



**BOARD OF DIRECTORS SPECIAL
SAN LORENZO VALLEY WATER DISTRICT
AGENDA
November 9, 2017**

MISSION STATEMENT: Our Mission is to provide our customers and future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding service and community relations; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District.

Notice is hereby given that a special meeting of the Board of Directors of the San Lorenzo Valley Water District will be held on Thursday, November 9 2017 at 5:00 p.m., 13057 Highway 9, Boulder Creek, California.

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requests that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents are also available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

1. Convene Meeting/Roll Call

2. Additions and Deletions to Closed Session Agenda:

Additions to the Agenda, if any, may only be made in accordance with California Government Code Section 54954.2 (Ralph M. Brown Act) which includes, but is not limited to, additions for which the need to take action is declared to have arisen after the agenda was posted, as determined by a two-thirds vote of the Board of Directors (or if less than two-thirds of the members are present, a unanimous vote of those members present).

3. Oral Communications Regarding Items in Closed Session:

This portion of the agenda is reserved for Oral Communications by the public for items which are on the Closed Session portion of the Agenda. Any person may address the Board of Directors at this time, on Closed Session items. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. No actions may be taken by the Board of Directors on any Oral Communications presented; however, the Board of Directors may request that the matter be placed on a future agenda. Please state your name and town/city of residence at the beginning of your statement for the record.

4. Adjournment to Closed Session

At any time during the regular session, the Board may adjourn to Closed Session in compliance with, and as authorized by, California Government Code Section 54956.9 and

Brown Act, Government Code Section 54950. Members of the public will be given the opportunity to address any scheduled item prior to adjourning to closed session.

- a. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATION OF LITIGATION
Initiation of litigation pursuant to Government Code Section 54956.9(d)(4)
One case
 - b. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
Holloway v. Showcase Realty Agents, Inc. et al.; Holloway v. Dildine, et al.
(6th District Court of Appeal Case Nos. H043704, H043492; Santa Cruz County Superior Court Case No. CV180394).
 - c. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
DeBert v. San Lorenzo Valley Water District et al. (Santa Cruz County Superior Court Case No. CISCV176927).
 - d. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION
Government Code Section 54956.9(d)(1)
DeBert v. San Lorenzo Valley Water District et al. (Santa Cruz County Superior Court Case No. 17CV02729).
5. Convene to Open Session at 6:30 p.m.
 6. Report of Actions Taken in Closed Session
 7. Additions and Deletions to Open Session Agenda:
Additions to the Agenda, if any, may only be made in accordance with California Government Code Section 54954.2 (Ralph M. Brown Act) which includes, but is not limited to, additions for which the need to take action is declared to have arisen after the agenda was posted, as determined by a two-thirds vote of the Board of Directors (or if less than two-thirds of the members are present, a unanimous vote of those members present).
 8. Oral Communications:
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda.

Any person may address the Board of Directors at this time, on any subject that lies within the jurisdiction of the District. Normally, communication must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications.

If you wish to speak on a non-agendized item, please submit a 'speaker slip' to the District Secretary. It is not required, but individuals who have submitted a 'speaker slip' will be given priority. Time for Oral Communications at the start of the meeting will be limited to 15 minutes in total. If there are additional speakers, the Board will continue Oral Communications after the Consent Agenda.

Any Director may request that a matter raised during Oral Communication be placed on a future agenda.

9. New Business:

Members of the public will be given the opportunity to address each scheduled item prior to Board deliberations. The Chairperson of the Board may establish a time limit for members of the public to address the Board on agenda items.

- a. FINANCING OF INFRASTRUCTURE IMPROVEMENTS FOR THE LOMPICO ASSESSMENT DISTRICT AGREEMENT
Discussion and possible action by the Board regarding the financing of infrastructure improvements for the Lompico Assessment District agreement.
- b. PROPOSED RATES AND CHARGES FOR BEAR CREEK WASTEWATER ENTERPRISE
Discussion and possible action by the Board regarding the proposed rates and charges for the Bear Creek Wastewater Enterprise.

10. Unfinished Business:

Members of the public will be given the opportunity to address each scheduled item prior to Board deliberations. The Chairperson of the Board may establish a time limit for members of the public to address the Board on agenda items.

- a. CALIFORNIA SPECIAL DISTRICTS ASSOCIATION REIMBURSEMENT
Discussion and possible action by the Board regarding the CSDA reimbursement for 2017 Annual Conference.

11. Consent Agenda:

The Consent Agenda contains items which are considered to be routine in nature and will be adopted by one (1) motion without discussion. Any Board member may request that an item be withdrawn from the Consent Agenda for separate discussion.

- a. MINUTES FROM BOARD OF DIRECTORS MEETING
SEPTEMBER 21, 2017.
Consideration and possible action by the Board to approve minutes from the September 21, 2017 BoD meeting.
- b. MINUTES FROM BOARD OF DIRECTORS MEETING
OCTOBER 19, 2017.
Consideration and possible action by the Board to approve minutes from the September 21, 2017 Special BoD meeting.
- c. SURPLUS VEHICLES AND EQUIPMENT
Consideration and possible action by the Board to approve selling surplus vehicles and equipment listed.

12. District Reports:

No action will be taken and discussion may be limited at the Chairperson's discretion. The District encourages that questions be submitted in writing (bod@slvwd.com) on items listed in

the District Reports. Questions submitted, if any, will be posted in the next available District Reports, along with a reply.

- DEPARTMENT STATUS REPORTS
Receipt and consideration by the Board of Department Status Reports regarding ongoing projects and other activities.
 - Administration/Engineering
 - Finance
 - Environmental
 - Operations
- COMMITTEE REPORTS
 - Future Committee Agenda Items
 - Committee Meeting Notes
- DIRECTORS REPORTS
 - Director's Communication
 - Future Board of Directors Meeting Agenda Items

13. Written Communication: None

14. Informational Material:

- a. The Price of Functioning Infrastructure - SC Mountain Bulletin

15. Adjournment

Certification of Posting

I hereby certify that on November 3, 2017 I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California said time being at least 24 hours in advance of the special Meeting of the Board of Directors of the San Lorenzo Valley Water District (Government Code Section 54954.2).

Executed at Boulder Creek, California on November 3, 2017

Holly B. Morrison
District Secretary

MEMO

To: Board of Directors and District Manager

From: Director Smallman

SUBJECT: DISCUSSION AND POSSIBLE ACTION REGARDING
FINANCING OF INFRASTRUCTURE IMPROVEMENTS FOR THE
LOMPICO ASSESMENT DISTRICT AGREEMENT.

DATE: OCTOBER 26TH, 2017

RECOMMENDATION

I recommend that the Board direct Staff to research and obtain interest rates for a separate loan for the Lompico Assessment District attached specifically to the terms of the agreement. This information shall be provided at the next regular Board meeting.

If said interest rates are favorable and does not compromise the current USDA loan for the District wide improvements, then I recommend the Board to direct staff to obtain separate said loan for the Lompico Assessment District and move forward with the construction of four of the high priority items listed below, followed by the remaining work in a timely manner thereafter.

BACKGROUND

In January of 2016 the District merged with the Lompico County Water District (LCWD) due to the fact that LCWD was poorly planned from its inception having too few, approximately, 500 customers. Due to increased regulations the overhead costs were close to 50% of the entire budget, leaving little to no money for infrastructure repair. The acting LCWD an overwhelming majority of LCWD customers were successful in correcting this situation by the merger.

The Lompico voters approved SLVWD to obtain financing of approximately 2.9 million dollars, which includes cost of construction, overhead, and interest on loan(s). To date, the Lompico projects have been placed on a District wide Capital Improvement Project List, which are financed by the recent rate increase.

Because of the disrepair and lack of maintenance, there are several high priority items for Lompico. Descriptions and reasons for priority are:

- 1.) The inter-tie pipeline requires improvement due to inadequate fire protection.
- 2.) Lewis Tank replacement: This tank is very close to failure. A second Lewis tank, constructed at the same time had to be torn down already. Losing this tank will also lower fire protection significantly.
- 3.) Pressure reducing stations, PRV's: All 9 need to be replaced and there is very high pressures, over 200 psi, in the low elevation areas of the District, causing failures of not only service laterals, but can cause failures in the water main piping.
- 4.) Service laterals: Many of the service laterals still have defective polybutylene piping which are especially prone to failure and costly emergency repairs.

Attached is the "Engineers Report" from the Assessment District Agreement which lists all of the projects and their respective estimated costs. The total loan amount needed to get started on the 4 projects above is:

- 1.) Distribution System Inteconnection,(Intertie): \$301,000
- 2.) Lewis Tank Replacement, (Engineering design/permitting only):\$40,000.
- 3.) Pressure Reducing Valves: \$358,000
- 4.) Service Lateral Replacements: \$862,500

Total: \$1,561,500.00. In my opinion the estimates for items 3 and 4 are high, so this amount is sufficient to complete this work, with additional overhead.

This is an unbiased discussion on all of the possible consequences, either good or bad, which would result if the District either moved forward with the Lompico projects as they come up on the present CIP list, or obtain separate financing and begin construction of its projects immediately.

Option 1: Maintain Lompico's Capital Improvement Projects on the current, District-wide, list and ranking system.

Positives:

1. Less work for staff to obtain financing which would possibly compromise efforts for other capital improvement projects outside of Lompico's.
2. Interest rate for a loan for Lompico may be higher than the loan from the USDA.
3. This would please ratepayers, outside of Lompico, who were against the merger, and they might view construction of Lompico projects before all

of the other projects as an unwarranted distraction from District-wide needs.

Negatives:

1. Possible Liability Claims:

- a. Lompico ratepayers could sue on the grounds that the District is not performing its duty to perform the requirements of the assessment agreement in a timely fashion, especially the high priority items.
- b. If a fire occurred in Lompico, the residents could sue the District on the grounds that they were negligent on addressing items 1 and 2 above, and this severely compromised fire-fighting efforts leading to the loss of their property.

2. Increased Costs:

- a. Service Lateral Failures: The estimated cost increase for operations staff to perform emergency replacements of the service laterals vs. replacing all of them at once is around \$40,000-\$50,000 which is based on twenty, 20, service lateral emergency repairs costing \$2,000-\$2,500 higher than multiple, non-emergency, replacements.
- b. Water Main failures: The high pressures not replacing the PRV's can also cause water main failures which can cost \$10,000 to much higher due to the damage broken water main can cause, (i.e. wash out a road, massive erosion etc.)
- c. Water loss: It is estimated approximately 216,000 gallons of water will be wasted if there are 20 service laterals broken, and running water for an average of 6 hours each at a rate of 30 gallons a minute.
- d. Nuisance level increased for operations staff to respond and be on call for these emergency repairs when they could be addressing other District-wide issues.
- e. Inflation: There will be increased costs due to inflation by constructing Lompico's projects at a later date, which may cause costs above the original estimates.

Fiscal Impact:

Increase: Liability, Inflation, Operations Staff time on emergency repairs.

Decrease: Administrative Staff time on obtaining loans.

Option 2: Obtain separate, dedicated, loan(s) specifically attached to the assessment agreement funds and move Lompico's projects forward as soon as possible. A possible strategy would be to get an initial loan of 1.4-1.8 million for the four high priority projects listed above. Possible loan sources are the "State

Revolving Fund”, “IBank”, or the USDA if they agree to separate, dedicated, loan(s) for Lompico. Attached is additional information on these loans. Proceed with remaining work as part of the agreement. After all projects are completed to the satisfaction of the Board, any savings will be deducted for projects on the agreement which can be replaced at a much later date, such as the Madrone Tanks. The remaining balance returned to the lender to pay off loan(s).

Negatives:

1. Increased Staff time to research, and apply for loan(s).
2. Loan(s) may have unacceptable high interest rate(s).
3. Loan(s) may compromise annual \$5 million USDA loan applications for District-wide CIP projects.
4. Public perception: District ratepayers may see Lompico as a distraction and District-wide needs neglected.

Positives:

1. Eliminate possible liability claims, (described above).
2. Increased transparency on financing by separating District wide financing on the rate increase, and Lompico with the Assessment District Agreement.
3. Lower operation staff time and nuisance by eliminating Lompico emergency repairs.
4. Builds relationship with an additional funding source, which may be utilized as an alternate source for other District projects in the future.
5. Completes Lompico at a lower overall cost by completing projects sooner thereby avoiding increase costs from inflation.
6. Closes the Lompico Assessment District improvement projects sooner, so that the Board can put more focus on the entire system without distraction.

Fiscal Impact:

Increase: Possible higher interest rates, administrative staff time to obtain loans.

Decrease: Lower liability, elimination of operation staff time on emergency repairs and water loss, less inflation.

Water & Waste Disposal Loan & Grant Program

What does this program do?

This program provides funding for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage to households and businesses in eligible rural areas.

Who may apply?

This program assists qualified applicants who are not otherwise able to obtain commercial credit on reasonable terms. Eligible applicants include:

- Most state and local governmental entities
- Private nonprofits
- Federally-recognized tribes

What is an eligible area?

Areas that may be served include:

- Rural areas and towns with populations of 10,000 or less - **check eligible addresses**
- Tribal lands in rural areas
- Colonias

What kinds of funding are available?

Long-term, low-interest loans. If funds are available, a grant may be combined with a loan if necessary to keep user costs reasonable

How may the funds be used?

Funds may be used to finance the acquisition, construction or improvement of:

- Drinking water sourcing, treatment, storage and distribution
- Sewer collection, transmission, treatment and disposal
- Solid waste collection, disposal and closure
- Storm water collection, transmission and disposal

In some cases, funding may also be available for related activities such as:

- Legal and engineering fees
- Land acquisition, water and land rights, permits and equipment

- Start-up operations and maintenance
- Interest incurred during construction
- Purchase of facilities to improve service or prevent loss of service
- Other costs determined to be necessary for completion of the project
- See **7 CFR Part 1780.7 and 1780.9** for a complete list

What is the loan term and rate?

The loan term is up to 40-year payback period, based on the useful life of the facilities financed with a fixed interest rate. The interest rate is based on the need for the project and the median household income of the area to be served.

Contact us for details and current interest rates applicable for your project.

Are there additional requirements?

- Borrowers must have the legal authority to construct, operate and maintain the proposed services or facilities.
- All facilities receiving federal financing must be used for a public purpose.
- Partnerships with other federal, state, local, private and nonprofit entities that offer financial assistance are encouraged.
- Projects must be financially sustainable.

Water & Waste Disposal Loan & Grant Program

How do we get started?

Applications are accepted year round and may be filed electronically using **RD Apply**. The RD Apply Customer Help Guide is provided to help you get started and work through the application process. Applications are also accepted through your **local RD office**. Program resources are available online (i.e., forms, guidance, certifications, etc.).

Who can answer questions?

Contact the local representative who serves your area. Participating nonprofits in your area may also offer assistance and training.

What governs this program?

- Basic Program – **7 CFR, Part 1780**
- Loan Servicing – **7 CFR, Part 1782**
- Section 306 of the Consolidated Farm and Rural Development Act

Why does USDA Rural Development do this?

This program helps very small, financially distressed rural communities extend and improve water and waste treatment facilities that serve local households and businesses. Good practices can save tax dollars, improve the natural environment, and help manufacturers and businesses to locate or expand operations.

NOTE: Because citations and other information may be subject to change please always consult the program instructions listed in the section above titled "What Governs this Program?" You may also contact **your local office** for assistance. You will find additional forms, resources, and program information at www.rd.usda.gov. *USDA is an equal opportunity provider, employer, and lender.*

Proposed Assessment District - Lompico Water District				
Number of Water Services Assessments	507			
Total Number of Assessments	507			
Projects Included	Project Total Costs			
	Quan.	Unit	Unit Cost	Cost
<u>Install 3 New Bolted Steel Tanks</u>				
Remove Existing Tank	5	ls	\$ 10,000	\$ 50,000
Clear and Grade Site	3	ls	\$ 15,000	\$ 45,000
Construct Concrete Ring Wall Foundation	200	cy	\$ 300	\$ 60,000
Install 125,000 gallon Bolted Steel Tank	2	ls	\$ 85,000	\$ 170,000
Install 245,000 gallon Bolted Steel Tank	1	ls	\$ 140,000	\$ 140,000
Repipe To Fill Tank	3	ls	\$ 7,500	\$ 22,500
Construction Sub Total				\$ 487,500
Construction Contingencies @10%				\$ 48,750
Surveying, Engineering and Design fees @ 15%				\$ 73,125
Construction Inspection @15%				\$ 73,125
Total Budget Cost Install 3 New Bolted Steel Tanks				\$ 682,500
<u>Refurbish Mill Creek WTP</u>				
Refurbish Mill Creek WTP	1	ls	\$ 75,000	\$ 75,000
Construction Sub Total				\$ 75,000
Construction Contingencies @10%				\$ 7,500
Surveying, Engineering and Design fees @ 15%				\$ 11,250
Construction Inspection @15%				\$ 11,250
Total Budget Cost Refurbish Mill Creek WTP				\$ 105,000
<u>Service Line and Meter Replacements</u>				
Replace Service Lines with New Meter	500	ea.	\$ 1,500	\$ 750,000
Construction Sub Total				\$ 750,000
Construction Contingencies @ 5%				\$ 37,500
Surveying, Engineering and Design fees @ 5%				\$ 37,500
Construction Inspection @ 5%				\$ 37,500
Total Budget Cost Service Line and Meter Replacements				\$ 862,500
<u>Distribution System Interconnection</u>				
6" Water Main Piping	1500	lf	\$ 90	\$ 135,000
6" Gate Valves	10	ea	\$ 3,000	\$ 30,000
Fire Hydrants	2	ea	\$ 5,000	\$ 10,000
Install 2nd pump and Starter	1	ea	\$ 15,000	\$ 15,000
Install engine generator	1	ea	\$ 25,000	\$ 25,000
Construction Sub Total				\$ 215,000
Construction Contingencies @ 10%				\$ 21,500
Surveying, Engineering and Design fees @ 15%				\$ 32,250
Construction Inspection @15%				\$ 32,250
Total Budget Cost Distribution System Interconnection				\$ 301,000
<u>SCADA System</u>				
Install RTU at Sites	6	ea.	\$ 40,000	\$ 240,000
Install Master Control Center	1	ea.	\$ 75,000	\$ 75,000
Construction Sub Total				\$ 315,000
Construction Contingencies @ 10%				\$ 31,500
Surveying, Engineering and Design fees @ 15%				\$ 47,250
Construction Inspection @ 5%				\$ 47,250
Total Budget Cost SCADA System				\$ 441,000
<u>Replace Existing PRV</u>				
Remove and Replace PRV	8	ea.	\$ 35,000	\$ 280,000
Construction Sub Total				\$ 280,000
Construction Contingencies @ 10%				\$ 28,000
Surveying, Engineering and Design fees @ 15%				\$ 42,000
Construction Inspection @15%				\$ 8,000
Total Budget Cost Replace Existing PRV				\$ 358,000
Total Costs All Construction Items				\$ 2,750,000
<u>Construction Related Costs</u>				
San Lorenzo Valley Water District Loan Interest (10 years, \$1,400,000, @ 2.5% interest)				\$ 183,734
Total Construction Related Costs				\$ 183,734
ENGINEER'S ESTIMATE TOTAL COSTS				\$ 2,933,734
Number of Services				507
Proportionate Share (Cost/Number of Services)				\$ 5,786
Number of Years				10
Cost per year (not including collection costs under Appendix G of this Report)				\$ 579

DWSRF INTEREST RATE 2017

1.70%

CALIFORNIA STATEWIDE MHI (ACS)

\$61,818

CALIFORNIA DISADVANTAGED MHI

\$49,454

SEVERELY DISADVANTAGED MHI

\$37,091

Get to know us...

CALIFORNIA'S DRINKING WATER STATE REVOLVING FUND (DWSRF)

Established by an amendment to the federal Safe Drinking Water Act in 1996, the DWSRF provides low-interest loans, additional subsidy (principal forgiveness), and technical assistance to public water systems for infrastructure improvements to correct system deficiencies and improve drinking water quality for the health, safety, and welfare of all Californians.

Previously overseen by the Department of Public Health, the DWSRF program was transferred to the State Water Resources Control Board (State Water Board) as of July 2014. The State Water Board's Division of Financial Assistance (Division) administers the DWSRF Program. The DWSRF helps water systems improve drinking water quality for all Californians.

The Division also provides financial assistance through other funding programs to fulfill the State Water Board's Mission:

*To preserve, enhance, and restore
the quality of California's water resources
and drinking water for the protection
of the environment, public health,
and all beneficial uses, and to ensure
proper allocation and efficient use,
for the benefit of present
and future generations.*

For information on all of the State Water Board's funding programs, please visit the Division's website:
http://www.waterboards.ca.gov/grants_loans/

FOR MORE INFORMATION:

State Water Resources Control Board
Division of Financial Assistance
Drinking Water State Revolving Fund
1001 I Street
Sacramento, CA 95814

www.waterboards.ca.gov/dwsrf



Agenda: 11.9.17
Item: 9a

DRINKING WATER STATE REVOLVING FUND

BELOW-MARKET FINANCING FOR SAFE DRINKING WATER

BE THE SOLUTION TO SAFE DRINKING WATER



STATE OF CALIFORNIA
Water Resources Control Board
Division of Financial Assistance

Be the Solution

BELOW-MARKET FINANCING FOR SAFE DRINKING WATER

Drinking Water State Revolving Fund (DWSRF) Program helps California public water systems provide safe drinking water.

ELIGIBLE APPLICANTS

- Publicly-owned community water systems (e.g., counties, cities, districts)
- Privately-owned community water systems (e.g., for-profit water utilities, non-profit mutual water companies)
- Non-profit or publicly-owned non-community water systems (e.g., public school districts)
- Community water systems created by the project

ELIGIBLE PROJECTS

Planning/design and construction of drinking water infrastructure projects including:

- treatment systems
- distribution systems
- interconnections
- consolidations
- pipeline extensions
- water sources
- water meters

WHEN TO APPLY

ANYTIME! There is no application deadline.

HOW TO APPLY

Complete and submit an application online through the Financial Assistance Application Submittal Tool (FAAST) at <https://faast.waterboards.ca.gov>

The application is also available on the DWSRF website at <http://www.waterboards.ca.gov/dwsrf> or by calling (916) 327-9978.

INCENTIVES

- **Financing Limit:** Limited only by water system's ability to borrow
- **Interest Rate:** 1.633% for 2015*; 0% may be available to public water systems serving small, disadvantaged communities
- **Repayment Term:** 20 years (up to 30 years or useful life of the project for water systems serving disadvantaged communities)
- **Repayment:** Begins within one year after project completion
- **Principal Forgiveness:** May be available to publicly owned water systems or non-profit mutual water companies serving disadvantaged communities

* interest rate may vary each calendar year; it is 50% of the average interest rate paid by the state on general obligation bonds issued in the prior calendar year

ADDITIONAL INFORMATION

For more information and program updates, please visit the DWSRF website at <http://www.waterboards.ca.gov/dwsrf>

QUESTIONS?

We are here to help! If you have any questions, please contact the Division of Financial Assistance at (916) 327-9978 or DrinkingWaterSRF@waterboards.ca.gov

TECHNICAL ASSISTANCE AVAILABLE

The State Water Board has contracts in place to provide technical assistance related to drinking water with Rural Community Assistance Corporation (RCAC), California Rural Water Association (CRWA), and Self Help Enterprises (SHE). Eligible activities may include, but are not limited to:

- Prepare financial assistance applications
- Compliance audits
- Review proposed project alternatives
- Planning and budgets
- Community outreach, awareness, and education

Contact the DWSRF for more information.

MEMO

To: Board of Directors

From: District Manager

SUBJECT: DISCUSSION AND POSSIBLE ACTION REGARDING
RECOMMENDATION TO SET A PUBLIC HEARING FOR PROPOSED
INCREASE TO RATES AND CHARGES FOR THE BEAR CREEK
WASTEWATER SYSTEM CUSTOMERS

DATE: NOVEMBER 9, 2017

RECOMMENDATION

Staff recommends setting the date and time for the Proposition 218 public hearing at the regularly scheduled Board meeting of January 18, 2018. Staff proposes the Board appoint District Secretary as the arbiter of the Prop 218 process.

BACKGROUND

The District manages a small wastewater collection and treatment system providing service to 56 customers; known as the 'Bear Creek Wastewater System' (BCWW). The District conducted a detailed cost-of-service study (attached) showing that the current charges do not cover current operating costs. Furthermore, there is currently no money collected for capital improvements and no reserve funds for emergencies.

The District then completed a rate-study of the BCWW system (attached). Earlier this year the Board discussed and selected a plan that would increase rates at 20% per year for the next five years. The intent being to increase rates fast enough to cover operating costs within two years and provide three additional years to establish rates that would fully fund the necessary capital replacements.

Staff has held informal meetings with the residence of the Bear Creek Estates Wastewater system. The most recent meeting was on October 26 at the Bear Creek Estates Country Club. Residence representing about 20 homes attended the October 26th meeting to discuss and plan. It was a good discussion. Staff informed the residence of staff's intention to request a public hearing and starting the 218 process for increasing wastewater rates. Increasing rates 20% per year for the next five years was not popular. But there was a general understanding of the 'why' and a desire to find solutions.

Staff proposes setting a Proposition 218 Public Hearing for January 18, 2018, at which time protests will be tabulated to determine if the District's proposed rate increase can go forward.

Staff proposes two public meetings to be held during the 45-day Proposition 218 process, at the County Club to meet with BCWW residence. Staff encourages Directors to attend and will notify the Directors as dates are set.

STRATEGIC PLAN:

Element 4.0 Wastewater Management

FISCAL IMPACT:

Minimal cost of printing and distributing 56 public notices.

POLICIES AND PROCEDURES OF
THE SAN LORENZO VALLEY WATER DISTRICT
(Adopted FEBRUARY 4, 2016)

Article V. ELECTIONS AND PUBLIC VOTING

Section 5.01 Conducting Proposition 218 Property Related Fees and Charges Proceedings

- (a) Statement of Legislative Intent. It is the Board's intent to adopt procedures for property related fees and charges proceedings which are consistent and in compliance with Articles XIIC and XIID of the California Constitution and, with the Proposition 218 Omnibus Implementation Act (Government Code sections 53750 through 53754). It is not the intent of the Board to vary in any way from the requirements of Articles XIIC and XIID or the Proposition 218 Omnibus Implementation Act.
- (b) Procedures for new or Increased Property Related Fees and Charges. The District shall apply the following procedures for the establishment of new or increased property related fees or charges, such as, for example, increases to water use rates or, changes in the water use rate structures. Said procedures follow the requirements of Article XIID, section 6 of the California Constitution:
 - (i) The District shall identify each parcel upon which new or increased property related fees or charges are proposed for imposition.
 - (ii) The District shall calculate the amount of any proposed property related fees or charges.
 - (iii) The District shall provide written notice by mail of any proposed property related fees or charges to:
 - 1. the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition and
 - 2. the property mailing address of record for each identified parcel upon which the fees or charges are proposed for imposition,
 - (iv) Such written notice shall contain, as a minimum,
 - 1. the amount of the proposed property related fees or charges to be imposed upon each parcel, and
 - 2. the basis upon which the amount of the proposed property related fees or charges were calculated, and
 - 3. the reason for the proposed property related fees or charges, and
 - 4. the date, time and location for a public hearing on the proposed property related fees or charges.

(c) Notice of Proposed Property Related Fees or Charges. The District shall apply the following procedures to provide property owner(s) with a notice of proposed property related fees or charges.

- (i) The record owner(s) and property mailing address of record of each parcel upon which new or increased property related fees or charges are proposed shall be determined from the last equalized secured property tax assessment roll. If the property tax roll indicates more than one owner, each owner shall receive notice.
- (ii) Said notice shall be mailed at least forty-five (45) calendar days prior to the date set for a public hearing on the proposed property related fees or charges.
- (iii) The notice provided by this section and in accordance with Article XIID, section 6 of the California Constitution shall supersede and be in lieu of any other statute requiring notice relative to the imposition or increase of any property related fees or charges, including but not limited to the notices required by California Government Code sections 53753(d) and 54954.6.
- (iv) Failure of any person to receive notice shall not invalidate the proceedings.
- (v) The cost of providing notice may be included as a cost of the property related fees and charges.

(d) Public Hearing. The District shall apply the following procedures pursuant to a public hearing for proposed property related fees or charges:

- (i) The Board shall conduct a public hearing relative to any new or increased of property related fees or charges.
- (ii) Said public hearing shall be conducted not less than forty-five (45) calendar days after mailing the notice of proposed property related fees or charges to the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition.
- (iii) At the public hearing, the Board shall hear and consider all public testimony regarding the proposed property related fees or charges and, shall accept written protests against the proposed property related fees or charges from the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition until the close of the public testimony portion of the public hearing.
- (iv) The Board may impose reasonable time limits on both the length of the entire hearing and the length of each speaker's testimony.

(e) Property Related Fees and Charges Requiring a Protest Vote (NO vote only). The District shall apply the following procedures to protest pursuant to property related fees or charges requiring a protest vote.

- (i) Upon establishing the date for a public hearing, the Board will appoint an individual or group to act as an impartial arbiter to present the final protest

tabulation to the Board, determine acceptability of received protests and determine the lawful tenancy of any protests received. No sitting Board Member may be appointed arbiter.

