



**NOTICE OF SPECIAL
BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER DISTRICT
AGENDA
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.

Notice is hereby given that a special meeting of the Board of Directors of the San Lorenzo Valley Water District will be held on **Thursday, May 7, 2020 at 6:30 p.m.**, via videoconference and teleconference.

There will not be a physical location for this meeting. This is a special accommodation being made in light of public health concerns due to COVID-19 and pursuant to the Governor's Executive Order N-29-20 (Order). The Order at Paragraph 3 supersedes a prior Executive Order N-25-20, and it allows local legislative bodies to hold public meetings via teleconference, without any physical meeting location.

To join the meeting click the link below, or type it into your web browser:
<https://us02web.zoom.us/j/92039846187>

Or Telephone:

Dial US:

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+1 301 715 8592 or
+1 312 626 6799 or
+1 929 436 2866

Webinar ID: 920 3984 6187

Agenda documents are available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

AGENDA

1. Convene Meeting
2. Roll Call
3. Additions and Deletions to Agenda:
Additions to the Agenda, if any, may only be made in accordance with California Government Code Section 54954.2 (Ralph M. Brown Act) which includes, but is not limited to, additions for

which the need to take action is declared to have arisen after the agenda was posted, as determined by a two-thirds vote of the Board of Directors (or if less than two-thirds of the members are present, a unanimous vote of those members present).

4. Oral Communication

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 Board of Directors at this time, on any subject that lies within the jurisdiction of the District. Normally, communication must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications.

Any Director may request that a matter raised during Oral Communication be placed on a future agenda.

5. Old Business:

- a. UNFUNDED LIABILITIES
Discussion by the Board regarding unfunded liabilities.
- b. LOW INCOME RATES
Discussion and possible action by the Board regarding Low Income Rates.
- c. SCHEDULED RATE INCREASE
Discussion and possible action by the Board regarding the scheduled rate increase.
- d. LETTER TO PACIFIC GAS & ELECTRIC
Discussion and possible action by the Board regarding the re-edited version of the Letter to PG&E.

6. Written Communication:

- Letter from Mark Dolson - 4.30.20

7. Adjournment

Certification of Posting

I hereby certify that on May 4, 2020 I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, CA and at Highlands Park Senior Center, 8500 Hwy. 9, Ben Lomond, CA, said time being at least 24 hours in advance of the special meeting of the Board of Directors of the San Lorenzo Valley Water District (Government Code Section 54954.2).

Executed at Boulder Creek, California on May 4, 2020.

Holly B. Hossack, District Secretary

M E M O

TO: Board of Directors
FROM: District Manager
SUBJECT: Unfunded Liabilities
DATE: May 7, 2020

RECOMMENDATION:

It is recommended the Board receive the information and presentations by staff. There is no immediate action needed, however, staff recommend these issues continue to be discussed at committee level.

BACKGROUND:

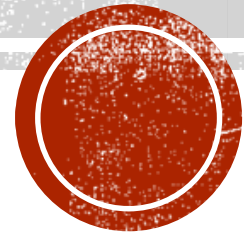
The District has been having more conversations around unfunded liabilities. There are three main categories:

- Employee Benefit Liabilities - Pension and OPEB (Other Post-Employment Benefits)
 - Staff will present this item in further detail at this meeting.
- Deferred Maintenance:
 - Larger capital projects - Large scale capital projects that are due or past their useful life. (old redwood tank replacement, aged or undersized pipelines etc.)
 - This will be discussed at a later time after the District Wide Master Plan is completed end of 2020.
 - Smaller or routine projects - tank coatings on existing tanks to extend their useful life, routine facility maintenance, meter replacement program etc.
 - Tank coatings will be discussed in further detail at this meeting.

Some of these routinely occur in the annual budget, such as upcoming tank coatings, meter replacement and paying of the required benefit liabilities. For benefit liabilities, there are measures the District can take to decrease these and potentially save money for the future. Some of the deferred maintenance can also have a more detailed road map for the future.

UNFUNDED EMPLOYEE BENEFIT LIABILITIES

SLVWD 5/7/2020



WHAT EMPLOYEE BENEFITS ARE THERE?

- Pension
 - The District has 2 CalPERS pension retirement plans:
 - Tier 1: 2% @ 55 (Classic)
 - Tier 2: 2% @ 62 (PEPRA, any employee hired after 1/1/2013 into CalPERS)
- Other Post Employment Benefits (OPEB)
 - The District offers a retiree medical benefit for employees that continue to use CalPERS medical plans after retirement.
 - Varies from \$150 - \$325/mo. depending on contract and tiered on tenure.



WHAT ARE THE UNFUNDED BALANCES?

- GASB 68 & 75 now require governments to recognize the long-term obligation for these benefits, done through actuaries. So while these amounts are currently not due, it is a forward looking projection of them.
- As of 6/30/2019 financial audit, (from actuarial valuation based on 6/30/2017):
 - Pension Liability: \$3,805,659
 - OPEB Liability: \$1,138,393
 - **TOTAL LIABILITY: \$4,944,052**
- **Yes big numbers, but we have to fully understand them...**



KEY TERMS

- **Unfunded Accrued Liability (UAL)** - The present value needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.
- **Actuarial Assumptions** - Assumptions made about certain events that will affect costs. 2 main categories: demographic and economic.
 - Demographic assumptions include such things as mortality, disability and retirement rates.
 - Economic assumptions include discount rate, salary growth and inflation.
- **Amortization Base** - Each base or each mortgage note has its own terms (payment period, principal, etc.) The separate bases consist of changes in unfunded liability due to actuarial assumption changes, actuarial methodology changes, and/or gains and losses.
- **Implied Subsidy** - Active employee premiums are subsidizing the retiree premiums, and that subsidization creates a liability that needs to be recognized. (for OPEB)
- **Net Liability** – Difference between the liabilities and the assets



OTHER POST EMPLOYMENT BENEFITS (OPEB)

- \$1.1M net liability – 60% cash, 40% implied subsidy
 - Would want to fund to the cash level
- The District contributes on a pay-go method, so there are no off-setting assets.
 - In 2018 the District opened a section 115 trust fund dedicated to prefunding OPEB liabilities.
 - Can only be used to pay or reimburse for direct OPEB related expenses.
 - Investments are less restrictive, usually designed for long term returns.
 - These assets will off-set the liability
- Recommend establishing a plan to start funding the trust



OPEB *CONTINUED*

- Current pay-go method for current retirees receiving the medical benefit is approximately \$23,000 per year for 7 retirees.
- The idea is that at a certain level the trust fund interest earnings will help fund the program itself.
- ***Recommendation:*** Match the annual pay-go amount each year.
 - If cash becomes restricted, the District can receive reimbursement or pay through the trust.
 - \$23K @ 5% ROR for 10 years would leave a \$300K balance, covering half of the cash liability.

