

TVCS D Public Hearing (on Proposed Rate Increases for FY 2017/18)

& Board of Director's Regular Meeting Minutes

Date: Wednesday, June 14, 2017, 6 pm

Location: Tomales Town Hall, Tomales, California 94971 DRAFT

Board Members Present: Dru Fallon O'Neill, President; Donna Clavaud, Vice President; Bill Bonini, Peter MacLaird, Deborah Parrish (arrived at 7:35 pm)

Board Members Absent: None

Also Present: Jose Ortiz, General Manager; Melinda Bell, TVCS D Accountant; Cynthia Hammond, TVCS D Recording Secretary; Terry Duffy, Louise Gregg, Nicole Vigeant

I. Call To Order

Dru Fallon O'Neill called the Public Hearing meeting to order at 6:11 p.m. Dru Fallon O'Neill explained the Public Hearing was to explain how TVCS D BOD's came to the conclusion to raise the sewer rates; to pay off the debt and to keep the district moving forward in a fiscal manner of responsibility.

II. Open Communication Time for community members and visitors to bring up items they wish to discuss and items that do not appear on the agenda. Added items will be included under Other Business.

Louise Gregg said she read if ratepayers didn't come to the meeting or write a letter, the rates would be raised. Louise Gregg read the Pt. Reyes Light article and saw the Notice of Special Meeting, but felt there wasn't enough community advertisement regarding the rate increase. Jose Ortiz explained her concerns would be addressed under item VI.

III. Approval of June 14, 2017 TVCS D BOD Agenda

Dru Fallon O'Neill motioned to approve the June 14, 2017 TVCS D BOD Agenda. Donna Clavaud seconded the motion. M/S/C

IV. TVCS D Board Member Reports

Donna Clavaud reported there was a new Brown Act publication from CSDA and requested the district purchase a copy. Melinda Bell will purchase through the CSDA website. Dru Fallon O'Neill will discuss Ad Valorem Levy 4 Assessment under VI.

V. Approval of May 10, 2017 TVCS D REGULAR Meeting Minutes

Bill Bonini motioned to approve the May 10, 2017 TVCS D Regular Meeting Minutes. Donna Clavaud seconded the motion. M/S/C

VI. Conduct Public Hearing to Receive Comment on the Proposed Rate Increases for Fiscal Years 2017/2018 and 2018/2019

Public Hearing opened at 6:18 pm. Jose Ortiz explained that any time there is a proposed rate increase, a Public Hearing must be held and the Notice of the Public Hearing must be posted at least forty-five (45) days prior to the Public Hearing in order to allow time for written comments in favor or against or to share information regarding the proposed action. Publications of the Public Hearing were on April 22, 2017 and May 11, 2017; therefore all noticing requirements were satisfied. Jose Ortiz reminded community members the purpose of the Public Hearing was to allow them to question the proposed action.

Jose Ortiz provided the following background information:

When Jose Ortiz was hired as the General Manager, one of the tasks was to prepare an Asset Management Plan which included a Capital Improvement Plan (CIP) for the district (sewer only, not the park). CIP included, over a ten (10) year period, projected expenditures to replace equipment based upon how long it typically lasts. The Financial Advisory Committee (FAC) prepared a ten (10) year financial plan based on that information, other costs and changes in revenue streams. In 2002/2003 cracked/separated pipes were fixed, reducing the amount of infiltration thus reducing the costs of wastewater treatment. In 2008/2009 plastic liners were installed in the three (3) ponds to avoid seepage. The addition of solar panels was shown to be economically viable, with a return of investment in eighteen (18) years.

Revenues to the district are through sewer service fees. Based on the ten (10) year financial plan, in three (3) to four (4) years, if failures occur TVCSD would have to draw upon its reserves to pay down the debt. The solar rebates for five (5) years were \$12,000 per year but ended last year. The cost to repay the loan over the next nine (9) years is \$17,000-\$18,000 per year. In addition, other improvements added to the debt total of \$39,000 to \$42,000 per year, which will take nine (9) years to pay down.

Video inspections were done and the collections system is in good shape. However, Jose Ortiz estimates 10% of the collection system could fail in ten (10) years. There are enough revenue fees to cover operations and some of the capital replacement projects but not the debt service. The main point of the rate increase is to pay off the debt service without reducing reserves to a zero balance in three (3) to four (4) years.