- (ii) At the conclusion of the public testimony portion of the public hearing, the arbiter shall finalize tabulation of the written protests received, including those received during the public hearing.
 - (iii) If it is not possible to tabulate the written protests on the day of the public hearing, or if additional time is necessary for public testimony, the Board may continue the public hearing to a later date to receive additional testimony, or to finish tabulating the written protests.
 - (iv) The arbiter shall provide the Board with a final tabulation of written protests.
 - (v) Upon final tabulation of written protests, if written protests against the proposed property related fees or charges are presented by a majority of the properties upon which the fee or charge would be imposed (50% + 1), the Board shall not impose the property related fees or charges.
 - (vi) All protests must be in writing and returned by mail or hand delivered to the District at the address indicated on the Notice of Proposed Property Related Fees or Charges, or hand delivery to the arbiter at the public hearing. Protests must be received by the District not later than the close of the public testimony portion of the public hearing on the proposed property related fees or charges.
 - (vii) All written protests must be dated, contain a description of the property such as physical address and/or Assessor's Parcel Number, and be signed by the owner or account holder of record.
 - (viii) An account holder of record includes lawful tenants occupying the property and holding an account in good standing with the District for the property in question. The District reserves the right to require that the account holder of record provide proof of lawful tenancy of the property in question. Said proof may include a copy of a legal rental contract or a utility bill other than water or sewer. Other proof of lawful tenancy may be allowed, at the arbiter's discretion. In these proceedings the arbiter's decision regarding lawful tenancy is final.
 - (ix) Protest ballots may be made using the template provided by the District. As long as the protest ballot contains all of the specified information it does not need to be on the District-provided template.
 - (x) Only one (1) written protest shall be counted for each individual parcel.
 - (xi) All written protest are a "public record" as that phrase is defined by the California Public Records Act (Government Code, §6252) and shall be open to public inspection after final tabulation of the written protest.
- (f) Property Related Fees or Charges Requiring a Ballot Proceeding (YES or NO vote).

Procedures Pursuant to Article XIID, section 6 (c), of the California Constitution, whenever proposed property related fees or charges are required to be submitted and approved by ballot proceedings, the District shall apply the following procedures:

- 1st The District shall conduct a ballot proceeding when required by Article XIID, section 6(c), of the California Constitution.
- 2nd Ballots shall be mailed to all property owners of record of each identified parcel upon which property related fees or charges are proposed for imposition at least forty-five (45) calendar days prior to the date for a public hearing on the ballot proceedings. The ballot shall comply with California Government Code Section 53753(c). The mailing address of record owner(s) shall be determined from the last equalized secured property tax assessment roll.
- 3rd The Board shall conduct a public hearing on the ballot proceedings. The public hearing shall be conducted not less than forty-five (45) calendar days after mailing the ballots to record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition. At the public hearing, the District shall consider public testimony and tabulate the written ballots.
- 4th The District shall not impose property related fees or charges if there is a majority protest. A majority protest exists if, upon the conclusion of the public hearing, written ballots submitted and not withdrawn, in opposition to the property related fees or charges exceeds the written ballots submitted, and not withdrawn, in favor of the property fees or charges.
- 5th All ballots must be returned by mail to the District at the address indicated on the ballot, or hand delivered to the District Secretary at the ballot proceedings public hearing. Ballots must be received by the District not later than the close of the public testimony portion of the public hearing on the ballot proceedings. Ballots must be sealed in the envelope provided by the District.
 - (i) Each ballot must be signed by the owner of record under penalty of perjury.
 - (ii) A tenant of real property shall not, solely by virtue of such tenancy, have the power or authority to submit a ballot.
 - (iii) If a parcel has multiple owners, any owner may request a proportional ballot. If the ownership interest of the owner is not shown on the last secured property tax assessment roll, such request must include evidence satisfactory to the arbiter, of the owner's proportional rights to the parcel. The District will provide the proportional ballot to the owner at the address shown on the last equalized secured property tax assessment roll. Any request for a ballot to be mailed to another location must be made in writing and, must include evidence satisfactory to the arbiter, of the identity of the person requesting the ballot. Each proportional ballot will be marked to show the date on which the ballot was issued, to identify it as a proportional ballot, and to indicate the owner's proportional rights in the parcel. The District will keep a record of each proportional ballot provided to an owner.

- (iv) The District will accept only official ballots with original signatures. Photocopies will not be accepted.
- (v) Upon receipt of a written request, signed by the owner and delivered to the District, the District may issue a duplicate ballot to any property owner whose original ballot was lost, withdrawn, destroyed, or never received. The duplicate ballot will be marked to show the date on which it was issued, and to identify it as a duplicate ballot or a duplicate proportional ballot. The above procedure also applies to duplicate ballots or duplicate proportional ballots that are lost, withdrawn, destroyed or never received.
- (vi) A ballot proceeding relative to property related fees or charges is not an election.
- (vii) All ballots are a "public record" as that phrase is identified by the California Public Records Act (Government Code, §6252) and shall be open to public inspection after final tabulation of the ballots.
- (viii) To complete a ballot, a person must:
 - 1. Mark the appropriate box supporting or opposing the proposed property related fees or charges; and
 - 2. Sign, under penalty of perjury, the statement on the ballot that the person completing the ballot is the owner of the parcel or the owner's authorized representative.

Only one box may be stamped or marked on each ballot. All incomplete or improperly marked ballots shall be disqualified from balloting. The District shall retain all disqualified ballots.

- (ix) After submitting a ballot to the District the person who signed the ballot may withdraw the ballot by submitting a written statement to the District directing the District to withdraw the ballot. Such statement must be received by the District prior to close of the public testimony portion at the ballot proceedings public hearing. When ballots for the proposed property related fees or charges are tabulated, the District shall segregate withdrawn ballots from all other submitted ballots. The District shall retain all withdrawn ballots and shall indicate on the face of such withdrawn ballots that they have been withdrawn.
- (x) In order to change the contents of a ballot that has been submitted, the person who submitted the ballot must:
 - 1. Request that such ballot be withdrawn; and
 - 2. Request that a duplicate ballot be issued and return the duplicate ballot fully completed.

Each of these steps must be completed according to the procedures set forth herein.

- (xi) Tabulating Ballots. Pursuant to Article XIID, section 6(c), of the California Constitution, whenever proposed property related fees or chargers are required

to be submitted and approved by ballot proceedings, the District shall apply the following procedures:

- (xii) The Board will appoint an individual or group to act as an impartial arbiter to present the final ballot tabulation to the Board, determine acceptability of received ballots and settle disputes regarding ballots received. No sitting Board Member may be appointed arbiter.
- (xiii) The arbiter shall determine the validity of all ballots. All ballots submitted, and not withdrawn, shall be accepted as valid except those in the following categories:
 - 1. A photocopy of a ballot;
 - 2. A ballot that does not contain an original signature;
 - 3. A letter or other form of a ballot that is not an official ballot provided by the District;
 - 4. An unsigned ballot, or ballot signed by an unauthorized individual;
 - 5. A ballot that lacks an identifiable mark in the box of a "yes" or "no" vote or, with more than one box marked;
 - 6. A ballot not sealed in the envelope provided by the District.
 - 7. A ballot received after the close of the balloting time period;
 - 8. A ballot that appears tampered with or otherwise invalid based upon its appearance or method of delivery or other circumstances.

The decision of the arbiter, after consultation with legal counsel, that a ballot is invalid shall be final and may not be appealed to the Board.

- (xiv) In the event of a dispute regarding whether the signer of a ballot is the owner of the parcel to which the ballot applies the arbiter will make such determination from the last equalized secured property tax assessment roll and any evidence of ownership submitted to the District prior to the close of the public testimony portion of the ballot proceeding public hearing. The arbiter will be under no duty to obtain or consider any other evidence as to ownership of the property. Determination of ownership by the arbiter will be final and conclusive.
- (xv) In the event of a dispute regarding whether the signer of a ballot is an authorized representative of the owner of the parcel, the arbiter may rely on the statement on the ballot signed under penalty of perjury that the person completing the ballot is the owner's authorized representative and any evidence submitted to the District prior to close of the public testimony portion of the ballot proceedings public hearing. The arbiter will be under no duty to obtain or consider any other evidence as to whether the signer of the ballot is an authorized representative of the owner(s). Determination of an authorized representation by the arbiter will be final and conclusive.

- (xvi) For properties with more than one owner of record, ballots will be accepted from each owner of record. In the event that more than one of the record owners of a parcel submits a ballot, each ballot shall be tabulated in proportion to the respective record of ownership, established to the satisfaction of the District, by documentation provided by those record owners. If only one owner of record votes, that vote shall be tabulated on behalf of the entire parcel.
- (xvii) A property owner's failure to receive a ballot shall not invalidate the ballot proceedings conducted pursuant to this resolution and Article XIID, section 6(c) of the California Constitution.



**San Lorenzo Valley Water District
Enterprise Wide Cost of Service Financial Study
Final Report
November 2016**

Adopted by the Board of Directors January 19, 2017

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TABLE OF CONTENTS

SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY.....	1
PURPOSE.....	1
OVERVIEW OF THE STUDY	1
SECTION 2. WATER COST OF SERVICE STUDY.....	3
KEY COST OF SERVICE STUDY ISSUES.....	3
WATER UTILITY COST OF SERVICE.....	3
CHARACTERISTICS OF WATER CUSTOMERS BY CUSTOMER CLASS	4
COST OF SERVICE ANALYSIS	6
SECTION 3. WASTEWATER COST OF SERVICE STUDY.....	9
KEY COST OF SERVICE STUDY ISSUES.....	9
SEWER UTILITY COST OF SERVICE.....	9
COST OF SERVICE ANALYSIS	10
SECTION 4. RECOMMENDATIONS AND NEXT STEPS	11
CONSULTANT RECOMMENDATIONS.....	11
NEXT STEPS	11
NBS' PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS	11
TECHNICAL APPENDICES	12
APPENDIX A – COST OF SERVICE FIGURES	12
APPENDIX B – DETAILED WATER COST-OF-SERVICE TABLES & FIGURES	16
APPENDIX C – DETAILED SEWER COST-OF-SERVICE TABLES & FIGURES	17

TABLE OF FIGURES

Figure 1. Primary Components of a Rate Study	1
Figure 2. Summary of Annual Cost of Service.....	4
Figure 3. Summary of Water Reserve Funds	4
Figure 4. Water Consumption by Customer Class	5
Figure 5. Peaking Factors by Customer Class	5
Figure 6. Number of Meters by Customer Class.....	6
Figure 7. Allocated Net Cost Requirements - Water.....	7
Figure 8. Allocated Net Cost of Service by Customer Class - Water.....	8
Figure 9. Energy Bills for SLVWD.....	8
Figure 10. Summary of Sewer Costs of Service	10
Figure 11. Summary of Sewer Reserve Funds.....	10
Figure 12. Allocated Cost of Service – Sewer	10

SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

PURPOSE

San Lorenzo Valley Water District (District) retained NBS in February this year to conduct an Enterprise Wide Cost of Service Financial Study for a number of reasons, including performing a thorough cost of service analysis for water and wastewater systems. Additionally, this study included an assessment of the water and wastewater systems as well as a water and wastewater staffing study. These two tasks were performed by sub consultants, V. W. Housen & Associates, Inc. and DeLoach & Associates, Inc., respectively. Both sub consultants provided reports which were prepared independent from this document, but included as appendices (under separate cover) for reference.

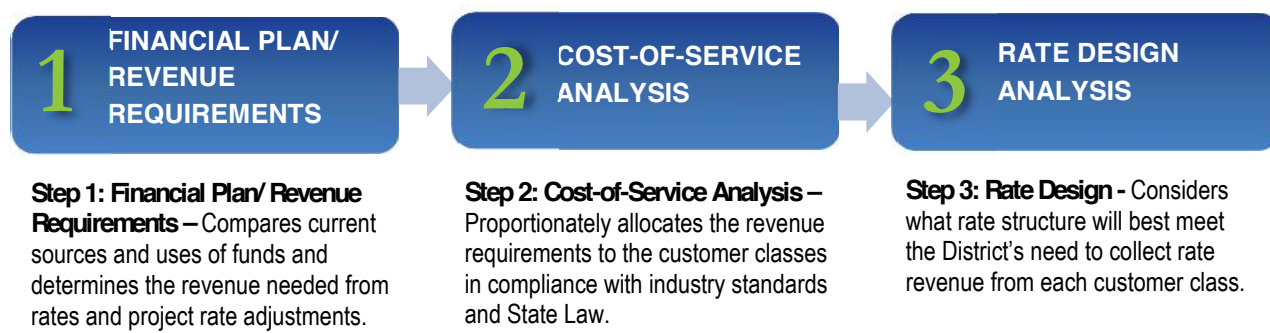
A cost-of-service study, unlike a rate study, is intended to identify the annual costs that should be allocated to each of the District's customer classes, whereas a "rate study" results in individual rates for each class. The cost of service analysis performed in this study was developed in a manner that is consistent with industry standards. In addition to documenting the study methodology, this report is provided with the intent of assisting District to maintain transparent communications with its residents and businesses.

NBS worked cooperatively with District staff in developing the cost of service analysis (COS or COSA) and this report summarizes the final results.

OVERVIEW OF THE STUDY

Comprehensive "rate studies" typically include the three components shown in **Figure 1**: (1) preparation of a financial plan which identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class (i.e., the "cost-of-service" addressed in this study), and; (3) the rate structure design.

Figure 1. Primary Components of a Rate Study



These steps are intended to follow industry standards and reflect the fundamental principles embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges¹, also referred to as Manual M1. In terms of the chronology of the study, these three steps represent the order they were performed in this Study. Following this chronology, this study completes the first two steps, resulting in the total annual net revenue requirements and the cost-of-service (COS) for each customer class. The District intends to address the third step for rate design in a separate rate study.

The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and COS results. Appendix A provides more detailed cost-of-service figures; Appendices B and C provide tables and figures documenting the development of the results.

¹ Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, sixth edition, 2012.

Key Financial Assumptions

The following are the key financial assumptions used in the cost of service analyses:

- **Funding of Water & Wastewater Utility Capital Projects** – The District plans to fund planned capital costs through rate revenues and existing reserves². The capital projects listed in the financial plan are from District's projection of costs recently provided by V. W. Housen & Associates, Inc. through FY 2025/26.
- **Reserve Targets** – Reserves for operations and capital needs are set at the target level that was established by the Board in Resolution 9 (16-17). These reserves are considered unrestricted reserves and consist of the following:

Water:

- ✓ Operating Reserve – equal to \$1.5 million for FY 2016/17 and growing to 180 days of operating expenses over ten years.
- ✓ Capital Improvement Reserve – equal to \$2.0 million or 3 percent of Net Capital Assets, whichever is greater.

Wastewater:

- ✓ Operating Reserve – equal to 90 days of operating expenses, or \$31,500 for FY 2016/17.
- ✓ Capital Improvement Reserve – equal to \$97,000 for FY 2016/17, which approximates the annual average of CIP expenditures.
- **Inflation and Growth Projections** – Assumptions were made in the analysis with regard to cost inflation in order to project future expenses for the study period. The following inflation factors were used in the analysis, for both water and wastewater utilities:
 - ✓ Customer growth is 0.0 percent annually.
 - ✓ General cost inflation is 2.65 percent annually.
 - ✓ Labor and Health Benefits cost inflation is 2.69 percent annually.
 - ✓ Chemical cost inflation is 5.0 percent annually.
 - ✓ Energy cost inflation is 4.4 percent annually.

These inflation factors are based on specific cost indices and/or common values adopted by other California water agencies; see page 12 of Appendix B for details.

² We have reflected the results of V.W. Housen and Associate's analysis; how much of those capital project costs the District ultimately funds will be determined by the District's Board at a future date.

SECTION 3. WASTEWATER COST OF SERVICE STUDY

KEY COST OF SERVICE STUDY ISSUES

The District maintains a small wastewater system for a small residential area. The cost of service study for the wastewater utility has the same goals as the water utility.

NBS developed a ten-year financial plan for the wastewater utility over the course of this study, relying on industry standards and cost-of-service principles. The following are the basic components included in this analysis:

- **Developing Annual Cost Requirements:** NBS developed financial plan alternatives as requested by District staff to reflect budgeted sewer operating and capital improvement costs.
- **Developing Functionalized Costs:** The wastewater revenue requirements were “functionalized” into four categories: (1) customer service costs; (2) fixed biochemical demand (BOD) treatment costs; (3) fixed total suspended solids (TSS) treatment costs; and (4) flow (or volume-based) costs.
- **Determining Customer Class Cost Requirements:** Costs for each of these functional categories were then allocated to the residential customer class based on allocation factors, such as effluent (flow), effluent strength (BOD and TSS), and number of accounts. Once the costs are allocated by customer class, the rate design would be addressed in a future rate study.

SEWER UTILITY COST OF SERVICE

It is important for municipal utilities to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. The current state of the District, with regard to these objectives, is as follows:

- **Annual Cost of Service:** For FY 2015/16 through FY 2020/21, the projected net cost requirement (that is, total annual expenses plus debt service and capital costs) range from approximately \$133,500 to \$229,000.
- **Building and Maintaining Reserve Funds:** The District plans to establish reserve funds for the sewer utility. The reserve fund recommendations for the Utility are considered unrestricted reserves and consist of the following:
 - ✓ **Operating Reserve** should equal approximately 90 days of operating expenses, or \$34,400 in FY 2016/17. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
 - ✓ **Capital Reserve** should be approximately \$100,000, which is set aside to address long-term capital system replacement and rehabilitation needs.
- **Capital Improvement Projects:** The District has a number of capital improvements that are necessary for the Utility in order to maintain current service levels. District staff has identified roughly \$64,000 in expected capital expenditures for FY 2016/17, and growing at 3 percent inflation (construction cost index) annually through FY 2020/21. summarizes the sources and uses of funds and net cost requirements for the next 5 years. As this figure shows, the District will need to address projected annual deficits in the near future.

Figure 10 summarizes the sources and uses of funds and net cost requirements for the next 5 years. As this figure shows, the District will need to address projected annual deficits in the near future.

Figure 10. Summary of Sewer Costs of Service

Cost of Service Summary	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Costs of Sewer Service						
Operating Expenses	\$ 133,470	\$ 137,051	\$ 140,732	\$ 144,509	\$ 148,385	\$ 152,364
Debt Service	-	-	-	-	-	-
Capital Expenses	-	63,880	65,796	67,770	69,803	71,898
Total	\$ 133,470	\$ 200,931	\$ 206,528	\$ 212,279	\$ 218,189	\$ 224,262

Figure 11 summarizes the projected reserve fund balances and reserve targets. A summary of the utility's proposed 10-year financial plan is included in Appendix C. These appendix tables include cost requirements, reserve funds, revenue sources, and the District's capital improvement program.

Figure 11. Summary of Sewer Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Un-Restricted Reserves						
Operating Reserve						
Ending Balance	\$ (33,381)	\$ (134,224)	\$ (240,664)	\$ (352,855)	\$ (470,955)	\$ (595,129)
<i>Recommended Minimum Target</i>	<i>33,400</i>	<i>34,300</i>	<i>35,200</i>	<i>36,100</i>	<i>37,100</i>	<i>38,100</i>
Capital Rehabilitation & Replacement Reserve						
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Recommended Minimum Target</i>	<i>89,778</i>	<i>94,503</i>	<i>96,205</i>	<i>97,994</i>	<i>99,882</i>	<i>101,888</i>
Total Ending Balance (Un-Restricted Reserves)	\$ (33,381)	\$ (134,224)	\$ (240,664)	\$ (352,855)	\$ (470,955)	\$ (595,129)
Total Recommended Minimum Target	\$ 123,178	\$ 128,803	\$ 131,405	\$ 134,094	\$ 136,982	\$ 139,988

COST OF SERVICE ANALYSIS

The total cost from the residential customer class was determined using these functional costs and allocation factors:

- ✓ Volume-related costs are allocated based on the effluent flow.
- ✓ Fixed capacity costs are allocated based on effluent strength (BOD and TSS).
- ✓ Customer costs are allocated based on number of accounts, or more specifically the number of equivalent dwelling units (EDUs) connected to the system.

The District only serves residential customers as part of the sewer utility. Since this is not anticipated to change in the near future, all costs are allocated to residential customers as shown in Figure 12. Similar to the Water Cost of Service Analysis, a test year of FY 2017/18 was used. Further tables showing these calculations are included in Appendix C.

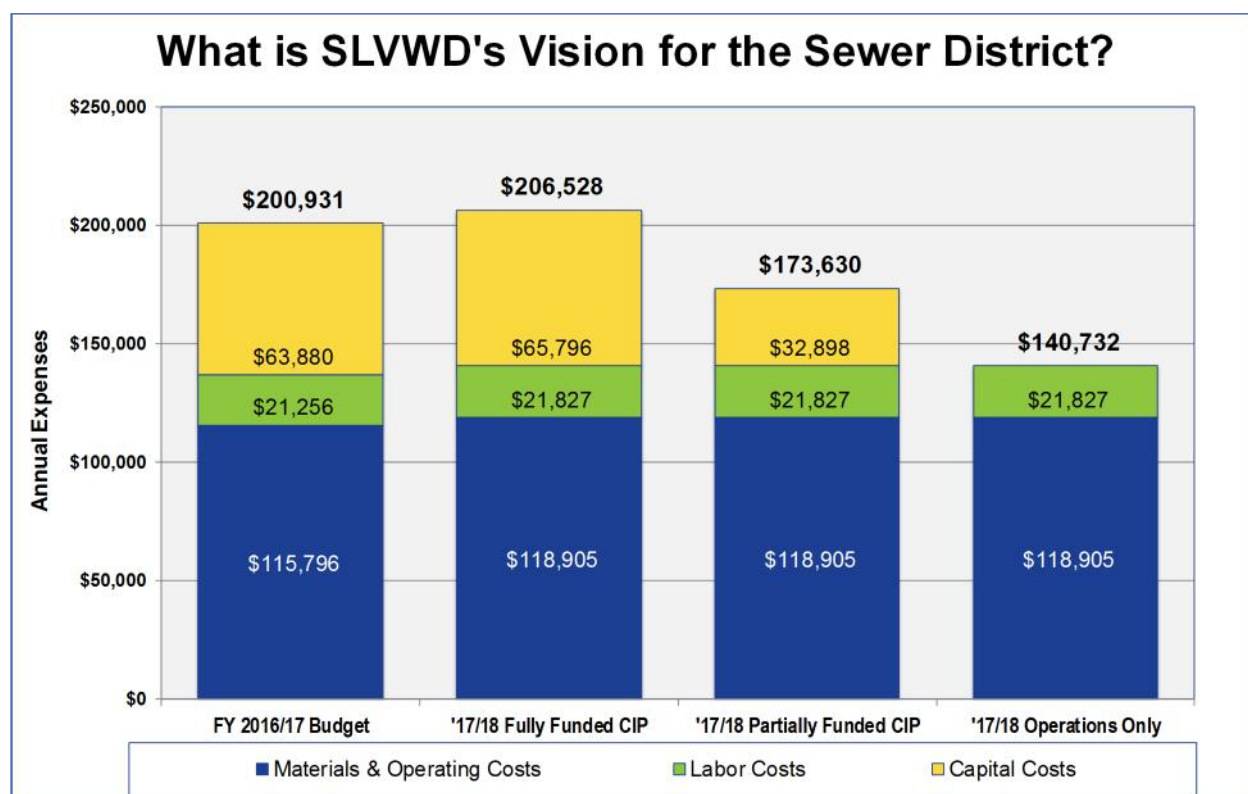
Figure 12. Allocated Cost of Service – Sewer

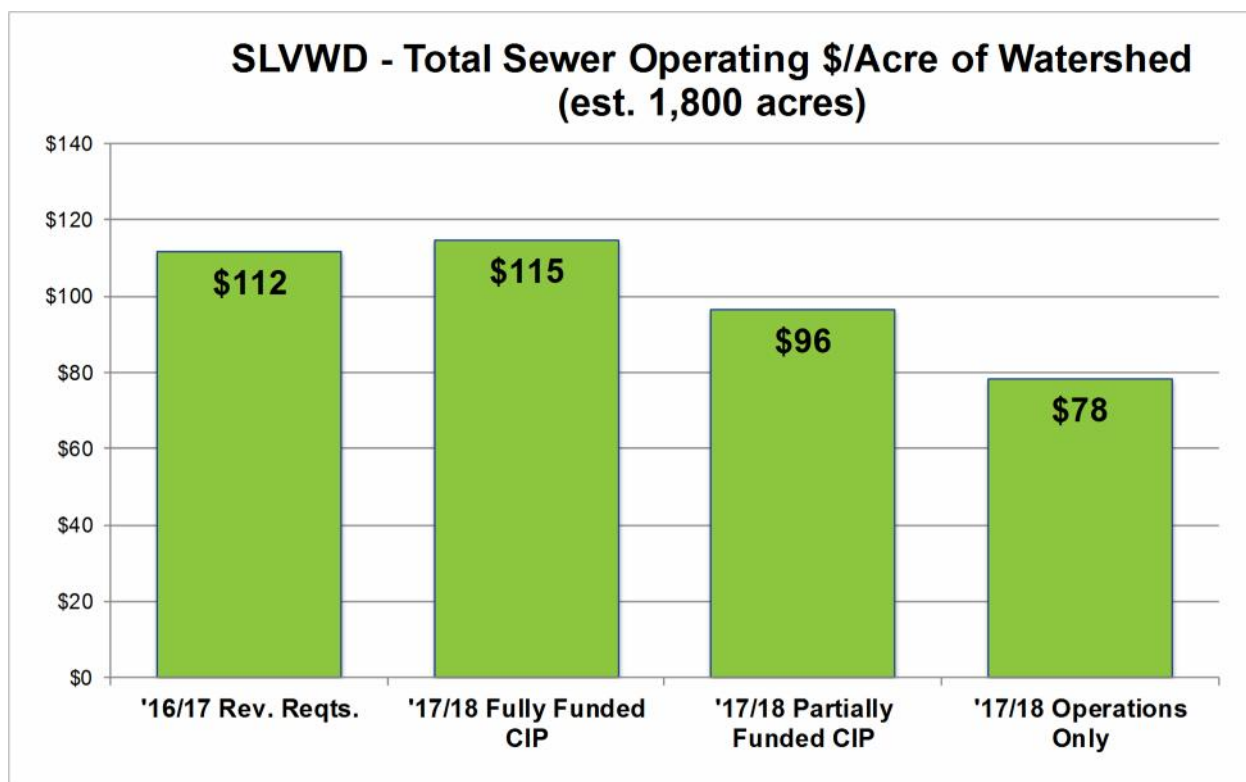
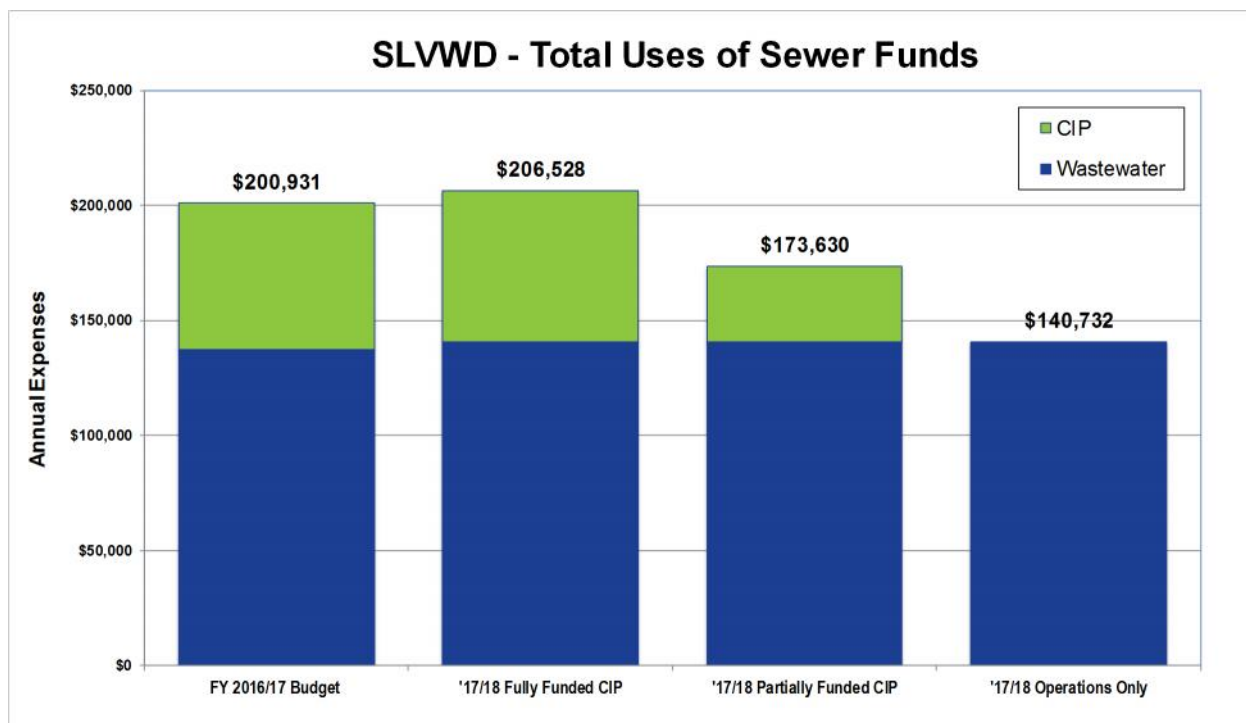
Allocation of FY 2017/18 Cost Requirements by Customer Class - Sewer						
Customer Class	Cost Classification Components				Net Cost-of-Service Requirements	% of Net Cost-of-Service Requirements
	Volume	Treatment		Customer Related		
		BOD	TSS			
Net Cost Requirements (1)	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	--
	52.4%	21.3%	21.3%	5.0%	100.0%	
SINGLE FAMILY	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	100.0%
TOTAL	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	100%

1. Cost requirement for each customer class is determined by multiplying the requirement from each cost classification by the allocation factors for each customer class.

