

Minutes Cover Sheet



County of Fresno

DEPARTMENT OF PUBLIC WORKS AND PLANNING

STEVEN E. WHITE, DIRECTOR

Minutes

Waterworks District (WWD) 42 (Alluvial/Fancher) Citizens Advisory Committee (CAC) Meeting

Date & Time: Tuesday, July 23, 2019; 7:00 p.m.
Location: City of Clovis Police/Fire Department Headquarters Community Room:
1233 Fifth Street
Clovis CA 93612

1. Introductions:

- A. County Staff: Meng Moua and Daniel Vang
- B. CAC Members: Kevin Olsen, Carl Kassabian, Art Gilbert, Virginia Hall, and Bob Brown

2. Review and Approve April 23, 2019 Minutes

- A. **Approved**

3. Review 2019-2020 Budget

- A. Meng Moua: (Please refer to WWD 42 County of Fresno Special Districts Projected Budget Expenditures 2019-2020 sheet). The first column, Budget FY 2018-2019, is what we budgeted for FY 2018-19. The second column, Estimated Expenses FY 2018-2019, is the actual expenses as of June 30, 2019, which is \$122,391. Actual expenditure may be closer to \$127,000. The third column, Proposed Budget FY 2019-2020, is what we appropriated for FY 2019-2020. Line item 07295 Professional & Specialized Services has an appropriation of \$392,242 because we included the cost to apply for the bond. Since the County is no longer applying for the bond in FY 2019-2020, actual expenditure for 07295 will be closer to the current expenditure of \$75k.

- i. Daniel Vang: I want to clarify two things: For the estimated expenses, we have until 7/24/19 to close out last fiscal year's transaction. Any invoices dated June 30, 2019, will be processed in FY 2018-19. Any invoices that come after 7/24/19, even if it was for June 30, 2019, will be process for FY 2019-20. The other point I want to clarify is the way appropriation work is we are not taking out your cash to set aside in a different account. An appropriation is a spending limit. It gives the district the ability to spend up to the appropriated amount. If we did not allocate the funds and needed to increase the appropriation, we would need a Board action, which would cost the district money. It is easier to allocate the money up front because we have a project (bond application). Nothing happens if we do not spend the money.

- ii. Carl Kassabian: The utilities, we budgeted \$33,500 for FY 2018-19. So far we have \$24,500. Do you know if we have any outstanding PGE bill?

- 1. Meng Moua: I think PGE is going to be closer to \$28k. PGE bill does not occur monthly. It may hit a few months and skip a few months. This is also

why I budgeted \$40k for PGE. When we projected PGE cost, at the 7-month mark, the total PGE cost was already \$22k and trending towards \$40k.

2. *Daniel Vang: Some of it is timing. It depends on when the bill comes in and when we pay the bill. Our Internal Service Department pays the PGE bill. When we were reviewing the budget, we wanted to be conservative. We know that PGE bill is not going down. Once again, this is an appropriation only and we did not want to come under-budget.*
3. *Carl Kassabian: The only reason I asked is because I used the \$40k to calculate the rate.*
- iii. *Kevin Olsen: Our expenditures are going to be \$127k, our revenue is about \$117k. This means we have a deficient of \$10k. We are spending more money than we take in. Our only revenue is our bimonthly fees and interests on our reserves.*
- iv. *Kathleen Lynam: FY 2018-2019's appropriation is higher than our actual expenditures. We underspent in category 7205 and 7220. Since we underspent, how is total expenditure more than our revenue?*
 1. *Kevin Olsen: Our revenue is approximately \$117k compared to actual expenditure of \$127k. We make up the difference with our reserves.*
- v. *Bob Brown: Why did our insurance double?*
 1. *Meng Moua: I will have to look at my notes. But one possibility is that the highest insurance amount within the last 3 years could have been \$1,400. Insurance is not a consistence rate and to ensure we appropriate enough, I used the high amount from within the last 3 years.*
- vi. *Bill Lynam: For the \$392k under 07295, did you say this was an estimate? Because it jumped from \$71k to \$392k which is substantial.*
 1. *Meng Moua: \$75k is the estimated staff cost for next fiscal year. I appropriated the remaining reserve amount to 07295. When we developed the budget, the thought process at the time was to apply for the bond. I wanted to make sure we have sufficient appropriation.*
 2. *Kathleen Lynam: The extra appropriation came from the reserve?*
 3. *Meng Moua: Yes.*
 4. *Daniel Vang: The 07295 account. To give you an idea of what's in there. Our time is charged to 07295. If we were to apply for the bond, our time will hit 07295. County Counsel's time will hit 07295. Bond Counsel will hit 07295. Pretty much anything related to applying for the bond will get paid from 07295. This is why we budgeted a majority of the reserves into 07295.*
 5. *Carl Kassabian: Are you going to adjust it down since we are not pursuing the bond at this time?*
 6. *Meng Moua: The budget has been approved already. This is appropriations only and is not going to affect the district otherwise. When we do the budget next year, we will drop it closer to the actual expenditure of \$75k.*

