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Board of Directors: Beverly Fickes - Chair,
Terry Lincoln, Vice Chair
Directors – Pam Beaver, Irwin Fust, Scott McVay

General Manager: Paul Kelley

SPECIAL MEETING June 7th 2023 at 6:00PM: District Office Board Room

MINUTES

- 1. CALL TO ORDER- by Chair Fickes**
- 2. PLEDGE OF ALLEGIANCE- led by Director McVay.**
- 3. ROLL CALL- Director Lincoln, Director McVay, Director Beaver, Chair Fickes, General Manager Paul Kelley, Administrative Assistant Kayla Faulks, and Bookkeeper Melissa Tenney. Absent was Director Fust.**
- 4. OPEN TIME/PUBLIC COMMENT: None**
- 5. CONSENT – NONE**
- 6. OLD BUSINESS/NEW BUSINESS (Discussion/Action)**
 - a. Fiscal year 2023-24 Draft Budget (Discussion)**
 - i. General Manager Paul Kelley presented the 2023-24 draft budget that was updated since the last meeting with the Board Member’s recommended adjustments and fixes. He let the Board know that the budget to be considered and approved at a publicly published notice meeting that will be a public hearing. He mentioned that the plan is to schedule the public hearing for the June 21st meeting at 6:30pm. General Manager Paul Kelley explained that the payroll expenses were broken out by divisions and departments and an expense item for reserves was added. He added that in the past, the District did not show or track that element of things. He also proposed that with the actual budget spreadsheet itself also attaching some background information on the District and how the budget was put together. He said he planned to provide a draft of that to the board members and have them review and make edits as necessary. General Manager Paul Kelley added that at the next prop 218 process the customer accounts getting charged**

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the base rate will need to be visited. Currently there are 2,577 accounts getting charged the base rate and 122 that have meters that are locked who are not being charged the base rate. He explained that just because the customer's meters are locked the expenses and treatment to provide that service did not go away. He mentioned that all accounts should be billed at that base rate regardless of if the meter is locked or not. And added that this is something that will need to be looked at during the next Prop 218 process. General Manager Paul Kelley explained why the \$10.81 fees are broken out separately in the revenue section of the budget. He said that it is because those items are designated revenue. And those items are identified again later in the budget because they are expensed to reserves. He explained that you should always have a little bit more revenue than expenses to put in your fund balance as a projected fund balance. This can be used for mid-year budget adjustments to offset costs for things that are possibly more than anticipated. There was some discussion regarding the WIIN ACT payments and agreement with the Bureau. General Manager Paul Kelley explained that with the current budget the \$1.88 that gets collected from customers payments will be put into a reserve account. He also mentioned that back in March the Board purchased 500af from the McConnell Foundation and wanted to use penalties to help pay for that cost. He suggested that at the end of this fiscal year the District is going to put those penalties into a reserve account to help with the future costs of water that the District may have to buy if we are to go back into a drought. General Manager Paul Kelley stated that in the budget there was a line item named "discretionary fund balance reserve" that would be used to roll over from a previous year or budget. He then moved on to explain the Treatment expenses. He mentioned that PG&E are increasing their rates about 17% so the estimate for utilities is \$75,000. General Manager explained the capital improvement expense item to track expenses supporting the grant funded backwash ponds and electrical SCADA repair that would potentially get reimbursed. He explained that this will be tracked in all divisions as work for these grant funded projects needs to be tracked by division. He explained that he added a payroll tracking item for USAs which stands for Utility Service Alignments. The District gets a lot of requests from PG&E, MGE and other utility companies to mark lines near the area they need to dig. He wanted to make sure that is tracked going forward as it takes a lot of the staff's time lately. He explained that a line item for inventories had been added as well. He explained that previously the inventory was lumped into the repairs and maintenance before and now it will be tracked separately. General Manager Paul Kelley let the Board know that the Distribution Utilities line item needs to stay at \$60,000 because of PG&E's standby costs. Director McVay asked if there was any way we could use our status as a disadvantaged district to get a better rate from them. General Manager Paul Kelley said he was not sure, but he would look into it. He then moved on to the Administrative section of the budget. He explained that utilities were severely underestimated on the previous budget and for the new budget he based it off of the

