

**CONFORMED AGENDA
REGULAR MEETING
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS
6425 MAIN STREET, GEORGETOWN, CALIFORNIA 95634**

**TUESDAY, MARCH 12, 2019
2:00 P.M.**

MISSION STATEMENT

It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies
 - Ensure high quality drinking water
 - Promote stewardship to protect community resources, public health, and quality of life
 - Provide excellent and responsive customer services through dedicated and valued staff
 - Ensure fiscal responsibility and accountability are observed by balancing immediate and long-term needs.
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Out of respect for the meeting and others in attendance, please turn off all cell phones or put in the silent mode.

Pursuant to the Government Code Section 54954.3 (The Brown Act), members of the public shall be afforded the opportunity to speak on any agenda item, provided they are first recognized by the presiding officer. The Board President will call for public comment on each agenda item. Those wishing to address the Board on a matter that is not on the agenda and within the jurisdictional authority of the District may do so during the Public Forum portion of the agenda. Please be aware of the following procedures for speaking during Public Forum or public comment sessions:

1. When called on to speak by the Board President, please approach and speak from the podium.
2. Comments are to be directed only to the Board.
3. The Board will not entertain outbursts from the audience.
4. There is a three-minute time limit per speaker.
5. The Board is not permitted to take action on items addressed under Public Forum.
6. Disruptive conduct shall not be permitted.
7. Persistence in disruptive conduct shall be grounds for removal of that person's privilege of address.

The Board President is responsible for maintaining an orderly meeting.

1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

The meeting was called to order at 2:07 P.M.

Directors Present: Cynthia Garcia, David Halpin, Michael Saunders, David Souza, Dane Wadle.

Staff Present: General Manager Steven Palmer; Operations Manager Darrell Creeks; Management Analyst Christina Cross; Board Assistant Diana Michaelson. Legal Counsel: Barbara Brenner, Churchwell White, LLP.

The Pledge of Allegiance was led by Director Saunders.

2. ADOPTION OF AGENDA

Director Wadle requested to remove item 7.C. from the agenda as the principal was not able to attend.

Director Saunders requested that item 7.G. be heard before 7.A. so the candidates would not have to stay for the entire meeting if they didn't want to.

Motion by Director Halpin to adopt the agenda as revised. Second by Director Garcia.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye

Halpin: Aye

Saunders: Aye

Souza: Aye

Wadle: Aye

The motion passed unanimously.

3. PUBLIC FORUM (ONLY ITEMS THAT ARE NOT ON THE AGENDA)

*Adam Harston introduced himself and provided a document to the Board, which is included as **Attachment 1** to these Minutes. He spoke regarding the rate increase and asked for clarification of the documents he has seen in the RCAC report.*

Bonnie Neeley agreed with Mr. Harston on how the rates were calculated and spoke in favor of reducing rates.

Steven Proe agreed with the consensus of Mr. Harston on how rates were calculated.

Cherie Carlyon spoke regarding VDT, legal fees, and an email sent to the Board.

Val Stevens spoke concerning water rates.

4. PROCLAMATIONS AND PRESENTATIONS

There were no proclamations or presentations.

5. CONSENT CALENDAR – Any member of the public may contact a Board member prior to the meeting to request that an item be pulled from the Consent Calendar.

Director Wadle said he had received a request to pull item 5.C. Director Saunders requested that Items 5.A., 5.B.1, and 5.B.2 be pulled from the Consent Calendar. Barbara Brenner noted that effectively that left no Consent Calendar.

A. Approval of Minutes

Director Saunders noted that there were no minutes of the January 16, 2019 Strategic Planning Session. Mr. Palmer said that was correct, the Minutes were not yet available.

Ms. Brenner asked if there was an issue with the Minutes in the packet. There was not.

1. Special Meeting of February 12, 2019
2. Regular Meeting of February 12, 2019

Motion by Director Garcia to approve the Minutes. Second by Director Souza.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye
Halpin: Absent
Saunders: Aye
Souza: Aye
Wadle: Aye

The motion passed 4 – 0.

