

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

DATE: December 19, 2013, 10:00 a.m.
 ATTENDEES: Tim Bledsoe, Shannon Cotulla, Cuz Cullen, Eileen Eidam, Melonie Guttry, Debbie Henderson, Paul Hughes, Lynn Nolan, Susan Rasmussen, Paul Sciuto, Richard Solbrig
 BOARD MEMBERS: Chris Cefalu, Jim Jones, Eric Schafer, Kelly Sheehan, Randy Vogelgesang
 OTHER: Shawn Koorn, HDR; Gary Kvistad, Brownstein/Hyatt/Farber/Schreck
 MEMBERS OF THE PUBLIC: 15

TOPIC	ACTION
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<p>Eric Schafer called the workshop to order at 10:00 a.m.</p> <p>WATER AND SEWER SYSTEM UPGRADE: Richard began the presentation with an overview of District history, water and wastewater system facts, and explained the six-month timeline of the budget process for making important decisions on rates and infrastructure replacement. Richard reiterated that this is the beginning of the public outreach process.</p> <p>Despite many successes, the District is facing four major challenges that include the legal requirement to install water meters on all properties by 2025, ten percent of homes not having adequate water flow to fight fires and the need to upgrade the water system for fire flows, 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. Balancing risk and affordability to meet these four challenges includes moving quickly to evaluate rates and rate increases or delaying projects.</p> <p>The challenge of meters were discussed in length, and Paul Hughes showed that 8,300 properties need to be metered which is a five year project. He discussed the possible state zero-interest loan of \$21.5 million for a 20-year period. The rate change would be approximately \$1.10 per month each of the five years. Richard spoke on past attempts to exempt the District from the meter legislation and attempts to get as much grant funding as possible.</p> <p>The challenge of upgrading the water system for fire flow emphasized the number of feet remaining to be upsized with a cost of \$67 million over ten years. A chart showing rate increase alternatives showed options for addressing fire improvements, as well as upgrading sewer and recycled systems. Sample rate increases for three alternatives ranges from \$1.10 to \$4.40 per month.</p>	<p>Additional public meetings will be scheduled during the six-month budget period. The timeline is: <u>November-March:</u> Public outreach with radio, TV, letters to customers, Board and public meetings. <u>March:</u> Board selects preferred option on rates and the Proposition 218 notice is sent out. Hughes feels that by March, staff will most likely be asking for a multi-year Prop 218.</p>
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<p>Richard and Paul pointed out rates historically have been kept near equal to inflation, 20% cuts in Operations and Maintenance and cutting salaries and benefits by 3% (by reducing staff through attrition, lower CalPERS retirement formula for new hires, replacing the self-insured medical plan, and having no post-retirement health benefits as directed by the Board.) The District has also deferred facility projects based on risk analysis prioritization.</p> <p>In summary of required actions, Richard reiterated that the District must make upgrades and needs to evaluate how fast to complete upgrades to balance risk versus affordability and summarized rate alternatives.</p> <p>There were several questions from public on the District's water quality; inequity with customers who had to pay for their meter installations and the District now paying for all meters; backup generator issues with holding time and upgrades at stations; appealing the Porter-Cologne act to save the expense of exporting effluent; clarification of the proposed loan amount and savings plans for future improvements; and explanation of salaries and benefits.</p> <p>Board President Schafer recapped the rate increase history and believes strongly in small consistent increases. The Board is trying to take a hard look at what is in front of the District and being proactive as we owe it to the community to give a system that is reliable for them and future generations. Director Jones advocates doing as many projects able to do now and not deferring projects when it will cost more, as well as looking at a 20-year capital improvement plan.</p>	
<p>RATE REVIEW: Shawn Koorn, HDR consultant, presented his rate analysis and options for Board consideration based on a prior report done and at the direction of the Board. The objectives of the water rate study were to provide an independent review of the long-term financial plan, developing a five-year rate plan to meet the operating and capital needs, and rate impacts of various alternate capital plans.</p> <p>Shawn summarized capital funding alternatives comparing three alternatives: Delayed A has a total CIP of \$54.1 million (which is all projects), total borrowing of \$27.5 million and a cumulative five-year rate increase of 43.6%; Delayed B shows pulling money from reserves to fund capital improvements for \$46 million in CIP, borrowing of \$24.5 million, and a cumulative five-year rate increase of 32.5%; and Delayed C with \$40.1 million in CIP, borrowing of \$21.5 million, and five-year rate increase of 25.8%. The total revenue requirement is \$9.8 million and \$13.1 million by</p>	<p>President Schafer suggested holding a workshop for local contractors, subcontractors, and small businesses on how to best position themselves (and educating them on DBA/MBA requirements) to profit on the projects and keep it local, as this is an opportunity to make a lot of money and keep it in the community.</p>

<p>fiscal year 2019. Proposed rate increases are 6.5% and 3.0% by 2019. All scenarios meet different reserve levels, debt service coverage, and capital needs.</p> <p>Shawn then discussed the water rate design assumptions: maintain current rate structure with an across the board adjustment, transitioning customers to metered rates, and the timing of proposed rate transition plans.</p> <p>He reviewed customer consumption assumptions between single-family, multifamily, and commercial classes. The Consumption Summary graph shows that customers are using the same amount of water quarter-to-quarter as previous year(s).</p> <p>The conclusion of the analysis is rate adjustments are necessary to fund the District's operating and capital needs over the next ten-year period with the focus on the next five-year period; rate impacts vary depending on the capital plan. As mentioned in the earlier presentation, rates need to increase based on the risk District wants to take on system failures. Shawn mentioned that with droughts, etc., rates are going up in all states and averaging \$100-150 per month.</p> <p>Board discussion pursued, and President Schafer mentioned that the 70/30 rule on base/usage may be revised by legislators, which could affect the meter/flat rates. He also cautioned with metering that there may be a need for additional staff in Customer Service, water conservation, and more input/maintenance of the website. Hughes stated that no additional personnel have been factored into the budget, although meter towers allowing meters to be read in the office and giving better access to immediate information have been budgeted which could have long-term impacts on staff. Sciuto mentioned that the \$21 million loan estimate does include administration, staffing for calls, design, and inspections.</p> <p>Director Jones questioned what does the District have to give up to do \$116 million in projects in 20 years, and Sciuto stated that 83 projects in Delayed B plan are postponed beyond the ten-year plan; these include replacing undersized water lines.</p>	<p>President Schafer discussed flat vs. meter rates and a raise in the fixed portion of bill may allow more opportunities to get projects along with considering staffing. He questioned the opportunity for grants in these areas (meters) and if it can be retroactive; Grant Coordinator, Lynn, will research this. He agreed the District's focus should be on fire prevention and the costs associated with providing fire protection.</p> <p>Currently consultants are finishing the water optimization plan, which shows water shortage deficiencies and will give better 20-year plan scenarios for capital projects.</p>
<p>ADJOURNMENT: The meeting was adjourned at 1:30 p.m.</p>	