

SEWER & WATER COMMITTEE MEETING
APPROVED MINUTES

February 12, 2009

DIRECTORS PRESENT: Erik Henrikson, Lou Reinkens, Ron Treabess

STAFF PRESENT: Cindy Gustafson, General Manager
Alan Harry, Administrator of Planning and Public Works
Tony Laliotis, Director of Utilities
Matt Homolka, District Engineer
Debi Black, Technical Services Manager
Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Carol Hackbarth, Administrative Secretary

PUBLIC ATTENDEES: Ken Foster, Rich Loverde, Pat Setter, Jan Brisco, Dennis Schlumpf

The meeting was called to order at 8:05 a.m. by Director Henrikson.

1. PROPOSED ENGINEERING SERVICE CHARGES AND FEES – 2009

Ms. Gustafson provided an introduction.

Last fall as we were looking at various budget items, we were looking at cost recovery and making sure we were covering the cost of providing various types of special services including, cost recover goals in Parks and Recreation and Engineering, certainly an area where we have seen a lot of changes in the past years.

First, this is staffs first shot at giving the board any information on what it truly costs us to provide these services and it is really up to the board to decide if you want to try to pursue full cost recovery or some amount less than that. We wanted to at least give you the numbers. Debi has a lot of examples; Alan and Debi will go through some more information. Second, Alan forwarded this package to Pat Davidson with CATT who wanted to be in the loop. Pat unable to attend but obviously other people are here this morning from CATT. She originally asked that we defer the meeting. I told her we were not intending this to necessarily be a decision making meeting but for the board members to see the first cut at this and give us direction on any additional information you would like. Pat had suggested we do a workshop with contractors. We are more than happy to do that and will try to set that up.

There are two parts to this agenda. One of which are the Ordinance changes we would like to move forward at the next board meeting, number 2 on the agenda, water meter and language changes for the consumption billing. The other part is the engineering fees. We would like to move forward with some changes or reaffirmation by the board in time for this spring construction season, but it doesn't necessarily need to be at this board meeting. It could wait one more board meeting; it is up to you. We could do more outreach with CATT either quickly and be ready by 2/20 or wait till the following month. Remember the Ordinance changes take 30 days to be enacted once you act on it. If we wait till March it would be mid to end of April that they would go into effect and we make affect a lot of people.

Alan Harry. The packet that went out to CATT and board members included a summary of sewer and water service charges fees 2008 fees and proposed 2009 fees. Today there are two additional summaries Debi and staff put together, the 2008-2009 proposed fees with a comparison to other agencies. It is important to note that in many cases the comparable agencies do not have the fees for many of the services that we have, however their connection fees are far greater than ours. In some cases more than double. The second report is detailed information on the proposed 2009 sewer and water service charges fees. Alan asked Erik if he wanted us to go through each fees. Alan asked Debi to go over the fees that are going up substantially, primarily the tapping fees. Erik asked if tapping fees are deposits or fees. They are refundable deposits. Cindy clarified Alan statement that the fees are going up. She said these are full cost of providing services and what we are recommending. We are open to public comments.

Debi discussed the Additional Inspections exceeding Ordinance standard. It includes inspector and office staff time. This affects many other fees because of the number of times the inspector goes out on a job site.

Alan said in the past we have increased this fee by a given percentage. Rather than looking at fully rated weight of employee's time and included a portion of the cost of the vehicle that takes the inspector to a job site. Cindy this is an average cost. If the inspector is going to Rubicon it might be more, closer to the office could be less.

Ron asked how the difference from the actual cost and the fee charge has been being paid. Alan said it comes out of general revenues. He is not sure if it comes from fees or property taxes. Cindy said Engineering has divided the things/costs that we don't offset 50/50 between water and sewer. Sewer is subsidized by property taxes water isn't. Water customers are helping defray these costs. Sewer permits there is a share of general property taxes. Lou asked for the fully burdened labor rate – \$65 for an inspector.

Debi Permit Plan check...up to 4 site inspections. The fee established approximately five years ago did not recover costs, was first step at providing some sort of reimbursement for providing this service. Discussed detailed cost basis as noted in detailed report. Pretty lean inspection schedule including travel time. Noted that there are times when we are out on job sites 9 – 13 times. We are billing but at the lower cost. Trying to recover as close as we can to what the average is.

