

Transcript of Rate Hearing of May 1, 2021

In Attendance:

Chair Donna Taylor, Vice Chair Carol McDowell, Board Members Cindy Weber and Caroline Ohsiek, Manager Pat Roy

Also in attendance: Keith Raskin, Chai Fox

Taylor: It's 10 am, let's call the meeting to order. I'd like to introduce the board members, Carol McDowell (McDowell-Hello), Cindy Weber (Weber-Hi), Caroline Ohsiek (Ohsiek—It's Caroline Actually) and our General Manager, Patricia Roy. Thank you everybody for attending this meeting. I'd like to start by saying nothing has been finalized. This hearing is to present the study and provide a forum for questions and statements. The manager will present the financial projections and assumptions used to prepare our rate study. The audience may then ask questions of fact regarding the financial projections, limited to three minutes per person. In the second half we will open the floor to the public for questions and comments for the board, also limited to three minutes each. All the data gathered by the board will be available for inspection online at ASCSD.org, you may request a copy or schedule an appointment with the General Manager to view it. I will now turn the meeting over to Patricia Roy to do the rate study.

Roy: Okay. Allright, Good Morning. And I am going to, allright, share screen, yes, share screen and okay, beginning screen, I'm not very good at this, okay so, this is the rate hearing, and if people want to write in with comments, this is the mailing address PO Box 929, Middletown California 95461. This is a comparison of our rates and the rate structures of local companies. The methods by which they bill are all over the place, some of them have multi-tiered and they're in different measurements, it's kind of thick. This explains it better: it's based on the average customer usage in Anderson Springs, so we can look at those that have billing based on volume, you can see that on an annualized basis our current rate is under \$30 a month, and the rates for the other companies range from \$78n to \$92-93 dollars, and show what our customers' bills would be if we were using the rate structures of all of our neighboring water districts.

[problems loading spreadsheet to share]

This is our current costs, and our projected costs. The water master, which is our current costs, the water operator which is a problem in that our water master wishes to retire and someone needs to be trained, and so we need an overlap period, The payroll taxes for them, what I'm being paid and the payroll taxes on that, We're required to have our books reviewed by a CPA every year, we do mailing, copying and printing, insurance – we have an insurance policy which covers all things, we have workers comp insurance. The county requires that if we do any digging on public roads we have to get a permit from them, we normally have to pay \$50 for each time we use the fire station meeting room. Travel is when we are meeting in person, each director receives \$25 a travel stipend. Communication is our fax line at this point, office supplies and software is pretty low, bank and brokerage fees, election expenses, which the county charges us things, state fees—we have to pay fees for having a water district, dues and subscriptions we belong to California Rural Water and the Association of Special District. We have a loan from the USDA that was taken out 10 years

ago to get new water tanks and we have to pay that every year, we have to test our water that is required by the state, we do, when there's big breaks have to contract out. Vehicle I will get to on the next page, currently that number is actually zero. Capital Replacement Fund I'll explain. You can see miscellaneous charges, interest. You can see our revenues needed to meet all that is \$142,000. Which is the money.

[Screen share problems discussed—pdf did not display on screen]

Explanation of figures that went in. The vehicle is currently, we use the water master's vehicle, we use my 4wheel drive. No one is reimbursed per mile. We have no vehicle costs, but that going forward is not tenable. We need to have a strong 4wheel drive to get to the spring, which has to be inspected once a month. The problem is it's a really rough road, so people with nice vehicles don't want to use it, and people with not very good vehicles it's not safe. So, this is based on us having to rent a vehicle once a month, and to actually pay mileage when somebody's got to go out of town.

Capital rehabilitation is what the capital rehabilitation and reserve fund, it is to rebuild our system. It is depreciating and falling apart, and we need to be able to replace it as the pieces wear out.

This is the target balance of what it should be. This is an emergency reserve, and an operating reserve so that we could proceed if something happens like a fire. We are required by the USDA loan to have a reserve in a bank account to repay them. We should have this much to replace our system. The projected balance at the beginning of the year, we should have this much money approximately, these are the reserves and the loan payment. Five year budget projections, this shows our regular costs for each year with an inflation rate of 2.2%, and sources of funds shows water rates that would pay for it. It shows breaking even, and in order to do that we have these month rates. These are our current assets for three years. You can see we spent between 2019 to 2020 \$31,000, in the more current year we spent \$52,000 which is higher because 1) quite a few bills were not paid in that fiscal year, and 2) we had more repairs that we had to outsource which was some \$12,000. So you can see that at this rate this money will just be gone, because we're not coming up with enough.

These are the proposed rates. They're pretty much in line, with what the other people charge. There was feedback, somebody emailed that the after hours call out rates of \$200 plus \$75 per hour was punitive. And the answer is that yes it is, because after hours requires getting two people out of bed and we have to pay time and a half to double time, and this is only for leaks that take place on personal properties, everyone is welcome to call a plumber. And now I will answer questions based on the figures, not on anything else.

Raskin: Great. I just wanted to say hello. I'm having a busy morning fielding other stuff. My wife and I just bought the lot at the end of Anderson Springs 11151 Anderson Springs. And we're starting to get prepared to get some permits and just start, so this is just step one to find out what's happening with the water, and to get the water turned on. So we're

Taylor: So you're at the end of Anderson Springs Road?

Raskin: Yes. At the very end.

Taylor: So you must be right next door to me?

Raskin: I think so.

Taylor: Okay.

