



MINUTES  
SPECIAL MEETING  
BOARD OF DIRECTORS  
SAN LORENZO VALLEY WATER  
DISTRICT  
February 2, 2021

Tuesday, February 2, 2021, at 6:30 p.m.

MINUTES

1. Convene Meeting 6:30 pm

Roll Call: Pres. Mahood, V. P. Henry, Directors Fultz, Smolley, and To were all present.

Staff: R. Rogers-District Manager, S. Hill-Director of Finance and Business Services, J. Furtado-Director of Operations, C. Blanchard-Environmental Planner, J. Wolff-Engineering Manager, G. Nicholls-District Counsel, H. Hossack-District Secretary

2. Additions and Deletions to Open Session: None

3. Oral Communications: None

4. New Business:

a. FIRE RECOVERY SURCHARGE

S. Hill introduced this item and described the process. This will raise \$5M in 5 years to replenish reserves and pay for CZU Fire recovery. It will require a Prop 218 process and will cost each connection approx. \$10.55/month.

L. Henry questioned if this surcharge is needed in order to get a loan.

S. Hill said no.

M. Smolley questioned if other funding sources available.

R. Rogers said that the District has been unsuccessful in finding grants or other funding.

Discussion by the Board and staff regarding other funding sources, raising FEMA's portion of funding and benefits of a surcharge.

B. Fultz said that he is not in favor of raising water bills. He questioned what areas of the District will be paying the surcharge.

R. Rogers said that everyone will pay the surcharge. We serve all of our customers.

Discussion by the Board and staff regarding conjunctive use.

B. Fultz described water bills for the last 10 years.

L. Ford said that it's never popular to raise rates but this is necessary. The LIRA program could be helpful. Giving up infrastructure or staff would not be good.

R. Moran said that he thinks the fairest way raise money is based on income.

C. Dzendzel questioned if staff thinks there are expenses we can afford not to pay.

R. Rogers said that operating costs have increased operations costs due to overtime, PSPS shutoffs, the fire, wind storms, etc. We are looking for ways to reduce costs.

G. Mahood questioned if the time period that Dir. Fultz referred to include the addition of Lompico.

J. Furtado said that it was during the time that Lompico was added, we added staff with the takeover of Lompico & Felton. We also added an Engineering Department.

S. Hill said that there is still plenty of room in the LIRA program. Past due has remained steady at just short of \$500,000.

B. Thomas would like to have a better picture of operating costs. She disagrees that the community can pay for a surcharge. She said that LIRA is not a real answer to the problem because it is \$10 a month.

J. Mosher said this is a hard decision. The LIRA program needs to be better.

E. Fresco said that she is concerned about the reserve funds. Also, we need to make the LIRA work. Staff is doing an incredible job and has community support.

G. Mahood said that it is important to note that this is not a rate increase, a surcharge is a fixed amount for a defined time.

M. Smolley questioned why have expenses be rising as much as they have. The public needs to know. He also believes the reserves need to be brought back up.

T. To noted that the average family of 4 in California has a water bill of \$113/month. Also, California water rates have tripled, so according to Dir. Fultz saying our rates have doubled, we doing better than the rest of the state.

B. Fultz asked how the money will be managed.

S. Hill said the Board can choose to have a designated restricted fund balance.

Discussion by the Board and staff regarding reserves.

R. Rogers said that the discussion of reduction of staff needs to end. We need to get a staffing study and put this to an end. It is unfair to staff and causes insecurity.

J. Furtado explained the reason operations costs have gone up.

G. Mahood said that staffing issues have been brought up by Dir Fultz too often. The Dist. needs to hire a consultant and put this to rest.

B. Fultz said that he doesn't look at day to day operating expenses. The job of the Board is to make policy.

L. Henry made a motion to direct staff to initiate a Proposition 218 process, including hiring a rate consultant, to prepare a rate study and present a fire recovery surcharge for Board review and approval. The motion was seconded.

Pres. Mahood, V. P. Henry, Directors Smolley and To voted in favor of the motion. Director Fultz voted no. The motion passed.

