

SEWER & WATER COMMITTEE MEETING  
APPROVED MINUTES

October 22, 2009

DIRECTORS PRESENT: Dan Wilkins

STAFF PRESENT: Cindy Gustafson, General Manager  
Jim Dykstra, Treasurer, Director of Accounting & Employee Services  
Tony Laliotis, Director of Utilities  
Matt Homolka, District Engineer  
Doug Olsen, Utilities Superintendent  
Carol Hackbarth, Administrative Secretary

The meeting was called to order at 7:10 a.m. by Director Wilkins.

Cindy said as we are going through the budget this year we are trying to give you a top level view, broad based, then focus our main energy on major changes, what we are doing and where we are headed. We are not trying to hide anything. We can answer any questions verbally or in writing with details. It will benefit us all if we keep it at a summary level. The level of detail depends on the committee's and board's direction. Director Wilkins was ok with this.

1. REVIEW OF DRAFT 2010 UTILITY BUDGET

Tony reviewed the handout titled TCPUD Draft Budget 2010, Water Department and Sewer Department. At the top is a bullet summary for the water department. Director Wilkins asked what the assumptions are for the labor contract for 2010. Jim said there is no COLA, though employees can move through their range up to 4.5% depending on their performance. We have plugged in the medical insurance for 2010. Pension numbers are holding; medical is going down. Worker's compensation is actually up because of the experience factor. The field claims had been really low; that has gone up in the last year.

Dan asked for the total overtime numbers for 2009 versus 2010, budgeted or estimated actual. Budgeted for 2009 is \$15,900 and projected for 2010 is \$11,000 to \$12,000 which is approximately an 11-12% decrease. He also asked if the philosophy for overtime is just for call-outs. Yes, and if they are in a project at the end of the day. They have some discretion to determine the more efficient and safe solution – to stay and finish or take down and set up the next day. Tony explained that further. All employees have to get an ok from the Utilities Superintendent or Director of Utilities for the overtime in those situations. Cindy said we have significantly reduced overtime from the past practices. Director Wilkins stated that it is very common in public agencies for employees to assign themselves overtime.

Tony continued with Personnel and Charges and Services. We have completed some of the Water Tank Seismic Analysis; we need to complete the rest as part of the capital improvement plan. The Urban Water Management Plan is a five-year rotating requirement. Dan asked where this money is budgeted. Operating budget – both Charges and Services, and Personnel. Cindy asked how we convey to our public that we are holding the line on the operating budget. These sorts of studies and additional plans come up. Our operating budget is theoretically down except for the special studies and plans. These studies are mandates, necessary requirements in doing our work. She has discussed with various people when to capitalize these sorts of projects versus putting them in the operating budget. Could we show it in a separate account, perhaps engineering since they normally have a fluctuating line? Dan said in his experience they would not show these types of special studies in their operating budget. From a management analysis standpoint it is easier to track trend information. You truly look at what your day to day operations are as opposed to having the special studies that create fluctuations that really are not

relevant to your trend line. Dan said it is a philosophical question as to where you draw the line between capital project and operating project budgets. Cindy said it is not just philosophical; Jim has strong directions on fiscal practice that those are not capitalized. Jim said there are districts that capitalize these things and more. Our auditors believe master plans etc. are generally expensed. There is new stuff coming out in tangibles in the government area. In Industry you cannot capitalize these things.

Dan asked if there is some nuisance where you can show these in the capital budget but not capitalize it as an asset. Effectively we budget for it as a special project even if it is not a special Capital project to separate it from our operating budget. So that our operating budget is showing true trend line data. Jim said the problem is then your actuals look like you spent more than you budgeted. Dan questioned 'because you would move it over'? Would you show it as an operating or a special study expense? Jim said we could have a category in our operating expense called special studies. Right now it says Consulting fees. Dan said for Board analysis, it is always nice to not have spikes in operating budget. Jim said the decision to spend the cash is the decision to spend the cash. How you characterize it should not influence whether you think we need it or what you think it should cost. We can work with the presentation to highlight these a little more. Cindy asked what the tool is for the General Manager, the operating manager, and the board to look at so there is that level of consistency without trying to remember what happened in a particular year. Dan asked is there a way to look at this so that when we are looking at historical trend line information we are comparing apples to apples. Cindy suggested maybe tracking Personnel or Personnel and Materials and Supplies for the trend line. Jim said full time head count is a good trend line. Cindy said we will at least have a special line item so we can pull it out.