vii. *Art Gilbert: Is there any possibility of pursuing the bond before the year is over? I thought the purpose of the rate change is to accumulate more funds so we can apply for the bond.*

1. *Carl Kassabian: We probably won't have sufficient funds by the end of the year.*

4. Review and Approve Water Rate Change Proposal

A. *Carl Kassabian: I made the assumption that we will not pursue the assessment district (bond) for FY 2019-2020. I assumed the expenditure for 07295 is going to be \$80k. This reduced the bottom line from \$474,642 to \$162,400. The fix cost is \$122,400 and the energy cost is \$40,000.*

i. *Please refer to Waterworks District No. 42 sheet for water rate methodology and math.*

ii. *For the month of July+August 2018, if we include an additional reserve amount of \$50/month, the highest water user (1,022,060 gallons) will pay \$807.19 and the lowest water user (22,243) will pay \$307.28.*

iii. *For the month of January+February 2019, if we include an additional reserve amount of \$50/month, the highest water user (451,239) will pay \$521.78 and the lowest water user (3,029) will pay \$297.67.*

iv. *Keith Young: We are looking at \$10-12 a month to reach the breakeven point. So this is the minimum to keep the reserves from dropping.*

v. *Carl Kassabian: That's correct. And if we want to do a water well we will need to up the amount to \$50 to fund the administrative cost.*

B. *Kevin Olsen: The County cost will also continue to go up. We have been fortunate to not have to make any major repairs.*

i. *Carl Kassabian: We had a motor go out but fortunately, the motor was at ground level and easy to fix. The \$50 is to help grow our reserves. Even if we never drill a well, we may have a calamity in our system.*

C. *Kathleen Lynam: What is going into our reserves now?*

i. *Carl Kassabian: We are eating into our reserves.*

D. *Kathleen Lynam: Is there a portion of the \$175 we currently paid that is meant to grow the reserve?*

i. *Craig Smith: If I remember correctly, the last time we did a rate change, \$10 out of the \$175 was supposed to go to the reserves.*

ii. *Bill Lynam: I remember some amount of money that was supposed to be set aside because the distribution system is getting older. Did that every happen?*

iii. *Carl Kassabian: The money does not go into a "lock box" that you cannot touch because it is used for a specific purpose. It is all in one big pot. The revenue comes in. It's spent. If they need to take money from the "reserves", they are going to use it. It's not a line item.*

iv. *Kevin Olsen: We did have the left over bond money that we asked the County to move into WWD 42's account.*