- *Pause for questions/comments on OPEB liability*



THE DISTRICT'S PENSION PLANS

- Most state and local retirement plans have “defined-benefit” plans, which provide employees specified pension payments. The District’s plans are ran through CalPERS.
- We are part of their Miscellaneous Risk Pool

| Tier | Classic | PEPRA (Hired after 1/2013) |
|--|----------------|-----------------------------------|
| Defined Plan | 2% @ 55 | 2% @ 62 |
| Active Employees | 16 | 19 |
| Retired Employees | 27 | 0 |
| Employer Contribution | 9.680% | 6.985% |
| Employee Contribution | 7% | 6.75% (up from 6.50%) |
| UAL from June 30, 2018 actuarial valuation report | \$4,311,414 | \$38,500 |

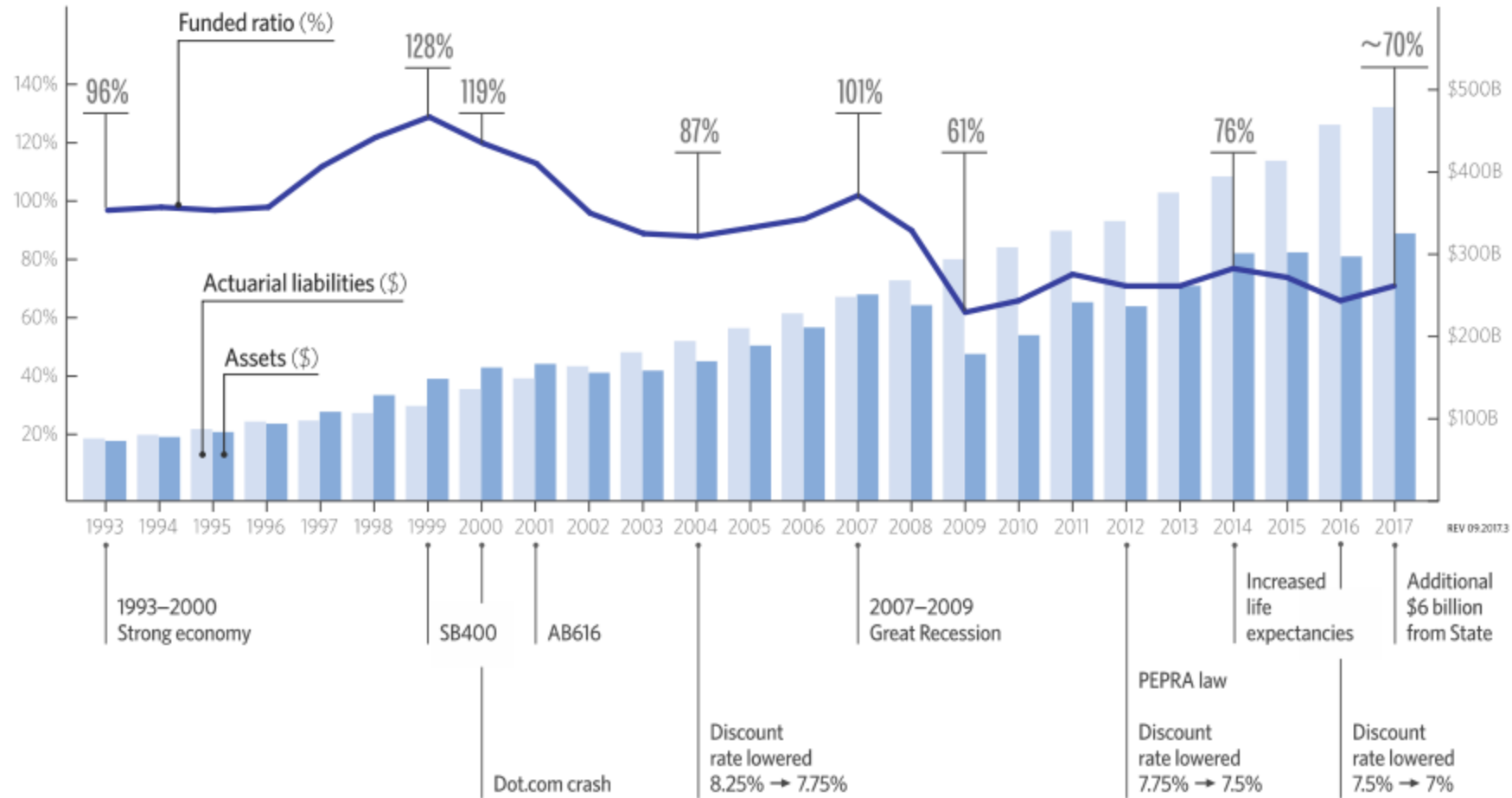


BRIEF PENSION HISTORY

- In the 1990's pension funds were overfunded. In 1999 SB 400 granted billions of dollars in retroactive increases to pension benefits.
 - Shortly after came the dot.com bust and the pension funds were now in bad shape.
 - Then came the 2008 stock market crash and things got worse.
- PEPRA went into effect on January 1, 2013.
 - Reduces defined benefits, increased contributions for employers & employees, and delayed retirement ages.
- CalPERS recently changed some major assumptions/practices
 - Lower discount rate, changes in amortization etc.



Historical Factors Impact Funded Status (1993-2017)



CALPERS ASSUMPTION CHANGES

- **CalPERS recently made changes to their amortization policies that will significantly impact agencies starting in FY2021-2022, which will be based on the 6/30/2019 actuarial valuations.**
- Shorter amortization periods from 30 years to 20 years (think of a mortgage)
- Level dollar payments for UAL – higher initial payments, but will reduce interest costs and eliminate negative amortization potential.
- Eliminate 5 yr rate smoothing for non-investment assumptions/changes
- Eliminate Ramp-Downs for investment gains and losses



WHAT HAS OUR DISTRICT DONE?

- In 2016 the District did a “fresh start” with CalPERS to amortize our then UAL over 15 years instead of the 30. This saved over \$800K in interest expenses.
- The District does the lump sum prepayment option each year for the UAL, which saves about ~\$10K each year.
- *The District has multiple options to continue to lower the UAL...*
 - *Not only is there the unfunded balance, we are charged 7% interest on it all!*



OPTIONS TO REDUCE THE UAL

- Make additional one-time payments – ***Recommended option***
 - Gives the most freedom without being locked in
 - Example: If the District made 5 one-time \$50K payments over the next 5 years, it would **save \$600K in interest** in 20 years (2041).
- Request shorter amortization periods (fresh start)
 - Locked in to this decision, where one-time payments yield similar results
- Create and fund section 115 trust for pension
 - District controlled funds, dedicated to go towards pension payments
 - Could be used to stabilize rate changes for a smoother budget
 - Could be used for one-time payments
 - Would be good to do once the pension is further funded, or surplus in reserves
- POB debt – Pension Obligation Bonds
 - Not recommended by GFOA.



WHAT DOES IT ALL MEAN?

- Having to show the future obligations is new to all public entities balance sheets, but was important to make sure agencies are transparent in these future obligations.
- There will likely always be some liability on the books, for example, the implied subsidy portion from the OPEB or changes in the market.
- We are not alone. Mostly all agencies are carrying these unfunded liabilities, since we all were impacted by unfavorable market history. This is not unique to CalPERS, it is nationwide pension plans.
- What is important is that agencies do not ignore it. There are proactive ways to reduce the unfunded liability which will benefit the funds as a whole AND benefit our District.



FINAL THOUGHTS

- This is not a quick fix process, it will take years of thought out planning to gradually reduce the UAL.
- Planning and dedicating funds now will slowly start to help the District's financial future.



