

## MINUTES

### CALAVERAS COUNTY WATER DISTRICT SPECIAL BOARD MEETING

SEPTEMBER 13, 2023

Directors Present: Scott Ratterman, President  
Russ Thomas, Vice-President  
Cindy Secada, Director  
Bertha Underhill, Director  
Jeff Davidson, Director

Staff Present: Michael Minkler, General Manager  
Matt Weber Esq, General Counsel  
Rebecca Hitchcock, Clerk to the Board  
Kelly Richards, Business Services Manager  
Kate Jesus, Human Resources Technician  
Damon Wyckoff, Director of Operations  
Jeff Meyer, Director of Administrative Services  
Jesse Hampton, Plant Operations Manager  
Kelly Gerkenmeyer, Water Resources Specialist  
Dylan Smith, IT Technician

Others Present: Habib Isaac, IB Consulting  
Approximately 150 members of the public on premises  
Approximately 230 members of the public online

### ORDER OF BUSINESS

#### CALL TO ORDER / PLEDGE OF ALLEGIANCE

##### 1. ROLL CALL

President Ratterman called the Regular Board Meeting to order at 5:31 p.m. and led the Pledge of Allegiance. All Directors were present.

##### 2. PUBLIC COMMENT

Carlos Stoughton addressed the Board to thank the Board and staff for their hard work.

A member of the public addressed the Board requesting that the District be more transparent.

**RECESS** was called due to technical difficulties at 5:36 p.m. **SESSION RESUMED** at 5:47 p.m.

President Ratterman opened the Public Hearing at 5:47 p.m.

### 3. PUBLIC HEARING

President Ratterman reviewed the process of the public hearing.

- In order to be counted, written protest letters must be submitted to the Board Clerk before the close of this public hearing.
- For the protest to be successful, 50% + 1 of impacted property owners must submit a verified protest.
  - For water, that is 6,690 protests (Current count is 3560)
  - For wastewater, that is 2,511 protests (Current count is 1526)
- After the public hearing is closed, we will take a short break to allow the Board Clerk to count the protests, and the updated count will be announced.
- For anyone who would like to check on the receipt of their protest letter, there is a staff person available at the customer service counter or you can email customer service for confirmation.
- For those wishing to make public comment, line up behind the podium to speak.
- For those wishing to make public comment online, use the raise hand function and you will be called on after comments in the room have concluded.

#### **PROPOSED WATER AND WASTEWATER RATE ADJUSTMENTS**

- Presentation
  - Open Public Hearing
  - Receive Public Comments/Questions
    - Limit one comment per person and 3 minutes per comment
  - Close Public Hearing
  - Board of Directors Discussion/Action Regarding Adoption of Proposed Water and Wastewater Rates
- ORD 2023-01**

**Discussion:** Jeffrey Meyer stated as an independent Special District, CCWD must establish rates adequate to support its operations and infrastructure. This rate study, under the guidelines of Proposition 218, was performed by IB Consulting, Inc., which includes Habib Isaac, Andrea Boehling, and Lauren Demine. It is common practice in the water industry to use expert consultants for rate studies. The rate study identified funding deficiencies in the District's water and wastewater operations. These deficiencies necessitate increasing both water and wastewater rates. The Board reviewed the requirements and various rate design proposals, provided feedback, and at the July 12, 2023, Board meeting, directed staff to proceed with the proposed five-year water and wastewater rate model. The proposed rates were provided to customers via Prop 218 notices that were mailed to every property owner on July 27, 2023.

Since October 2022, the District has held fourteen publicly noticed Finance Committee and Board meetings to address the funding requirements for the District's water and wastewater services. There were three town hall meetings earlier this year where we discussed the need for rate increases and encouraged people to participate in our finance committee and board meetings. There were also three town hall meetings after the Prop 218 notices were mailed, in addition to numerous social media posts, and many other meetings and public outreach efforts.

At the September 6<sup>th</sup> Board meeting, at the request of the Board, staff submitted their review of the proposed rate study to see if there were ways to reduce the proposed rate increases. The review concluded that rate reductions tied to operations were not feasible. Therefore, any changes would have to come from deferring CIP projects funded in whole or in part by new rate revenues. Staff identified five possible CIP projects for deferral, which were:

- Wallace Water Tank Replacement - \$1.5 million
- Jenny Lind Tanks A, B, E & F Rehabilitation - \$1.5 million
- Big Trees Pump Stations 4&5 Replacement – \$2.1 million
- LC Biolac, Clarifier & UV Improvements – \$813,096
- Huckleberry Lift Station Improvements - \$854,498

He explained the deferral of these projects does lower the proposed water and wastewater rate increases, for which Habib Isaac will provide more information.

He reviewed the protest letter requirements previously described by President Ratterman.

Habib Issac from IB provided a PowerPoint presentation (attached) on the current financial position of the District and the proposed rates.