Rich Loverde – Pat Setter will agree – construction this coming season isn't going to be a banner year – slim to none. Contractors are leaving area or going out of business. Timing couldn't be any worse. Trying to make a living up here and cut costs. It is a competitive market out there. He acknowledges that we are losing money. This is bad for contractors and their business. Cindy is to meet with CATT to discuss fees and excess site visits next week. Good for PUD but timing is bad. The amount of construction that this is going to impact is slim to none.

Pat Setter agrees on the amount of construction coming this year. We are the guys that sell your services to your customers. Trying to explain our various fees to customers is difficult. He is glad to hear \$5000 hook-up fee is just a deposit. They are trying to get their customers to move forward on their construction. They are looking at the costs.

Rich Loverde – if there is any chance of affordable housing...even with the fire district every time they turn around there is a new mitigation fee or a new cost.

Ron this is why I asked where does the money come from to do this kind of thing. Lou – coming out of the property taxes. The money comes from somebody else to pay this. Even with affordable housing and in order to promote it and make it happen, we all have to figure out how to make it affordable. But that is going to come from another pot that is now doing something

else. Or, we are going to say to property owners or builders you have to pay some of this. Unless we can find things that don't need to be done, where are we going to get the money?

Rich – spread wealth. 2nd homeowners don't get a say or get to vote but they pay for it. Spread it out....Ron - like raise the sewer and water rates. Rich doesn't know what the answers are but during this time they fly very well with anybody. Ron – it's that answer we need to talk about. Rich mentioned getting a buck from everyone within your district.

Debi - A way we could cut cost would be if we really were able to limit our site visits on job sites. Pat Setter said we should not penalize prepared contractors. Penalize only unprepared contractors.

Debi – Cross Connection control is one area that we have no charges on at this time. We are suggesting an \$85.00 fee added to the plan review if there are cross connection issues. Staff currently spends 2-3 hours on jobs with backflow assemblies. She explained all that is done and causes of delays with this state mandated program. New construction tends to have the bulk of this time. Protects water supply but for the fact that

Cindy - the narrative said we really spend more than \$85 but this is being tacked on to other permit fees? Lou – do you have to make more than one visit out there. Yes. Gave example of a time where we went out five times on one customer. Rich - new construction over 3500 square feet requires fire sprinklers. The fire department wants to prevent house from burning down and a catastrophic wild fire, TCPUD requires a backflow device, so we are paying more for that than anybody else.. Erik more than anybody else, how do you mean? Rich. The individual is paying for this with fire sprinklers, backflow preventers, more the individual owner, which adds to coffer for property taxes. It's an undue burden for the guy trying to make a living of building houses up here.

Lou: Who's getting the benefit of the new house? Rich – what has that got to do with it? Lou: Whoever is benefiting should be paying. That's the cost of living up here. Rich that affects the whole community. Construction is, or has been, the 2nd leading industry up here. Cindy looking at cost recovery is something the board has asked us to do. we realize that as we have been doing this the economy has been spiraling down. Options for the board – property tax rev does go up as the house price goes up, either through increased connection fees, or look at prop tax benefit to district in keeping these fees lower and not doing full cost recovery on. That's the Board's decision. As a cost center – engineering has going up and up...people want inspectors right away...looked at doing inspections on west shore on day and north shore another day to alleviate inspectors sitting in traffic.

Rich – what is the average cost for a project for a single-family residence? What does contractor/ owner pay? Sewer connection fee \$1000.00 for years, \$5000.00 TTSA, (Water ¾" \$2500.00), permit fees \$175.00, Water 1" \$3000.00, Fire sprinkler \$1200.00. House with 1" domestic service and fire sprinklers = \$5375.00. So average is \$4-5k. Neighboring districts charge tens of thousands for fire sprinkler connection fees. Considerably lower than other districts on connection fees. Questions on new construction vs. remodel and teardown/rebuilds. May up size from ¾" to 1" domestic water (500), fire sprinklers (1200), permit fee (175), average \$3k

Erik – What I'm looking at they are fairly reasonable in amount. I know they are all going up, but for an hour to go out and do an inspection, 15 minutes to come back. I know it takes time especially in the summer. Rich relative to size of project you are dealing with \$200k vs. \$200m. Rich maybe there is something you could do that has to do with square footage.