SAN LORENZO VALLEY WATER DISTRICT
Water Tank Unfunded Liability

| Name | Diameter | Height | Design Capacity | Material | Insallation Year | Maintenance Required | Date Last Inspected | Date Last Painted and Coated | Estimated Cost of Inspection | Estimated Cost of Painting & Coating |
|--------------------|----------|--------|-----------------|--------------|------------------|--|---------------------|------------------------------|------------------------------|--------------------------------------|
| Bear Creek Estates | 22 | 26 | 75,000 gal | Welded Steel | 1968 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1968 | \$1500-\$2000 | \$200,000 - \$300,000 |
| Big Steel | 72 | 46 | 1,400,000 gal | Welded Steel | 1940 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2016 | 1993 | \$3000-\$4000 | \$300,000 - \$400,000 |
| Blair | 47 | 20 | 255,000 gal | Welded Steel | 1967 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1967 | \$2000-\$3000 | \$250,000 - \$350,000 |
| Brookdale | 62 | 32 | 721,000 gal | Welded Steel | 1972 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2018 | 1972 | \$2500-\$3500 | \$250,000 - \$350,000 |
| Huckleberry | 30 | 24 | 125,000 gal | Welded Steel | 1992 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1992 | \$1500-\$2000 | \$200,000 - \$300,000 |
| Kirby Clear Well | 42 | 24 | 250,000 gal | Welded Steel | 1994 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2018 | 1994 | \$2000-\$3000 | \$250,000 - \$350,000 |
| Little Lyon | 40 | 24 | 250,000 gal | Welded Steel | 1990 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2016 | 1990 | \$2000-\$3000 | \$250,000 - \$350,000 |
| Lyon | 120 | 36 | 3,000,000 gal | Welded Steel | 1991 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2016 | 1991 | \$3000-\$4000 | \$350,000 - \$450,000 |
| McCloud | 47 | 20 | 255,000 gal | Welded Steel | 1980 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1980 | \$2000-\$3000 | \$250,000 - \$350,000 |
| Probation | 60 | 32 | 500,000 gal | Welded Steel | 2019 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 2019 | \$2500-\$3500 | \$250,000 - \$350,000 |
| Quail 1 | 38.8 | 24 | 211,000 gal | Welded Steel | 1990 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1990 | \$2000-\$3000 | \$200,000 - \$300,000 |
| Quail 2 | 38.8 | 24 | 240,000 gal | Welded Steel | 1992 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2019 | 1992 | \$2000-\$3000 | \$200,000 - \$300,000 |
| Reader | 33 | 24 | 150,000 gal | Welded Steel | 1992 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2016 | 1992 | \$1500-\$2000 | \$200,000 - \$300,000 |
| Riverside Grove | 46 | 30 | 380,000 gal | Welded Steel | 1972 | Cleaned and Inspected 3-5 Years, Painting and Coatings 15-20 Years | 2016 | 1972 | \$2000-\$3000 | \$250,000 - \$350,000 |

SAN LORENZO VALLEY WATER DISTRICT
Water Tank Unfunded Liability

| Name | Diameter | Height | Design Capacity | Material | Insallation Year | Maintenance Required | Date Last Inspected | Date Last Painted and Coated | Estimated Cost of Inspection | Estimated Cost To Replace |
|----------------|----------|--------|-----------------|--------------|------------------|---|---------------------|---|------------------------------|---------------------------|
| Blue Ridge | 20 | 18 | 42,000 gal | Redwood | 1975 | Repair Leaks To Best Of Ability, Needs to Be Replaced | 2018 | N/A | \$1500-\$2000 | \$1,000,000 |
| Echo 1 | 15 | 19 | 25,000 gal | Redwood | | Repair Leaks To Best Of Ability, Needs to Be Replaced | 2018 | N/A | \$1500-\$2000 | |
| Echo 2 | 15 | 19 | 25,000 gal | Redwood | | Repair Leaks To Best Of Ability, Needs to Be Replaced | 2018 | N/A | \$1500-\$2000 | \$1,000,000 |
| Echo 3 | 15 | 19 | 25,000 gal | Redwood | | Repair Leaks To Best Of Ability, Needs to Be Replaced | 2018 | N/A | \$1500-\$2000 | |
| Felton Heights | 13 | 11 | 10,000 | Redwood | | In Process Of Being Replaced | N/A | | \$1500-\$2000 | \$400,000 |
| Highland | 26 | 16 | 60,000 gal | Redwood | | Repair Leaks To Best Of Ability, Needs to Be Replaced | 2018 | N/A | \$1500-\$2000 | \$500,000 |
| Kaski Tank 1 | 24.5 | 20 | 60,000 gal | Redwood | | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | |
| Kaski Tank 2 | 24.5 | 21 | 60,000 gal | Redwood | | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | |
| Lewis Tank | 27 | 27 | 100,000 gal | Redwood | | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | \$2,500,000 |
| Madrone Tank 1 | 26 | 16.5 | 60,000 gal | Redwood | 1990 | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | |
| Madrone Tank 2 | 26 | 16.5 | 60,000 gal | Redwood | 1990 | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | |
| Swim 1 | 12 | 12 | 10,000 gal | Redwood | | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | |
| Swim 2 | 12 | 12 | 10,000 gal | Redwood | | In Process Of Being Replaced | N/A | N/A | \$1500-\$2000 | \$450,000 |
| Name | Diameter | Height | Design Capacity | Material | Insallation Year | Maintenance Required | Date Last Inspected | Date Last Painted and Coated / Replaced | Estimated Cost of Inspection | Cost to Replace |
| Blue Tank | 26 | 16 | 65,000 gal | Bolted Steel | 2019 | Cleaning & Inspection, Painting & Coating | 2019 | 2019 | \$1500-\$2000 | \$250,000 |
| Charlie Tank | 23 | 15 | 45,000 gal | Bolted Steel | | Cleaning & Inspection, Painting & Coating | 2016 | | \$1500-\$2000 | \$250,000 |
| Nina 1 | 26 | 16 | 67,656 gal | Bolted Steel | 2011 | Cleaning & Inspection, Painting & Coating | 2017 | 2011 | \$1500-\$2000 | \$250,000 |
| Nina 2 | 26 | 16 | 67,656 gal | Bolted Steel | 2011 | Cleaning & Inspection, Painting & Coating | | 2011 | \$1500-\$2000 | \$250,000 |
| Spring | 26 | 16 | 65,000 gal | Bolted Steel | 1988 | Cleaning & Inspection, Painting & Coating | 2019 | 1988 | \$1500-\$2000 | \$350,000 |

M E M O

TO: Board of Directors
FROM: District Manager
SUBJECT: Low Income Rate Assistance Programs
DATE: May 7, 2020

RECOMMENDATION:

It is recommended the Board receive the information and presentation by staff. This is meant to be a guided discussion to help present different options. Depending on the discussion, the Board may direct staff to proceed with developing a program.

BACKGROUND:

Public water agencies' rate revenues are subject to restrictions under Propositions 218 and 26, that essentially prohibit utilizing those revenues to subsidize a rate assistance program.

The District has discussed using non-rate revenues or a donation program to potentially fund a low income rate assistance (LIRA) program. This presentation will hopefully guide discussions around the most feasible option for our District.

At the April 16, 2020 Board of Directors Meeting, a local group calling itself "Friends of SLV Water" submitted a proposal for Board review (attached). At the April 16, 2020 meeting the Board directed staff to bring the subject back to a May 7, 2020 special meeting of the Board for further discussion.

LOW INCOME RATE ASSISTANCE PROGRAMS

SLVWD
5/7/2020

What is the District's Ultimate Goal?

- ▶ To create a long-term program to give a discount on bills monthly?
 - ▶ *(would likely need to be an internally ran program)*
- ▶ To create a one-time relief for customers in need?
 - ▶ *(could be internal or externally ran)*
- ▶ Create a temporary pilot program until AB 401 is formulated?
 - ▶ *(could be internal or externally ran)*
- ▶ Other reasons?

Who is going to run this program?

- ▶ Is it an internal program where District staff run it?
 - ▶ Different program options will have different constraints and costs
- ▶ Is it ran through a third party 501c3 partner?
 - ▶ How much control or input would the District have?
 - ▶ How important is that to the District?
 - ▶ Would have the least amount of impact on staff

- ▶ *Weigh the pros & cons of internal vs. external*

How is it going to be funded?