Louise Gregg asked for an explanation of debt service. Melinda Bell explained the debt service was \$18,000 per year (zero interest rate) for the solar panels for the next nine (9) years and the other debt was the State Water Resources Control Board Revolving Fund for \$22,000 - \$24,000 per year with a 2.5% interest rate for the next six (6) years. Donna Clavaud explained that the rate increase would collect \$13,000 the first year and \$26,000 the second year towards the debt service.

Nicole Vigeant asked if the original loan was paid off, Donna Clavaud said it was.

Louise Gregg asked if the rate increase would go on forever. Bill Bonini explained that TVCSD needs to build reserves for capital improvements and there needs to be six (6) months of reserves. Donna Clavaud explained that when the finance committee was preparing a financial plan, TVCSD looked at a ten (10) year plan and what was estimated for the proposed rate increase was reasonable. Jose Ortiz explained that in ten (10) years the collection system will be fifty (50) years old and in the last eighteen (18) years, operations and maintenance costs have gone up 58%. In the next ten (10) years, TVCSD may not have sufficient funds to repair unanticipated system failures.

Louise Gregg asked about the possibility of obtaining a grant for modern day composting; turning black water into grey water. Donna Clavaud explained that grant-funding resources have declined and TVCSD no longer qualifies for low to moderate grants TVCSD used to qualify for. Grants are now targeted to areas with very high violations. Donna Clavaud said moving forward, she was interested in investigating options. Bill Bonini explained that grant dollars couldn't be used to pay off a debt.

Louise Gregg asked if TVCSD could utilize UV instead of chlorine as a disinfectant. Jose Ortiz explained the current cost for chlorine is \$420 per year while UV disinfectant systems installation costs are hundreds of thousands of dollars in addition to high annual electricity costs.

Dru Fallon O'Neill explained that the operating contract is being trimmed to save expenses and Bill Bonini said that feasibility studies have been done and staff reconfigured to tighten expenses. Dru Fallon O'Neill said the present board worked long and hard getting the facts and figures in order to be transparent.

Ad Valorem Levy 4 Assessment: Melinda Bell reported the board is still researching the Ad Valorem Levy 4 Assessment. The previous nine (9) years the annual income ranged from \$22,000 - \$30,000. The Levy 4 Assessment has declined to about \$8,000 annually for the last eight (8) years. Melinda Bell explained the Levy 4 Assessment, in the beginning, was to pay off the first debt. In 2009 the Levy 4 Assessment went down but at the same time TVCSD got a second loan for improvements from State Water Resources Control Board and never got any funding for the loan. Dru Fallon O'Neill explained that the Levy 4 tax was voted on the same time the community decided to have a sewer in the 70's. In 2009/2010 when the previous General Manager was preparing a budget, the Levy 4 money went from \$25,000 - \$26,000 a year to \$14,000, to \$8,000 to \$3,000 per year. North Marin Water District (NMWD), who was a managing partner, there was a \$.75 per \$100 valuation would go to NMWD. NMWD changed it to \$.02. Previous General Manager consulted an attorney and it was the attorney's opinion that it was an operating cost/tax that went into Ad Infinitum. The county doesn't necessarily have the same opinion and TVCSD has been operating with \$.02 per \$100 valuation. This shows up on tax bill as sewer improvement fee. Donna Clavaud pointed out the district used to receive \$25,000 and now it receives \$8,000 per year. Jose Ortiz said the main reason this exists is because the state doesn't was special districts defaulting on loans. The question is why did NMWD do this; a reason could be that the debt could be paid off at a lower assessment. Dru Fallon O'Neill is pressing the county for an explanation. More debt was taken on in 2009 and the problem is the Levy 4 Assessment should have been raised back up. If the debt was assumed before 1978, rates could have just been increased to pay off the debt, if the debt was assumed after 1978, a 2/3rds vote is needed to increase sewer rates.

Jose Ortiz said there was speculation about development of twenty-eight (28) parcels at \$10,000 per hook-up fees, which never came to fruition that could have paid off the debt. For the last eleven (11) years, without rate increases, parcels generate \$756 per year for sewer fees and costs to the district have risen.

