



**NOTICE OF SPECIAL
BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER DISTRICT
MINUTES
May 7, 2020**

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.

Thursday, May 7, 2020 at 6:30 p.m., via videoconference and teleconference.

AGENDA

1. Convene Meeting 6:30 p.m.
2. Roll Call:
President Swan, Director Henry, Director Fultz, Director Moran, Director Farris were all present via videoconference.
Staff present: C. Blanchard, J. Furtado, S. Hill, H. Hossack, D. Langfield, G. Nicholls, R. Rogers
3. Additions and Deletions to Agenda: None
4. Oral Communication
Pres. Swan addressed the public to say that each person will be given 3 minutes to speak on each item and once per topic.
5. Old Business: Pres. Swan moved item 5d Letter to PG&E to the first position for discussion.
 - d. LETTER TO PACIFIC GAS & ELECTRIC
R. Rogers introduced this item and read the staff memo.
L. Henry said that she thinks this was a failure of proper procedure. The original letter was written by a Board member on the Environmental Committee, with the input from staff and the public. She thinks it was not proper procedure to have the letter rewritten by another Board member.
B. Fultz with respect to the procedure, he thought it was brought to the Board for edits since there was not a committee meeting.
R. Moran he said the original letter was submitted by a member of the Environmental Committee during Oral Communication. It was then taken to the Board for discussion. He was unable to participate

in the rewriting of the letter due to technical difficulties. He thinks the letter addresses the District's interests.

Pres. Swan said that he thinks the letter is fine. He made a motion that the Board approve the letter as written by the team of individuals involved in writing it. It will be sent to the individuals listed on the letter and listed in the agenda packet. The motion was seconded.

B. Fultz question to whom and in what form the letter should be sent. He thinks the letter should be sent to PG&E with copies going to the others listed.

S. Swan said that we'll send a copy to PG&E and cc all the other people. That's his motion. It was seconded again.

Four Board members voted in favor of the motion. Dir. Henry voted no. The motion passed.

a. UNFUNDED LIABILITIES

R. Rogers introduced this item and read from the staff memo.

Pres. Swan expressed his appreciation to staff, to S. Hill particularly, for putting this item together.

S. Hill presented a PowerPoint regarding the unfunded liabilities.

Pres. Swan thanked S. Hill and asked if R. Rogers wants to go into the tanks and infrastructure portion of the unfunded liabilities or take questions on S. Hill's presentation now.

R. Rogers said the he suggests taking questions now.

Pres. Swan reminded the Board members that this is not a deep dive. Please limit your questions to pertaining to the presentation.

L. Farris questioned if S. Hill knows the justification for SB400.

S. Hill does not know. She believes that it was overfunded and everyone was floating on the .com bubble.

L. Farris questioned if CalPERS sent the District a bill for \$5 million in 2017, to lower their projections.

S. Hill said it has nothing to do with CalPERS. Governmental Accounting Standards required that the District had to show future obligations are on your books.

Discussion by Board and staff regarding unfunded employee pension payments.

B. Fultz questioned what is the 15 or 20 year return on investment CalPERS is getting.

S. Hill said that she doesn't have that information in front of her but over the long term it's about 7%.

B. Fultz questioned if that percentage is correct.

L. Ford questioned what staff is planning to do with the unfunded liabilities. He wondered what opportunities are there for grants or

subsidies. Has staff considered partnering with other water districts for state or federal government subsidies.

S. Hill is not aware of any discussion of grants or subsidies.

G. Mahood said that as she understands it the District has established one trust to pay down the unfunded liabilities for medical benefits but have not allocated any money for it. It also sounds like the District hasn't budgeted for one-time \$50,000 payments to cut the other part of the unfunded liability.

S. Hill said that is correct. One of the things staff wanted to do with the budget process was discuss the unfunded benefit liabilities at the Budget and Finance Committee to hopefully get the money allocated during this budget.

G. Mahood encouraged the District to start having committee meetings.

B. Thomas said that she has a history with CalPERS and she knows that CalPERS was estimating 6.7% return on investment for 2018-19. Over 30 years they averaged 8.1%.

J. Furtado presented his Water Tank Unfunded Liability.

Pres. Swan questioned how long it takes to do a tank inspection and painting/coating.

J. Furtado said diving/inspections take 4 - 6 hours. Lyon Tank (3 million-gallon tank) takes 8 hours. Painting and coating can take up to 2 weeks.

