



5880 Oak Street, Anderson, CA 96007
Phone: (530) 357-2121 Fax: (530) 357-3723

Board of Directors

Directors - Beverly Fickes, Committee Chair: Scott McVay

General Manager: Paul Kelley

FINANCE COMMITTEE

April 12th 2023 at 4:30PM: District Office Board Room

Committee Responsibility

The Board's standing Financial Committee shall be concerned with the financial management of the Clear Creek CSD including the preparation and oversight of an annual budget, and oversight of reserve accounts and major expenditures.

MINUTES

- 1. CALL TO ORDER- by Director McVay @ 4:30PM**
- 2. PLEDGE OF ALLEGIANCE- Led by Director Fickes**
- 3. ROLL CALL- Director McVay, Director Fickes, General Manager Paul Kelley, Bookkeeper Accountant Melissa Tenney, Chief Plant Operator Bill Palmaymesa, and Administrative Assistant Kayla Faulks.**
- 4. OPEN TIME/PUBLIC COMMENT: None**
- 5. OLD BUSINESS/NEW BUSINESS (Discussion/Action)**
 - a. Activity Reports – January – March 2023 – Discussion
 - i. General Manager Paul Kelley- Gave background on what was updated and new on the activity reports presented to the public and finance committee. The activity report included January, February, and March. He pointed out that January property taxes were asked about in the January meeting and now they are accounted for in the current activity report. Director McVay mentioned that it showed up at a much higher amount than anticipated. General Manager Paul Kelley agreed that it was much higher than anticipated in the budget that was adopted before he was hired. Director McVay asked if it was anticipated that the 2nd payment would be just as high. General Manager Paul Kelley responded saying that he didn't think so, but it would be close.
 - ii. Director Fickes asked why the revenue charges go down each month. Bookkeeper Accountant Melissa Tenney responded saying that one major problem is getting a report from Frey to accurately run from Cubic. She mentioned that she has been in

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”

contact with their IT people and working on getting an answer as to why she is having issues with the reporting. General Manager Paul Kelley added that the pennies they were seeing are because of the payment plans and there is no way to set priority to certain rate codes in Cubic. Director McVay asked that this explanation be presented to the full board at the regular meeting. He also asked if the system isn't allowing to be input properly in Quickbooks then is the money actually in the bank and if the money was actually collected? Bookkeeper Accountant Melissa Tenney responded and said that the number they were seeing is a report that is reconciled to the bank account. She mentioned that the only way she can get the AR is to take a monthly report from Freys and cross check it with the bank account to reconcile. Director McVay appreciated the clarification and asked General Manager Paul Kelley, what needed to be done to rectify the collection of payment issues. He asked if the District needed to look for another volunteer or recommend maybe hiring another part-time person because the District can't afford the ongoing loss and still be able to pay employee salaries. General Manager Paul Kelley responded and said that Director McVay was basing his projected incoming revenue for base rates off of 2,710 customer accounts. He regretfully informed them that 2,710 was an incorrect number. He mentioned that he had Chad and others look into the system and it appeared that the District has 2,577 base rate accounts and 122 accounts were \$10.81 accounts, and 11 that are "dummy accounts" that were used for something. He added that according to his calculations the District is averaging about 2,000 customers paying their bills each month which is about 75% collection rate.

- iii. The activity report discussion trickled into the Budget Review discussion.
- iv. Melissa interjected to clarify one thing that Director Fickes has asked about at another meeting and it was regarding the out of water district sales that she had seen in January and March activity reports. It was a \$94.56 amount. She stated that it wouldn't be seen in the future, as it was a clerical error in the service coding, and it has been updated to reflect correctly. General Manager Paul Kelley added on to her comment and said that was a great point to one of his underlying reasons to look at a new system. He mentioned Freys is challenging to navigate, it's expensive, and having such a long time using the system there are a lot of anomaly things that prove a forensic review of the system and all 2400ish accounts would only be able to be done by converting to a new system because it forces you to do so. Community Member Pam Beaver referred to a question earlier in the meeting about if a volunteer or part-time employee was needed to help with all the delinquent accounts. Director McVay answered saying that is something he as well had been thinking about and it is something that needs to be brought back to the full board to decide on. General Manager Paul Kelley added to the conversation and said that there are a lot of factors that play into the delinquent account balances. One of those reasons being, there was a two-year period of time in which the District couldn't shut anybody off. And in

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

"This District is an Equal Opportunity Provider"

November there were a number of lockouts once that was lifted. Director Fickes added that the board had previously did away with the 30 days past due statements and mailing those out because it saved the District \$3,000. She suggested that maybe that was a bad policy and maybe need to bring that back.

