



MINUTES OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

Tuesday, November 3, 2020 9:00 am, via video/tele conference.

MINUTES

1. Convene Meeting
Roll Call: Chair Henry, Dir. Fultz, R. Lund were present. S. Winegarden arrived at 9:04.
Staff: R. Rogers-District Manager, S. Hill-Director of Finance and Business Services,
H. Hossack-Dist. Secretary
2. Oral Communications: None
3. Old Business:
 - A. PAST DUE POLICY
S. Hill introduced this item. She said that the District has late fee charges have started back up. We had suspended late fees due to the pandemic and fires. The State still prohibits turn-offs of water service for non-payment. The District had started the process of putting unpaid water bills on the property tax rolls. It will be a Board decision to start the process back up again. We don't have a good mechanism for collecting past due accounts at this time.

L. Henry questioned when will the late water bills go on the tax rolls if the Board agrees to that mechanism.

S. Hill said it will be on the December 2021 tax bill. They can pay the bill or contest it.

L. Henry asked if the County still teeters the money. (Teetering is when the County pays the money to the District before they actually collect the funds. The County then gets to keep any interest and penalties.)

Discussion by Committee and staff regarding overdue water bills going on the tax rolls, balance of revenue in delinquency, release of liens, and the process and cost.

B. Fultz said he would like to make this a permanent policy.

R. Rogers noted that there could be push-back with the tenant/landlord relationship.

B. Fultz says he understands that but we can make policy with landlords in mind. The simpler the better.

R. Lund asked if the County settles the debt immediately with the District.

S. Hill explained that the District will submit the information to the County by June 2021 and the County will put it on the property tax roll, then the County will pay us. We will receive a payment in December 2021, April 2022 and June 2022.

R. Lund questioned what B. Fultz sees as the timeline for this process for making this a permanent policy.

B. Fultz responded said he is open to things that are good for the community.

L. Henry noted that there is a process and she remembers that we have to hold a public meeting to protest.

S. Hill said that letters, meetings, protests can be expected. People may want to start a payment plan instead of paying through the tax rolls.

B. Fultz said this issue is already complicated. There will be start-up issues. We will probably need a policy for reneging on the payment plan. This will make us more efficient and take away the threat of water being turned off.

S. Hill said that once the State order against shut-offs is lifted we have a policy for shut-offs. The property taxes is a last resort for people that are not going to pay. Past due policy in its entirety will need to be revisited.

L. Henry questioned how many customers have huge balances, have any been shut-off already.

S. Hill said most of them have been shut-off, about 100. They have been abandoned or are a vacant parcel but the owners want to maintain the meter for a future purpose. We now have customers that haven't paid their bills for 6-12 months since COVID. She's looking at the previously identified customers up to December 2019 for the property tax rolls.

S. Winegarden said that she agrees that there have to be "if and then" for payment options.

B. Fultz said there will always be some number that will want to take advantage of the system. Most will understand what we are trying to do here.

R. Rogers questioned if there are any other agency/utilities that are doing their past due collections of past due accounts on a normal month by month with the tax rolls, instead of turn-offs.

S. Hill said that this would be once a year, not month to month. There are agencies that do this annually. What if property changes hands? This should be directed to District Counsel.

L. Henry said that she believed that even if it is done once a year you still have to go through the process of a public meeting.

B. Fultz said to put this on a full Board meeting.

Discussion by the Committee and staff regarding when to take this item to the full Board and what information is to be provided. This item will be on the next regular meeting after November 5, 2020.

B. UPDATE ON THE ROAD MAP

S. Hill introduced this item and read from the memo.

L. Henry said she was amazed the tanks were on the assets. She thought they would have been depreciated.

S. Hill said that she eliminated tanks from the full asset listing. She said the only thing that made sense is that several of these items were inherited from other water districts and mutual were taken over.

Discussion by the Committee and staff regarding assets, capital requirements, the Master Plan, and inflation rate.

L. Henry said that she realizes that this is a huge process.

S. Winegarden questioned the timing, man hours, and costs to get these assets listed. Also, what can be put in place for the future?

