MEETING DATE: October 22, 2025
AGENDA ITEM: 5. Grizzly Lake CSD: Potential Intertie Project & City Participation
FROM: Ryan Bonk
RE: Grizzly Lake CSD: Potential Intertie Project & City Participation

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BACKGROUND:

During the 03/12/2025, the City Council directed staff to request a draft reimbursement agreement as well as other conditions be met prior to additional participation in the project by city staff.

Grizzly Lake CSD and their engineering consultant, GHD, have requested this agenda item in order to discuss their request for City participation in the project.

The GLCSD response to the Municipal Service Review (MSR) can be located at the following link:

https://cityofportola.specialdistrict.org/grizzly-lake-community-services-district-glcsd-response-to-municipal-service-review-msr

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FINDINGS:

State Water Resources Control Board Timeline:

2008- GLCSD (formerly Grizzle Lake Resort Improvement District) was made aware of the compliance issues and was issued a citation for violation of the primary standard uranium for the water supplied to its customers from Well 2

2010- GLCSD sends the City of Portola a letter stating this following,

"With the cost estimates provided by your staff, the calculations revealed that existing water service rates would need to increase between 95% - 100%. Crocker Mountain and Grizzly Retreat residents voted down a proposed rate increase exceeding 31% in August 2009. With this prior experience, we are confident that water rate increases between 95% - 100% will not be approved. GLRID is exploring other sources of drinking water for the Crocker Mountain and Grizzly Retreat residents, and drinking water from the Lake Davis Water Treatment Plant will not be needed at this time. **As such, GLRID will not be negotiating with the City of Portola for drinking water from the Lake Davis Water Treatment Plant."**

2011- Compliance Order 01-02-11(O)001 directing the District to take action to comply

2014- Compliance Order 01-02-14(O)001 issued from non-compliance with the uranium MCL

2015- GLCSD provides a Preliminary Engineering Report (PER) that includes a proposed intertie connection with the City of Portola

2017- Intertie with City abandoned by GLCSD although the Division of Drinking Water did not agree with the approach chosen by GLCSD and recommended that GLCSD proceed with the intertie with the City

2025- GLCSD contacts the City with current request

<u>RECOMMENDATION</u>:

In addition to any questions, concerns, or clarifications requested by the City Council, city staff recommends that the following items be fully and substantially addressed by Grizzly Lake CSD and/or their consultants for the City's participation in the project to be considered:

General

-Response to LAFCo Municipal Service Review (MSR) that includes actionable steps taken to address the issues

Financial Solvency and Assurances

-Without financial records and/or audits from 2020-current, how can GLCSD speak with accuracy to the current financial situation?

-When does GLCSD expect an audit to be completed?

-What percentage of accounts are currently overdue?

-How long will GLCSD financial reserves cover current operating costs? Months, quarters, years?

-What is GLCSD's plan if financial reserves are expended?

-What occurs if GLCSD defaults on payments for treated drinking water to the City?

Effect on City Resources

In addition to the above, staff recommends that the Council take into consideration the effect of participation in this project on limited internal resources. Although reimbursement for staff and consultant time is a requirement for participation, there are opportunity costs associated with staff time that should be considered. Participation in this project may limit the ability for staff to commit time to other City work.

Staff recommends that GLCSD and/or GHD provide insight into the level of effort expected from the City staff and consultants to participate in this project.

