

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

DATE: September 5, 2013, 10:00 a.m.
 ATTENDEES: Tim Bledsoe, Shannon Cotulla, Paul Hughes,
 Susan Rasmussen, Paul Sciuto, Richard Solbrig
 BOARD MEMBERS: Chris Cefalu, Jim Jones, Eric Schafer, Kelly Sheehan,
 Randy Vogelgesang
 OTHER: Gary Kvistad, Brownstein/Hyatt/Farber/Schreck

TOPIC

ACTION

Eric Schafer called the workshop to order at 10:13 a.m.

STRATEGIC PLAN REVIEW: The workshop opened with a presentation of the District's Vision/Mission Statements and Strategic Goals by Richard Solbrig, Paul Hughes and Paul Sciuto. Purpose is brainstorming, open discussion, looking for more information/direction to discuss at next workshop in October, and give more input before beginning the budget cycle in December.

Sciuto asked if there should be changes to the mission/vision statement. The District's mission is providing reliable water and wastewater services, but with scarce resources to meet the demands of infrastructure the District is doing more with less. Examples of some projects that need to be done in meeting this goal discussed was retire/rehab facilities at the end of their useful life, upgrades to current standards, reliability improvements, and regulatory requirements.

Presented in Strategic Goals was level of service with the District's 24/7 operations, immediate leak response time, and what customers expect and what this costs (in labor, OT, standby, etc.) Eric questioned how the District arrived at establishing this level of service, which is by industry standards and what customers expect. Discussed was if customers realize the high level of service, which Tim said there is very little feedback. Risk versus rewards was discussed with cutting back, for instance with 24/7 standby, which may not save a lot and runs the risk of not having immediate response, fines, and environment and safety issues.

Another strategic goal of cultivating efficient water use emphasized the water conservation program, which is grant funded in the current year with hopes there will be funds as it is an easier program to get funded as the District wants to continue this program. Tim mentioned the program has been instrumental in educating newly-metered customers, and the leak adjustment program has written off \$56,000 in adjustments since implementing program in 2011. A disadvantage with quarterly readings is that leaks may not be timely caught. The policy is not typical with other agencies in

The next workshop is scheduled for 1:00 p.m. on October 16.

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| <p>California, and overall the Water Conservation Program helps during this meter transition.</p> <p>Another strategic goal is to retain and attract staff. Training and travel budgets have been reduced by approximately 30%, but training for certifications and succession planning is still offered. Through concessionary bargaining and hiring a professional negotiator using salary surveys, the District has been able to maintain wages and balance them with state regulations and public perception.</p> <p>Remaining strategic goals discussed were being outstanding financial stewards (protecting/enhancing the District's credit rating and maintaining reserve policies and providing a harmonious work environment with providing safety and training and utilizing technology. Sciuto mentioned that operational efficiencies have improved over the years, but still can be improved with industry technology that is available.</p> | |
| <p>TEN-YEAR FINANCIAL PLAN: The second portion of the presentation focused on rates and meters and the ten-year financial and capital improvement plan. Discussed were the three types of reserve policies practices in relation to ten-year financial and capital improvement plan scenarios.</p> <p>The scenarios presented a look at the impact of no engineering capital improvement plan (anything over \$5,000, infrastructure projects, items with longer than a three-year life used for operations, etc.) asking should future ten-year forecasts be prepared without using rate increase assumptions. Eric mentioned the 2012/13 ten-year forecast showed 5% on sewer and 4% increases in the remaining years; the current year plan showed the 0% and 4% in future years. He questioned what the District is telling people and what is being done needs to be fixed so there is no transparency issue.</p> <p>Capacity charges slides were presented showing that we are not charging what was recommended by two previous connection charge studies. Jim questioned how much money we have lost by not raising charges as projected and existing customers having to subsidize the system. Randy did not agree on the buying into the system point, as the ten-year plan is all infrastructure replacement, not expansions. Sciuto reiterated that replace/rehab are upgrades for future build out and buildable lots are considered when determining priority of line replacements. Jim emphasized that there is \$1.6 billion in the system and that new customers have to buy in to help with future replacements. Eric felt the concentration is not on capacity charges, but rather rates and meters.</p> <p>Discussion on rates pursued and the District's rate history,</p> | <p>A suggestion was made to take a</p> |