Michael Minkler, General Manager, addressed the Board and those in attendance regarding the reasons behind the District's need to raise rates. He addressed the cost increases the District has faced including the construction cost on critical infrastructure projects which have doubled and tripled in some cases. The Capital Improvement Plan (CIP) was reduced to \$92 million including only the most critical infrastructure projects. Thanks to strict review of the District's budget by the Board, the budget is now very lean without jeopardizing our operational readiness. He stated that at the last Board meeting on September 6<sup>th</sup> the Board had asked for a reduced CIP alternative which further reduced the rate increases in the final two years. He emphasized that the first three years of the proposed increase are very important due to the current financial situation at the District. The budget is already lean, and salaries and benefits are rigorously evaluated to try to keep up with competitors. He added that the District has very talented staff that are able to do the critical work that is necessary to serve our communities despite all the complexities of the budget and regulatory compliance burdens. Rates are the District's primary source of revenue, so it is necessary to raise rates to meet those costs. He added that in the water industry, it is not an option to cut service and leave hydrants uncharged. The District is working on ways to increase the amount of assistance it can provide to low-income customers, but water agencies have very limited tools to address the affordability crises people are facing. CCWD is committed to working with other local partners to connect customers in need with resources that are available and will do everything it can to bring in outside sources of funding for infrastructure projects to take the pressure off rates.

## **PUBLIC COMMENT**

The following members of the public voiced opposition to the proposed rate increase:

Patrick Roy, Valley Springs	A Valley Springs Resident
Maryann Mackabee, Murphys	Matt LaCray, Valley Springs
Donna Hennell, Copperopolis	Mary Beth, Valley Springs
Carlos Stoughton, West Point	Tom Borth, Copperopolis
Karen Turner, Copperopolis	Hung Mae, Valley Springs
Jessica Piper, West Point	Regina Pertain, Copperopolis
Eric Katz, West Point	Alida Schoonover, West Point
Collen Dougherty, Valley Springs	Hurk, Valley Springs
Sheryl Mcquinn Harper, West Point	Joseph Zehrun, Valley Springs
William Edson, Valley Springs	Winston Ta, Valley Springs
Bob Slagle, Dorrington	Steve Baum, Valley Springs
Tim, Valley Springs	Elaine St. John, Copperopolis
Christopher Butner, Murphys	Willow from West Point
Chris Dahlgren, Valley Springs	Doug McAbee
Dan Jackson, Valley Springs	Lonny Bubak, Valley Springs

Rick Torres, Wallace  
Donna Magnuson, Copperopolis  
Chris Miller, Valley Springs  
Martin Huberty, District 3 Supervisor  
Mark Deal, Valley Springs  
Linda Tywoniak, Arnold

Peggy  
Megan Fiske, Calaveras Planning Commission  
Sue Martinez  
Aaron, Valley Springs  
Ben Stopper, District 5 Supervisor  
Rachel Weiss

President Ratterman closed the Public Hearing at 8:11 p.m.

**RECESS** was called at 8:11 p.m. **SESSION RESUMED** at 8:24 p.m.

At this time Michael Minkler, General Manager announced the tally of protest letters received: **WATER CUSTOMERS**; Prior to the opening of the Public Hearing, there were 3560 protest letters received and verified equaling 27.4% of the total 13,007 water customers. An additional 151 presumed letters were received at the public hearing but not verified, which totaled 3711 and equaled 28.5%.

**WASTEWATER\_CUSTOMERS**: Prior to the opening of the Public Hearing, there were 1,526 protest letters received and verified equaling 30.4% of the 5,020 wastewater customers. An additional 151 presumed letters were received at the public hearing but not verified, which totaled 1,677 and equaled 33.4%. There were not enough protest letters received to stop the proceedings.

He addressed concerns about the protest counting process. Even if a protest letter comes in and it did not specify if it was water or wastewater, staff verified the account and would count the protest according to the service. If a customer had both water and wastewater services, they would be counted as such.

Habib Issac responded to some of the comments from the public comment period. He stated that IB Consulting does not do any financial work for the District and specializes in rate studies.

Michael Minkler responded to a list of items from the public comment period.

1. CCWD is a non-profit public agency.
2. The Capital Improvement Plan that was submitted to IB Consulting in October 2022 was approximately \$200 million and was reduced to approximately \$92 million during the rate study process, which was included in the Prop 218 proposal. The further reduction in CIP of roughly \$8 million happened on September 6 in efforts to reduce the increases in rates.
3. The salaries and benefits budget did not increase \$1.4 million in one year. He clarified that the first year shows the actual budgeted amount compared to the actual expenditure amount. The actuals were much lower than the budget due to employee turnover and vacancies which is why it appears to be a large increase.
4. It would be impossible to pay as you go for infrastructure projects. The District does finance many of the larger projects. The debt service ratio requirement from lenders is 125% and the District will be at 125% if the first-year rate increase is approved. If the increase is not implemented, the District will fall below that threshold and it will impact the ability to finance projects.
5. Growth and grants are not assumed because they are not guaranteed. This is a conservative approach to budgeting to avoid financial difficulties if growth or grants do not come to fruition.
6. Prop 218 allows for tenants to protest if they are ultimately liable for the bill. CCWD's agreements are with the landowner and the landowner is ultimately responsible for any unpaid bills. If a tenant leaves with unpaid bills, the District has no recourse against the tenant which is why the agreements are solely with the landowner.
7. He stated there are not enough resources available for low-income residents and the District is advocating for those programs. CCWD does have a small Customer Assistance Program

