

SAN JUAN WATER DISTRICT

Board of Director's Special Board Meeting Minutes
January 12, 2022 – 6:00 p.m.

BOARD OF DIRECTORS

Ken Miller	President
Ted Costa	Director
Dan Rich	Director via videoconference
Pam Tobin	Director (Absent)

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Paul Helliker	General Manager
Donna Silva	Director of Finance
Tony Barela	Operations Manager
Lisa Brown	Customer Service Manager
Adam Larsen	Field Services Manager
Andrew Pierson	Engineering Services Manager
Greg Turner	WTP Manager
Teri Grant	Board Secretary/Administrative Assistant
Ryan Jones	General Counsel

OTHER ATTENDEES

Ray Riele	Citrus Heights Water District
Mark Hildebrand	Hildebrand Consulting
Joseph Buckwalter	
Sam DeSarno	
Randy Dodd	
Carl Jones	
Richard Merwin	
Francis Petkovich	
Manuela Szabo	
Jonarde	
Krishna	

AGENDA ITEMS

- I. Roll Call**
- II. Proposition 218 Hearing**
- III. Adjourn**

President Miller called the meeting to order at 6:00 p.m.

I. ROLL CALL

The Board Secretary took a roll call of the Board. The following directors were present in-person: Ted Costa and Ken Miller. The following directors were present via teleconference: Dan Rich. Director Pam Tobin was absent.

The Board Secretary provided information on how the public could address the Board.

II. PROPOSITION 218 HEARING

1. Proposed Retail Water Rate Increase

President Miller opened the Proposition 218 Hearing at 6:07 p.m.

Ms. Grant, SJWD Board Secretary, confirmed that the Proposition 218 Hearing was properly noticed to all retail property owners as required by law. Mr. Helliker reported that there were 24 written protest letters received. Copies of the letters and any received during the meeting will be attached to the original meeting minutes.

President Miller informed the public that a presentation would be conducted by Donna Silva, Director of Finance. A copy of the presentation will be attached to the meeting minutes. Director Miller asked for public comment prior to the presentation.

Mr. Joe Buckwalter addressed the Board and voiced concern regarding the District's fixed and variable costs not being in compliance with a study completed by American Water Works Association (AWWA).

Ms. Silva reviewed the timeline showing the previous workshops, tonight's public hearing and the January 26th Board meeting to vote on the rate increases, which would potentially set the new rates on February 1, 2022. She reviewed the Retail division service area and highlights of the Retail Master Plan, the Total 10 Year Capital Needs, Retail Revenue Sources and some cost savings that the District has accomplished over the last five years.

Mr. Mark Hildebrand reviewed the Legal Requirements for Setting Water Rates in California, the Projected Capital Spending, and the Financial Forecast for the District. The Financial Forecast includes the proposed rate increases of 8% over the next three years. He explained that the rate increases from the fourth year out are only estimates based on the financial plan and are not included in this proposed rate increase.

Mr. Hildebrand reviewed the water bill comparisons for the District and other agencies in the region, which shows the District in line with the lower water rates in the region. In addition, he reviewed the Proposed Rate Schedule and a sampling of bimonthly bill impacts for customers.

GM Helliker responded to Mr. Buckwalter's earlier comment and explained that the District structures the rates so that they match the costs, so the fixed daily base charges generate revenue that pays for the fixed costs that don't vary as water production goes up and down. Mr. Buckwalter took exception to the analysis regarding the District's split and does not agree with the District using

this rate structure and believes that those using less water should pay substantially less than those using more water. Mr. Hildebrand commented that many would like to see the variable rates higher but unfortunately Prop. 218 does not give districts the ability to charge more to high water users simply because they want to encourage conservation or charge them more for higher use.

GM Helliker informed the Board that Manuela Szabo provided a question in the Chatroom which asked, "what is the water rate increase, for example the last 10 years? I see the projected 3 years rate increase plan, but would like to see a spreadsheet with the past 10 years plus the next 3 years." He responded that the information is available and he would be happy to email it to her.

Mr. Sam DeSarno addressed the Board stated that he is a resident of Orangevale, however, receives his water from San Juan Water District. He formally protested the rate increase stating that his rates subsidize Granite Bay, all of the new projects for other water customers other than Orangevale, and the water that is delivered to Citrus Heights, Fair Oaks, Carmichael, and all the water districts around him. He would like his service moved to Orange Vale Water Company since they provide a lower rate and would like to know why San Juan water is more expensive than Orange Vale. GM Helliker assured Mr. DeSarno that the District's retail customers are not subsidizing the wholesale customer agencies or the rest of the retail service area. GM Helliker stated that the wholesale division is separate from the retail division and San Juan Retail pays the same amount as the other wholesale customer agencies for the delivery of water. Director Costa offered to meet with Mr. DeSarno, and the Board Secretary provided her email information for him to contact her at his convenience to set up the meeting.

Mr. Francis Petkovich addressed the Board and voiced concern that the 3-year rate increase from February 1, 2022 to January 1, 2024 is only 23 months. GM Helliker explained that the first year increase is effective February 1, 2022, the second year rate increase would be effective January 1, 2023, and the third year rate increase would be effective January 1, 2024. Mr. Petkovich opposed the rate increase.

Mr. Buckwalter addressed the Board again and compared the District to Fairfield, Davis and Woodland stating that their operating expenses are similar to the District's and their rates are about half of the District's. He reiterated the AWWA's study regarding a 50/50 split between fixed and variable costs and questioned the District's rate structure. GM Helliker explained that AWWA's 50/50 fixed and variable rate does not align with the District's expenditure portfolio. In response to Mr. Buckwalter's question, Mr. Hildebrand explained that AWWA's guidelines are high level guidelines, which are certainly not instructions to be taken too literally, since those guidelines have been litigated and proved not court worthy. In addition, Mr. Hildebrand stated that California has set itself apart with the implementation of Prop. 218, and the court interpretations. Ms. Silva explained that the daily base rate is designed to

recover the District's fixed costs, which do not change depending upon how much water flows through the pipes – the fixed cost covers the right to be connected and have access to a clean water drinking distribution system. She explained that the volumetric portion (variable rate) is directly related to the cost of providing the specific amount of water used by a customer. In addition, she explained that by aligning the rates with the costs, the District creates equity amongst the customers, so that everyone is paying for the actual water that they use and paying an equitable share of the fixed costs regardless of the amount of water that they use. Furthermore, this rate structure provides financial stability for the District and prevents the District from implementing drought surcharge rates.