- ▶ Is the District funding through non-water rate revenues?
 - ▶ *(Property taxes, mobile lease revenue)*
- ▶ Is the District funding through customer donations to the District?
- ▶ Is the District partnering with a third party for them to receive the donations?
 - ▶ *Think about 501c3 benefits for the contributing party*

- ▶ *Weigh the pros & cons of funding a set amount vs. unknown donations*

How could AB 401 impact the program?

- ▶ AB 401 adopted in 2015, requires State Water Resources Control Board (SWRCB) to take the lead in developing a plan for LIRA by 2018
- ▶ SWRCB released a final report in 2020. Highlights:
 - ▶ Recognizes financial and other limitations on local agencies (such as Proposition 218 and 26) and recommends a Statewide program
 - ▶ Recommends 200% of the federal poverty level as the baseline eligibility criteria (corresponds with CARE program and therefore reduces administrative burden)
 - ▶ Discusses direct water bill credit, renter's water credit, and crisis assistance
 - ▶ Recommends using State income tax and taxes on bottled water for funding
- ▶ Next step is for the Legislature to consider SWRCB's recommendations
- ▶ Because it involves creation of new fees, 2/3 legislative approval is required
- ▶ If this gets immediate traction, legislation could be enacted this summer and implementation begin as early as 2021 (*longer timeline is more likely*)

Internally Ran Program Thoughts

- ▶ How much money each year? Fixed vs. variable?
 - ▶ Depending on the amount will set the number of applicants allowed.
 - ▶ If funding is reduced, how do we reduce applicants enrolled?
- ▶ What will it take to run the program internally?
 - ▶ High volume in the first year for processing applications
 - ▶ Relatively easy to set-up a new billing rate and apply to approved accounts
 - ▶ On-going annual renewal process will still be time consuming
- ▶ Strongly suggest we use the PG&E CARE eligibility as our eligibility.
 - ▶ A well thought out policy needs to be developed if ran internally.
- ▶ How heavily do we want to advertise the program?
 - ▶ Do we want to include in new customer applications, or is it something they are responsible to research out themselves. (with a section on the website)

Third Party Ran Program Thoughts

- ▶ Would likely need to be one-time relief
- ▶ Could run purely from customer donations
- ▶ Could be a combination of customer donations AND District donations
- ▶ How important is program oversight by the District?
- ▶ Should be a 501c3 to help encourage tax deductible donations

What are other agencies doing?

- ▶ It is more commonly found in cities and counties
- ▶ The majority of public water agencies, such as ours, do not have LIRA programs in place, but some do.
 - ▶ The main constraints are most public water agencies revenues come from water rates, which is more restricted from a LIRA program. Running a program internally can become an inequitable staffing issue.
- ▶ Below are examples of 3 agencies:
 - ▶ Calaveras County Water - 13,000 water customers, allows 200 in program @ \$20/bi-monthly bill = \$24,000/yr. Funded by non-rate revenue.
 - ▶ Coachella Valley Water - 109K customers, administered by 3rd party through donations & some funding from District, \$100 credit once per year.
 - ▶ El Dorado Irrigation - 41K customers, program for sewer only, up to 1,500 in program @ \$25/bi-monthly bill = \$225K/yr. Funded by non-rate revenue.
 - ▶ Scotts Valley Water - Gives a 30% discount on basic meter fee and a flat Tier 1 water rate to residential customer, ~\$23.42 per bi-monthly bill if using 6,000 or less gallons of water. Funded by property tax revenue. 4 customers enrolled.

Final Comments?

- ▶ Based on this discussion, are there any clear paths the Board wants staff to further investigate?

April 2, 2020

MEMORANDUM

To: SLVWD Board of Directors
From: Friends of San Lorenzo Valley Water (FSLVW)
Re: Low Income Ratepayer Assistance (LIRA) Programs -- Recommendation for Action

Background:

FSLVW recently submitted a report on Low Income Ratepayer Assistance (LIRA) programs to the District, stressing the need to assist those ratepayers with limited resources and suggesting that SLVWD investigate the advisability and feasibility of introducing such a program for our district. The sudden impact of the corona virus pandemic has made the need for a LIRA program more urgent. We are therefore submitting this memorandum to encourage the board to take action as soon as possible. We have conducted additional research on costs and implementation steps, presented here, to assist the board in its deliberations.

Coverage and Costs

As discussed in our report, the easiest way to implement a LIRA program would be to piggyback onto PG&E's CARE program. CARE provides significant discounts to low income PG&E customers (30-35% discount on electric bills and 20% on gas bills). To be eligible your income can be up to 200 percent of the federal poverty guidelines (\$34,480 or less for households with 1-2 people, with higher limits for larger households). SLVWD ratepayers would be eligible for the LIRA program by establishing that they are enrolled in the CARE program (by simply submitting a copy of their PG&E bill). This method is used by other water districts and greatly simplifies administration, saving staff time.

The attached spreadsheet provides data on CARE program enrollments (submitted to us by Stephanie Hill at the district). We have estimated the number of SLVWD ratepayers who would be eligible (1,501) for CARE (and therefore would be eligible to apply for a LIRA program) and how many of SLVWD ratepayers are actually enrolled in CARE (841). These are rough estimates because the geographic area used by PG&E does not match SLVWD boundaries, there are more PG&E connections than SLVWD hookups in our district, and we included all hookups, including commercial and industrial, even though these ratepayers would not be eligible. The potential and actual numbers of enrollees are probably significantly lower for these reasons.

As shown in the spreadsheet, costs depend on the amount of the monthly discount and the number of ratepayers who actually enroll. Assuming a minimum discount of \$10/month and a maximum of \$20/month, annual costs to SLVWD would range from approximately \$100,000/year to \$360,000/year.

Recommendation

We suggest the SLVWD Board adopt a resolution expressing the intent of the district to implement a LIRA program as soon as feasible, instruct staff to conduct the necessary research and have staff report back to the Board on program implementation options and costs. We suggest that the program start modestly, with a \$10/month discount be used initially and that a

cap of \$100,000 be placed on the program, with ratepayers being enrolled on a first come first serve basis (a procedure used by other districts). This will allow the Board and staff to evaluate the program and make any adjustments before making a larger financial commitment. We would support the Board and staff if a decision is made to start the program more modestly or aggressively, with a higher discount and/or an alternative cap or no cap on costs.

Note that funds for a LIRA program cannot come from water rate income; the district would need to use property tax revenues or another funding source.

Rationale – Why a LIRA Program Instead of Forgoing the Rate Hike

We applaud the district and the Board for making assistance to low income ratepayers a priority and for announcing that there would be no water shut offs during this extraordinary pandemic, which is creating such financial hardship for many ratepayers. In recognition of those hardships, a proposal was made at the last board meeting to forgo the next rate hike. We believe this would have long-term adverse effects on the district. It would jeopardize the district's financial health, its ability to address critical infrastructure upgrades and watershed protection activities, and could result in staff layoffs. Moreover, it is not an effective means to reach the goal of assisting low income ratepayers. We believe that SLVWD ratepayers would choose a LIRA program over a broader rate reduction if educated about the options and benefits.

A LIRA program would be much more effective for the following reasons:

- Foregoing the rate hike does not target low income ratepayers and rewards the higher water users, who are more likely to have the resources to pay the increased rates.
- The rate increase is so modest (\$2-4/month for each rate payer, depending on amount of water use) that it will **not** provide a meaningful benefit to those in financial distress) while a LIRA program would offer a significant benefit to those in financial distress.
- By adopting a LIRA program, the district will be alerting low income ratepayers to PG&E's CARE program, in which many are not currently enrolled, potentially adding even more benefits.
- The cost of a LIRA program to the district is significantly less than the revenues that would be lost if the rate hike is not implemented.