<u>ATTACHMENTS</u>:

A. CITY COUNCIL MEETING PRESENTATION
B. 2025-10-7 GLCSDFINANCIALRESPONSE

City of Portola - Grizzly Lake CSD Intertie

→ **August 27, 2025**

Objective

Seek approval for City of Portola staff to review and execute a contract with GHD for support in developing the Grizzly Lake CSD Intertie Feasibility Study

Background

Grizzly Lake CSD

- Exceed primary MCLs for
  - Uranium
  - Gross Alpha
- Inadequate supply and storage
- Outdated infrastructure

Compliance Timeline

– 2011 Compliance Order
– 2014 Compliance Order
  - Preliminary Engineering Report (June 2015)
  - Preferred solution was an intertie
  - City's North Tank to Districts storage tank
– 2017 Planning grant from DFA
  - Test well – insufficient for blending
– 2020 DFA requests continuation with the intertie
  - City and District couldn't agree
  - Project halted – eventually project closed in 2023
– 2023 October, District TA application (AR7098)
  - Feb 2024 confusion (intertie vs planning)
– 2024 Oct Compliance Order

STATE OF CALIFORNIA
STATE WATER RESOURCES CONTROL BOARD
DIVISION OF DRINKING WATER

Name of Public Water System: Grizzly Lake Community Services District- Delleker
Water System No: CA3200104

Attention: Sharon Castenada, Board Chair
119 Delleker Road
Portola, CA 96122

Issued: October 4, 2024

COMPLIANCE ORDER FOR NONCOMPLIANCE
CALIFORNIA HEALTH AND SAFETY CODE SECTION 116555 AND
CALIFORNIA CODE OF REGULATIONS, TITLE 22, SECTION 64442

URANIUM MAXIMUM CONTAMINANT LEVEL VIOLATION
3RD QUARTER 2011 TO PRESENT

The State Water Resources Control Board (State Water Board) is authorized to issue a compliance order to a public water system when the State Water Board determines that the public water system has violated or is violating the California Safe Drinking Water Act (Health & Safety Code, Division 104, Part 12, Chapter 4, commencing with Section 116270) (California SDWA) or any regulation, standard, permit, or order issued or adopted under the California SDWA (Health & Safety Code, §§ 116650, 116655.)

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV. 3-95)