B. Financial Reports

1. Statement of Cash Balances

Director Saunders inquired regarding Assessment closeouts. The transfers have not yet been completed.

Director Garcia inquired regarding a \$2,000 discrepancy in Fund 10. Staff will look into it. She asked if there is any way to track hours in Fund 40 to compare to payroll, and if the hours can be added to the monthly Zone report.

Public Comment: There was no public comment.

Motion by Director Souza to approve Item 5.B.1. the Statement of Cash Balances. Second by Director Halpin.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye
Halpin: Aye
Saunders: Aye

Souza: Aye

Wadle: Aye

The motion passed unanimously.

2. Month-End Cash Disbursements Report

Director Souza inquired regarding laundry service for employee uniforms. Mr. Palmer said the District provides uniforms for the employees, which includes laundry service.

Director Garcia asked about a \$46,000 check to the City of Sacramento. Mr. Palmer said that is a cost shared with other agencies for the Watershed Sanitary Survey every 5 years.

Public Comment: *Ms. Carlyon had questions regarding some individual checks.*

Motion by Director Halpin to approve the Month-End Cash Disbursements Report. Second by Director Garcia.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye

Halpin: Aye

Saunders: Aye

Souza: Aye

Wadle: Aye

The motion passed unanimously.

C. Approval of Expense Reimbursement for Directors Garcia and Saunders to Attend CSDA Leadership Academy

Possible Board Action: Adopt Resolution 2019-16.

Mr. Palmer said this item was pulled from Consent because of additional information received from Directors Saunders and Garcia. He gave a brief report on the item, noting some changes that would adjust the costs.

Public Comment: *Bonnie Neeley asked for the dates of the conference.*

Motion by Director Halpin to adopt Resolution 2019-16. Second by Director Souza.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye

Halpin: Aye

Saunders: Aye

Souza: Aye

Wadle: Aye

The motion passed unanimously.

D. Mid-Year Budget Review

Possible Board Action: Receive and File.

Management Analyst Christina Cross presented the staff report.

Director Saunders inquired regarding overtime. Ms. Cross said that, overall, it is trending the same as last year.

Director Garcia asked if staff is watching trends and predicting where the District will be going in the third and fourth quarters. She also asked why this item did not first go to the Finance Committee. Mr. Palmer said that this has always been a consent item. It is only an update to the Board, nothing is being acted upon, no adjustments are being requested, so it isn't something that would typically go to the Finance Committee.

Public Comment:

Steven Proe inquired regarding the hydro plant and related overtime rates. Mr. Creeks explained how the hydro plant affects water flow in the ditch.

Ms. Carlyon commented regarding the wastewater expenditures and rates.

The report was received by the Board.

6. INFORMATIONAL ITEMS

A. Board Reports

Director Saunders reported that he had attended the Gold Country Special Districts conference recommended by CSDA. He reported on a meeting he attended that was hosted by the Sierra Institute for the CABY IRWM. He then commented regarding the District's policy on the legislative liaison position.

Director Garcia reported that she and Director Saunders are having their own town hall meeting on March 16. She reported that the CSDA conference in July conflicts with the Board Meeting schedule. She participated in a CSDA webinar regarding fiscal year-end planning. CSDA Legislative Days is scheduled in May and she is interested in attending. Ms. Brenner added that ACWA does the same thing as well.

Director Wadle said that he will also be attending the CSDA Legislative Days in his CSDA professional capacity so there will be no charge to the District. He then reported

that he attended a training at the Cameron Park Community Services District on the topic of board member liability and issues, at no cost to the District. With Director Saunders, he attended a local Divide Chamber meeting and provided an update on what the District has been doing with some projects. He then listed topics for future Board meetings.

B. General Manager's Report

Mr. Palmer presented his report, especially noting that Water Resources Manager Adam Brown continues to coordinate with the CABY Regional Water Quality Group to ensure that the District can avail of future funding opportunities.

Director Garcia had questions regarding the process for drafting District policies and procedures. She inquired regarding the status of the financial software contract and the evaluation process.

Mr. Proe commented regarding costs associated with accepting grant money.