Donna Clavaud reviewed the cost cutting efforts that have been made to the district; reduction of administrative costs by \$30,000, cutting board meetings from twelve (12) to ten (10), and reduce the O & M contract by \$12,000 through negotiations. Donna Clavaud reiterated that the rate increase was to pay off the debt service. Jose Ortiz said in 2014 a rate analysis was done and there were two (2) recommendations; impose a big rate increase all at once or spread it over five (5) years. Neither was ever done.

Dru Fallon O'Neill closed the Public Hearing at 7:38 and opened the Regular TVCSD Board of Director's meeting.

VII. Financial Report (Melinda Bell)

a. Accept check registers and approve expenditures:

Bill Bonini motioned to accept the check registers and approve expenditures. Deborah Parrish seconded the motion. M/S/U

b. Financial Manager's report:

Melinda Bell reported income was \$5,000 better than budgeted. Funds will need to be transferred from Redwood Credit Union to cover expenses. Melinda Bell asked for Board direction regarding her two (2) week vacation and who would be responsible for phone calls. Deborah Parrish requested a staff member be responsible for messages. Jose Ortiz will take Melinda Bell's cell phone while she is on vacation. Donna Clavaud will pick up the mail.

Bill Bonini motioned to accept the Financial Manager's report. Deborah Parrish seconded the motion. M/S/U

c. Review and approve financial statements:

Bill Bonini motioned to approve the financial statements. Deborah Parrish seconded the motion. M/S/U

d. Engagement letter for TVCSD Auditor Fiscal Year 2016/2017:

Donna Clavaud suggested accepting Robert W. Johnson as the Auditor for another year. Robert W. Johnson has a three (3) year contract and this is the last year with the cost already in place.

Donna Clavaud motioned to sign a contract with Robert W. Johnson to do the third year of the audit. Bill Bonini seconded the motion. M/S/U

e. Ad Valorum Levy 4 Assessments:

Discussed under Public Hearing. This discussion will be continued next month.

VIII. General Manager's Report

Nicole Vigeant asked Jose Ortiz what was renegotiated with the NSU contract. Jose Ortiz explained that the district wanted to save \$1,000 per month. To do so, lab costs will be billed directly to the district instead of NSU marking up the lab costs 20% and billing the district. General housekeeping such as weed control, mowing, ground and building maintenance will be contracted by the district instead of NSU in order to save the 20% mark-up.

Deborah Parrish explained the district accidentally received an invoice on how NSU was marking up their invoices. NSU was marking up lower paid staff 2 ½'s and billing the district. Now TVCSD will be paying

\$4,095 per month instead of \$5,800 per month.

Jose Ortiz said the Capital Improvement Plan (CIP) identified periodic big-ticket items such as grading the road that is built into the budget now. NSU also targeted the level of expertise that TVCSD is paying for; Chief Plant Operator is billed at \$133 per/hour, and a Grade Two Operator is billed at about \$95 an hour. TVCSD needs a Grade Two Operator.

Jose Ortiz spoke to Andy Zinkevich at NSU and the target date to start the new contract will be in effect July 1, 2017. There were some errors in the contract; Jose Ortiz doesn't want all preventative maintenance to become corrective maintenance and to be paid for as unscheduled work. If a pattern is seen of dropping off preventative maintenance and corrective maintenance goes up, Jose Ortiz will be able to recognize it. The original contract had a termination agreement of 60 days and the new contract states 180 days; Jose Ortiz is OK with this. Donna Clavaud asked if NSU had requested a longer contract. TVCSD wants a three (3) year contract and NSU wrote up the new contract for a five (5) years. Deborah Parrish is concerned that given the terms of the board, TVCSD needs to have the three (3) year contract and a review of NSU costs and tasks will be conducted yearly. Deborah Parrish wants the contract to coincide with TVCSD board terms. Jose Ortiz suggested an alternative would be three (3) year contract for certain, and then one (1) year by mutual agreement for two (2) more years. Jose Ortiz also wants to see a schedule of rates. Deborah Parrish will review final draft.

a. Discussion on proposed O & M contract and give direction to General Manager for its execution:

Peter MacLaird motioned to authorize the General Manager to finalize negotiations of the O & M contract with NSU. Bill Bonini seconded the motion. M/S/U

Jose Ortiz will meet with Steve Chase regarding the new NSU contract.