October 2024 Compliance Order

To: Grizzly Lake CSD

From: Water Board’s Division of Drinking Water

1. Complete set of design plans and specs by December 31, 2025

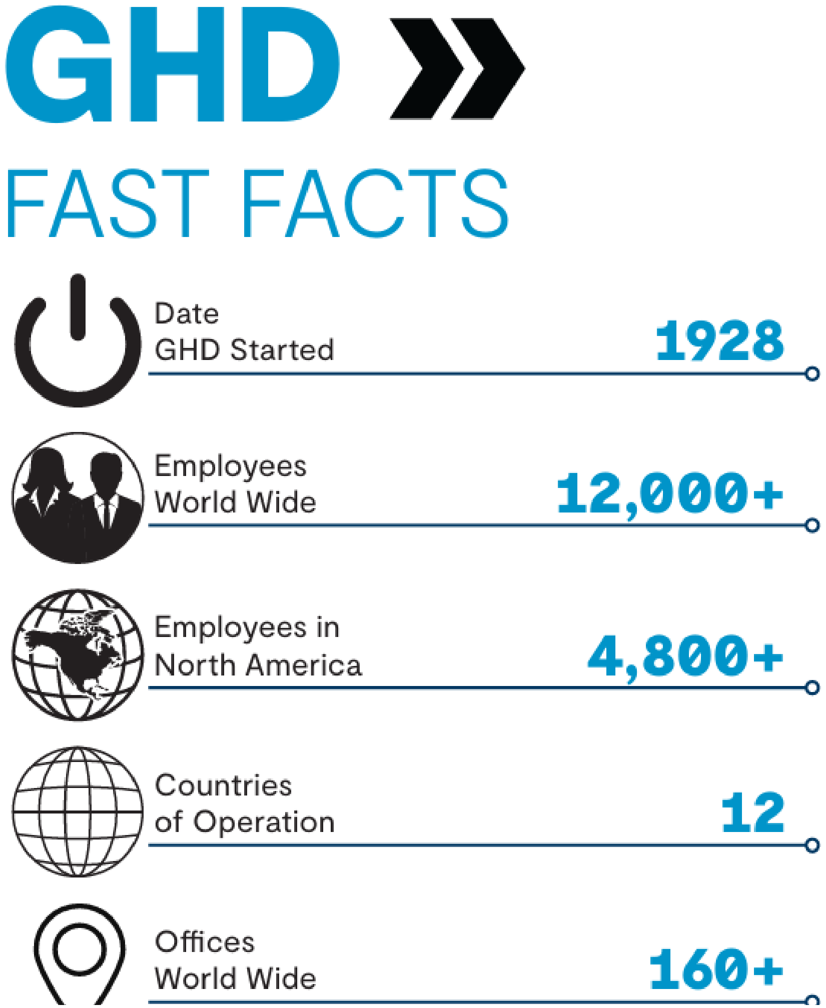
7. Technical Assistance Request

- Establish a water supply contract through the intertie, establishing the quantity, availability, and cost of the water supplied to the District,
- Develop an agreement and process by which the District could ensure the City of Portola is reimbursed for time spent on consulting and design review of the intertie project.

- Other items to be completed by the district

Role of GHD:

As a technical assistance provider to California's State Water Board under the SAFER Program, GHD has been assigned to assist Grizzly Lake CSD in addressing its 2024 water quality compliance order.



GHD’s Work Plan with SWRCB

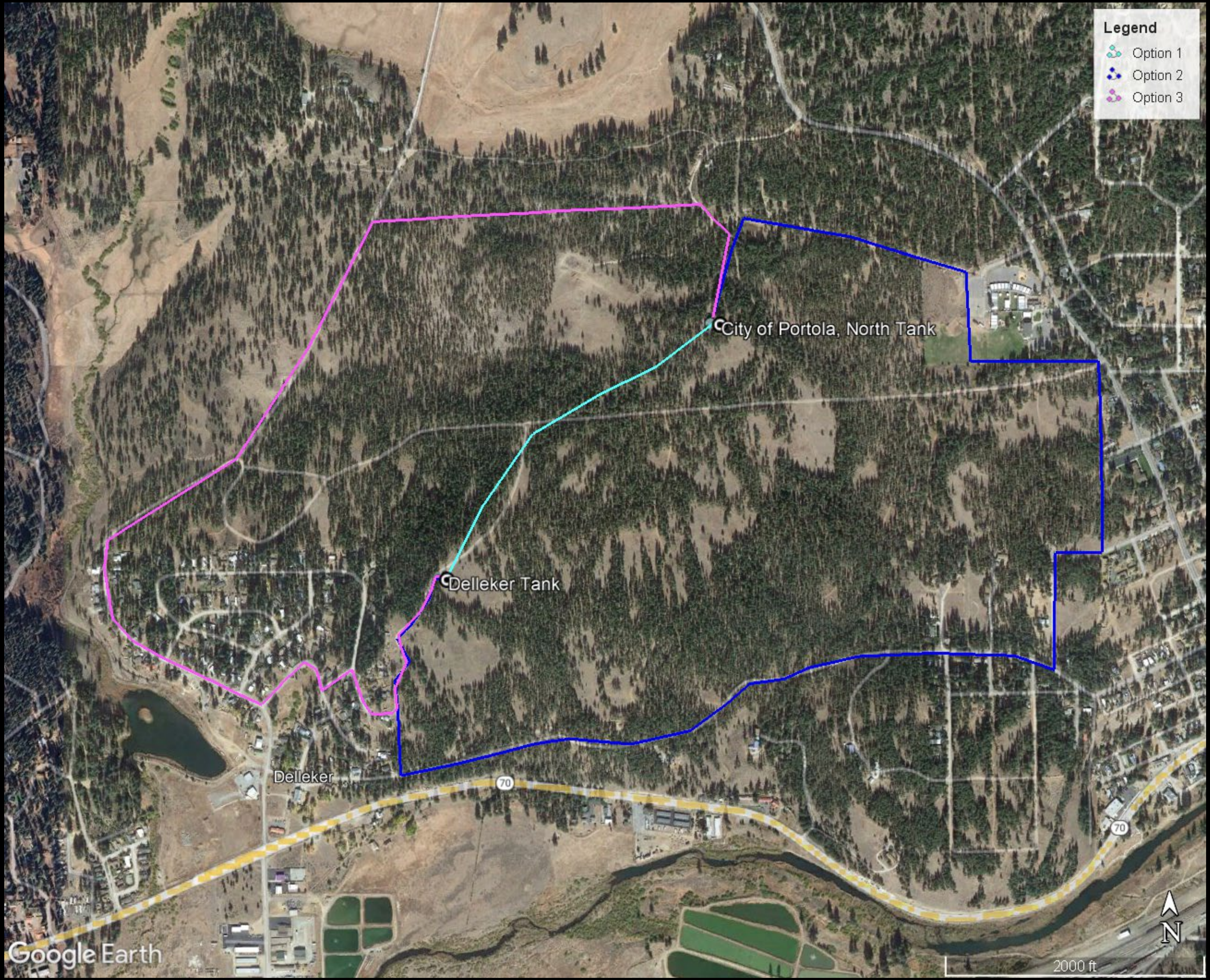
No.	Task	Deliverable & Due Date
1	Perform Needs Assessment and Prepare Work Plan	Draft Work Plan – 04/1/2025 Final Work Plan – 4/17/2025
2	Prepare Alternatives Analysis Engineering Report (AAER)	Draft AAER– 10/29/2025 Final AAER– 1/23/2026
3	Facilitate Stakeholder Participation	MSR Response – 8/30/2025 City Council Presentation Materials and Summaries – 1/30/2026
4	Project Management	AR Close Out Summary – 2/28/2026