An audience member said the public would like to see policies prior to adoption. It was pointed out that all draft policies are included in the Board packet posted on the website prior to adoption.

Ms. Neeley asked for clarification of Mr. Proe's comments.

C. Operation Manager's Report

Mr. Creeks presented the Operations Manager's Report. He said that staff will be flushing as many fire hydrants as possible while Stumpy is spilling. He then showed some photos of the ditch after the snow storm a few weeks ago.

Mr. Brown presented the Zone Report.

D. ALT Treatment Plant Update

Engineering Consultant George Sanders gave a status report of work done at the plant in February and provided a slide show of recent photos. He reported on the status of the latest payments from the State Water Board.

Director Garcia inquired about the damaged filters. Mr. Sanders said that at this time District Staff does not believe that the damage to the filters is a result of District actions. She also inquired regarding the schedule. Mr. Sanders said he's looking at substantial completion by the end of March.

Ms. Carlyon inquired regarding the replacement of breakers for the blowers.

Mr. Proe commented regarding sedimentation and water flows through the ditch.

7. NEW BUSINESS

A. Approval of Finance Committee Appointments

Possible Board Action: Adopt Resolution 2019-24.

This item was agendized as Item 7.G. but was heard as the first item of New Business per Board action during adoption of the agenda.

Mr. Palmer presented the staff report. There are three vacancies on the Finance Committee and five applicants.

Director Wadle said that he had invited all the candidates to come to the Board meeting so that Board members would have the opportunity to ask questions before voting.

Director Garcia asked for clarification on the process of selecting the candidates since there are more candidates than vacancies. Director Wadle said that the Board would vote on each candidate.

Each of the candidates gave a brief statement as to why they felt qualified for the position. The Board had the opportunity to ask questions of each candidate.

Public Comment: *Mr. Proe commented regarding the number of members on the committee.*

Mr. Harston inquired regarding the application process and indicated interest in applying for one of the vacant positions.

Ms. Carlyon asked the Board to please appoint those with finance experience.

Rick Gillespie, Finance Committee Chair, stated that he had no objection to any of the candidates.

Director Saunders commented that there are currently not enough members on the committee.

Director Wadle stated his recommendation to fill the three positions with candidates Harms, MacDonald, and Neeley.

Director Garcia said that her choices would be Miller, Waltz, and MacDonald based on their qualifications and asked how the Board would decide on whom to appoint.

Director Wadle said that each candidate would be voted on, and the three with the highest votes would be appointed.

The names were written on the white board at the front of the room, and a tally was kept of the votes for each candidate. At the conclusion of the voting the results were as follows:

<i>Mae Harms</i>	<i>3</i>
<i>Mitch MacDonald</i>	<i>4</i>

Steve Miller 3
Bonnie Neeley 3
Don Waltz 2

Following the vote, Ms. Brenner clarified that with four votes, Mitch MacDonald would fill one vacancy, Don Waltz was eliminated with only two votes, and the remaining candidates were in a three-way tie for the remaining two positions, having received three votes each. There was some discussion, and it was agreed by consensus to move forward with the appointment of Mr. MacDonald and, furthermore, at the next Regular Board Meeting to consider the remaining candidates and any others who might apply in the interim.

Motion by Director Halpin to adopt Resolution 2019-24 appointing Mitch MacDonald to the Finance Committee. Second by Director Souza.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye
Halpin: Aye
Saunders: Aye
Souza: Aye
Wadle: Aye

The motion passed unanimously.

B. Approval of \$100,000 (0.8%) Increase to the General Manager's Change Order Authority for the Auburn Lake Trails Water Treatment Plant Project

Possible Board Action: Adopt Resolution 2019-17.

Mr. Sanders presented the staff report. Director Garcia questioned the \$100,000 increase at this stage of completion. There was general discussion by Board members.

Public Comment: *Ms. Carlyon commented that this amount is already included in the original budget.*

Motion by Director Halpin to adopt Resolution 2019-17. Second by Director Garcia.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye
Halpin: Aye
Saunders: Aye
Souza: Aye
Wadle: Aye

The motion passed unanimously.