- E. Kathleen Lynam: Can we have another account that we would call our "reserve?" Can we have more than one account?
- i. Kevin Olsen: What purpose would it serve?
 - ii. Kathleen Lynam: It would allow us to see the amount we are saving for future projects.
 - iii. Daniel Vang: We can do this under a different subclass. It would still be lumped under WWD 42.
 - iv. Carl Kassabian: Let's say we do this. What happens if fixed cost exceeds revenue? Will we have to go to the Board to transfer the funds?
 - v. Daniel Vang: We can do an internal memo to transfer the money from the "reserve" account to the main account. If we did not appropriate these funds then we would have to go to the Board.
 - vi. Art Gilbert: Basically we will just complicate the matter, it wouldn't change anything, and we would be charged for the additional work.
- F. Carl Kassabian: What does everybody think of the rate?
- i. Craig Smith: Please remember that we are short about \$10. So realistically, \$10 will get us to the breakeven point and \$40 will go into our reserves.
 - ii. Bob Brown: The fixed cost should cover the short fall.
 - iii. Carl Kassabian: The energy cost is based on the \$40k appropriation but the actual cost may be closer to \$28k. This will give us some cushion initially. But we know PGE rate will continue to go up. In 5 years, the cushion may be gone.
- G. Bill Lynam: Are we collecting enough money to cover our fix cost and have left over for future repairs?
- i. Kevin Olsen. We spending more money than we are receiving. The new rates will allow us to cover our fixed cost and save for future repairs.
- H. Keith Young: Is our electric bill a flat rate all year round?
- i. Meng Moua: No, it varies.
- I. Keith Young: Obviously, during the summer time, our cost goes up because our usage goes up. I'm assuming it's a sliding scale. High usage users will drive up the cost on a quadratic scale. Are we subsidizing the high users' usage? Is there a way we charge the them more?
- i. Carl Kassabian: We had this discussion last time. If we do this then we have a scale that curves. The higher you use the higher you are charge. What does everybody think of having a base rate for x amount of gallons? Under the "x" amount, you have a straight line. Once you exceed that amount, you have a curve.
 - ii. Kevin Olsen: That is essentially a tier rate.
 - iii. Carl Kassabian: We talked about the tier rates and we did not want to do this.
- J. Kathleen Lynam: Will this mean more administrative cost to breakdown the rate?

- i. *Daniel Vang: No it wouldn't. It is built into our software. It will do the calculation and breakdown for us.*
- K. *Bob Brown: Do we know the mean water usage?*
 - i. *Meng Moua: We do not have this information but can calculate it from our data.*
 - ii. *Carl Kassabian: We do have the average water usage.*
 - iii. *Art Gilbert. That would be usage information to have.*
 - iv. *Bob Brown: If we know the mean, we would know what most people are using and use that as the base. Once you go over that amount then you will be charge the higher rate.*
- L. *Kathleen Lynam: If we approve the rate change, would there be more or less money in the reserve if people conserve?*
 - i. *Kevin Olsen: It would remain the same since a 15% in reduction will result in a 15% in utility reduction. The revenue will decrease*
- M. *Bill Lynam: Carl, can you calculate backward from the gallon pumped and approximate the electric rate for the two tiers?*
 - i. *Carl Kassabian: I do not know how to do that.*
 - ii. *Kevin Olsen: This will be very hard to calculate.*
 - iii. *Bob Brown: Can the County's software calculate this for us?*
 - iv. *Daniel Vang: Using Quail Lakes as an example. Normally, how the program works is we have a base of 5,000 gallons at a cost of \$17.35/month. If you use between 0 to 5,000 gallons, you pay \$17.35/month. For every 1,000 over 5,000 you pay \$2.51/1,000 gallons.*
 - v. *Carl Kassabian: If we did a tier rate where we live, we will have a desert. There will be no trees, no lawn.*
 - vi. *Bob Brown: You don't have to use Daniel's numbers. He is laying out a scheme.*
 - vii. *Carl Kassabian: Right, I am just saying I don't think it is workable.*
 - viii. *Daniel Vang: Right, this is how the engineer designed it for Quail Lakes. We can cater a tier system that works for WWD 42.*
- N. *Bill Lynam: Can we apply for grants to help pay for a new well.*
 - i. *Carl Kassabian: During one of the past meetings, the County informed us that most of the grant money are going towards disadvantage communities. WWD 42 is not a disadvantage community. An application will take about three years before somebody at State reviews it. By that time there will have no money and most likely we will get denied.*
- O. *Daniel Vang: Does WWD 42 want the rates to remain flat or increase it by 3% each year.*
 - i. *Kevin Olsen: We had decided to add an escalator. The last we did it, we thought the escalator was going to keep going but it stopped after 3 years.*

