

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
BOARD WORKSHOP NOTES**

DATE: May 15, 2014, 6:00 p.m.  
 ATTENDEES: Tim Bledsoe, Shannon Cotulla, Melonie Guttry, Debbie Henderson, Paul Hughes, Susan Rasmussen, Paul Sciuto, Richard Solbrig  
 BOARD MEMBERS: Chris Cefalu, Jim Jones, Eric Schafer, Kelly Sheehan, Randy Vogelgesang  
 OTHER: None.  
 MEMBERS OF THE PUBLIC: 4

<b>TOPIC</b>	<b>ACTION</b>
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<p>President Schafer called the workshop to order at 6:04 p.m.</p> <p><b>SYSTEM UPGRADE AND RATE REVIEW:</b> The theme of this fourth public board workshop presentation was “Facing up to the District’s Three Big Challenges”, and Richard began with an introduction of District history, water and wastewater system facts including the recycled water export system and then with a photo tour elaborating District operations. He also spoke on how the District has been “keeping it green” with recycling 100% of its biosolids and the prestigious awards won.</p> <p>Paul Sciuto discussed the three major challenges (and risks) the District faces that include the legal requirement to install water meters on all properties by 2025, providing adequate water flow to fight fires, an aging wastewater system increasing the threat of sewer spills and air pollution, and the aging recycled water system possibly breaking down leading to illegal spills and waste. He emphasized meeting the demand for firefighting and water production during the 2007 Angora fire, as well as system requirements for preventing sewer spills.</p> <p>Sciuto then detailed challenge #1 on the state legal mandate for installing meters on all properties by 2025. He explained the projected meter installation projects being funded by zero-interest loans and completing all metering in the next five years.</p> <p>Challenge #2 of upgrading the water system for fire flow and more was explained with the appropriate and adequate CIP deemed necessary and the ten-year timeframe of nearly \$69.5 million in water projects and \$154 million over 20 years. This will replace 135,000 feet of undersized lines, as well as improving and upgrading storage capacity,</p> <p>Challenge #3 of upgrading the sewer/recycled system and the ten-year \$58.5 million CIP needs and \$130 million of upgrades in the 20-year horizon was shown with what is needed to maintain the infrastructure. Sciuto reiterated that all three challenges need to be met: need to be prepared for</p>	<p>The budget goes to the Board of Directors for adoption on June 5.</p>
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next fire, present sewer spills, and met the law on meters.

Hughes addressed balancing risk and affordability in meeting these challenges. He showed how the District's water and sewer revenues are falling below prior year estimates and cost control actions to keep rates down and how historically rates have been about equal to inflation. He presented detail on cost control actions to help keep rates down including restructuring debt, cutting the operations and maintenance budget by 20%, the 3% cut to overall salaries and benefits and how it was achieved, as well as showing the ten-year District rate history compared to CPI and comparison of District combined water and sewer rates to other agencies.

Hughes discussed the three alternative approaches that were studied. He presented a graph of the "appropriate and adequate" CIP rate increase scenario and a table comparing quarterly rate comparisons through the year 2019. He also explained what the board selected which was not to issue the five-year Prop 218 notice with the appropriate and adequate but rather a lower cost and delayed improvement scenario. This recognizes the current economic conditions facing customers while allowing installation of meters by taking advantage of the low-cost state loans to pay for this. It also will pay for critical facility projects but five to ten years longer than the higher rate option.

Hughes mentioned rate increases have been listed in the Prop 218 notice mailed to all customers. He showed the rate structure the Board has agreed to as a maximum in this notice. Even with these scenarios, he emphasized that the District would still be below other agencies in the basin rates, and Board President Schafer mentioned the District is below the state average rates.

Hughes then delineated the recommended metered water rate and the fixed/variable ratios of 75/25 or 80/20. He showed the various rate alternatives and the direction of the Board that was noticed and will be considered at the June 5<sup>th</sup> adoption. The Appropriate and Adequate and Delayed Version A were eliminated with Delayed Versions B and C and meters-only rates under consideration at the June 5 vote. There was further discussion and clarification for the Board on future Prop 218 notices if electing not to use the current five-year projections and considerations for next year. Discussed were the benefits of five-years of planning and providing a blueprint to work with and measuring against it year-by-year. Also clarified was the five-year Prop 218 notice was to satisfy the ability to pay back the State loans or the loans could be in jeopardy with the State. Board

President Schafer explained District attempts with grants, revenue generating projects, and exploring opportunities for renewable energy projects that can offset energy usage and/or generate revenue.

Hughes summarized the required actions the District must take to make upgrades and how fast to complete them to meet the three challenges. He reiterated that the Board is seeking public input since public meetings began in December and the many presentations to service agencies.

He also reviewed what is next in the process leading to any new rate changes taking effect July 5, 2014, and that Prop 218 ballots must be submitted by the June 5 Board meeting at 2:00 p.m. He reviewed the upcoming timeline for the June 5 public hearing and rate approval.

During and after the presentation, there were questions on cost of meter installations and waterline replacements and clarification of using contractors verses hiring employees. Also questioned was the five-year Prop 218 proposed increases and what happens after five-years with additional increases and why money hasn't been put in a reserve account. Employee salaries being half the budget, freezing wages, and what other agencies are paying was raised more than once. Asked was why the District cannot sell the water to Alpine County farmers especially with the drought. Clarification was sought on why the District is raising the base cost and lowering the consumptive, which did not make sense with water conservation.

**ADJOURNMENT:** The meeting was adjourned at 7:33p.m.