Pat Setter I sat in on a workshop by Tahoe Donner PUD. They don't have backflow devices monitored yet. Trying to figure out how to charge and bill for that. He was surprised how many

people do not know about backflow. Education is the best thing you could do on that. Where to install them and why they need them. Cindy we have a great video that the board saw last summer. Debi Barb really spends time with customers, educating them. Pat – that seems to be a high labor cost. Maybe buys DVDs for education. Erik

Ron questioned again if we reduce costs in one place where do we get the money. Spread across the community? Educating community on why backflow? Where is the solution?

Debi – Deposits billed at actual costs. Refundable. Jobs have been higher and lower. Can include cutting at street, digging out with backhoes, putting new tap, backfilling, compacting, repaving.

Ken Foster – those charges are based on \$73 vs. \$41? Actual costs of utility crew or customer's contractor. If contractor is used they do excavation, we do tap. Tony If contractor is insured, licensed and bonded with the district we allow them to do the excavation, paving, to save customer money. If we do it or we hire a contractor we have to pay prevailing wages.

Jan Brisco – related to Rich's question before. As a planner, how can we determine which and how many categories apply to their project. You have review of plans, fire sprinkler review, then you might have replacement or relocation of sewer lateral, then you have a water tap. start adding them together a lot in the notes. On the notes columns is says deposits billed at actual not really giving someone a sense of what that really is. We're not really giving them a sense of what that actual is.

Whenever TRPA or any other agency she has dealt with, that does cost recovery, they show what it has been costing them. You have been stating the worst case scenario every single time rather than showing what it has been costing you. A lot of these don't cost this much. A lot are very simple. You have minimum cost and deposits and it is confusing as planners to let people know how much it's going to cost how many categories they might expect to be billed. This may not look like a lot to your board but it's a lot when you get into servicing the customer. (Needs education)

Erik for presentation to CATT...it would be good if we could get this all compressed, tallied, compiled, what a typical residential construction would costs would be – couple different categories - New construction, Teardown/Rebuilds, and Remodels. Alan suggested we also put it in comparison sheet, because of difference in connection fees. Talked about Truckee Donner 2" fire service *connection* fee of \$20,000 and it does not including the tap. This was not included in the comparison sheet today.

Cindy - We will look at our comparable districts. Connection fees under law have certain requirements to prove what the new infrastructure is, what the capacity of the existing infrastructure is. We are going through that as we're looking at HDR's completion of their studies looking connection fees and what ours should be based on capacity. Erik – how can we be so out of whack with \$20 versus...

Rich this comparison boloney is exactly what it is. You can't compare your system to Tahoe Donner's system to South Lake Tahoe. There are all kinds of different parameters that those systems that were installed how many years ago and all that good stuff.

Jan It's not apples and apples. Rich – exactly. Jan It wouldn't do us any good. Rich – Right. Jan would rather see staff time spent time justifying what we are doing here, and let us know how many categories we can expect. Again you have deposit on most every single one over here. You come in and pay your \$91 and it could end up costing you \$391 or something like that. Cindy We do have some examples. Remodels 52 last year. Pretty easy for us to summarize what those ran how they compared, and what the total and Erick what the new proposed cost will be by comparison. Can run that for last year. Debi the bulk of new construction tends to be teardown rebuild and that really does involve a lot of visits.

Ken The overall costs aren't changing, you are just identifying them as part of this and trying to allocate the costs in the right direction. The comment that Ron made was, where is the money coming from now to cover what we are not charging that specific narrow service for. It's coming out of the general fund, taxes or wherever. What you haven't addressed is that now that you have all this unallocated money, that was coming here in the general fund, and that is just going to be magically absorbed. I think you need to discuss the fact that the costs aren't changing in total you are just reallocating who is paying the costs and we ought to talk about where the money you are not spending on this from the general fund is going to go. Cindy and how much it is. Ron what is the annual amount that would be recovered from this from some other source and where then would that be applied to? (Lou? who would it be refunded to.) Cindy – last year the fees collected with engineering, fixed permit fees and other fees, was about \$80k total. Jim – as the level as activity goes down so does this amount. They are put in the general fund. General fund is primarily funded by taxes?

