

FRAZIER PARK PUBLIC UTILITY DISTRICT
3801 Park Drive - Frazier Park, CA 93225
Frazier Park Area Water System Community Meeting
TRANSCRIPT FOR SATURDAY, OCTOBER 15, 2016, 1:00pm
Schoenberg/Gipson 5/0/0
Transcript Approved on February 9, 2017

CM = Community Member.

[...] = Words not audible on the recording.

Director Neyman: Welcome to the Frazier Park Public Utility District Meeting. Thank you for being patient. We were waiting on a few people to arrive. This is a Proposition 218 Community Meeting. October 15, 2016 at one o'clock. Call to order of the Directors. Director Garcia.

Director Garcia: Here.

Director Neyman: Director Schoenberg.

Director Schoenberg: Here.

Director Neyman: Director Gipson.

Director Gipson: Here.

Director Neyman: And Director Neyman is here. I'd like to welcome everybody. I'm glad that we have the community out to receive some information, and to be able to give their view on things. I would ask that you keep your public share to five minutes. I do have a timer, which I'll be using. We would ask that you come up to the podium, and if you wish to state your name, you can. You don't have to, it's not a requirement. But it would be nice if you at least give your first name. Also on the public comments, if it's not immediate... because after the presentation there'll be a question, answer period. You could also give public comments then. So if you could hold them 'till the end, that's possible, if not then you can make your public comments. Also, just to let everybody know, that right now the Board has four people on a five member Board. We have an open position which there's been in the paper. We would ask that if you're interested in serving on the Board, that somebody come and put in a Letter of Intent, and if you want to attach a resume to it, we will review it. We had a Board Member that had to resign from the Board, so there's about two years left on that particular term, and so we're looking to appoint somebody to that position so that we can have a full Board. So, if you're interested in doing community service, and coming forward, and helping us out, that would be great also. And that Letter of Intent needs to be in by October 27th. So please think about that. At this point, we are open to public comments. Does somebody want to have a public...?

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Dave Gilman: Thank you Mr. President. My name is Dave Gilman, I'm a property owner here. Is this meeting only for the discussion of annexation for the water?

Director Neyman: This actually has nothing to do with the annexation. This is the Prop 218 concerning the rate increase.

Dave Gilman: Oh the rate increase. Okay.

Director Neyman: Yes.

Dave Gilman: When was the last rate increase?

Director Neyman: It was.... I don't know the exact date, but it was about what, Jonnie, two years ago?

Tiffany Matte: June 2014.

Director Neyman: June 2014.

Dave Gilman: Okay, I thought it was for the annexation so I have no other questions.

Director Neyman: Okay. Anybody else?

Bill Dykeman: My name is Bill Dykeman. I live up on Summit Drive. I'm a property owner up there. I mostly got a question for you, and I've got to explain it though. I got six of these letters from you guys, not one. My tax bill comes that way too, so, you done scare me to death. Can I ask my question?

Director Neyman: Okay, go ahead and ask your question.

Bill Dykeman: About 15, 20 years ago, we had a meeting like this, and what they wanted to do then was take all those lots, and all those things and put a water bill on those for every piece of property whether one house or what. I got one house up there. But I got about 20 little 50x50 lots I bought the thing that way years ago. My question is, is that what you're about to do again? That's all.

Director Neyman: Go ahead. Director Schoenberg.

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Director Schoenberg: No, that's completely... That is a Prop 218 that you have to do, but right now what we have on those lots is something called a Standby fee. It's \$5 a year, and it hasn't gone up for as long as I've been on the Board, and I'm sure years before that. I started on the Board in 2004. So, if we wanted to... We could never charge a full fee for that. You can raise the Standby fee, we would have to do another one of these Prop 218 rate study meetings in order to do that. It would have to be completely separate from what we're doing right now. The most that would happen on that, is that we could probably raise it, I don't know, \$5, or \$10 or \$15, \$20. Something like that. You can't do a.... Although I guess there would have to be some study. I don't know, John can probably answer that better. But it's completely separate. So those are called Standby fees, and that's for an undeveloped property that doesn't have a water meter.