Director Costa inquired if any of the 24 written protests opposed pay-as-you-go financing. GM Helliker informed the Board that none addressed that issue, with the majority making statements protesting the rate increase, some mentioned that the District should use other cost control measures, and some thought salaries and benefits were too high.

President Miller closed the Proposition 218 Hearing at 7:16 p.m.

Director Rich thanked everyone for attending and emphasized that the proposed rate increases are a result of \$3-4 million in extra rehabilitation projects annually that the District needs to complete to keep the system reliable, in spite of the cost saving measures accomplished by the District. He explained that the District is investing more into the system than ever before which is the driver for the rate increases.

III. ADJOURN

The meeting was adjourned at 7:18 p.m.

ATTEST:

KENNETH MILLER, President
Board of Directors
San Juan Water District

TERI GRANT, Board Secretary

San Juan Water District

Our mission is to ensure the delivery of a **reliable** water supply of the highest quality, at the lowest reasonable price.

Workshop of Proposed Water Rates
December 6, 2021

Timeline

In person
workshops
tonight

Virtual
workshop
December 15th
6:00 p.m.

Public Hearing
January 12,
2022 6:00 p.m.

Board votes on
proposed rates
at regular
Board meeting
January 26,
2022 6:00 p.m.

If approved,
rates go into
effect
February 1,
2022

Retail Master Plan

Purpose: Evaluate existing & future distribution system & water demands to determine any improvements required to meet the needs of existing & future customers.

Results: Capital Improvements needed in the following categories:

- Transmission & Main Pipelines
- Service Lateral replacements
- Valve Replacements
- Water Storage

Additional Needs: Identified outside of the Retail Master Plan

- Meter Replacement Program: originally installed starting back in 1997. With a life of 20-25 years it is time to start replacing aged meters
- Groundwater Production Facility (well)

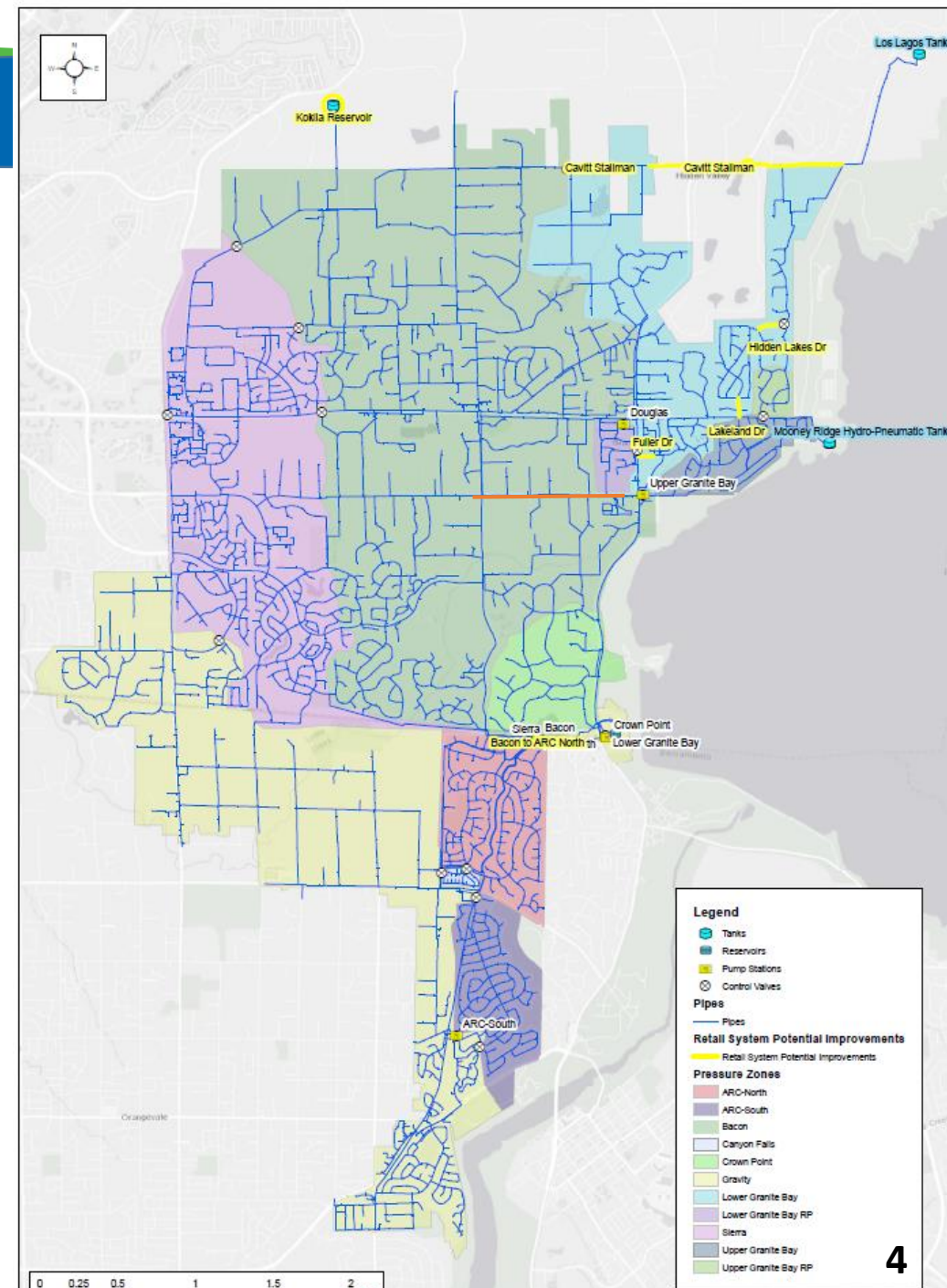


SAN JUAN WATER

SINCE 1854

Transmission & Distribution Main Pipelines

Project Name	Total Cost
Cavitt Stallman (Sierra Ponds to Vogel Valley, 6,900 LF of 12")	\$8,219,000
Cavitt Stallman (Oak Pine to Sierra Ponds, 2,000 LF of 12")	\$1,545,000
Fuller Drive Pipeline Extension (tie into Auburn Folsom Road)	\$517,000
Lakeland Drive from Douglas to East Granite (650-LF of 12-in)	\$632,000
Hidden Lakes 12-in Main (950-LF, 15 Serv, 7960 W Hidden Lakes to Haley)	\$862,000
Douglas Pump Station & P6" to 12" Pipeline Improvements - Across AFR	\$798,000
Eureka Road Transmission Pipeline Replacement	\$4,000,000
Pipeline Condition Assessments	\$2,550,000