(CAP) to assist low-income households funded by non-rate revenue. But water agencies are very limited in what they can do to assist low-income ratepayers.

8. The District does not provide raises to retirees.
9. Protest letters were not counted as invalid for not being addressed to the Clerk to the Board.
10. He stated the District had already delayed the rate increase from June to October in efforts to reduce the budget and CIP.
11. Every year, the budget is evaluated and If growth or grants are realized, the Board has the discretion to adopt less and have done so in the past.

**Board Discussion:**

Director Secada stated she heard everyone’s concerns and would be open to postponing the increase. She said the only way she would be on board for an increase would be only adopting the first two years and re-evaluating in year two for the remaining years which would include the actual growth and grants received.

Director Davidson reminded everyone there are two proposals with the project reduction from the meeting last week. He stated the original plan was 22%, 18%, 16%, 16%, 15% and the alternative is 22%, 12%, 13%, 13%, 13%. He discussed the importance of the projects on the CIP, especially in Rancho Calaveras. He would like to make a motion to change the water increases to 22%, 12%, 13%, 7%, 7%. He said the lower rates in the fourth and fifth years allows for the financial circumstances to change and possibly the Board would not need to raise those full amounts without having to go through the entire Prop 218 process again.

Director Underhill would like to see the first year reduced from 22% to 18%. She stated that she will be affected by the new rates also.

Director Thomas stated there was no way the Board could have known the financial crisis would happen, and the District would end up with such cost increases. He stated the Board takes their responsibilities very seriously. He said was going to propose to only adopt three years of increases and do another Prop 218 in year three.

Director Ratterman stated he feels the economic hardship is being put on customers with these rates. He stated the District will get grants and will have more growth but there is still so much financial uncertainty. He discussed the proposal made by Director Davidson and said he is in agreement with that proposal.

**MOTION: Directors Secada/Underhill-Adopt Amended Ordinance 2023-01  
Approving and Setting the following Monthly Water and  
Wastewater Increases**

**Water Rate Revenue: Year 1 = 22% and Year 2 = 12%  
Wastewater Rate Revenue: Year 1 = 12% and Year 2 = 12%**

**AYES: Directors Secada and Underhill  
NOES: Directors Thomas, Davidson, and Ratterman  
ABSTAIN: None  
ABSENT: None**

The above motion failed to pass. After some further discussion, the following action was taken:

**MOTION:** Directors Davidson/Thomas-Adopt Amended Ordinance 2023-01 Approving and Setting the following Monthly Water and Wastewater Increases

Water Rate Revenue: Year 1 = 22%; Year 2 = 12%; Year 3 = 13%; Year 4 = 7%; and Year 5 = 7%

Wastewater Rate Revenue: Year 1 = 12%; Year 2 = 12%; Year 3 = 12%; Year 4 = 6%; and Year 5 = 5%

Director Davidson said he would like the District to be able to plan for the projects and two years is not enough to plan for these large infrastructure projects. After further discussion, roll was taken.

**AYES:** Directors Thomas, Davidson, and Ratterman  
**NOES:** Directors Secada and Underhill  
**ABSTAIN:** None  
**ABSENT:** None

**4. REPORTS**

4a General Manager's Report  
(Michael Minkler)

Mr. Minkler had nothing additional to report.

**5. BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS**

There were no additional comments from the Board.

**6. NEXT BOARD MEETINGS**

- Wednesday, September 27, 2023, 1:00 p.m., Regular Board Meeting
- Wednesday, October 11, 2023, 1:00 p.m., Regular Board Meeting

**7. ADJOURNMENT**

With no further business, the meeting adjourned at approximately 9:20 p.m.