Foregoing the rate hike amounts to a symbolic gesture by the district that would harm the district's long-term operations without providing real help to low income ratepayers. We urge the board to consider a LIRA program as an alternative.

Providing Safe, Affordable Water to Low Income Households: Options for the San Lorenzo Valley Water District (SLVWD)

Prepared by:
Friends of San Lorenzo Valley Water
Prepared for:
SLVWD Board of Directors
March 6, 2020

“Every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” California State Law (AB 685, 2012)

Introduction

California now recognizes safe, affordable water as a fundamental human right. Unfortunately, the cost of water delivery is being inexorably driven upward by a wide range of evolving conditions: aging infrastructure, climate change and droughts, population growth, degrading watershed lands, aquifer depletion, revised standards, and escalating staff expenses. According to the California State Water Resources Board, the average cost of water for Californians increased by 45 percent between 2007 and 2015 (from \$37.01/month to \$53.91/month), with costs continuing to rise.¹

For water districts across the state, including SLVWD, this leads to at least three critical challenges:

- Devising innovative ways to grow revenue for a fixed customer base (so as to minimize rate increases)
- Managing expectations for typical rate-payers (who are understandably resistant to rate increases)
- Mitigating hardship for low-income households (who are hardest hit by any rate increases).

It goes without saying that water districts should spend their money as wisely and efficiently as possible, but this alone will not enable any district to avoid confronting these challenges.

This document focuses principally on the third of these three challenges: mitigating hardship for present and future low-income households. To its credit, the SLVWD Board is well attuned to this challenge as well; it has highlighted both its concern for low-income households and the need to keep the cost of water low to ensure that all SLVWD ratepayers can afford the District’s water service. To date, however, the board has not implemented programs to assist low-income households specifically.

¹ California State Water Resources Control Board, *Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance Program*. CSWRCB; Sacramento, CA (February 2020). Available at: https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/docs/ab401_report.pdf

What new rate-mitigation strategies might SLVWD conceivably implement? A logical first step in confronting any new problem is to determine what responses have been explored by others facing a similar challenge. In this report, we outline two specific options for assisting low-income households that have been used by other water districts across California and appear to be feasible for SLVWD. These options are not mutually exclusive, and can be considered either individually or together. We urge SLVWD to seriously consider both options.

Option #1: Low Income Assistance Rate Programs (LIRA)

Description

As a logical follow-up to its 2012 declaration of water as a fundamental human right, the California legislature enacted the Low-Income Water Rate Assistance Act in 2015.² It directed the State Water Resources Control Board (State Water Board) to prepare a plan to implement LIRA programs across the state which it issued in February 2020.³ It provides a blueprint for the program, but there is neither a timetable for implementation nor a clear path for funding the estimated \$606 million annual cost.

In the meantime, numerous local water districts have implemented their own LIRA programs, tailored to the particular circumstances and needs of their ratepayers. The programs provide discounts to qualifying ratepayers using a variety of application processes and funding mechanisms, all of which avoid the financing constraints imposed by Proposition 218 and subsequent court cases. We have identified ten public districts with active LIRA programs (Table 1).⁴

Table 1 identifies four key components to local LIRA programs:

Amount of Discount: Discounts can be applied as a fixed amount per month or year, through a percentage discount, or based on volume of use. We found fixed rate discounts ranging from \$10-\$20/month; East Bay Municipal Utility District (EBMUD) provides a 50 percent discount.

Eligibility: Most of the ten Districts rely on PG&E's CARE program guidelines (or in the case of Districts in Southern California, guidelines of other relevant energy providers) – if the ratepayer is eligible for low-income discounts from PG&E then they qualify for the LIRA program. CARE gives discounts of up to 20 percent to those whose incomes are up to approximately twice the federal poverty guidelines (reflecting the higher-than-average cost of living in California). Calaveras County Water District limits its program to 200 customers, chosen on a first-come-first-serve basis.

Application Process: In most cases, applicants fill out a simple form and attach a copy of their PG&E bill showing their enrollment in the CARE program (or the Southern California

² Assembly Bill 401 (2015). California Water Code § 189.5

³ See note 1, *supra*.

⁴ We identified these ten Districts by reviewing the websites of Districts that responded to the State Water Board draft report and by conducting Internet searches. In selected cases, we contacted the Districts and interviewed relevant staff members. We anticipate that there are numerous other Districts that have similar programs.

equivalent energy provider program). In most cases, participants must reapply on an annual basis.

Funding: Districts use a variety of income sources to pay for their LIRA programs, including penalty fees, interest income, property tax revenues, and rental income, among others. No District uses revenue derived from water delivery, thus avoiding Proposition 218 problems. One District also relies on charitable donations.

Discussion and Recommendation

LIRA programs are clearly feasible, and their administration appears to be straightforward, limiting the amount of administrative costs associated with implementation and operation. There are a number of options to consider, as discussed above.

We note that private water companies, including California American and Cal Water also provide low income discounts that are substantially greater than those we found among public districts. Low-income discounts are also routine among other public utilities companies, again with substantial discounts. Given the importance of water as a fundamental human right and the precedent provided by both private and public water and energy organizations, SLVWD would be well justified in joining the public districts that provide such financial relief to customers who are struggling to make ends meet. We recommend that SLVWD initiate steps to implement a LIRA program for the District.

Option #2: Assisting Low Income Households Facing Unanticipated Emergencies to Avoid Water Shutoffs

Description

This option focuses on a distinct but related problem for low income ratepayers: water shutoffs due to failure to pay water bills. The problem is compounded by the fees charged by SLVWD for posting a warning that the shutoff is imminent (\$25), and then for actually discontinuing service (another \$40). Shutting off a low-income household's water clearly should be a last resort for the District since it denies the residents their human right to safe, accessible, and affordable water. Yet, the District cannot function without ratepayers actually paying their bills.

SLVWD's water shutoff policy is being revised in light of SB 998, the Discontinuation of Water Service Act, enacted in 2018 and in effect February 1, 2020. SB 998 recognizes that Californians have a fundamental right to accessible, affordable, safe water and establishes guidelines and procedures for public water districts to limit the likelihood of water shutoffs and to assist low-income households in avoiding shutoffs. Its provisions were developed primarily to address problems associated with large, urban water districts. SLVWD's revised policy adheres to the SB 998 guidelines, but according to SLVWD staff, the state guidelines create additional problems when applied to small rural districts such as ours. Low-income household shutoffs thus remain a serious problem.

The challenge for the District in providing additional protections beyond those mandated by state law is to distinguish between households facing unusual financial crises that can be alleviated in the short term from those with a chronic financial situation that makes paying water bills over time not feasible. Any attempt to identify those with short-term emergencies is fraught with

administrative and legal challenges that can lead to unintended direct and indirect costs to the District. Privacy issues may also arise.

This option seeks to protect the District from these problems by first, using only private donations to fund the program and second, having it administered by an outside nonprofit agency that includes in its mission assisting low income households facing unanticipated financial crises. Private donations can be encouraged through an annual fundraising drive with publicity on its website, on social media and other media outlets.

Discussion and Recommendation

We have identified one water district – East Bay Municipal Utility District (EBMUD) – that has implemented a program proposed here. Its website states that the District has partnered with two nonprofit organizations – St. Vincent DePaul Society and Catholic Charities – to assist low-income households in a financial emergency that face water shutoffs. EBMUD encourages its ratepayers to make donations to either of these two organizations for its “Water Lifeline Donation Program.” The two organizations determine eligibility and distribution priorities. Both organizations have staff and programs with experience determining housing and financial needs of low-income families.