b. FY Q3 Actual / Budget Review – Discussion

- i. General Manager Paul Kelley explained that over the last few days he was doing a whole bunch of calculations on future costs. He said that when the board adopted the budget for a water rate for a base rate charge they did the best that they could do when they said $2710 * \$56.05 * 85\%$. He mentioned that he needed to see what the true loss is, which is the $2577 * \$56.05$ minus what is actually being collected. He said that if you look at July through March, the District delivered a total of 1237af of water which is 583,000 units at \$1.04/unit. If everybody paid their full water rate, that's \$560,000. And then if you projected it out, and said that in April, the District is going to sell 100af, May 150af, and June 175af, that's another \$130,000. And so that's a total fiscal year of \$690,000 in water sales.
- ii. General Manager Paul Kelley listed a few budget adjustments he planned to take to the board at the next regular meeting. One, he was confident the District is not going to need is the \$674,000 that's in the budget for electrical costs. He believed it could be reduced by pulling \$500,000 out of that item. Another change he will be recommending to the board, to adjust and change the two revenue figures to be more accurate. He suggested increasing the property taxes. He also identified that the District has had higher repairs and maintenance but mentioned that Bookkeeper Accountant Melissa Tenney reallocated some of those expenses more correctly and accurately. It went from the \$130,000 range down to \$105,000, but it should increase a little for the budget.
- iii. He then asked for the Committee to provide input on other changes that needed to be made.
- iv. Community Member Pam Beaver asked why there was no revenue for March in the Centerville O&M item. Bookkeeper Accountant Melissa Tenney responded saying that we have not received payment from them yet. Director McVay asked how things were coming along with the reconciliation with them. General Manager Paul Kelley said he had a meeting scheduled with the General Manager the next day to discuss. He continued to explain that they had a lot of the documentation they needed for FY21. So, he planned to discuss where they were at by reviewing that and matching it up to all of the invoices and everything. Director McVay asked if there are projections that they should be looking at for the increase in cost. Not just with the labor but also materials for any O&M at the water treatment plant since they pay 25%. General Manager Paul Kelley responded and said yes, they have that projection. They usually

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”

get that from Bill about now for their budget making because they're starting to get their budget developed. He continued that the 25% is purely the cost of the treatment and delivery of the water to them. The other portion of their bill is an admin cost and that is just a straight admin rate per acre foot that has a CPI built into it on a yearly basis. But what they don't know is what the 2022 rolling into 2023 admin rate is, so they're still using the 2021 admin rate and that's part of what the reconciliation is. It's to confirm all the O&M costs. Director Fickes asked if that 25% is subtracted out of what our District charges its customers. General Manager Paul Kelley said he wasn't sure, but it will be a subject of a renegotiated contract in 2025.

- v. Director McVay asked about the \$1,500 in janitorial costs that were so high in January through March. Bookkeeper Accountant Melissa Tenney responded and said that when she first started there were no cleaning supplies whatsoever. So, she started buying things that needed to be cleaned since the staff were supposed to be the ones cleaning the office. She mentioned she bought multiple items such as a mop & bucket, toilet cleaning brushes, and other various cleaning supplies.
 - vi. Community Member Pam Beaver asked about the conferences, vehicle maintenance, and fuel expenses being in multiple spots. Bookkeeper Accountant Melissa Tenney answered that was because the Water Treatment Plant and Distribution departments are separated out to keep track of them separately.
 - vii. General Manager Paul Kelley discussed the IT upgrades that have already been implemented and what needs to be included in the next fiscal year's budget. He mentioned that the internet services are very slow, and he is looking at alternative options that will support the needs of the office.
 - viii. General Manager Paul Kelley reiterated that he would be bringing the current budget back to the board at the next regular meeting to discuss modifications to a few of the budget items.
- c. Water Shortage/Drought Ordinance and Rates Ordinance (2023-24 water year) – Discussion
- i. General Manager Paul Kelley- Gave quick background. The ordinance 21-05 and then subsequently 08, which was the rate rationale document. August 30th there was a big hearing that was at the at the school and at that meeting it approved all the rationale elements. If you're in a drought, you were able to recover the costs of water. So, the committee had put together the rate that recognized that. He continued to explain that the purchase of water, the use of wells and the treatment costs were all factors of the now previous drought rate which was \$1.04 per unit. He explained that when configuring the previous rate sheet, they accounted for, at the time, the bare minimum of M and I water, some McConnell water, and well water which created the \$0.87 per unit. Also updated on the rate sheet is the AG usage rate and the Domestic usage rate. The bottom left of the chart has the treatment costs as it relates to the

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”

treatment plant and that is an additional \$0.56 per unit. And so, when you take the new Bureau rate sheets of M and I or domestic at \$57.18 per acre foot and the new Bureau of Irrigation \$51.75 and then you run that on out, you get your \$0.72 and \$0.71 cents for each one of those. He added that the rate study does not allow changes to the base rate. He mentioned that at the next meeting they are going to discuss the new Bureau Allocation that was just received, which was more than the initial allocation was so there would need to be a recalculation.