By:

  
Michael Minkler  
General Manager

ATTEST:

  
Rebecca Hitchcock  
Clerk to the Board

# Calaveras County Water District

*Public Hearing*

**September 13**



# Water Enterprise

**Long-Term Financial Plan**



Calaveras County  
Water District

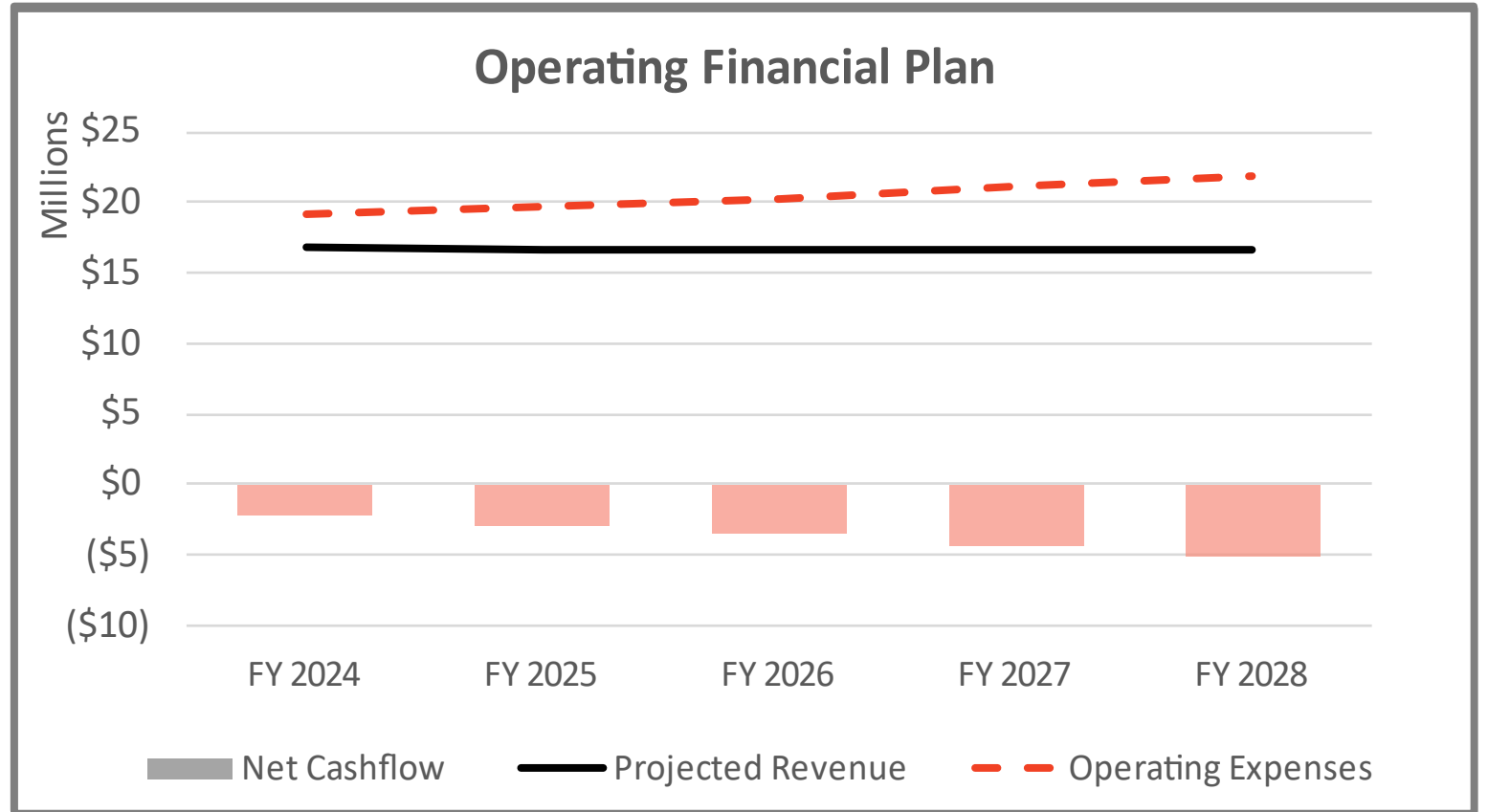


# Current Financial Position

## At Existing Rates

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets



# Financial Position

## Water at Current Rates

### Results From Review

- Requires revenue increases each year
  - Eliminate ongoing operating deficit over the planning period
  - Satisfy debt coverage of 125%
  - Maintain water system by addressing certain repair and replacement projects
  - Replenish and maintain healthy reserves

# Final Proposed Water Financial Plan

**FY 2024 – FY 2028**

## Financial Plan Key Components

### ➤ Satisfy Debt Coverage of 125%

- Uses Rate Stabilization Reserve to buydown debt
- \$520k to principal buydown
- FY 2024 coverage at 131%

