

BOARD MEETING
WATER SYSTEM ACQUISITION WORKSHOP
APPROVED MINUTES

February 18, 2010

DIRECTORS PRESENT: President Dan Wilkins, Vice President Ron Treabess
Directors Lou Reinkens, Judy Friedman, and Erik Henrikson

STAFF PRESENT: Cindy Gustafson, General Manager
Jim Dykstra, Director of Accounting & Employee Services/Treasurer
Matt Homolka, District Engineer
Tony Laliotis, Director of Utilities
Shawn Koorn, HDR Engineering
Harold Morgan, Professional Water System Appraiser
Ginger Charlton, District Clerk

A. CALL TO ORDER

President Wilkins called the workshop to order at 11:05 a.m. and led the audience in the Pledge. He said that over the years the PUD has received and responded to private water systems owners and/or customers' requests to have us consider purchasing or absorbing them into the PUD system. The purpose of this workshop is to review the history and to provide direction to staff to further refine District policies on system acquisition. He added that the Board has received comments from the public which have been distributed to all Board members.

C. WORKSHOP ON WATER SYSTEM ACQUISITIONS

Ms. Gustafson said that staff feels that it is important to educate the public on this issue and to reaffirm the Board's position on why they have acquired systems in the past and may want to in the future. Management staff went through the power point presentation on water system acquisitions and the District's history with them. Shawn Koorn did an overview of the rate study and reviewed the various ways that rates could be set for acquired systems. Harold Morgan reviewed the valuation of water systems and current industry practices.

Ms. Gustafson reviewed what the District has done in the past for acquisitions, various ways they can be handled in the future, and went over the goals for this workshop. Director Wilkins asked for Board comments.

Director Treabess reiterated that out of the \$27 million in property tax that was used for improvements from 1967 – 2008, only half of the taxpayers were District water customers. The other half of the taxpayers didn't receive any benefit towards their water system. A reserve was set up two years ago to help those taxpayers who want to become a part of the PUD in the future.

Director Henrikson said that his concern is that two-thirds of the customers in a private system need to request the District to take over and then when the Prop. 218 election occurs, only

50% plus 1 need to approve it. Ms. Gustafson said that the Board has the authority to raise the required percentage needed in the Prop. 218 election by policy if desired.

Director Wilkins asked if there was any public comment on this item.

Jerry Keyser, President of Timberland Association of Homeowners, thanked the Board for the workshop and asked for clarification on the process for their water system to be taken over by the District. He said that the majority of homeowners in Timberland would like the District to take over because they don't feel that they have any other resources available to them.

Steve Glazer asked how much existing pipeline the District currently owns and the average age? He asked for additional detail on how private water systems are appraised today based on Harold's knowledge. He also asked if consolidation between TCPUD and NTPUD is still being considered.

Dave Elliott, customer of Tahoe Park Water Company, strongly recommended that the Board keep a policy that two-thirds of the customers of a private water system be able to petition the PUD since it is the only recourse that the customers of a small private water company with an unwilling owner/seller have to try to remedy bad service situations.

Steve Twomy asked if the PUD would actively pursue system acquisitions in order to get 100% of the systems.

Public comment was closed.

Director Wilkins went over the **Potential Findings** with the Board to see if they were in consensus.

Is it beneficial to both customers and taxpayers to consolidate water systems?

Director Reinkens said that he believes it's beneficial and the definition of consolidation could be either District acquisition of systems or the District working with private systems towards a mutual benefit.

Director Friedman agreed and said that the idea of private partnerships is good and offers a great benefit.

Director Henrikson agreed.

Director Treabess also agreed and said that consolidation would depend on many things including what is best for customers.

Director Wilkins agreed.

Should new customers receive the same benefits as previous customers have received?

Director Henrikson said that we should strive for it.

Director Reinkens said that the 50% number is an approximate number and he is comfortable with it.

Director Friedman agreed and added that it wasn't until 2004 that the majority of taxpayers were also ratepayers.

Director Treabess agreed.