#### 5. Unfinished Business:

##### a. LOAN ANALYSIS

S. Hill introduced this item. At the last meeting there were a lot of different options suggested and the Dist. Manager and staff came up with a \$15M long term loan financing where approximately \$8M will go to funding CZU fire repairs and \$7M will go to capital improvement. The municipal advisor is on the line and available for questions.

Discussion by the Board, staff and consultant regarding the specifics of the loan analysis, interest rates, and projects to be included.

C. Dzendzel said that she is grateful for this option and hopes that this will make it so that the District will operate optimally.

R. Rogers said that this was a group effort.

S. Hill said that the previous resolution stated that funds would go to the reserve fund.

B. Fultz made a motion to authorize and direct staff to proceed with securing financing for infrastructure projects consisting of repairs and improvements to the District's water system resulting from the CZU wildfires plus additional projects identified by staff, consisting of approximately \$15MM in new borrowing based on the most favorable terms offered to the District for tax exempt, long-term, fixed-rate borrowing. Currently the CoBank term sheet reflects the most favorable terms offered to the District. However, if a loan cannot be finalized based on the CoBank term sheet, then staff is authorized and directed to proceed with securing a loan based on the next most favorable term sheet. The motion was seconded.

All present voted in favor of the motion. Motion passed.

6. District Reports:

- Supplemental Business & Finance Report  
B. Fultz said that he would like the Bill List re-formatted.

7. Written Communication:

- Letter to Board - D. Loewen
- Letter to Board - A. Zilber, J. Mosher, L. Ford, M. Dolson

8. Adjournment 8:00 pm

Given that this last year has been pretty devastating for large portions of our community, and the notion of another \$120 on top of what we are already paying is going to be quite daunting for a lot of people. Unless the LIRA program is done at a state level, we simply don't have the scale to be able to deal with the scope of what is necessary in our community. And unfortunately, the state has not gotten off the dime.

In the last 6 years, since the rate increase before the one we are currently in, until now, the median water bill has gone up between 90 and 105%, inflation has run roughly 1.5% to 2% during that time, our operating expenses have grown by about 80% in that time period and the revenue growth has gone up by 89% in terms of the average bill.

We're facing a situation where every time we have a rate increase, like in 2014, between the year it went into effect and the next year, we're looking at a 20% increase in our operating expenses. And in the most recent one between 2017 and 2018, we're looking at 38% increase in operating expenses. The first-year increase in 2014 was 13% and the first-year increase in 2017 is 35%. Basically, every time we have a rate increase everything goes immediately into operating expenses and we can never get ahead of ourselves because of that. And in the meantime, our community is paying double what they were just a few years ago, we're selling less water and it's not clear what the community is getting for the doubling in the rates that that they are paying—in terms of measurable, quantifiable improvements, day to day, both at an operating level and a capital level.

We're facing a serious capital shortfall already, based on the work we need to do in order to quantify our true financial position. We're talking, just in tank maintenance alone, \$10 million dollars right there. We are also coming up at the end of our current rate increase—this November will be the last increase—and I'm sure there is another one planned after that. Because the operating expenses this year consumed the entire amount of the rate increase—yet again.

I am not in favor of continuing to raise people's bill as we continue to stay on this hamster wheel. Because we can't demonstrate what value we are giving our customers/owners. I'm very concerned about that.

I want to take everybody back a little bit to 2014. There were approximately 1,000 protests in the 2013-2014 rate increase. There just short of 2,700 in 2017. This is a serious issue that we have to address. I think it is very premature for us to say "let's kick off a Prop 218 process" when we have not worked through a long-term financial and capital plan over the next 5 – 7 years showing where exactly the money is going for what we are going to be charging our customers. Because right now, if we continue on the current glide path we are on, we are looking at \$150 a month bill for water, for median usage, in just a few years. That is a huge amount of money—in some cases up to 2% – 2.5% of somebody's income.

I think we need to take a step back from this. It is not necessary to get the loan. I understand the issue about the reserves. I have been on the reserves and was an advocate for increasing

them the first year I was on the board. But I think over the course of the next month or two, we need to put together the plan first and then take that plan to the community and say “This is why we believe the 218 process is necessary”.