Tony continued with the Water Department draft budget. Fees and Permits increase is mostly due to the Department of Public Health water system permit fees, the annual permit fees we pay to operate a system and have them oversee us. Cindy would like the percentage increase on this item when we do the public presentation. There use to be a fixed fee for a small water system less than 1000 connections which was a reasonable fee. Now they are charging a \$6.00 per service connection per year. (Alpine, Rubicon and McKinney Quail systems). The Tahoe City system is on an hourly rate, \$130/hr. Last year fees were almost \$12,000 just for the Tahoe City system. El Dorado and Placer County fees are primarily fees for Haz Mat for fuel and chlorine and air quality for the generators. There is general increase in the County fees. Snow Removal at the Upper Highlands booster is very difficult to plow. It is more cost effective to contract a guy who has a snow blower. It has a narrow driveway and not much storage space on the sides. Also, we were off by \$1000 in the 2009 budget. Mileage Reimbursement was decreased based on historical trends. Materials & Supplies includes a fleet tracking system (installation and fees) which, allows for GPS units to tie back to map. It also ties into the vehicle computer for maintenance and diagnostic codes. This is new for the district. We estimate a March 2010 installation. Dan said the Town of Truckee uses Vehicle Tracker for their vehicles. Contact Brett Albert at Town of Truckee for information. Tony was impressed with the maintenance and diagnostic side of the software.

Reviewed the water department goals. They discussed the long range planning tools. Dan asked what we expect to accomplish with the PCWA study and what else we have planned. Cindy and Tony said it is a very broad brush, a stepping stone to what will be necessary for a long term study. It will give the initial steps and recommendations. Dan speculated if we end up acquiring the other water systems will we have separate systems, an intertie or several interties, and what the long range plan should be. Cindy said the PCWA recommendations will guide us; they are meeting with the individual water companies and determining their needs. An independent source can recommend what would be best for the community at large and not individual sections of the community. Cindy discussed looking at a 30-year long term plan versus responding to immediate needs and making wise decisions for the community. Instead of two independent water companies trying to solve the same issues, how can we work together to help each other (water rights, good wells, etc.). Dan asked if the District should be budgeting \$200,000 to \$300,000 for the next level in the long range recommendations from the PCWA study. Matt said our water master planning will be starting in 2011. That would be the best opportunity to make it regional and specific. Cindy also speculated how to get state funding. Dan isn't recommending at this time that we try to come up with the money right now. He thinks this kind of analysis is a good use of this private water system reserve fund we are creating. If all the private water systems consolidated, with those points of source and storage, and we had a 2 foot intertie down the west shore, would that potentially obviate the need for

a treatment plant in Tahoe City? He isn't looking for the answer right now. When we get to the capital budget in Tahoe City, he sees value in looking at this before we spend money on a treatment plant. Different scenarios were discussed.

Tony is currently developing water audit models to produce monthly reports on water system loss in a specific area as we can right now. This will enhance our leak detection procedures and focus on problem areas as opposed to general areas. For clarification purposes, Dan suggested we indicate that we have a leak detection process and will be improving it.

Sewer Department 2010 Draft Budget – the main reason for the 9.4% is the Pump Station Assessment Project. The Pump Station Assessment project consists of seismic analysis of the buildings, wet wells, dry wells and force main assessments. It may have been budgeted over two years. The reason it is so high is that to do the wet well and force main assessments you have to take the pump station off line. We have also included some repair estimates for the wet wells while they are drained. Snow removal is historically short in the past. Cindy asked about personnel – sewer is up versus water. Tony said this year he has more expenses in sewer versus water so he shifted his expenses.

Dan said again it is the special study that is throwing the bottom number out of whack. If we were to take that study out we would end up with a .7% increase in overall operating budget. Cindy said we will make sure the public presentation talks about the special studies and its affect on the operating budgets.

Sewer goals mainly tie back to the SSMP implementation. We will refine our public outreach and programs for proper use of the collection system – mostly FOG (fats, oils and grease) and wipes, adult wipes. We have a pump station on the west shore that has had more routine clogs than in the past few years. If the outreach program doesn't work we will have to do something to our pump stations to handle this. Jim also said we have seen problems for the homeowners as well. They are getting clogged lines. Tony said we want to put the technology we put into the Harbor Master pump station into other pump stations.

