

CLEAR CREEK COMMUNITY SERVICES DISTRICT

Board of Directors, Johanna F. Trenerry, Chairwoman
Irwin Fust, Vice-Chairman - Doug Evans, Director
Virginia Bassham, Director - Mark Engel, Director
5880 Oak Street, Happy Valley, CA 96007
Phone: (530) 357-2121 Fax: (530) 357-3723

REGULAR MEETING Wednesday, June 19, 2019 at 6:30 PM Happy Valley Elementary School – 17480 Palm Avenue

MINUTES

DIRECTORS: Johanna Trenerry, Irwin Fust, Doug Evans and Mark Engel

STAFF: Kurt Born, Richard Cascarina, Cary Brown, Christy Roberts, Roger Schreiber, Bill Palmaymesa, Thomas Ladewig and Roger Ladewig

AUDIENCE: 89 people signed in, see attached

CALL TO ORDER: The meeting was called to order at 6:31 PM.

PLEDGE OF ALLEGIANCE: Chairwoman Trenerry led the Pledge of Allegiance.

OPEN TIME: None

CONSENT/AGENDA: A motion was made by Vice Chairman Fust and seconded by Director Engel to approve the minutes from May 15, 2019, paid bills from 5/25/19, 5/31/19 and 6/11/19 totaling \$167,775.86 and the April and May 2019 Financial Statements.

Motion was voted on and unanimously approved.

OLD BUSINESS:

None

NEW BUSINESS:

Public Hearing – Proposition 218 – Rate Increase: Chairwoman Trenerry introduced Chief Deputy Clerk of the Board of Shasta County, Mary Williams who will be counting the votes in the presence of everyone attending the meeting. Chairwoman Trenerry introduced General Manager Skip Born, Assistant Manager Rick Cascarina and Board Members; Vice Chairman Irwin Fust, Director Virginia Bassham and Director Mark Engel. Chairwoman Trenerry stated they would be presenting a slide show for the

audience. General Manager Born presented the slide show and stated this slide is the reason we need to increase the rates. Mr. Born stated that we are not owned by the State, nor are we Federally funded. We do not receive funds from anyone but the rate payers and Shasta County for property taxes collected; nor does the District collect any money from the State of California or the United States Government. 100% of the District funding comes from the rate payers. Mr. Born stated we have been operating in the red since the recession in 2008. Growth has stopped along with other revenue sources such as services sold and developer fees. When the recession began, the District was faced with ongoing revenue losses and these were discussed at a Board level several times over the years and the general feeling of the Board was "we were going to get out of this". Recessions always come and go but within this District, things have not changed. Things have not improved and we are not selling services which means we are not selling more water, which means the revenues are down. The costs of providing water over the years continues to increase every year. The biggest cost with running the Water District is the regulatory compliance costs. Over \$400,000.00 in 2017 went to nothing but Regulatory costs; to comply with Osha, State Water Resources Control Board, Department of Drinking Water, Bureau of Reclamation and on and on. The District operated at a \$966,524.00 deficit and we have been using the Districts reserves to keep afloat and make sure customers have water flowing. A lot of people have raised the question about grant funding. Mr. Born stated that the District has been seeking grant funding and typical grants today are grants/loans. The most recent successful grant/loan was to help pay for the State mandated Backwash Recycle Project that cost \$1,000,000.00 but the state only paid for half, so the rate payers are responsible for the other half at \$.38 per month for 30 years. Grants/loans for operations and maintenance do not happen. You can get grants/loans to do certain things within the Water District, but you have to meet specific criteria. Mr. Born stated that he has been turned down for grants/loans from USDA, State Water Resources Control Board and Bureau of Reclamation for one common reason, which is that we don't charge enough for the rates and therefore we would be unable to pay the loan back. Mr. Born stated that additional concerns are that we have an aging distribution system that has reached it's expected lifetime of 50 years, 3 years ago. Line ruptures reflect the failures associated with an aging distribution system and needs to be repaired. The pie chart shows since 1975, 62% of those line breaks are 10" lines. They are the worst in the District and our focus will be Flowers Ln, China Gulch and Olinda Rd. Every line break we have costs between \$6,000 - \$10,000. With this rate increase we will focus on grants and go back to the State and show them what we have done and ask for the grant money again. Mr. Born stated that he recommends to the Board that the rate structure be examined and consider the rate proposal for 2 years and at the end of 2 years if the economy of the District has improved, we see sustained growth in the District and we are able to make improvements in the system, that we remove the third year increase. We are also proposing that we drop the initial price from \$14.48 to \$9.90 per month. The current monthly minimum will go up from \$20.09 to \$29.99 for Ag/Domestic.

