



Board of Directors Workshop Summary
San Juan Water District
April 29, 2015

This summary was prepared by the facilitation team from written notes taken during the workshop.

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Action Items

1. Ms. Lorance to send further budget information to the directors.

1. Welcome and Agenda Review

San Juan Water District (SJWD) Board President Ted Costa called the meeting to order. Dorian Fougères, facilitator, Center for Collaborative Policy, CSUS, reviewed the agenda and guidelines for discussion. This included affirming general goals for the year, and providing strategic direction to staff regarding whether to initiate, continue, augment, or conclude specific activities in support of the goals.

2. Presentation on Conservation Stages, Water Conservation Plan, and Water Shortage Charges

Shauna Lorance, General Manager, provided a staff report and accompanying presentation to the Board of Directors regarding 2015 water conservation decisions, including background and existing requirements, current planning status, public information, relevant data, anticipated budget impacts, two options, and staff recommendations. She noted that the State Water Resources Control Board (SWRCB) had just met the previous day to determine water reduction requirements, and would likely announce these May 4 or 5. She noted that the handouts had the most recent resolution language, which was revised slightly from what was posted online. Ms. Lorance noted the differences between the two versions, summarized in the staff report.

3. Consideration of Adoption of Resolution 15-05 Enacting a Conservation Stage

Discussion followed.

- The board should not indicate support for the SWRCB proposal to fine districts up to \$10,000 per day for not meeting conservation targets. This should be removed from the resolution.
- The board should start with the simpler measures and see if they accomplish enough, before the more stringent measures. The community has been receptive historically.
- Staff should summarize what they are currently doing in terms of public notice to users. Better outreach is needed to notify them about goals and objectives and practices. Patrols and meter reading are heavy-handed, and the district should not allocate money to these until it's clear what education will accomplish. Additional compliance fines could be implemented if customers do not make sufficient changes.
 - Ms. Lorance: The district is not hiring additional meter readers. The City of Folsom currently limits watering to two days per week. The District is working with them to synchronize restrictions, as well as to work with high water users to meet District goals.
- The district should implement stage 4 to demonstrate it's commitment to meeting the 36% reduction goal. Limiting watering to two days per week should be sufficient.
- The SWRCB approach tries to treat all Districts the same way. That is problematic.
- Ms. Lorance: The drought rate charge is \$275,000. This does not include temporary office space for staff, renting trucks, and outreach. This is in addition to normal operating costs and the normal budget. The purpose of the drought rate is to incentivize conservation and to help offset a portion of lost revenue, not to cover the reduction in water use; if use is reduced by 36%, revenue will also decrease.
- Would temporary staff incur costs?
 - Ms. Lorance: If they are temporary workers, they would not incur benefits. They would have to work fewer than 1,000 hours to avoid tripping the California Public Employee Retirement System, which would add costs.
- The district should implement stage 4. If this is not sufficient, the district should explore higher rates to spur conservation. Results should be available by the end of June.
- The district should create a separate drought surcharge that is marked separately and removed when the drought ends. This should be 2.5% on the entire bill, rather than a volumetric charge.

- Joshua Horowitz, District Attorney: Such a surcharge would likely trigger Proposition 218 requirements to demonstrate how the charge is tied to service provision costs.

Public comment followed.

- Page 5: Remove “to prevent the waste and unreasonable use of water”, to avoid implying that the uses now restricted constitute “waste.”
- Page 5: Item 2(h) should read consistent, not inconsistent.
- Stage 4 does not mention pool refilling. This should be more stringent.
- No item addresses turf; this seems to say that watering turf is now acceptable. The message should be to stop watering turf.
- Option 2: It says the District is declaring an emergency, but implementing a warning. This is confusing.
- Item #12 in Stage 3 referring to tiered pricing. (This was in reference to an outdated version.)
- How people are to use pool covers and chemicals is confusing. This is a requirement but the board says it cannot police this so it will rely on the honor system (i.e., be voluntary). This is inconsistent.
- As noted at the last board meeting, it also remains unclear how to treat drip lines and sprinklers.
- Will fines be levied directly on users? What about homeowners associations? This is unclear.
 - Ms. Lorance: The legislation focuses on fining water districts. At this time, the Board does not have specific fines on individuals.
- The board’s messaging is inconsistent and will confuse the public. This includes the television news. The board needs to create consistent messages.
 - Director Costa: We can hire enforcement but want to avoid that. We can approach people in person and ask if they need assistance.
- Is the board adopting a 6.5% rate increase?
 - Ms. Lorance: This is an example. There is not an increase being adopted right now. The board will address this issue in its normal budgeting process.
- What is an artificial lake? Do they exist in the District?
 - Ms. Lorance: An artificial lake could also be called a pond.

