

**SPECIAL JOINT BUDGET WORKSHOP MEETING OF THE
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS
AND THE FINANCE COMMITTEE**

**THURSDAY, JUNE 08, 2023
3:00 PM-5:00 PM
6425 MAIN STREET, GEORGETOWN, CALIFORNIA 95634**

BOARD OF DIRECTORS

Mitch MacDonald, President
Donna Seaman, Vice President
Michael Saunders, Director
Mike Thornbrough, Treasurer
Robert Stovall, Director

THE FINANCE COMMITTEE

Steve Miller, Chairman
Andy Fisher, Vice Chairman
Vacant, Secretary
M. Martha Helak
Charlotte Miller
William Gorenc

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

Chairman Andy Miller called the meeting to order at 3:00 PM. and led the pledge of allegiance.

2. ADOPTION OF AGENDA

Member Gorenc motioned to adopt the agenda. Member Helak seconded the motion.

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

Cherie Carlyon claimed the PowerPoint presentation was not on the site. It was shared that the PowerPoint presentation was publicly available on the website.

4. INFORMATIONAL ITEMS

A. Update on Proposed New Organization Chart

The General Manager shared the proposed organizational chart on page five of the budget packet. He shared that the District is currently losing good employees and needs a way to maintain the staff and work on longevity. He shared that the District recently lost a good employee after one year. Unfortunately, the employee went to another water district with a starting rate that was at the top of the GDPUD tiers. The idea with the new organizational arrangement is to build a set of ladders so that there is upward mobility and opportunity. The new arrangement will bring back the lead positions for the canal operator and the distribution position. The District's field superintendent and lead water operator will retire in approximately one to three years. Currently,

there isn't the progression in the staff needed to take up those positions. There is needed training and leadership development for staff members. This chart reflects those needs. There is one position that will be potentially added and that is the water treatment operator II which will meet two needs. They will be acting as a backup cover for the water treatment positions when they are unavailable. Secondly, this position will be required to hold wastewater certificates and be able to back up the Auburn Lake Trails (ALT) Zone work. There will be 26 full-time employees (FTE).

Discussion:

Member Helak asked if the salary does include the Wastewater Treatment Operator 2 position which will be open. She also inquired if the Human Resources position was also meant to be listed as IT. It was answered yes, and the Human Resources position will report directly to the General Manager.

President MacDonald asked about the positioning of legal counsel in relation to the Board. The General Manager shared that technically the auditor, legal counsel, and the General Manager are officers of the Board, independent contractors for the Board who work directly for the Directors.

Director Thornbrough asked for the annual cost increase this would represent. It was shared that it would be about \$85,000. Director Seaman inquired if this amount was in conjunction with the salary survey. Mr. Schneider shared that the salary survey came in 10-30% low.

Vice Chair Fisher shared that while examining the chart it seems this is attaining more ability for cross-training and cross-supervision flexibility between disciplines. He asked if the cross-training was part of the succession plan. The General Manager verified this as correct. Often the maintenance workers fill dual roles. This plan paired with opening the ability for staff to attain certifications will assist with the success. This new chart and the adjustments will come with the salary surveys. This information is being included with the budget in order to avoid making a large budget adjustment at a later point.

Public Comment:

Cherie Carlyon inquired if the District had considered hiring temporary workers through water-related temp agencies. What will positions do when not needed in cross categories? She also suggested that at the top of the chart, the word resident should be changed to the voter. It is the voters who have control and can vote the Board of Directors in or out of office.