Service Laterals

- A “service lateral” is the pipeline that runs from the main line, in or next to the road, to your water meter.
- Failure rate is 35% worse than national average.
- Currently 25 more service line failures than the last six years at this time, which is a new failure record.
- Plan is to replace approximately 85 services per year.
- Annual cost \$1.4m to \$2m

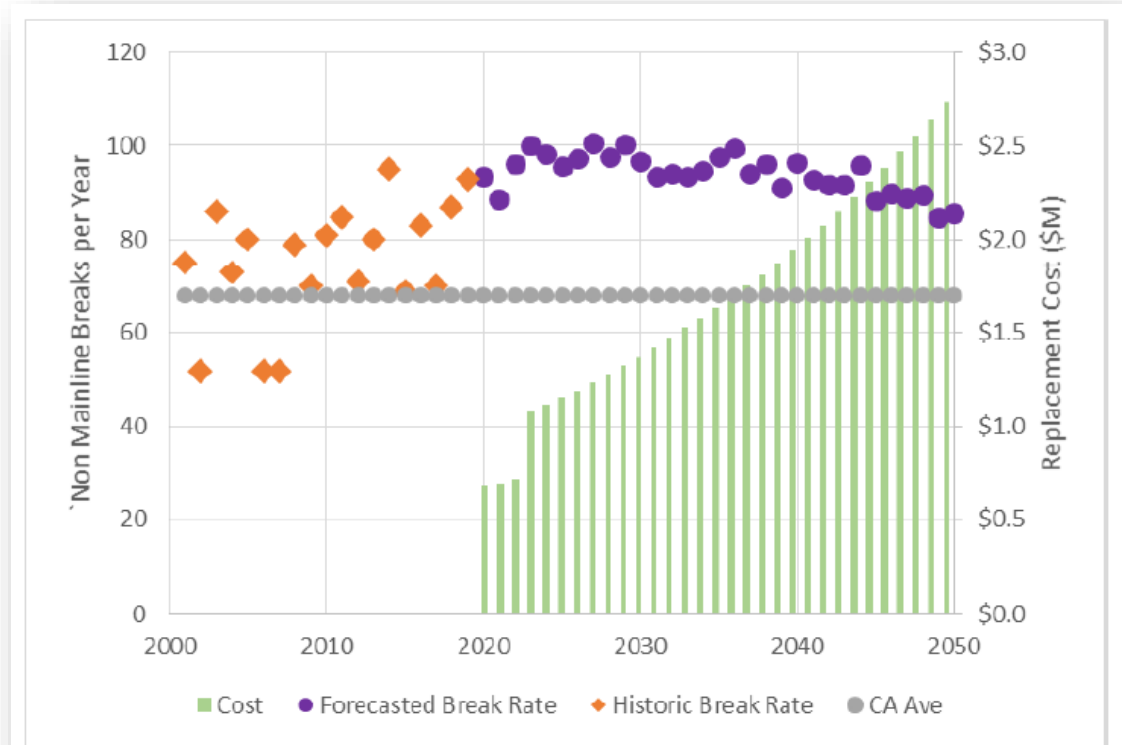


Figure 3-9. Service Levels - Break Rate

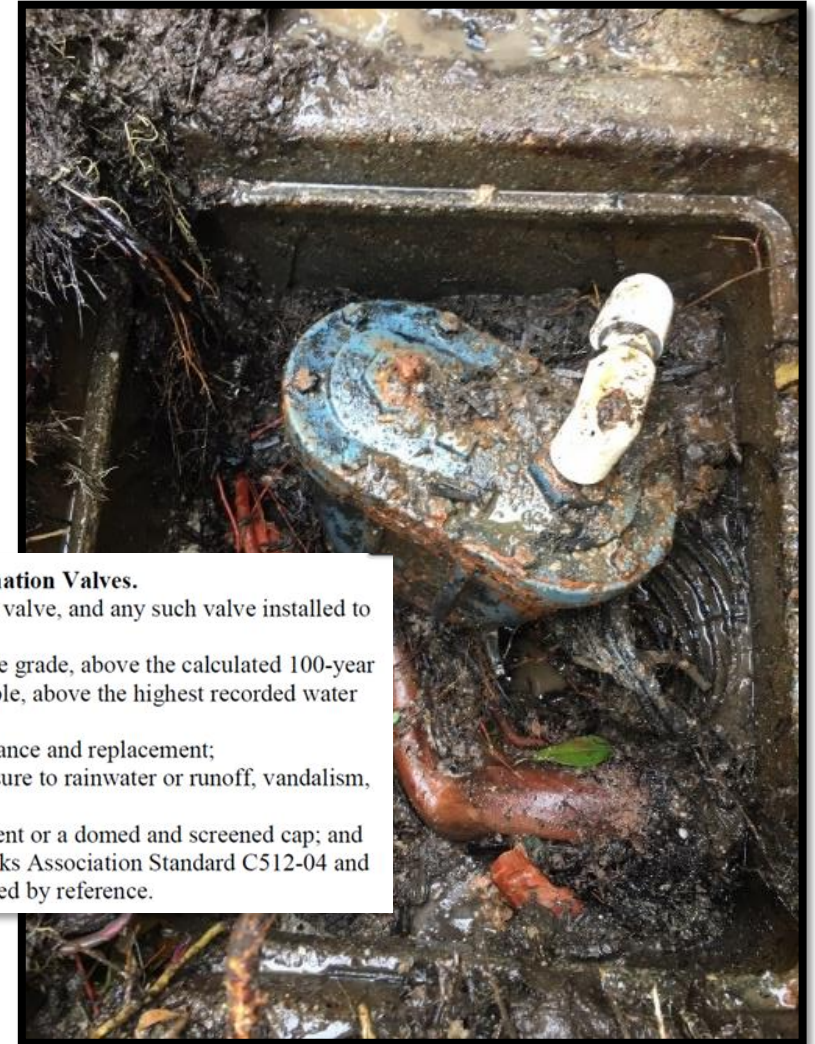
Air Release Valves

- Allows air to enter or leave pipelines as needed
 - Removing air pockets allows water to flow more freely
 - Allowing air to enter if there is a leak or break prevents the creation of a vacuum, which can cause a pipeline to collapse
- California law requires vent opening to be above grade, to minimize opportunities for contamination.
- Most of the District's valves are in boxes in the street, below grade.
- Apx. 750 valves need to be relocated to the side of the road & vented above ground
- Cost: \$20 million over 20 years (replaces 45 per year)

§64576. Air-Release, Air Vacuum, and Combination Valves.

