



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS WORKSHOP MINUTES
MEETING DATE: May 29, 2019**

The Hidden Valley Lake Community Services District Board of Directors met this evening at the District office located at 19400 Hartmann Road, in Hidden Valley Lake, California.

Present:

Director Linda Herndon, President
Director Judy Mirbegian, Vice President
Director Jim Freeman
Director Jim Lieberman
Director Carolyn Graham
Kirk Cloyd, General Manager
Penny Cuadras, Administrative Assistant

CALL TO ORDER

The meeting was called to order at 5:31 p.m. by President Herndon.

APPROVAL OF AGENDA

On a motion made by Director Mirbegian and second by Director Lieberman the Board unanimously approved the agenda.

DISCUSS

Review and discuss NBS Rate Study

Greg Clumpner, NBS Consultant, responded to all Director inquiries via teleconference.

- 1) "What is the dollar figure of the cost to treat and deliver 1/hcf of recycled water? No specific cost allocation was calculated, considering only 1 recycled water customer, the study was based similar to sewer in the rate study."
- 2) "What processes were used to arrive at the cost for deliver recycled water? Based on sewer increases at 17%."
- 3) "The study presented is the worst-case scenario, were alternative studies developed for best case scenario in between the two? A lot of options were played out, the worst-case scenario was not where we started out, while discussing assumptions about funding it was clear the alternative was massively cutting the capital improvement spending or assume you are getting grants or SRF Loans which is not guaranteed. The tradeoff is in rate increases or delaying the capital improvement programs. Adopting higher rates does not lock you into implementing the increase if other funding becomes available."
- 4) "The original draft in October reflect a substantially different study than the April study. Can you please explain what happened between October and April that brought us to this point? A number of assumptions go into a rate study. Funding options for Capital Improvements Program drove the study. The fact that funding is not guaranteed other options are considered. After speaking with staff and the District Engineer, delaying the Capital improvement projects is not a very good option for the District as relayed by the District Engineer."
- 5) "Were wages and salary projection used to come up with the numbers, assuming you used the CPS HR Consulting study, did you consider highest paid or total compensation to come up with those numbers, what did you use to come up with those numbers? Adjustment to salaries based

on assumption and inflations and the current year budget numbers in sewer operating expenses and adjustment of staff positions.”

- 6) Please clarify figure 9-Current and Proposed Rates FY 2018-19 through 2022-23. The proposed rates will be implemented Jan 1, 2020 for water / July 1, 2020 for sewer.
- 7) Please explain the difference in a revenue bond and a funded bond. A revenue bond is guaranteed, the security for the bond is the agency's ability to recover the charges from the customers, versus a long-term debt from a bank.
- 8) Do you have any information on how rebound from drought years impact the study? It is tailored to the District, structural changes in consumption along with conservation measures from the customer and improved irrigation systems, use of more water efficient washers tends to be longer term of decrease of consumption. Consumption related to rainy season all underscore the revenue. More water agencies are shifting towards a more revenue stable, which means you collect more from fixed charges than the volumetric charges going forward. To assume that you would return to pre drought consumption levels is probably not a good assumption. Consumption projections are definitely not bouncing back to pre-drought levels. The moratorium as well as a high rainy season has curtailed our water sales. Recycled water for the golf course and residential irrigation sale did not rebound. Commercial meters were not read correctly in the past and that has skewed the data. Data collected going forward will provide an accurate consumption report.
- 9) In a 218 Hearing are rate payers less likely to be upset because the volumetric rate is higher or because the base rate goes up higher? That depends, typically the low income or low consumption customers are more impacted due to income. Low consumption users are impacted most by the fixed charge because it increases their bill by a larger percent.
- 10) We are looking at a 100% increase over the course 5 years on these rates on the basic charge. Do we reduce the base rate and take a higher volumetric rate with the potential of losing revenue because of the lack of the volume? What are most agencies doing, increasing the base rate not the volumetric rate? The State Water policy has for many years been encouraging everybody to collect at least 70% of their rate revenue through volumetric charges. It promotes conservation and underscores the cost or the value of water. When you are dependent on the volumetric charges and then a mandated conservation of 25% or more that has a huge impact on the amount of revenue taken in. Many agencies didn't collect enough revenue. If you are in a risky rate structure can you afford to not have enough revenue if you are in a drought or rainy season. In addition to the revenue stability and your need or plan to issue more revenue bonds the financial community wants to see a more stable aspect, that you are not at risk of not having enough revenue to re-pay the bonds if there is a drought or mandated conservation. Most agencies are looking to move to a higher percent of fixed charges versus the volumetric charges. Another approach is to build a large rate stabilization reserve the down side to that is you have to collect the money up front to build that reserve. One Agency committed to having a higher percent of revenue collected through volumetric charges, adopted a water revenue stability charge which if they ever during the year got more than 10% behind the expected volumetric water revenue these drought charges would automatically kick in if not getting enough revenue.
- 11) In your study you noted that we need to consider what the rate payers can bare. Please provide the mathematical calculation. What can the rate payers bare? Considering PG&E increases home owners insurance, home owners dues everything is going up. How does our little piece of the puzzle fit in? Industry wide measure of what's affordable and what's not affordable, there are some numbers based on median income, although not commonly usually set based on priority of the district, also districts that are dealing with fire and PG&E seemingly all the same time often places like that have a priority for creating a customer assistance program or low income hardship program. NBS does create those programs for agencies, it is

