

August



**BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER
DISTRICT
MINUTES
August 5, 2021**

Thursday, August 5, 2021, at 5:30 p.m., via videoconference and teleconference.

1. Convene Meeting/Roll Call

Board Members Present:

Gail Mahood, President
Lois Henry, Vice President
Jayme Ackemann, Director
Bob Fultz, Director
Mark Smolley, Director

Staff Present:

Rick Rogers, District Manager
Gina Nicholls, District Counsel
Holly Hossack, District Secretary

2. Additions and Deletions to Closed Session Agenda: None

3. Oral Communications Regarding Items in Closed Session: None

4. Adjournment to Closed Session 5:32 p.m.

5. Convene to Open Session at 6:30 p.m.

6. Report of Actions Taken in Closed Session

G. Nicholls said that the Board voted unanimously to make the following report out of Closed Session:

The District proposed a meeting of principals with the County in an effort to reach an early resolution on the County's Bear Creek Road lawsuit against the District. This week the County accepted the District's meeting proposal and accordingly the District will proceed to schedule the meeting to take place in August.

7. Re-Convene Meeting/Roll Call

Board Members Present:

Gail Mahood, President
Lois Henry, Vice President

Jayme Ackemann, Director
Bob Fultz, Director
Mark Smolley, Director

Staff Present:

Rick Rogers, District Manager
Gina Nicholls, District Counsel
Holly Hossack, District Secretary
Carly Blanchard, Environmental Programs Manager
Kendra Reed, Acting Director of Finance and Business Services
Scott Mattoch, Network Specialist

8. **Additions and Deletions:** None

9. **Oral Communications:** None

10. **Directors Reports:** None

11. **New Business:**

- a. PROPOSTION 218 PUBLIC HEARING ON PROPOSED WILDFIRE
RECOVERY SURCHARGE ON WATER RATES

Pres. Mahood convened the Public Hearing at 6:33 p.m.

R. Rogers provided a PowerPoint presentation explaining the need for the Wildfire Recovery Surcharge.

Pres. Mahood opened the meeting to Public Comment with the stipulation that each member of the public will be allowed to speak once and for no more than 3 minutes. There will be no further opportunities for the public to comment.

Due to technical difficulties with the Zoom Meeting, Pres. Mahood called on every public attendee to ask if they had a comment.

C. DeIMasso made a comment that she understands that without the surcharge we have no reserves. What will the District not be able to do?

A. Zilber said that she supports the surcharge. She doesn't see how we can move forward with planned projects without it.

B. Thomas said that it is important to understand what would happen if this doesn't happen now. Why is it not possible to wait longer to see what the actual charges are going to be?

C. Dzendzel thanked the Board and staff for everything they have done and the presentation. She thinks it is important to have redundant water supply and get all of the resources back on line.

D. Kurtz said that he thinks that temporary taxes invariably become permanent.

D. Rice said that she supports the surcharge.

E. Fresco appreciated the presentation and she supports the surcharge.

Giancarlo what happened with the protest vote.

J. Hill said he supports the surcharge.

J. Peters said that she doesn't support the surcharge.

E. Ginger said he is opposed to the surcharge.

J. Cucchiara said that he is opposed to the surcharge.

J. Mosher expressed his appreciation to the Board and staff to make the responsible decision to get this surcharge out to rate payers in advance of the necessity. He supports the surcharge. He suggested that the Board consider expanding the Rate Assistance Program.

K. Holl said that she supports the surcharge.

L. Ford said that he supports the Water District. He noted that work has been done already with more to be done. He is concerned about another wildfire season. It's our responsibility to pay for this.

L. Skeff said she is in support of the surcharge.

L. Summers supports the surcharge and appreciated the presentation.

M. Loik said thank you to the Board and staff he supports this surcharge and also the Rate Assistance Program.

A. Layng said that she is against the surcharge. She thinks it would have been a better idea to merge with Scotts Valley Water.

M. Dolson said that he supports the surcharge.

O. Terry said that R. Rogers presented the technical presentation in an understandable way. He would like to see a uniform movement against CalFire and US Forest Service regarding planes not being able to help with the fire fighting.

V. Wright thanked the Board and staff for the good work on the surcharge.

R. Lewis echoed J. Mosher & L. Ford. He supports the surcharge.

W. Burford said that he was moved by the presentation and agreed that hardening of infrastructure is important. He thought the process was rushed.

Nichole said that she supports the surcharge.

W. Saunders said that he supports the surcharge strongly.

Lynne said that she was undecided and would like to see an extension for the ballots.

W. Gutzwiller said the presentation was thin on facts. He proposed to the District that they combine the smaller projects. He is concerned that he didn't receive a response to his

G. Mahood announced a 10 minute recess at 7:45 p.m.

G. Mahood reconvened the meeting at 7:55 p.m. and asked the District Secretary how many protests were received by the District.

The District Secretary said that the District received a total of 547 protests.

G. Mahood verified that the number of protests were a raw or unvalidated number of protests. She asked the District Manager what the number of protests that would constitute a majority under Proposition 218.

R. Rogers said that majority would be 3,866.

G. Mahood asked the Dist. Manager how that number was determined.

R. Rogers responded that using the 7,731 APNs 50% of that, plus 1, would be 3,866.

G. Mahood asked the District Counsel if based on the numbers is it necessary to validate the protests.

G. Nicholls said that the number of protests is far below the number of protests needed so validation of the protests is not necessary. Legally it is considered manifestly apparent that no majority protests exists so there is no

need to validate the protests. Additional process would have been needed to validate.