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actuals that we have been spending over the last 10 months. He also explained the higher estimate for membership expenses. The ACWA JPIA membership was previously underestimated. And for this years budget he wanted to make sure that it was as close as possible. The Auto Liability and Worker's Comp is probably more than \$16,000 of the budgeted amount. He suggested that the District consider joining the California Rural Water Association as they have some great resources. General Manager Paul Kelley explained that in the past the Director elections have not been accounted for and that is something we need to account for in this budget as the District paid \$7,000 previously. He suggested it be in next year's budget. He mentioned he allocated some money to the IT subscriptions and computer maintenance. General Manager Paul Kelley stated that he budgeted a little more for the legal expenses as we will need to work a little more with legal due to the grants. He added that employee benefits are going to be accounted for in this budget. The OPEB reporting is done every odd year so the costs for that is identified in the budget. He mentioned that the District contribution for CalPERS retirement is going up to 7.68% and the employee contributions are going up to 7.75% beginning July 1st. Chair Fickes asked where the uniform services were accounted for in the budget if not in the employee benefits like the boot allowance. Bookkeeper Accountant Melissa Tenney responded saying in safety equipment and gear. General Manager went on to explain that customer accounts in now under the administration section. This captured the envelopes, postage, and printing expenses of the billing process. He explained that under the payroll expenses it is broken out by division. The expensed amounts for payroll is including the estimated 4% COLA increase based on the CPI that the MOU states. He switched back to the customer accounts section to explain that it is pretty clear we have been collecting about 80% of customers' bills amounts each month. So he mentioned that he budgeted for the Account Clerk position to move to full-time to have time to work on getting that collection percentage up to 85-90%. Director Beaver asked for clarification of the General Manager's synopsis as it states that out of the 4 days that would be added a month to the Account Clerk's schedule only 3 would be devoted to delinquent accounts. General Manager Paul Kelley said it was a typo that the Account Clerk would be devoting all 4 days to customer accounts and collections, but it hasn't really been drawn out what days each week will be devoted specifically to delinquent accounts and that is something that will be worked on and discussed should the board approve this. Chair Fickes explained that the Board just needs some assurance that if the position were to go full-time we need to make sure that there is time for the Account Clerk to actually work on the delinquent accounts as it is known for the staff to get busy and then it might not get done. General Manager Paul Kelley stated that the Account Clerk's job description would be updated to ensure that is part of the job duties and time will be allocated for this task. General Manager Paul Kelley then moved on to talk about the designated revenue section and building reserves. He mentioned that the rate rationale that was passed in August of

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2021 stated that 4.1% of the usage rate collected would go into reserves to build the reserves account back up. He suggested that the District start doing so. In the Rate Rationale it also stated that 1.8% of the base rates collected is also supposed to go into an operating reserve. This district has not done that since September of 2021 and he suggested that we start doing that. And something we will need to catch up on. General Manager Paul Kelley said he had found an Emergency USBR Reserve and confirmed that is valid and it is for the conduit. He also mentioned that the Bookkeeper Accountant has found a CD that doesn't show up on any of the charts, but it has \$36,000 for the USBR Emergency Reserve. General Manager Paul Kelley suggested that we take that money and put it in the emergency fund. And lastly he mentioned that the budget had \$7,500 more revenue than expenses and he explained that putting that into a discretionary fund balance that gets carried over to the next year to zero out and balance the budget. General Manager Paul Kelley ended his explanatory summary of the budget and opened it up to the Board for questions and comments.

- ii. Chair Fickes asked Director Lincoln to start with his questions and comments. Director Lincoln mentioned that he would like to see under the capital improvement line items memo that it not say "and other projects" as it seemed like a slush fund. General Manager Paul Kelley stated that the wording could be removed and mentioned that it is highly likely that what is listed under capital improvements is all that is going to get done this year anyways. Director Lincoln also asked that the mention of each department's salaries be removed from the department sections of the General Manager's explanation that will go with the budget because salaries are not identified in those sections of the budget rather there is a separate section of the budget that has the salaries broken out. He said it was just confusing because it seemed like the salaries were accounted for in two spots. General Manager Paul Kelley agreed and said that was a mistake and he would make the edits. Since yes, the salaries were in their own section of the budget and didn't need to be talked about in the divisions. Director Lincoln also suggested that it would be easier to find the justifications in the memo if in the memo it included the account numbers from the budget. Chair Fickes then asked Director McVay if he had anything he had questions or comments about. Director McVay explained that he felt this was a very workable budget and would like to review it quarterly or semiannually to make any adjustments. The only question he had was since the expenses and revenue was zeroing out, was there some way of putting the McConnell's actual that is going to be paid out this fiscal year and removing that from the budget. So, whatever it paid out this fiscal year be expensed out. General Manager Paul Kelley said he would be hesitant to do that until we do a quarterly budget adjustment. Director Beaver asked about the safety and equipment for the Water Treatment Plant whether that included boots and other safety things needed specifically for the Water Treatment Plant. General Manager Paul Kelley stated that there are some specific add-on items that are needed up there. They do have some areas that are