Chairwoman Trenerry announced that Assistant Manager Rick Cascarina will discuss the

Rate Study. Mr. Cascarina stated that he was asked by the District Manager to perform a Water Rate Analysis for the District. In reviewing previous rate studies, I used the model that the previous Manager had been using. The District Manager requested to get as current as possible. To do this I had to split Fiscal Years 2017/2018 and 2018/2019 to get 2018 calendar year. After inputting the expenses and revenues, it was obvious the shortfalls we were experiencing. I forwarded this information to the District Manager and he started the process of implementing the Prop.2018 hearing. After the notice was mailed to the public, I had 3 people request to review the analysis. I want to thank Polly, Dennis Possehn, Irwin Fust and Sarah Beer for the discussions and review of the Water Rate Analysis. Following my discussions with Sarah, it was brought to my attention that the property taxes of \$326,727.37 were not included in the revenue side of the study. I emailed the previous Manager to get clarification on why the property taxes have been excluded from other rate studies and her response was "As for general taxes , those funds may be used for O&M so they could have been included unless there was something specific that the Board approved using them for during the period that the rate analysis covered." Well for 2018, I felt the property tax should be included. So, after having this new information, I modified the Water Rate Analysis Study to include the property taxes. I also found a mistake I had made regarding the retro billings for Centerville and as a result of the audit that was approved last month. I originally used an estimated number of \$257,000.00 for depreciation that number was reduced to \$223,862.00. In conclusion, this means a reduction from the original Water Rate Analysis of \$14.48 per month for 3 years, to \$9.90 per month for 3 years, which Skip has prepared in the Revised Rate Schedule. Chairwoman Trenerry asked the Board Members if they had any questions for clarification? The Board Members stated they did not have any questions at this time and Vice Chairman Fust stated perhaps questions will come up when the public starts commenting.

Chairwoman Trenerry opened the Prop.218 Public Hearing and stated she had 3 rules; you're given 3 minutes each, no cursing or swearing and no disrespect to the employees, please. Please show your hands if you would like to speak. Approximately 40 people of the audience came to the microphone and made a statement. The top 5 comments and concerns from the audience were; price corrections should be made to the protest ballots, the date should be corrected on the protest ballots, the rate increase needs to be reviewed by a CPA, we need to cut operating costs and apply for grants. Chairwoman Trenerry closed the Public Hearing at 8:31 PM and advised the audience to turn in their protest ballots to Mary Williams, seated behind the Board Members. Chairwoman Trenerry called the meeting to order to hear the count and Mary Williams stood up and announced that there were 367 ballots. Chairwoman Trenerry stated as a Board they have talked this over and Vice Chairman Fust has a motion to make. Vice Chairman Fust thanked the audience for coming and talking with them tonight and the points brought up were very valid. One point he agreed with was the people who stated that this should have been brought up 8 years ago and each time raising the rates was brought up, we said no, let's wait until the economy gets better, well it never did and here we are. Vice Chairman Fust apologized to the audience for it getting to his point. When the Water District was formed there were 2 components that

led to the financing of the District. One was that there would always be water for sale and that there would be growth in the District. When the recession came along, it went down the drain and when the drought came along it went further down the drain. We sold so much more water back in the 1970's than we do today and there was growth in the District as well. The growth rate in Shasta County last year was .7% and nobody is coming here. This Board has to re-think what we are doing for the future because we cannot count on water sales and we cannot count on growth, it's not going to happen. The Board will have to consider this in the future. Vice Chairman Fust acknowledged that the date on the ballot is incorrect and agrees with the people that the ballot should be done right. Vice Chairman Fust made a motion to suspend the Prop. 218 hearing and start the process over again. A new Prop.218 process with a new rate schedule and that the financial figures used to substantiate the increase be confirmed by a Certified Public Accountant. Director Bassham seconded the motion. Motion was voted on and unanimously approved.

Chairwoman Trenerry stated that she hoped the Community would support us in the future and realize that we have a pretty good water company and the employees work hard. Thinking about when the Carr Fire came through and how hard they worked. We lost \$2 million dollars' worth at the Filter Plant but our people made sure that you still had water. Vice Chairman Fust agreed with Chairwoman Trenerry and stated that we have great water here.

WIIN Act: No discussion. Out of time

OPERATIONS & ADMINISTRATION

STAFF REPORTS: No discussion. Out of time.

STANDING COMMITTEE REPORTS:

QUESTIONS and/or PUBLIC COMMENTS: No discussion. Out of time.

ADJOURNMENT: 9:02 PM

Submitted by,

Christy Roberts

Johanna Trenerry, Chairwoman

Irwin Fust, Vice Chairman

Doug Evans, Director

Virginia Bassham, Director

Mark Engel, Director

ATTEST: _____
Kurt Born, General Manager