



Water Rates

Tuolumne Utilities District (TUD) bills their water customers bi-monthly or every two months. Each bill contains a base rate, a consumption rate, and a surcharge if one applies to their property location.

The base rate is designed to cover the cost of fixed operating expenses. The operating expenses allow water to be “ready to serve” when customers open the tap. These costs are associated with administration and overhead, liability and workers compensation insurances, loan payments, vehicles, fuel, and other expenses. Moreover, these operating expenses include staff to keep the water system pressurized 24/7 with clean, potable water. The base rate is indispensable because TUD has these fixed costs, to make sure that high quality water reaches customers’ homes, whether customers consume it or not. In contrast, the consumption rate is based on the amount used by the customer, normally in cubic feet, and covers costs directly associated with the supply, delivery and treatment of water.

In order to control costs previously mentioned, TUD incorporates efficiencies in every process and expects/receives high production and competencies from its staff. Additionally, TUD controls the salary and benefit costs by averaging those costs to its industry and region. One of TUD’s highest costs is attracting and training state certified water and wastewater operators because there is a shortage in the market of qualified people, therefore, there is a great effort made to maintain the valuable TUD employees. TUD also controls costs by engaging in competitive bidding projects and supply contracts, as well as saving up to 30% in self-design, self-construction improvements, and employing local residents. Lastly, TUD aggressively influences legislations and regulations that affect costs.

If, for any reason, the water rates don’t cover the operating and debt service expenses, TUD’s management will propose to the board of directors an increase in the water rates.

One of the factors that may lead to an increase of the water rates is when a major capital improvement exceeding the revenue from base rates occurs, those bonds for infrastructure improvements can be charged to customers in the form of rates or surcharges.

Another factor that influences rate increases happens when the state and federal regulatory requirements become more demanding, which can lead to higher costs for TUD due to the need of qualified employees, improved testing techniques and equipment. The state does not provide TUD money to cover the cost of compliance with new regulations.

Finally, there is the gradual increase of the cost of living. That is, due to inflation the cost of living increases a small percentage every year, the last 31 years averages 3.53% increase per year, likewise the operating costs of TUD increase as well. Consequently, an equivalent increase in the base rates needs to occur.

TUD spends a great deal of time evaluating the known long term cost of managing this utility. In order for TUD to reach its main goal, which is to operate at a breakeven point, it needs to spread this cost out as far as it can go, so that future generations do not pay a disproportionate share of these costs.