Raskin: We've met, what is a year and a half ago? So we've been busy, working on our house here in San Francisco, just about done, and now we're setting our sights to start getting involved in getting started on the lot up there. And water is one of those things we want to get turned on.

Roy: Okay, Mr. Raskin, you need to know that because this is a legal public hearing I will have to publish a verbatim transcript of your every word. I'm just explaining that this is your three minutes to ask questions of me before the second half of the meeting for questions of the board.

Weber: Welcome to Anderson Springs. I just want to welcome him.

Roy: Are you done? Chai has his hand raised.

Raskin: I'm done.

Fox: So first of all I'd like to ask for the information you presented if it could be emailed.

Roy: I can mail it to you. It's all available on our website.

Fox: It would be helpful to know where on the website because I was looking at it while we were talking and I couldn't find it, but that wasn't why I raised my hand. I'm wondering if there's a middle ground somewhere here between the current rates and almost tripling...

Roy: Asking questions about what the board is going to do is for the second half of the meeting. Right now I'm answering questions just about the figures.

Fox: I don't have a handle on the figures, it was all too small to see.

Roy: In that case we will turn it back to Donna.

Taylor: What we will do now is we will open the meeting up for questions to the board members and we'll do it the same way where you'll get three minutes to ask questions or make comments and we will answer to the best of our ability. So Chai would like to re-ask his question.

Fox: So I would like to re-ask my question whether there's a middle ground between the current rates which obviously is unsustainable, and quadrupling it which is almost a 400% increase or 300% increase which is significant. On another note, I would like to offer you

mentioned that a chunk of the expenses is a result of hiring a 4wheel drive to go up a nasty dirt road to get to visually inspect the spring. Well I have an ebike and I'm happy to do that, I'm not here every month of the year, but I'm happy to do it free of charge if I get instructions of what to do.

Roy: May I respond—What it requires is 2 to 3 people going up with chainsaws to chop down the trees which have fallen on the road, and take equipment up to take tests, it's not a small thing.

Fox: Okay, it's not just an inspection.

Taylor: It has to be done by the water master who is certified to do the tests. We can't have anybody who's not certified doing the testing. So that's the limitations we have by the health department. And then to answer the other question, is most water companies raise their rates about every five years. We haven't raised our rates in 10-15 years. And just before the Valley Fire, the board at that time was discussing doing a raise, and when the Valley Fire hit they said we can't possibly raise the rates, we've only got 12 houses left after the fire. So they put that on hold, and we have been surviving off of our reserve money. And our reserve money will be gone. If we don't do this raise this year, our reserve money will be gone within a year, and then we will be bankrupt. So we have to do this raise at this level because that's the only way we're going to survive. If we don't raise the rates to that level, we won't be able to operate and the county will take us over and then they will be calling all the shots. We are tripling the price, we know, we all have to pay the same, I'm not looking forward to paying triple the price either, but I also want our Anderson Springs water to be maintained by us so that we have control over what happens to the water and we don't want it complicated by being merged with other water companies. That's why it's triple the rate, because really it should have been raised partially in 2015 and then we would be discussing another raise probably at this time to get to where we needed to be. We really, if we want to remain sustainable, we really have to do this rate hike at this level.

Do we have any, Keith do you have any questions? No. Then that's it. What we're going to do now is the board will review all the things that have been mailed in and we're going to talk about what we talked about at the meeting today, and we will make a decision at the next board meeting which is always open to the public, anybody can attend, there will be a link on the bulletin boards or on our website to join the Zoom meeting. Keith has a questions, since we only have two.

Raskin: I had one quick question if possible. Are the rates, is there any adjustment for the rates in the increase of occupancy or increase of customers?

Taylor: Yeah, in the rate study Pat has figured it out for five years with the increase of people, and we used to have 200 and something hookups. We'll never have 200 hookups again because so many lots were too small to build on and they've been merging the lots. We'll never get back to the capacity that we had before, but we will adjust our prices if we get a whole bunch of new houses being built and we don't need the higher rate we will revisit doing a rate study and figure out if we're currently at the right level to be sustainable. The other thing I'd like to mention is for the last, I don't know how many years, Calpine has

been paying our water tank bill, which is over \$11,000 a year and they've been donating the money to us. We were told last year they were not going to donate any more, and I did some finagling and I talked to Danielle Matthews from Calpine and they ended up giving us 50% of the money, but she told us that we are not going to get any money this year. In the past that's part of what helped us be able to pay our bills was that they were helping us a lot, but they're not in the business to run our water company, it was a donation, and they've said that they're not going to donate any more. We can't count on that money coming in, so we have to be sustainable on our own.

Roy: Can I address Chai's question if we're being a little less formal? I have my figures of what we've been spending, and I don't imagine screen sharing is working. This year we've gone down \$52,000 of our reserves, and we have right now \$116,000 in the bank, the \$17,000 up here will be our operating expenses for the rest of our fiscal year ending June 30, so we will have about \$100,000 left and that's it. This is how we are surviving, because our expenses just absolute barest bones, we are billing some \$30,000 so we cannot survive. Our financial statements are submitted to LAFCO, to the county, and they look at whether we're financially strong enough to continue, and they will take us over.

Ohsiek: Quickly

Roy: If they took a careful look right now we would be taken over, most likely. They haven't, yet but we have to financially be viable.

Taylor: Chai if you comment in the screen with your email address I can send you the link to the rate study on the website and that will get you right there.

That's it for today. I want to thank everybody for attending. Your comments and questions will be taken into consideration before the board makes a decision, and we are now going to close the hearing. And Chai I will email you that link. Thank you everybody.