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confined spaces so there are training courses specific to that. Also, masks and other stuff that are supposed to be tested regularly. So that is why there is a specific budget item for this. Director Beaver then asked if the boot allowance and food allowance was in the employee benefits section then why wasn't the uniform service put under employee benefits. She also asked what the uniform service all paid for because the board thought it was only the cleaning of the pants not the rental of pants too. General Manager Paul Kelley answered that he understands the uniform service is an issue for the Board and we are looking into proposals from other companies to see if we can get a better price and service. He also clarified that the cleaning of the pants is also the supply of the pants as well. General Manager Paul Kelley stated that he would work with the Bookkeeper Accountant to break out the uniform service from safety and equipment. Director Beaver then asked about the building and maintenance section and what makes up that expense item. General Manager Paul Kelley answered that it was the exterminator, bay alarm, and waste management. He also mentioned that we had to get the septic tank for the office pumped so that expense was also categorized in that expense line. There is potential to do some other grounds maintenance such as sealing the cracks in the driveway, and clean up of the trees and bushes. Chair Fickes wanted to clarify some of her comments and questions. She mentioned that the payroll was all based on step 4 wages, even though not all employees are at that step. She also mentioned that the water sales decreased from \$650,000 to \$408,000 due to the drop in the usage rate by \$0.20. General Manager Paul Kelley mentioned that by dropping the usage rate it will be charging our customers more accurately. Chair Fickes then mentioned that she felt insurance for the District Vehicles and Buildings were high. Director Beaver asked if anything was found showing that the dump truck was paid for. Bookkeeper Accountant Melissa stated that she did not find anything in the books for the amount of \$78,000 as Sandy Winters had mentioned at the previous meeting. Chair Fickes then opened the time up to the public for questions or comments. Community Member Kaitlyn Patrick asked if there was the possibility to include an appendix with explanation of what is categorized in each account. She gave an example of the grounds maintenance section. General Manager Paul Kelley said that the plan is to have a background summary that explains the budget and what those accounts are made up of. Chair Fickes then closes out this item on the agenda stating it was just a discussion item and the final draft of the budget will be brought to the board for approval during a public hearing at the next meeting.

b. Ordinance 2023-08 – Water Usage Rates Ordinance (Discussion/Action)

- i. General Manager Paul Kelley explained that now that we have a little more accurate estimate of the cost particularly the utilities and O&M costs, the irrigation usage rate dropped to \$0.51 per HCF and domestic water usage rate dropped to \$0.52 per HCF.

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He said that when the rates were approved in March they thought they were still at a stage 2, but since the Bureau bumped the allocations up they were able to get a better analysis of the costs and rates so he strongly urged the Board to approve the new rates. He mentioned that the District's council advised that the rates go into effect 30-days from the approval date. Chair Fickes said she had an argument to that and asked if we were not in compliance with the current rates then why couldn't the changes be effective now because essentially the customers are currently being overcharged. General Manager Paul Kelley said he didn't think we were in violation of anything currently as the current rates were approved during the prop 218 because they passed an ordinance approving those rates. He added that if the Board approves the new rates and directed him to implement them immediately, then he would do so. Community Member Dennis Posehn commented that if the new rates couldn't be implemented immediately then they should put the extra money should be put away and back into infrastructure. Chair Fickes asked to do the calculation to see what that amount would be should they have to wait the 30-days to implement the new rates. Director McVay said it would be a total of \$15,000. Director Lincoln commented that he could see if we were raising the rates we would have to give 30-day notice, but if we are reducing then why couldn't it be implemented right away. General Manager Paul Kelley stated that we are currently operating under a previously approved ordinance that has a rate that is legit and legal. He added that if approved then he would implement it whenever the board tells him to.

Director Lincoln made a motion to approve the ordinance with the new rates that will go into effect at the time of the vote. Director Beaver 2nd the motion. Motion carried with a 4-0 vote.

7. ADJOURN THE MEETING- 7:46 PM

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