Cindy – reiterated what the board requested last fall – cost recovery in all areas. Are we billing the right users for the services they're getting and do we want to? That's the question to the board today.

Erik thinks Ken's question is real valid. If we get it from where we think it should get it come from, what are doing with the other money? Cindy This is the exact debate we are having with our rates. Every penny of savings you find from one source goes against what you are doing in capital. So, the board can decide then what the rest of the water and sewer rates need to be or you can say we are going to take on a different project. You have capped off the rating, it goes to capital. It is the boards discretion to decide where that money goes – to which capital projects or do you reduce the rates. Prop 218 rates are the maximum you can charge. That is the most you can charge if they go through. If they don't go through then we are in a different situation.

Erik that is a little bit separate from trying to recover our cost from actual activity performed. Cindy – yes, that goes back to that general fund surplus. It's up to the board as to how you spend the general fund. Erik and if we don't have the increase we may need to put all this money saved here into capital projects.

Ron talked about efficiency and costs savings.

Cindy – agreed with Jan that fees can be confusing. On her remodel she found all fees in the agencies to be confusing. Perhaps there is a better way for us to organize it for the customer, to give them a ball park. Erik how do they budget for it if they don't know what it is? Someone asked about raising the \$1000 connection fee so the it is unique to the home/owner. Debi said that is underway at present time.

Dennis Schlumpf In the big global picture, we are getting into the law of unintended consequences. The Construction industry is on its back. If you read anything out of Washington, they say the economy won't come back until the housing market comes back, because that is where it went down. If we keep raising fees there will be consequences. Actions have consequences. Placer & El Dorado County has laid off people because of costs. It's hitting all over the place in their industry. It won't come back if we keep hitting them with increases. You need to take a hard look at this and what it costs to build a house.

Jan said we need a contingency plan if we don't get the rate increase for a lot of the projects. Last year Placer County turned back their allocations; they have 50 allocations this year. We may get the increase approved but you still aren't going to projects coming in the door with the exception of minor remodels. NTFPD now requires fire sprinklers on any remodel over 500 sq ft. People look at that and they say forget it. What are we going to do if we don't get the projects coming in the door either?

Erik Wondering if we educated on this, our actual costs are, see what happens at the rate protest hearing, then bring this back up. Cindy agreed. We wanted to get discussion now in case wanted to get it implemented for this summer. We set these time tables last summer and said we'd bring it to the board in February. A lot has changed since last summer.

Discussion on fire suppression and water availability with us and other agencies. We have concerns with our systems. Most of the capital projects are fire suppression related. Dennis Schlumpf explained the International Building code that started over a year ago and how that has caused the need for fire sprinklers. If house is over 3600 sq ft fire sprinklers are required. If less than 3600 and you can find fire hydrant that gives you 1k gpm of water you are fine. Remodels adding 500 sq ft require fire sprinklers on whole house unless your local fire hydrant gives you 1k gpm of water. It takes a PA lawyer to figure it out.

Debi – to clarify the districts connection fee on fire sprinkler service is \$1200. The \$20k is TDPUD.

Lou it costs what it costs. Don't know what we're going to do. We're all in the same boat. TCPUD costs are what they are. If we don't have the revenue coming in what are we going to do? Do we lay off people? This could cause delays in contractors getting approved. You may be ready for an inspection but we don't have an inspector available.

Cindy – The projects we are proposing theoretically would offset that individual burden to put fire hydrants in, because on our project list that's what we're trying to do by spreading to all our water systems. Everybody will help pay so the individual would not. Our system would be upgraded and we would be addressing those issues. Even with our plan for the 1st five years, there is at least another five years of improvements so that we can provide those standards to every customer in our water system. Example: Highland homeowner's situation has to put in a fire hydrant to enclose his covered parking. That fire hydrant we were planning to fund with the capital from the water rates. That's our struggle is how do we make these improvements and pass on to everybody or does that individual put in this hydrant. The next door neighbor gets it for free when he decides to enclose his parking space. Rich said they have much less problem with TCPUD than other local water agencies. They end up upgrading their water systems. He'd like us to take over the other agencies.