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| <p>rate increase scenarios, and rate comparisons were reviewed. Eric stated that the District is better off with more stable rate increases and suggested going out with a Prop 218 for five years and set at a maximum based on the CPI if the Board still wants to vote every year on increases; ultimately a plan that is followed with future rate increases, if presented as such, should be considered but the District needs to stick to it.</p> <p>Chris suggested thinking out of the box instead of raising rates on small, incremental basis by breaking billings into specific costs similar to property tax bills, e.g. meter assessment, other assessment, fire protection, and general meter fund. Richard mentioned it was done in the early 1990's for a special assessment. Gary stated that some agencies are doing it so customers can understand where their money is going to in specific areas. There is still a rate increase but it is broken down into costs' categories. Tim has used breaking down what percentage of bill goes where in the past and felt it was useful to the customer in understanding cost of services. Eric noted that perhaps the District needs a different story to tell the public (e.g. holding the line on operations, but saying it is going to infrastructure.</p> <p>Meter installation scenarios were presented noting that 3,488 meters need to be installed without grant funds and 1,868 with either funding or loans. News as of today is the District is not eligible for the CDHP because water rates have to be 1.5% of median income which is not the case, but the agency is offering a 0% interest loan which Hughes recommends Board consideration. Taking the loan and spreading out costs over a longer term would be more palatable to customers although the payback would need to be factored in. There was discussion on the amount of the loan, length of time of payoff, timing of spending it on meters as a public loan takes a longer process with more red tape to get funds compared to private lenders.</p> | <p>good look down the road on rates and take care of assets. The District has done an incredible job on keeping costs down, and there was consensus on supporting small, consistent rate increases. Randy emphasized the need to make rate increases sustainable from year to year and with the new board after next year's election.</p> <p>The Board would like staff to bring to next meeting an analysis to see how much CDHP will loan at 0% interest or a part loan with funding.</p> |
| <p>BOARD DISCUSSION AND DIRECTION: Sciuto asked for Board direction on changes to the District's Vision and Mission, which the Board agreed to keep them the same. The Strategic Goals were developed in 2005, and staff felt it prudent to review them.</p> <p>On the seven goals, costs to attain these goals was discussed especially in the area of level of service and needing to define the standard "exemplary" and quantifying what the cost savings would be if the standard was slightly lowered. The customer survey showed that customers are happy, especially when they have had direct interaction with employees and/or the District. Randy emphasized that customer service is important, and adjusting down the level of service would not have significant savings; presenting it to the community at this</p> | <p>Public Outreach: Eric suggested promoting getting the sewer and water process message to kids in schools making it age appropriate, which would also show the potential for jobs at the District. He feels the District needs to step up public outreach, as there are so many good things to tell public. This could include more public plant tours. Staff has considered going to a professional firm to develop and give direction on a public outreach plan for implementation. The Board</p> |

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| <p>time with other major challenges would not bode well.</p> <p>Other changes to the wording of the remaining slides were suggested including adding a point for revenue generation, such as what is proposed in Alpine County, and switching the order to emphasize public outreach. Also discussed was the goal of the use of technology. Eric mentioned that he has had discussions with other agencies on reducing paper and giving board members IPADs to improve efficiency and reduce paperwork. A midpoint, like emailing agendas instead of delivering binders, may be worth it from a cost position.</p> <p>The Capital Improvement Plan was then addressed. Sciuto asked the Board's philosophy on pushing off projects and holding rates down or continuing on a path to develop a CIP based on the needs of the District/infrastructure and agreeing with a replace and renewal schedule. From a planning perspective, he questioned what the Board wants on project priorities now that there is better research and technology to determine replacement/lifetime of infrastructure especially through the asset management system. Eric suggested not taking projects off the ten-year plan and continuing as done so the Board is aware down the line of future challenges and what is affordable. Jim reiterated that expenditures originally proposed are not even close to meeting 10 to 20 year projections.</p> <p>The Water Meter Policy was addressed and meter installations still needing to be prioritized, with most of public input based on the inequities. Sciuto pointed out that the question is more of how do we get it done along with how it gets funded. Eric suggested looking at what is needed from staff/workforce and not hire outside inspectors. Capacity charges were discussed as well, with Board consensus that they are not a huge revenue source since development is stable and should take a backseat to the other issues at hand. Chris is resistant to increasing them, and once again mentioned adding a service charge line item on customer bills to make up for the capacity charge (e.g. add \$2 or \$3 on each bill and keep the connection fee down to help builders) along with the possibility of converting a portion of the difference of where we are now on the charge and where we should be and spread it out on rates to customers keeping it a set price and not having to go to the Board for postponements.</p> <p>In conclusion, for the next workshop the Board would like staff to bring back future rate increase options and perhaps query other agencies for consideration of a multiple prop 218 notice.</p> | <p>agreed.</p> <p>The changes will be brought to the next workshop.</p> <p>The Board would like to continue with the ten-year planning to determine real needs, then do what the budget allows and/or board direction with assumptions for steady rate increases.</p> <p>The Board agreed no new capacity charge studies are needed at this time, as well as any more capacity charge increases or postponements, keeping the charge set at current rate. Since the charges are slated to increase in January, staff was directed to change the ordinance and bring it to the next workshop.</p> <p>Before the next workshop, determine the maximum of the CDPH loan to help with formulating a rate plan for the budget, as well as consider line-item billing. After the next workshop, Eric wants to go to the public with the proposed budget/plan.</p> |
| <p>ADJOURNMENT: The meeting was adjourned at 1:55 p.m.</p> | |