SEWER UTILITY FIGURES

Summary of District Costs	'16/17 Rev. Reqts.	'17/18 Fully Funded CIP	'17/18 Partially Funded CIP	'17/18 Operations Only
Uses of Sewer Funds				
Water Fund Operating Expenses:				
Personnel	21,256	21,827	21,827	21,827
Materials & Services	115,796	118,905	118,905	118,905
Debt Service	-	-	-	-
Capital Expenses	63,880	65,796	32,898	-
Total Use of Funds	\$ 200,931	\$ 206,528	\$ 173,630	\$ 140,732
Add'l. Revenue Needed	0%	9%	5%	0%





SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Financial Plan and Reserve Projections

TABLE 1
FINANCIAL PLAN AND SUMMARY OF SEWER COST REQUIREMENTS (1)

SEWER COST REQUIREMENTS SUMMARY	Budget	Projected								
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Sources of Funds										
<i>SEWER REVENUES:</i>										
Sewer Service Charge	100,088	100,088	100,088	100,088	100,088	100,088	100,088	100,088	100,088	100,088
Other Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Sources of Funds	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088
Uses of Funds										
<i>OPERATING EXPENSES (2):</i>										
PERSONNEL	\$ 20,700	\$ 21,256	\$ 21,827	\$ 22,413	\$ 23,014	\$ 23,632	\$ 24,267	\$ 24,918	\$ 25,587	\$ 26,274
MATERIALS & SERVICES	112,770	115,796	118,905	122,096	125,371	128,732	132,185	135,732	139,371	143,112
Subtotal: Operating Expenses	\$ 133,470	\$ 137,051	\$ 140,732	\$ 144,509	\$ 148,385	\$ 152,364	\$ 156,451	\$ 160,651	\$ 164,958	\$ 169,386
<i>OTHER EXPENDITURES:</i>										
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses (3)	-	63,880	65,796	67,770	69,803	71,898	74,054	76,276	78,564	80,921
Subtotal: Other Expenditures	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921
Total Uses of Water Funds	\$ 133,470	\$ 200,931	\$ 206,528	\$ 212,279	\$ 218,189	\$ 224,262	\$ 230,506	\$ 236,927	\$ 243,523	\$ 250,308
Annual Surplus/(Deficit)	\$ (33,381)	\$ (100,843)	\$ (106,440)	\$ (112,191)	\$ (118,100)	\$ (124,174)	\$ (130,418)	\$ (136,838)	\$ (143,434)	\$ (150,219)
Net Cost Requirement (Total Uses less Non-Rate Revenue)	\$ 133,470	\$ 200,931	\$ 206,528	\$ 212,279	\$ 218,189	\$ 224,262	\$ 230,506	\$ 236,927	\$ 243,523	\$ 250,308

1. Revenue and expenses for FY 2015/16 through FY 2020/21 were provided by City Staff. Source File: 2016 Sanitation Fund Rate Analysis-2.xlsx.

2. Assumes annual inflation of 4%, beyond FY 2020/21 (file: 2016 Sanitation Fund Rate Analysis.xls).

3. Assumes annual inflation of the 10 year average change in the Construction Cost Index for 2006-2015; applied to estimated future expenditures beyond FY 2020/21. Source: Engineering News Record website (<http://enr.construction.com>).

4. Assumes new rates are implemented July 1, 2017.

TABLE 2
SEWER RESERVE FUND SUMMARY, UN-RESTRICTED RESERVES

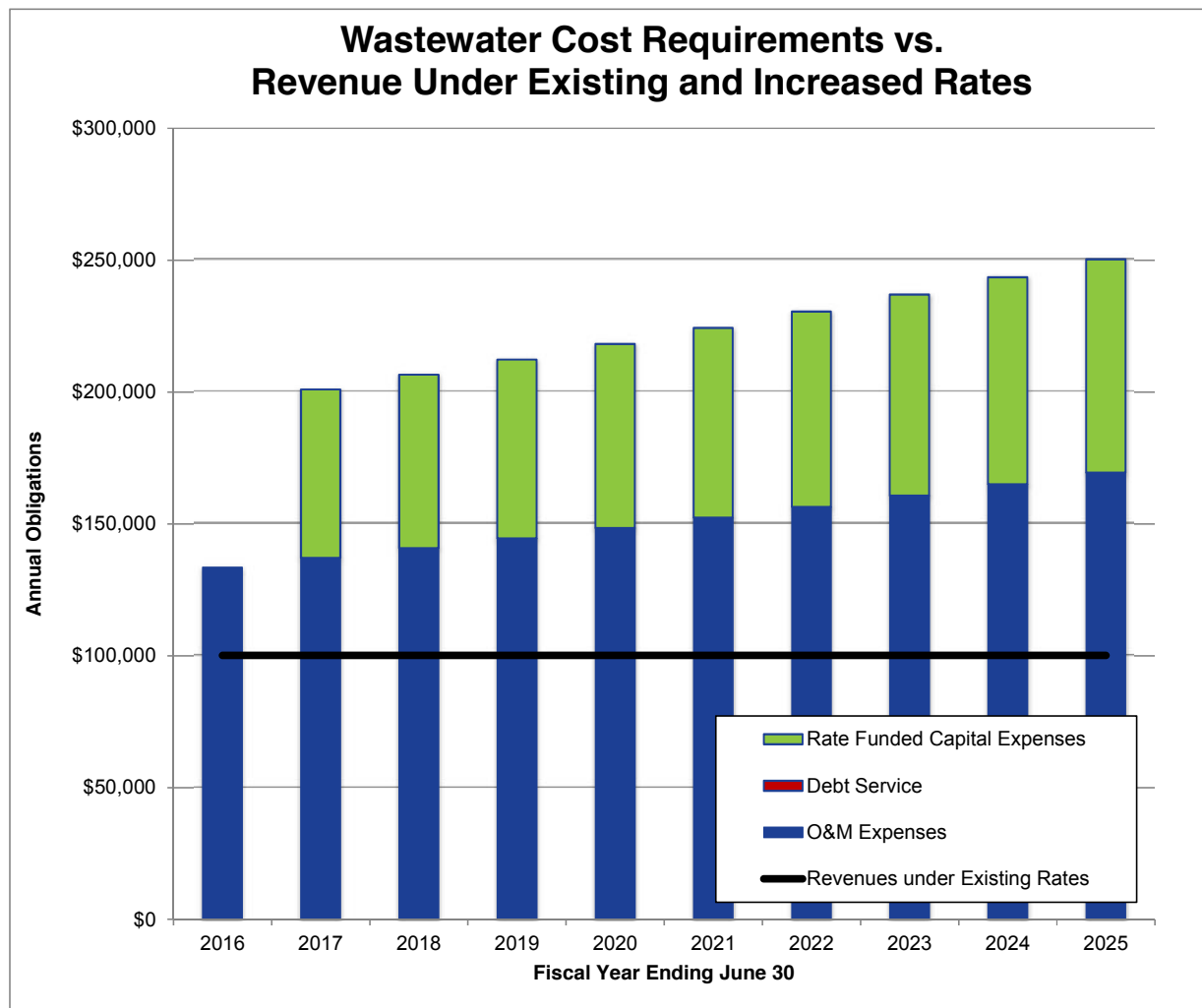
SUMMARY OF CASH ACTIVITY UN-RESTRICTED RESERVES - SEWER	Budget	Projected								
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Total Beginning Cash (1)	\$ -	\$ -								
Un-Restricted Reserves:										
Operating Reserve										
Beginning Reserve Balance	\$ -	\$ (33,381)	\$ (134,224)	\$ (240,664)	\$ (352,855)	\$ (470,955)	\$ (595,129)	\$ (725,547)	\$ (862,385)	\$ (1,005,819)
Plus: Net Cash Flow (After Rate Increases)	(33,381)	(100,843)	(106,440)	(112,191)	(118,100)	(124,174)	(130,418)	(136,838)	(143,434)	(150,219)
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	-	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ (33,381)	\$ (134,224)	\$ (240,664)	\$ (352,855)	\$ (470,955)	\$ (595,129)	\$ (725,547)	\$ (862,385)	\$ (1,005,819)	\$ (1,156,039)
Target Ending Balance (90 days of O&M)	\$ 33,400	\$ 34,300	\$ 35,200	\$ 36,100	\$ 37,100	\$ 38,100	\$ 39,100	\$ 40,200	\$ 41,200	\$ 42,300
Capital Rehabilitation & Replacement Reserve										
Beginning Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
Ending Capital Rehab & Replacement Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Target Ending Balance (2)	\$ 89,778	\$ 94,503	\$ 96,205	\$ 97,994	\$ 99,882	\$ 101,888	\$ 104,030	\$ 106,336	\$ 108,841	\$ 111,593
Ending Balance - Excl. Restricted Reserves	\$ (33,381)	\$ (134,224)	\$ (240,664)	\$ (352,855)	\$ (470,955)	\$ (595,129)	\$ (725,547)	\$ (862,385)	\$ (1,005,819)	\$ (1,156,039)
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 123,178	\$ 128,803	\$ 131,405	\$ 134,094	\$ 136,982	\$ 139,988	\$ 143,130	\$ 146,536	\$ 150,041	\$ 153,893
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (156,560)	\$ (263,028)	\$ (372,069)	\$ (486,948)	\$ (607,938)	\$ (735,117)	\$ (868,676)	\$ (1,008,921)	\$ (1,155,860)	\$ (1,309,932)
Annual Interest Earnings Rate (3)	0.35%	0.35%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%

1. Total beginning cash is based on FY 2014/15 ending Fund Balance, as listed in Source File: 2016 Sanitation Fund Rate Analysis-2.xlsx.

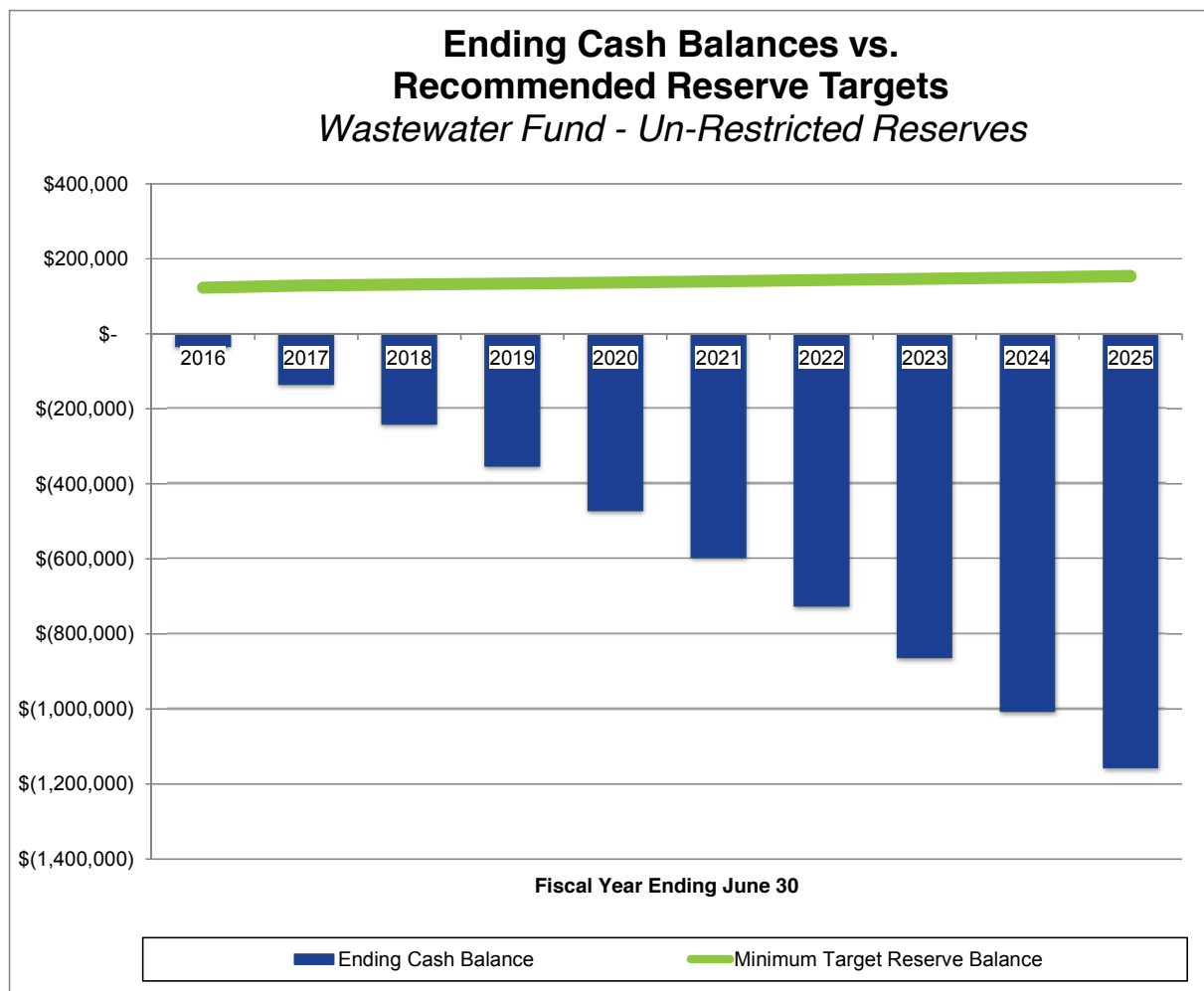
2. The Capital Rehabilitation & Replacement Reserve target is set to the annual average of Capital Project expenditures (in future year dollars).

3. Historical interest earning rates were referenced on the CA Treasurer's Office website for funds invested in LAIF. Future years earnings were conservatively estimated through 2021 and phase into the historical 10 year average interest earnings rate.

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Financial Plan Charts



SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Financial Plan Charts



**SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY
Operating Revenue and Expenses**

EXHIBIT 1

SEWER REVENUE FORECAST:

DESCRIPTION (1)	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SEWER REVENUE											
7102 Wastewater Service											
SEWER CHARGES	1	100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088
TOTAL: REVENUE		\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088

SEWER REVENUE SUMMARY:

SEWER REVENUE											
Other Revenues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Service Charge		\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088
TOTAL: REVENUE		\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088	\$ 100,088

SEWER FUND OPERATING EXPENSE FORECAST (2):

DESCRIPTION - WASTEWATER	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PERSONNEL											
Salaries											
REGULAR SALARIES	3	\$ 15,000	\$ 15,403	\$ 15,816	\$ 16,241	\$ 16,677	\$ 17,125	\$ 17,585	\$ 18,057	\$ 18,542	\$ 19,039
OVERTIME WAGES	3	2,500	2,567	2,636	2,707	2,780	2,854	2,931	3,009	3,090	3,173
STANDBY WAGES	3	500	513	527	541	556	571	586	602	618	635
Subtotal		\$ 18,000	\$ 18,483	\$ 18,980	\$ 19,489	\$ 20,012	\$ 20,550	\$ 21,102	\$ 21,668	\$ 22,250	\$ 22,847
Benefits											
MEDICAL INSURANCE	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DENTAL INSURANCE	3	-	-	-	-	-	-	-	-	-	-
PERS - RETIREMENT	3	1,300	1,335	1,371	1,408	1,445	1,484	1,524	1,565	1,607	1,650
FICA - SOCIAL SECURITY	3	1,100	1,130	1,160	1,191	1,223	1,256	1,290	1,324	1,360	1,396
WORKERS COMPENSATION	3	-	-	-	-	-	-	-	-	-	-
MEDICARE RETIRED MEDICAL	3	300	308	316	325	334	342	352	361	371	381
SPECIAL CLOTHING	3	-	-	-	-	-	-	-	-	-	-
Subtotal		\$ 2,700	\$ 2,772	\$ 2,847	\$ 2,923	\$ 3,002	\$ 3,082	\$ 3,165	\$ 3,250	\$ 3,337	\$ 3,427
Additional Positions											
Fully Loaded Cost of New Position(s)	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL: PERSONNEL		\$ 20,700	\$ 21,256	\$ 21,827	\$ 22,413	\$ 23,014	\$ 23,632	\$ 24,267	\$ 24,918	\$ 25,587	\$ 26,274
MATERIALS & SERVICES											
ADMIN OVERHEAD ALLOCATION FROM WATER	1	\$ 10,970	\$ 11,298	\$ 11,639	\$ 11,987	\$ 12,344	\$ 12,710	\$ 13,088	\$ 13,479	\$ 13,878	\$ 14,294
CONTRACT/PROFESSIONAL SERVICES	2	\$ 51,000	\$ 52,352	\$ 53,739	\$ 55,163	\$ 56,625	\$ 58,125	\$ 59,666	\$ 61,247	\$ 62,870	\$ 64,536
OUTSIDE WATER ANALYSIS	2	14,600	14,987	15,384	15,792	16,210	16,640	17,081	17,533	17,998	18,475
ADMINISTRATION OVERHEAD	2	4,000	4,106	4,215	4,327	4,441	4,559	4,680	4,804	4,931	5,062
EQUIPMENT REPLACEMENT FUND	2	-	-	-	-	-	-	-	-	-	-
UTILITIES	2	7,000	7,186	7,376	7,571	7,772	7,978	8,189	8,406	8,629	8,858
OPERATING SUPPLIES	2	6,000	6,159	6,322	6,490	6,662	6,838	7,019	7,205	7,396	7,592
MAINT & OPERATIONS OF VEHICLES	2	500	513	527	541	555	570	585	600	616	633
RENTAL/LEASES/PERMITS	2	15,000	15,398	15,806	16,224	16,654	17,096	17,549	18,014	18,491	18,981
FACILITIES MAINTENANCE	2	500	513	527	541	555	570	585	600	616	633
COMMUNICATIONS & TELEMETERING	2	3,200	3,285	3,372	3,461	3,553	3,647	3,744	3,843	3,945	4,049
OFFICE SUPPLIES (included 5078)	2	-	-	-	-	-	-	-	-	-	-
POSTAGE	2	-	-	-	-	-	-	-	-	-	-
Subtotal		\$ 112,770	\$ 115,796	\$ 118,905	\$ 122,096	\$ 125,371	\$ 128,732	\$ 132,185	\$ 135,732	\$ 139,371	\$ 143,112
TOTAL: MATERIALS & SERVICES		\$ 112,770	\$ 115,796	\$ 118,905	\$ 122,096	\$ 125,371	\$ 128,732	\$ 132,185	\$ 135,732	\$ 139,371	\$ 143,112
GRAND TOTAL: WASTEWATER EXPENSES		\$ 133,470	\$ 137,051	\$ 140,732	\$ 144,509	\$ 148,385	\$ 152,364	\$ 156,451	\$ 160,651	\$ 164,958	\$ 169,386

EXHIBIT 1

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY
Operating Revenue and Expenses

NON-CASH ITEMS, EXCLUDED FROM ABOVE:

DESCRIPTION	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DEPRECIATION											
Depreciation Expense	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL: DEPRECIATION		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FORECASTING ASSUMPTIONS:

COST INFLATION FACTORS	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Customer Growth	1	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation (4)	2	--	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
Labor Cost Inflation (5)	3	--	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%
Water Purchases	4	--	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Energy (6)	5	--	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
Chemicals (7)	6	--	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Fuel	7	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
No Escalation	8	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenues are from the Final Trial Balance on June 30, 2015 from source file: *SLVWD 2015 Working TB.xls* and are actual revenues from FY 14/15.
2. Expenses are from the FY 2015/16 Budget and from source file: *FY1516 BUDGET FINAL.pdf*. All projected expenses are rounded to the nearest \$100.
3. 1.5 percent of Administration budget items are allocated to the sewer utility; per District staff, via email September 2016.
4. Expected Inflation factors based on expense type from 5 year average from Bureau of Labor Statistics Data.
http://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm
5. Labor cost inflation is based on the 5-year average annual change in the Quarterly Census of Employment and Wages (San Jose area, CA).
http://www.bls.gov/regions/west/news-release/2016/employmentcostindex_sanjose_20161031.htm
6. Estimated energy cost inflation provided by a University of California Davis report:
The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040, by Johnathan Cook, Ph.D., page 31, Table 7.
7. Inflation factor recently used by other California water agencies (e.g., City of Sunnyvale, City of Eureka, Humboldt CSD).

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY
Capital Improvement Plan Expenditures

CAPITAL FUNDING SUMMARY - SEWER

CAPITAL FUNDING FORECAST	Budget		Projected							
Sewer Funding Sources:	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	-	-	-	-	-	-	-	-	-
Rate Revenue	-	63,880	65,796	67,770	69,803	71,898	74,054	76,276	78,564	80,921
Total Sources of Capital Funds	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921
Uses of Capital Funds:										
Total Project Costs	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SRF Loan Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL IMPROVEMENT PROGRAM - SEWER**Sewer Capital Improvement Program Costs (1):**

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Pipes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tanks (including 10% volume contingency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment	\$ -	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200
Diversions	\$ -	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680
Admin/Operations Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Placeholder for Future Year Capital Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: CIP Program Costs	\$ -	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880

Sewer Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Pipes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tanks (including 10% volume contingency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment	\$ -	\$ 19,200	\$ 19,776	\$ 20,369	\$ 20,980	\$ 21,610	\$ 22,258	\$ 22,926	\$ 23,614	\$ 24,322
Diversions	\$ -	\$ 44,680	\$ 46,020	\$ 47,401	\$ 48,823	\$ 50,288	\$ 51,796	\$ 53,350	\$ 54,951	\$ 56,599
Admin/Operations Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Placeholder for Future Year Capital Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921

FORECASTING ASSUMPTIONS:

Economic Variables	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Construction Cost Inflation, Per Engineering News Record(2)	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.00	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27

1. Capital project costs were provided by City Staff in source file: *VWHA_Capital_Asset_Cost_of_Service_9_02_16.pdf*.

2. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015 (3.0%). Source: *Engineering News Record website (http://enr.construction.com)*.

**SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Debt Service**

WASTEWATER UTILITY EXISTING DEBT OBLIGATIONS	Budget	Projected								
Annual Repayment Schedules:	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Grand Total: Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Existing Annual Debt Obligations to be Satisfied by Wastewater Rates:

<i>Existing Annual Debt Service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Annual Coverage Requirement</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Debt Reserve Target</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Projected Wastewater Rates Under Existing Rate Schedule**

EXHIBIT 4

Current Wastewater Rate Schedule:

Fixed Charges	Current Monthly
Sewer	\$149.00

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Cost of Service Analysis

Classification of Expenses - Sewer									
Budget Categories	Total Cost Requirements	Flow	Strength		Customer	Basis of Classification			
	FY 2017/18	(VOL)	(BOD)	(TSS)	(CA)	(VOL)	(BOD)	(TSS)	(CA)
PERSONNEL									
PERSONNEL									
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	56%	22%	22%	0%
REGULAR SALARIES	\$ 15,816	\$ 8,857	\$ 3,480	\$ 3,480	\$ -	56%	22%	22%	0%
OVERTIME WAGES	\$ 2,636	\$ 1,450	\$ 527	\$ 527	\$ 132	55%	20%	20%	5%
STANDBY WAGES	\$ 527	\$ 290	\$ 105	\$ 105	\$ 26	55%	20%	20%	5%
Subtotal	\$ 18,980	\$ 10,597	\$ 4,112	\$ 4,112	\$ 158	56%	22%	22%	1%
Benefits									
MEDICAL INSURANCE	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
DENTAL INSURANCE	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
PERS - RETIREMENT	\$ 1,371	\$ 754	\$ 274	\$ 274	\$ 69	55%	20%	20%	5%
FICA - SOCIAL SECURITY	\$ 1,160	\$ 638	\$ 232	\$ 232	\$ 58	55%	20%	20%	5%
WORKERS COMPENSATION	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
MEDICARE RETIRED MEDICAL	\$ 316	\$ 174	\$ 63	\$ 63	\$ 16	55%	20%	20%	5%
SPECIAL CLOTHING	\$ -	\$ -	\$ -	\$ -	\$ -	56%	22%	22%	0%
Subtotal	\$ 2,847	\$ 1,566	\$ 569	\$ 569	\$ 142	55%	20%	20%	5%
TOTAL: PERSONNEL	\$ 21,827	\$ 12,163	\$ 4,682	\$ 4,682	\$ 301	56%	21%	21%	1%
MATERIALS & SERVICES									
ADMIN OVERHEAD ALLOCATION FROM WATER (3)	\$ 11,639	\$ 6,401	\$ 2,328	\$ 2,328	\$ 582	55%	20%	20%	5%
CONTRACT/PROFESSIONAL SERVICES	\$ 53,739	\$ 29,556	\$ 10,748	\$ 10,748	\$ 2,687	55%	20%	20%	5%
OUTSIDE WATER ANALYSIS	\$ 15,384	\$ 8,461	\$ 3,077	\$ 3,077	\$ 769	55%	20%	20%	5%
ADMINISTRATION OVERHEAD	\$ 4,215	\$ -	\$ -	\$ -	\$ 4,215	0%	0%	0%	100%
EQUIPMENT REPLACEMENT FUND	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
UTILITIES	\$ 7,376	\$ 4,057	\$ 1,475	\$ 1,475	\$ 369	55%	20%	20%	5%
OPERATING SUPPLIES	\$ 6,322	\$ 3,477	\$ 1,264	\$ 1,264	\$ 316	55%	20%	20%	5%
MAINT & OPERATIONS OF VEHICLES	\$ 527	\$ 290	\$ 105	\$ 105	\$ 26	55%	20%	20%	5%
RENTAL/LEASES/PERMITS	\$ 15,806	\$ 8,693	\$ 3,161	\$ 3,161	\$ 790	55%	20%	20%	5%
FACILITIES MAINTENANCE	\$ 527	\$ 290	\$ 105	\$ 105	\$ 26	55%	20%	20%	5%
COMMUNICATIONS & TELEMETERING	\$ 3,372	\$ 1,855	\$ 674	\$ 674	\$ 169	55%	20%	20%	5%
OFFICE SUPPLIES (included 5078)	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	100%
POSTAGE	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	100%
Subtotal	\$ 118,905	\$ 63,080	\$ 22,938	\$ 22,938	\$ 9,949	53%	19%	19%	8%
TOTAL: MATERIALS & SERVICES	\$ 118,905	\$ 63,080	\$ 22,938	\$ 22,938	\$ 9,949	53%	19%	19%	8%
GRAND TOTAL: WASTEWATER EXPENSES	\$ 140,732	\$ 75,243	\$ 27,620	\$ 27,620	\$ 10,250	53%	20%	20%	7%

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Cost of Service Analysis

Classification of Expenses - Sewer, continued									
Budget Categories	Total Revenue Requirements	Flow	Strength		Customer	Basis of Classification			
	FY 2017/18	(VOL)	(BOD)	(TSS)	(CA)	(VOL)	(BOD)	(TSS)	(CA)
Debt Service Payments									
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	50%	25%	25%	0%
Future Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	50%	25%	25%	0%
Total Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	0%
Capital Expenditures									
Rate Funded Capital Expenses	\$ 65,796	\$ 32,898	\$ 16,449	\$ 16,449	\$ -	50%	25%	25%	0%
TOTAL COST REQUIREMENTS	\$ 206,528	\$ 108,141	\$ 44,069	\$ 44,069	\$ 10,250	52%	21%	21%	5%
Less: Non-Rate Revenues									
SEWER REVENUE									
Other Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	52%	21%	21%	5%
Sewer Service Charge	\$ -	\$ -	\$ -	\$ -	\$ -	52%	21%	21%	5%
NET SEWER COST REQUIREMENTS	\$ 206,528	\$ 108,141	\$ 44,069	\$ 44,069	\$ 10,250				
Allocation of Sewer Cost Requirements	100.0%	52.4%	21.3%	21.3%	5.0%				

Net Revenue Req't. Check from Financial Plan \$ -

SAN LORENZO VALLEY WATER DISTRICT
ENTERPRISE WIDE COST OF SERVICE FINANCIAL STUDY - SEWER UTILITY
Wastewater Cost of Service Analysis

Development of the BASE CAPACITY Allocation Factor (1) - Sewer					
Customer Class	Number of Accounts	Monthly Average Consumption	Estimated Annual Volume Total (HCF)	Adjusted Annual Volume Total (HCF)	Percentage of Adjusted Volume
Residential	55	292	3,505	3,505	100.0%
Grand Total:	55		3,505	3,505	100.0%
<i>3,505 Flow (cct/yr.)</i> <i>1.00 Flow Adj. Factor</i>					

1. Consumption data is based on SLVWD water customer data; several months of consumption have been approximated.

Development of the Strength Allocation Factor - Sewer									
Customer Class	Biochemical Oxygen Demand (BOD)					Total Suspended Solids (TSS)			
	Annual Flow (gallons)	Average Strength Factor (mg/l) (1)	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (mg/l) (1)	Calculated TSS (lbs./yr.)	Adjusted TSS (lbs./yr.)	Percent of Total
Residential	2,621,915	200	4,373	4,373	100.00%	200	4,373	4,373	100.00%
Grand Total:	2,621,915		4,373	4,373			4,373	4,373	
<i>Target, from WWTP Data</i> <i>4,373 BOD (lbs./yr.)</i> <i>1.000 BOD Adj. Factor</i> <i>4,373 TSS (lbs./yr.)</i> <i>1.000 TSS Adj. Factor</i>									

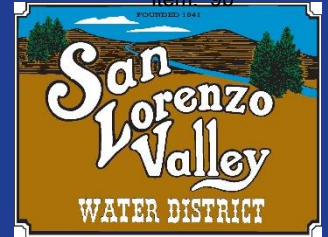
1. Average strength factors for BOD and TSS are derived from the State Water Resources Control Board Revenue Program Guidelines, Appendix G.

Capacity Related Costs: Costs associated with the maximum demand required at one point in time or the maximum size of facilities required to meet this demand.

Development of the Customer Allocation Factor - Sewer		
Customer Class	Number of Accounts	Percent of Total
Residential	55	100.00%
Grand Total:	55	100.00%

Allocation of FY 2017/18 Cost Requirements by Customer Class - Sewer						
Customer Class	Cost Classification Components				Net Cost-of-Service Requirements	% of Net Cost-of-Service Requirements
	Volume	Treatment		Customer Related		
		BOD	TSS			
Net Cost Requirements (1)	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	--
	52.4%	21.3%	21.3%	5.0%	100.0%	
SINGLE FAMILY	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	100.0%
TOTAL	\$ 73,370	\$ 29,899	\$ 29,899	\$ 6,954	\$ 140,124	100%

1. Cost requirement for each customer class is determined by multiplying the requirement from each cost classification by the allocation factors for each customer class.