J. Ackemann said thank you to the public for their comments. She asked about the length of time for this process for the Prop 218.

G. Nicholls responded that 45 days is what is required between the mailing and the hearing and that was done this time. She pointed out that there were several meetings that addressed this prior to this hearing.

J. Ackemann continued saying insurance doesn't cover everything that was damaged, and there is work that is not covered by FEMA leaving costs that we would still be responsible for, is that correct?

R. Rogers said that she was correct. It depends on how much the Board wants to accomplish. Bids to clean up around pump sites are coming in \$20,000 - \$25,000, which is very high. We need to do the hardening around our facilities, we need to protect our well field, and our redwood tanks. Our costs are going to be higher because of the age of our infrastructure.

J. Ackemann asked how long the 354 connections that were without water.

R. Rogers said that the reserves went quickly. We were close to being out of cash. \$5 million in reserves would be better. Our system is still fragile and we have a lot to do.

J. Ackemann asked G. Nicholls about the concern that the surcharge will be never-ending.

G. Nicholls said that the surcharge cannot go beyond the 5 years without going through another Prop 218 process. It will automatically end.

B. Fultz said that he agrees that the District is responsible for a portion of the cost of repairs. People should understand that the District understands the issue associated with burning through our reserves. We have to pay for the repairs before we can be reimbursed by FEMA so a \$15 million loan was taken out.

R. Rogers said that it is approximately a 50/50 split between fire related projects and projects not related to the fire.

B. Fultz also mentioned that costs for operating the District and the capital required to repair the infrastructure is related but separate. As long as operating expenses are going up as rapidly as they are we need to ensure that everybody understands why that is, what we are getting for that, and

what that means for water bills. We are looking at \$200/month water bills. It's not a question of if we pay for this, it's how we pay for it. He would like to see more fiscal restraint on the rapid increase of operating expenses. He does not want the surcharge at this time.

L. Henry responded to a question by the public regarding concern for Low income people. She said that we do have a test program in place for Rate Assistance. Not many have signed up for the program. She said that she supports the surcharge. Waiting will make it more expensive.

M. Smolley said that he has heard support for this process and comments saying that we should wait until we know how much we need exactly. We know that we will need a significant portion, we've already spent a significant portion of our reserves. He supports moving ahead with the surcharge and he would like to make a motion that we put this to a vote.

G. Mahood read the motion. The resolution is to fix and adopt a water surcharge to pay for CZU Wildfire recovery and repairs of the San Lorenzo Valley Water District.

M. Smolley made that motion.

L. Henry seconded the motion.

G. Mahood said that we now have a motion on the table and asked for further comment by the Board.

J. Ackemann said that a rate study is coming up. This money is not about addressing any structural/operational needs. This money is for the recovery from the CZU Wildfire.

R. Rogers said that the rate study is going to look at expenditures and what the District needs to support them. Staff will evaluate operational costs to see what we can do to reduce costs.

J. Ackemann noted that new infrastructure is less likely to need repair/maintenance, in the near term. See shared that the rental relief program also covers utilities.

B. Fultz said that if we changed our operating costs from the current 7.1% a year down 5.5% a year, that's \$2.5 million in savings in the next 5 years, reducing the burden on the community. He said that we have reserves today, we took out a \$15 million loan to ensure that we had cash to do both the construction and to make sure we had cash in the bank as reserves.

G. Mahood said when the Board made the decision to go for the larger loan of \$15 million, about half of that was supposed to be devoted to deferred maintenance and infrastructure upgrades. What do we give up if we don't get the surcharge? We give up deferred maintenance and upgrades. These are long standing problems that we need to address. We know that we will have to do these things so we should do it as soon as we can because we don't want the system to be fragile. She emphasized that the Board wants this to be temporary, it will automatically disappear after 5 years unless it isn't all needed, then the Board will end the surcharge ahead of time. The surcharge is a restricted account that can only be used on CZU Wildfire recovery. If the money received is not needed, we will reimburse the rate payers.

G Nicholls said that the resolution that is before the Board has the money going into a restricted account, there isn't anything else the District can do with the money. If there is a surplus, it will have to be refunded.

G. Mahood said that she doesn't disagree with Dir. Fultz's concern with bending the curve on operating costs. She differs with Dir. Fultz on time scales. We have things we need to do to recover from the fire in the next couple of years. You cannot change the operating budget of an organization like ours in a single year and make the repairs that we need to make. We have a short term problem that we need the surcharge for and a longer term problem that will require negotiations and planning.

L. Henry said that it is nice that we can borrow money but we can't continue to borrow.

Discussion by the Board and staff regarding doing away with paper and internet spyware and ransoms.

M. Smolley said the time to do this is now.

ROLL CALL VOTE: MOTION PASSED

AYES: G. Mahood, L. Henry, J. Ackemann, M. Smolley

NOES: B. Fultz

ABSTAIN: None

b. DESIGNATING AND AUTHORIZING SIGNATURE

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

M. Smolley made a motion to designate and authorize persons to sign District checking, savings, and investment accounts.

The motion was seconded.

ROLL CALL VOTE: MOTION PASSED

AYES: G. Mahood, L. Henry, J. Ackemann, B. Fultz, M. Smolley

NOES: None

ABSTAIN: None

12. Consent Agenda: Approved

- a. ANNUAL DISCLOSURE REPORT OF CAPACITY CHARGES
- b. SPECIAL BOARD OF DIRECTORS MEETING MINUTES 6.30.21
- c. SPECIAL BOARD OF DIRECTORS MEETING MINUTES 7.8.21

13. Adjournment 8:42 p.m.