C. Approval of Tractor Loader Purchase from PAPE Machinery in an Amount not to Exceed \$100,000

Possible Board Action: Adopt Resolution 2019-18.

Mr. Creeks presented the staff report.

Director Garcia had several questions. Director Souza suggested staff look into purchasing used rather than new equipment.

Public Comment:

Mr. Proe asked the Board to consider the budget and consider buying a used loader still under warranty.

Mr. Harston commented regarding costing out the benefit of owning versus renting.

Mike Thornbrough recommended buying used.

There was further discussion among Board members addressing budget parameters and cost saving options that could be investigated.

Motion by Director Halpin to approve Resolution 2019-18.

Motion died for lack of a Second.

Staff was directed to search for a used replacement instead and bring that back to the Board as an option instead of new.

D. Approval of Professional Services Agreement for Communication/Outreach Consultant with *On the Mark Strategies, LLC* in an Amount Not to Exceed \$48,000

Possible Board Action: Adopt Resolution 2019-19.

This item was pulled from the agenda for consideration at a future meeting.

E. Authorization of Water Smart Grant Application

Possible Board Action: Adopt Resolution 2019-20.

Mr. Brown presented the staff report.

Director Saunders commented that a 50/50 cost share is huge.

Director Souza asked if the grant will become available again, noting that 50/50 is tough.

Director Wadle commented that reliability of the main ditch is one of the District's key infrastructure needs; it is an expensive project, and any grant will have a significant cost share.

Director Halpin commented that if the ditch fails, the District is on the hook to fix it, with or without a grant. It is a critical infrastructure item, and rates were raised to deal with infrastructure needs. A 50/50 cost share saves the District money.

Director Garcia had questions regarding the budget and CIP projects. Mr. Palmer said that this project would not replace any of the approved CIP projects, that money is available to fund the match if the District is awarded the grant, and the project would be in addition to the capital projects already planned and would be included in next year's budget.

Public Comment:

Ms. Carlyon suggested that the grant could be applied for but not accepted, since there's a deadline.

Director Saunders asked when the award will come through.

Mr. Proe expressed concerns about finding money to address emergencies and about environmental issues should the project go forward.

Director Garcia commented regarding schedules and planning. Mr. Palmer said this is the type of project that would be managed by a contract engineer or engineering manager on staff.

Motion by Director Halpin to adopt Resolution 2019-20. Director Wadle passed the gavel to Director Saunders. Second by Director Wadle.

Roll call vote was taken, and the vote was as follows:

Garcia: No
Halpin: Aye
Saunders: No
Souza: No
Wadle: Aye

The motion failed 2-3. The gavel returned to Director Wadle.

F. Adoption of Board Goals

Possible Board Action: Adopt Resolution 2019-21.

Mr. Palmer presented the staff report.

Referring to Objective A-5, Director Saunders commented that the public workshop on the irrigation ordinance has not yet been followed up. Mr. Palmer suggested that the wording be changed to “complete Board review.”

Director Saunders referred to Objective B-5 clarifying that the Board was going to evaluate whether a contract engineer or a full-time engineer should be hired, based on the number of projects that would need to be managed.

Public Comment: *Ms. Carlyon commented that the goal planning workshops need to stop.*

Motion by Director Halpin to adopt Resolution 2019-21 as amended. Second by Director Souza.

Roll call vote was taken, and the vote was as follows:

Garcia: Aye
Halpin: Aye
Saunders: Aye
Souza: No
Wadle: Aye

The motion passed unanimously.

G. Establishment of Board Budget Committee, Providing Committee Role and Responsibilities, and Confirming Board Appointments to the Committee

Possible Board Action: Adopt Resolution 2019-22 and Resolution 2019-23.

Mr. Palmer presented the staff report.

Director Halpin objected to a Board Budget Committee comprised of only two Board members, preferring all five Board members to participate by calling special budget meetings.

Director Garcia objected to establishing a Board Budget Committee to do the work that a capable Finance Committee could do.

Director Saunders commented that the budget is the main tool used to shape the District, and all five Board members should be involved through public workshops.

