



NOTICE 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.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a special meeting of the Budget & Finance Committee to be held on **Tuesday, July 7, 2020 9:00 am**, via video/tele conference

<https://global.gotomeeting.com/join/426451709>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 877 568 4106

- One-touch: tel:+18775684106,,426451709#

United States: +1 (571) 317-3129

- One-touch: tel:+15713173129,,426451709#

Access Code: 426-451-709

AGENDA

1. Convene Meeting/Roll Call
2. 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 Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.
3. Old Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

- A. SAN LORENZO VALLEY WATER DISTRICT ROADMAP FOR THE FUTURE
Discussion and possible action by the Committee regarding the SLVWD Roadmap.
 - B. PAST DUE WATER ACCOUNTS
Discussion and possible action by the Committee regarding an update on past due water accounts.
4. New Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
- A. RESIGNATION BY PUBLIC COMMITTEE MEMBER
Discussion and possible action by the Committee regarding the resignation and replacement of S. Architzel.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires 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 Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee 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 may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on July 2, 2020 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 72 hours in advance of the regular meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on July 2, 2020

Holly B. Hossack, District Secretary

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance & Business services

SUBJECT: Financial Plan Discussion

DATE: July 7, 2020

RECOMMENDATION:

It is recommended the B&F Committee allow staff to internally progress with preparing the key financial plan components identified in the roadmap based on the items outlined below. As key areas are completed, staff will bring the item back to the committee for an update. Staff is looking for the committee to agree on the overall concept, but to allow staff to work internally on the documents.

BACKGROUND:

At the June 18, 2020 BOD meeting, the B&F Committee was directed to discuss the framework to help lead up to an overall long term financial plan for the District. A roadmap was presented to help show how the different pieces will fit together. The below will show the high level of what staff plans to do, to show how we are going to get to the end result.

- Strategic Plan – The Board directed the District Manager to work off of the previous draft plan, with a final draft coming back in 2 months. There will then be a 1-month review with the Board and public. Anticipated to be completed in October. This will help staff streamline the priorities into the capital asset management and overall long-term financial plan.
- Capital Asset Management Plan – While the District has a fixed asset system, the District has not had an overall capital management plan. A lot of the Districts assets were installed many years ago, prior to electronic systems, and by employees and Boards that have come and gone. The District has approximately 900 assets that should all be reviewed individually and updated accordingly to have a uniform data system.
 - Master Plan is in progress and should be completed in November 2020
 - Assets outside of the master plan, or ones that have an additional maintenance plan, are currently being worked on to compile the uniform data to all feed into the overall CAMP. This is hoped to be completed January 2021.
- Financial Plan - The overall financial plan will take assumptions for projecting revenues/expenses, integrating the strategic plan goals for reserves and capital, and take the CAMP to help do long-term projections. Assuming the other pieces are completed on time, the financial plan is projected to be ready March 2021.

Capital Asset Management Plan - Below itemizes some of the key strategies staff is going to use to develop the plan:

- Full review of all current fixed assets in the system to ensure consistent descriptions and any maintenance requirements.
- Review any assets or maintenance programs that should be accounted for differently
 - Example is the meter replacement program and tank coatings
- The asset matrix will have key features such as:
 - Asset category
 - Purchase/installation date
 - Purchase amount
 - Useful life
 - Anticipated replacement year – and explanation if it is different than useful life
 - Anticipated replacement cost – with features for projected cost basis based on year being reviewed
 - Ongoing maintenance requirements (if any)
- These are not a back of the envelope type of discussions or estimations. The District has a lot of pieces to our infrastructure that needs a full accounting to truly grasp the magnitude and to be able to effectively communicate to the Board and public. For example, the District has approximately 190 miles of pipeline that will need to be replaced on a continual basis, even though it is a long lived asset. Based on the recent pipeline replacement bids it is approximately \$400/linear ft. which would equate to approximately \$400 million dollars if it all needed to be replaced at the same time. Between the master plan and staff's review, we will be able to formulate a timeline to help show pipeline replacement.

