

**COASTSIDE COUNTY WATER DISTRICT**

**766 MAIN STREET**

**HALF MOON BAY, CA 94019**

**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS**

**Tuesday, March 31, 2015**

- 1) **ROLL CALL** -President Mickelsen called the meeting to order at 3:08 p.m. Present at roll call: Directors Ken Coverdell, Glenn Reynolds and Vice-President Arnie Glassberg. Director Steve Flint arrived at 4:14 p.m.

Also present were: David Dickson, General Manager; Mary Rogren, Assistant General Manager, Joe Guistino, Superintendent of Operations; JoAnne Whelen, Administrative Assistant/Recording Secretary; Cathleen Brennan, Water Resources Analyst; and Gina Brazil, Office Manager. There were two members of the public in the audience.

- 2) **PLEDGE OF ALLEGIANCE**

- 3) **PUBLIC COMMENT** - There were no comments from the public.

- 4) **GENERAL BUSINESS**

- A. **Work Session - Proposed Fiscal Year 2015-2016 Budget, Fiscal Year 2015/2016 to 2024/2025 Capital Improvement Program, and District Financing Plan**

Mr. Dickson began the work session by outlining unprecedented budget challenges facing the District in Fiscal Year 2016, including a fourth year of drought, San Francisco Public Utilities Commission's (SFPUC) increase in water rates, State-mandated reductions in water consumption and increased State regulations and reporting. He also summarized the latest drought news and the State's continued call for 20% voluntary reductions and reviewed details of the new water use prohibitions.

Ms. Rogren then explained how the decrease in demand has led to a significant revenue shortfall for the District and detailed how the District has been offsetting that shortfall by deferring Capital Improvement Program (CIP) Projects and operating expenses and tapping into reserves. She also advised that the District is planning for a continued decline in revenue due to drought mandates and reviewed graphs that indicated the District's revenue vs. expense/debt service. Next, Mr. Dickson and Ms. Rogren presented a Fiscal Year 2016 Budget Overview, showing a rate increase of 19% for purposes of Board discussion.

Director Reynolds inquired about the possible effects of delaying Capital Improvement Projects, in terms of timing and potential cost increases associated with the delays. Mr. Dickson advised that although a number of CIP projects have been delayed with this budget, none of the CIP projects were candidates for elimination from the program. He explained that staff performed a thorough review and evaluation of each of the CIP projects to determine if the projects mitigate a big risk, or if any of the projects have such an attractive pay back that they should be done right now. The El Granada Pipeline Final Phase (Pilarcitos Creek Crossing) was determined to be one of the highest priority projects, with the other two projects, the Denniston Booster Station and the Bridgeport Drive Transmission Pipeline, falling into the second category, with an emphasis on the importance of securing our local source water rights, and with an immediate return on the investment in these projects.

Director Coverdell inquired if staff had looked into obtaining a line of credit to fund some of the CIP projects. Mr. Dickson advised that staff had researched this, but on a short term basis it is an unattractive option. Director Reynolds commented that he felt that staff's work on the detailed CIP worksheet presented at last year's budget meetings, was very valuable to the Board. Director Coverdell then recommended that staff consider providing a workshop, at the Board level, to examine the current CIP in detail.

The presentation continued with slides featuring District expenses at varying levels of water sales, and showing how the significant decline in water sales will impact funds available for CIP and the District's reserves. Ms. Rogren outlined budget risks and reviewed the items that would contribute to a proposed 19% rate increase. Board discussion ensued regarding the proposed rate increase, with the Board acknowledging that it was important for the District to avoid extensive debt, and that given the risks discussed, it may be necessary to consider a rate increase of even more than 19%.

Director Coverdell added that he felt the Board would be acting as poor managers if a rate increase is instituted that is actually below what the District truly needs to continue to operate responsibly.

Mr. Dickson next introduced the Water Shortage/Demand Management item added to the budget for FY16 and explained to the Board what this would include: an additional employee for enforcement and outreach, an additional employee for meter reading, staff overtime for enforcement, and associated expenses. He elaborated on the need for these additional staff positions to address the extra work that will be required with reporting, outreach, regulations, and enforcement duties and especially the additional staff that will be required when the District transitions to monthly meter reading and utility billing. Brief discussion ensued regarding the man-power hours associated with meter reading, and the requirements necessary when restructuring the meter reading/utility billing program, which Mr. Dickson indicated would be discussed in more depth at a future Board meeting.

Mr. Dickson also advised that staff is currently working with a rate consultant to determine if it would be beneficial to adjust the District's tiered rate structure and he outlined some possible alternatives for applying the increase across the District's rate structure. The Board agreed that this was a worthwhile concept to be considered. Director Coverdell also proposed further discussion on the consideration of implementing a stand-by-charge per customer to address the debt service expense.

Finally, Mr. Dickson reviewed the proposed budget process and timeline, suggesting continued discussion of the budget and proposed rate increase at the April, May, and June Board meetings, with approval of the Proposition 218 Notice scheduled for the May 12<sup>th</sup> Board meeting, followed by the actual public hearing for the rate increase at a special Board meeting scheduled for the end of June. The Board agreed with this time line, and also agreed that it would be beneficial to include a Finance Committee meeting within this time frame as well. Public comments were then welcomed.

Bob Feldman, Half Moon Bay - Commended the General Manager and staff on an excellent job on the budget and the workshop presentation and shared his view that the District is faced with many challenges and unknowns with this Fiscal Year's Budget and recommended being as conservative with the rate increase as possible. He also expressed that he now felt much more comfortable with the proposed 19% rate increase after participating in staff's presentation and the Board's discussion.

In concluding the meeting, Mr. Dickson advised that staff would be presenting the Budget and the Capital Improvement Program to the Board again at the next regular Board meeting, scheduled for Tuesday, April 14, 2015.

The meeting was adjourned at 5:04 p.m.

Respectfully submitted,

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David R. Dickson, General Manager  
Secretary of the District

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Chris Mickelsen, President  
Board of Directors