Each new air-release, air vacuum, or combination valve, and any such valve installed to replace an existing valve shall be:

- (a) Installed such that its vent opening is above grade, above the calculated 100-year flood water level, and, if recorded data are available, above the highest recorded water level;
- (b) Readily accessible for inspection, maintenance and replacement;
- (c) Constructed and designed to prevent exposure to rainwater or runoff, vandalism, and birds, insects, rodents, or other animals;
- (d) Fitted with a downward-facing screened vent or a domed and screened cap; and
- (e) Installed pursuant to American Water Works Association Standard C512-04 and Manual M51 (2001), which are hereby incorporated by reference.



Water Storage

Kokila Reservoir Replacement:

- 4.56 million gallon lined & covered earthen reservoir
- Serves as an operational & emergency storage facility
- Installed in 1984 & expected to last 25 years – good maintenance has extended it's life but it now needs to be replaced.
- \$9.565 million
- Debt financed

Kokila
Reservoir



Meter Replacement Program

Current Meter Stock:

- Originally installed between 1997 & 2004
- Age: apx. 4,400 meters > 18 years old
- Typical meter life: 20-25 years
- Current meters:
 - Total 10,779
 - Manual read meters: 736
 - Touch read meters: 7,987
 - Radio read meters: 2,056

The Plan:

- Replace 5% of meters each year (515) 20 year cycle
- Replace all end-points over 5 years (2,118 per year)
- Cost \$3.2 million over next 5 years, then apx. \$250,000 per year

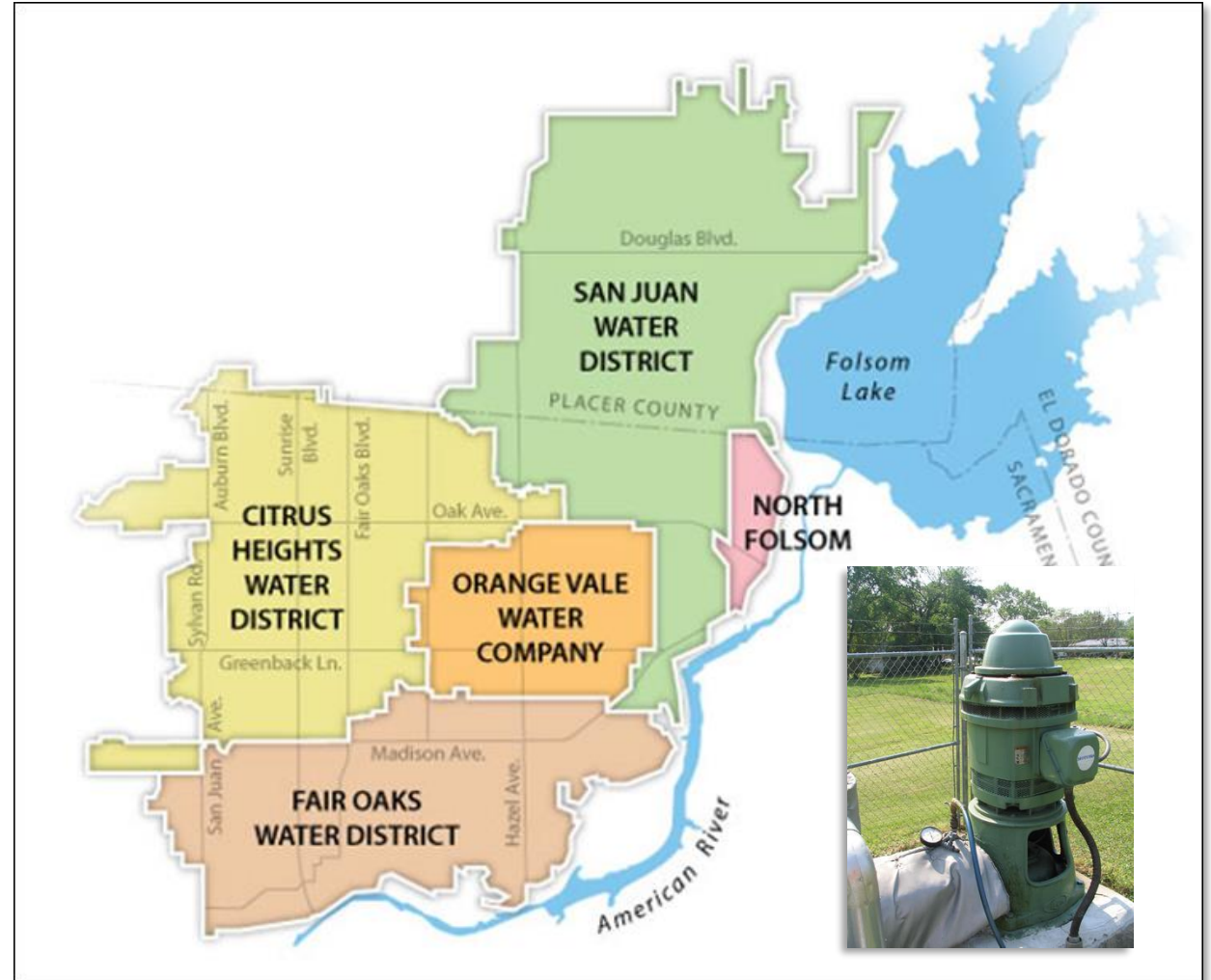


Groundwater Production Facility (a well)

Purpose:

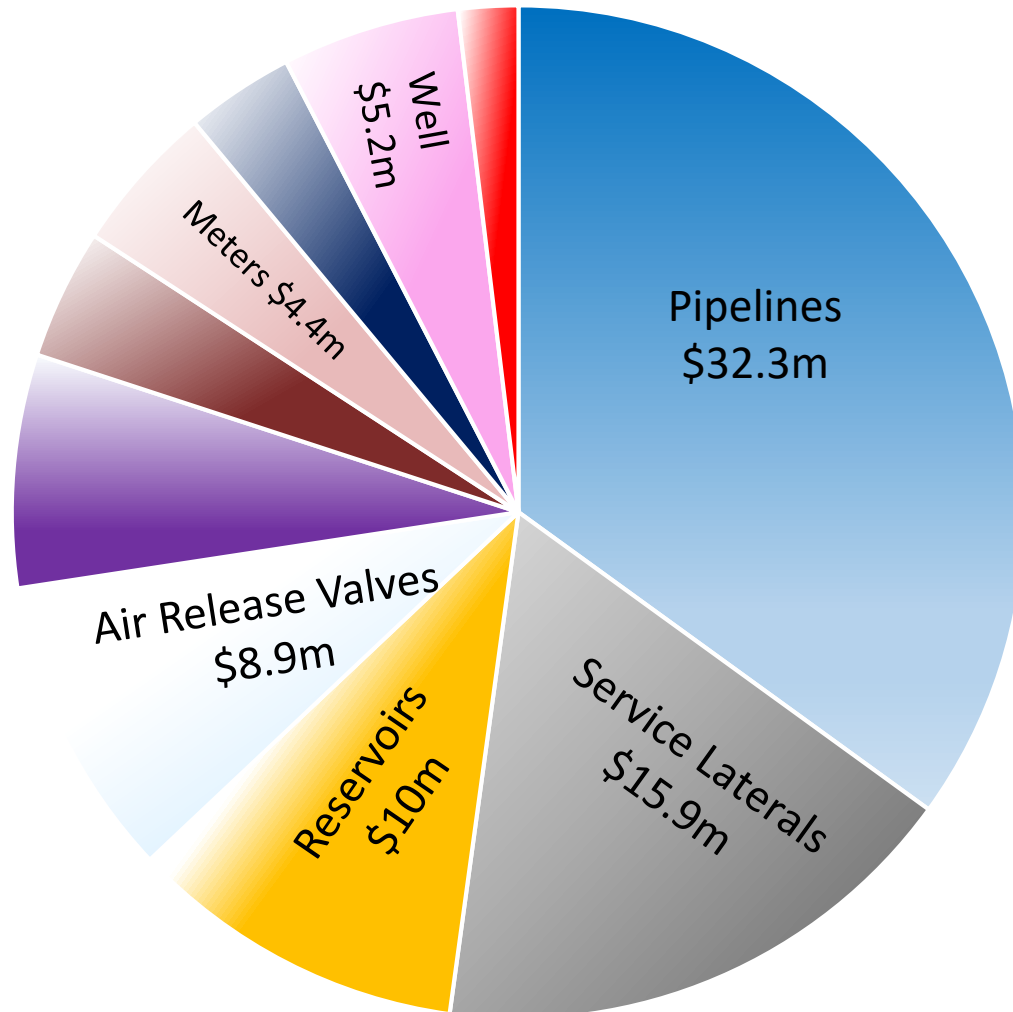
Supplemental water supply during droughts

Cost: \$5.2 million



Total 10 Year Capital Needs

Total Cost: \$92,300,000

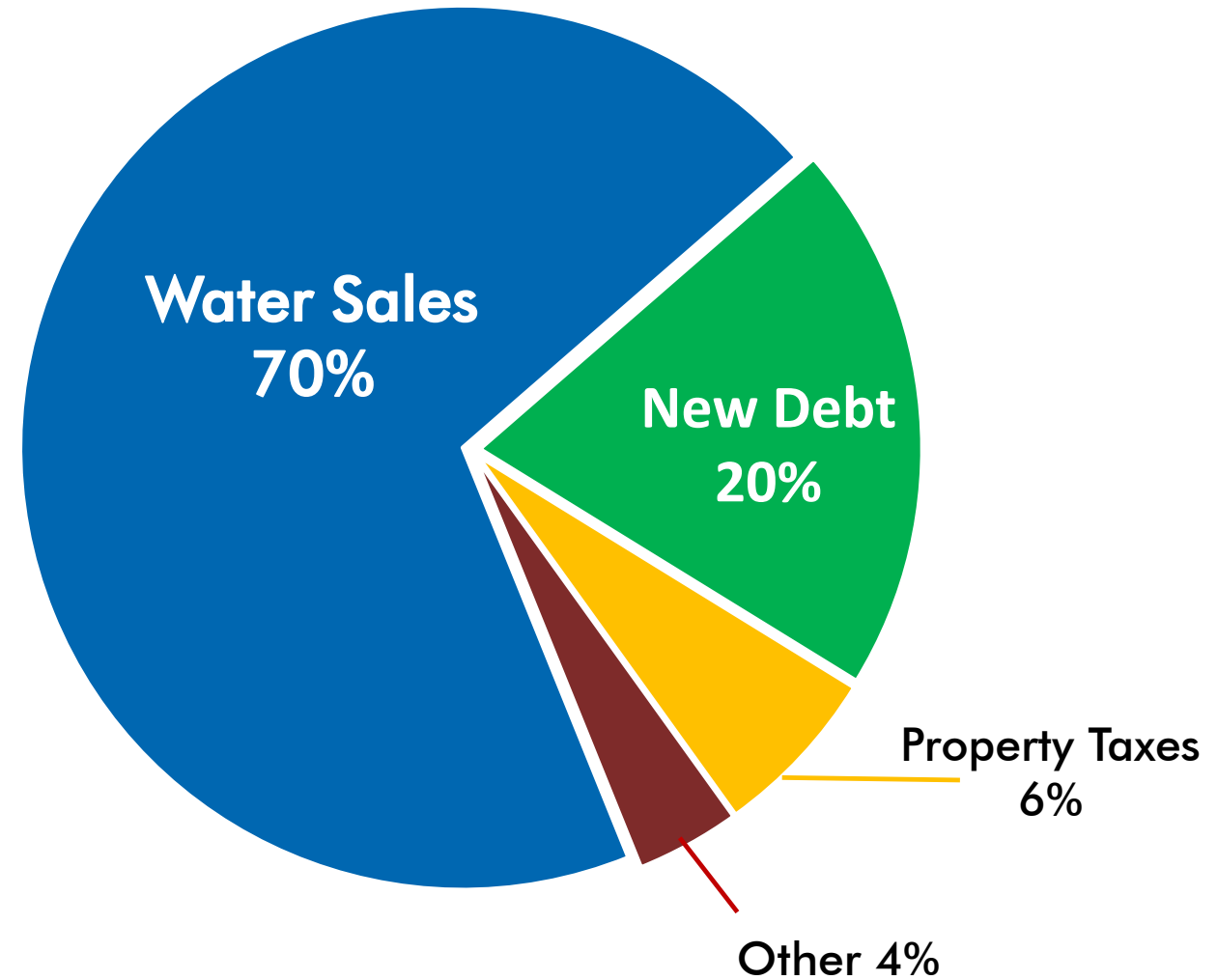


- Pipelines \$32.3 million
- Service Laterals \$15.9 million
- Reservoirs \$10 million
- ARV Replacements \$8.9 million
- Building & Site Upgrades \$6.9 million
- Pump Stations \$3.8 million
- Meter Program \$4.4 million
- Hydrant Replacements \$3.2 million
- Groundwater Production Facility \$5.2 million
- Other \$1.7 million