Combined Summary of Technical Services, Engineering and Project departments: Cindy said we are making quite a bit of changes. So in tracking budgets we need to show you a consolidated budget to show you where we will ultimately end up, then we'll break it down. Matt referred us to the organization chart. We have consolidated engineering, project and technical services departments. The engineering department is a new department from a budget standpoint. Functionally we have always looked like this. Tony has always carried some amount of his time, Alan's time and Jon's time in the Technical Services department. So we are splitting that out. You will see one budget area with dramatic increases and one budget area with dramatic decreases. We put it all together this first year for ease. The primary reason for the 12.4% increase is the proposal for the new full-time position, Engineering Technician. The overtime was not budgeted last year. With the construction inspections that are developer driven we have no control over when they are working. These are not capital projects; they are County, Cal Trans or developer projects. Cindy pointed out that there are reimbursable expenses that are not shown. Matt summarized some of those on the second page. He said there are some net increases and decreases that will be shown on the department budgets. A lot of the cost for the new engineering technician position is recovered. He will show that in his department presentation.

Dan asked District-wide what we are looking at for staffing. Two. Cindy said the Human Resource position was budgeted for last year and we delayed it for the 4% reduction. It would make us at 40 full-time, two new bodies. Cindy said we understand that adding headcount is frustrating. However \$26 million dollar worth of capital projects takes management. Capital budgets include these costs.

Tony now reviewed the Technical Services department. Matt clarified that the full-time should be 3.78 FT, not 4 FT. They share Brad Stocking's time. Materials & Supplies did not go down as much as the other costs because the Technical Services department has a vehicle expense that will also incur some of the fleet tracking system costs. All costs centers had a general reduction due to operating expenses splitting between engineering and technical services.

Dan asked if the new supervisor will take this opportunity to get a fresh start on where the Technical Services efforts are prioritized. Yes. Tony said the new person has a high technical background. Once they get their feet on the ground he welcomes them to take a 360 degree look at technical services department and make recommendations on how to improve the processes and efficiencies of the department. The sewer lateral testing program review and the deposit lists were discussed as something the new supervisor will focus on this winter.

Dan asked about the presentation to the board on the budget. Cindy said we typically focus at the higher level on the overall budgets. Certainly there has to be some discussion on personnel costs and this additional person and what that means to the district. If we need to get into this detail we will have it there. You can see where it would take a lot of time to go through it with the full board.

## 2. REVIEW OF DRAFT 2010 ENGINEERING BUDGET

Matt reviewed the Proposed 2010 organizational chart. We have always had a project department. The new engineering department is Matt, Jon, the proposed new engineering technician, an intern, 50% of Alan's time is carried in both budgets and 22.4% of Brad Stocking's time as a staff inspector. That is how you get the 3.72 FTE.

The staffing levels in the Engineering department were discussed. The balance of the staffing time will be in the Project department. The 38.5% of the engineering intern is basically all of their time. There isn't a lot of recovery in this department. Item 3 under Personnel is for projects from developers, Placer County and Cal Trans. The goals of the engineering department were reviewed. No questions from Dan about the engineering department.

The Project department is the cost center where we bill our time for capital and grant funded projects. Dan confirmed that these are projects that are generally recovered by grants or within our capital budget. Matt said 90% of this expense is duplicated in the capital budget. By creating the Engineering department we can be more efficient in the Project department. We will now have places to put the general time.

Dan confirmed what we are saying. With the new position we are going to see an increase in the number of capital projects that we are involved with. He suggested putting a little meat on the bones on that point would be useful. Matt agrees and elaborated. They are still working on the presentation for the new position and will include that along with much more. Cindy said we are working on the justification sheet for this position. It is not only what we can do more efficiently but how we can decrease the losses we are seeing. For example if Matt is busy in the office and cannot go to the coordination meetings with the County on their projects, he will not see the opportunity to get the 100 feet of pipe replaced in that project. It has cost the tax payers money by not having that position. When Cal Trans starts their west shore project there are huge opportunities for the District. Dan said we need to polish those sound bites. He trusts there is the work load and rationale for the position. How to best articulate that is very important. Cindy concurred and stated the challenges on how do you show the cost value of efficiencies and effectiveness. Dan does not need for staff to say it is going to cost for example \$130k and it will save \$20k here and \$30k there. He's not looking for that level of detail. Reviewed goals.

Dan asked if the District ever considered a two-year budgeting process. Cindy said it was talked about a number of years ago. Jim said we face volatility. For example the state could take money. We could do a two year budget, but we would spend a lot of time looking at the second year. Dan would be supportive of doing a two year budget in the future. The danger is having to do a budget amendments. The flip side is you spend collectively a few hundred of hours less dealing with budget issues.

## 3. REVIEW OF DRAFT 2010 WATER AND SEWER CAPITAL BUDGETS

Matt discussed the Water and Sewer Capital Plan. He included where we expect to be in 2009; it helps set up 2010. Also included are the funding offsets and a comparison to our five year plan for the rate study.