Jose Ortiz got permission not to use the (Fog, Oil and Grease) FOG tank for a year and will see if this can be done permanently. This will save the district about \$5,000 per year.

Point Blue Conservation Science contacted NSU and Jose Ortiz. They are requesting water from the storage ponds for irrigating vegetation planted by the creek at the high school. Blair Allen from the State Resources Control Board was contacted because a special permit is needed. Normally an engineers report along with a SEQUA document is needed. The costs for the reports are expensive and would have to be paid by Point Blue Conservation Science.

Jose Ortiz received Notification of November 2017 District Elections (SB 415) from County of Marin Department of Elections. TVCSD has to transfer over to even-numbered election years. Right now, TVCSD has odd election years. Other districts adopted a resolution extending the terms for this year, however it had to have done 240 days before the election. TVCSD was notified 2 hours prior to the deadline. The alternative is TVCSD has until January 1, 2018 to submit a plan; if TVCSD doesn't transfer over to even year elections, TVCSD can be sued for being in violation. Jose Ortiz said he would develop a plan. Donna Clavaud said Dru Fallon O'Neill, Deborah Parrish and Bill Bonini's terms expires November 7, 2017. Dru Fallon O'Neill, Bill Bonini and Deborah Parrish agreed to file for another term.

IX. NSU Report

- a. Review reports for April 2017:
Reports were reviewed.

X. Committee Reports

- a. Financial Advisory Committee (FAC):

- 1. No FAC meeting held in May.
- 2. Adopt final Sewer and Park budgets for Fiscal Year 2017/2018:

Deborah Parrish motioned to adopt the final Sewer and Park budgets for Fiscal Year 2017/2018. Peter MacLaird seconded the motion. M/S/U

- 3. Adopt Resolutions 17-02 (monthly Sewer rate) and 17-03 (connection fees and Ad Valorum Levy 4 Assessment):

Deborah Parrish motioned to adopt Resolution 17-02 (monthly Sewer rate). Peter MacLaird seconded the motion. M/S/U

Deborah Parrish motioned to adopt Resolution 17-03 (connection fees and Ad Valorum Levy 4 Assessment). Peter MacLaird seconded the motion. M/S/U

- b. Park Advisory Committee (PAC)

- 1. No meeting was held in May
- 2. Update on projects:

Jose Ortiz reported there haven't been any responses to the RFP's and will meet with Ted Anderson asking him to contact contractors. Jose Ortiz will also meet with an ADA architect to see where TVCSD can advertise the RFP. Donna Clavaud, Dru Fallon O'Neill and Melinda Bell met with CSD representative and asked about the requirements for registration of contractors; contractors do need to be registered. Donna Clavaud requested advice from CSD on how to register contractors.

XI. Pending Business

- a. TVCSD Website update:

Melinda Bell reported she paid Square Space \$172 for one (1) year and Sonic's fee is \$8 per month. The website is "live".

XII. Other Business

None.

XIII. New Business

a. November 2017 TVCSD Board elections:
Discussed under General Manager's report.

Deborah Parrish motioned to have a November 7, 2017 election. Bill Bonini seconded the motion.
M/S/U

b. Senate Bill 415 – Voter participation:
Discussed under General Manager's report.

XIV. Correspondence

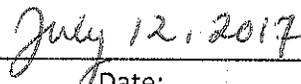
There were two (2) letters protesting the proposed sewer rate increase.

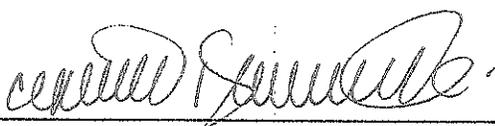
XV. Adjournment

Dru Fallon O'Neill motioned to adjourn the TVCSD June 14, 2017 BOD meeting. Peter MacLaird seconded the motion. M/S/U

Meeting adjourned at 8:30 pm.


Approved by: Dru Fallon O'Neill, President


Date:


Attested by: Cynthia Hammond, Recording Secretary


Date:

TVCSD MISSION STATEMENT: *Enhance quality of life, with commitment to the health of the community, by providing dependable wastewater collection, treatment and reuse in an environmentally friendly manner; maintaining safe and reliable recreational park facilities while providing a welcoming forum for active community participation and input.*

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Board of Directors:
Dru Fallon O'Neill, President • Donna Clavaud, Vice President • Bill Bonini
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