SAN LORENZO VALLEY WATER DISTRICT

FINAL Report for:

Focused Water Rate Study

(Includes Connection Fees & Sewer Rates)

June 2017

Welcome
TO
SAN LORENZO VALLEY
BOULDER CREEK · BROOKDALE · BEN LOMOND · FELTON

OFFICE LOCATIONS:

Temecula – Corporate Headquarters
32605 Temecula Parkway, Suite 100
Temecula, CA 92592

San Francisco – Regional Office
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San Francisco, CA 94102

California Satellite Offices
Atascadero, Davis
Huntington Beach,
Joshua Tree, Riverside
Sacramento, San Jose



TABLE OF CONTENTS

Section 1. Executive Summary	1
Background and Purpose	1
Key Findings.....	2
Study Recommendations	2
Section 2. Overview of the Rate Study Methodology	3
Rate Design Criteria.....	4
Rate Structure Terminology	4
Section 3. Water Rate Design	6
Developing the Recommended Water Rate Design Alternative.....	6
Water Utility Revenue Requirements	8
Characteristics of Water Customers by Class.....	9
Cost of Service Analysis – Water	11
Current vs. Proposed Water Rate Structures.....	12
Comparison of Current and Proposed Monthly Water Bills	14
Section 4. Sewer Rate Design.....	16
Developing the Recommended Sewer Rate Design Alternative.....	16
Cost of Service Analysis – Sewer	16
Current vs. Proposed Sewer Rates	17
Section 5. Water Connection Fee Study	18
Background and Purpose	18
General Connection Fee Requirements	18
Facility Standards, Level of Service, and Deficiencies	18
Mitigation Fee Act and Required Findings	19
Connection Fee Methodology.....	19
Existing Connections and Projected Future Growth	20
Existing and Planned Future Assets	21
Adjustments to the Cost Basis.....	22
Calculated Connection Fees	22
Fee Updates.....	23
Water Connection Fee Findings Statements.....	24
Section 6. Recommendations and Next Steps	25
Consultant Recommendations.....	25
Next Steps.....	25
Section 7. Appendix A – Abbreviations & Acronyms.....	27
Section 8. Appendix B – Water Revenue-stabilization Rates & Summary Tables	29
Section 9. Appendix C – Sewer Rate Summary Tables	30
Section 10. Appendix D – Water Connection Fee Summary Tables	31

TABLE OF FIGURES

Figure 1. Primary Components of a Rate Study	3
Figure 2. Water Consumption History.....	8
Figure 3. Summary of Water Revenue Requirements.....	9
Figure 4. Summary of Water Reserve Funds	9
Figure 5. Water Consumption by Customer Class	10
Figure 6. Peaking Factors by Customer Class	10
Figure 7. Number of Accounts by Customer Class	11
Figure 8. Summary of Fixed and Variable Rate Revenue Requirements.....	11
Figure 9. Summary of Adjusted Rate Revenue Requirements by Customer Class.....	12
Figure 10. Current and Proposed Water Rates Fiscal Year 2016/17 – 2021/22.....	13
Figure 11. Proposed Water Stabilization Rates Fiscal Year 2017/18 – 2021/22	13
Figure 12. Monthly Water Bill Comparison for Residential Customers.....	14
Figure 13. Monthly Water Bill Comparison for Commercial Users	15
Figure 14. Summary of Sewer Revenue Requirements.....	16
Figure 15. Current and Proposed Sewer Rates Fiscal Year 2016/17 – 2021/22.....	17
Figure 16. Monthly Single-Family Sewer Bill Comparison	17
Figure 17. Meter Equivalence – Water.....	20
Figure 18. Projected Customer Growth – Water.....	21
Figure 19. Summary of Cost Basis for Future Water Customers.....	22
Figure 20. Costs Allocated to Future Water Customers & New Connection fees	23
Figure 21. Updated Water Connection Fees	23

Section 1. EXECUTIVE SUMMARY

Background and Purpose

BACKGROUND

Water rates for the San Lorenzo Valley Water District (District) were last reviewed in 2013 as part of a Water and Wastewater Charges Study. In February 2016, the District retained NBS to prepare a cost-of-service study that included both water and sewer rates¹. The results of that study, which were primarily the projected annual rate revenue requirements by customer class for the next five years, provided the background for a subsequent rate-design study.

In February 2017, the District engaged NBS to complete the rate design portion of the rate study for both water and sewer utilities by evaluating alternative rate structures, which is the focus of this report. Water connection fees were also evaluated in this study.

The District provides water service in the San Lorenzo Valley to the communities of Boulder Creek, Brookdale, Ben Lomond, Lompico, Zayante, Scotts Valley, Manana Woods, and Felton. The District's service area is approximately 60 square miles and includes almost 7,900 water customers. The District also provides sewer service to 55 customers within Bear Creek Estates.

PURPOSE

The overall purpose of this study is to develop proposed water rates, connection fees and proposed sewer rates for the small number of customers served by the District's sewer utility. This required thoroughly reviewing and confirming the District's broader rate-related goals and objectives, including policies related to financial parameters, conservation goals, customer bill impacts, and ensuring the new rates will provide long-term revenue stability.

The rates and fees developed in this study are intended to meet the requirements of Proposition 218 (or Prop 218)², commonly referred to as the "right to vote on new taxes" act, and were developed in a manner that is consistent with industry standards. This report documents the study and is intended to assist the District in its effort to communicate transparently with the residents and businesses it serves.

In developing proposed utility rates and connection fees, NBS and District staff worked cooperatively, and the District Board provided direction during the study, to develop the recommended rate and fee alternatives. The final study results were presented to the District Board at a public workshop on May 24, 2017, which approved the water and sewer rates, and water connection fees and directed staff to prepare public notices pursuant to Prop 218.

¹ Final Report: Enterprise Wide Cost of Service Financial Study, November 2016. Adopted by the Board of Directors January 2017.

² California Constitutional Provision, Article XIII D, Section 6.

Key Findings

REVENUE REQUIREMENTS AND PROJECTED RATES

The District's water and sewer utilities both need to complete ongoing rehabilitation and replacement projects while at the same time building and maintaining adequate reserve funds. Maintaining the financial integrity of the water utility was a key consideration in developing the proposed water rates. Similarly, stabilizing the financial health of the sewer utility was also a key consideration in developing the proposed sewer rates. Significant annual rate increases over the next five years are recommended for both the water and sewer utilities³, as follows:

- Water – 37 percent in FY 2017/18 (Year 1); 7 percent in Year 2; 6 percent in Year 3; and 5 percent in Years 4 and 5.
- Sewer – 20 percent annually, from FY 2017/18 through FY 2021/22.

WATER AND SEWER RATES

Due to the source and cost of the District's water supply, which make it difficult to establish a defensible cost basis for multiple volumetric tiers, the District elected to adopt a uniform (single-tier) rate design rather than continue with a more conservation-promoting multi-tiered rate design. Fixed monthly charges will continue to be based on meter sizes.

The current sewer rate design, which includes a monthly fixed service charge by account, was retained.

CONNECTION FEES

Connection fees were calculated for the water utility. These fees are charged to new customers connecting to the District's water system and are designed to place new customers on equal financial footing with current utility customers. Calculated connection fees for water are more than double the current adopted fees, and represent the maximum connection fee that the District could adopt.

Study Recommendations

NBS recommends the District take the following actions:

- Adopt the water and sewer five-year financial plans presented below.
- Adopt the recommended water and sewer reserve fund target balances.
- Adopt the recommended fixed monthly and uniform volumetric water rates (vs tiered rates).
- Adopt the recommended water connection fees.
- Adopt the recommended sewer rates.
- Conduct a legal review of the proposed rates.
- Proceed with Prop 218 noticing requirements and 45-day protest period.
- Assuming a successful Prop 218 process (that is, there is not a majority protest of the rates), adopt the rates summarized in this report. Connection fees are not subject to the Prop 218 process.

The next section discusses the general rate study methodology, followed by sections for the water rate study (Section 3), the sewer rate study (Section 4), and connection fees (Section 5).

3 More specifically, these are increases in the total rate revenue; the rates increases for each customer class reflect cost allocation factors that result in some rates being more or less than the annual increases noted here.

Section 2. OVERVIEW OF THE RATE STUDY METHODOLOGY

Comprehensive rate studies, whether for water rates or sewer rates, typically include three components: (1) preparation of a financial plan, which identifies the net revenue requirements for the utility; (2) analysis of the cost-of-service each customer class; and (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service ratemaking embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges⁴, also referred to as Manual M1. This methodology also addresses requirements under Proposition 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, these three steps represent the order they were performed for both utilities.

FIGURE 1. PRIMARY COMPONENTS OF A RATE STUDY



The District performed an Enterprise Wide Cost of Service Financial Study, which essentially completed the first two components (the financial plan and cost-of-service analyses), the results of which were adopted by the Board in January 2017.

As a result of this focused rate design study, rate increases – or more accurately, increases in the total revenue collected from rates – are recommended for each utility. Because the cost-of-service analysis defines revenue requirements separately for each customer class, not all rates are increased by exactly the same overall annual rate increase in the first year (i.e., in FY 2017/18, commonly called the “test year”). The remaining years in the five-year period (i.e., FY 2018/19 through FY 2021/22) are then adjusted in an across-the-board manner so that all rates are increase by exactly the annual percentage rate adjustment.

The District provided NBS with the necessary data, including historical, current, and projected revenues, expenditures, customer accounts, and water consumption, along with other operational and capital cost data that were essential for conducting this study.

⁴ *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017.*

Rate Design Criteria

It is important for utilities to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rates and the rate structure design. In other words, both the amount of revenue collected and the way in which it is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in a number of rate-setting manuals. For example, the foundation for evaluating rate structures is generally credited to James C. Bonbright in the *Principles of Public Utility Rates*⁵, which outlines pricing policies, theories, and economic concepts along with various rate designs. The other common industry standard is the aforementioned American Water Works Association's (AWWA) Manual M1.

The following is an abbreviated list of the rate structure objectives common to many utilities and their customers⁶, and which can be applied to water and sewer utilities:

- Rates should yield the necessary revenue in a stable and predictable manner.
- Rates should minimize unexpected changes to customer bills.
- Rates should discourage wasteful use and promote efficient uses.
- Rates should promote fairness and equity (i.e., cost based).
- Rates should avoid discrimination.
- Rates should maintain simplicity, certainty, convenience, feasibility, and freedom from controversy.
- Rates should comply with all applicable laws (in California, this specifically includes Prop 218).

Rate Structure Terminology

One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. The vast majority of water and sewer rate structures contain a fixed or minimum charge, and a volumetric charge.

The District's rate design criteria reflect the characteristics of the District's water and sewer utilities. Capital and operational reserve funding targets incorporated input from District staff and are intended to meet the utilities specific financial objectives. The following discussion describes general industry rate-study practices in California and principals that were reflected in the recommended rates.

FIXED CHARGES

Fixed charges can be called base charges, minimum monthly charges, fixed monthly meter charges, etc. Although fixed charges are typically a significant percentage of the utilities overall costs, utilities rarely collect 100 percent of their fixed costs through fixed charges. In general, customers prefer that charges include a volumetric component, as there is an inherent and widely recognized equity in a "pay-for-what-you-use" philosophy.

⁵ James C. Bonbright; Albert L. Daniels and David R. Kamerschen, *Principles of Public Utility Rates*, (Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988), p. 383-384.

⁶ M1 Manual, AWWA, seventh edition, 2017, p. 105.

For a water utility, fixed charges typically increase by meter size. This is because a large portion of water utilities' costs are typically related to meeting capacity requirements and therefore reflecting the capacity demands of each meter size is important in establishing equitable fixed charges for customers. For example, a customer with a 2" meter may have a fixed meter charge that is eight times greater than the 5/8" meter charge based on the meter's maximum flow rate.⁷

VARIABLE (CONSUMPTION-BASED) CHARGES

In contrast, variable costs such as the cost of purchased water, electricity used in pumping water, and chemicals used in the water treatment facilities tend to change with the quantity of water produced. For water utilities, variable charges are generally based on metered consumption and charged on a dollar-per-unit cost (per 100 cubic feet, or hcf, in the District's case).

There are significant variations in the basic philosophy of variable charge rate alternatives. Under a uniform (single tier) water rate structure, the cost per unit does not change with consumption, and provides a simple and straightforward approach from the perspective of customer understanding and rate administration/billing.

KEY FINANCIAL ASSUMPTIONS

The following are the key assumptions used in the water and sewer rate analyses:

- **Funding Capital Projects** – The analysis for both utilities assumes:
 - Capital costs attributable to existing customers are funded with rate revenue.
 - Capital costs attributable to growth or expansion-related costs will be funded through connection fee revenue to the extent those revenues are available.
 - All capital projects listed in the financial plans are District projections.
- **Reserve Targets for Water and Sewer** – Reserves for operations and capital needs are set at levels established by District staff and adopted by the District Board. Reserve targets used in the analysis are as follows:
 - Operating & Maintenance Reserve – 180 days of O&M costs for water and 90 days for sewer.
 - Capital Rehabilitation and Replacement Reserve – \$2 million for water and 3 percent of net asset values for sewer.
- **Inflation and Growth Projections** – District-provided inflation and growth projections were applied equally to the water and sewer utilities:
 - General inflation is 2.65 percent annually.
 - Customer growth is 0.00 percent annually.
 - Labor cost inflation is 2.69 percent annually.
 - Energy cost inflation is 4.40 percent annually.
 - Chemical cost inflation is 5.00 percent annually.

The next two sections discuss the water and sewer rate studies in further detail.

⁷ These are typically referred to as "hydraulic capacity factors" that represent the relative capacity required in the water system. See American Water Works Association, *Water Meters – Selection, Installation, Testing and Maintenance, M6 Manual, Table 5-3*.

Section 4. SEWER RATE DESIGN

Developing the Recommended Sewer Rate Design Alternative

The District maintains a small wastewater system for a small residential area (55 total connections). Although the sewer rate study included objectives similar to those in the water rate study, the overriding concern was building and maintaining the financial health of the sewer utility.

The earlier cost-of-service study addressed sewer rate tasks were similar to those performed for the water rates, including developing a financial plan (revenue requirements), functional cost allocations, and revenue requirements by customer class. The rate design analysis then developed individual rates within customer classes. Detailed tables showing the systematic development of the analysis are presented in Appendix C – Sewer Rate Summary Tables.

Figure 14 summarizes the financial plan and net revenue requirements for the next five years, and indicates that annual net revenue requirements cannot be fully funded by current rate revenues. Although initial results indicated that the sewer utility needs a rate increase of 100 percent in FY 2017/18, 20-percent annual rate increases are recommended over the next five years to dampen the rate shock of a 100-percent increase.

FIGURE 14. SUMMARY OF SEWER REVENUE REQUIREMENTS

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Sources of Sewer Funds						
Rate Revenue Under Prevailing Rates	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Non-Rate Revenues	-	-	-	-	-	-
Total Sources of Funds	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Uses of Sewer Funds						
Operating Expenses	\$ 127,016	\$ 130,429	\$ 133,932	\$ 137,528	\$ 141,219	\$ 145,010
Debt Service	-	-	-	-	-	-
Capital Expenses	63,880	65,796	67,770	69,803	71,898	74,054
Total Uses of Funds	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064
Surplus / (Deficiency) before Rate Increases	\$ (90,896)	\$ (96,226)	\$ (101,703)	\$ (107,332)	\$ (113,116)	\$ (119,064)
Additional Revenue from Rate Increases (1)	-	20,000	44,000	72,800	107,360	148,832
Surplus (Deficiency) after Rate Increase	\$ (90,896)	\$ (76,226)	\$ (57,703)	\$ (34,532)	\$ (5,756)	\$ 29,768
Projected Annual Rate Increase	0.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Cumulative Rate Increases	0.00%	20.00%	44.00%	72.80%	107.36%	148.83%
Net Revenue Requirement (2)	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064

1. Assumes new rates are implemented July 1, 2017.

2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from sewer rates.

A summary of the entire 20-year financial plan, showing revenue requirements, revenues, and recommended rate increases is presented in Appendix C, along with a summary of the District's capital improvement program.

Cost of Service Analysis – Sewer

The 2016 Cost of Service Study performed by NBS developed the cost of service analysis that fairly and equitably allocates annual revenue requirements to customer classes, although the District's sewer customers are all residential customers.

Current vs. Proposed Sewer Rates

Currently, the District's sewer rates consist of a fixed monthly base charge per account (\$149.00 per month). Figure 15 shows the current and proposed sewer rates through FY 2021/22. The proposed rates maintain the existing rate structure with a fixed monthly base charge only (i.e. no volumetric component).

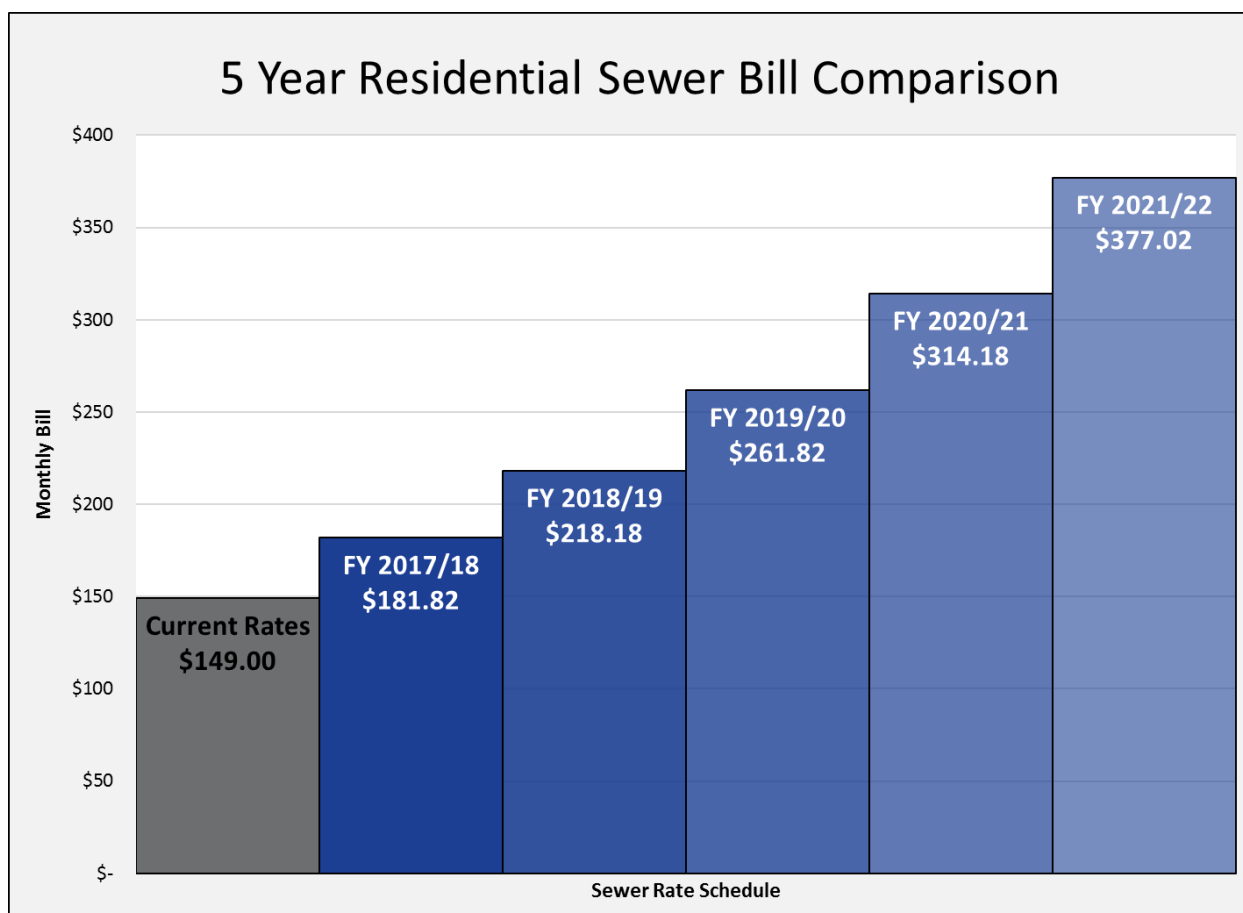
FIGURE 15. CURRENT AND PROPOSED SEWER RATES FISCAL YEAR 2016/17 – 2021/22

Sewer Rate Schedule	Current Rates	Proposed Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Projected Increase in Rate Revenue per Financial Plan:		20.00%	20.00%	20.00%	20.00%	20.00%
Monthly Fixed Service Charges:						
All Customers	\$149.00	\$181.82	\$218.18	\$261.82	\$314.18	\$377.02

SINGLE-FAMILY SEWER CUSTOMERS

Figure 16 compares typical single-family monthly sewer bills in under the current and proposed rates for the next five years.

FIGURE 16. MONTHLY SINGLE-FAMILY SEWER BILL COMPARISON



Section 9. **APPENDIX C – SEWER RATE SUMMARY TABLES**

SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Financial Plan and Reserve Projections

TABLE 1
FINANCIAL PLAN AND SUMMARY OF SEWER COST REQUIREMENTS (1)

SEWER COST REQUIREMENTS SUMMARY	Budget	Projected								
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Sources of Funds										
SEWER REVENUES:										
Sewer Service Charge	100,088	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Other Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Sources of Funds	\$ 100,088	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Uses of Funds										
OPERATING EXPENSES (2):										
PERSONNEL	\$ 20,700	\$ 19,418	\$ 19,939	\$ 20,474	\$ 21,024	\$ 21,589	\$ 22,168	\$ 22,764	\$ 23,375	\$ 24,002
MATERIALS & SERVICES	112,770	107,598	110,490	113,458	116,504	119,630	122,842	126,142	129,526	133,006
Subtotal: Operating Expenses	\$ 133,470	\$ 127,016	\$ 130,429	\$ 133,932	\$ 137,528	\$ 141,219	\$ 145,010	\$ 148,905	\$ 152,901	\$ 157,009
OTHER EXPENDITURES:										
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses (3)	-	63,880	65,796	67,770	69,803	71,898	74,054	76,276	78,564	80,921
Subtotal: Other Expenditures	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921
Total Uses of Water Funds	\$ 133,470	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064	\$ 225,181	\$ 231,465	\$ 237,930
Plus: Revenue from Rate Increases (4)	-	-	20,000	44,000	72,800	107,360	148,832	156,297	163,986	171,905
Annual Surplus/(Deficit) - w/o Rate Increases	\$ (33,381)	\$ (90,896)	\$ (96,226)	\$ (101,703)	\$ (107,332)	\$ (113,116)	\$ (119,064)	\$ (125,181)	\$ (131,465)	\$ (137,930)
Annual Surplus/(Deficit) - w/ Rate Increases	\$ (33,381)	\$ (90,896)	\$ (76,226)	\$ (57,703)	\$ (34,532)	\$ (5,756)	\$ 29,768	\$ 31,116	\$ 32,521	\$ 33,975
Net Cost Requirement (Total Uses less Non-Rate Revenue)	\$ 133,470	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064	\$ 225,181	\$ 231,465	\$ 237,930
Total Rate Revenue After Rate Increases	\$ 100,088	\$ 100,000	\$ 120,000	\$ 144,000	\$ 172,800	\$ 207,360	\$ 248,832	\$ 256,297	\$ 263,986	\$ 271,905
Projected Annual Rate Revenue Increase	0.00%	0.00%	20.00%	20.00%	20.00%	20.00%	20.00%	3.00%	3.00%	3.00%
Cumulative Increase from Annual Revenue Increases	0.00%	0.00%	20.00%	44.00%	72.80%	107.36%	148.83%	156.30%	163.99%	171.91%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. Revenue and expenses for FY 2015/16 through FY 2020/21 were provided by City Staff. Source File: 2016 Sanitation Fund Rate Analysis-2.xlsx.

2. Assumes annual inflation of 4%, beyond FY 2020/21 (file: 2016 Sanitation Fund Rate Analysis.xls).

3. Assumes annual inflation of the 10 year average change in the Construction Cost Index for 2006-2015; applied to estimated future expenditures beyond FY 2020/21. Source: Engineering News Record website (<http://enr.construction.com>).

4. Assumes new rates are implemented July 1, 2017.

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Financial Plan and Reserve Projections**

**TABLE 2
SEWER RESERVE FUND SUMMARY, UN-RESTRICTED RESERVES**

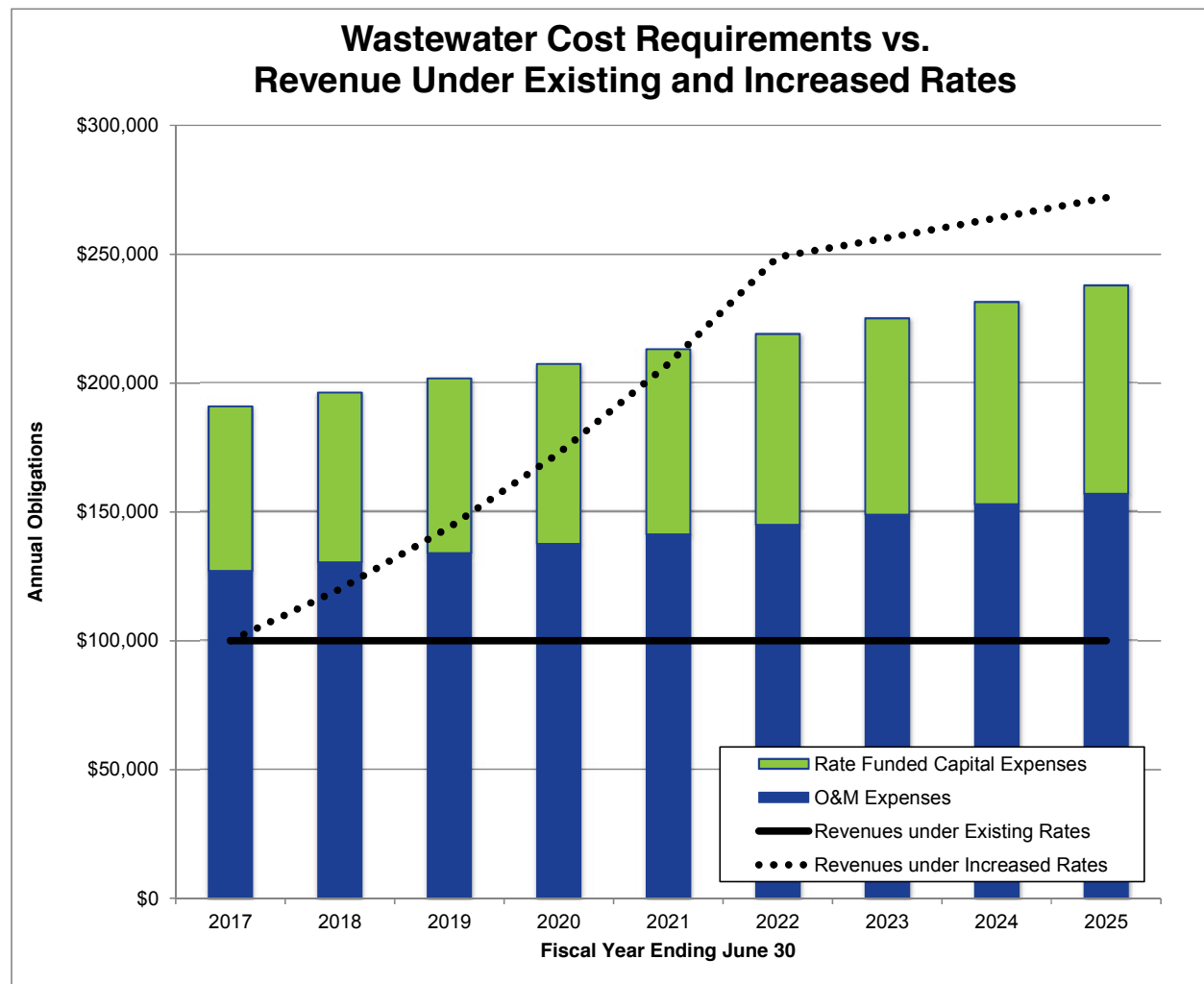
SUMMARY OF CASH ACTIVITY UN-RESTRICTED RESERVES - SEWER	Budget		Projected							
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Total Beginning Cash (1)	\$ 33,381	\$ -								
Un-Restricted Reserves:										
Operating Reserve										
Beginning Reserve Balance	\$ 33,381	\$ 90,896	\$ -	\$ (76,226)	\$ (133,929)	\$ (168,460)	\$ (174,217)	\$ (144,449)	\$ (113,333)	\$ (80,813)
Plus: Net Cash Flow (After Rate Increases)	(33,381)	(90,896)	(76,226)	(57,703)	(34,532)	(5,756)	29,768	31,116	32,521	33,975
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	-	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ -	\$ -	\$ (76,226)	\$ (133,929)	\$ (168,460)	\$ (174,217)	\$ (144,449)	\$ (113,333)	\$ (80,813)	\$ (46,837)
Target Ending Balance (90 days of O&M)	\$ 33,400	\$ 31,800	\$ 32,600	\$ 33,500	\$ 34,400	\$ 35,300	\$ 36,300	\$ 37,200	\$ 38,200	\$ 39,300
Capital Rehabilitation & Replacement Reserve										
Beginning Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
Ending Capital Rehab & Replacement Reserve Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Target Ending Balance (2)	\$ 89,778	\$ 94,503	\$ 96,205	\$ 97,994	\$ 99,882	\$ 101,888	\$ 104,030	\$ 106,336	\$ 108,841	\$ 111,593
Ending Balance - Excl. Restricted Reserves	\$ -	\$ -	\$ (76,226)	\$ (133,929)	\$ (168,460)	\$ (174,217)	\$ (144,449)	\$ (113,333)	\$ (80,813)	\$ (46,837)
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 123,178	\$ 126,303	\$ 128,805	\$ 131,494	\$ 134,282	\$ 137,188	\$ 140,330	\$ 143,536	\$ 147,041	\$ 150,893
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (123,178)	\$ (126,303)	\$ (205,031)	\$ (265,422)	\$ (302,743)	\$ (311,404)	\$ (284,779)	\$ (256,869)	\$ (227,853)	\$ (197,730)
Annual Interest Earnings Rate (3)	0.35%	0.35%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%

1. Total beginning cash is based on FY 2014/15 ending Fund Balance, as listed in Source File: 2016 Sanitation Fund Rate Analysis-2.xlsx.