Retail Revenue Sources

FY 2021-22 Adopted Budget

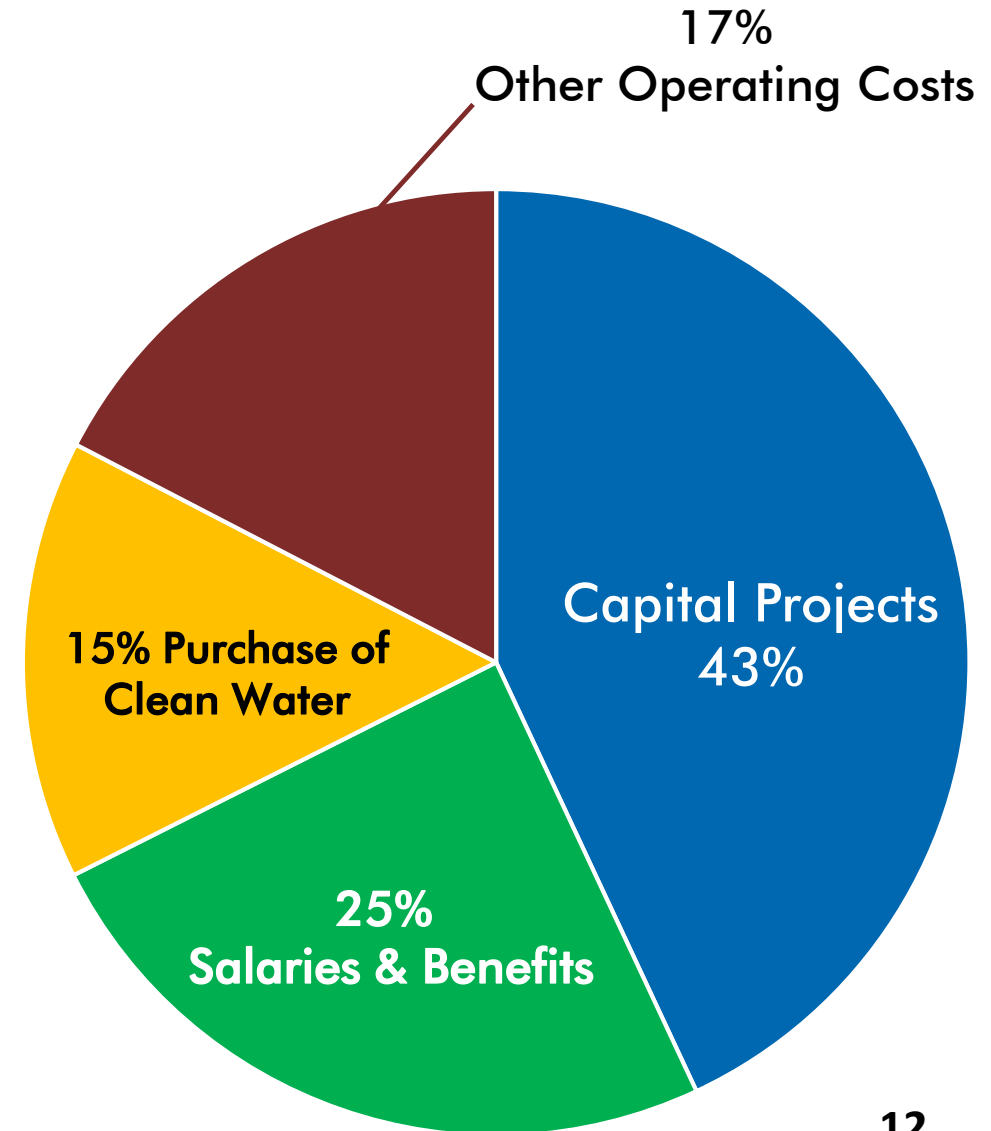
Water Sales	\$13,816,000
Debt Issuance	4,000,000
Property Taxes	1,248,000
Other Revenues	753,900
Total	\$19,817,900



How Your Rate Money is Spent

FY 2021-22 Adopted Budget

Capital Projects	\$9,486,700
Salaries & Benefits	5,406,500
Purchase of Clean Water	3,314,300
Other Operating Costs	3,832,300
Total	\$22,039,800





Cost Cutting

Actions Taken over last 5 years:

Salary Reductions:

Board removed Bay Area comparator agencies & moved target from 10% above market, to market median.

Debt Refinancing & Reductions:

- Refinanced bonds in 2017 saving a total of \$11.2 million over 22 years.
- Currently refinancing the other debt issuance, will save approximately \$1.8 million over 10 years.
- Paid down pension liability, saving \$8.8 million over 20 years.

Renegotiated Contracts:

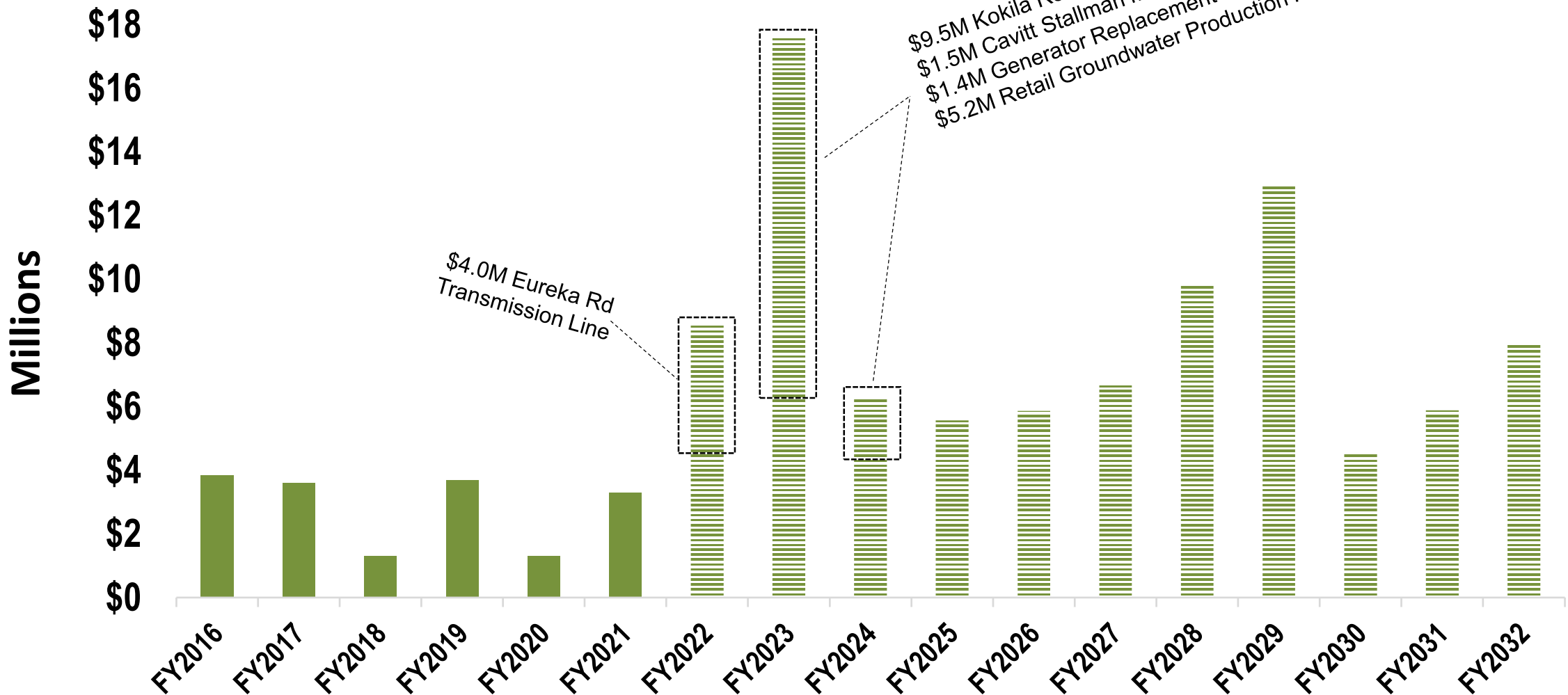
- PCWA – eliminated payments for water not being used, saving \$275,000 per year.
- City of Roseville – required additional payments from Roseville for reserved water of \$90,000 per year

Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, & written majority protest. Does not require a voting process (unlike taxes).

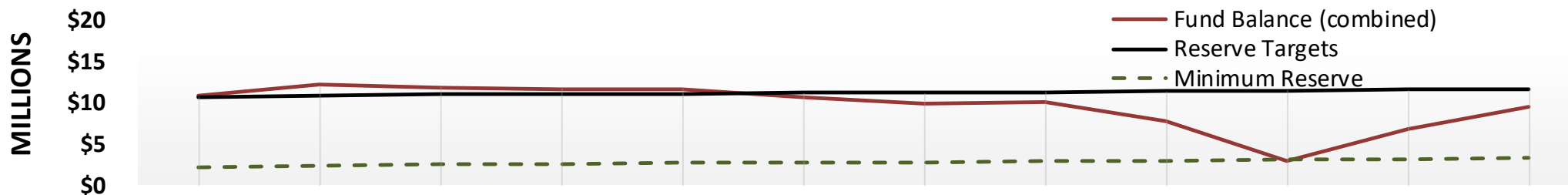
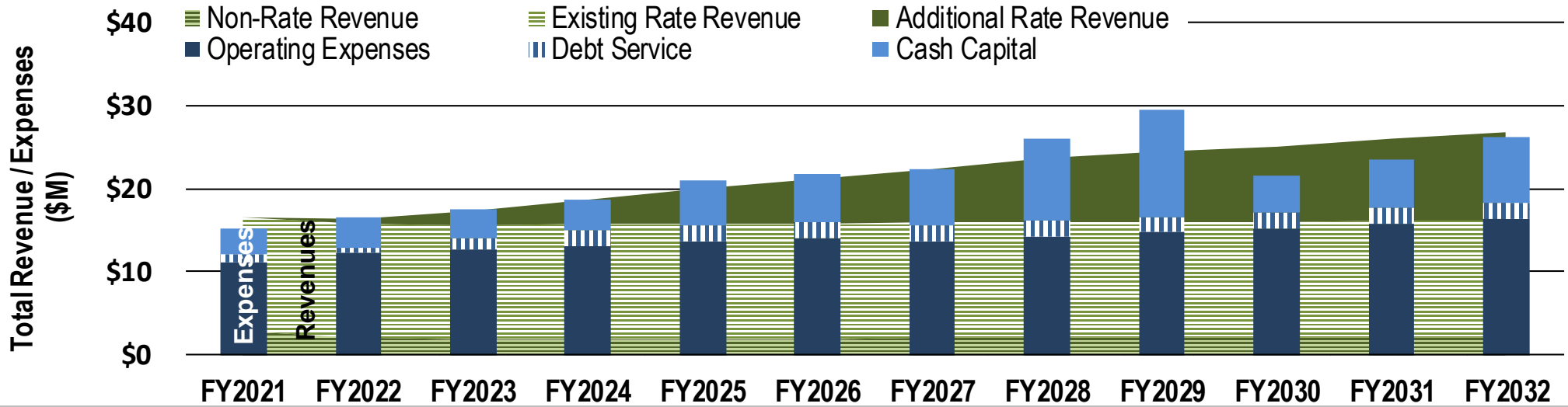
Projected Capital Spending based on Master Plan