The EBMUD program provides a good model for SLVWD to adopt. Legal and administrative issues clearly need to be examined to determine feasibility and costs. There is at least one nonprofit organizations in the San Lorenzo Valley that may be in a position to partner with SLVWD in this effort –Mountain Community Resources (MCR). We recommend that SLVWD investigate the viability of such a program and, if feasible, contact MCR to determine partnership possibilities.

Conclusion

Members of the current SLVWD Board of Directors have repeatedly expressed their deep concern for the plight of SLV rate-payers whose precarious financial status threatens their fundamental access to water. The obvious concomitant to this concern is the question: what immediate options are available for mitigating this threat? In this document, we have outlined two feasible responses, both of which, based on the experiences of other water districts across California, appear to be worthy of immediate serious consideration:

- Numerous other California water districts have implemented Prop-218-compliant LIRA programs.
- At least one California water district has partnered with local charities to assist households facing imminent water shutoff.

These programs are particularly instructive in the examples that they provide of viable funding strategies (including penalty fees, interest income, property tax revenues, rental income, donations) and of strategies for minimizing administrative overhead (including reliance on already-well-established programs and charities in the SLV). The obvious next step would be to carefully examine the implications of these numerous precedents for SLVWD.

**Table 1
Low-Income Rate Assistance (LIRA) Programs
Public Water Districts**

| Water District | Discount Amount | Eligibility | Application Process | Payment Source | Notes |
|---------------------------------|--|---|---|-----------------------|--|
| Calaveras County Water District | \$20/month | Household income below 200% of federal poverty guidelines; PG&E CARE program as proof | Annual, beginning January 1 of each year. Attach PG&E bill; renters must provide copy of rental agreement | Unclear | This is a separate water district with its own board of directors, independent of the county government. |
| Calistoga | 20% reduction in water volume charges up to 35 water service units; 20% reduction in water service charges | PG&E CARE program criteria | Submit PG&E bill showing enrollment in PG&E CARE program | Unclear | City provides water (not a separate water district) |
| Chino Hills | \$10/month | CPUC low income guidelines | Annual; submit application w/energy bill that shows CPUC eligibility | Penalty fees | City provides water; not a separate water district |

| | | | | | |
|-----------------------------------|------------------------------------|---|--|--|--|
| Coachella Valley Water District | \$100 credit once per year | Household income below 200% of federal poverty guidelines | Administered by United Way -- apply with them | Charitable donations, employee donations, sale of scrap metal, lease revenues, sales of CVWD's book on desert-friendly landscaping | Average monthly bill is \$24 |
| Cucamonga Valley | \$10/month | CPUC low income guidelines | Annual; submit application w/energy or gas bill showing CPUC eligibility | Unrestricted rental income (from rental of cellular tower space) | Special District unit of local government |
| East Bay Municipal Water District | 50% discount | Household income below 200% of federal poverty guidelines | Report household income. Valid for 2 years. | Property tax revenue? | Independent of this, EBMUD recently partnered with St. Vincent de Paul Society of Alameda County and Catholic Charities of the East Bay to launch a new program that supports customers facing an emergency and unable to pay their bills. |
| El Dorado Irrigation District | \$25 credit on each bimonthly bill | Participation in CARE program | Submit PG&E bill showing CARE eligibility. Valid for 2 years. | Unclear | This is a pilot program for up to 1500 customers. |

| | | | | | |
|---|------------------------------------|-------------------------------|---|---------|---|
| Georgetown Divide Public Utility District | Unspecified | Unspecified | Provide PGE bill showing CARE discount or provide proper income documentation | Unclear | A new program; limits on number of participants |
| Scotts Valley | Varies by amount of use | | | | Program appears to be in development; details forthcoming |
| Thousand Oaks | \$20 credit on each bimonthly bill | Participation in CARE program | Submit SCE or SCG bill showing CARE eligibility | Unclear | |

PG&E CARE PROGRAM ENROLLMENT ANALYSIS

STATISTICS FROM PG&E

| ZIP | Residential Households | Estimated Eligible | CARE Enrolled | % Estimated Eligible | % Eligible Enrolled | ASSUMPTIONS FOR CALCULATIONS | Town |
|-------|------------------------|--------------------|---------------|----------------------|---------------------|---------------------------------------|--------------------------------|
| 95005 | 2,309 | 514 | 235 | 22% | 46% | <i>Assume all are in our District</i> | Ben Lomond |
| 95006 | 3,854 | 826 | 465 | 21% | 56% | <i>Assume all are in our District</i> | Boulder Creek |
| 95007 | 302 | 124 | 40 | 41% | 32% | <i>Assume all are in our District</i> | Brookdale |
| 95018 | 3,066 | 475 | 331 | 15% | 70% | <i>Assume all are in our District</i> | Felton (would include Lompico) |
| 95066 | 1,430 | 185 | 125 | 13% | 67% | <i>Assume 25% are in our District</i> | Scotts Valley |
| | 10,961 | 2,124 | 1,196 | 19% | 56% | | |

APPLICATION TO SLVWD*

| SLVWD Hookups | Estimated Eligible (19%) | Estimated CARE Enrolled (56%) |
|---------------|--------------------------|-------------------------------|
| 7,900** | 1,501 | 841 |

*PG&E hookups will be more than SLVWD hookups, since well owners and renters will have PG&E accounts but may not have SLVWD accounts

**Data from SLVWD website; includes residential, commercial and institutional.

ESTIMATED LIRA PROGRAM COSTS FOR SLVWD

| | If All Eligible Enroll | If Current # CARE Enroll | If 75% of CARE Enroll | If 50% of CARE Enroll |
|-----------------------|------------------------|--------------------------|-----------------------|-----------------------|
| \$10/mo | \$ 15,010 | \$ 8,406 | \$ 11,258 | \$ 7,505 |
| Annual cost @ \$10/mo | \$ 180,120 | \$ 100,867 | \$ 135,090 | \$ 90,060 |
| \$20/mo | \$ 30,020 | \$ 16,811 | \$ 22,515 | \$ 15,010 |
| Annual cost @ \$20/mo | \$ 360,240 | \$ 201,734 | \$ 270,180 | \$ 180,120 |

Notes

*LIRA programs are only applicable to residential hookups. Estimates are high since they include commercial and institutional hookups.

*Extent to which eligible ratepayers will sign up for CARE and LIRA is unknown.

*District can place a cap on funds dedicated to the program, and enroll in program on first come first served basis.

M E M O

TO: Board of Directors
FROM: District Manager
SUBJECT: Rate Increase
DATE: May 7, 2020

RECOMMENDATION:

Recommended the Board review the information and adopt a motion to proceed with the prior approved rate increase to take effect in 2020.

ALTERNATIVES:

1. Freeze or stop the approved 5% rate increase from taking effect in 2020.
2. Freeze or stop ½ of the approved 5% rate increase (i.e., 2.5%) from taking effect in 2020.
3. No action.

Staff does not recommend Alternatives 1 & 2 because they would have significant, long-term negative impacts on the financial health of the District, as briefly summarized below. Staff does not recommend Alternative 3 because a final Board decision regarding this issue is needed in conjunction with finalizing the FY 2020-21 budget.

BACKGROUND:

According to the AB 401 Final Report recently released by the State Water Quality Control Board:

“Drinking water is a basic human need.... Expenditures to meet basic water needs are expected to continue to rise rapidly due to the need for water systems to replace aging infrastructure, meet treatment standards, diversify supplies, and maintain a well-trained workforce.”

“A number of factors explain the rising rates for water service, three of which are relatively unique to water among the basic service sectors. First, water has been historically underpriced compared to the true cost of service, leading many water systems in California to underfund or put off infrastructure maintenance, replacement, and other critical activities. Second, increasingly stringent water quality standards also require additional costs for treatment and operator training which further stress financial capacity. Third, the percentage of federal support in total public infrastructure spending for water utilities has fallen from over 30% in the 1970s to less than 5% in 2015. In other words, [water systems] must finance their own operations to a much greater extent than in the past.”