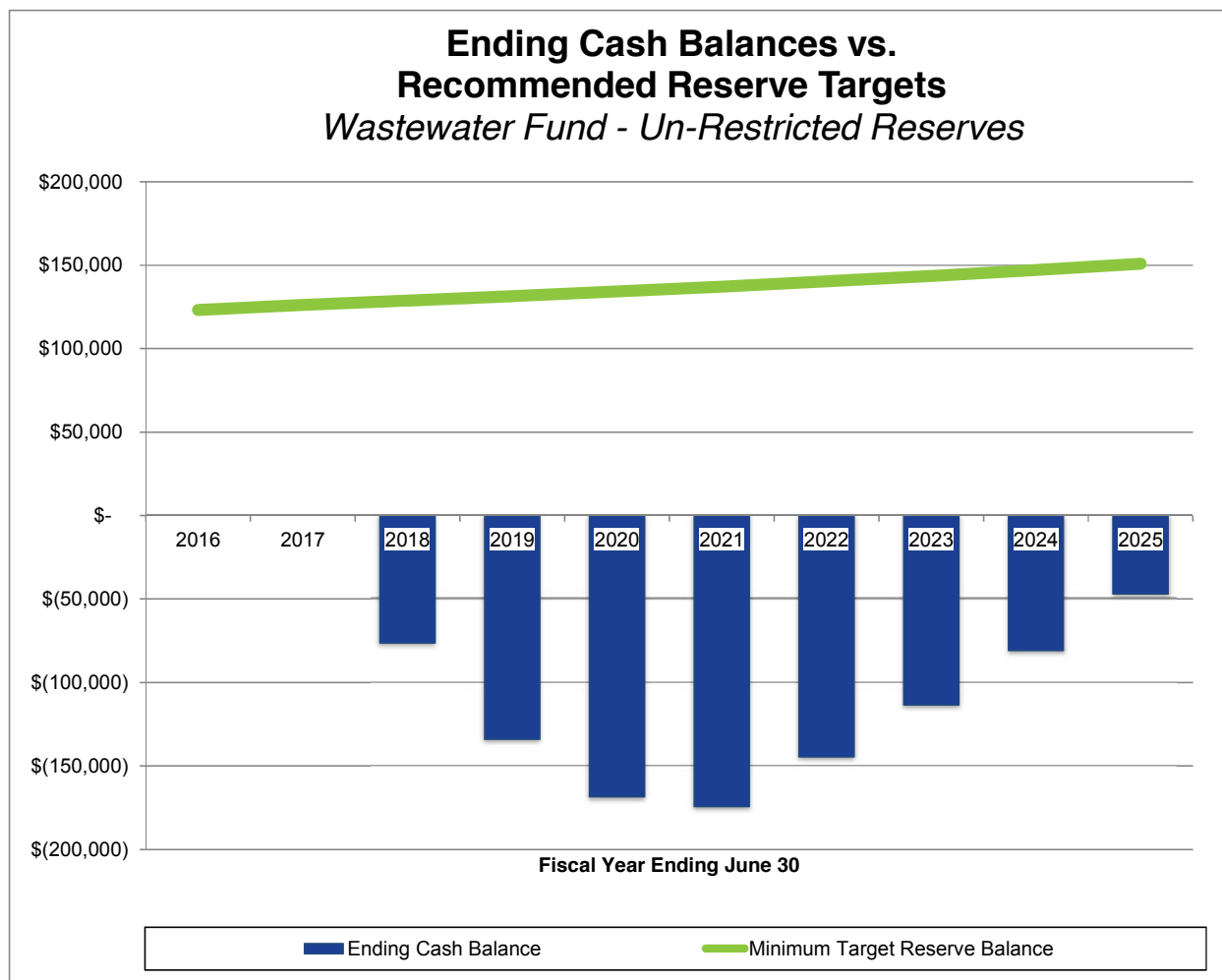
2. The Capital Rehabilitation & Replacement Reserve target is set to the annual average of Capital Project expenditures (in future year dollars).

3. Historical interest earning rates were referenced on the CA Treasurer's Office website for funds invested in LAIF. Future years earnings were conservatively estimated through 2021 and phase into the historical 10 year average interest earnings rate.

SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Financial Plan Charts



SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Financial Plan Charts



**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses**

SEWER REVENUE FORECAST:

DESCRIPTION (1)	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SEWER REVENUE											
7102 Wastewater Service											
SEWER CHARGES	1	100,088	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL: REVENUE		100,088	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

SEWER REVENUE SUMMARY:

SEWER REVENUE											
Other Revenues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Service Charge		\$ 100,088	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
TOTAL: REVENUE		\$ 100,088	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

SEWER FUND OPERATING EXPENSE FORECAST (2):

DESCRIPTION - SEWER	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PERSONNEL											
Salaries											
REGULAR SALARIES	3	\$ 15,000	\$ 15,000	\$ 15,403	\$ 15,816	\$ 16,241	\$ 16,677	\$ 17,125	\$ 17,585	\$ 18,057	\$ 18,542
OVERTIME WAGES	3	2,500	2,500	2,567	2,636	2,707	2,780	2,854	2,931	3,009	3,090
STANDBY WAGES	3	500	500	513	527	541	556	571	586	602	618
Subtotal		\$ 18,000	\$ 18,000	\$ 18,483	\$ 18,980	\$ 19,489	\$ 20,012	\$ 20,550	\$ 21,102	\$ 21,668	\$ 22,250
Benefits											
MEDICAL INSURANCE	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DENTAL INSURANCE	3	-	-	-	-	-	-	-	-	-	-
PERS - RETIREMENT	3	1,300	-	-	-	-	-	-	-	-	-
FICA - SOCIAL SECURITY	3	1,100	1,092	1,122	1,152	1,183	1,214	1,247	1,280	1,315	1,350
WORKERS COMPENSATION	3	-	-	-	-	-	-	-	-	-	-
MEDICARE RETIRED MEDICAL	3	300	325	334	343	352	362	372	381	392	402
SPECIAL CLOTHING	3	-	-	-	-	-	-	-	-	-	-
Subtotal		\$ 2,700	\$ 1,418	\$ 1,456	\$ 1,495	\$ 1,535	\$ 1,576	\$ 1,618	\$ 1,662	\$ 1,707	\$ 1,752
Additional Positions											
Fully Loaded Cost of New Position(s)	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL: PERSONNEL		\$ 20,700	\$ 19,418	\$ 19,939	\$ 20,474	\$ 21,024	\$ 21,589	\$ 22,168	\$ 22,764	\$ 23,375	\$ 24,002
MATERIALS & SERVICES											
ADMIN OVERHEAD ALLOCATION FROM WATER (3)	1	\$ 10,970	\$ 11,298	\$ 11,639	\$ 11,987	\$ 12,344	\$ 12,710	\$ 13,088	\$ 13,479	\$ 13,878	\$ 14,294
CONTRACT/PROFESSIONAL SERVICES	2	\$ 51,000	\$ 51,000	\$ 52,352	\$ 53,739	\$ 55,163	\$ 56,625	\$ 58,125	\$ 59,666	\$ 61,247	\$ 62,870
OUTSIDE WATER ANALYSIS	2	14,600	12,000	12,318	12,644	12,980	13,323	13,677	14,039	14,411	14,793
ADMINISTRATION OVERHEAD	2	4,000	-	-	-	-	-	-	-	-	-
EQUIPMENT REPLACEMENT FUND	2	-	-	-	-	-	-	-	-	-	-
UTILITIES	2	7,000	7,000	7,186	7,376	7,571	7,772	7,978	8,189	8,406	8,629
OPERATING SUPPLIES	2	6,000	6,500	6,672	6,849	7,031	7,217	7,408	7,604	7,806	8,013
MAINT & OPERATIONS OF VEHICLES	2	500	500	513	527	541	555	570	585	600	616
RENTAL/LEASES/PERMITS	2	15,000	15,000	15,398	15,806	16,224	16,654	17,096	17,549	18,014	18,491
FACILITIES MAINTENANCE	2	500	500	513	527	541	555	570	585	600	616
COMMUNICATIONS & TELEMETERING	2	3,200	3,800	3,901	4,004	4,110	4,219	4,331	4,446	4,563	4,684
OFFICE SUPPLIES (included 5078)	2	-	-	-	-	-	-	-	-	-	-
POSTAGE	2	-	-	-	-	-	-	-	-	-	-
Subtotal		\$ 112,770	\$ 107,598	\$ 110,490	\$ 113,458	\$ 116,504	\$ 119,630	\$ 122,842	\$ 126,142	\$ 129,526	\$ 133,006
TOTAL: MATERIALS & SERVICES		\$ 112,770	\$ 107,598	\$ 110,490	\$ 113,458	\$ 116,504	\$ 119,630	\$ 122,842	\$ 126,142	\$ 129,526	\$ 133,006
GRAND TOTAL: SEWER EXPENSES		\$ 133,470	\$ 127,016	\$ 130,429	\$ 133,932	\$ 137,528	\$ 141,219	\$ 145,010	\$ 148,905	\$ 152,901	\$ 157,009

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses**

NON-CASH ITEMS, EXCLUDED FROM ABOVE:

DESCRIPTION	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DEPRECIATION											
Depreciation Expense	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL: DEPRECIATION		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FORECASTING ASSUMPTIONS:

COST INFLATION FACTORS	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Customer Growth	1	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation (4)	2	--	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%	2.65%
Labor Cost Inflation (5)	3	--	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%	2.69%
Water Purchases	4	--	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Energy (6)	5	--	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
Chemicals (7)	6	--	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Fuel	7	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
No Escalation	8	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenues are from the Final Trial Balance on June 30, 2015 from source file: *SLVWD 2015 Working TB.xls* and are actual revenues from FY 14/15.
2. Expenses are from the FY 2015/16 Budget and from source file: *FY1516 BUDGET FINAL.pdf*. FY 2017/18 Expenses are from file: *SEWER expenses.xls*. All projected expenses are rounded to the nearest \$100.
3. 1.5 percent of Administration budget items are allocated to the sewer utility; per District staff, via email September 2016.
4. Expected Inflation factors based on expense type from 5 year average from Bureau of Labor Statistics Data.
http://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm
5. Labor cost inflation is based on the 5-year average annual change in the Quarterly Census of Employment and Wages (San Jose area, CA).
http://www.bls.gov/regions/west/news-release/2016/employmentcostindex_sanjose_20161031.htm
6. Estimated energy cost inflation provided by a University of California Davis report:
The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040, by Johnathan Cook, Ph.D., page 31, Table 7.
7. Inflation factor recently used by other California water agencies (e.g., City of Sunnyvale, City of Eureka, Humboldt CSD).

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Capital Improvement Plan Expenditures**

CAPITAL FUNDING SUMMARY - SEWER

CAPITAL FUNDING FORECAST		Budget		Projected																	
Sewer Funding Sources:		FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25										
Grants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-									
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-	-	-										
SRF Loan Funding		-	-	-	-	-	-	-	-	-	-										
Use of Future Revenue Bond Proceeds		-	-	-	-	-	-	-	-	-	-										
Use of Capital Rehabilitation and Replacement Reserve		-	-	-	-	-	-	-	-	-	-										
Rate Revenue		-	63,880	65,796	67,770	69,803	71,898	74,054	76,276	78,564	80,921										
Total Sources of Capital Funds		\$	-	\$	63,880	\$	65,796	\$	67,770	\$	69,803	\$	71,898	\$	74,054	\$	76,276	\$	78,564	\$	80,921
Uses of Capital Funds:																					
Total Project Costs		\$	-	\$	63,880	\$	65,796	\$	67,770	\$	69,803	\$	71,898	\$	74,054	\$	76,276	\$	78,564	\$	80,921
Capital Funding Surplus (Deficiency)		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
SRF Loan Funding		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Future Revenue Bond Proceeds		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

CAPITAL IMPROVEMENT PROGRAM - SEWER

Sewer Capital Improvement Program Costs (1):

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Pipes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tanks (including 10% volume contingency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment	\$ -	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200	\$ 19,200
Diversions	\$ -	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680	\$ 44,680
Admin/Operations Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Placeholder for Future Year Capital Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: CIP Program Costs	\$ -	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880	\$ 63,880

Sewer Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Pipes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tanks (including 10% volume contingency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump Stations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment	\$ -	\$ 19,200	\$ 19,776	\$ 20,369	\$ 20,980	\$ 21,610	\$ 22,258	\$ 22,926	\$ 23,614	\$ 24,322
Diversions	\$ -	\$ 44,680	\$ 46,020	\$ 47,401	\$ 48,823	\$ 50,288	\$ 51,796	\$ 53,350	\$ 54,951	\$ 56,599
Admin/Operations Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Placeholder for Future Year Capital Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ -	\$ 63,880	\$ 65,796	\$ 67,770	\$ 69,803	\$ 71,898	\$ 74,054	\$ 76,276	\$ 78,564	\$ 80,921

FORECASTING ASSUMPTIONS:

Economic Variables	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Construction Cost Inflation, Per Engineering News Record(2)	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.00	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27

1. Capital project costs were provided by City Staff in source file: *VWHA_Capital_Asset_Cost_of_Service_9_02_16.pdf*.

2. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015 (3.0%). Source: *Engineering News Record website (http://enr.construction.com)*.

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Debt Service**

SEWER UTILITY EXISTING DEBT OBLIGATIONS	Budget	Projected								
Annual Repayment Schedules:	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Grand Total: Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Existing Annual Debt Obligations to be Satisfied by Sewer Rates:

Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Current Sewer Rates**

EXHIBIT 4

Current Sewer Rate Schedule:

Fixed Charges	Current Monthly
Sewer	\$149.00

SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Cost of Service Analysis

Classification of Expenses - Sewer									
Budget Categories	Total Cost Requirements	Flow	Strength		Customer	Basis of Classification			
	FY 2017/18	(VOL)	(BOD)	(TSS)	(CA)	(VOL)	(BOD)	(TSS)	(CA)
PERSONNEL									
PERSONNEL									
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	56%	22%	22%	0%
REGULAR SALARIES	\$ 15,403	\$ 8,626	\$ 3,389	\$ 3,389	\$ -	56%	22%	22%	0%
OVERTIME WAGES	\$ 2,567	\$ 1,412	\$ 513	\$ 513	\$ 128	55%	20%	20%	5%
STANDBY WAGES	\$ 513	\$ 282	\$ 103	\$ 103	\$ 26	55%	20%	20%	5%
Subtotal	\$ 18,483	\$ 10,320	\$ 4,005	\$ 4,005	\$ 154	56%	22%	22%	1%
Benefits									
MEDICAL INSURANCE	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
DENTAL INSURANCE	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
PERS - RETIREMENT	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
FICA - SOCIAL SECURITY	\$ 1,122	\$ 617	\$ 224	\$ 224	\$ 56	55%	20%	20%	5%
WORKERS COMPENSATION	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
MEDICARE RETIRED MEDICAL	\$ 334	\$ 184	\$ 67	\$ 67	\$ 17	55%	20%	20%	5%
SPECIAL CLOTHING	\$ -	\$ -	\$ -	\$ -	\$ -	56%	22%	22%	0%
Subtotal	\$ 1,456	\$ 801	\$ 291	\$ 291	\$ 73	55%	20%	20%	5%
TOTAL: PERSONNEL	\$ 19,939	\$ 11,120	\$ 4,296	\$ 4,296	\$ 227	56%	22%	22%	1%
MATERIALS & SERVICES									
ADMIN OVERHEAD ALLOCATION FROM WATER (3)	\$ 11,639	\$ 6,401	\$ 2,328	\$ 2,328	\$ 582	55%	20%	20%	5%
CONTRACT/PROFESSIONAL SERVICES	\$ 52,352	\$ 28,793	\$ 10,470	\$ 10,470	\$ 2,618	55%	20%	20%	5%
OUTSIDE WATER ANALYSIS	\$ 12,318	\$ 6,775	\$ 2,464	\$ 2,464	\$ 616	55%	20%	20%	5%
ADMINISTRATION OVERHEAD	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	100%
EQUIPMENT REPLACEMENT FUND	\$ -	\$ -	\$ -	\$ -	\$ -	55%	20%	20%	5%
UTILITIES	\$ 7,186	\$ 3,952	\$ 1,437	\$ 1,437	\$ 359	55%	20%	20%	5%
OPERATING SUPPLIES	\$ 6,672	\$ 3,670	\$ 1,334	\$ 1,334	\$ 334	55%	20%	20%	5%
MAINT & OPERATIONS OF VEHICLES	\$ 513	\$ 282	\$ 103	\$ 103	\$ 26	55%	20%	20%	5%
RENTAL/LEASES/PERMITS	\$ 15,398	\$ 8,469	\$ 3,080	\$ 3,080	\$ 770	55%	20%	20%	5%
FACILITIES MAINTENANCE	\$ 513	\$ 282	\$ 103	\$ 103	\$ 26	55%	20%	20%	5%
COMMUNICATIONS & TELEMETERING	\$ 3,901	\$ 2,145	\$ 780	\$ 780	\$ 195	55%	20%	20%	5%
OFFICE SUPPLIES (included 5078)	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	100%
POSTAGE	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	100%
Subtotal	\$ 110,490	\$ 60,770	\$ 22,098	\$ 22,098	\$ 5,525	55%	20%	20%	5%
TOTAL: MATERIALS & SERVICES	\$ 110,490	\$ 60,770	\$ 22,098	\$ 22,098	\$ 5,525	55%	20%	20%	5%
GRAND TOTAL: SEWER EXPENSES	\$ 130,429	\$ 71,890	\$ 26,394	\$ 26,394	\$ 5,751	55%	20%	20%	4%

SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Cost of Service Analysis

Classification of Expenses - Sewer, continued									
Budget Categories	Total Revenue Requirements	Flow	Strength		Customer	Basis of Classification			
	FY 2017/18	(VOL)	(BOD)	(TSS)	(CA)	(VOL)	(BOD)	(TSS)	(CA)
Debt Service Payments									
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	50%	25%	25%	0%
Future Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	50%	25%	25%	0%
Total Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	0%
Capital Expenditures									
Rate Funded Capital Expenses	\$ 65,796	\$ 32,898	\$ 16,449	\$ 16,449	\$ -	50%	25%	25%	0%
TOTAL COST REQUIREMENTS	\$ 196,226	\$ 104,788	\$ 42,843	\$ 42,843	\$ 5,751	53%	22%	22%	3%
Less: Non-Rate Revenues									
SEWER REVENUE									
Other Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	53%	22%	22%	3%
Sewer Service Charge	\$ -	\$ -	\$ -	\$ -	\$ -	53%	22%	22%	3%
NET SEWER COST REQUIREMENTS	\$ 196,226	\$ 104,788	\$ 42,843	\$ 42,843	\$ 5,751				
Allocation of Sewer Cost Requirements	100.0%	53.4%	21.8%	21.8%	2.9%				

Net Revenue Req. Check from Financial Plan \$ -

Classification of Expenses - Sewer, continued					
Adjustments to Classification of Expenses					
Adjustment to Current Rate Level:	Total	(VOL)	(BOD)	(TSS)	(CA)
FY 2017/18 Target Rate Revenue	\$120,000				
Projected Rate Revenue at Current Rates	\$100,000				
FY 2017/18 Projected Rate Increase	20.0%				
Adjusted Sewer Net Revenue Requirements	\$ 120,000	\$ 64,082	\$ 26,200	\$ 26,200	\$ 3,517
<i>Percent of Revenue</i>		<i>53.4%</i>	<i>21.8%</i>	<i>21.8%</i>	<i>2.9%</i>

SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Sewer Cost of Service Analysis

Development of the BASE CAPACITY Allocation Factor (1) - Sewer					
Customer Class	Number of Accounts	Monthly Average Consumption	Estimated Annual Volume Total (CCF)	Adjusted Annual Volume Total (CCF)	Percentage of Adjusted Volume
Residential	55	292	3,505	3,505	100.0%
Grand Total:	55		3,505	3,505	100.0%
<i>3,505 Flow (ccf/yr.)</i> <i>1.00 Flow Adj. Factor</i>					

1. Consumption data is based on SLVWD water customer data; several months of consumption have been approximated.

Development of the Strength Allocation Factor - Sewer									
Customer Class	Biochemical Oxygen Demand (BOD)					Total Suspended Solids (TSS)			
	Annual Flow (gallons)	Average Strength Factor (mg/l) (1)	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (mg/l) (1)	Calculated TSS (lbs./yr.)	Adjusted TSS (lbs./yr.)	Percent of Total
Residential	2,621,915	200	4,373	4,373	100.00%	200	4,373	4,373	100.00%
Grand Total:	2,621,915		4,373	4,373			4,373	4,373	
<i>Target, from WWTP Data</i> <i>4,373 BOD (lbs./yr.)</i> <i>1.000 BOD Adj. Factor</i> <i>4,373 TSS (lbs./yr.)</i> <i>1.000 TSS Adj. Factor</i>									

1. Average strength factors for BOD and TSS are derived from the State Water Resources Control Board Revenue Program Guidelines, Appendix G.

Capacity Related Costs: Costs associated with the maximum demand required at one point in time or the maximum size of facilities required to meet this demand.

Development of the Customer Allocation Factor - Sewer		
Customer Class	Number of Accounts	Percent of Total
Residential	55	100.00%
Grand Total:	55	100.00%

Allocation of FY 2017/18 Cost Requirements by Customer Class - Sewer						
Customer Class	Cost Classification Components				Net Cost-of-Service Requirements	% of Net Cost-of-Service Requirements
	Volume	Treatment		Customer Related		
		BOD	TSS			
Net Cost Requirements (1)	\$ 64,082	\$ 26,200	\$ 26,200	\$ 3,517	\$ 120,000	--
	53.4%	21.8%	21.8%	2.9%	100.0%	
SINGLE FAMILY	\$ 64,082	\$ 26,200	\$ 26,200	\$ 3,517	\$ 120,000	100.0%
TOTAL	\$ 64,082	\$ 26,200	\$ 26,200	\$ 3,517	\$ 120,000	100%

1. Cost requirement for each customer class is determined by multiplying the requirement from each cost classification by the allocation factors for each customer class.

**SAN LORENZO VALLEY WATER DISTRICT
SEWER RATE STUDY
Sewer Rates**

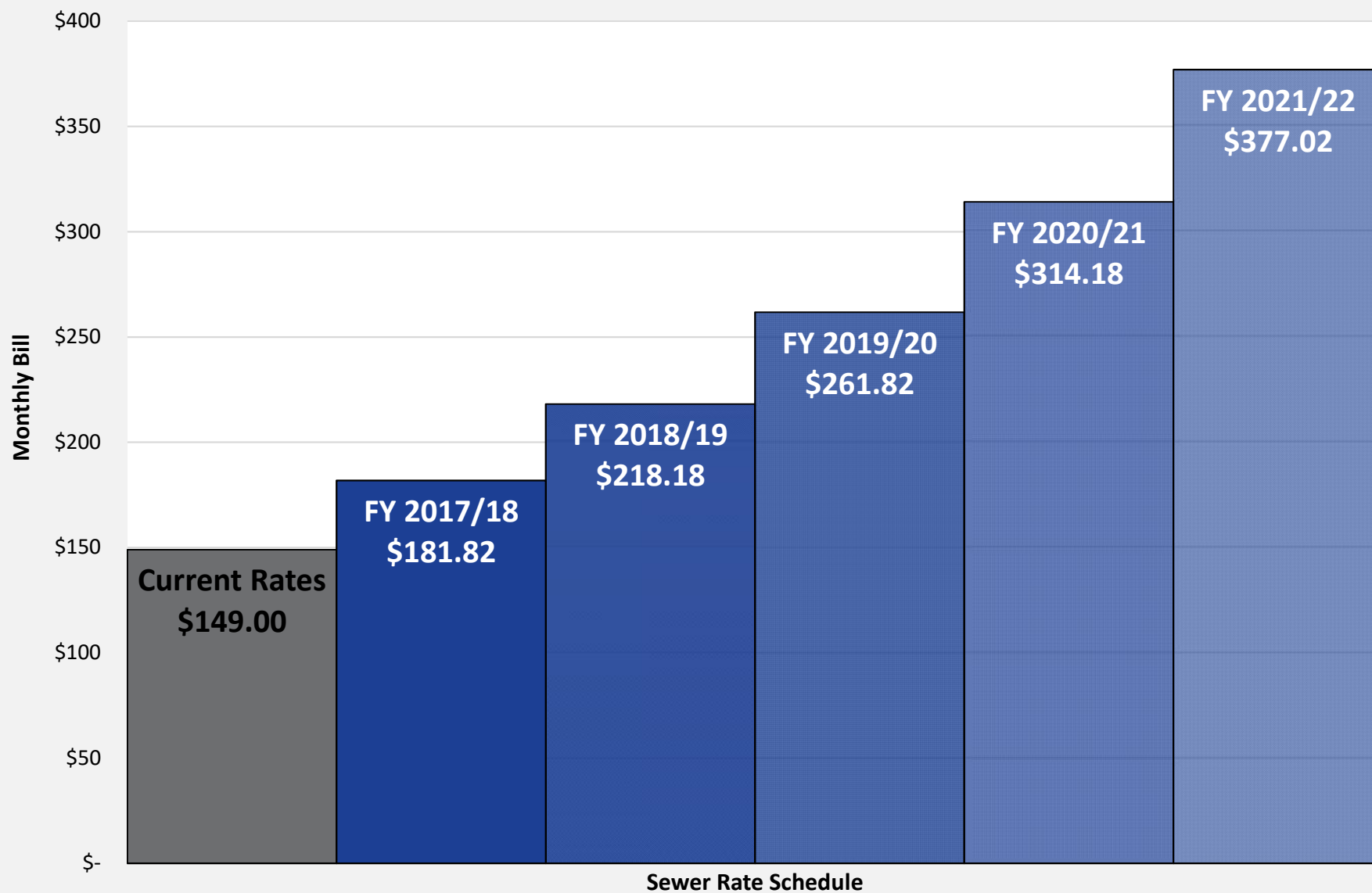
Customer Class	Number of Accounts
Residential	55
Grand Total:	55

Customer Class	Number of Accounts	No. of Housing Equivalent Units ¹	Annual Billable Volume ² (ccf)	Annual Rev. Req't			
				Total	Fixed - Customer	Fixed (Treatment Strength)	Volumetric (Flow)
Residential	55	55	3,505	\$ 120,000	\$ 3,517	\$ 52,400	\$ 64,082
				100%	3%	44%	53%

Customer Class	100% Fixed Rates	Current Monthly Rates
Residential	\$ 181.82	\$ 149.00

Sewer Rate Schedule	Current Rates	Proposed Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		20.00%	20.00%	20.00%	20.00%	20.00%
Monthly Fixed Service Charges:						
All Customers	\$149.00	\$181.82	\$218.18	\$261.82	\$314.18	\$377.02

5 Year Residential Sewer Bill Comparison



San Lorenzo Valley Water District

Rate Design Study

*Special Board of Director's Meeting
April 12, 2017*

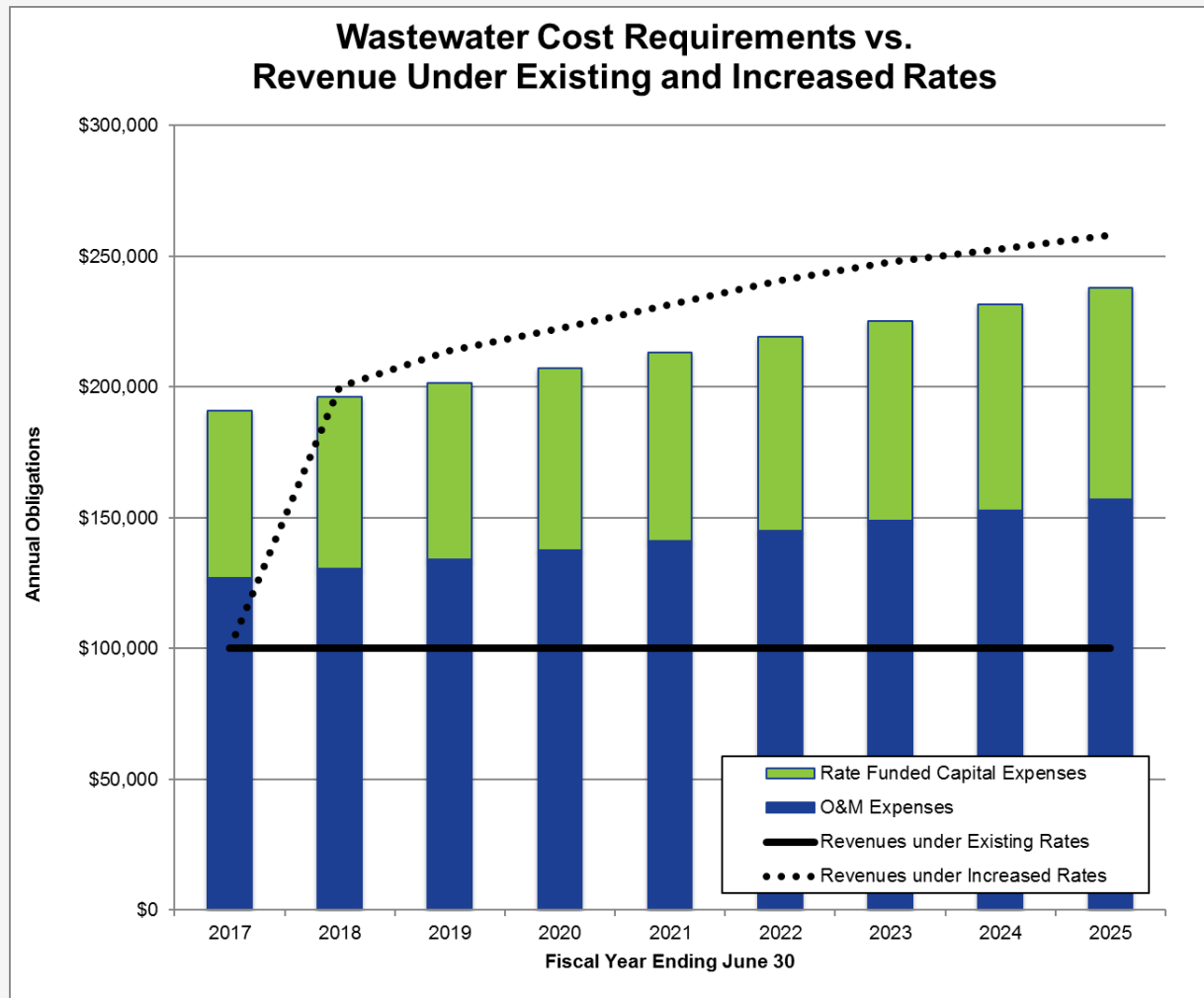
Presented by

Greg Clumpner, Director, NBS

Carmen Narayanan, Consultant, NBS

Sewer Rates

Sewer Financial Plan



Increase Rates Annually to:

1. Meet Revenue Requirements
2. Fund Capital R&R and Improvement
3. Build & Maintain Appropriate Reserve Funds

Sewer Financial Plan – (cont.)