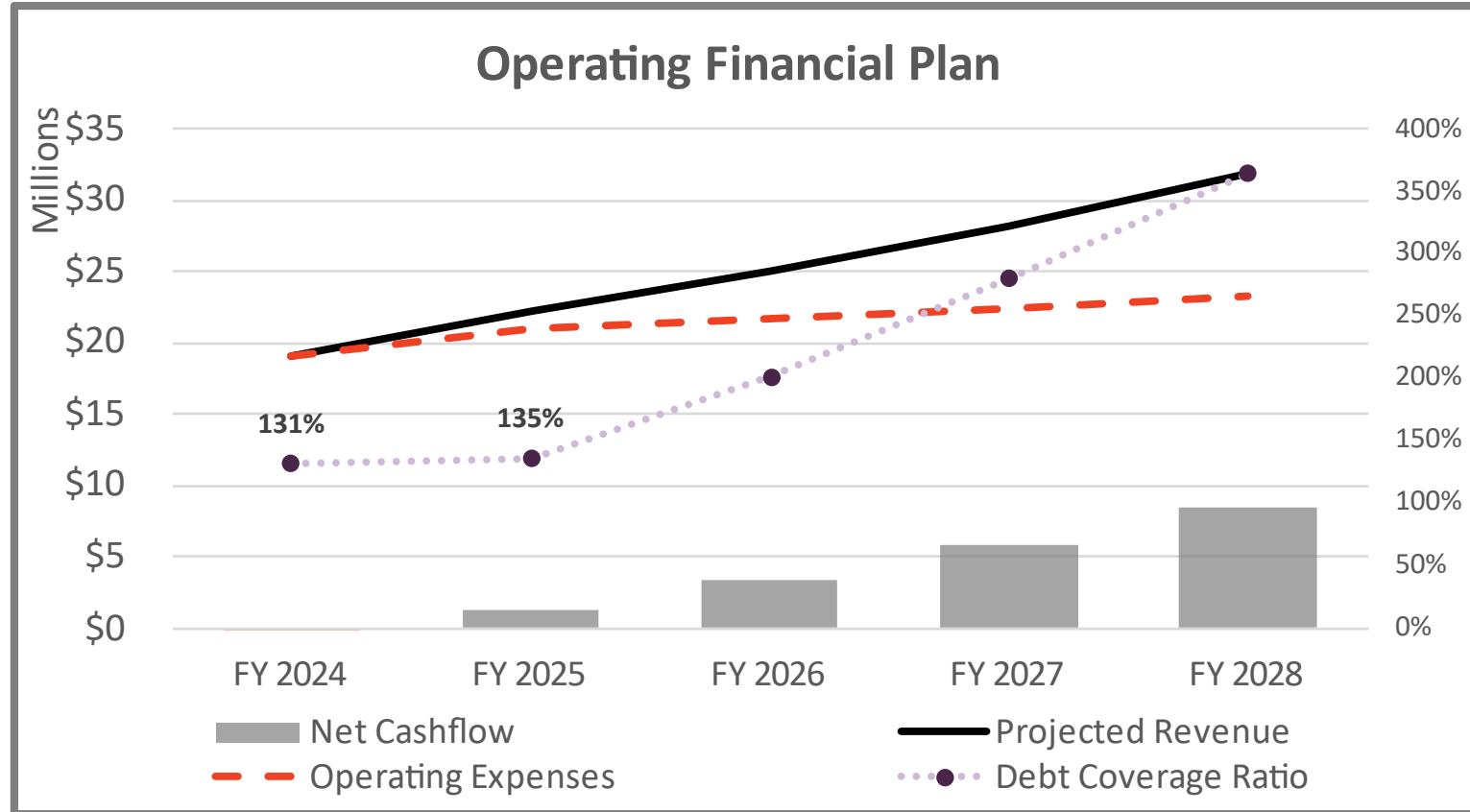
### ➤ Generate positive net income

### ➤ Capital Improvement Plan

- Adjusted project timing over 5 years
- Proposed Debt issue in FY 2025
  - \$16.5M to cover capital spending

Revenue Adjustments:

FY 2024 – FY 2028: 22%, 18%, 16%, 16%, 15%



# Proposed Five-Year Fixed Charge Schedule

**FY 2024 – FY 2028**

<b>Base Fixed Meter Charges (\$/Bi-Month)</b>							
<b>Meter Size</b>	<b>Number of Accounts</b>	<b>Current Fixed</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
5/8"	13,231	\$120.35	\$136.03	\$160.52	\$186.21	\$216.01	\$248.42
3/4"	3	\$180.53	\$191.20	\$225.62	\$261.72	\$303.60	\$349.14
1"	79	\$300.89	\$301.54	\$355.82	\$412.76	\$478.81	\$550.64
1 1/2"	23	\$601.77	\$577.39	\$681.33	\$790.35	\$916.81	\$1,054.34
2"	21	\$962.83	\$908.41	\$1,071.93	\$1,243.44	\$1,442.40	\$1,658.76
3"	2	\$1,925.66	\$1,791.13	\$2,113.54	\$2,451.71	\$2,843.99	\$3,270.59