- ii. Director Fickes- had questions about what was included in the water usage rate. She explained her understanding of what the base rate included. The operations, repairs, reserves, and all other costs related to the production, treatment, and distribution of the water. The water usage rate said this is a charge for a unit of water that covers the cost of the water plus treatment and labor expenses. And getting the water to the tank at the filter plants. She wanted to know why utilities were identified in the current costs for the Water Treatment Plant. As she thought the utilities should be part of the base rate and it's \$0.18. She wanted to know why it wouldn't be part of the base rate. She wanted to understand how the water usage rate went from \$0.37 and \$0.47 and then jumped up to \$0.56. Treatment Plant Chief Operator Bill Palmaymesa responded explaining when the CAC developed the base rate versus the usage rate it was always split. The usage rate was strictly treatment plant. When it says to get one drop of water whatever into the tank, that would be just the treatment. Utilities are not identified in the base rate because base rate is always developed to cover the fixed cost of the district and the treatment plant. Utilities are never a fixed cost. Director Fickes explained that she just wanted to make sure that we were not accounting for the utilities costs in both base rate and the usage rates. Director McVay agreed that it did look like there may have been doubling with those costs, even though it wasn't. He explained that he looked at actuals and compared it to the budget and it appeared that the utilities for the water treatment plant were just under \$53 an acre foot. He asked if we were anticipating an increase in charges. The Treatment Plant Chief Operator Bill Palmaymesa responded saying yes, there was an anticipation of a large increase this year. He continued to explain that we think we're going to run much more water through the treatment plan. And run some bigger pumps that haven't been running. As well as getting an increase from PG&E.
- iii. Director Fickes- Asked Bill, if he thought that the costs, like with the wells and the maintenance that we're having to do on a yearly basis, should be incorporated into the base rate. Treatment Plant Chief Operator Bill Palmaymesa responded saying yes, it could be. General Manager Paul Kelley added that it was a good thing to put on the to do list when updating the rates in the future Prop 218 in the next 12-18 months.

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”

- iv. General Manager Paul Kelley mentioned that with the new document from the Bureau that the District would need to rescind the drought with the new allocation and the District cannot charge a blended rate not being in a drought. He mentioned that he would bring it to the board at the next meeting to remove the drought.
 - v. Director McVay asked if the M&I usage was identified for those that have Ag rates. General Manager Paul Kelley responded saying no. Treatment Plant Chief Operator Bill Palmaymesa added that Ag customers that have house on their property, it just shows up as Ag water on their bill. Director McVay asked if there was something that could be done in the future to track the M&I usage on those Ag customer accounts to help the future allotments. General Manager Paul Kelley answered saying that the Bureau does not care how exactly the customers are being coded. Treatment Plant Chief Operator Bill Palmaymesa added that we report a percentage of the meter usage as M&I and a percentage of the meter usage as Ag.
 - vi. Director Fickes recommended to the board through the GM that the District rescind the drought rates.
- d. Bureau WIIN Act Payment Schedule – Discussion
- i. General Manager Paul Kelley reminded the committee that the District had about \$800,000 worth of obligations for its costs for the facilities over the Central Valley Project. The WIIN Act was an opportunity to pay that off and obviously you got to pay it back from a very low interest rate loan, and it basically secures the District's contract in perpetuity for the 15,300af. So, the contract and the statute say that from the date of the contract with the Bureau and the District, there is 3 years to pay it off. And the Board signed the contract in December of 2020. He added that the District did not make any payments from December of 2020 until August or September of 2021. Director McVay added that there was a credit of \$200,000 that they used as their initial annual payment. General Manager Paul Kelley continued the District met with the Bureau in September 2021 and the Bureau agreed to count the \$200,000 credit as the first payment. At that time, it was agreed upon that the District would start making the regular scheduled payments. The Bureau had a spreadsheet (exhibit D of our contract) to keep track of the payments. According to their tracking spreadsheet the final payment will be January 1, 2024. Current balance as of 12/31/2023 is \$349,394.38.
 - ii. General Manager Paul Kelley stated that, to make these \$50,000 a quarter payment or \$150,000 a year we needed to have something in writing in the Minutes that acknowledges that is what the District has done to make these payments because that \$1.88 on the customer bills needs to stay on those rates to pay back at \$6000 a month. Give or take the operating expenses or whatever other reserves you borrow against to make these payments. And then have it on the schedule and acknowledge so the Community and everybody knows that. In 2038, the number goes away because it has paid itself back.

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”

e. District Equipment Acquisition – Discussion

- i. Director McVay mentioned that the district equipment acquisition item was put on the agenda because he had run into an area that has opportunities for the District. There are nonprofit districts who cannot sell their extra equipment. East Bay MUD is one of those, and what they do is give the equipment to an auction house that then sells them. He suggested that we contact East Bay once it is determined what equipment is needed in the district and we might be able to get them to be donated. A VAC trailer would make the work for the distribution much more efficient. I did reach out to one of the auction places and he does not usually carry VAC trailers. He advised we reach out to them and know that we're a small, disadvantaged district and what's the possibility of them donating equipment if you know we can show a need. He asked if the distribution supervisor could develop a needs list and then see if they can't provide that. General Manager Paul Kelley said it was a good idea to look into and it would be nice to get a list of needs and maybe have a cover letter to that list with the Chair's signature.

6. ADJOURN THE MEETING- @ 6:27pm

ADA Related Disabilities:

Contact the front office and speak with a Staff Member if special consideration is needed to attend any public meeting for disability related accommodations or aide is needed. Please give 72 hours - notice prior to the meeting to allow staff to meet your requests appropriately.

“This District is an Equal Opportunity Provider”