Five-Year Financial Projection:

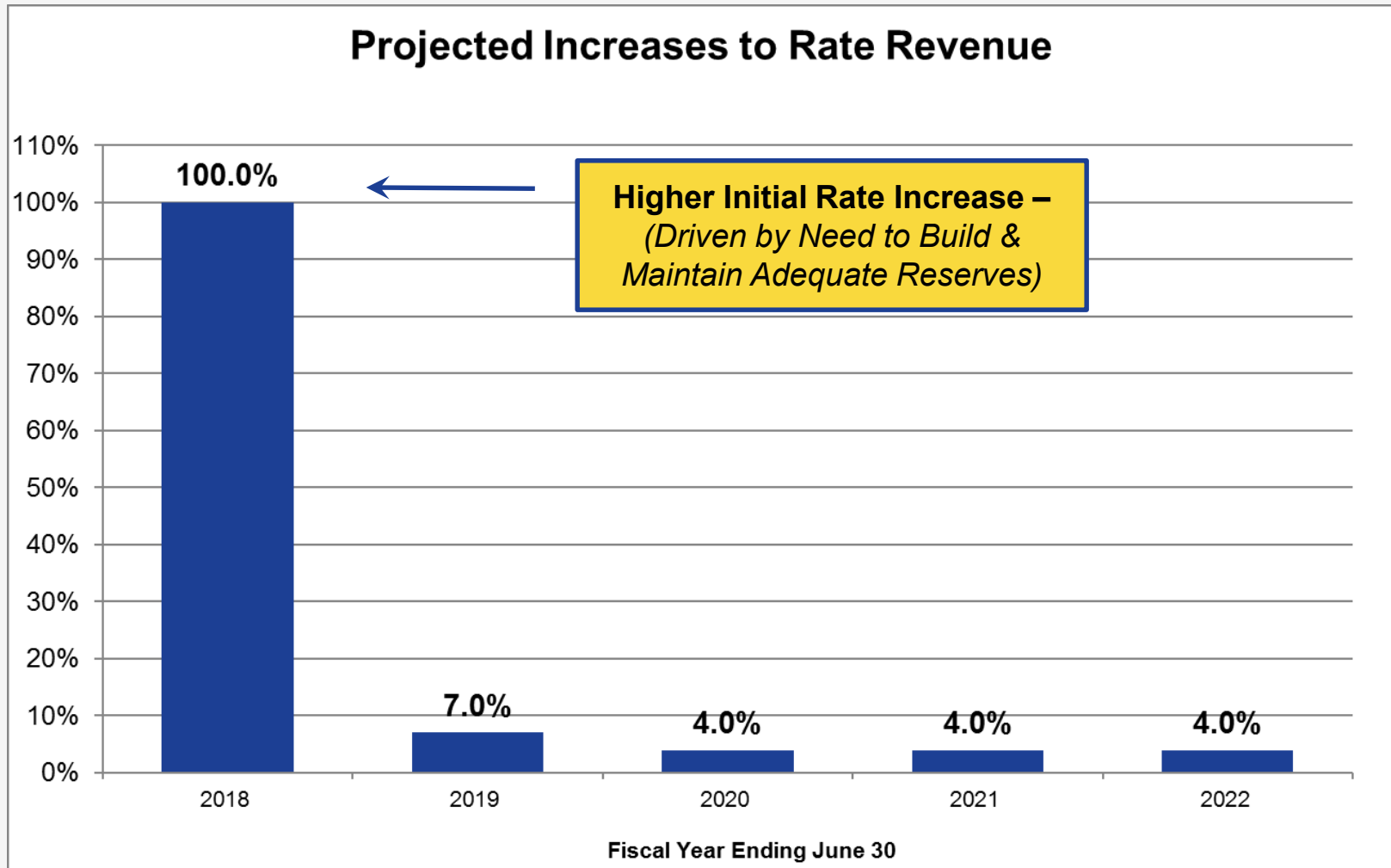
Summar of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Sources of Sewer Funds						
Rate Revenue Under Prevailing Rates	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Non-Rate Revenues	-	-	-	-	-	-
Total Sources of Funds	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Uses of Sewer Funds						
Operating Expenses	\$ 127,016	\$ 130,429	\$ 133,932	\$ 137,528	\$ 141,219	\$ 145,010
Debt Service	-	-	-	-	-	-
Capital Expenses	63,880	65,796	67,770	69,803	71,898	74,054
Total Uses of Funds	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064
Surplus / (Deficiency) before Rate Increases	\$ (90,896)	\$ (96,226)	\$ (101,703)	\$ (107,332)	\$ (113,116)	\$ (119,064)
Additional Revenue from Rate Increases (1)	-	-	100,000	114,000	122,560	131,462
Surplus (Deficiency) after Rate Increase	\$ (90,896)	\$ (96,226)	\$ (1,703)	\$ 6,668	\$ 9,444	\$ 12,398
Projected Annual Rate Increase	0.00%	0.00%	100.00%	7.00%	4.00%	4.00%
Cumulative Rate Increases	0.00%	0.00%	100.00%	114.00%	122.56%	131.46%
Net Revenue Requirement (2)	\$ 190,896	\$ 196,226	\$ 201,703	\$ 207,332	\$ 213,116	\$ 219,064

1. Assumes new rates are implemented July 1, 2017.

2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from sewer rates.

Annual Deficiency in Rate Revenue is Not Sustainable

Annual Sewer Rate Increases



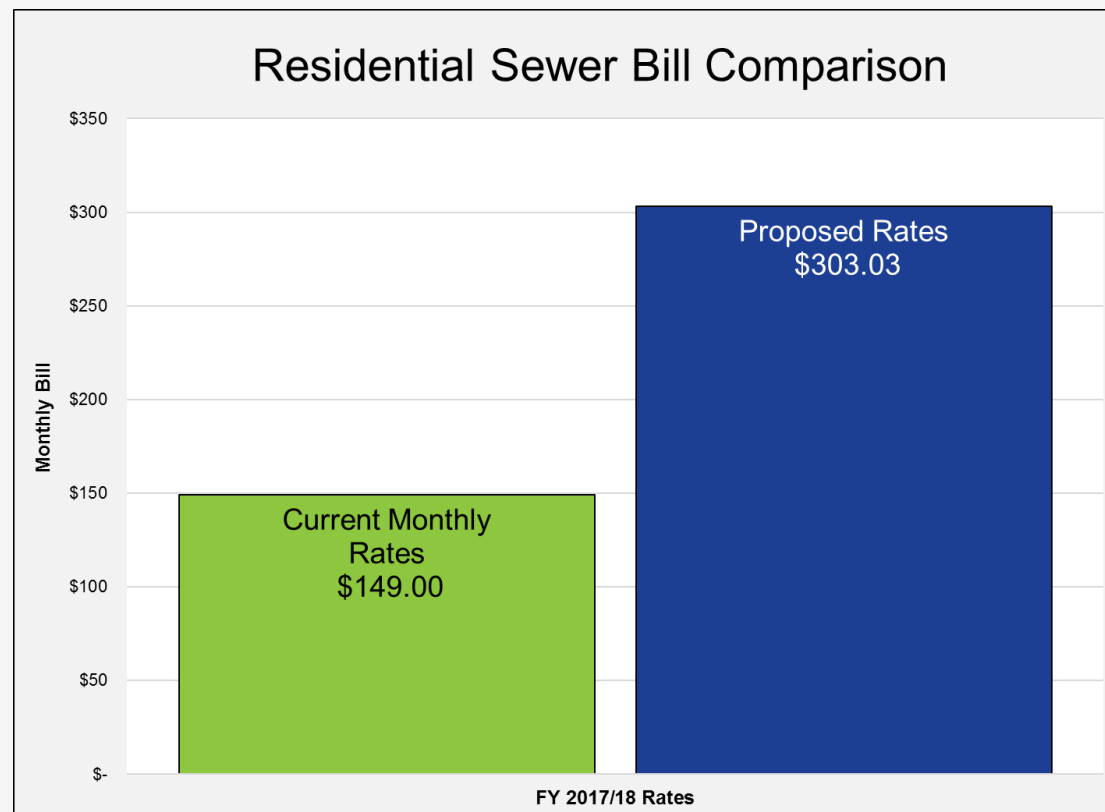
Proposed Sewer Rates

Sewer Rate Schedule	Current Rates	Proposed Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Projected Increase in Rate Revenue per Financial Plan:		100.00%	7.00%	4.00%	4.00%	4.00%
Monthly Fixed Service Charges:						
All Customers	\$149.00	\$303.03	\$324.24	\$337.21	\$350.70	\$364.73

Note: Current Rates generate about \$98,000 in annual revenue.

Budgeted revenues are equal to \$100,000. To generate this level of revenue, current rates would be \$151.50.

Revenue Requirements are equal to \$200,000.



Sewer Rate Study Recommendations

Recommended Adjustments to Sewer Rates:

- 1. Adopt Recommended Sewer Rates**
- 2. Proceed with Prop 218 Noticing**

Notice of Public Hearing Proposed Wastewater Rate Increase

This notice is being sent to inform you that the San Lorenzo Valley Water District (District) is proposing to increase wastewater rates over the next five years. The District will hold a public hearing to consider adopting the proposed rates as follows:

Date: Thursday, January 18, 2018

Time: 7:00 PM

Place: 13057 Hwy 9, Boulder Creek, CA 95006

Why is the District Proposing to Increase Wastewater Rates?

In 2017, the District conducted a rate study, which resulted in the current proposal to produce additional revenue needed for investment in capital improvement projects throughout the District's wastewater service area, as well as to bolster the District's wastewater emergency reserve funds and cover operational costs. The proposal was drafted following a six-month process that included discussions and presentations at numerous public meetings with input from the District's Board of Directors (Board) and completion of a cost of service study.

Proposed Rates

The District is proposing to phase in wastewater rate increases over the next five years as shown in the table below. The rate increase for Fiscal Year 2017-2018 will be effective as of February 1, 2018.

Sewer Rate Schedule	Current Rates	Proposed Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Projected Increase in Rate Revenue per Financial Plan:		20.00%	20.00%	20.00%	20.00%	20.00%
Monthly Fixed Service Charges:						
All Customers	\$149.00	\$181.82	\$218.18	\$261.82	\$314.18	\$377.02

How to Submit a Written Protest

Property owners and customers may file written protests against the proposed rate increase. Pursuant to California law, all written protests must be received by the District prior to the close of the Public Hearing on Thursday, January 18 2018. Protests must 1) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, 2) include the name and signature of the customer or property owner submitting the protest, and 3) clearly state opposition to the proposed water rate increases. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels, with one written protest counted per parcel. Written and signed protests can be mailed to: San Lorenzo Valley Water District, Wastewater Rate Protest, 13060 Highway 9, Boulder Creek, CA 95006, or emailed to h Morrison@slvwd.com. For additional information regarding the proposed wastewater rate increase, call SLVWD at (831) 338-2153.

MEMO

To: Board of Directors

From: District Manager

SUBJECT: DISCUSSION AND POSSIBLE ACTION REGARDING REQUEST FOR REIMBURSEMENT OF EXPENSES INCURRED RELATED TO CSDA FALL 2017 CONFERENCE

DATE: NOVEMBER 9, 2017

RECOMMENDATION

Staff is seeking Board direction.

BACKGROUND

The 2017 CSDA Annual Conference was held September 25 through 28 in Monterey, California (brochure attached, including registration form).

At the August 17, 2017 Regular Board Meeting, the Board voted unanimously to reimburse the Board for, 'registration and mileage to attend this conference' (minutes attached). No clarification of what constitutes 'registration' was provide by the Board.

Chair Radcliffe and Director Smallman attended the conference and provided a verbal report to the full Board at the October 19 regular Board Meeting.

Director Smallman has requested reimbursement for two items that are not clearly defined in Section 16 of the current Board Policy Manual (attached); a pre-conference golf tournament (\$115) and a book purchase (\$17).

Section 16 of the BPM states,

"It is the policy of the District to encourage Board development and excellence of performance by reimbursing necessary and reasonable expenses incurred for tuition, travel, lodging and meals as a result of training, educational courses, participation with professional organizations, and attendance at local, state and national conferences associated with the interests of the District."

Neither of the requested items appear to be related to, 'travel, lodging and meals'. Therefore, staff is requesting that the Board provide direction regarding if either or both of those items are related to 'tuition'. Staff is interpreting 'tuition' to mean 'registration', per the Board's August authorization.

Additionally, a requirement of reimbursement is that the cost be 'necessary and reasonable'. Therefore, staff is requesting the Board provide direction regarding if either or both of those items are 'necessary and reasonable'.

If the Board finds that the charges are 'necessary and reasonable' expenses incurred for 'tuition, travel, lodging and meals', staff will approve reimbursement to Director Smallman.

STRATEGIC PLAN:

Element 9.0 Administrative Management

FISCAL IMPACT:

Up to \$133

Section 16 Training, Education Programs, Conferences and Meetings

The Board of Directors has determined that the following provisions shall be applicable to Director training, educational programs, conferences and meetings:

1. Directors are encouraged to attend educational conferences and professional meetings when the purposes of such activities are to improve District operation. Directors may attend, on behalf of the District, such training, educational programs, conferences and meetings as have been approved by the Board of Directors.
 - (a) It is the policy of the District to encourage Board development and excellence of performance by reimbursing necessary and reasonable expenses incurred for tuition, travel, lodging and meals as a result of training, educational courses, participation with professional organizations, and attendance at local, state and national conferences associated with the interests of the District. Cash advances or use of District credit cards for these purposes is not permitted. All reimbursement of actual and necessary expenses shall be pursuant to District policy on expenditure reimbursement as stated herein.
 - (b) Attendance by Directors at seminars, workshops, courses, professional organization meetings, and conferences etc. shall be approved by the Board of Directors at a public meeting prior to incurring any authorized reimbursable costs.
 - (c) The District Manager or designee is responsible for making arrangements for Directors for conference and registration expenses, and for per diem. Per Diem, when appropriate, shall include reimbursement of expenses for meals, lodging, and travel. All expenses for which reimbursement is requested by Directors, or which are billed to the District by Directors, shall be submitted to the District Manager, together with validated receipts.
 - (d) To conserve District resources and keep Directors' reimbursement expenses for training, educational programs, conferences and meetings within community standards for public officials, reimbursement expenditures should adhere to the following guidelines. Expenses to the District for Board of Directors' training, education programs, conferences and meetings should be kept to a minimum by:
 1. Utilizing hotel(s) recommended by the event sponsor in order to obtain discounted rates.
 2. Traveling together whenever feasible and economically beneficial.
 3. Requesting reservations sufficiently in advance, when possible, to obtain discounted air fares and hotel rates.

- (e) A Director shall not attend a conference or training event for which there is an expense to the District if it occurs after the Director has announced a pending resignation, or if it occurs after an election in which it has been determined that a Director will not retain a seat on the Board. A Director shall not attend a conference or training event when it is apparent that there is no significant benefit to the District.
- (f) Whenever a Director who has not previously attended a particular conference or educational program is available to attend same, that Director shall have preference for attendance over a Director who has previously attended the same program.
- (g) Upon returning from seminars, workshops, conferences, etc., where expenses are reimbursed by the District, Directors will either prepare a written report for distribution to the Board, or make a verbal report during the next regular meeting of the Board. The report shall detail what was learned at the session(s) that will be of benefit to the District. Materials from the session(s) may be delivered to the District office to be included in the District library for the future use of other Directors and staff.
- (h) Nothing in this policy shall permit the conduct of business in violation of the Ralph M. Brown Act when more than three (3) Directors attend the same event.

**SAN LORENZO VALLEY WATER DISTRICT
BOARD MEETING MINUTES**

August 17, 2017

5:00 p.m.

CONVENE MEETING/ROLL CALL:

President Ratcliffe convened the meeting at 5:00 p.m.

Dirs. Smallman, Baughman, Ratcliffe, Hammer and Bruce were present. District Manager Lee, Director of Operations Rogers and Legal Counsel Nicholls and Hynes were also present.

ORAL COMMUNICATIONS (CLOSED SESSION): None

ADJOURNMENT TO CLOSED SESSION:

Pres. Ratcliffe adjourned to closed session at 5:01 p.m.

RECONVENE TO OPEN SESSION:

Pres. Ratcliffe reconvened the meeting to open session at 6:30 p.m.

Dirs. Smallman, Baughman, Ratcliffe and Bruce were present. DM Lee, Dir. of Ops Rogers, Environmental Programs Mgr. Michelsen and Legal Counsel Nicholls and Hynes were also present.

REPORT ACTIONS TAKEN IN CLOSED SESSION:

Pres. Ratcliffe reported that on July 31, 2017 DeBert and a District representative entered into a settlement agreement with the condition that the SLVWD Board of Directors approve the agreement. The Board did vote to approve today. The terms of the settlement agreement include a \$40,000 payment to Ms. DeBert of which \$5,000 will be paid by the District and \$35,000 to be paid by SDRMA (insurance). This was a long form settlement agreement.

ADDITIONS AND DELETIONS: None

ORAL COMMUNICATIONS:

E. Frech, Lompico, D. Loewen, Lompico, R. Shaw, Lompico, C. DeBert, Boulder Creek, and L. Henry, Lompico, addressed the Board.

DISTRICT MANAGER REPORTS

DM Lee shared information regarding the on-call/emergency process for the District. He related a situation where the editor of the Press Banner called the after-hours answering service claiming a water emergency when there was not one.

Dist. Counsel Nicholls warned that discussion was not appropriate so it was decided to agendize this discussion for a committee (to be determined).

Environmental Programs Manager Michelsen addressed the Board.

Director of Operations Rogers addressed the Board.

Committee Chairs related committee meeting information.

A motion was made to excuse Director Hammer for a business appointment.
All present voted in favor.

NEW BUSINESS:

10a COMMUNITY ASSISTANCE

DM Lee introduced this item for financial assistance for people in need. Dir. Bruce gave additional information. Followed by Board discussion.

E. Frech, B. Holloway, Boulder Creek, L. Henry, L. Hammack, Lompico, L. Farris, Felton, C. DeBert, Boulder Creek, addressed the Board.

10b QUESTIONS AND ANSWERS ON PROPOSED WATER RATES AND CHARGES

DM Lee introduced this item. He gave a presentation on the reason for the rate restructuring process and asked for questions from the public.

L. Henry, C. White, R. Moran, D. Loewen, L. Farris, E. Frech, L. Hammack and B. Holloway addressed the Board.

If you have 2 parcels and received 4 notices, if you fill out all of the protests will your protest be nullified? No, if you have water service on one of the 2 parcels we will validate 1 protest. If you have water service on 2 parcels we will validate 2 protests.

If there is a property owner and a renter, who gets dibs on the single protest? If one or both parties send in a protest, and the renter is responsible for payment of the water bill, it will count as one protest. One protest per parcel.

Why were so many notices sent out? Prop 218 requires that we use the County Tax Roll for addresses in our sphere of influence in order to continue certain rights for the District. Not all of the addresses on the tax roll have water service

through the District but to make sure that we don't miss anyone, we send everyone a notice.

Is the rate increase enough to replace the building? Yes, the Needs Assessment concluded that the current Admin Building is not working for the District, so the Board said to find rental space, so it is not a capital project.

Why not a parcel tax? Each individual payment would vary depending on the value of the parcel so an engineer would have to determine the value to each property the multiple projects would have. For the number of projects and parcels, this would be a nearly unsurmountable task.

When does the rate stabilization kick in? Is it water sales only? It is for water sales for the average of the previous 3 years. It kicks in when staff goes to the Board with cumulative averages dip below 10%. Staff will tell the Board why we are experiencing a dip and what cost cutting measures we can take. At that point the Board can decide if the rate stabilization should be put into action or not.

Does the District have an overall master plan? Yes, there is a master plan but it is dated 1995. Staff has applied for a grant for a water system model to look at fire flow throughout the system and develop a comprehensive master plan focusing on the infrastructure of the District and the size for fire needs.

Why not continue the tiered water rates? Tiered rates are not illegal but they have to be justified and we cannot justify our current tiered system. Justifiable tiers include a seasonal tier (summer/winter rates), a rate based on elevation (prohibitive because of the terrain of the District) or indoor vs. outdoor use. We have looked into all of these possibilities and found them not worth pursuing.

What's the real cost of staying in the current building and going into leased space? Staff is developing a work plan. It is generally recognized that moving to a more modern building is nowhere near as expensive as trying to bring the current building up to code.

Which rate stabilization is one that will be implemented? The rate stabilization language has been agreed to and is stated in the Prop 218 Notice. The process has not been decided and will be finalized for the meeting on September 21, 2017.

Are Lompico's usage numbers included in the NBS study? No, Lompico's information is not included in the NBS study.

What is the truth regarding the payments to attorneys in the Vierra case? The District is no longer funding Dir. Vierra's conflict of interest case, we are however paying for the District's defense in Holloway's appeal of the 1090 violation.

10c RESOLUTION OF APPRECIATION FOR J. ORBUCH

Environmental Programs Manager Michelsen introduced this item.

A motion was made to approve Resolution No. 3 (17-18) Resolution of Appreciation for Jane Orbuch.

All present voted in favor.

10d GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE AWARD

DM Lee introduced this item. Please congratulate Stephanie Hill and her staff for a fine job.

10e CDSA 2017 ANNUAL CONFERENCE

DM Lee introduced this item.

A motion was made to reimburse the Board for registration and mileage to attend this conference.

L. Henry addressed the Board.

All present voted in favor.

UNFINISHED BUSINESS:

11a PUBLIC HEARING ON PROPOSED INCREASE IN METER CONNECTION FEES

Public Hearing was opened 9:03 p.m.

R. Shaw and L. Hammack addressed the Board.

Public Hearing was closed 9:07 p.m.

A motion was made to adopt Resolution No. 5 (17-18).

All present voted in favor.

11b SWIM TANK REPLACEMENT PROJECT

DM Lee explained that the District put out an RFP for the Swim Tank replacement and only received one bid that was 3 times higher than the engineer's estimate. Staff recommended rejecting the bid.

L. Farris addressed the Board.

All present voted in favor of rejection.

11c CalPERS AMENDMENT TO CONTRACT
DM Lee introduced the item.

A motion was made to approve the CalPers Amendment to Contract.

All present voted in favor.

11d KIRBY PROPERTY EASEMENT
Environmental Programs Manager Michelsen introduced this item.

Director of Operations Rogers requested an amendment to Exhibit A drawing.

A motion was made to authorize the easement with the changes requested by Dir. of Ops Rogers.

All present voted in favor.

CONSENT AGENDA:

A motion was made to approve the Consent Agenda with the change to the VP Baughman adjourned to Closed Session, Pres. Ratcliffe was not present.

Smallman, Baughman and Bruce voted in favor, Ratcliffe abstained.

ADJOURNMENT:

President Ratcliffe adjourned the meeting at 9:35 p.m.

Sept. 25–28, 2017
Monterey, California

Agenda: 11.9.17
Item: 10a

2017 CSDA ANNUAL CONFERENCE AND EXHIBITOR SHOWCASE

the leadership conference for special districts



growth

**KNOWLEDGE &
EXPERIENCE**



Growth

YEAR AFTER YEAR DUE TO
Value Delivered to Attendees

The one conference for you!

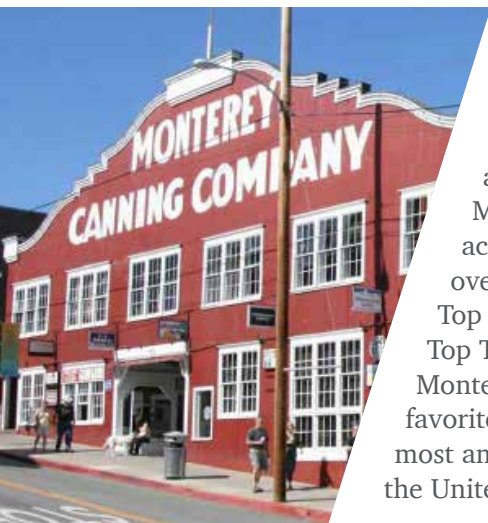
The CSDA Annual Conference & Exhibitor Showcase is the one conference special district leaders can't afford to miss! Cultivate new connections this September in Monterey.

Join 800-plus special district professionals and industry experts for a three day, must-attend education, and networking event. Develop new partnerships. Participate in inspiring and motivating keynote sessions. Walk away with strategies, new connections, and innovative ideas to move your district forward.



Monterey Marriott & Portola Hotels

Room reservations for the CSDA Annual Conference and Exhibitor Showcase begin at \$169 plus tax and are based on availability. In order to book a hotel room, you must first register for the conference to obtain a CSDA room reservation code.



What to Do?

Just 100 miles south of San Francisco, Monterey's breathtaking scenery, rich history, world-renowned attractions, and outdoor adventures invite one to grab life by the moments! Monterey is a dramatic setting for endless choices of activities all within minutes of convenient, charming overnight accommodations. Monterey is named a Top North American Golf Destination and the 2013 Top Ten Wine Travel Destination in the World. The Monterey Bay National Marine Sanctuary is home to favorite marine life that can be observed in one of the most amazing natural environments found anywhere in the United States. www.SeeMonterey.com



Attendance at the CSDA Annual Conference Qualifies for CIPs

Special District Risk Management Authority (SDRMA) is committed to establishing a strategic partnership with our members to provide maximum protection, help control losses, and positively impact the overall cost of property/liability and workers' compensation coverage through the Credit Incentive Program. Credit incentive points (CIPs) can be earned based on an agency's attendance at the CSDA Annual Conference & Exhibitor Showcase, reducing SDRMA members' annual contribution amounts.

The CSDA Annual Conference and Exhibitor Showcase **has something for everyone.** From board members and trustees to clerks and general managers...from fire chiefs to legal counsel...we've got you covered with these breakout sessions and more!

IS HR YOUR THING? THEN YOU MIGHT LIKE...

- Lions, Tigers and Comfort Animals - As the employer, what (and how) are you required to accommodate?
- CalPERS Update & How to Prepare for and Survive a CalPERS Audit
- Employment Law Update: Gender Identity in the Workplace

ARE YOU A DIRECTOR OR TRUSTEE? DO YOU WORK WITH DIRECTORS AND TRUSTEES? WE THOUGHT SO...

- Right this Way to a Better Board - Board Best Practices
- Better Boards Equal Better Districts
- The Empty Chair - Handling Board Vacancies and Appointments

NOT A TECH GURU? THAT'S OK...

- Being Open-Minded about Open Data
- Beyond Website Basics
- Open Government: Managing Public Meetings and Public Records in an Electronic Age

breakouts

Which one is right for you?

NOT A LEGAL EAGLE? US EITHER - BUT WE KNOW PEOPLE...

- Look Before You Leap! Protecting Your District Before Litigation
- What's New in California Prevailing Wage Updates
- CEQA Basics and Hot Topics for Board Members and Staff

STRUGGLING TO FIND THE RIGHT WORDS? WE CAN HELP WITH THAT...

- Full Court Press: A Media Crash Course
- Tie in to TIERS - A New Framework for Practical Public Engagement at the Local Level
- Turning Public Perceptions of Your District from Negative to Positive: Dealing with Opposition, Complaints, Angry Customers, and Negative Media Coverage

GOT MONEY ON YOUR MIND? CHECK THESE SESSIONS OUT...

- Building a Solid Financial Foundation: Financial Policies and Internal Controls
- Understanding Special District Investments - What is the Trustee's Fiduciary Responsibility?
- Beyond the Next Budget: Fiscal Forecasts for Effective Planning

“Everything went great. The breakout sessions were so informative and the speakers very helpful and willing to find info on any questions they couldn't immediately answer. The hotel was very comfy and the staff - hotel and conference alike - were very attentive.”

CRYSTAL SMITH, DIRECTOR

Pre-Conference Program Events - Monday, September 25, 2017



Pre-conference Workshops

(pre-registration/payment required)

9:00 a.m. – 3:00 p.m.

Special District Leadership Academy Module 1: Governance Foundations

EARN SDRMA CIPS

As the core curriculum of CSDA's Special District Leadership Academy, this workshop serves as the "foundation" for the series on effective governance of special districts. It is specifically designed for special district board members and meets the requirement for six hours of governance training for Special District Leadership Foundation programs.

\$225 Member, \$340 Non-member

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11:15 a.m. – 3:15 p.m.

Building Your District Strong - Principles for Sustained Success

BHI Management Consulting

This workshop will systematically examine each area of building a strong district from the foundation to the top-level, optimized best practices. The course is designed for boards and their managers to assess their district against a template for success.

\$150 Member, \$225 Non-member

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**SPECIAL DISTRICT
LEADERSHIP FOUNDATION**

1:30 – 3:30 p.m.

Special District Administrator (SDA) Certification Exam

Special District Leadership Foundation

(OPTIONAL – MUST BE SCHEDULED PRIOR TO CONFERENCE)

Golf Tournament

(pre-registration/payment required)



NEW! THE CSDA ANNUAL GOLF TOURNAMENT IS NOW THE **SDLF Scramble for Scholarships Golf Tournament**

9:00 a.m. – Shotgun Start

Del Monte Golf Course

Join special district elected officials, staff, and business

affiliates at this optional fun event. Great golf skills are not necessary! Proceeds benefit the Special District Leadership Foundation scholarship fund.

\$115 includes golf with cart, lunch, and prizes!