City of Portola Role and Our Ask

- As a subcontractor to GHD, the City would provide information to assisting developing and review of the feasibility study to determine the preferred design for a connection between the City of Portola and Grizzly Lake CSD.

- Request that staff review our draft scope of work contract, provide comments, and execute contract if approved.
- Does not bind to any project moving forward, only to assist in the feasibility study.
- Will be allowed to bill time spent to date and moving forward.

Intertie Pipeline Options



Response to Concerns - Financial Summary

15 August 2025

To	City of Portola	**Contact No.**	530-280-6808
From	Grizzly Lake CSD	**Email**	Bobhow41@gmail.com
Supported by	Teresa Garrison, GHD	**Email**	Teresa.garrison@ghd.com
Project Name	Grizzly Lake CSD Intertie		
Subject	Municipal Service Review and Sphere of Influence Update – GLCSD Financial Summary		

1. Financial Summary

GLCSD has faced a series of governance and financial challenges in recent years, including incomplete financial reporting, unaddressed public records requests, and the loss of essential accounting data, all challenges brought on by an incompetent historical board. The transition to a new Board has brought an increased focus on transparency and compliance, but significant hurdles, such as the absence of key financial records, delayed audits, and longstanding revenue issues, continue to impact GLCSD's operations and public trust. The following section outlines these ongoing concerns and the steps being taken to address them.

The following challenges and resolutions are presented as identified in the MSR related to financial solvency for the CSD.

1) **Historical Deficits & Recordkeeping:**

   Challenge: The last completed audit was for FY 2018-19, which showed a decrease in profitability of $100,368 and a corresponding decrease in cash of $55,158.

   Resolution: There are plans to conduct an audit for January–June 2024 and to implement better accounting standards with the help of Cline & Associates.

   Challenge: All financial records from FY 2020-21 through the first half of FY 2023-24 were removed by prior staff and are not locatable, making it difficult to assess recent financial performance.

   Resolution: The new board has hired a contract bookkeeper with district accounting expertise and is working to rebuild financial records.

   Challenge: The CSD has experienced recurring operating deficits, with expenditures exceeding revenues in multiple years, brought on by the old board.