Financial Plan – Below shows some of the methodologies staff will use to develop:

- Staff will integrate the strategic plan goals & objectives into the more upcoming years. It is unknown what these will be yet.
- Integrate results from the CAMP for the more known upcoming project estimates and then the long term general needs.
- Debt – there will be a component for the known debt and projected debt based on the bottom line needs.
- Expenses/liabilities – similarly, the upcoming years will be able to have a more detailed projection and then further out years will have different assumptions applied for categories that are commonly impacted by inflation etc.
 - There will be general expense/liabilities and then others that will be specifically called out for different assumptions etc. examples would be pension and OPEB liabilities.

M E M O

TO: Budget & Finance Committee
FROM: Director of Finance & Business Services
SUBJECT: Past Due Process
DATE: July 7, 2020

RECOMMENDATION:

The Budget & Finance Committee have been monitoring the past due balances since the past due process was suspended due to COVID-19. While the State still has a no turn off order in place, there is nothing preventing late fees or other means of collection or notifications. At a certain point the District does need to pursue attempting to collect on past due accounts. Accounts continuing to grow a past due balance will eventually make it very difficult to pay off. Past due reminders or late fees are a way to start communication with customers. The District does offer long term payment plans that can hopefully fit the customer's needs, and start to reduce account balances. Other Districts have begun to have similar discussions.

BACKGROUND:

Past Due Balances:

- During the pandemic, the District has suspended past due procedures. This has caused an increase in delinquent accounts and the fees associated with the collections process.
 - There has been approximately \$24K in lost past due fees (~\$6K per month). This will continue until the past due process starts up again.
 - Delinquent account balances have risen. Past dues typically are 8-10% of the billing cycle, currently they are 12-14%.
 - April past dues of 0-90 days past due was \$180K
 - May past dues of 0-90 days past due was \$212K
 - There are still the long term delinquent accounts that have liens placed on the property of ~\$120K. These typically get repaid when the property sells, or we will eventually place the debt on the property tax roll. Typically if a home is foreclosed on we lose the money.
 - There are 3 main contributing factors to the 0-90 day past dues, but unknown how much:
 - Customers who cannot pay their bills
 - Customers who choose not to pay since there is no penalty
 - Customers who rely on the past due process as their reminder to pay
 - There will likely be a higher rate of uncollectable account balances. It is unknown what this amount will be until we begin the past due process again. For now the estimate is \$10-50K.

Courtesy IVR Notification:

- The District does have a significant number of customers signed up to receive either a text, phone call or e-mail notifying them of a past due balance. There typically were 80%+ of customers that were past due that would receive a notice.
- Below is how the courtesy notice reads:
 - "This is a courtesy reminder from the San Lorenzo Valley Water District that account number {account number} bill is now past due. To avoid late fee please pay {balance} by {due date}. The written policy on residential water service for nonpayment is available on the District's website, www.slvwd.com under "Customer Service". Call the District's office at 831-338-2153 promptly before the due date if you would like to discuss options offered by the District. You can make a quick payment online any time or by calling 831-337-4128 for automated credit card payments."
- These prompts are not a quick turnaround process as it requires programing and recording on the third party end. It took 6 weeks to get the courtesy reminder created for the newer late fee.
 - We are able to create emergency alerts, but these would not have any of the customer info on account balances etc.

Holly Hossack

From: Stephen Architzel <stevearchie@gmail.com>
Sent: Thursday, June 25, 2020 9:30 AM
To: Holly Hossack
Subject: Moving out of water district boundaries

Follow Up Flag: Follow up
Flag Status: Flagged

Hello Holly,

I wasn't sure who to direct this to, so hopefully you wouldn't mind passing it along to whoever needs to know.

Anyways, it looks like I will be unexpectedly moving in the next few months (most likely August). I'll still be in Santa Cruz county, however my new home will be on UC Santa Cruz's campus - which is outside of the San Lorenzo Valley Water District.

My guess is this move will make me ineligible to continue serving as a public member of the Budget and Finance Committee. But is it possible to confirm that? If I'm no longer eligible to continue as a public board member, could we also check to see if I need to resign as soon as i'm no longer within the district boundaries, or if I can complete the 2020 term?

Thanks so much and sorry for the news!

Take care,

Steve