Transportation to/from on your own

“**This conference is a great, once-a-year opportunity for special district elected officials and managers to share and learn among our peers.**”

JOE BARGET, SDA
GENERAL MANAGER



Elkhorn Slough Safari



Moss Landing Harbor District



Monterey Regional Airport District

Pre-conference tours & more!

(pre-registration/payment required)

10:30 a.m. – 2:00 p.m.

PRE-CONFERENCE TOUR

Elkhorn Slough Safari™ and Moss Landing Harbor District Tour

Elkhorn Slough Safari™ is an exciting way to visit Elkhorn Slough, where you will see a fantastic variety of wildlife such as playful sea otters, curious harbor seals, sea lions, and hundreds of species of birds. The tour will provide excellent opportunities to view and photograph wildlife close at hand.

These two-hour boat cruises include an in-depth look at various aspects of slough ecology, fascinating history, and birding in the company of a naturalist guide.

\$60 per person includes transportation to/from the hotel, light snacks, and Elkhorn Slough Safari™

Limited to 24 attendees!
Early registration is encouraged.

12:00 – 3:00 p.m.

PRE-CONFERENCE TOUR

Monterey Regional Airport District Tour

Check out what's new at the airport. That's right! Get a tour of Monterey Regional Airport and briefing on projects and initiatives. Monterey Airport (MRY) a 498 acre is a "Non-Hub" airport created in 1941. Four airlines serve Monterey: Alaska Airlines, American, Allegiant and United Airlines.

\$50 per person includes lunch, tour, and transportation to/from the hotel.

Limited to 45 attendees!
Early registration is encouraged.

3:30 – 4:30 p.m.

Chapter Roundtable Discussion

Join CSDA board members and local chapter leaders from across the state to share best practices and discuss issues and opportunities. *All attendees welcome.*

4:30 – 5:15 p.m.

District NetWorks Meetings

Designed by local special district leaders to connect and interact with other leaders from throughout California; come take part in one of our six District NetWorks meetings. No matter where you are in the state, you belong to a district Network. Share challenges, solutions, and opportunities with your neighboring districts. Learn how you can take part in CSDA's grassroots advocacy and public outreach efforts. Take this opportunity to meet your public affairs field coordinator, connect with special district leaders, and grow your Network!

To learn more about CSDA District NetWorks efforts, visit: www.csda.net/about-csda/district-networks/



CSDA ANNUAL CONFERENCE BEGINS Monday evening @ 5:30 p.m.

CSDA Annual Conference begins!

5:30 – 7:30 p.m.

President's Reception with the Exhibitors

(All registered attendees welcome)

Join us in the exhibit hall as we network with business professionals who provide all types of goods and services to special districts. Enjoy appetizers and refreshments as you meet with Monterey native and CSDA Board President Vincent Ferrante and CSDA board members from around the state.



CSDA Board President Vincent Ferrante



CSDA CEO Neil McCormick

Tuesday, September 26, 2017

7:30 a.m. – 6:00 p.m.

Exhibitor Showcase Open



7:30 – 8:45 a.m.

Continental Breakfast with the Exhibitors *(Raffle)*



keynote speaker

9:00 – 10:45 a.m.

OPENING KEYNOTE PRESENTATION:

Eric Boles Moving to Great

Eric Boles, president and founder of The Game Changers, Inc., will be starting off CSDA's 2017 Annual Conference with his keynote session "Moving to Great." Through his company, Mr. Boles has been able to create several executive and emerging leader development programs that are used globally and have set a new standard for organizations to enhance their culture and develop higher levels of commitment and performance. Mr. Boles' presentation will prepare you for Annual Conference with a drive to move toward greatness.

11:00 a.m. – 12:15 p.m.

CSDA Finance Corporation Board and Annual Meeting

Growth

11:15 a.m. - 12:15 p.m. **BREAKOUT SESSIONS**

Building a Solid Financial Foundation: Financial Policies and Internal Controls

James Marta & Company LLP CPAs

Best practices start with board adopted policies and procedures in key financial areas and internal controls. Special districts that are financially well-managed have clearly articulated fiscal policies. Formal documentation and communication are critical for proper implementation and monitoring. In this session you will learn what policies are critical for financial management, security, internal control, and financial decision-making. Questions to consider: Do you have written fiscal policies, how often are they reviewed, what do they cover, and are your employees aware of the policies?

Full Court Press: A Media Crash Course
CV Strategies

Dealing with scrutiny from news media can be uncomfortable and even intimidating – especially going on-camera. In this hands-on workshop, hone real-world media skills from Emmy Award-winning former news insiders with decades of experience. Be prepared to step out of your comfort zone! In a safe setting, you'll stage a mock news conference complete with questions from our expert "reporters", discover the do's and don'ts of conducting an on-camera interview and come away with an increased awareness of how to face the media in even the most difficult of circumstances. Plus, learn about the latest industry best practices that combine the challenges and opportunities of managing an ever-evolving media landscape. Participants will leave with more self-confidence plus a state of the art "communications toolbox" complete with the tactics and tools they can't live without!

It's Getting Hot in Here – Climate Change Adaptation Recommendations for Special Districts

Local Government Commission and Office of Planning and Research

Climate mitigation and adaptation are hot topics in California and for special districts, especially with the climate change focus of the Little Hoover Commission's special district study. The Commission's report is expected to include numerous recommendations for special districts to be more involved in climate adaptation efforts. This session is the perfect opportunity to be responsive and learn about ways all districts, large and small, can prepare for and adapt to changes in the environment due to climate change.

Lions, Tigers, and Comfort Animals – As an Employer, What (and How) Are You Required to Accommodate?

Kane Ballmer & Berkman

This session will discuss the different categories of animals recognized by the Fair Employment and Housing Act, what the employer can ask the employee about the disability and the request for an accommodation, what the employer can demand in terms of documentation for the need for an accommodation and how the animal will assist the employee in performing the job functions, and importantly, what can the employer refuse to allow into the workplace?

Look Before You Leap! Protecting Your District Before Litigation

Stradling Yocca Carlson & Rauth

Discuss and explanation of the various mistakes and pitfalls that districts make that impair the ability to defend against later litigation. Topics discussed will include preserving the protections of the Government Claims Act, the need for a records retention policy, steps that should be immediately taken if you think the district might be sued, learning the steps necessary to preserve the protection of the Government Claims Act, how to maintain records in the digital age to increase chances in litigation, and how to respond when you think your district might be sued.

Open Government: Managing Public Meetings and Public Records in an Electronic Age

Richards Watson Gershon

Open government has taken on new meaning in this electronic age, and the legislature and courts are catching on. The result: new obligations for public agencies. Hear how other special districts have addressed electronic records and the use of personal email accounts and devices following the California Supreme Court's decision in *City of San Jose v. Superior Court*. How should your agency respond to Public Records Act requests for these, and other types, of records? What changes must be made to Brown Act practices in light of recent legislation? Find out during this update on open meeting and public records requirements.

Right this Way to a Better Board – Board Best Practices

BHI Management Consulting

Based on the instructor's new book *Fifty-Two Ways to be a Better Board*, this session will narrow the 52 ways down to four overall concepts that he has correlated as the most important elements of being a board member.

Tuesday, September 26, 2017



12:15 – 1:45 p.m.

Lunch with the Exhibitors

(All registered attendees welcome)

Enjoy your lunch while taking time to learn more about our exhibitors and the valuable services they provide. From risk management, accounting, HR, legal, banking services, and more – our exhibitors have some of the best of what you're looking for!

Lunch is included in conference registration.

2:00 - 3:15 p.m. **BREAKOUT SESSIONS**

Being Open-Minded about Open Data

Lozano Smith

Data increases geometrically on an almost daily basis. The methods by which you can harvest it and then put it to use for your district and those whom you serve increase in a similar manner. A general understanding of cyber-data, and how it can both benefit and compromise you, is critical in today's regulatory and business environment.

CalPERS Update & How to Prepare for and Survive a CalPERS Audit

Liebert Cassidy Whitmore

Many special districts have been audited by CalPERS and more will be audited in the future. This session will provide a timely update on CalPERS developments for 2017 and the critical topics that your districts should know to prepare for a CalPERS audit and have a successful outcome.

Successful Strategies for Utilizing Debt

CSDA Finance Corporation

Debt is not necessarily a four-letter word. Borrowing funds for mission-critical infrastructure can be a valuable strategy for protecting cash reserves while achieving your district's goals. Consultants from the CSDA Finance Corporation discuss ways to take advantage of low interest rates, including utilizing various financing structures, and refinancing of existing debt to save money in the long-term.

Required Ethics AB1234

Compliance Training (PART 1)

Meyers Nave

AB1234 mandates that local agency officials receive two hours of ethics training every two years. This two part training covers all the required topics, including laws relating to: (1) personal financial gain by public servants (conflict-of-interest, bribery), (2) claiming perquisites of office (gift, travel and mass mailing restrictions, use of public resources for personal or political purposes, free or discounted transportation), (3) government transparency (financial interest disclosure requirements, open meeting laws), and (4) fair process (incompatible offices, competitive bidding, nepotism).

Special Districts Jeopardy!

CSDA and Panel of Legal Experts

"I'll take special district laws for \$1,000 Alex." Join us for this fast-paced and informative session featuring a panel of attorneys answering questions commonly asked by special districts regarding various areas of law, including the Brown Act, Public Records Act, Proposition 218, elections, board training requirements, and more. The session will also feature a 'Lightning Round' to allow the audience to ask our experts general legal questions.

Understanding Special District Investments – What is the Trustee's Fiduciary Responsibility

Wells Fargo Advisors and Orange County Cemetery District

Presenters will cover the board's fiduciary responsibilities by reviewing the importance of having an Investment Policy Statement, the Prudent Investor Rule, an overview of permitted investments per California Government Code, and investment strategies for rising interest rates. Concluding with a special district case study from a general manager's perspective on the Investment Management Program.

What's New in California Prevailing Wage Updates

Contractor Compliance and Monitoring Inc.

Prevailing wage law in California is constantly changing. Attend this session to get the latest update on recent changes. Key topics will include when: Maintenance and Service work is covered by prevailing wages; preconstruction work is covered by prevailing wages; and, work can be exempt from prevailing wage by using agency staff, volunteers, CCC, and students. CCMI will also be sharing its Public Agency Prevailing Wage Checklist designed to help agencies understand and comply with prevailing wage requirements.



Tuesday, September 26, 2017

3:30 - 4:30 p.m. **BREAKOUT SESSIONS**

**A New Look at Design Immunity –
Expanding Protection for Public Entities**

Hanson Bridgett, LLP

Design immunity is an incredibly powerful doctrine that is underutilized by public entities. It provides an absolute defense to dangerous condition of public property liability for public entities. With some creative thinking, public entities can use design immunity not only to shield them from liability for injuries caused by the structural design of their facilities, but also for the way in which those facilities are operated. Come learn about this significant defense to dangerous condition claims and get tips on proactive steps your agency can take to strengthen and expand this immunity to maximize the potential of obtaining design immunity when sued.

**Beyond the Next Budget: Fiscal
Forecasts for Effective Planning**

*Hayward Area Recreation & Park District
and Management Partners*

Many agencies base next year's budget on this year's, assuming that most details will remain the same. But the risks of this practice were revealed during the Great Recession, when many special districts had to scramble to recover from plunging revenues. Hayward Area Recreation and Park District recently worked with Management Partners to develop a five-year fiscal forecast, which will allow the district to see how pay increases, new debt, pension costs, revenue changes, possible recessions, and inflation will affect the district.

Employee Engagement

CPS HR Consulting

Leaders at all levels of government are under enormous pressure to maintain and improve performance, while managing increased turnover and doing more with less. One proven response to this difficult leadership challenge is to improve the level of employee engagement. This workshop provides participants with the knowledge and tools to understand what engagement is and why it matters, and measure and improve employee engagement. Participants will be able to apply what they learn to measure and improve employee engagement in their organizations.

**One Toke Over the Line: The
Growing Specter of Marijuana in
the Workplace**

Atkinson, Andelson, Loya, Ruud & Romo

Marijuana is more common place than ever. With this changing legal landscape, it is critical that public employers understand their rights in addressing employee marijuana use. When and how can a public employer conduct drug testing? What is the scope of acceptable marijuana use in the workplace? What affirmative steps can a public employer take to address issues of marijuana use with its employees? Join us for a discussion of these timely issues to ensure that your agency is not left high and dry.

Required Ethics AB1234

Compliance Training (PART 2)

Meyers Nave

See previous session description.

**Say What?!? Speaking Plainly
Through Policy**

BHI Management Consulting

This session outlines the critical nature and importance of making long-lasting and meaningful policy as a board. Good policy is the most professional expression of a great board and agency. Yet special districts struggle with what policy means and how to make and use them. From BHI Management Consulting's President, Brent Ives, "Making good policy moves our board to the highest level of performance". Don't miss it.

**Tie in to TIERS – A New
Framework for Practical Public
Engagement at the Local Level**

Institute for Local Government

In this interactive session, participants will learn about a new public engagement framework created by the Institute for Local Government. The TIERS (Think-Initiate-Engage-Review-Shift) Framework provides a practical step-by-step approach for any local government, small to large. Share your challenges and hear from special districts that have begun to implement this framework.

4:30 – 6:00 p.m.

**Mix & Mingle in the Exhibit Hall:
Grand Prize Drawings**

Root yourself and connect with exhibitors in the exhibit hall for a cocktail and appetizer before you go out on the town in Monterey for dinner.

Be sure to enter for one more chance to win one of our fabulous prizes!





8:15 – 9:00 a.m.

SDRMA Sponsored Full Plated Breakfast

(All registered attendees welcome)

9:00 – 10:45 a.m.

SDRMA GENERAL SESSION, SAFETY AWARDS, KEYNOTE

Manley Feinberg



Reaching Your Next Summit! 9 Vertical Lessons to Lead with More Impact

Manley Feinberg, business leader and author of *Reaching Your Next Summit! 9 Vertical Lessons to Lead with More Impact* will be our keynote speaker on Wednesday. Prior to Mr. Feinberg's career as a speaker, he worked with Build-A-Bear Workshop and helped the company land on the FORTUNE 100 "Best Companies to Work For" List four years in a row with his award-winning business solutions. This keynote will leave with you many actionable techniques, frameworks, and insights to help lead your organization to a better tomorrow.

11:00 a.m. - 12:15 p.m. **BREAKOUT SESSIONS**

Beyond Website Basics

Streamline

If your district has a website—regardless of the platform—and you're ready to take it to the next level, this is the session for you! We'll share resources for free, beautiful photos and iconography you can use to dress up your site; cover various tools for converting Word files to PDFs, and scanned PDFs to text files (important for upcoming compliance requirements!); demonstrate easy ways to engage with citizens using things like email signup forms, voting and polling tools; and discuss search engine optimization including submitting your site to search engines, and how to craft content for the best search results. You'll leave with handouts including additional resources to take back to your district or share with peers.

CEQA Basics and Hot Topics for Board Members and Staff

Best Best & Krieger and Albert A. Webb Associates

CEQA is complex and fast changing but this panel of CEQA attorneys and consultants will break this crucial environmental law down to its essential components. A special emphasis on the latest CEQA developments relating to greenhouse gas emissions, tribal cultural resources, SGMA, and marijuana use and cultivation will also be provided, focusing on how these "CEQA hot topics" affect special districts.

Employment Law Update: Gender Identity in the Workplace

Special District Risk Management Authority

In this session, we will discuss and provide examples of gender issues facing employers in California today. What is the current state of California law? What is an Employer's legal duty to accommodate LGBTQ employees and/or the public? Exactly how many restrooms do we need?

Get in the Mix! Work-Life Blending

CPS HR Consulting

The concept of "work-life balance" is changing. With the ability to be connected all the time, we are moving to more of a work-life blend. How does that translate in the workplace? What does this look like for you and how can you find your right blend? By rethinking balance and seeking to blend, not only will you feel less guilty about mixing work and life together, but you will find it more realistic to feel fulfilled both at and outside of work.

“The annual conference always gives me something I can use in my role as a board member.”

MICHAEL SEAMAN,
DIRECTOR



11:00 a.m. - 12:15 p.m. **BREAKOUT SESSIONS CONTINUED**

Planning for the Future Through Effective Rate Setting

Best Best & Krieger and Santa Margarita Water District

Rate-setting is a necessary, yet often a difficult, obligation for every district. Districts must consider short-term financial requirements, including day-to-day operation and maintenance of water and wastewater systems, while simultaneously planning for the future through building reserves and preparing for future capital projects and improvements, and unexpected expenses. This session explores legal and technical requirements for rate-setting, as well as strategies for successful adoption and implementation of water rates designed for long-term financial stability from Santa Margarita Water District, based on experience.

The Doctor Will See You Now: Assessing the Financial Health of Your District

Mann, Urrutia, Nelson CPAs & Associates, LLP

This session will provide a review and insight of important financial concepts, reports, and policies specific to public agencies including special districts. The presenter will cover: understanding the financial audit process and how to evaluate audit results, application of basic financial ratios to help assess the financial health of your district, and evaluating fraud risk and implementation of related internal controls.

Turning Public Perceptions of Your District from Negative to Positive: Dealing with Opposition, Complaints, Angry Customers, and Negative Media Coverage

Rauch Communication Consultants, Inc.

Whether your district is seeking to overcome lack of support for an important program or buffeted and besieged by opposition, this seminar can help by providing clear examples and guidance on how to deal with difficult public issues and regain public trust, understanding, and support so your district can move forward.



12:30 – 1:45 p.m.

CSDA Annual Awards Luncheon

(All registered attendees welcome)

Recognize and celebrate your peers! Join us as we celebrate the best of special districts with awards including: Board Member of the Year, General Manager of the Year, the prestigious William Hollingsworth Award of Excellence, Chapter of the Year, Special District Leadership Foundation (SDLF) awards, and more!

CSDA Recognizes the Best Among Special Districts

Do you have a board member, staff member, local chapter, or district program that you feel deserves recognition?

Each year, CSDA presents various awards during the CSDA Annual Conference and Exhibitor Showcase. There are several different categories. Please consider outstanding individuals within your districts for individual awards. Chapter awards and district awards are also open for nominations. Visit the Awards section of our conference website at conference.csdanet.net for more information.

CSDA Awards Luncheon

(Guest Only, without a conference registration): \$45

If you have any questions regarding the awards or the awards process, please contact Charlotte Lowe at 877.924.2732 or by email at charlottel@csdanet.net.

Deadline for submissions is Friday, July 21, 2017. All applicants will be notified prior to the Annual Conference as to the winner.



2:00 - 3:30 p.m. **BREAKOUT SESSIONS**

Before You Press Send: Public Records and Brown Act Considerations

Lozano Smith

Questions regarding use of e-communication, and retention of and public access to electronic documents, continue to challenge board members and staff. Hear the latest on e-communication and the Brown Act; public records; social media implications; and use of personal devices for public business. This session will help attendees better understand how the law applies to the use of technology.

Better Boards Equal Better Districts

Rauch Communication Consultants, Inc.
Best practices in board and committee meetings, role of the President, fostering healthy dialogue, board and general manager roles and relationships, and more. Streamline and update how your board operates. Gain ideas on how to make board meetings more effective, interesting, and meaningful. Learn how to evaluate whether to have committee meetings and if so, how to structure them. Get tips on how to ensure your board is focusing on the right information and issues, and providing clear policy direction to the manager. This is an interactive session full of examples and real world ideas.

Effectively Communicating Financials and Key Questions Board Members Should be Asking

James Marta & Company LLP CPAs and Olivenhain Municipal Water District

In this session, you will learn what key financial reports management and the board need for effective decision making and how to effectively present information to those with non-financial backgrounds to ensure a better understanding of the district's finances. Presenters will discuss the use of financial dashboards to summarize and present the most critical financial data needed on a regular basis, effective budget actual comparison, and multi-year analysis.

LAFCOs and Special Districts: Pitfalls and Opportunities

Meyers Nave

LAFCOs have significant authority over special districts and special care is needed to ensure that a district does not run afoul of its powers. This panel will look at specific instances where special districts can work with LAFCOs to avoid problems with other districts, evaluate new opportunities and understand where regional cooperation is the best policy for all involved.

Required AB1825 & AB1661 Harassment Prevention Training for Officials and Supervisors (PART 1)

Burke Williams Sorensen

AB1825 and AB1661 makes sexual harassment prevention training mandatory for supervisory employees and officials receiving any compensation. This legislation requires employers to ensure that all supervisors and officials receive at least two hours of sexual harassment prevention training every two years. Receive your AB1825/AB1661 compliance training for special districts with this breakout.

Winning the War for Talent

Santa Clara Valley Water District and Management Partners

The session will identify the key talent challenges identified in a series of focus groups involving senior leaders in local government and explore strategies and best practices to address the challenges and more.

Workers' Compensation Update

Special District Risk Management Authority
Are all workplace accidents compensable under California Labor Code? What does Arising Out Of/Course of Employment (AOE/COE) mean? Join SDRMA for this lively and informative session that will answer these questions and more!

5:00 – 7:00 p.m.

SPECIAL DISTRICT LEADERSHIP FOUNDATION (SDLF)

Taste of the City

(All registered attendees welcome)

Brews, Blues & BBQ

This party was so much fun this last time – we are bringing it back for an encore performance. Sample local BBQ and craft brews while enjoying music from our DJ/auctioneer, games, and a silent auction.





3:45 - 5:00 p.m. **BREAKOUT SESSIONS**

FPPC Update: Conflicts of Interest

Fair Political Practices Commission

This session presented by a representative from the FPPC will include a presentation regarding conflicts of interest under the Political Reform Act and Government Code Section 1090 and a discussion of recent advice letters.

Get On Board: Employee Orientation Requirements and Best Practices

Liebert Cassidy Whitmore

Employee orientation is more than just a nice way to acquaint new employees with your history and mission. It's also a key tool to ensure employees work in compliance with your district's goals, policies and procedures, as well as to provide them with any applicable information about their legal protections in the workplace. This session will cover the best practices for districts, including best practices for districts with represented bargaining units.

Going to the Ballot?: Restrictions on the Use of Public Funds for Political Purposes

Hanson Bridgett

Need to raise revenues or change the law, but confused by pitfalls and restrictions? Want to support a bill or local measure, or ask your residents to approve a property-related fee or assessment, but not sure whether or how to reach out to the public? Come learn about the laws governing public agency efforts surrounding ballot measure campaigns, grassroots lobbying and legislative advocacy. Hanson Bridgett's attorneys will provide you with a framework to figure out next steps for your agency to inform the public, state or federal government, about your agency's needs.

How'd You Do That? Panel Discussion with CSDA Award Winners

Communication Advantage

Do you ever attend the CSDA Awards Luncheon and think "That's a great idea, but I wouldn't even know where to start on something like that"? This panel will explore such topics as where the great ideas come from, what additional resources are needed for implementation, how to gain board approval, and what factors help our judge select a winner. The panel will include representatives from winning agencies and an awards judge.

The Empty Chair – Handling Board Vacancies and Appointments

Meyers Nave

Attendees will receive instruction and information on board vacancies and appointments. Discussion will also include board governance related to behavior and removal, including legal process and procedures.

Watch Out! Dangerous Condition of Public Property

Special District Risk

Management Authority
How dangerous does a condition have to be before a public entity is legally liable? What is a Trivial Defect? Are there immunities for recreational activities? These issues and more will be discussed during this informative session.

Required AB1825 & AB1661 Harassment Prevention Training for Officials and Supervisors (PART 2)

Burke Williams Sorensen

See previous session description.

Thursday, September 28, 2017



8:30 – 10:30 a.m.

Closing Breakfast

2017 Legislative Impacts on Special Districts

CSDA's lobbying team will present attendees with the most up-to-date information on the outcome of the biggest state budget and legislative issues impacting special districts in 2017, as well as a sneak peak of what to expect in 2018. Get all the latest legislative results and learn what they mean for special districts going forward.

10:30 a.m.

Conference ends



This party has a purpose. Attendees at this reception will have the opportunity to participate in the Special District Leadership Foundation (SDLF) silent auction to raise funds for scholarships.



A special wine raffle will be held at 6:30 p.m. Purchase your tickets throughout the conference for the chance to win a deluxe 35-bottle wine cellar fully stocked. You must be present to win!

JOIN US FOR

Taste of the City

MUSIC & GAMES



FUNDRAISER



SILENT AUCTION



RAFFLE

BREWS BLUES AND BBQ

★ September 27th | 5:00 – 7PM ★

This party has a purpose. Attendees at this reception will have the opportunity to participate in the Special District Leadership Foundation (SDLF) silent auction to raise funds for scholarships.



2017 CSDA ANNUAL CONFERENCE & EXHIBITOR SHOWCASE

Attendee Registration Form

one form per attendee, please print

Agenda: 11.9.17
Sept. 25-28, 2017
Item 10a
Monterey, California



Three Ways to Register:

1. ONLINE by visiting the CSDA Annual Conference website at conference.csdanet.net.
2. FAX your registration form to 916-520-2465. All faxed forms must include payment.
3. MAIL to CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814, please include registration form with payment. Check should be made payable to: California Special Districts Association.

Not sure if you are a member?

Contact the CSDA office at 877-924-2732 to find out if your agency or company is already a member. To learn more about the benefits of membership, contact Member Services Director Cathrine Lemaire at cathrinel@csda.net or call toll-free 877-924-2732.

Full conference registration fee includes:

- President's Reception with the Exhibitors Monday evening
- Keynote Sessions
- Continental Breakfast with the Exhibitors on Tuesday
- Lunch with the Exhibitors on Tuesday
- Mix and Mingle in the Exhibit Hall on Tuesday
- SDRMA Full Plated Breakfast on Wednesday
- Awards Luncheon on Wednesday
- All Breakout Sessions on Tuesday, Wednesday, and Thursday
- SDF "Taste of the City" Reception on Wednesday
- Closing Breakfast on Thursday

Name:		Title:	
District:			
Address:			
City:		State:	Zip:
Phone:		Fax:	
Email:		Website:	
Member status: <input type="checkbox"/> Member <input type="checkbox"/> Non-member			
Emergency Contact:		<input type="checkbox"/> Vegetarian <input type="checkbox"/> Any Special Needs:	
Conference Registration Fees		Early Bird (on /before Aug. 25, 2017)	Regular (after Aug. 25, 2017)
<input type="checkbox"/> CSDA Member - Full Conference		\$580.00	\$630.00
<input type="checkbox"/> Non-member - Full Conference		\$870.00	\$945.00
<input type="checkbox"/> Guest - Full Conference (Cannot be from a district/company) <input type="checkbox"/> Vegetarian		\$275.00	\$315.00
<input type="checkbox"/> CSDA Member - One-day registration <input type="checkbox"/> Tuesday <input type="checkbox"/> Wednesday <input type="checkbox"/> Thursday		\$275.00 each day	\$290.00 each day
<input type="checkbox"/> Non-member - One-day registration <input type="checkbox"/> Tuesday <input type="checkbox"/> Wednesday <input type="checkbox"/> Thursday		\$415.00 each day	\$435.00 each day
Separate Registration Fees		Member	Non-member
<input type="checkbox"/> Pre-Conference Workshop: SDLA Module 1: Governance Foundations - Sept. 25		\$225.00	\$340.00
<input type="checkbox"/> Pre-Conference Workshop: Building Your District Strong - Sept. 25		\$150.00	\$225.00
<input type="checkbox"/> Pre-Conference Tour: Monterey Regional Airport District - Sept. 25		\$ 50.00 (includes transportation/lunch) (limited to 45 attendees)	
<input type="checkbox"/> Pre-Conference Tour: Elk Horn Slough Safari & Moss Landing Harbor District - Sept. 25		\$ 56.00 (includes trans./two-hour boat tour) (limited to 24 attendees)	
<input type="checkbox"/> SDF Scramble for Scholarships Golf Tournament - Sept. 25		\$ 115.00 (includes lunch)	
<input type="checkbox"/> CSDA Awards Luncheon (Guests only) - Sept. 27		\$ 45.00	
<input type="checkbox"/> SDF "Taste of the City" Reception (Guests only) - Sept. 27		\$ 60.00 CSDA Member Guest	\$ 90.00 Non-member Guest
TOTAL			
Payment type: <input type="checkbox"/> Check <input type="checkbox"/> Visa <input type="checkbox"/> MasterCard <input type="checkbox"/> AMEX <input type="checkbox"/> Discover			
Account name:		Account Number:	
Expiration date:		Authorized Signature:	

Cancellations/Substitution Policy: Cancellations must be in writing and received by CSDA no later than Friday, September 1, 2017. All cancellations received by this date will be refunded less a \$75 processing fee. There will be no refunds for cancellations made after September 1, 2017. Substitutions are acceptable and must be done in writing no later than September 15, 2017 at 5:00 p.m. Please submit any cancellation notice or substitution request to emilyc@csda.net or fax to 916-520-2465.

Consent to Use Photographic Images: Registration and attendance at, or participation in, CSDA meeting and other activities constitutes an agreement by the registrant to CSDA's use and distribution (both now and in the future) of the registrant or attendee's image or voice in photographs, videotapes, electronic reproductions, and audiotapes of such events and activities.



California Special Districts Association

1112 I Street, Suite 200
Sacramento, CA 95814

Agenda: 11.9.17
Item: 403
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ATTENDEE REGISTRATION

2017 CSDA Annual Conference and Exhibitor Showcase



The CSDA conference was a great blend of sessions developed to assist our industries and their needs as well as great keynote speakers who were particularly motivating and inspiring to help us breathe new life into our own positions, and to help our office staff do the same.

SHERYL LANDRUM, SDA DISTRICT MANAGER



**SAN LORENZO VALLEY WATER DISTRICT
BOARD MEETING MINUTES**

September 21, 2017

5:00 p.m.

CONVENE MEETING/ROLL CALL:

President Ratcliffe convened the meeting at 5:00 p.m.

Drs. Hammer, Baughman, Bruce and Ratcliffe were present. District Manager Lee, Director of Operations Rogers and Legal Counsels Nicholls and Hynes were also present.

A motion was made to excuse the absence of Dir. Smallman. All present voted in favor of the motion.