# Proposed Five-Year Variable Rate Schedule

**FY 2024 – FY 2028**

<b>Variable Rates (\$/HCF)</b>							
<b>Customer</b>	<b>Current</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	
Residential							
Tier 1	\$1.17	\$2.07	\$2.45	\$2.85	\$3.31	\$3.81	
Tier 2	\$1.22	\$2.25	\$2.66	\$3.09	\$3.59	\$4.13	
Tier 3	\$1.68	\$2.49	\$2.94	\$3.42	\$3.97	\$4.57	
Tier 4	\$1.90	N/A	N/A	N/A	N/A	N/A	
Non-Residential	\$1.57	\$2.29	\$2.71	\$3.15	\$3.66	\$4.21	
Irrigation	\$1.91	\$2.27	\$2.68	\$3.11	\$3.61	\$4.16	

# Wastewater Enterprise

Long-Term Financial Plan



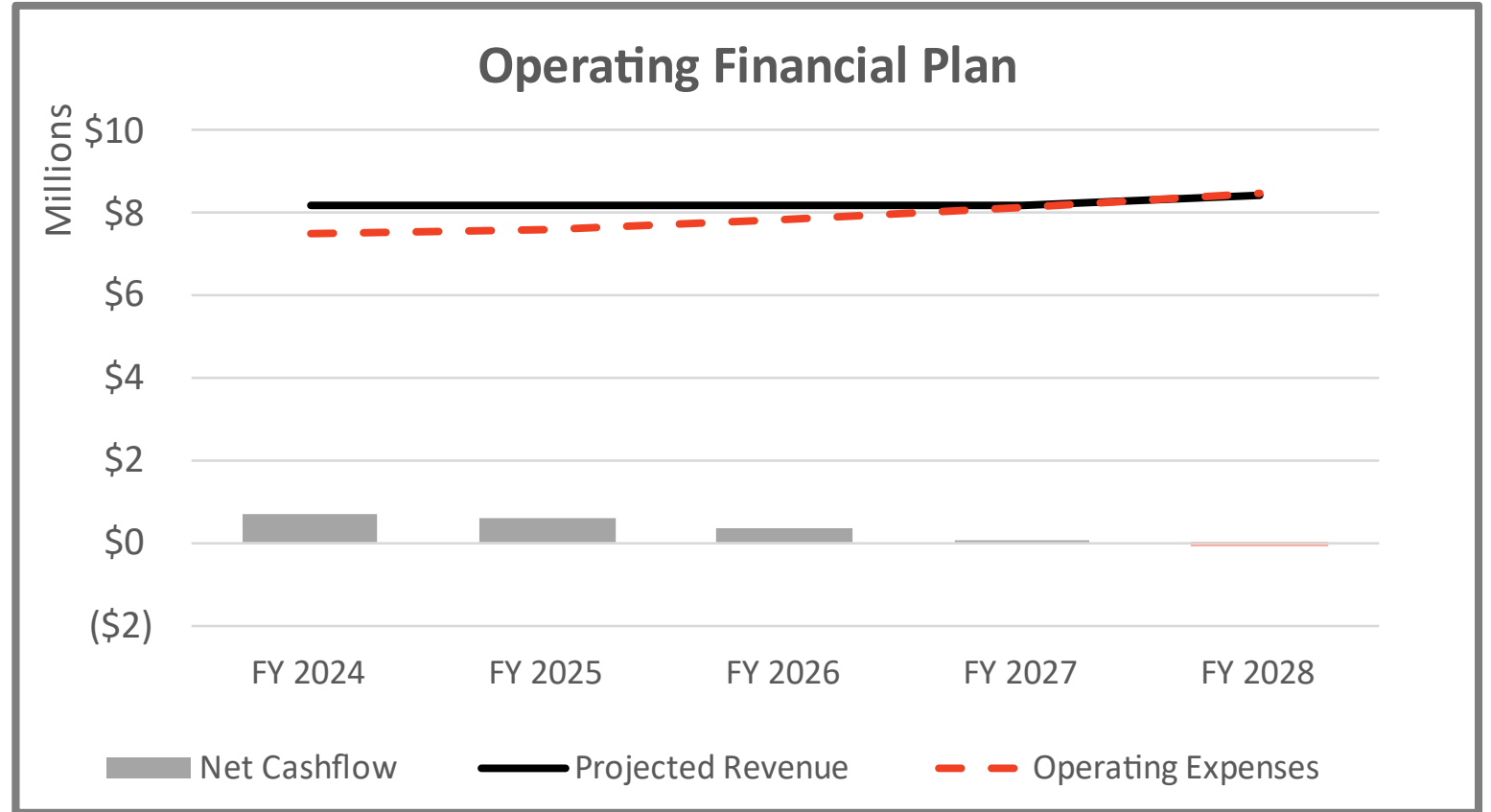
Calaveras County  
Water District

# Current Financial Position

## Wastewater Enterprise

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets



# Financial Position

## Wastewater at Current Rates

### Results From Review

- Net income decreasing each year
- Reserves below the minimum requirements
- At existing rates, reserves would be used to cover capital expenses
  - Not sustainable long-term
  - Reserves already below minimum requirements
  - Reserves depleted in FY 2025