Bill Dykeman: Thank you very much. I can sleep tonight.

Director Neyman: And the reason why you received one for each is because you own those separate lots, and so under the Prop 218 we sent notices to every property owner, whether it was undeveloped or developed. Therefore, they're listed separately so we have to send one out to each one.

Bill Dykeman: Okay, I'm all good.

Director Neyman: Alright, thank you. Yes. Just a minute sir, this one and then you'll be next.

Rex Worthy: Afternoon everybody. How are you all doing? My name's Rex Worthy, and I'm retired, and I'm going to have a fixed budget for the next five years. And I'm just wondering between 2017 and 2021, how much is my rate, and I'm paying \$40 now.

GM Allison: The rate right now is, per $\frac{3}{4}$ inch meter, is \$39.59. It's just gone up. So that extra money for that \$40 is your water consumption, what you've used in water.

Rex Worthy: So how much can I budget for the next...?

GM Allison: Well the Rate Study figured roughly around \$20 on average increase.

Rex Worthy: Okay. Per year or...?

GM Allison: No, \$20 per month.

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Rex Worthy: Oh, \$20 per month ok...

GM Allison: On average increase. But it seems like you use very little water so yours wouldn't go up as much, because you won't have the consumption there.

Rex Worthy: Okay. So the new rate will go up every year, not every six months, or every...?

GM Allison: The rate is monthly...

Director Neyman: No, any rate increase would be on a yearly basis.

Rex Worthy: Thank you.

Director Neyman: Also, and we'll get more into this as John gives his presentation, but just to be clear on this. This rate increase, Rate Study, has nothing to do with the annexation. So, what will happen... We're in the process of trying to get planning money for the annexation. And at that time, when we go to construction, and once we go to construction, then we'll have to take in and do another rate study, taking into account anything that has been repaired. Any money that we were able to obtain from the State. This is a stand-alone, the town paying for it by itself. Director Schoenberg, you have something to add?

Director Schoenberg: Yeah. One of the things that you should probably realize is, that if the annexation goes through, there are some items that were part of this study... In other words, capital expenditures that we have to do, like replacement of tanks. A couple of those would actually, possibly be taken care of with a grant, if the annexation goes through. What happened is, this has nothing to do with the annexation. When the rate study was done by John, and he'll talk about that, anything that we need to replace, even like 50 years from now, was taken into account. So any capital expenditure from now through 25 years, was placed within that Rate Study, so that's how these rates came to be. Potentially, if the annexation went through, there is a possibility that some things would be replaced by that annexation, and we would no longer need to have them on a capital expenditure. Therefore, that could actually bring rates down. But right now, because this has nothing to do with the annexation, the rates are stand-alone for everything that would need to be repaired as though we were not going to get any grants or any other sort of funding.

Fred Leighton: Hello, my name is Fred Leighton, I live on Iowa trail. The only thing I can't understand about this raise, is I can't drink the water that comes to my house. I can't do dishes with the water that comes in my house. The only place I can use my water is in the bathroom,

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and only because I have to. And I don't understand why, if I could drink the water and all, I would think that was pretty fair.

GM Allison: How come you can't drink the water sir?

Fred Leighton: 'Cuz it's almost like milk when it comes out.

GM Allison: No, we go through periods of where it's just air in the line. That's why we had to replace a well, because the air makes it milky. But the water quality is great. I mean, I drink it, my kids drink it. There ain't nothing wrong with the quality. When it's white, it's because there's air in it, and in the wells. That's the only thing wrong with it. We just did another water quality...

Fred Leighton: There's air where?

GM Allison: There's air in the wells, from the well when it's sucking it out of the ground, it puts air in the water, and that's the only reason why it looks milky. There's nothing wrong with it. The only thing in our water is high calcium.