   Resolution: From the action above and the board selling existing assets, the deficit has been reduced and the board will continue to move towards a more stabilized and transparent recordkeeping

2) **Rate Structure & Revenue Generation Issues:**

   Challenge: Rates for water and sewer services had not been increased for over a decade, resulting in stagnant income despite rising operation and maintenance costs.

   Resolution: In December 2022, the GLCSD implemented new water and sewer rates after a Proposition 218 process, with rates set to increase by 5% annually for four years. The current rate structure is now more in line with similar districts, and the board is committed to conducting a comprehensive rate study once a plan of action has been developed for how the water quality compliance order will be resolved.

   Challenge: Many connections are unmetered, making it difficult to charge based on usage or identify water loss.

Resolution: Charging by use based rates not be feasible at the current time due to this challenge, however, the board is aware of this challenge and will continue to evaluate the system to ways to improve water accounting.

3) **Reserve & Liquidity Shortfalls:**

Challenge: The GLCSD has minimal reserves and no formal reserve policy, leaving it vulnerable to unexpected expenses or revenue shortfalls.

Resolution: The GLCSD is transferring funds to reserves, but GLCSD understands that current levels are low relative to potential needs.

Challenge: As of May 31, 2025, the balance sheet shows $128,246 in capital improvement reserves and $29,257 in loan reserves, but no other significant savings.

Resolution: With the rate increase and better record keeping, the CSD strives to increase reserves over time.

A summary of the Balance Sheet and Profit and Loss is provided below.

– **Balance Sheet (as of May 31, 2025) Highlights:**
  - Current Assets: $354,589 (mostly in accounts receivable)
  - Fixed Assets (net): $1,276,422 (water system being the highest valued asset)
  - Total Assets: $1,631,011
  - Current Liabilities: $38,103 (accounts payable) + $100,723 (other current liabilities)
  - Net Position: Positive, but with limited liquidity and reserves

– **Profit & Loss (July 2024–May 2025, Budget vs. Actual):**
  - Total Income: $538,904 (actual) vs. $510,729 (budgeted)
  - Total Expenses: $568,605 (actual) vs. $513,397 (budgeted)
  - Net Ordinary Income: -$29,701 (actual) vs. -$2,668 (budgeted)
  - Annualized Projection: The district is running a deficit, with expenses exceeding income by ~$27,033 for the year

Attachments

GLCSD Balance Sheet - May 2025

GLCSD Profit & Loss Budget vs. Actual – July 2024 to May 2025

GLCSD Current Rate Schedule – 2025

Attachment 1

Grizzly Lake Community Services District
Balance Sheet
As of May 31, 2025

	May 31, 25
ASSETS	
Current Assets	
Checking/Savings	
OPERATING ACCOUNTS	
Plumas Bank-3662	15,048.87
Total OPERATING ACCOUNTS	15,048.87
Petty Cash	200.00
RESERVE ACCOUNTS	
Plumas Bank (7734)	77,925.83
US Bank USDA Reserve - 5038	2,908.27
Total RESERVE ACCOUNTS	80,834.10
Total Checking/Savings	96,082.97
Accounts Receivable	
Accounts Receivable	237,081.31
Grant Receivables	20,033.63
Total Accounts Receivable	257,114.94
Other Current Assets	
Account for Credit Transfer	-126.84
Employee Advance	296.27
Insurance Receivables	1,244.40
Payroll Asset	-0.40
Undeposited Funds	-22.70
Total Other Current Assets	1,390.73
Total Current Assets	354,588.64
Fixed Assets	
Accumulated Depreciation	-1,146,225.00
Buildings and Land	62,000.00
Crocker Mt. Project	647,252.40
Delleker Sewer Pond Improv	25,015.61
Delleker Telemetry	16,009.00
Equipment	208,719.05
Fixed Assets - General	42,816.45
Office Equipment	160.86
Park Property	47,005.73
Sewer System	339,201.81
Water System	913,245.38
WIP - Water Project	121,221.16
Total Fixed Assets	1,276,422.45
TOTAL ASSETS	**1,631,011.09**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	38,103.17
Total Accounts Payable	38,103.17
Other Current Liabilities	
Accrued Interest Payable	212.00
Compensated Absences	4,724.00
Grants Receivable / Payable	85,940.00
Health Insurance	9,054.85
Other Current Liability	793.00
Payroll Corrections	-6.42