So we can see whether we are behind or ahead. This year condo meters are under budget partly because of good prices and in house work.

Since we are going to be going over the project status at the board meeting Cindy suggested Matt focus on 2010 projects. Matt said the 2009 budget is expected to be \$440K under budget. Item B, Tahoe City Main Source and Storage Study should be in 2011 not 2010. (Put zero where the \$71k is.) Public Projects/Relocations/Upgrades (EIP) is basically a place holder for the projects with Cal Trans, the County, or developers that we may be able to participate in. Lower Tahoe Tavern Heights Distribution Improvements include Alpine Way, Edelweiss, Woodland, getting water to flow down from the Four Seasons tank into the intermediate pressure zones. It also includes some work on Bow Rd to add some fire hydrants which he will go over at the board meeting. Bunker water tank is the redwood tank. We are budgeting design for Lake Forest Water Improvement District and planning 2011 for implementation. Cindy said the critical path is to stay ahead of the county who will be working on the roads in that area in 2012. Matt continued with the Small or Operational projects. The revised subtotal is \$3,416M. That puts us about \$580 over the five-year plan. That is work that is not getting completed this year that will be moved forward. We escalated some projects because of the federal funding that was not anticipated.

Sewer Capital: The Line Replacement, Manhole Rehabilitation and Lateral Repairs – Matt said we are still working on numbers for these line items. The projections for this year will be significantly under budget. So we kept the original plan numbers in there for now. Sewer property BMP projects will be done in 2010. West shore export Truckee River Crossing repair did not get done this year so we moved it to 2010. There are a few generators in there and some pump and controls upgrades at the pump stations that have reached the end of their life. Dan asked for a map of the locations of the Capital Improvement Projects, sewer, water and parks and recreation. That will be done for the board meeting.

There is a line item for snowmobile replacement. Cindy said the rest of 'the story' (of the previous snowmobile replacement) only came out after a lot of asking around. The person who is upset is mad because we are not renting his snowmobile anymore. That was never brought up to the board discussion. Jim said that it was only one year that we rented. Tony pointed out that we have a big liability in the Alpine Peaks area. The spring boxes are located 2 miles up the side of a hill. And if we have to get up there in the middle of winter because of a bacteriological problem or something, you need a machine that can do the job.

Matt: That's the capital plan. One of the questions that always comes up with the capital plans is can we accomplish it. Dan added can we afford it. Matt: There are a lot of projects. I am going to make a case that the Engineering Technician is key to that. One of the things I did this year that we have not in the past was try to pull out how much of that budget is district staffing. It is estimated at about \$367k; in that budget is what I would estimate to be district staff costs. Dan: that number shows up twice? Yes. There as \$367k and on the operating side as \$256k- what we have assigned to reimbursable projects. So there is a \$100k gap. I'm sure if we did this analysis every other year there would be a consistent gap. And how are we going to do that? More consulting? Many of these projects you can anticipate – just like this year, we may not accomplish every one of them. We're going to run into a permitting problem, or a funding problem, or something that is going to push the project a little bit. One or two kind of string out. Cindy: And that is what causes the gap? Because you can't reimburse it? Matt: No we just don't work on it. Jim: we don't have the time to do the work. Matt: Sometimes that and also if you run into a funding problem, for example Lakeside trail. We are just not working on it right now and we probably planned to work on it quite a bit. Dan: From a budgeting standpoint do we want to force those numbers to match? Matt: No, I don't think so. Sometimes this gap gets filled with consultants. If we accomplish everything it just gets filled with consultants. Dan: It doesn't affect our operating budget because the operating budget is our operating budget. That is going to be more accurate in terms of what our actual cost of staff? Matt: yes. And this is just me estimating numbers out of a project budget. Cindy: Where this comes into play though is when we do our rate setting, when we establish our rates for 2010 and each subsequent year. That is where we are really going to be looking at how we portray how much of that staff is going into capital which we told the public these rate increases are for capital. It takes a certain amount of staff time to get that capital on the ground. Where do we want to show that, separate and apart from operating and capital budgets for auditors purposes? That money justifiably was budgeted in the capital plan. The