Director Neyman: Jonnie, could you, like, explain to him what happened previously up at Well 4, before we brought Well 6 online?

GM Allison: Well, yeah. I think we still have some air in the line. Well 4, the old well was put in in the 60's. All the casings and the pipe plugged up so the water was cascading, it was trying to suck it from the bottom and it was falling in, and as it fell, it made the water turbulent, and it mixed air in it. So then the air gets in there, and the air pumps up to the tanks, and into your house. So that's why it looks like that, but there's nothing wrong with the water. We have to do monthly sampling, and submit the results to the health department, or State Water Board, and there can't be anything wrong with our water or you'd be getting a notice from the State Water Board telling you to boil the water.

Fred Leighton: So it's the people's fault?

GM Allison: People's fault?

Fred Leighton: Yeah, if they can't drink their water?

GM Allison: Yeah, because you can drink the water. It's perfectly good. There's nothing wrong with it. We drink it...

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Fred Leighton: You wouldn't drink it if I handed you a glass.

GM Allison: I just told you I do. Want me to show you?

Fred Leighton: Out of my house, yeah.

GM Allison: Well, I mean, what's in your house ain't my fault, but what gets to your house, it comes out of this tap right here and I'll go drink it right now for you. I mean if your pipes are old and it's causing issues, that's not my fault. But the water quality is good. I'll pull all the water you want out of the sink and I'll drink it.

Director Schoenberg: Sir.

Director Neyman: Director Schoenberg.

Director Schoenberg: What you might want to do is tell us or tell Jonnie at some other point if you don't want to say it out loud here, what your address is, so that we can see... If there is a water quality complaint, we have ability to check your water and find out what's going on.

GM Allison: What street do you live on?

Fred Leighton: Iowa.

GM Allison: Iowa. There's nothing wrong with Iowa. I would be happy to come and check. I'll actually come and pull a sample from your house, and send it into the lab and have it tested for you, but there's nothing wrong with the water anywhere in the District, other than just air in the lines.

Fred Leighton: It don't even look like water.

GM Allison: I don't know what's going on. Maybe the plumbing in your house is really old and there's something going on there.

Fred Leighton: I don't know.

Director Neyman: Okay, we'll accept public comments until 1:30, and then we need to have John do his presentation so that you can ask any questions you need to ask, because he has to leave here by 3:30. So, we have about 10 more minutes for open public comments, and then I

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would ask you to wait 'till the end of the presentation, and then if you have more comments and more questions then you could do so. So, anybody else want to... Or we'll get right into it. DiAnn? Sure.

DiAnn Dever: Hi everybody. Most of this town knows me either as DiAnn Dever or Grandma Dever. I've been here almost 50 years, and my husband worked for the water company here, in the 80's. I understand the water, the white water, the white coming out. We also once in awhile do get a smell of bleach. And I'm not saying anything but, when you open the tap, I can smell bleach. I have a good nose and I can smell it. I figure it's just being pushed through the system. Other times I take a shower, and out comes dirt. Okay, it goes down the septic tank. I'm not fighting any of this. What I worry about, two years ago the water was raised. Now we got a petition to raise it over the next five years. When that five years is over, we're going to have another raise of another two or three years. Pretty soon we're going to be paying \$1,000 a month for our water, and we're not going to have any water to buy because we're going to be out of water, because we're sending it away. I just have a suggestion, that if we do annex, if we do annex Lake of the Woods, put a meter at the end of Frazier going west. Register every drop going to Lake of the Woods. Charge Lake of the Woods for it, and let them pay the \$2,000 and let us pay our regular water bill. 'Cuz I don't wash clothes but every six weeks, trying to cut down on the water and stuff. I love all my water board, don't get me wrong. It's a hard job.

Director Neyman: Somebody else? Yes ma'am.