R. Rogers said one of the big concerns on the single tanks is keeping customers in water.

Pres. Swan questioned if that is included in the cost.

R. Rogers said that is done in house.

J. Furtado noted that the date of last inspection is noted in the spreadsheet. Minor repairs and touch-up painting has been done to some of the tanks.

L. Henry noted that Big Steel is 80 years old. You're saying it will last forever.

J. Furtado said yes, as long as it is maintained. Repairs can be done on steel tanks.

R. Moran said that planned maintenance keeps costs down.

Discussion by Board, staff and public regarding tank maintenance, inspection procedures and tank sizing.

b. LOW INCOME RATES

R. Rogers introduced this item and read the staff memo.

S. Hill presented a PowerPoint regarding a Low Income Rate Assistance program.

L. Farris said that he supports a LIRA program. Particularly a program that has a modest start, legally viable and helps the most

deserving rate payers. He has learned that property tax revenue is not a steady flow of funds. He said he would hate to start a program and then have to stop it for lack of revenue. He recommends that the District pause the process for 6 months and hope at the time our financial future will be stable.

L. Henry said she is still looking for more information on AB 401. She suggested a test program with \$25,000.

R. Moran fully supports helping the neediest. The fact that the District is not shutting off water now, is in fact a LIRA program now. We should pressure the State to move ahead with AB 401.

Pres. Swan agrees with the other Directors. He is inclined to wait and let the State do something. The fact that we are not turning off water is in effect a LIRA program. He said he is leaning toward Dir. Farris' suggestion of waiting 6 months to see what happens.

T. To supports the LIRA program but she understands all of the other District costs. She doesn't think there should be a cap on the LIRA funds, lower income should come first. She also doesn't agree waiting 6 months.

L. Ford said that he thinks this is an important program. Focus on the needy. Look into grants for this program or for other projects that will free up funds for this program.

J. Mosher funding with property tax and other income should be reviewed. Not doing turn offs doesn't make a LIRA program, it's just delaying the paying of bills. He believes that this program needs to be put in place now.

C. Dzendzel all of the concerns raised are valid. She would like to hear more from S. Hill about the need she observes. She thinks staff can guide us through this.

E. Fresco said she would like to see a test program. She doesn't agree that we should wait for the State to do something.

B. Thomas said she is concerned that a temporary program will be confusing. She supports a program.

M. Dolson said that he doesn't understand a good reason for waiting 6 months.

A. Zilber said she is glad that the Board is considering a LIRA program. She thinks it is important not to wait too long and to move forward with the program.

L. Farris clarified that he wasn't saying that he wanted to wait for the State. He is saying he would like to wait for a stable revenue source.

B. Fultz said that programs like this are most effective at scale and we are a small district. He hopes the State will quickly look at this. He thinks this should be taken to committee. He asked G. Nicholls legally is there any way to target those most in need.

G. Nicholls said in terms of identifying those in need. The significant difficulties are what constitutes financial need and how to determine eligibility. The State Water Board recommended relying on the PG&E Care Program.

L. Henry she suggested a pilot program to make sure it works.

M. Lee said the FSLVW is doing a great job. The Board is too conservative. The District needs to move forward.

S. Swan suggested that this item be sent to the Budget & Finance Committee. A little more time will allow us to understand the conditions of our valley. Board and staff agreed.

c. SCHEDULED RATE INCREASE

R. Rogers introduced this item and read the staff memo. Staff recommends that the Board vote to move ahead with the scheduled rate increase.

S. Hill said she will be happy to answer questions but she thinks the information shows the compounding effect when a rate increase doesn't occur.

R. Moran asked S. Hill for specifics on the long term negative impacts on the financial health of the District if we don't go ahead with the rate increase.

S. Hill we would lose \$1.3 million over 5 years. That would have an effect on unfunded liabilities, being able accelerate or fully fund deferred maintenance, pretty much everything we talked about at this meeting would be affected. Our 20-21 budget is coming in break even, meaning we wouldn't be able to fund these programs.

Pres. Swan said he hates Prop 218, it's a license to steal. The District should operate within its means. Having been on the Board he sees the reality that there are expenses that need to be addressed.

B. Fultz said historically whenever there has been a Prop 218 process all of the increased revenue has gone to increased operating expenses. There are many unfunded liabilities. There are lots of places for money to go. He is looking at this year's proposed budget and he's not sure he understands the concept of flat. He is not in favor of the rate increases.