5. ACTION ITEMS

A. JOINT WORKSHOP ON THE DRAFT FY 2023-2024 OPERATING BUDGET AND CAPITAL IMPROVEMENT PLAN

The Revenue Budget was reviewed. Last year there was \$560,000 budgeted for irrigation sales. This year there is \$436,000 expected so there is a decrease from last year. At the moment the District is only able to account for \$333,000 in sales for this year as there are customers still needing to meet requirements before they can legally be sold the water. This year there are customers not getting water due to lack of backflow certifications. Director Seaman asked if there was a loss of a month of revenue this year in looking at the numbers, so next year it will look like there is more, we are pushing the calendar. Vice Chair Andy Fisher wondered if having the fiscal year revenue shift based on irrigation season adjustments was a fair way to budget. He inquired if this model covers the physical work done in the year. He shared that when budgeting ultimately it is undesirable to have expected ongoing revenue shifting year after year based on weather.

Director Thornbrough asked if water sales would provide 98% of operating revenue. The General Manager shared that is water revenue and lower on the page is shared that those sales are 45% of total revenue. He shared that is only 98% of the water portion.

Director Seaman inquired about commercial water sales amounts. Mr. Schneider shared that there are very few commercial sales and those are currently included in the residential sales. They pay the same rate as domestic consumers, which will be examined in the rate study. It was shared that rates differ according to different meter sizes in the current model. Director Saunders requested that commercial sales be separated when showing the water budget moving forward.

Chairman Andy Miller shared that when considering the wastewater account with the understanding that the District may no longer be collecting fees and conducting testing in ALT there is the possibility that \$100,000 would be lost out of budget, and he doesn't see that reflected in this proposal. The General Manager shared that on page 9 there is language that declares the budget numbers could change during the fiscal year. At the moment the budget is for the current arrangement which is what the District knows to be true without changing assumptions. The District doesn't know when the change will happen. There will be a budget amendment when the change occurs.

Public Comment:

Cherie Carlyon shared that she still thinks it is bad that she spent yesterday and this morning working on the previous copy of the Operating Budget. The treated water revenues are expected to increase by \$487,000. How is that going to happen? The General Manager shared that as of last year, the last billing cycle was about \$486,000 thousand in May-June billing which gets backdated. Regarding the irrigation she questioned how the District could gain another \$103,000, the problem is that 116 inches were lost over five years. The General Manager shared that this calculation was looking at inches sold. Ms. Carlyon stated that the irrigation customers left will have to cover all expenses once the rate study has been completed and per proposition 218 irrigation must stand on its own and can't be subsidized by treated water.

There was a discussion of the interest revenue from investments. Mr. Schneider shared that he believes the \$60,000 interest amount reflected in this budget is a conservative estimate.

President MacDonald shared his interest rate handout with the group. He shared that interest rates have been going up since May of this fiscal year. It was at .75% from .25% the entire year was reflective of only a .4% return for the entire year. This year it is at 5%. This would indicate that it is approximately 8-10 times \$60,000. The General Manager shared that the District realized \$10,000 in FY 2021-22 he then took the average of previous years. This is based on \$9,000,000 dollars. MacDonald could average and get 2.5% which would be 6 times the \$60,000 estimate. The General Manager shared that he is happy to increase the number but wants to be careful. Director Saunders shared that it is best to stay conservative until an actual interest income rate is realized. It would be best to act on the consultant's recommendations. The General Manager shared that he would work with the investment partners and have a firm number at the next meeting. Vice Chair Andy Fisher echoed Director Saunders' sentiments around being conservative. It would be unwise to build the potential interest income into an operating budget with an uncertain return. It is best to be careful where it is spent and fund one-time expenses as a focus.

Revenue from lease income was reviewed. This is money from properties with cell towers, borrowed equipment, and hydroelectric. There was a significant loss of hydroelectric revenue due to the Mosquito Fire. There was a loss of \$8,000-10,000 as the fire stopped the water flows. This item will be included in the litigation with PG&E as it has materially affected both the District and our partner.

Director Thornbrough inquired about the operating revenue and wondered why the amount had decreased to \$326,000 dollars? Mr. Schneider shared that looking at the other (3) which is budgeted at \$196,000 that is grants. The number will end up being the \$2.6 based on projections.