Director Wilkins said that he agrees, also, and understanding how our existing system has been funded from a system upgrade standpoint and the amount of property taxes from all taxpayers has been helpful to him.

Should all ratepayers pay the same rates?

Director Reinkens said that everyone should have the same rate; however, the fairest way to get the improvement costs allocated is to form improvement districts.

The rest of the Board agreed.

Should TCPUD continue to prefer working with willing sellers, but respond if 2/3 of affected taxpayers petition TCPUD?

The Board agreed on working with willing sellers but had differing opinions about the percentages for petitioning and for the 218 election results.

Steve Twomy's question: Should the District consider actively pursuing acquisition of systems at this time? Directors Wilkins and Friedman said no. Director Reinkens said as a District we should be planning our infrastructure assets assuming a long term consolidated system. Director Treabess said that he doesn't feel that the District shouldn't be able to go to a private water system owner and ask if they want to make a deal if it would help the community as a whole.

Steve Glazer's question: What is the linear footage of pipeline that the District owns and what is the average age? Mr. Homolka responded that there are 349,591 feet of mainline, 3,850 feet of surface pipe, and the average age is 32 years old.

Regarding details on system appraisals, Mr. Morgan reviewed the three types of approaches. Director Wilkins said that Mr. Glazer could have a more in-depth discussion with Harold Morgan after the meeting if he desired.

Regarding consolidation, Director Wilkins said that there is no active discussion with NTPUD. Director Henrikson said that a poll was done regarding consolidation back in 1992/93 and there wasn't enough interest to bring it to a vote. Ms. Gustafson reported that a joint meeting to discuss a joint water project is being set up between TCPUD and NTPUD.

Jerry Keyser's question: What is the process for their water system to be taken over by the District? Ms. Gustafson said that because the rates previously weren't recapturing any reinvestment back into our capital infrastructure, the Board had a strong policy that the systems were going to have to come up to certain standards and make certain improvements. She said that once there is some direction from this meeting, it is her intent to go back to John Ballard to talk. Director Wilkins said that if Mr. Keiser doesn't feel that staff is responding adequately after this workshop, he should come to a Board meeting and speak during public comment.

Director Wilkins suggested that the Board try to achieve consensus on which group of approaches the Board should adopt as a philosophical base. The options are:

1. Require assessment to bring system up to current standards in all areas (source, storage and distribution).
2. Require additional assessment to bring distribution system up to current standards.
3. Require additional assessment to address partial/immediate distribution system improvements.
4. Accept the system "as is" and improve over time, as TCPUD can afford it.

Director Wilkins said that the Board's philosophy on the minimum standard that needs to be met for an acquisition needs to be defined before an option can be selected. Director Reinkens thought that in terms of the District contemplating acquiring a system, the system needs to be in compliance with CA-DPH requirements or we have to have a capital plan to bring it up to CA-DPH requirements. The rest of the Board agreed. Director Wilkins asked if the plan to accomplish compliance should include customers of the system paying a surcharge on top of the rates to get it to the minimum standards; should we use the property reserve fund to get it to the minimum standard; or should we require an assessment to be passed which allows us to frontload some capital improvements to get it to the minimum standard and then credit that assessment amount against their water rates.

Chuck Marr said that he would like to see the District push for booster pumps and a connection between all the systems.

The Board had a discussion on if we should be sizing our projects to deal with our current customers or to deal with our current customers plus potential future public/private partnerships. Director Wilkins asked if there was a general consensus of the Board on the options or do they need to discuss it further. Several Board members said that Option 4 would work as long as there was an option for an improvement district if necessary. Director Henrikson said that he wasn't close to an answer and needed more time. Ms. Gustafson said that the item could be on the March agenda to provide a little more direction as a Board so that staff could come back to the April meeting for action. Director Reinkens said that he would be away for the March meeting and would like to discuss the item in April. In May the Board could take action.

B. PUBLIC FORUM

There was no further public comment.

D. ADJOURNMENT

The meeting was adjourned at 2:30 p.m.

Dan Wilkins, President

Ginger Charlton, District Clerk

Prepared by Ginger Charlton