In 2017 there was a study that found that the District's cost of water service would increase from approximately \$9.7 million in 2016-17 to \$10.6 million in 2020-21. In order to meet its revenue requirement, the District undertook a Proposition 218 process in 2017 and ultimately approved a water rate increase to be phased in gradually over 5 years. The upcoming Year 4 increase would be 5%, going into effect with bills in November 2020. Year 5 is also scheduled to be 5% taking effect in November 2021.

OVERVIEW

The attached rate increase scenarios projects the next 5 years of revenues and expenses. Below summarizes the revenue that permanently would be lost to the District from stopping or freezing the scheduled rate increases:

| | |
|---|--|
| Modify Year 4 to be 2.5%, keep Year 5 at 5%: | \$1.3M decrease in revenue over 5 years |
| Modify Year 4 and 5 to each be 2.5%: | \$2.3M decrease in revenue over 5 years |
| No increases for Year 4 and 5: | \$4.5M decrease in revenue over 5 years |

The lost revenue will compound and be much greater over time frames longer than the next 5 years, unless the District approves catch-up rates increases.

Continuing with the prior approved rate increase would help to ensure financial health for the District in the face of possible revenue losses due to COVID-19, anticipated losses and expenses related to wildfire risks and management, compliance with stringent regulatory requirements, and the need to maintain aging infrastructure. Also, these funds can be used to reduce other long-term liabilities and/or fund further water infrastructure capital projects.

INCOME PROJECTIONS FOR RATE INCREASE SCENARIOS

| | ESTIMATED | BUDGET | PROJECTED | PROJECTED | PROJECTED | PROJECTED |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY1920 | FY2021 | FY2122 | FY2223 | FY2324 | FY2425 |
| OPERATING REVENUE | | | | | | |
| Planned increases (5% YR4&5) | \$ 10,827,750 | \$ 11,290,712 | \$ 11,840,447 | \$ 12,060,890 | \$ 12,060,890 | \$ 12,060,890 |
| 2.5% YR 4, 5% YR 5 | \$ 10,827,750 | \$ 11,127,656 | \$ 11,564,224 | \$ 11,780,180 | \$ 11,780,180 | \$ 11,780,180 |
| 2.5% YR 4, 2.5% YR 5 | \$ 10,827,750 | \$ 11,127,656 | \$ 11,398,222 | \$ 11,506,200 | \$ 11,506,200 | \$ 11,506,200 |
| No increases | \$ 10,827,750 | \$ 10,964,600 | \$ 10,963,020 | \$ 10,963,020 | \$ 10,963,020 | \$ 10,963,020 |
| OPERATING EXPENSES | \$ 7,674,928 | \$ 8,250,787 | \$ 8,609,264 | \$ 8,984,044 | \$ 9,375,892 | \$ 9,785,611 |
| NON-OPERATING INCOME | \$ 1,488,800 | \$ 1,332,000 | \$ 1,225,000 | \$ 1,241,830 | \$ 1,258,997 | \$ 1,276,507 |
| NON-OPERATING EXPENSES* | \$ 1,353,804 | \$ 1,732,588 | \$ 1,333,369 | \$ 1,230,677 | \$ 1,227,146 | \$ 1,227,979 |

| NET INCOME / (LOSS) ** | | | | | | | 5 YR TOTAL | LOST INCOME | | | | | | | |
|-------------------------------|----|-----------|----|-----------|----|-----------|------------|-------------|----|-----------|----|-----------|----|------------|----------------|
| Planned increases (5% YR 4&5) | \$ | 3,287,817 | \$ | 2,639,337 | \$ | 3,122,814 | \$ | 3,088,000 | \$ | 2,716,849 | \$ | 2,323,807 | \$ | 13,890,806 | |
| 2.5% YR 4, 5% YR 5 | \$ | 3,287,817 | \$ | 2,476,281 | \$ | 2,846,591 | \$ | 2,807,290 | \$ | 2,436,139 | \$ | 2,043,097 | \$ | 12,609,397 | \$ (1,281,409) |
| 2.5% YR 4, 2.5% YR 5 | \$ | 3,287,817 | \$ | 2,476,281 | \$ | 2,680,589 | \$ | 2,533,310 | \$ | 2,162,159 | \$ | 1,769,117 | \$ | 11,621,455 | \$ (2,269,351) |
| No increases | \$ | 3,287,817 | \$ | 2,313,225 | \$ | 2,245,387 | \$ | 1,990,130 | \$ | 1,618,979 | \$ | 1,225,937 | \$ | 9,393,657 | \$ (4,497,149) |

* Includes debt principal & interest payments

** Remaining Net Income goes towards funding capital projects & reserves. The District should be doing \$2-3M in capital per year, or utilize revenues to fund debt.

** Shows lost income impact from the rate scenarios.

| Average 6 Unit Customer Bill | |
|------------------------------|-----------|
| | Total |
| Planned 5% | \$ 106.02 |
| 2.5% YR 4 | \$ 103.46 |
| No increase | \$ 100.94 |

MEMO

To: Board of Directors

From: District Manager

Prepared by: Environmental Planner

SUBJECT: Correspondences to PG&E Regarding PG&E's Wildfire Mitigation Plan & Tree Removal

DATE: May 7, 2020

Recommendation

It is recommended that the Board of Directors review this memo and provide direction regarding the attached revised letter to PG&E regarding tree removal and PG&E's Wildfire Mitigation Plan.

Background

At the February 20, 2020 Environmental Committee meeting, during public comment, a request was made on behalf of the Valley Women's Club's Environmental Committee and Friends of San Lorenzo Valley Water to write a letter to PG&E addressing impact to the watershed by PG&E's tree removal program. A letter was drafted and brought to the Board of Directors on March 05, 2020 (V1). Staff received direction to work with Nancy Macy of the Valley's Women's Club to update the letter to reflect the District more specifically.

At the April 16, 2020 Board of Director's meeting Director Bob Fultz introduced a revised version of the letter included in the agenda packet. After reviewing both letters (V2 & V3) the Board decided to move forward with Fultz's version. Staff received direction to work with Director Fultz, Director Moran, and Nancy Macy to finalize the letter.

The final draft (V4) (see Exhibit A) and a list of the recommended recipients (Exhibit B) are attached.

It is recommended that the Board of Directors review the letter and approve the letter for distribution to the recommended contacts.

FISCAL IMPACT:

None

Andrew M. Vesey, CEO and President
Thomas M. French, Vice President, Electric Transmission Operations
Aaron J. Johnson, Vice President, Wildfire Safety and Public Engagement
Pacific Gas & Electric
77 Beale Street
San Francisco, CA 94015

Dear Messrs. Vesey, French and Johnson:

The San Lorenzo Valley Water District supplies drinking water to 7,900 customers in the San Lorenzo Valley and Scotts Valley communities. About half of our drinking water is obtained from surface water tributaries and springs that empty into the San Lorenzo River. These surface water sources are located on approximately 1300 acres of critical bio-diverse watershed property on Ben Lomond Mountain which the District has protected for decades to ensure high water quality and minimal environmental impacts.

We recognize that PG&E has a vital interest in maintaining the power lines that cross District property, from Boulder Creek to Empire Grade. Over the past several years, District staff have collaborated with PG&E's contractors regarding vegetation and tree removal activities on District property, in particular the hardwood trees that have a greater potential than redwood trees to fall and damage power lines.