Attachment 2

Grizzly Lake Community Services District
Profit & Loss Budget vs. Actual

	July 2024-May 2025	July - May Budget	$ Over Budget	Annual Budget
Ordinary Income/Expense				
Income				
Account Set up fee	25.00	0.00	25.00	0.00
Admin Fee (meter read fee)	1,726.05	799.33	926.72	872.00
Grant	10,300.00	0.00	10,300.00	0.00
Interest Earned	23.45	0.00	23.45	0.00
Late fees and interest	9,643.01	0.00	9,643.01	0.00
Reimb for bank fees	60.00	0.00	60.00	0.00
Service charges	50.05	0.00	50.05	0.00
Sewer Service				
Septage Receiving	21,613.10	14,666.67	6,946.43	16,000.00
Sewer Service Commercial	11,464.20	9,281.25	2,182.95	10,125.00
Sewer Service Residential	207,561.86	208,541.63	-979.77	227,499.96
Sewer Standby	8,329.34	11,936.95	-3,607.61	13,022.13
Total Sewer Service	248,968.50	244,426.50	4,542.00	266,647.09
Water Service Revenue				
Commercial Water	16,424.53	15,583.33	841.20	17,000.00
Water Service Residential	219,368.60	221,352.68	-1,984.08	241,475.18
Water Stand by	8,718.51	9,251.00	-532.49	10,092.00
Water Tank Surcharge	18,892.89	19,316.00	-423.11	21,072.00
Total Water Service Revenue	263,404.53	265,503.01	-2,098.48	289,639.18
Assess. Collected for prev years	4,703.40	0.00	4,703.40	0.00
Total Income	538,903.99	510,728.84	28,175.15	557,158.27
Expense				
Advertising and Promotion	167.31	275.00	-107.69	300.00
Annual Dues, Licenses & Permits	23,334.24	11,916.67	11,417.57	13,000.00
Auto Fuel	4,123.77	6,416.67	-2,292.90	7,000.00
Automobile Expense	0.00	2,291.67	-2,291.67	2,500.00
Bad Debts	3,299.09	0.00	3,299.09	0.00
Bank Service Charges				
QuickBooks Payments Fees	0.00	550.00	-550.00	600.00
Bank Service Charges - Other	398.40	733.33	-334.93	800.00
Total Bank Service Charges	398.40	1,283.33	-884.93	1,400.00
Chemicals	30,985.32	11,000.00	19,985.32	12,000.00
Compliance	688.19	458.33	229.86	500.00
Contingency	12,093.53	15,950.00	-3,856.47	17,400.00
Director Fees	1,845.00	2,062.50	-217.50	2,250.00
Equipment Loan Payments	0.00	18,177.39	-18,177.39	19,829.88