illegal under Prop 218 there are ways to do this with revenue that is unrestricted. At the action and will of the board with money funded and create criteria for reduction in bill. Not restricted by Prop 2018 to create a low-income program for our customers. Our district is not in a disadvantage community how likely is it from your point of view, this district could employ this kind of situation for water and sewer? Your rate model sources of revenue, that are unrestricted. It would be easy to put together; what percent would qualify? Limited amount of funds made available for customers per month. Piggy back PGE program or other criteria to demonstrate hardship. Set amount committed for the program and how many people with that cover. Consider what works best. Consider current and pending Senate Bills in place that may counter act these programs.

12) Do we proceed with replacing the water tanks putting generators in and fixing deferred items or continue putting it off and see what happens? It is hard as a Board Member to increase rates; in some cases, you can continue to put off capital improvement projects for years and many of them have. The primary purpose of the water district is to provide reliable water service and quality water to the customer. The real question becomes if you don't want to do the improvements and you want to keep the rates down, just be aware there will be consequences there will be things that break pipes and pumps that should have been replaced. Know that if you make the decision to not make key capital improvements there will be more outages and more difficulties with the system. Be aware you have been put on notice that you are going to have more system failures your customers will not be happy about. It is a trade off in your priorities.

Director Herndon agrees that Mr. Clumpner is right in his final comments. In the last meeting the Board talked about balance and making the tough decisions on what we do and what we defer.

Director Mirbegian spoke of Bonds, suggests it be put it to the constituent to decide on their tax bill much like the sewer bond. For the project replacement of all the water tanks, I think it may be wise to think about that.

Director Herndon agrees it is always wise to think about the projects and be extremely measured in our approach and mindful of what we may be sacrificing in terms of aid, grant and or low interest funding options

Director Mirbegian suggests there will always be projects and opportunities for which those funding options will be useful. If the voters say no then we are left with no other choice but to have such substantial rate increase. If they say yes this is how they want to pay for it, a major project, I think I would be willing to listen to the will of the constituents than saying we won't get as much grant funding because we will always have projects and opportunities for that, even addition to the Tanks so much infrastructure so much AMI, SCADA of deferred maintenance where we would still benefit from grant funding. Suggests asking the constituents how they would want to do this.

Grant funding will not always be available to the same degree for some of the other items. Through IRWVG, HMGP, 75% of tanks paid for that the constituents do not have to pay for. So far in California no one has been denied, the chance of getting them is much better than not. If you are being transparent and honest you would need to let the customer know their options of paying for the whole project or getting a grant that will pay for 75%.