# Proposed Wastewater Financial Plan

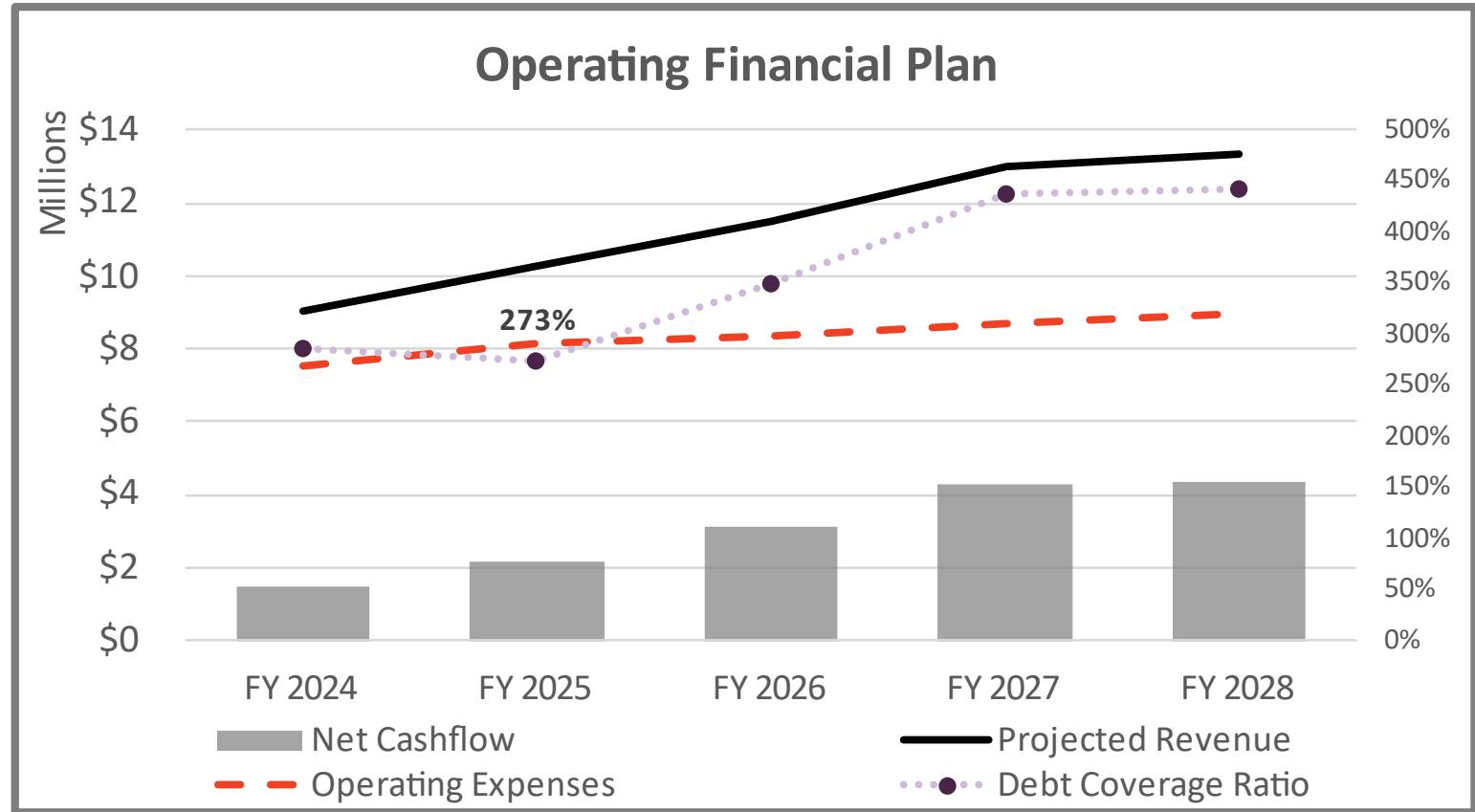
**FY 2024 – FY 2048**

Revenue Adjustments:

FY 2024 – FY 2028: 14%, 14%, 14%, 14%, 3%

## Proposed Financial Plan

- Positive Net Income
- Fully fund capital needs
  - \$35.8M over the next 5 years
- Issue debt to fund short-term capital
  - Allows rates to increase over time and transition to PAYGO funding
  - \$6M in FY 2024-25
  - Ensure ongoing debt coverage
- Meets Reserve during planning period



# Proposed Five-Year EDU Charge Schedule

**FY 2024 – FY 2028**

<b>Total Fixed Charges (\$/Bi-Month/EDU)</b>							
<b>Customer Class</b>	<b>EDUs</b>	<b>Current</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Residential	4,711	\$210.63	\$239.39	\$272.90	\$311.09	\$354.64	\$365.26
Non-Residential	735	\$206.18	\$239.39	\$272.90	\$311.09	\$354.64	\$365.26