The committee will put this off until the March meeting, will continue these types of conversations. Hold off for another year. CATT may have ideas also. Cindy has made notes from comments made.

Pat asked if the \$80k revenue is that what it cost us? No. What were the costs that it didn't pay for? Cindy Whole department is more than \$500k, close to 1M, but that includes Matt Homolka and Jon LeRoy and capital projects. We can back it out for you, what are the true costs for construction. Cindy it goes back to mandates put on us, fire, etc.

Alan At the CATT meeting – total cost for New construction, teardown/rebuild, remodels.

Talked about TTSA's issue with glycol and how TCPUD is implementing TTSA rules. Cindy said one question that CATT has has to do TTSA and us implementing their rules. Erik is on board at TTSA and it's good for Erik to hear. Erik asked how we are implementing TTSA rules on glycol. Debi explained we tell them it can't go to sewer. One option is to put it in a tank and haul it off. The owner has to figure out what to do with it. Cindy Erik that is where we have gotten into conflict with contractors. She has talked to Marsha Beals/TTSA about us as member agency. It's a challenge for her to tell Debi to not enforce TTSA's rules but glycol going into the sewer is not our issue. Rich said it would be drops going into the system. Tony This is a treatment problem

not a distribution problem. Alan said we have asked customer to contact TTSA for variance. They have allowed this on a case by case. The contractors could add that into their steps to permit and construct the home then the step is taken care of before the final. Ken Foster said in normal operations the devices do not discharge glycol. Ron Why would it? Debi explained two different situations we've had. Backflow required device because of glycol. If operating properly and there is a back-siphon age or backflow condition it will discharge. Another instance a contractor put in valve downstream of the backflow assembly to drain the system. Valve has to be moved or removed. Jan suggested we check with Douglas County and their process. They have dealt with this. Erik admits he's not up to speed on glycol. Marsha has never brought this to the board. He will get that agendaized. Ron said we are fortunate enough to have all the input that they get because there isn't anything staff doesn't bring forward.

2. PROPOSED REVISIONS AND ADDITIONS TO DISTRICT WATER ORDINANCE

Ron asked for clarification that the changes are for the purpose of water meters to come on board/start billing. Alan confirmed that yes the changes are related to water meters, the installation and the billing on consumption. We will come back with existing water and sewer ordinance with some revisions and additions. To meet timeline for metering and billing on consumption we needed to bring forward revisions that dealt with this. Changes are in bold print. Strikeouts are to be eliminated.

Tony went over the changes. Erik asked to look at the Person definition for later discussion. Home Office and Service Classifications sections should be bolded.

We tried to clearly define home offices as a house where no one resides. As opposed to one where one resides and conducts business. TTSA has 5 or less employees in a house. We don't want to monitor number of employees. Some businesses challenged that they should be charged as residence because they are zoned that.

Jan thinks there should be some consistency with the county definitions. How does that affect the change of use and/or business license? Cindy Unless there is a remodel with the house we are not notified. Tony We think this is very biased to home businesses.

Jan asked about Master Metering and commercial billing just discussed. Matt This Ordinance does not address condos and master meters until we work out with the board and condos how we will do this. Cindy It is reflecting what we are doing now, billing commercially for common areas. In master meter situation then we would blur those lines and need to add another definition.

Matt In domestic service classification we would need to add a classification - Mutli-Unit residence or condo that have entered into master metering agreement would be classified as residential service. Add now to this Ordinance. Matt indicated that he would also add exclusion under Commercial service referring to Residential

Rich asked about the base rate for condos and residences and the consumption rates. The average household uses 140k gallons a year with zero months taken out of equation-2nd homeowners. Cindy The base rate was kept up so everybody pays for the infrastructure and the O&M that goes on all the time Rich Everybody pays their fair share. Ron mentioned his leak notices and his usage 4-5k winter vs. summer up to 40k. Rich mentioned his leak notice. Cindy said this is one reason we decided to go to monthly billing – leak notification. Amount of leaks fixed has been enormous. Jim showed Rich our January 2009 quarterly newsletter which explains the proposed rate structure. Condos are billed as single family residences currently.