L. Farris said he has been thinking about this a lot. He promised himself that he would always have the best interest of the District in mind, he would listen to staff and he would listen to rate payers. Rate payers are tired of rate increases. If we reduce the rate increase, we effectively reduce it forever. One rate payer suggested that we have a temporary rollback of rates for all rate payers. I think that is worth considering. At the same time this is probably the worst time to consider not going through with the rate increase. He suggested some sort of rate increase.

L. Henry said she heard a comment about wasting money. She looked back at what this Board has done since December 2018:

- We have an Engineering Dept. - saving money from contractors
- We will have a Master Plan by the end of the year
- Eliminated lawsuits - reducing attorney fees
- Probation Tank was completed - an award winning project
- Swim Tank is being replaced at a cost savings of \$500K
- We're working on a Fire Management Plan
- We're working on the Integrated Pest Management Plan
- Lompico replacement tanks are in progress
- Expanded committee participation
- Public Advisory Committee for Facilities
- Public Outreach
- New website
- Secured a loan for capital improvements
- Banned glyphosate
- Started the process for replacing the Lyon Tank Access Road
- Purchased 9 generators to help keep pumps running during PSPS
- Moving ahead with the appraisal of the Manana Woods Well site
- Pipeline Projects
- Revised Fall Creek Fish Ladder
- Upper Zayante Wood Enhancement Project (grant funded)

We haven't been wasting money, we've been moving forward. She agrees with Pres. Swan about Prop 218 but it's almost impossible to stop a rate increase. She thinks we need the rate increase to move forward. The budget is not written in stone.

J. Mosher said that he agrees with L. Henry. Your operating budget is going up because you're doing a lot of work. The rate increase has already been voted for. This District desperately needs to continue to fund.

T. To said that she supports LIRA and the rate increase.

N. Macy thinks it imperative to keep the rate increase. Trust the staff.

P. Gelblum nobody said you didn't need the money from the rate increase. Somebody said it was a campaign promise. You did lots of things you promised. The rate increase will add \$1 or \$2 to the bill, as he understands it. Identify costs to be cut. Trust the staff.

C. Dzendzel said that she sees leaking pipes in her neighborhood, crumbling roads she really wants infrastructure to be improved.

A. Zilber we've had a low rainfall year this year so far and she is concerned about fire so it would be fabulous if we could keep moving forward with tank repair and replacement.

G. Mahood said she advocates for the 5% rate increase. She understands that operating expenses are rising at rates greater than our revenues. Identify expenses that are unnecessary. Not raising

rates is leaving money on the table. The danger of not increasing the budget in one year has a compounding interest effect, you can never get that money back.

M. Dolson said everyone agrees that the District has expenses and the more revenue they have to meet the expenses the better. Everyone agrees that the Board and staff have done a number of outstanding things. Everyone wants to spend as little as possible. Two directors think that the District can magically achieve that goal by imposing a limit on spending.

L. Ford in the past one of the previous Boards made a decision not to go ahead with a scheduled rate increase, causing a delay in infrastructure improvement. From his point of view a few more dollars a month is perfectly affordable. Look how long we've been trying to catch up on the deficit.

E. Fresco said it would be short-sighted to forego this rate increase. Dir. Fultz said something about the optics of the rate increase and she thinks Dir. Henry made a very good case for your optics.

Pres. Swan said the Board doesn't have to do anything right now.

L. Henry made a motion to keep the rate increase because we need to get this budget done.

R. Moran commented that he is trying to understand this process. When he hears that the price of water has been historically underpriced, that's maybe why other people have spoken about the percentage our water bills have gone up in the last few years. I would gladly find other ways to save money to make sure that I have safe, reliable water. Dir. Henry made a long and eloquent list of what this Board has accomplished. All of those things took money. He said he hasn't seen this Board misspend money. One of the most important things about being on this Board is being transparent. He seconded Dir. Henry's motion.

S. Swan wondered if we need this vote. The rate increase is already scheduled.

R. Rogers said the purpose of the vote is that staff would like to know if we are going to have the money in the budget. We're spending a lot of time on this and we're not making a decision. This needs to be put to bed so we can move ahead.

L. Farris commented that the rate payers have made a good point. There's been a motion and a second, aren't we required to hear that vote.

G. Nicholls said yes, there needs to be a vote taken.

Three Directors voted in favor of the motion. Directors Fultz and Farris voted no. Motion passed.