Public Comment:

Ms. Carlyon asked for clarification of the budget preparation process.

Mr. Proe spoke in opposition to a Board Budget Committee of two Board members.

There was no motion on this item.

8. BOARD MEMBER COMMENTS, REQUESTS FOR ADDITIONS TO FUTURE MEETING AGENDAS AND REQUESTS FOR INFORMATION OR RESEARCH TO BE COMPLETED BY STAFF – Opportunity for Board members to discuss matters of interest to them and provide input for future meetings as well as report on their District-related meeting attendance.

*Director Saunders provided a list of items he would like to see on future agendas (see **Attachment 2**). Before discussing the list, he said that as Board Treasurer he has been working on a template for the monthly Financial Reports. He asked the Board members to provide any input to him. His goal is to capture the questions that arise with the current format and finalize the draft template by next month and bring it to the Board for approval.*

Director Garcia commented regarding her concerns about 1) agenda topics being discussed prior to the posting of the agenda, and 2) getting her agenda topics put on agendas in a timely manner. She then commented regarding some phone calls she had received from irrigation customers.

Director Garcia said she will contact Mr. Palmer for an appointment to discuss VTD and legal fees.

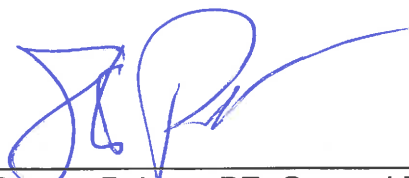
She requested the following items for the April Board meeting: 1) CSDA Legislative Days, and 2) Review Finance Committee role, responsibilities and appointment process. She requested ALT Wastewater Rate Review be put on the agenda in the near future.

***Attachment 3** is a document that Director Garcia requested to be placed in the record.*

9. NEXT MEETING DATE AND ADJOURNMENT – The next Regular Meeting will be on April 9, 2019, at 2:00 P.M. at the Georgetown Divide Public Utility District, 6425 Main Street, Georgetown, California 95634.

The meeting adjourned at 6:21 P.M., at which time the Board returned to its Special Closed Session Meeting.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Steve Palmer by telephone at 530-333-4356 or by fax at 530-333-9442. Requests must be made as early as possible and at least one-full business day before the start of the meeting. In accordance with Government Code Section 54954.2(a), this agenda was posted on the District's bulletin board at the Georgetown Divide Public Utility District office, at 6425 Main Street, Georgetown, California, on March 8, 2019.



Steven Palmer, PE, General Manager



Date

To be included as part of the permanent record for the Georgetown divide Public Utilities District Board of Directors meeting.

I have requested the following items appear on the following BOD meeting agendas, but as of today's date, March 12, 2019, none of these items have been placed on board meeting agendas. My requests have been made in public during the meetings, and through emails sent to the board chair and the GM.

December 11, 2018 –

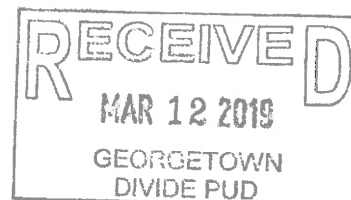
- Mission statement – discuss adding the word “transparency” into the mission statement.
- Finance committee - discuss structure, function, volunteerism, and revising the current resolution.
- Use of committees - assemble volunteer committees to help develop written policies and procedures.

January 8, 2019 –

- Finance committee - discuss structure, function, volunteerism, and revising the current resolution.

February 12, 2019 –

- VDT & legal fee questions - meet with GM then discuss at the next board meeting.
- Finance committee - discuss structure, function, volunteerism, and revising the current resolution.
- Irrigation ordinance – status, next steps to producing a final ordinance.
- Meeting Agendas – drafts should be provided to BOD members a week before the meetings and the final posted with the packet 72 hours before the meeting to allow time for board members to prepare their information and questions for the meetings thus hopefully shortening the length of time of the meetings.