ORAL COMMUNICATIONS

S. Yergovich addressed the Board.

ADJOURNMENT TO CLOSED SESSION:

President Ratcliffe adjourned to closed session at 5:02 p.m.

RECONVENE TO OPEN SESSION:

Pres. Ratcliffe reconvened the meeting to open session at an undetermined time.

REPORT ACTIONS TAKEN IN CLOSED SESSION:

President Ratcliffe reported that there was no reportable actions.

ADJOURNMENT:

President Ratcliffe adjourned the meeting at an undetermined time.

**SAN LORENZO VALLEY WATER DISTRICT
BOARD MEETING MINUTES**

October 19, 2017

5:00 p.m.

CONVENE MEETING/ROLL CALL:

President Ratcliffe convened the meeting at 5:00 p.m.

Drs. Smallman, Hammer, Ratcliffe, Baughman and Bruce were present. District Manager Lee, Director of Operations Rogers and Legal Counsel Nicholls were also present.

ORAL COMMUNICATIONS

B. Holloway, Boulder Creek, addressed the Board.

ADJOURNMENT TO CLOSED SESSION:

President Ratcliffe adjourned to closed session at 5:05 p.m.

RECONVENE TO OPEN SESSION:

Pres. Ratcliffe reconvened the meeting to open session at 6:30 p.m.

REPORT ACTIONS TAKEN IN CLOSED SESSION:

President Ratcliffe reported that item 4e Conference with Labor Negotiators the Board approved a change in the wording to the Memorandum of Understanding with the Management, Supervisory and Confidential bargaining unit to reflect more accurately the annual adjustments January 1st of every year through 2019. The Board approved the change unanimously.

ORAL COMMUNICATIONS:

L. Henry, B. Fultz, D. Loewen, B. Holloway addressed the Board.

NEW BUSINESS:

9a LYON TREATMENT PLANT SLIDE

District Manager Lee introduced this item followed by Board discussion.

R. Brown and R. Shaw addressed the Board.

9b CSDA REPORTS

Director Smallman and President Ratcliffe reported on the CSDA Conference they attended.

L. Henry and V. Chaplin addressed the Board.

9c ADDITIONAL BOARD MEETINGS IN NOVEMBER & DECEMBER 2017

DM Lee introduced this item followed by Board discussion.

T. Norton and R. Shaw addressed the Board.

A motion was made to schedule additional BoD meetings on November 9th and December 7th. The Board voted unanimously to set the additional meetings.

UNFINISHED BUSINESS:

10a POST ASSESSMENT OF THE MERGER WITH LOMPICO WATER DISTRICT AND CONDITIONS OF LAFCO AGREEMENT

Dir. Bruce introduced this item followed by discussion by the Board.

T. Norton, R. Shaw, L. Henry, B. Fultz, D. Loewen and R. Moran addressed the Board.

Further discussion by the Board.

A motion was made to take this item to the Budget & Finance Committee with participation by LADOC. The motion was not seconded. No action was taken.

Board discussion continued.

Randall Brown presented a PowerPoint about Lompico.

Pres. Ratcliffe called a 10 minute recess.

10b POST ASSESSMENT OF THE 218 PROCESS

DM Lee described this item followed by Board discussion.

R. Shaw, B. Fultz, J. Hayes, B. Holloway, L. Henry, D. Loewen, T. Norton, S. Yergovich, R. Rogers and R. Shaw addressed the Board.

The Board discussed briefly.

10c CAPITAL IMPROVEMENT PROGRAM UPDATE

DM Lee introduced this item.

P. Norton and J. Hayes addressed the Board.

Dir. Hammer left.

Pres. Ratcliffe called a 5 minute recess.

B. Fultz and D. Loewen addressed the Board.

Board discussion.

J. Hayes, T. Norton and B. Fultz addressed the Board.

10d JOINT AGENCY MOA

Motion to approve the JPA MOA was made and seconded.

B. Holloway, B. Fultz and J. Ricker addressed the Board.

The Board discussed the matter.

The Board voted in favor of the motion, 3 ayes, Dir. Smallman opposed, Dir. Hammer absent.

10e ADMINISTRATION BUILDING

DM Lee described this item followed by Board discussion.

B. Fultz, R. Shaw & S. Yergovich addressed the Board.

10f ROTATING BOARD MEETING LOCATIONS

DM Lee described this item.

B. Fultz addressed the Board.

The Board discussed this item.

Staff was directed to prepare a calendar.

10g GROUNDWATER SUSTAINABILITY AGENCY BYLAWS

Dir. Baughman described this item.

Counsel offer to look at the bylaws.

J. Ricker, B. Fultz and B. Holloway addressed the Board.

CONSENT AGENDA:

11a BoD Minutes 9.21.17

11b Spec. BoD Minutes 9.21.17

11c Long Service Line Agreement

11d Annual Disclosure of Employee Reimbursements

B. Fultz requested that item 11c be pulled from the agenda

B. Holloway requested that item 11a be pulled from the agenda.

A motion was made to approve the items 11b and 11d. All present voted in favor (Dir. Hammer was absent).

The minutes of the BoD on 9.21.17 were questioned and will be brought back to the next meeting.

A motion to approve item 11c Long Service Line Agreement was made and seconded. All present voted in favor of the motion.

DISTRICT REPORTS:

Board discussion. It was noted that the name of the committee on page 157 should be Environmental and not Budget & Finance.

ADJOURNMENT:

President Ratcliffe adjourned the meeting at 11:58 p.m.

MEMO

To: Board of Directors
From: District Manager
Prepared By: Director of Operations
Subject: Declaration of Surplus Vehicles and Equipment
Date: November 9, 2017

Recommendation:

It is recommended that the Board of Directors adopt the attached resolution declaring the following equipment as surplus and direct staff to dispose of by advertised sale or auction.

- Truck #180 2003 Chev 1 Ton Pick up
- Truck #120 1993 Ford Explorer
- Truck #551 (Lompico) 1995 Toyota Pick up
- #VE-630 Air Compressor
- #VE-201 1990 Le-Roi Air Compressor

Background

The Districts 2016-17 Fiscal Budget provided for the replacement of vehicles that have reached their life expectancy. The vehicles have been purchased and placed in service. The vehicles replaced have reached their life expectancy and no longer have a use at the District.

One of the vehicles # 551(1995 Toyota) was acquired with the consolidation of Lompico. When acquired this vehicle was at the end of its life expectancy and was unsafe to drive. The two air compressors have reached their life expectancy and are no longer in use.

Summary

It is recommended that the Board of Directors adopt the attached resolution declaring subject equipment as surplus, and direct staff to dispose of by advertised sale or auction.

STRATEGIC PLAN:

Element 5.0 Fiscal Plan for support of Strategy

FISCAL IMPACT:

17/18 FY Budget TBD

SAN LORENZO VALLEY WATER DISTRICT

RESOLUTION NO. 12 (17-18)

SUBJECT: **RESOLUTION DECLARING SURPLUS VEHICLES AND EQUIPMENT AND PROVIDING FOR ITS DISPOSAL**

WHEREAS, pursuant to California Water Code §31041 the San Lorenzo Valley Water District ("District") is empowered to dispose of District property;

WHEREAS, the District's Director of Operations has reviewed various items of District vehicles and equipment and determined that they are of no further use to the District and that they should be disposed of; and

WHEREAS, the District's Director of Operations has reviewed and is recommending that it is in the best interests of the District to dispose of the following 5 items by auction or advertised sale using a competitive bidding process:

- Truck #180 2003 Chev 1 Ton Pick up
- Truck #120 1993 Ford Explorer
- Truck #551 (Lompico) 1995 Toyota Pick up
- #VE-630 Air Compressor
- #VE-201 1990 Le-Roi Air Compressor

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Lorenzo Valley Water District that the items of District property listed above are hereby declared to be surplus equipment, and the Board hereby directs the District Manager to proceed with disposing of the surplus property by auction or advertised sale using a competitive bidding process. Any items for which no bid is received may be sold for scrap. Any remaining items which are unsaleable may be otherwise disposed of as directed by the District Manager.

BE IT FURTHER RESOLVED that the Board hereby directs the District Manager, within 30 days after the sale or disposal of each item, to report to the Board in open session the sale price and the identity of the purchaser of each item sold or the recipient of any unsaleable item.

PASSED AND ADOPTED by the Board of Directors of the San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 9th day of November 2017, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

EQUIPMENT FILE - MAIN RECORD

Equipment Number:	VE-212	Vendor Code:	
Name:	LE-ROI AIR COMPRESSOR 1990	Vendor Name:	
Equipment Parent:	VE-212	Contact Person:	
Department:	04 OPS	Phone:	
Location:	FELTON ACERS	Mfr:	LEROI DIVISION
Address:		Model/Type:	AIR COMPRESSOR Q125GHE
Account#:	01-04-5044-212	Serial No:	2205X37
Asset Number:		Mfr Contact:	
System:		Mfr Phone:	
Asset?			
Cost:	\$0.00	GPS Latitude:	
Cost Year to Date:	\$0.00	GPS Longitude:	
Cost Life to Date:	\$0.00	Group:	
Avg Cost Per Year:	\$0.00	Tree Branch Only:	N
		PM Acitve Date:	00/00/0000
Size/Capacity:		PM Active:	Y
Rating:		Created:	00/00/0000
Weight:		Last Edited:	02/08/2012 09:25
Downtime Cost/Hr:	\$0.00	Last Edited By:	SCOTTMATTO
EQ Class:	ENGINE # 4931558	Purchase Date:	00/00/0000
EQ Sub Class:		Cost/Basis:	\$0.00
EQ Sub Sub Class:		Useful Life(Months):	0
		Annual Deprecation:	\$0.00
Date Installed:	00/00/0000	Salvage Value:	\$0.00
Build Date:	00/00/0000	Present Value:	\$0.00
Warranty Date:	00/00/0000		
Supervisor:		Image Folder:	

EQUIPMENT FILE - Meter Info

Avg Usage/Day Meter 1:	0.00	Avg Usage/Day Meter 2:	0.00
Usage Date Meter 1:	00/00/0000	Usage Date Meter 2:	00/00/0000
Previous Reading Meter 1:	0.00	Previous Reading Meter 2:	0.00
Meter 1 Reading:	0.00	Meter 2 Reading:	0.00
Meter 1 LTD Reading:	0.00	Meter 2 LTD Reading:	0.00
Meter 1 Units:		Meter 2 Units:	
Update Meter 1 From Master:	N	Update Meter 2 From Master:	N

EQUIPMENT FILE - Statistics - MTBF

All WO	Failure	PM	Other				
Range:	30	#Of:	0	0	0	0	
Begin Date:	04/22/1882	Part Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
End Date:	00/00/0000	Labor Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
		Other Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
		Total Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
MTBF for Date:	0.00	MTBF for Meter 1	0.00	MTBF for Meter 2	0.00		
Range:	90	#Of:	0	0	0	0	
Begin Date:	02/21/1882	Part Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
End Date:	00/00/0000	Labor Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
		Other Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
		Total Cost:	\$0.00	\$0.00	\$0.00	\$0.00	
MTBF for Date:	0.00	MTBF for Meter 1	0.00	MTBF for Meter 2	0.00		

EQUIPMENT FILE - MAIN RECORD

Equipment Number:	VE-180	Vendor Code:	
Name:	TRUCK 180 2003 CHEV 1 TON PICKUP	Vendor Name:	
Equipment Parent:	VE-180	Contact Person:	
Department:	04 OPS	Phone:	
Location:	TRUCK-180	Mfr:	
Address:		Model/Type:	2004 CHEV 3500 UTILITY
Account#:	01-04-5044-180	Serial No:	1GBJC34433E331547
Asset Number:		Mfr Contact:	
System:		Mfr Phone:	
Asset?			
Cost:	\$0.00	GPS Latitude:	
Cost Year to Date:	\$0.00	GPS Longitude:	
Cost Life to Date:	\$0.00	Group:	
Avg Cost Per Year:	\$0.00	Tree Branch Only:	N
		PM Acitve Date:	00/00/0000
Size/Capacity:		PM Active:	Y
Rating:		Created:	00/00/0000
Weight:		Last Edited:	08/04/2014 10:30
Downtime Cost/Hr:	\$0.00	Last Edited By:	SCOTTMATTO
EQ Class:		Purchase Date:	00/00/0000
EQ Sub Class:		Cost/Basis:	\$0.00
EQ Sub Sub Class:		Useful Life(Months):	0
		Annual Deprecation:	\$0.00
Date Installed:	00/00/0000	Salvage Value:	\$0.00
Build Date:	00/00/0000	Present Value:	\$0.00
Warranty Date:	00/00/0000		
Supervisor:		Image Folder:	

EQUIPMENT FILE - Meter Info

Avg Usage/Day Meter 1:	0.00	Avg Usage/Day Meter 2:	0.00
Usage Date Meter 1:	00/00/0000	Usage Date Meter 2:	00/00/0000
Previous Reading Meter 1:	0.00	Previous Reading Meter 2:	0.00
Meter 1 Reading:	0.00	Meter 2 Reading:	0.00
Meter 1 LTD Reading:	0.00	Meter 2 LTD Reading:	0.00
Meter 1 Units:		Meter 2 Units:	
Update Meter 1 From Master:	N	Update Meter 2 From Master:	N

EQUIPMENT FILE - Open Work Orders

WO#/REMARK	Work Cat.	Req. By.	ISS/REQ Date	Priority
17021600002	PM		02/16/2017	
Oil Change , Brake Inspection, Lights checked, Bac			10/01/2014	
15021700001			02/17/2015	
Rear Brakes failed. Front brakes marginal			00/00/0000	

EQUIPMENT FILE - Spare Parts

Part#	Quantity	Is Inv?	Name
BLOWER	1	Y	STHIL BLOWER FOR VE-180
DEWALT BATTERY/FUSE KIT	1	Y	18V XR DEWALT BATTERY
FUSES	1	Y	FUSE MIN 15 & FUSE MIN 30
GC-13 CONE CARRIER	2	Y	VEHICLE MOUNT CONE CARRIER
HARBOR TRUCK BODY	1	Y	REPLACEMENT LATCH FOR TRK 180
HD-51-0245-077	1	Y	2003 FULL SIZE CHEVY HUSKY FLO
HD-52-0511-085	1	Y	2003 FULL SIZE CHEV HUSKY CENT
LIGHT BULBS	1	Y	HEAD LIGHT BULBS FOR VE-180
MARX CHEV- BRAKE WIRE	1	Y	PIG TAIL FOR BRAKE CONTROLLER

EQUIPMENT FILE - MAIN RECORD

Equipment Number:	VE-630	Vendor Code:	
Name:	INGERSOLL-RAND AIR COMPRESSOR	Vendor Name:	
Equipment Parent:	VE-630	Contact Person:	
Department:	04 OPS	Phone:	
Location:	LYON TANK	Mfr:	
Address:		Model/Type:	IR AIR COMPRESSOR
Account#:		Serial No:	176012-176041
Asset Number:	01231	Mfr Contact:	
System:		Mfr Phone:	
Asset?			
Cost:	\$0.00	GPS Latitude:	
Cost Year to Date:	\$0.00	GPS Longitude:	
Cost Life to Date:	\$0.00	Group:	
Avg Cost Per Year:	\$0.00	Tree Branch Only:	N
		PM Active Date:	00/00/0000
Size/Capacity:		PM Active:	Y
Rating:		Created:	00/00/0000
Weight:		Last Edited:	00/00/0000 00:00
Downtime Cost/Hr:	\$0.00	Last Edited By:	
EQ Class:	PART #35374636	Purchase Date:	00/00/0000
EQ Sub Class:		Cost/Basis:	\$0.00
EQ Sub Sub Class:		Useful Life(Months):	0
		Annual Deprecation:	\$0.00
Date Installed:	00/00/0000	Salvage Value:	\$0.00
Build Date:	00/00/0000	Present Value:	\$0.00
Warranty Date:	00/00/0000		
Supervisor:		Image Folder:	

EQUIPMENT FILE - Meter Info

Avg Usage/Day Meter 1:	0.00	Avg Usage/Day Meter 2:	0.00
Usage Date Meter 1:	00/00/0000	Usage Date Meter 2:	00/00/0000
Previous Reading Meter 1:	0.00	Previous Reading Meter 2:	0.00
Meter 1 Reading:	0.00	Meter 2 Reading:	0.00
Meter 1 LTD Reading:	0.00	Meter 2 LTD Reading:	0.00
Meter 1 Units:		Meter 2 Units:	
Update Meter 1 From Master:	N	Update Meter 2 From Master:	N

EQUIPMENT FILE - Spare Parts

Part#	Quantity	Is Inv?	Name
AIR COMPRESSOR BATTERY	1	Y	CEL10861, DANSS-2P
AIR COMPRESSOR REPAIR	1	Y	REPAIR ON AIR COMPRESSOR @ WTP
AIR COMPRESSOR SERVICE	1	Y	SERVICE ON DISTRICT AIR COMPRE
BATTERIES	1	Y	AA BATTERIES FOR SMALLL TOOLS
TIRES FOR AIR COMPRESSOR	1	Y	TIRES FOR AIR COMPRESSOR

EQUIPMENT FILE - Statistics - MTBF

All WO	Failure	PM	Other				
Range:	30	#Of:		0	0	0	0
Begin Date:	04/22/1882	Part Cost:		\$0.00	\$0.00	\$0.00	\$0.00
End Date:	00/00/0000	Labor Cost:		\$0.00	\$0.00	\$0.00	\$0.00
		Other Cost:		\$0.00	\$0.00	\$0.00	\$0.00
		Total Cost:		\$0.00	\$0.00	\$0.00	\$0.00
MTBF for Date:	0.00	MTBF for Meter 1		0.00	MTBF for Meter 2		0.00

EQUIPMENT FILE - MAIN RECORD

Equipment Number:	VE-120	Vendor Code:	
Name:	TRUCK 120 1993 FORD EXPLORER	Equipment Name:	ENGINEER
Equipment Parent:	VE-120	Contact Person:	
Department:	ENGINEER	Phone:	
Location:			
Address:		Mfr:	FORD
Account#:		Model/Type:	1993 FORD EXPLORER
Asset Number:		Serial No:	1FMCU24X4PUC95963
System:		Mfr Contact:	
Asset?		Mfr Phone:	
Cost:	\$0.00	GPS Latitude:	
Cost Year to Date:	\$0.00	GPS Longitude:	
Cost Life to Date:	\$0.00	Group:	
Avg Cost Per Year:	\$0.00	Tree Branch Only:	N
		PM Active Date:	00/00/0000
Size/Capacity:		PM Active:	Y
Rating:		Created:	00/00/0000
Weight:		Last Edited:	00/00/0000 00:00
Downtime Cost/Hr:	\$0.00	Last Edited By:	
EQ Class:		Purchase Date:	00/00/0000
EQ Sub Class:		Cost/Basis:	\$0.00
EQ Sub Sub Class:		Useful Life(Months):	0
		Annual Deprecation:	\$0.00
Date Installed:	00/00/0000	Salvage Value:	\$0.00
Build Date:	00/00/0000	Present Value:	\$0.00
Warranty Date:	00/00/0000		
Supervisor:		Image Folder:	

EQUIPMENT FILE - Meter Info

Avg Usage/Day Meter 1:	0.00	Avg Usage/Day Meter 2:	0.00
Usage Date Meter 1:	00/00/0000	Usage Date Meter 2:	00/00/0000
Previous Reading Meter 1:	0.00	Previous Reading Meter 2:	0.00
Meter 1 Reading:	0.00	Meter 2 Reading:	0.00
Meter 1 LTD Reading:	0.00	Meter 2 LTD Reading:	0.00
Meter 1 Units:		Meter 2 Units:	
Update Meter 1 From Master:	N	Update Meter 2 From Master:	N

EQUIPMENT FILE - Spare Parts

Part#	Quantity	Is Inv?	Name
DOOR HINGES	1	Y	VE-120 DOOR REPAIR
HAZMAT FEE	1	Y	HAZARDOUS WASTE FEE EPA#000089
LABOR	1	Y	INSTALLATION OF LIFT GAT AND T
SERVICE	1	Y	TUNE UP FOR VE-180, NEW BATTER
SERVICE TRUCK 120	1	Y	SHOCKS, OIL, FAN SWITCH RESIST
SMOG	1	Y	SMOG CHECK W/ CERTIFICATE, VE
SMOG TRUCK 120	1	Y	SMOG CHECK ENGINEERING FORD EX
TRUCK 120	1	Y	TRANNY - HEATER REPAIR

EQUIPMENT FILE - Statistics - MTBF

All WO	Failure	PM	Other				
Range:	30	#Of:		0	0	0	0
Begin Date:	04/22/1882	Part Cost:		\$0.00	\$0.00	\$0.00	\$0.00
End Date:	00/00/0000	Labor Cost:		\$0.00	\$0.00	\$0.00	\$0.00
		Other Cost:		\$0.00	\$0.00	\$0.00	\$0.00
		Total Cost:		\$0.00	\$0.00	\$0.00	\$0.00

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Notice of Transfer and Release of Liability

Please print this receipt for your records.

Date	05/27/2016
Time	09:46:14
License Plate Number/CF Number	017280
VIN/Vessel Hull Id.	4TAJN73C2SZ012551
Vehicle Make	TOYT
Year Model	1995

New Owner Information

Last Name	SAN LORENZO VALLEY
First Name	WATER DIST
Address	13060 HIGHWAY 9
Apt. Number	
City	BOULDER CREEK
State	CA
Zip	95006

Sale Information

Odometer Reading	165811
Odometer Code	Actual Mileage
Sale Date	05/27/2016
Selling Price	0
If This is a Gift	No

Seller's Information

Last Name	LOMPICO COUNTY WATER
First Name	DISTRICT
Address	11255 LOMPICO ROAD
Apt. Number	
City	FELTON
State	CA
Zip	95018

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LADOC Meeting 10/5/2017

CONVENE MEETING/ROLL: 12:00pm at new location Zayante Fire Station

ORAL COMUNICATIONS: none

REVIEW OF MINUTES:

- MINUTES FROM LADOC 8/8 REGULAR MEETING
 - Review and discuss minutes revised/updated minutes from 8/8 regular meeting
- MINUTES FROM LADOC 9/12 REGULAR MEETING
 - Review and discuss minutes from 9/12 regular meeting

OLD BUSINESS:

- DISCUSSION OF PLANS, QUESTIONS AND TOPICS OF DISCUSSION FOR FIRST QUARTERLY MEETING WITH FINANCE MANAGER AND CHAIR OF BUDGET AND FINANCE COMMITTEE
 - General discussion and brainstorming in preparation for November First Quarterly Meeting with SLVWD Finance Manager and Chair of Budget and Finance Committee
 - Toni will send email to Stephanie Hill to request the financial report by end of October so we all have time to review.
 - All committee members will review the report and be prepared to discuss at the quarterly meeting next month.
 - Brainstorm questions to ask at meeting and to consider when reviewing financials:
 - Final cost for the meters (labor & materials)
 - Verify accuracy of administrative cost for meters (10 minutes/household)
 - Confirm SCADA is not included in our expenses
 - Ask for more information about NBS including whose paying their fees
 - If are they managing the money what is their role?
 - How is money received from the county used? How much? Who are they accountable to?
 - Is money only distributed from the county to SLVWD as projects are started?
 - June 2016 – June 2017 & first quarter end Sept 2017
 - What is the process if we challenge figures in the report
 - Board, Grand Jury, County, Door to Door in Lompico to make it public
 - Where is the value of the meters (recycling fees) taken out of AD
 - \$1300 into Lompico truck? Where is the truck? Is this being billed to the AD?
 - Sawblades charged to AD \$1300 where are they? It is likely they are used to service the entire SLVWD district. Is this being billed to the AD?
 - What are the Assessment rules governing how money is spent? Where can we get more information on this? Email sent to county and we never heard back. Toni will talk to Bruce McPherson to see if he can provide more info.
 - How have assessment costs being tracked? Is there a system for tracking them moving forward?
 - We have been informed that the administrative committee was able to hire a consultant and we are wondering if we can do the same? Would this be charged to the AD or would it be an operations cost? How would we do it?
 - What happens to the money if they do not ever do a project that money is allocated for in the AD?

- What happens to the interest money we paid for a loan that they have not yet gotten? 183K extra was paid by Lompico to cover the interest of a loan that SLVWD is not actively trying to obtain.
- DISCUSSION OF ASSESSMENT CONSTRUCTION RELATED COSTS/LOW INTEREST LOANS
 - Discuss DM Lee's assertion that the Assessment Agreement is "pay as you go". If that's the case, then will SLVWD be repaying us the \$183,734 that was added to the Assessment charges to pay for a low interest loan so SLVWD could, as they said, "Get a head start on the listed projects"?
- DISCUSS PROBLEMS RELATED TO ATTEMPTS TO REACH LADOC VIA SLVWD LADOC PAGE.
 - Sent email to BOD email asking for information regarding how they respond to email messages asking for info from LADOC. Have received complaints regarding no response and we have yet to receive any forwarded requests from that source or any requests from SLVWD to LADOC from customers. Will share any response if received.
- POSSIBLE RESPONSE FROM FINANCE MANAGER REGARDING WHETHER OR NOT WE'LL BE RECEIVING REPORTS FROM PAST QUARTERS OR IF ALL INFO TO DATE WILL BE INCLUDED IN OCT QUARTERLY REPORT
 - Sent Finance Manager Hill an email query, awaiting response.
 - All reports provided will be to end of Sept 2017.

NEW BUSINESS

- DISCUSS NEED FOR COMMON COURTESY AND RESPECT
 - Discuss difficulties obtaining info and receiving responses to requests. Discuss possible solutions.
 - No friends in SLVWD no friends on the Board.
- Plan to add a new standing agenda item for a report from LADOC members who have attended other SLVWD meetings.

ADJOURN MEETING: 1:20pm

**SAN LORENZO VALLEY WATER DISTRICT
ENGINEERING COMMITTEE MEETING MINUTES**
October 23, 2017
9:00 a.m.

CONVENE MEETING/ROLL CALL:

Chair Hammer convened the meeting at 9:02 a.m.

Dir. Hammer and Public Committee Member Dan Fitzpatrick were present as well as District Manager Lee.

ORAL COMMUNICATIONS:

E. Frech, Lompico, addressed the Committee.

Dir. Smallman arrived at 9:04 a.m.

UNFINISHED BUSINESS:

3A REVIEW CAPITAL IMPROVEMENTS

Discussion by Committee regarding CIP.

D Loewen, Lompico, addressed the Committee.

3B STORM DAMAGE STATUS

Discussion by Committee regarding FEMA projects.

D. Loewen addressed the Committee.

3C BLUE TANK REPLACEMENT - bring to next Committee meeting

3D PASATIEMPO WELL 6 REPLACEMENT - bring to next Committee meeting

ADJOURNMENT:

Chair Hammer adjourned the meeting at 10:10 a.m.

The Price of Functioning Infrastructure

October 6, 2017

By Chris Finnie

Oliver Wendell Holmes, Jr., Associate Justice of the Supreme Court of the United States from 1902 to 1932, was reported to have said in a speech, “Taxes are the price we pay for a civilized society.” I’m going to lump fees in with that—in this case, water fees.

In recent decades, lawmakers have been reluctant to charge that price to upgrade infrastructure. It’s rarely popular with voters, and they’ve found it difficult to justify during round after round of recession.

But we’re now seeing the price of the lack of investment. We see it the Flint water system. At the Oroville Dam. And in the Pfeiffer Canyon Bridge collapse.

Locally, we see it in the frequent main breaks and leaking storage tanks in the antique infrastructure of the geographically large San Lorenzo Water District. According to district manager Brian Lee, much of the current infrastructure dates back to the beginning of local water districts almost 100 years ago.

Sometimes You Just Have to Replace It

Anybody who owns a car or a house knows that they take regular maintenance or they break down. It’s just a fact of life. Sometimes you also have to replace things because patching them up just doesn’t work anymore. That’s pretty much the situation we find ourselves in now.

When I asked the district how they determine when it’s time to replace instead of repair, district manager Brian Lee gave me the example of a cost/benefit analysis they did at a similar district where he worked before. “We compared multiple years of repair and replacement data to try and discern any patterns. What we found was interesting:

- The cost to repair a single line is almost always cheaper than replacement, when viewed individually.
- There is a point where the labor required to repair mainlines is no longer sustainable. When there are too many leaks in need of repair the cost of labor becomes a choke-point. The system reaches critical repair mode. Simply put, the District could not afford to hire the number of crews necessary to keep up with the needed repairs.”

As he also pointed out, more main breaks mean more people who have to go without water more often.

Enough Money to Operate, Not Enough to Upgrade

Which brings us to the rate increase. Comparing the new rates to surrounding areas was difficult because they all charge differently. But an average charge of \$178/2 months for SLVWD customers roughly corresponds to \$116 in charges for San Jose, \$196 in San Francisco, or \$162 in Los

Angeles. According to an article by KQED in March of this year, two months of water costs the average U.S. household about \$240.

So, the increased rates would put SLVWD users about in the middle of rates in California, and below the national average.

The money will be used for infrastructure projects and building emergency reserves. Since 2014, the District has completed \$11.85 million of capital improvements, including several interties, pipeline replacement, treatment plant computer upgrades, well repairs, and progress on tank replacement. The majority of recent capital project expenditures relied on proceeds from the sale of district-owned property. Former board member Randall Brown provided a history of the sales, how the money was invested, and how it was used.

To make a long story short, the district sold watershed property for \$1.2 million in cash and \$9.7 million in promissory notes with an interest rate of 8 percent. After 10 years of payments, the district expected to receive a total of \$13.4 million. But, like a lot of us with retirement savings invested in the market, the district's investments were hit by unfavorable market swings—especially the market crash of 2008. However, because the district had made commitments to do a number of these projects, they had to sell investments at a lower rate. They also spent \$545,000 to preserve other watershed property.

The end result is that the money the district has been using for capital improvements is gone, but the need for improvements is not.

As customers, we have a choice, we can either preserve our access to high-quality water by paying higher rates for needed upgrades. Or we can keep patching the system until it crumbles—at which point the replacement costs will likely be much higher.

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