- ii. *Daniel Vang: Usually the escalator last for 5 years. WWD 42 will need to decide how much they want to increase the escalator by. It can be tied into an index or a fixed number.*
 - iii. *Bob Brown: Let's put in a 3% escalator to keep it simple.*
 - iv. *Carl Kassabian: Are we talking about 3% on the fix cost, energy cost, additional reserve, or all of it?*
 - v. *Meng Moua: It is based on the district's discretion.*
- P. Art Gilbert: Motion to have a 3% escalator on the entirety of the rate (fixed cost, energy cost, and additional reserve). Bob Brown seconds the motion. All CAC members approve. No opposition from the community members in attendance.**
- Q. *Kevin Olsen: Daniel, do you think there will be any opposition from the Board?*
- i. *Daniel Vang: The biggest hurdle is with County Counsel. They have to make sure the rate is legal.*
 - ii. *Carl Kassabian: Why would County Counsel say it's illegal?*
 - iii. *Daniel Vang: The only County Counsel may question the rate is because it holds flat whereas electrical cost is a tier rate. County Counsel will also have to look at Government Codes to make sure everything is legal. I am not saying there is anything wrong with it. But if County Counsel has question, we will be sure to notify the district. I just wanted to point out there as a disclaimer.*
- R. *Kevin Olsen: Since it is in Supervisor Magsig's District, does it get a special look from him?*
- i. *Daniel Vang: The Board members have been letting the Supervisor who represents the affected District take the lead. By the time it gets to the Prop 218 proceedings, the Board will be fully aware of the situation. If they have any questions, we will let them know.*
- S. *Kevin Olsen: What's the timeline?*
- i. *Daniel Vang: It would take about 6 months. I will need to confirm if it is a protest hearing.*
 - ii. *Meng Moua: Based on the 6 month time period, the first month with the new rates will be March 2020.*
- T. *Kevin Olsen: How much do you estimate the Prop 218 process would cost?*
- i. *Meng Moua: \$5,000 on the low end and \$20,000 on the high end.*
- U. *Bill Lynam: With the rate change, will we have sufficient funds to finance the well within 2 years?*
- i. *Kevin Olsen: We will not have enough for a well but will have enough to start the process.*
 - ii. *Craig Smith: Assuming we add \$50k a year to our reserves, for the next 5 years. We will have a total of \$250k add to our reserves of \$430k. We will have around \$600k in 5 years. Assuming we do not have any major repairs.*
- V. *What happens if this gets voted down?*

- i. *Daniel Vang: The rate stays the same if it fails. What we will usually do is hold another public meeting to let the community know that at minimum the rate should be at x-amount so the revenue matches the expenses to hold the reserves.*
 - ii. *Carl Kassabian: The additional reserves will be \$100 per billing.*
 - iii. *Daniel Vang: Some of the opposition to the rate change is due to the usage factor. Those opposing the rate change want a flat rate. Should the rate change fail, we will attempt to find out why it failed. The rate will fail if there is a majority protest.*
 - iv. *Art Gilbert: Per the surveys, a majority prefers the rate change over the current rate.*
 - v. *Daniel Vang: That is correct. But people's opinion may change.*
- W. *Meng Moua: We will also hold a public meeting to address any concerns from the community. This will provide an opportunity for those in favor of the rate change to persuade those who might consider protesting.*
- i. *Daniel Vang: This will be a protest hearing so the County will send a letter outing how individuals can protest the rates.*
 - ii. *Meng Moua: If we are working on the 6 month timeline. The Board date for the protest hearing will be in late January 2020. Forty-five days prior to the Board date, which is in early December 2019, staff will send letters to the community. The letters will invite residents to the public meeting to address concerns from the community. Also remember potential protester will have to be proactive; they will have to write a letter and send it to the County. When we conducted the survey, we had a letter with a returned envelope and we still had a low response rate. I would image the protest hearing would be lower.*
- X. *Art Gilbert: What are our next steps?*
- i. *Meng Moua: I will put together the board item to go through the review process. If we are working on the 6-month timeline, we will go to the Board around January 22, 2020. We can try to hit it sooner.*
 - ii. *Daniel Vang: We will try to hit it sooner but there are protocols we have to follow; give residents a 45-days notice of the protest hearing and hold a public meeting.*
- Y. *Kevin Olsen: Do you think the opposition is because most people want a flat rate even if they are going to be spending less if a variable rate?*
- i. *Daniel Vang: The feeling that we got was most would prefer a flat rate.*
 - ii. **Action: Staff will add mean, median, and mode data water usage report.**
 - iii. **Action: Staff will put together a timeline to outline the Prop 218 proceeding.**

5. Fire Hydrant Signs

- A. **Action: Staff will check fire hydrants to ensure there are signs.**

6. Other Not Listed for Discussion

- A. *Daniel Vang: Cal-Fire reached out to the County regarding the ISO rating which influences fire insurance for properties 5 miles from a fire station. Cal-Fire asked for information*

regarding the fire hydrants and well pumps. We will be providing this to Cal-Fire. Hopefully it will help with the fire insurance.