**GDPUD Board of Directors
Regular Meeting - March 12, 2019
Director Saunders' Requested Agenda Items**

Requested Items for our General Manager

1. At the next Finance committee meeting if we can also add to the agenda to review Mid year budget
2. Inactive Meter Policy -If you can provide me with whatever policy we are now following
3. Legislative Policy - place in Board Manual policies - New Directors

Requested Items for Future Agenda

1. Calendar Roadmap
2. Finance Committee Policy
3. Admin/Policy Committee
4. Inactive Meter Policy
5. Irrigation Workshop F/U
6. Prop 218 Timetable - Alt Zone
7. Review of Financial Statement Template
8. Legislative Liaison - April Agenda
9. Legislative Policy - April Agenda

Requested Items for Board President

Agenda Topics so we know what to review

To whom it may concern at the GDPUD,

As introduction my name is Adam Harston. I am a certified public accountant (CPA) and a certified financial forensic (CFF). I have more than 6 years of experience in the area of forensic accounting working on dozens of cases. I have experience tracking and maintaining inventory and capital assets. I am also a member of the Georgetown community and have therefore been affected by the recent rate hikes. I have not been hired or paid to be here as a forensic accountant. I am here for myself and my community.

I recently decided to take a closer look into what caused the rate hike as no one in the community I talked to seemed to know why it increased so drastically. I have downloaded nearly every document made available to the community including but not limited to the following:

1. Fiscal year 2018-19 Budget
2. Fiscal year 2019-19 to 22-23 CIP
3. (A 10 year financial plan is listed on the website but not provided)
4. Final-Audit FY 2017-18
5. Final-Audit FY 2016-17
6. Final-Audit FY 2015-16
7. Final-Audit FY 2014-15
8. SCO Financial Transaction Report FY 2016-17
9. SCO Financial Transaction Report FY 2017-18
10. AB 1600 Development Impact Fee Report FY 2017-18
11. 2018.06.21 Adopted CIP 18-19 to 22-23
12. 2017 Draft long range financial forecast
13. Capital Improvement plan 2017-2018-2021/2022
14. Water Financial Analysis by the RCAC dated October 2017
15. Stantec Capital Facility Charge Study dated March 2007
16. Various board meeting minutes and agendas

I am continuing to look at these documents in more detail for myself as there is a lot of past information, but at this time I am hoping the Board and General Manager can help answer some of my many questions and respond to some my observations not only for me but for the community.

Assets

My first major observation and question has to do with the assets. There was a slide show presented to the community which includes a Reserve Calculation (Treated Water) showing a column with "Estimated Historic Cost". I noticed the Lake Walton Plant Replacement is listed as the exact same dollar amount as the ALT Water Treatment Plant at \$12,728,909. Does this mean you are planning on replacing the entire Lake Walton Plant? If so, when? Nothing about this replacement is listed in your Capital Improvement Plan adopted June 21, 2018 for the next five years. So why is Lake Walton listed at this estimated future replacement value now? Why is it not listed at actual historical cost? Does this not artificially inflate the total asset value provided for the rate study significantly? All of the rate calculations from the RCAC

report dated October 2017 are based on the asset list and their values as provided to them so listing this plant at a higher cost would increase the rates calculated.

According to the June 30, 2016 depreciation schedule the total cost of the Lake Walton Plant was only \$3.3 million. If the plant is not to be replaced soon should not the rates reflect maintaining the current system? The Lake Walton plant is also listed as 25 years old with a remaining useful life of another 25 years as provided to the RCAC. If it is not going to be replaced why again is it listed at its future replacement cost and not actual historical cost?. By using this replacement cost you are inflating "Estimated Current Assets" by over \$7 million. This then increases "Estimated Future Costs" by over \$12 million. Ultimately by not using the actual cost of Lake Walton the results of this inflated "cost" increase the funding calculated as needed in the reserves by about \$100,000 per year.

Finally the numbers provided to the RCAC list the ALT plant with a remaining useful life of 59 years while the Lake Walton plant, listed at the exact same dollar amount, only has 25 years of remaining useful life. This means in your calculations that you have to recover the entire cost in 25 years vs. 59 years, requiring more annual reserves per year. If you are going to list an imaginary number for the cost of the Plant, you might as well put in the correct useful life of that imaginary replacement so that your reserves come out properly. This just shows me no due diligence or proper attention was put into the information provided to the RCAC.