By engaging the constituents, if it is turned down, they have left us no choice.

The reason the customer elected the Board was to look at the relative merits of any kind of program we are considering and make some seriously well thought out and considered decision for what is best for the District as a whole. At the last meeting several members of the public made some specific opinions clearly known which involved being willing to pay for some of the things that we are talking about.

Not all customers have the same ability to pay as that customer. We should look at all options engaging and giving as much empowerment and choice to the rate payer as possible. We are elected to represent them. I do not think there is a rate payer out there that will relish a 20% increase for the next five years and 100% increase over the next five years.

Referring to the 218 process, if the board directs staff to move forward with the rate increase, it gives the rate payers the opportunity to vote for or against it. Then it still must go before the Board to make the decision, if they want to implement that vote or not. The rate payer has the opportunity to vote for a bond or a rate increase.

The 218 process and Bond process were discussed in detail.

DISCUSS
Review and discuss 2019-20 Budget

Staff provided a summary of the purposed 2019-20 Budget, addressing individual line items. Members of the Board had the following comments;

Members of the board suggested specific cuts be made from the budget;

- Cut PR Firm, to be completed by staff (hiring a PR firm to conduct 218 outreach was requested by the Finance Committee)
- Eliminate the Civic Spark Fellows
- Implement Employee/Director Benefits 5% Cost Share
- No head count added without an optimization study to identify areas of operational efficiency (Is this cost effective for the District)
- Remove the funding for unfunded positions (Accounts Representative funding budgeted due to expected employee retirement)
- Eliminate the purchase of the Vac Truck
(\$335,000 budgeted for the purchase of Vac Truck from Water / Sewer. Rental of Vac Truck spent annually 2017 \$22,000 2018, 24,000 over \$35,000 next year 60% from fund 712 from bond paid off, 40% from Fund 320 Capital Improvement Fund)
- Prioritize all the Capital Improvement projects and consider not doing them all. (Adjustment to the Strategic Plan may be necessary)

- Cut Admin Wages and Salary \$40,000
- Implement 5-10% Cost Benefit Sharing
- Clarification of Retiree Health Benefits/Medicare @ 65
- Consider Optimization study
- Consider the future need of the Civic Sparks/ 2 years of data have been collected, that now the Water Resource Analyst to begin using that data to trend and analyze the data for the I&I.
- Public Education Campaign (Finance Committee recommendation)
- Funds allocated for the purchase of the Vac Truck go to Unit 9 replacement
- Increase Fund 5175 Director seminar and training split more to water, enough to send 3 Directors to ACWA
- Water Rights, if the plan for Water Moratorium succeeds, will allocated amount be enough
- Director Health Benefits are not evenly distributed between 120/130
- Reconsider adequate allocation for electricity

- Cost Share
- Consider increase to PG&E
- Equipment Repair and Replace appears light
- Credit Card Fees

- Civic Spark / Consider the value of the data brought in, at what point does District staff take over
- Generator funding, A multi-plan approach:
Partnering with CalWARN
Renting
IRWGM/LHMP
Rate Increase
Best case scenario for the District to have permanent generators will be at least 2 years

Suggested cuts and changes will be made and brought back to the Finance Committee for review and recommendations to the Board. Meeting scheduled for June 5.

What defines the timeline for the I&I Issues? The State sets the guidelines and will be resolved when infiltration is down to 10% or less currently the District is at 52%.
At what point do we have sufficient data? When the entire sewer system has been mapped.

PUBLIC COMMENT

Meeting adjourned prior to public comment.


BOARD MEMBER COMMENT

There were no Board Member comments.

ADJOURNMENT

On a motion by Director Mirbegian and second by Director Graham the board voted unanimously to adjourn the meeting.

The meeting was adjourned at 7:37 p.m.



Linda Herndon Date
President of the Board

 6-19-20

Kirk Cloyd Date
General Manager

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