Grants revenue was reviewed. There was a question during the last budget review as to why it was \$1,500,00 million higher than proposed. The answer is that anticipating the federal appropriation as possibly coming through in the next fiscal year is imperative for planning. Thus, it is listed as potential revenue. Director Thornbrough shared that he disagrees with grant funding being included in an operating budget. He shared that the grant money goes to CIP which is not included in the Operating Budget. He shared that the actual revenue would be less.

Director Thornbrough shared the concern being it is the responsibility of the Directors to approve the budget and they can't at the moment. The reason being that it doesn't balance out. Total revenue as reflected in this version is \$653,000 in error regarding revenue actuals. The second is that a point that needs to be taken into consideration is that the board established a 6-month operating reserve which at the time was \$433,000 a month or \$2.6 million for six months. To keep that six-month amount the proposed operating expenses are \$483,000 a month, which is \$50,000 more per month which means the amount would need to be boosted by \$300,000 which is not included in this proposal. The proposed expenses leave \$285,757 for CIP to reach the goal of \$1,000,000 a year for CIP those funds must come from water sales revenue. This would require a 30% increase in rates or water sales.

The General Manager shared that the budget is higher, and the revenue is lower. When examining last year's revenues, they came in less as things were not budgeted as they should have been. There were expenses that were omitted or changed. There were certain departments that needed more funding than was given.

Director Thornbrough shared that the audit reflects the actuals and there was over \$1,000,000 which went into the CIP the last few years. The General Manager shared that this budget has anticipated items that may not actually be spent, those items are higher than in the past. This will show actuals as less though there will be funds left over. He shared that this is budgeting for just-in-case needs and occurrences.

Public Comment:

Cherie Carlyon stated that if you actually do a budget adjustment it will correct all of these issues. It is in July or August that the previous year's actuals are apparent. The General Manager shared that there were items approved that were not included in the budget, but in the works even before his tenure, i.e., the grant writer.

Account 5400 was examined. There were changes to professional services. ECORP and Bennett Engineering were moved as there are flat rates for them to start any project under administration then if a project grows it moves to CIP if it is larger than \$25,000. The line breaks were not budgeted for correctly last year thus the amount was increased to reflect actual needs.

Account 5100 was reviewed. The government fees went up, especially the dam fees, with an 8% increase. The FAA training for the drone license will cost approximately \$160 for one person. The District anticipates having 2-3 licensed flyers.

Director Thornbrough inquired about account 5600 and a listed capital wondering if it would be more appropriately placed in the CIP. The General Manager shared that was for a needed HVAC building upgrade. The Director suggested that the HVAC project wait until the building upgrade and do both projects together.

President MacDonald inquired if the payroll tax is 10%. The answer was yes that is correct.

Director Thornbrough shared his last concern. How much more income is expected to be contributed to this fiscal year? The General Manager shared that the SMUD payments will be an

additional circa \$240,000-\$250,000. The Director shared that at the moment all revenue and expenses run through two accounts, the checking, and savings. Currently, there is \$450,000 to finish out this year. Out of the \$450,000 if the reserve is subtracted \$433,000 that leaves \$17,000. That means at the moment there is only \$17,000 to put towards CIP. The General Manager shared that there will be other revenues coming in as well such as the SMUD and lease payments which will count towards this fiscal year. The Operations Manager shared that there will be \$100,000 from the emergency declaration work contributed as well. Office/Finance Manager Jessica Buckle shared that there will be \$450,000 in water revenue and \$87,000 in irrigation for the May-June billing. Everything from July until September 1st is fiscal year prior. The General Manager shared that the amount will be around \$900,000. The gap will be what was spent on the fire impacts. The amount off of \$1,000,000 will reflect the Mosquito Fire costs and expenditures.

Member Helak inquired as to where the reserve account is reflected. Director Thornbrough shared that there is an amount set aside in the general ledger and in the checking account. This is an amount set aside to ensure operations should other revenue sources evaporate, a sort of emergency fund. The second reserve mentioned is in the CIP which has over \$9,000,000. The CIP has annual contributions these funds are then utilized for improvement projects. The goal of Proposition 218 was to set aside \$1,000,000 annually in the CIP.

