

VALLEY COUNTY WATER DISTRICT

CAPITAL IMPROVEMENT AND RATES STANDING COMMITTEE

Regular Meeting

April 12, 2012

MINUTES

Committee Members Present: Director Jonathan Contreras, Chairperson
Director Armando Macias, Co-Chair

Committee Members Not Present: Vice President Lenet Pacheco, Alternate

Staff Present: Lynda Noriega, General Manager
Colleen Malaiba, Executive Assistant/Board Liaison

Public Present: Director Mariana Lake

Meeting called to order at 1:02 PM

1. Water Service Rates Review - Consumption, Ready-to-Serve, and Capital Improvement Charges
 - a) Scenario 1 - \$9.5 Million Dollar Bond Issue FY2013
 - b) Scenario 2 - \$15.0 Million Dollar Bond Issue FY2013
 - c) Scenario 3 - Rate Stabilization Fund with \$15.0 Million Dollar Bond Issue FY2013
 - General Manager stated that various scenarios have been presented because the original scenario, which included a \$9.5 million dollar bond issue, presented by Public Financial Management (PFM) (Scenario 1) was not favorable since various members of the Board of Directors preferred not to use the District's cash reserves
 - Director Contreras inquired how PFM decided on the rate increase percentages
 - General Manager responded that representatives from PFM based their calculations on financial assumptions provided by the General Manager in addition to the requirements needed to issue a bond and achieve the required debt service coverage
 - Director Contreras stated that he was concerned with the complaints regarding the fire protection fees; requested to consider a change in the rates without increasing the fire protection rates since it is currently one of the highest rates in the area
 - General Manager responded that she would be able to determine the effect on projected revenues if the fire protection charges were not changed
 - Director Macias asked how many fire protection accounts the District maintains
 - General Manager responded approximately 1,000-1,400 accounts
 - Director Macias asked if the charges are comparable to other local agencies
 - General Manager responded that the with regards to residential and commercial accounts, the District has the lowest rates in the area, however with regards to the fire protection accounts, the District has the highest rates in the area
 - Director Contreras stated that he would like to see the two extremes leveled out
 - Director Macias asked Director Contreras which scenario he preferred
 - Director Contreras asked the General Manager the main difference between Scenario 2 and Scenario 3
 - General Manager explained that Scenario 3 had a fixed percentage rate increase over a 5-year period, which would require use of the cash reserves in the first year since the rate increase would not generate enough revenue to meet the debt service coverage required for the bond issue
 - Director Contreras stated that he favored Scenario 2 despite the initial shock of the first year's increase; stated that the actual amount of the increase was not significant

- Director Macias stated that he also favored Scenario 2 because the cost of the water at the end of the 5-year rate increase was lower
- Director Contreras suggested focusing on the final charge as the comparable rate
- Director Macias asked what percentage the rate actually increased over the 5-year period
- General Manager responded that it was about a 41% increase for Tier 1, about a 42% increase for Tier 2, and about a 41% increase for Tier 3
- Director Contreras predicted that the press would most likely focus on that number rather than the 12 cent increase to the consumption charge over 5 years
- Director Macias proposed a water conservation rate
- Director Contreras proposed reducing the unit maximum of Tier 2 from 36 units to 24 units
- Director Macias suggested running an additional scenario with a Tier 2 maximum of 30 and a Tier 1 rate of 39 cents in 2017
- Director Contreras requested to see the revenue effect if the fire protection charges were unchanged

Director Lake arrived at 1:49 pm.

2. Customer Service Fees Review

- Director Contreras commended the General Manager for her hard work on presenting the Miscellaneous Customer Service Fees
- General Manger explained the reasoning behind the deleting the following fees:
 - After Hours Service for Delinquent Accounts: there is no additional cost to the District for servicing accounts after 3:30 pm
 - Backflow Device Monitoring: a reduction of the fee to an amount that could be justified for the work completed in house
 - Credit Evaluation Letter: the District does not run credit evaluations; explained that an Account History Request Fee is a more appropriate description of what is issued for these requests
 - Will Serve Letter: this letter is never requested and no monies are collected under this account
 - Water System Access Fee: this fee does not promote growth in the District and the cost of access to the system is incorporated with the capital improvement charge
- Director Macias was concerned that companies who paid the water system access fee may want their money refunded since the fee was deleted
- General Manager stated that she would confer with General Counsel
- Director Macias suggested phasing out the fee in order to protect the District

3. Customer Service Deposits Review

- General Manager explained that service deposits were not reviewed or changed during the last rate increase and explained that these deposits are refundable after one year of good payment history; added that the amount is applied back to the customer's bill or refunded when the account is closed
- Director Contreras asked if the deposits affect the District's revenue
- General Manager responded that the deposits are a protection against potential loss liability

The Committee agreed that they are in favor to recommend Items 2 and 3, but wanted to see the updated scenarios discussed for Item 1, Scenario 2

Meeting adjourned at 1:58 pm.


Secretary
(SEAL)


President