S. Hill said that some of that will have to come from the District Manager. There are multiple departments that will need to be involved. The Fire Recovery effort is spreading everyone very thin. There are companies that can be hired to do this work.

B. Fultz suggested a 2-step process. Start with an estimate based on what we know about the tanks, pumps, miles of pipe, vehicles, etc.

L. Henry said that real numbers are important. Everything feeds off of the asset plan.

B. Fultz said he doesn't think it has to be actual, it can be estimated.

Discussion by Committee and staff regarding actual assets vs. estimates and multi-year budgeting.

B. Thomas said that we need to know what we have before there can be an increase in rates.

R. Rogers said that we have a detailed list of facilities. Staff is working on the Master Plan. Our water system is very fragile right now. Our job is to make sure that we keep people in safe potable water. It's not that we don't want to work on this information we are working on keeping everyone in water. He understands what Dir. Fultz wants but staff is working on the water system.

B. Fultz said that he understands that the number one priority is keeping people in water.

R. Lund said that she thinks she understands what Bob was saying. Staff is working hard but this will help get the job done.

B. Fultz that he believes that water is the number one priority. If the District needs a consultant to catalog facilities that is something that staff can bring to the Board.

4. New Business:

A. FIRE RECOVERY SURCHARGE

S. Hill introduced this item. Once we know all of the projects that need to be done and the costs the District will have to pay after grants from FEMA & the State the District will be able to determine how much additional funds we will need.

R. Rogers said that we won't have the final costs until we go out for bid.

B. Fultz asked if the surcharge would require a Prop 218 process.

S. Hill responded that she believed that as a new fee, we will have to go through the Prop 218 process. She explained the 218 protest vote.

B. Fultz asked about operating and staff expenses and if they are recoverable by FEMA.

S. Hill said that FEMA will cover payroll for the first 2 weeks of the event only. After that, only overtime is covered. The thinking being that we would have been paying the employees their regular pay anyway. If you are able to get an outside contractor to do the work, you are able to recover more money from FEMA.

B. Thomas questioned the timeline for the 218 process.

S. Hill our application with FEMA is still sitting in the pending box. Our out of pocket costs are still unknown so we can't start the process until we know how much money we need. There is a 45 day protest so it should take 60 - 80 days all together.

G. Mahood questioned if there is any discussion of surcharge related to taking out a loan. Can we get the money up front?

S. Hill said that we will need money up front and the surcharge then becomes collateral for repayment of the loan.

B. Fultz said that historically rate increases have been sold to our community based on that money going to infrastructure improvements. He thinks that it is essential that the District get to a multi-year budget.

Discussion by the Committee and staff regarding the fiscal responsibility of the Board and multi-year budget.

B. FUTURE CASH FLOW NEEDS

S. Hill introduced this item. She said this item is similar to the Fire Surcharge. Once we have the expenditure projections and timeline, we'll be able to determine what the future needs are. She believes that a significant portion of the emergency up-front work has subsided. We have spent a little over \$1 M. We're going to need an initial loan to cover the beginning part of this process. FEMA start giving us part of the money once the small projects are approved. For the larger projects we have to submit the actual paperwork before we will see funds. We may want a short-term loan before we get a larger bridge loan for the large projects.

L. Henry noted there was almost \$500 K for tree removal in the last Board packet. The expense for all of this is incredible.

R. Rogers described what needs to be done in emergency work by the end of the year. It will probably cost an additional \$1 M.

B. Fultz questioned tree removal.

R. Rogers explained the process. He said we are trying to sell them but there is a glut in the market.

B. Fultz asked S. Hill what is the process for the loan(s). When does she think she'll know how much to borrow?

S. Hill said that she is waiting for initial cost estimates. The District can't go out and get a revolving loan. It will take 3-4 weeks to acquire a loan.

Discussion by the Committee and staff regarding District funds currently available and moving forward with the loan.

5. Informational Material: None.

6. Adjournment 10:50 am