district switched to a wellness program that mandated employees get baseline exams. This meant more visits to doctors than would be normal.

“The district’s view is investing in the cost of the wellness program in a long-term investment. We expect to reap benefits for years to come,” Hughes said.

In the current budget the salary and benefits category is down 1 to 2 percent from the previous year because the health plan is working, Hughes said. The district is self-insured.

This is the last year of a four-year contract with the union. It’s anticipated an extension of one year will be agreed to a by all sides that will include zero raises.

The general manager and the chief financial officer defend the salary and benefits packages for the 115 employees of South Tahoe PUD.

“It’s easier to retain people when you pay a fair, livable wage. We need an adequately trained staff. We don’t have a high turnover rate,” Solbrig said. “We don’t want to be like the police and fire departments where at times they have been like a training ground.”

Below are the cost of living adjustments for STPUD employees

compared to the consumer price index:

Year	COLA	CPI
2009	2.0%	-1.3%
2008	3.8%	3.8%
2007	3.2%	3.2%
2006	2.5%	2.9%
2005	2.5%	3.1%
2004	2.5%	2.5%
2003	2.5%	1.1%
2002	2.5%	2.8%
2001	2.0%	3.2%
2000	2.0%	2.0%

Wages have been frozen. However, STPUD employees have not incurred furlough days like their brethren throughout the public and private sectors. Nor have they had salary reductions since the recession hit.

Solbrig said the district maintains the staff it needs. He said when more construction was going on in Lake Tahoe the district hired a consultant or paid overtime to handle the new connections.

Solbrig said the maintenance and operations budget has been trimmed some and that grants are continuously being sought so ratepayers don't foot as much of the bill.

He said the staff and board have not identified what services could be cut and still have public health and safety issues addressed.

“What work are we not going to do if we have people on furlough?” Solbrig asked. “Are we going to reduce service? If your water is off, are you willing for us to get to you in a couple days?”