district overhead was going to cost money to do these capital projects. And as we set those rates so we can justify to the public we are not...because Jim handed me yesterday the increasing operating costs. I understand. How do you get these projects done? You cannot have a \$26M in projects...we cannot go from where we were are to where we are headed unless we were hugely overstaffed to begin with which we all feel we are not. Getting the public to understand that... Matt: we know that budget plan for that number is \$256k. Cindy: But should it be the \$367? Matt: Should we have a staffing level that makes it \$357? Or should we be saying that if we were properly staffed we would be there? Dan: You ought to be cautious about presenting different numbers that are supposed to represent the same thing and trying to explain that. It will create confusion. Matt: This is for the committee and for me to figure out if I am close and what is going on. Dan: I understand what you are saying. You have the operating budget. There is a certain amount, we are assuming more than that in the capital budget because we are trying to be aggressive on capital. But in reality we are probably not going to get there because we are probably not going to get all these projects done. So that is going to then raise the question – why are you budgeting that way? Why aren't you budgeting more realistically? Matt: the operating budget is the realistic number. Dan: I understand. I am just saying if you throw out different numbers for public consumption, it ...Cindy: We would be consistent in that. I just think there has to be a way that when we demonstrate this in that chart that we talked about doing for the rate increases each year, looking at capital projects, outside funding, and operating costs. Where is that \$257k? Is that now in operating costs or capital? I would argue it is in capital. So that comes out of the total for operating water and sewer. Dan: I think your point is a heads-up. You did some analysis of how much district staff might get billed against the capital budget. That is deep in the background of the budget numbers and that' is probably the place it wants to stay. Matt: absolutely. Jim: To do that amount of work we would use outside consultants. Dan: ok.

1:45:24

What's the schedule look like in terms of having a rolled up budget? Jim: this week. The key person who does that is out. Dan: what is realistic? Next week? You will maybe give us an update at our board meeting? Jim: yes, that would be a good time. Cindy: I know the key issue for everybody is going to be what are the rates going to be? The 'folks' have been not in attendance at the committee meetings yet. They are asking for copies of documents. Paul said he would be here November 3<sup>rd</sup>. I have got to do some analysis. All of what every operating department has seen, I have said board this is what we are recommending now. Until I see the rolled up budget and look at the rates I cannot guarantee anything.

Dan: So a couple of the key benchmarks...1) we would assume a certain level of annual operating budget increase in our rate setting. What is that assumption as compared to what...? Cindy: where we end up. Absolutely. It will all be compared to.. because that is that chart we will do annually as we set the rates. We showed it last year and that is how we could come down a little bit.

Dan: 2) The other key piece of information, if it is readily available, is when we did our rate setting how much short did we end up leaving ourselves in capital. The tendency here is to not go to the full extent of our rate increases even though Proposition 218 allows us. Even though it really is pennies, to an individual property owner whether they are paying \$60 or \$63 a month which is the spread we are talking about going to our full Prop 218 allowance and chipping it down a little bit. It is not going to make a hill of beans difference. Cindy: You know the capital was cut by 50%. Dan: the tendency of the board is likely going to be to go soft on the rate increase. I am not sure that is in the best long term business interest of the District. It is more of a short term political issue. It is going to be real easy for us as a board to jump there unless you or staff are reminding us that when we did our rate setting we did leave ourselves significantly short on capital betting on the come that we were going to make it up somewhere. One of the areas where we are potentially making it up is in the operating savings. Are you betting on the come that we will get outside grant money to carry us through? Or are you... I at least don't have a problem making a case – look guys we didn't fully do our job last time with the rates. Cindy: we can pull back up those charts where you in fact said many times in those meetings "we have cut it by 50%." Dan: I am not looking for you to generate new information. Take the kernels of the previously generated information and continue to remind us of it. Cindy: we will put that into the presentation and the slide. This is what we need but here is where we are cutting it. I know it is hard. I know the board is under pressure. We continue to get these really adamant letters from people about their rates. Dan: that will always be the

case. Cindy: for us it is. Other agencies do not have this and they are above us (rates). We just have to keep hammering home that our rates, even this coming year and through next year are going to be lower than any other public agency in the area. Dan: we just have a more cantankerous electorate here in Tahoe City. Jim: I think a lot of them are just misinformed. We have a Public Relations issue in the sense that if we don't have the highest rates they think we have the highest rates. Cindy: we have given them the chart; it lives on our web site. We continue to focus on that. We will make big splash of that again. How do you compete with 1400 to 2000 letters going out from the group telling them how bad we are? Doug: I get people all the time when I tell them our rates are the lowest in the basin, they say well you can say anything you want. Jim: The guy at the post office can. Dan: the private sector can; we can't. We are accountable; they are not.

4. PUBLIC FORUM

No public in attendance.

5. ADJOURNMENT

The meeting was adjourned at 9:00 a.m.

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Carol Hackbarth, Administrative Secretary

Prepared by Carol Hackbarth