Have you had any qualified experts examine the Lake Walton Plant to say whether it needs to be completely replaced or can it just be upgraded and renovated? Have you petitioned the state to see if this is an option? I recently found out that a previous general manager misled the public by not doing his due diligence of petitioning the state for an upgrade to the ALT plant and just replaced the entire system. I want to make sure that is not what is happening this time with the Lake Walton Plant.

Continuing to the budget in this same public presentation, it shows that more money is planned to go to personnel each year than the actual capital replacement program you have proposed. In fact the personnel costs increase each year significantly while the replacement program for assets decreases. This shows me that the board is planning the marginal increase in rates each year is not for improvements or replacements but for increased personnel and salaries. Do you truly feel this is the best use of funds? Do you think the public would think this is a good use of funds?

Do you believe it necessary to replace the entire water system rather than maintain it? It is apparent from various reports including the Capital Facility Study in March 2007 that some of the system does need to be completely replaced, but does everything? Why does nearly everything provided on the asset list to the RCAC appear to be listed as a replacement cost? Does this not then provide a rate that would allow the replacement of the entire system rather than what is actually necessary to maintain the system and replace what is necessary?

Another assets I want observed is the Pilot Hill Water Tank. From what I have been able to find out you do not even own the Pilot Hill Water Tank. Is this true? Why then is it included as an asset you own? If you do not own it, this inflates the value of your assets and increases the reserve calculation.

Water Financial Analysis by the RCAC

The vast majority of the assets provided to the study by this district are listed at "current replacement costs". Why is this? Who came up with these values? Do you have any supporting documentation for the current replacement cost of each asset listed? Has it been made available to the public?

I am assuming that you compiled a list of supporting documentation that was provide to the RCAC to verify the numbers provided. What support was provided to the RCAC to verify the figures provided? Do you have actual quotes for replacement of assets? Are these just estimates and guesses based on what you want to do? Have you recently had any engineering reports to help show the cost of the system? Why not? Should this not have been completed prior to the rate study to ensure its accuracy?

Year Acquired

There is a lot of discrepancies as the year various assets were placed into service. For example, about 137 miles of pipeline was reported with a total unit cost of \$37,078,346 as acquired in 1974. Was all of this pipeline truly put into place in 1974? Is there no more accurate list as to when all of this pipeline was actually put into service and installed? I assume it was not all installed in one year. Referring to the same pipeline there appears to be another report that shows it as acquired in 1984, 10 years later. This makes an enormous difference in terms of calculating the estimate future cost since you are compounding the value of these assets each year and you are basing your annual reserve requirements off of this estimated future costs. This is potentially millions of dollars in differences depending on when the assets were put into service.

I have been able to review several other worksheets provided to the public that show a much more detailed listing of the pipeline including the actual years of acquisition. Would it not be much more accurate to list each section or addition based on actual acquisition date? By lumping them together in the first year it was started you are increasing significantly the estimate future value.

Water Usage

Do you feel that the new rates are affordable by the public? Even the new irrigation rates? Does this not also have a bearing on the rates chosen?

I have not been able to find a measurement of water usage, especially irrigation water, to see how it has changed from 2017 to 2018 and into 2019. With the rates increasing so drastically for irrigation have you seen revenue increase or decrease in 2018 from 2017? What about in 2019? Are fewer people using irrigation and is less water being used? Do you think you may need to adjust the rates, even temporarily so you can determine much more accurate rates?

Summary

In summary, it is apparent that a rate increase was needed to upgrade an outdated and aging system, however the size of the increase seems highly suspect to me based on the information made available. This appears to be a program to replace every piece of the existing system as well as provide steady

increases in personnel cost and benefits that exceed money used for actually maintaining the assets.
Can the board and management say with certainty that the current adopted model is necessary and correct? Have you had any feedback from the community as to these rate increases? Do you feel you appropriately informed the public as to how the rates actually increased including the value of the assets and how they appear to have changed?