Vice Chair Andy Fisher inquired if the Board had adopted any sort of waterfall priority policy determining which accounts are funded first. Director Saunders shared that yes there is such a policy. The policy is to fund the 180-day reserve from the surplus in the water fund first then the remaining amounts go into the CIP. Finance/Office Manager Jessica Buckle shared that every month there is a reconciliation and the interest accrued by the LEIF account is distributed into reserve funds based on a formula.

B. Finance Committee Vote to Forward The FY 2023-2024 Recommendation to The Board of Directors

The General Manager shared that staff will take the suggestions from the workshop and look at the interest income and take out the \$8,500 in capital expenses. Mr. Schneider then asked with those changes would the Finance Committee be willing to recommend this budget to the Board of Directors for approval.

Vice Chair Andy Fisher shared commentary that the fundamentals in the budget are good and that there have been positive adjustments made during this process. He applauded the staff for their great work.

Vice Chair Andy Fisher motioned to recommend the Operating Budget for approval to the Board of Directors with the identified changes. Member Gorence seconded the motion.

The vote was taken.

Ayes: Andy Fisher, M. Martha Helak, William Gorenc, Steve Miller

Noes: None

The motion passed **unanimously**.

Public Comment:

Cherie Carlyon shared that the audit is for last year. She was corrected in her understanding as the discussion is regarding the audit which will occur this year.

Cherie Carlyon stated that two out of the last three Finance Committee packets did not have financials included. There are 10-12 accounts with \$9,000,000 deposited.

Capital Improvement Projects (CIP)

The Capital Improvement Projects (CIP) were discussed. The General Manager reviewed the list and explained the prioritization of the projects. It was explained that priority one indicates projects which were currently in the works or items have been ordered. The District continues searching for a company able to conduct the tunnel inspection. The water storage tank coating project is on a 5-year rotation. There are building improvements that will include the needed HVAC system maintenance. Automatic gates are needed at the Water Treatment Plants for security purposes.

Director Thornbrough inquired about the \$250,000 for vehicles and what that would entail. The General Manager shared that there is a need for a 10-wheel dump truck. The Dump truck would be purchased on the used market to keep costs down. It will serve multiple purposes such as towing the bobcat and excavator as well as saving time and money by enabling staff to visit the quarry themselves. Currently, the proposal is to find a truck in the \$75,000-\$80,000 price range. There is also a need for a larger utility truck for towing. Director Stovall shared that he sees the future of vehicles costing more, given the clean fleet initiative to which the District must comply. Director Saunders also stressed vehicle purchases before the initiative is in effect. The General Manager shared that the District is looking to get as many vehicles replaced as possible before the 2025 deadline.

Looking at priority two projects Director Stovall made a comment regarding the treated water line replacement. He noted the award which the District had received for fixing several water line breaks, keeping schools in session. He inquired if there were CIP funds available for prevention work. The General Manager shared that the treated water line items on the list are those preventative measures in plan.

Priority three saw the addition of canal lining projects for this year. This is because a grant was received for the work. The air release valves are not as high a need priority as originally evaluated thus the move to priority three. In terms of solar energy, the ROI is not great. Community solar systems are being explored which would float panels on the reservoirs. This would also assist with algae and evaporation control and erosion help. Working with the EPA and FERC hydroelectric is being explored as an operation at the Stumpy Meadows Reservoir.

No changes to the future projects list were made. The only change to the CIP was the priorities listing.

Director Saunders offered final comments. The Tyler software has allowed for monthly projections, which helps greatly with these budgets. He recognized Finance/Office Manager Jessica Buckle for her work with the reports and budget. The Finance Committee has been doing good work and bringing useful ideas. The asset management with the CIP priorities makes sense, which is great. Other revenue streams which need to be examined are water transfers and groundwater recharge, there is potential for those streams to offset water sales revenue.