*\*EDU = Equivalent Dwelling Unit*

# Requested Option by the Board

Deferred CIP - Water and Wastewater



Calaveras County  
Water District

# Water Fixed Charge Comparison

## FY 2024 – FY 2028

### IB Consulting Recommended Rates

Total Fixed Meter Charges (\$/Bi-Month)						
Revenue Adjustment:		22.0%	18.0%	16.0%	16.0%	15.0%
Meter Size	Accounts	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5/8"	13,231	\$136.03	\$160.52	\$186.21	\$216.01	\$248.42
3/4"	3	\$191.20	\$225.62	\$261.72	\$303.60	\$349.14
1"	79	\$301.54	\$355.82	\$412.76	\$478.81	\$550.64
1 1/2"	23	\$577.39	\$681.33	\$790.35	\$916.81	\$1,054.34
2"	21	\$908.41	\$1,071.93	\$1,243.44	\$1,442.40	\$1,658.76
3"	2	\$1,791.13	\$2,113.54	\$2,451.71	\$2,843.99	\$3,270.59

### Deferred CIP Rates

Total Fixed Meter Charges (\$/Bi-Month)						
Revenue Adjustment:		22.0%	12.0%	13.0%	13.0%	13.0%
Meter Size	Accounts	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5/8"	13,231	\$136.03	\$152.36	\$172.17	\$194.56	\$219.86
3/4"	3	\$191.20	\$214.15	\$241.99	\$273.45	\$309.00
1"	79	\$301.54	\$337.73	\$381.64	\$431.26	\$487.33
1 1/2"	23	\$577.39	\$646.68	\$730.75	\$825.75	\$933.10
2"	21	\$908.41	\$1,017.42	\$1,149.69	\$1,299.15	\$1,468.04
3"	2	\$1,791.13	\$2,006.07	\$2,266.86	\$2,561.56	\$2,894.57

\* FY 2024 rates are impacted by the revenue adjustment and the updated cost-of-service analysis

# Water Variable Rate Comparison

**FY 2024 – FY 2028**

## IB Consulting Recommended Rates

### Variable Rates (\$/HCF)

Revenue Adjustment: 22.0% 18.0% 16.0% 16.0% 15.0%

Customer Class	Tier Definitions (HCF)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Tier 1	0 - 15	\$2.07	\$2.45	\$2.85	\$3.31	\$3.81
Tier 2	15.01 - 30	\$2.25	\$2.66	\$3.09	\$3.59	\$4.13
Tier 3	>30	\$2.49	\$2.94	\$3.42	\$3.97	\$4.57
Tier 4		N/A	N/A	N/A	N/A	N/A

## Deferred CIP Rates

### Variable Rates (\$/HCF)

Revenue Adjustment: 22.0% 12.0% 13.0% 13.0% 13.0%

Customer Class	Tier Definitions (HCF)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Tier 1	0 - 15	\$2.07	\$2.32	\$2.63	\$2.98	\$3.37
Tier 2	15.01 - 30	\$2.25	\$2.52	\$2.85	\$3.23	\$3.65
Tier 3	>30	\$2.49	\$2.79	\$3.16	\$3.58	\$4.05
Tier 4		N/A	N/A	N/A	N/A	N/A

\* FY 2024 rates are impacted by the 22% revenue adjustment and the updated cost-of-service analysis

\*\* Tiered allotments were adjusted, previous tiers (in HCF) were T1 = 10; T2 = 10.01 – 60; T3 = 60.01 – 120; T4 > 120

# Wastewater EDU Charge Comparison

## FY 2024 – FY 2028

### IB Consulting Recommended Rates

	14.0%	14.0%	14.0%	14.0%	3.0%
Total Fixed Charges (\$/Bi-Month/EDU)					
Customer Class	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential	\$239.40	\$272.92	\$311.13	\$354.69	\$365.34
Non-Residential	\$239.40	\$272.92	\$311.13	\$354.69	\$365.34

\*EDU = Equivalent Dwelling Unit

### Deferred CIP Rates

	12.0%	12.0%	12.0%	12.0%	5.0%
Total Fixed Charges (\$/Bi-Month/EDU)					
Customer Class	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential	\$235.21	\$263.44	\$295.06	\$330.47	\$347.00
Non-Residential	\$235.21	\$263.44	\$295.06	\$330.47	\$347.00

\* FY 2024 rates are impacted by the revenue adjustment and the updated cost-of-service analysis

**Habib Isaac**

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Principal | Managing Partner

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**Andrea Boehling**

IB Consulting

Principal | Managing Partner

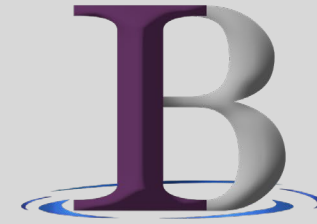
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C O N S U L T I N G