The District understands the State of California's concerns regarding increased wildfire risk and the need for public safety. While our District is committed to its collaboration with PG&E, we want to make it clear that we do not support a process that ultimately results in a zero vegetation situation. We believe this could trigger a cascading effect, even if unintentional, that will (a) significantly increase the potential of greater erosion, which (b) has a high potential to significantly impact our District's water collection and treatment facilities at a high cost to our customers (for example, if turbidity levels due to increased erosion exceed 30 Nephelometric Turbidity Units), and which (c) could cause significant damage to downstream fish habitat in the San Lorenzo River watershed—habitat that is finally seeing the beginnings of Steelhead trout and Coho salmon rejuvenation after years of effort on the part of many stakeholders. Ultimately, we do not believe that such outcomes are in anyone's best interests.

Our District supports PG&E's consideration of taking a different approach using current and future power industry best practices and technologies. We urgently request PG&E prioritize hardening its power infrastructure in environmentally sensitive areas like the District's. We believe that accelerated overall upgrades to PG&E infrastructure will help avoid PSPS shutoffs which also affect water delivery. And we request that PG&E and its contractors continue to collaborate with District staff prior to tree removal activities on this sensitive property. We believe that this approach will result in better outcomes for the environment, will enhance public protection against wildfires, and will minimize impacts to the overall watershed and, specifically, District facilities. Thank you for continuing to work with our District on this vital public policy issue.

Steve Swan
Board President

Cc: Attached <Carly provide list>

CONTACTS to Express Concern Regarding PG&E's Wildfire Mitigation Plans

(Suggested that separate letters be sent, rather than "cc'ing" one or another, especially to the high-level people, including the Governor, President Batjer and District Judge Alsup.)

-Governor Gavin Newsom :

Email: <https://govapps.gov.ca.gov/gov40mail/>

Snail Mail **Mailing address:**

1303 10th Street, Suite 1173

Sacramento, CA 95814

Phone: (916) 445-2841

Fax: (916) 558-3160

-President Marybel Batjer, California Public Utilities Commission

Email her through two members of her staff. Send same letter to both:

Shannon O'Rourke, Chief of Staff Shannon.O'Rourke@cpuc.ca.gov

David Peck, Interim Energy Advisor david.peck@cpuc.ca.gov

-District Judge William Alsup

Send to Judge's staff member who promised to forward it to the Judge-
Lynn Fuller <Lynn_Fuller@cand.uscourts.gov>

and to the more general contact email

<https://www.cand.uscourts.gov/wha>

Snail Mail:

San Francisco Courthouse, Courtroom 12 – 19th Floor

450 Golden Gate Avenue, San Francisco, CA 94102

-PG&E

President and CEO, William D. Johnson (retiring in June)

Senior Vice President, Electric Operations, Michael Lewis

PG&E

77 Beale Street

San Francisco, CA 94105

- Wildfire Safety Division

Director Caroline Thomas Jacobs, Caroline.ThomasJacobs@cpuc.ca.gov

Local Legislators:

-Supervisor Bruce McPherson Bruce.McPherson@santacruzcounty.us
& cc Bruce's Analyst J.M. Brown JM.Brown@santacruzcounty.us
Snail Mail: 701 Ocean St. Room , Santa Cruz, CA 95060

-State Assemblymember Mark Stone

Assemblymember.Stone@outreach.assembly.ca.gov

And/or

<https://lcmspubcontact.lc.ca.gov/PublicLCMS/ContactPopup.php?district=AD29>

Snail Mail/Fax

Santa Cruz County District Office

701 Ocean Street, 318-B

Santa Cruz, CA 95060

Tel: (831) 425-1503

Fax: (831) 425-2570

-State Senator Bill Monning

senator.monning@senate.ca.gov

or

<https://sd17.senate.ca.gov/contact-us>

Snail Mail:

Capitol Office **State** Capitol, Room 313 Sacramento, CA 95814 (916) 651-4017

Or locally:

701 Ocean St. Suite 318A

Santa Cruz, CA 95060

Let our local media know you sent a letter by sending them a copy:

KSBW emailnews@theksbwchannel.com

KION amanda.gomez@kionrightnow.com

Press Banner Newspaper

Editor Cherie Anderson cherie@pressbanner.com

Mountain Bulletin

Publisher Wendy Sigmund wendy.mountainpublishing@gmail.com

KBCZ Community Radio, Tina Davey Station Manager tinakbcz@gmail.com

KSCO Program Director Rosemary Chalmers rosie@ksco.com

Fire personnel, other fire organizations, etc.

April 30, 2020

San Lorenzo Valley Water District
Board of Directors

Dear Board Members:

We are writing to describe the genesis, mission, activities, and goals of our new organization, the Friends of San Lorenzo Valley Water (FSLVW).

Starting in the fall of 2019, several San Lorenzo Valley Water District (SLVWD) ratepayers began to meet informally to discuss strategies for engaging SLVWD in a positive manner to promote policies and activities designed to enhance SLVWD's mission. This informal group gradually expanded to include dozens of interested ratepayers from throughout the district. We identified several topics and issues that warranted further study, attended and spoke at board meetings, and formed subgroups to conduct research, develop policy statements, and recommend actions by the Board of Directors and staff.

As the group matured, we decided that we should establish a more formal structure, although at this time we are not planning to incorporate and become a legal entity. We have established a steering committee that oversees and directs FSLVW's work and have appointed a secretary -- Mark Dolson -- to serve as our contact with the community and SLVWD. We are also in the process of developing a website that should be online in the next few weeks.

FSLVW's Steering Committee has adopted the following mission statement (a previous version of the mission statement was included in your board packet on April 16, 2020):

The Friends of San Lorenzo Valley Water (FSLVW) works to help the SLV Water District provide all residents with reliable access to safe and affordable water. We bring together research, expertise, and a deep concern for our community to develop and advocate for programs that: (1) protect our local watershed and aquifers, (2) repair, maintain, and improve our water-delivery infrastructure, (3) preserve affordable water access for those in need, and (4) promote the District's long-term financial well-being in the face of rising costs.

To date, we have conducted the following activities in accordance with our mission:

- Reached out to SLVWD board members and staff to build collaborative working relationships and have actively participated in SLVWD committee and board meetings.
- Provided expert advice to SLVWD's Environmental Committee and Board of Directors regarding the cooperative development of regional fire management planning.
- Drafted an Environmental Platform to guide our work on protecting the local watershed and aquifers, which we have submitted to SLVWD staff for its review and comment.
- Worked closely with SLVWD on the District's proposed letter to Pacific Gas and Electric Company regarding the shortcomings of PG&E's fire prevention plan.

- Researched and produced a report on Low Income Ratepayer Assistance (LIRA) Programs, which we submitted to SLVWD staff for review and comment before submitting to the Board of Directors. We also submitted a specific proposal for adopting a local LIRA program, which we have submitted to SLVWD's Board of Directors for their consideration.
- Advocated for implementing the scheduled rate increase, which is critical to the long term financial health of SLVWD. We see a LIRA program as a more effective strategy than abandoning the scheduled rate increase for helping low income ratepayers facing financial hardships.
- Provided feedback and commentary on the District's proposed development of a strategic plan.
- Met and collaborated with other organizations in SLV that share portions of our mission.

We hold periodic public meetings open to all SLV residents who support our mission and want to join us in this important work. We do not have a formal membership, and the steering committee operates on a consensus basis. Our goal is to be a positive voice for protecting our watershed and ensuring safe, reliable, affordable water delivery for all ratepayers.

Ratepayers interested in joining us should contact Mark Dolson [mbdolson@gmail.com].

Respectfully submitted,

Mark Dolson,
Secretary
Friends of San Lorenzo Valley Water