Grizzly Lake Community Services District
Profit & Loss Budget vs. Actual

	July 2024-May 2025	July - May Budget	$ Over Budget	Annual Budget
Equipment Rental	0.00	2,750.00	-2,750.00	3,000.00
Equipment Repairs	531.32	9,166.67	-8,635.35	10,000.00
Interest Expense	458.82	0.00	458.82	0.00
Job Supplies	7,424.43	4,400.00	3,024.43	4,800.00
Liability Insurance	27,776.74	32,000.00	-4,223.26	32,000.00
Office Supplies	2,782.25	2,291.67	490.58	2,500.00
Payroll Expenses				
Contract Services	65,560.00	0.00	65,560.00	0.00
Taxes	3,315.00	11,458.33	-8,143.33	12,500.00
Worker's Comp Ins. Expense	8,965.89	9,166.67	-200.78	10,000.00
Medical Benefits	531.03	0.00	531.03	0.00
Payroll Expenses - Other	131,778.17	149,141.67	-17,363.50	162,700.00
Total Payroll Expenses	210,150.09	169,766.67	40,383.42	185,200.00
Postage and Delivery	3,136.81	3,300.00	-163.19	3,600.00
Professional Fees				
Accounting	50,600.00	50,600.00	0.00	55,200.00
Legal Fees	25,644.00	4,583.33	21,060.67	5,000.00
Other	180.00	0.00	180.00	0.00
Total Professional Fees	76,424.00	55,183.33	21,240.67	60,200.00
Repairs & Maintenance				
Sewer System Repairs	27,950.88	13,750.00	14,200.88	15,000.00
Water System Repairs	11,345.73	9,166.67	2,179.06	10,000.00
Total Repairs & Maintenance	39,296.61	22,916.67	16,379.94	25,000.00
Safety / Security Supplies	313.06	3,666.67	-3,353.61	4,000.00
Small Tools & Supplies	4,631.59	5,500.00	-868.41	6,000.00
Taxes - Property	0.00	458.33	-458.33	500.00
Taxes & Licenses	10.00	0.00	10.00	0.00
Testing Fees	9,238.02	12,833.33	-3,595.31	14,000.00
Training & Education	0.00	275.00	-275.00	300.00
Transfer to Reserves	54,000.00	66,000.00	-12,000.00	72,000.00
Uniforms	0.00	916.67	-916.67	1,000.00
USDA Loan Payments	0.00	18,956.67	-18,956.67	20,680.00
Utilities				
Electric	54,602.80	32,083.33	22,519.47	35,000.00
Refuse	275.54	458.33	-182.79	500.00
Telephone	617.75	641.67	-23.92	700.00
Total Utilities	55,496.09	33,183.33	22,312.76	36,200.00
Total Expense	568,604.68	513,396.57	55,208.11	557,159.88
Net Ordinary Income	-29,700.69	-2,667.73	-27,032.96	-1.61

Grizzly Lake Community Services District
Profit & Loss Budget vs. Actual

	July 2024-May 2025	July - May Budget	$ Over Budget	Annual Budget
Reserve Income/Expense				
Income				
Interest Income	127.20	0.00	127.20	0.00
New Service Connection Fees	8,810.05	27,500.00	-18,689.95	30,000.00
Property Tax Revenue	32,059.97	26,583.33	5,476.64	29,000.00
Sale of Equipment	48,400.00	0.00	48,400.00	0.00
Transfer from Operating	54,000.00	66,000.00	-12,000.00	72,000.00
Total Reserve Income	143,397.22	120,083.33	23,313.89	131,000.00
Reserve Expense				
Connection Expense	32,026.55	13,750.00	18,276.55	
Reserve Act. Expense	86,823.45	0.00	86,823.45	15,000.00
Total Reserve Expense	118,850.00	13,750.00	105,100.00	15,000.00
Net Reserve Income	24,547.22	106,333.33	-81,786.11	116,000.00

Attachment 3

Current Rate Schedule

Delleker & Delleker Park

Water $68.25
Sewer.........$71.40
Surcharge....$4.00
Total=$143.65

Crocker Mountain Estates

Water......$68.25
Sewer........$71.40
Surcharge.$4.00
Total= $143.65

Grizzly Retreat

Water......$68.25
Surcharge.$4.00
Total=$72.25

Vacant Parcels

Water Service Standby...$7.06
Sewer Service Standby...$7.06
Surcharge....$4.00
Total=$18.12

Grizzly Retreat

Sewer Service.....$71.40
Total= $71.40

Commercial Lots

Water Service.....$81.90
Sewer Service $72.45
Tank Surcharge $4.00
Admin Fee $8.00
Total= $166.35