- Following a motion to approve and a second, the board unanimously adopted Option 1, Stage 4 Water Crisis declaration.

4. Consideration of Adoption of a 10% Water Shortage Charge

The board discussed whether to adopt a shortage charge equivalent to \$275,000, to implement the District's water conservation plan.

- It would be preferable to see the customer response to the declaration before implementing all the conservation measures. They are costly.
 - Ms. Lorange: With the declaration, the District will have to respond to many more phone calls. Expenses will be phased. The board may also be fined if it does not show it is doing everything possible to meet the 36% reduction. Furthermore, each measure takes time to implement, so meeting the deadline will be harder to achieve.
- What will be different from the public relations firm doing the same work?
 - Ms. Lorange: The funds will continue outreach and include four temporary staff, likely college students. This includes \$100,000 for the current effort, plus the new additional tasks. The district would start with one or two temporary staff to get the information circulating, including mailers.
- What actual additional hours does this include? Can current staff work overtime? Some staff may want additional days.
 - Ms. Lorange: Overtime would cost more than what is currently proposed.
- The board should not constrain staff. The board will receive regular updates and can adjust its approach. Staff are receiving many calls. The district can start conservatively and ramp up as needed.
- The board has a duty to show a good faith effort. This may not require spending all the funds.
- There were no public comments.
- Following a motion to approve and a second, the board adopted the 10% shortage charge by a vote of 4 to 1 (Director Miller not supporting the measure).

5. Budget Overview, and Draft 2015-16 Wholesale Budget

Assistant General Manager Keith Durkin and Finance Manager Kate Motonaga presented a series of detailed slides. The overview reviewed recent trends, and where the district will be in June. This provided the foundation for the 2015-16 budget.

Questions arose during the presentation.

2. Are the additional expenses due to the drought?
 - a. Mr. Durkin: The wholesale and retail service areas are different. The district is working with the Bureau of Reclamation, State Water Resources Control Board, and Legal Counsel, so these are part of the drought-related expenditures. Additional staff and legal time may be needed to protect the district's water rights. Furthermore, although counterintuitive, it is more expensive to operate the treatment plant with low flows and demand. This includes more money for chlorine treatment and pumping costs. So there are more costs for regulatory, legal, and operational expenses due to the drought. Meanwhile, the district assumes revenue will be reduced due to the 36% required reduction in water sales. Some costs will decrease, but fixed costs will not. Another treatment plant operator is needed; if one operator is sick while the other is on vacation, this creates a real problem. The budget has placeholders for a potential new human resources position, plant operator, and executive staff.
 - b. Mr. Durkin continued: At the same time, some expenses were reduced. The district received a rebate on its solar project. Some staff left, some operating expenses decreased, and some capital projects were deferred. There was positive \$1.14 million net income. Capital projects cannot be deferred indefinitely. Maintenance cannot be deferred.
3. Is the 6% rate increase sufficient?
 - a. Mr. Durkin: This amounts to less than 50 cents per month for the average customer. The district should revise its messaging regarding the costs to the average customer.
4. Can the district recoup funds if it starts to rain? Consumption and revenues would go up.
 - a. Ms. Lorance: Yes, to some degree. However, some expenses and potential revenue are lost forever. A potential option would be to sell more water to offset deficits. Furthermore, the State Water Resources Control Board is expected to impose continuing restrictions.
 - b. Mr. Durkin: The 6% rate increase assumption will not make up the entire deficit.
5. Could the district pursue a short-term loan?
 - a. Ms. Motonaga: The current market would pose challenges: origination, monitoring, payback, interest costs to customers. In the presentation, rates increased overall, but the district would still be in a difficult situation. Even with increased water sales the district could go into deficit. The proposed increase is for five years after which it goes down again, but this could last longer.
 - b. Mr. Horowitz: Regarding a bank loan, it may not be possible to take a loan for longer than a year.

6. What does the 6% include?

- a. Ms. Motonaga: 6% was determined when staff looked at the overall reserve balances, independently, and assessed upcoming expenditures, including additional drought-related staff.
- b. **ACTION ITEM:** Ms. Lorance to send further budget information to the directors.

Public comment followed.

- Is the 6% an increase on service or on the commodity?
 - Ms. Lorance. It is both. It does not include debt service. Note the rate increase would not take effect until January.

Ms. Lorance thanked directors for their participation, and President Costa closed the meeting.

6. Attendance

1. Ted Costa, President
2. Pam Tobin, Vice President
3. Ken Miller, Director
4. Dan Rich, Director
5. Bob Walters, Director
6. Shauna Lorance, General Manager
7. Keith Durkin, Assistant General Manager
8. Kate Motonaga, Finance Manager
9. Joshua Horowitz, Legal Counsel
10. Dorian Fougères, CCP, CSUS
11. Sue Woods, CCP, CSUS
12. Members of the public