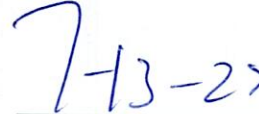
The General Manager shared that water transfers will be another revenue source. The arrangements and amounts are currently still fluctuating and not stable enough to build into a plan at the moment. Having a second reservoir would give the District an emergency source and also allow for water transfers. The District continues to work on the Fazio water rights and the potential for in lieu of water transfers as well as the Loon Lake rights. In 2025 and 2026 the hydroelectric contracts will allow for those operations to come back in-house. This will allow the District to supplement its revenue with hydroelectric generation funds.

6. NEXT MEETING DATE AND ADJOURNMENT – The next Regular Meeting of The Board of Directors will be June 13, 2023, at 2:00 P.M. at the Georgetown Divide Public Utility District, 6425 Main Street, in Georgetown. Details to follow.

Vice Chair Andy Fisher motioned to adjourn the meeting. Member M. Martha Helak seconded the motion. The motion passed by acclamation. The meeting was adjourned at 5:20 PM.



Nicholas Schneider, General Manager



Date

Attachment:

1. Public Comment of Cherie Carlyon

GDPUD/Finance Committee Joint Board Meeting
Thursday, June 8, 2023
Public Comments by Cherie Carlyon

JUN 08 2023

Item #4—Organizational Chart.

Why does the current chart show 25 employees when it appears that a new position titled “Water Treatment/Wastewater Technician” has been added to the proposed chart? Shouldn't that make the total 26 employees? Why does the district need to hire a new field employee when the current field employees have less work due to the installation of the new electronic meters? Also, the OP Manager was required to have the distribution and wastewater licenses when he was promoted into the position in January 2022 and he could be a backup for these positions. Or maybe a temporary employee could be hired as needed by a water related temporary agency instead without the continuing cost of a full time employee?

Also, the term “residents” at the top of the chart should actually be “voters”, as they are the ones that actually have control over the Board of Directors by voting them into office. A person can be a resident and not be a voter and or a customer.

Item 5C—Proposed FY 23/24 Budget review.

Why is the YTD FY 22/23 Revenue chart noted as of 5/20/2023 and the YTD Expense chart is noted as of 4-30-2023? Shouldn't it be the same date to properly compare revenues and expenses?

Why is there not a detail list for each department included in this budget review as was in the last budget review? Why is there not a complete detailed employee salary and benefits list included in the budget review when employee expenses are over 63% of this proposed FY 23/24 budget review? I was told by the GM at the last FC meeting that this would be included for this budget review.

How can the projected FY 22/23 treated water revenue be expected to increase \$487,374 by June 30, 2023 when the next billing won't go out until after July 1, 2023? FY 23/24 projected \$2,962,500 minus FY 22/23 YTD \$2,465,126 equals \$487,374. Water sales for FY 22/23 probably will be a lot lower than the Actual FY 21/22 amount of \$2,873,804, due to the excess rain we received this past year.

How are the FY 23/24 Irrigation Revenues going to increase by \$103,182 when there was a loss of 17.5 inches this year and approximately 116 inch total loss since the 2018 rate increase? FY 22/23 projected \$436,772 minus FY 22/23 YTD \$333,590 equals \$103,182. How can this increase be possible when the rate study will have to include an large increase to each Irrigation customer to cover the loss of the 116 inches since 2018? Per prop 218, Irrigation water revenue is required to cover the expenses of irrigation water and cannot be subsidized by treated water revenues.

The CIP chart does not appear to designate where the funds for each of next year's projects will be funded from. Is the money coming out of the Water fund or Capital Improvements?

How much money is in the Water Fund to pay for the FY 23/24 CIP of \$1,117,000? When the Water fund exceeds a certain amount there is supposed to be a transfer to the Capital Improvement fund.