Recent average Capital:
\$2.8M

Forecasted average Capital:
\$9.2M

Financial Forecast



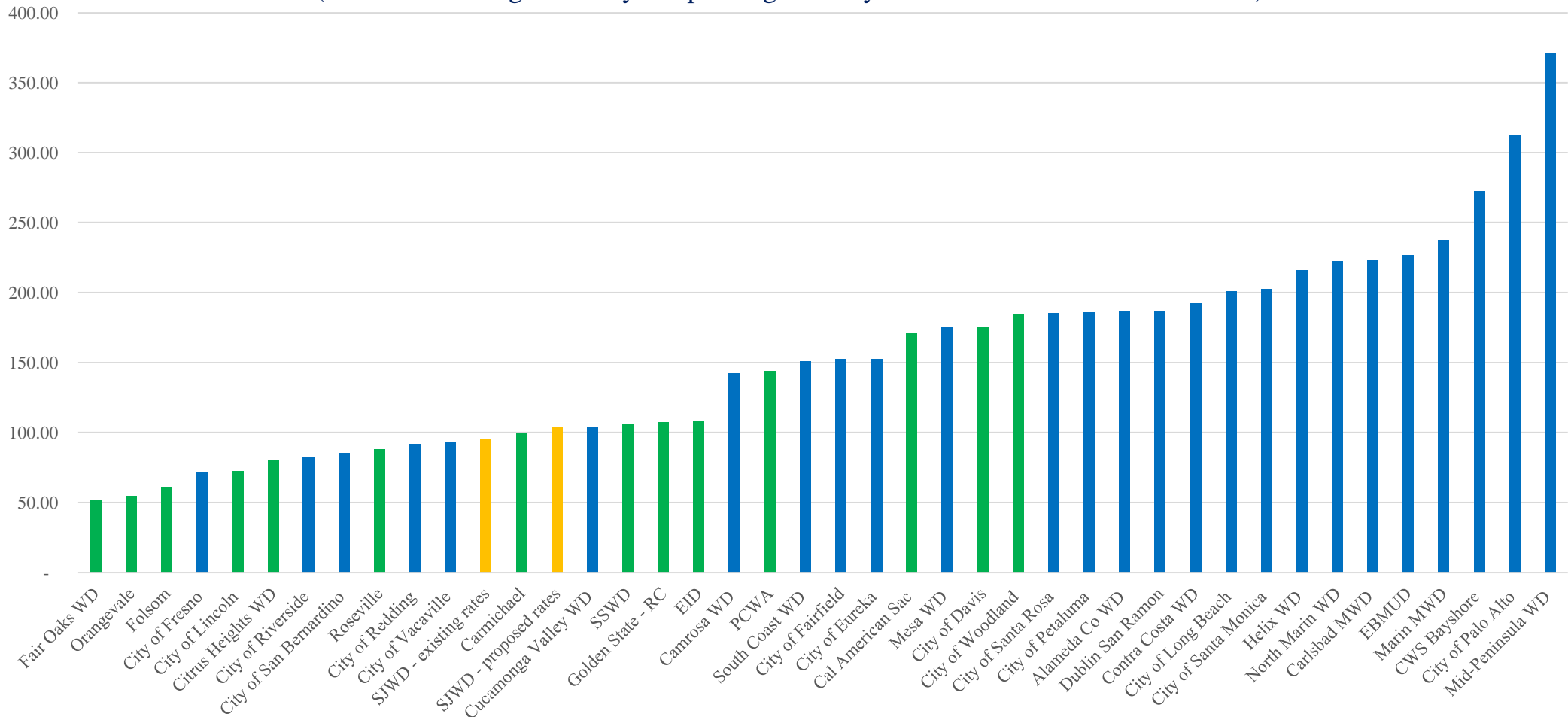
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
		Proposed			Estimates							
Proposed Rate Revenue Increase:		8.0%	8.0%	8.0%	7.0%	6.0%	6.0%	6.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio*	5.92	6.24	3.24	2.91	3.37	3.77	4.61	5.04	5.32	5.41	5.58	5.70
Net Debt Proceeds	\$0.0M	\$4.9M	\$14.2M	\$2.7M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M

11-Year cumulative 81%
Total Debt \$21.7M

Water bill comparisons among selected urban California water agencies

Most recent data, as of October, 2021

Monthly bill in \$ @ 31 ccf of use per month – 1” meter
 (the annual average monthly use per single family household in San Juan retail area)



■ - Agencies in Yolo, Sacramento, Placer & El Dorado Counties
■ - Agencies in other parts of California

Proposed Rate Schedule

	Current	Proposed Implementation Dates			
		Feb 1, 2022	Jan 1, 2023	Jan 1, 2024	
Overall Rate Revenue Increase -->		8%	8%	8%	
Daily Base Charges					
Up to 1" meter	\$2.23	\$2.50	\$2.70	\$2.92	} 70% of revenue
1 1/2" meter	\$5.78	\$6.30	\$6.80	\$7.34	
2" meter	\$9.20	\$9.95	\$10.75	\$11.61	
3" meter	\$17.13	\$18.46	\$19.94	\$21.54	
4" meter	\$28.48	\$30.62	\$33.07	\$35.72	
6" meter	\$56.88	\$61.03	\$65.91	\$71.18	
8" meter	\$90.94	\$97.51	\$105.31	\$113.73	
Water Usage Charge (\$/CCF)					
All water usage	\$0.92	\$0.92	\$0.99	\$1.07	} 30% of revenue
Daily Private Fire Line Rates					
4" line	\$0.78	\$1.03	\$1.06	\$1.09	
6" line	\$1.16	\$1.20	\$1.24	\$1.28	
8" line	\$1.56	\$1.34	\$1.38	\$1.42	
10" line	\$1.86	\$1.46	\$1.50	\$1.55	
12" line	(na)	\$1.60	\$1.65	\$1.70	

Bimonthly Bill Impacts for a Sampling of Customers

	Meter Size	Water Use (CCF)	Current Bill	Proposed Bill ¹	Change	
					\$	%
Residential						
Low Use	1"	30	\$161.40	\$177.60	\$16.20	10.0%
Median Use	1"	50	\$179.80	\$196.00	\$16.20	9.0%
Average	1"	69	\$197.28	\$213.48	\$16.20	8.2%
High Use	1"	120	\$244.20	\$260.40	\$16.20	6.6%
Multi-family	1 1/2"	200	\$530.80	\$562.00	\$31.20	5.9%
Multi-family	2"	400	\$920.00	\$965.00	\$45.00	4.9%
Multi-family	3"	800	\$1,763.80	\$1,843.60	\$79.80	4.5%
Retail Business	1"	25	\$156.80	\$173.00	\$16.20	10.3%
Restaurant	2"	400	\$920.00	\$965.00	\$45.00	4.9%
Institution	3"	800	\$1,763.80	\$1,843.60	\$79.80	4.5%
Irrigation	2"	400	\$920.00	\$965.00	\$45.00	4.9%

¹ With Year 1 rate increases (8%)

Discussion