B. Bob Brown: In the last meeting, we discussed how we did not have to pay upfront to apply for the bond but as expenses occur. The total administrative cost is \$450,000 over the course of 2 years. Can we pursue the bond in year 2 even though we do not have sufficient funds?

- i. Meng Moua: The last meeting, we discussed applying for the bond in year two of the rate change once the district has more funds.*
- ii. Daniel Vang: The \$450,000 will occur over a period of 2 years. As staff worked on the bond, we will charge our time to the district. Expense will occur as they happen, not upfront.*
- iii. Meng Moua: Based on the bond presentation, we will need drill a test well at a cost of \$50k first. Afterwards, staff will work on the bond process. By the end of year 1, total cost will be around \$350,000. The current reserves is \$430k. Based on the rate change, we are looking at adding \$60,000 to the district's fund. The projected reserves at the end of year 1 would be \$490k. This should give us a cushion to apply for the bond.*
- iv. Daniel Vang: Part of the reason the district mentioned they did not want to apply for the bond until it has sufficient funds is because the district did not want to deplete the reserves.*
- v. Carl Kassabian: The whole idea was rather than do them concurrently was to get the rate change in place so that we are assured we will have at least 5 years of revenue. In a year or 18 months we will move forward with the bond process once we have enough money.*

7. Set Date for Next CAC Meeting

A. Tentative: 10/23/19 6:00PM @ Clovis PD Community Center

8. Adjournment

Requests for disability-related modification or accommodation needed in order to participate in the meeting must be made to the County of Fresno Resources Division at (559) 600-4259 no later than 24 hours prior to the meeting.

Waterworks District No. 42

MONTHLY WATER BILL USING FY 2019-2020 PROPOSED BUDGET

Fixed Costs (\$162,400* - \$40,000 = \$122,400)

\$122,400/104x12=\$98.08/month

Energy Costs (\$162,400* - \$122,400 = \$40,000)

Gallons of water used by the 104 connections from July 1, 2018 to June 30 2019 per Fresno County data = 80,217,435 gallons

\$40,000/80,217,435 = \$0.00049864 or \$0.49864/ 1000 gallons; use \$0.50 per thousand gallons

Additional Reserves: \$10/mo.(104)12 = \$12,480/ yr.
\$50/mo.(104)12 = \$62,400/yr.

WATER BILL EXAMPLES

July + August (2018)

Maximum Usage: 1,022,060 gallons

Example:	Fixed Costs (\$98.08 x 2) =	\$196.16
	Energy Cost (1,022,060/1000) x \$0.50 =	\$511.03
	<u>Additional Reserves (use \$50/month) =</u>	<u>\$100.00</u>
	Two month total =	\$807.19

Minimum Usage: 22,243 gallons

Example:	Fixed Costs (\$98.08 x 2) =	\$196.16
	Energy Costs (22,243/1000) x \$0.50 =	\$ 11.12
	<u>Additional Reserves (use \$50/month) =</u>	<u>\$100.00</u>
	Two month total =	\$307.28

All other water bills based on present usage for July & August would typically be between these two examples.

January + February (2019)

Maximum Usage: 451,239 gallons

Example:	Fixed Costs (\$98.08 x 2) =	\$196.16
	Energy Cost (451,239/1000) x \$0.50=	\$225.62
	<u>Additional Reserves (use \$50/month)=</u>	<u>\$100.00</u>
	Two month total=	\$521.78

Minimum Usage: 3,029 gallons

Example:	Fixed Costs (\$98.08 x 2) =	\$196.16
	Energy Cost (3,029/1000) x \$0.50 =	\$ 1.51
	<u>Additional Reserves (use \$50/month) =</u>	<u>\$100.00</u>
	Two month total =	\$297.67

All other water bills based on present usage for January and February would typically be between these two examples.

*The FY 2019-2020 budget prepared for Waterworks District No. 42, by Fresno County staff, proposed \$392,242 for *Professional and Specialized Services*. This amount, for purposes of this analysis was reduced to \$80,000 since there are insufficient funds available to proceed with the formation of an assessment district to fund the drilling of an additional water well.