Jan Domestic (v) Commercially zoned residential usage bill as commercial or residence. Matt wasn't sure if they existed. Matt will put in Any one of the following in opening statement.

Erik asked if we provide a lot of water to other districts. Some - NTPUD, Lake Forest Water billed as unclassified.

The District maintains the meters used for consumption billing purposes. Ron Who is required to install meter? District. 3.1 Modify to include District physically installs meter. Cost to customer is still under 4.3 Customer responsibility. Strike replacement. Erik asked about new versus old meters, its fairness and wanted clarification. Property tax revenue used for meter installation. Unimproved parcels did not pay the tax revenue. Alan Homes that had water service we paid for meter installation. New homes or upgrade owners pay for.

Pat asked who digs down & alters line to install new line – PUD does on existing house; Owners do on New construction.

Ron – 5.2 asked on last sentence that will be changed to shall approve.

Tony 4.4a Clarification on fire sprinkler service. Erik asked at CATT meeting we talk about the fire sprinkler installation and the costs to install the boxes and traffic related boxes. The customer won't be aware of that.

Ken asked about billing on fire service lines. No consumption billing only if fire or misuse of water. There are a little under 100 fire service lines out there; 95 of fire lines do not have meters. They were constructed before last year. Erik asked if we are going to install meters. We will bring that to the board with the costs associated with it.

Jan – 5.2 Two or more dwellings...on same parcel. County and TRPA requires owners to build the 2nd house before they subdivide at which point we require a separate service for that dwelling which requires more construction costs. She'd like to see more thought to those situations. Why can't we have a separate service for that parcel? Maybe we could keep may and not change to shall. Add that to our permitting questions – do you plan to subdivide.

6.9b may be striked since we consolidated common area in commercial classification.

Pg 29 Clarification on billing – Base Rate is billed in advance; Consumption will be billed in arrears. Billed monthly. Rich asked about the private fire protection, separate billing? Not at a meter rate. Need to determine what to do if consumption is used from these. We allow approximately 500 gallons a year. Rich then asked about private fire hydrants. If you install a public fire hydrant in lieu of fire sprinklers and the facility is dedicated back to the district you are not metered. There is a charge for private fire hydrant if it is truly a private hydrant. There was discussion on private versus private as well as the districts capacity.

Pat – Asked when we start billing on new construction residence. Debi Billing starts on the 1st of the month following the installation of the water line. Fire sprinkler lines are not billed until the 1st of the month following the final on the structure. Sewer is billed after the 3rd quarter following the sewer air test. If customer is not using the it by then they and appeal to the district.

Ron 8.6 & 8.7 We need clarification on how, when and regularity of the consumption. Will consumption be billed on a monthly base? Yes. Cindy We will make this language clear. July 1 bill will be July base and June consumption.

Pat – Asked about master metering, definition. Apt with 5 unit could you master meter that? For example affordable housing unit with 10 units. Single meter with All usage will be combined. We don't have a base rate for apartments. There are treated as residential units. For this example it would be billed 10 base rates with 10 times the consumption structure (10 x 8000) per month in first tier of billing. Common areas are usually the main water user. Pat – Who do we charge?

That is in progress right now. Discussed over usage and consumption and advantages and disadvantages to master metering.

Ken asked if there was analysis done on the cost of billing monthly versus quarterly. Cindy said we felt it would be more affordable for the customer to have monthly billing. Plus the financial impact on the customers if they have a leak could be great. This way they know right away they have a leak and can fix it. Customer will be notified with the bill versus manually now. He asked that there is no circumstance where a high meter reading would not result in a high bill. We haven't talked about an leak rate and appeal process. Cindy as we go along we may go to quarterly. Tony said that when we see a high water leak we go out right away, dig up the box and turn the water off.

Cindy asked the public if they wanted to be on our agenda mailing list.

3. PUBLIC FORUM

Comments are included in items 1 and 2 above.

5. ADJOURNMENT

The meeting was adjourned at 10:10 a.m.

Prepared by Carol Hackbarth

Carol Hackbarth, Administrative Secretary