CM: I just have a quick question. First of all, we have a lot of people up here living on a fixed income. You also have a lot of people up here living on minimum wage, working two jobs, and you're going to double the water rate. The other thing I want to know, is you said a majority of the owners, you have to get letters from the majority, what is the majority? Because in your letter you said about 1300, what do you consider the majority?

Director Schoenberg: More than 50%.

GM Allison: We sent out approximately 2,600 letters, but we're going to have to refine that because we had to send them out, like that other gentleman said, we had to send them out to all undeveloped lots as well. We have 1,300 active connections, but we'll have to nail that down and it will have to be 51% of that.

CM: So you don't know the number?

GM Allison: Well, we're not counting them for another two months, until December...

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CM: The letters have to be in by the sixth of December, so...

GM Allison: Well that's what I'm saying. So we sent out the letters. We know how many we sent out. We sent out 2,634, whatever it was. We sent them all out. The reason why we don't have an exact number is because we have to wait and see how many come back that say, we don't own this property anymore, it's changed hands. Because the computer, the addresses we have, and the addresses we got from the County, the County Tax Assessor's Office gave us a list of the undeveloped properties, because we don't keep track of them. So we got that list and we got addresses, but we don't know if they're still current, if they're still good or not. So we have to wait and see how many of those letters come back that say undeliverable, take them off of our count, and then it'll be what's left that we have to count.

CM: Okay, so the undeveloped properties, do all of these undeveloped properties have water meters on them?

GM Allison: No, they don't. That's what I'm saying. That's why we don't have a record of exactly who the owners are. We had to get it from the Tax Assessor's office. We only know who's got a water meter that we built. The people that just own lots, we don't know. We had to get that from the County.

Director Schoenberg: By law, we can't send it out to just the metered, developed properties. We didn't know that because sometimes, way in the past, we used to send out just to the metered properties, but by the definition of Prop 218, you have to also send out to any property owner that has a developed or undeveloped property. So that's why it's a little weird, because our list of undeveloped properties has always been a little weird too, because if they don't have an interest in our company, if they haven't bought a meter, then we didn't even have a list of them. Now we do, because we've gone to get a list of every single owner in Frazier Park.

CM: Okay, so in order to get a majority of letters, you're not going to know until that December meeting what the majority is?

GM Allison: No, we're going to know long before then, it's just trying to finalize the list. Tiffany's been working on it, the master list, because when the letters come in, she's got to check off every one.

Director Schoenberg: And some of them are like the gentleman who came in, like he owns... We sent out five letters or seven letters or whatever, but it's only one owner. So that would be

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only one time that he would vote. He wouldn't be voting.... Right? Or is he voting for each of those properties?

Director Neyman: John, why don't you respond, and that way we have a better clarity.

John Van Den Bergh: The way the law is written is that each property owner has a vote. Okay, if a property owner has multiple lots, he has multiple votes. So the letters went out to all the property owners, regardless if they are customers or not. So now 50% of the property owners has to protest.

GM Allison: And renters. He'll explain it.

CM: Property owners with a water meter right? This what I... So just the property owner?

GM Allison: Anybody that owns a property, anybody who owns a property and has a meter, and all renters get a vote. Although if a renter and an owner voted, it only counts as one vote.

CM: What if the renter pays the water bill?

GM Allison: Then chances are, then the owner won't vote, but if he does... See it's a negative protest vote, so if your owner votes "no", and you vote "no", it only counts as one "no" vote. If the owner doesn't respond, or the renter doesn't respond, you still have the one "no" vote for that property.

Director Schoenberg: But if the owner votes "yes", and you vote "no", the "no" counts. It's a negative...

CM: As a renter. Because I'm trying to figure out, we have a lot of renters up here that actually do pay the water bills.

Director Schoenberg: Correct. So what I'm saying, is it's a protest vote so if there are two people at one address, an owner and a renter, and even if the owner says, "yes", doesn't reply, and the renter replies "no", the "no" counts. Or if the owner replies with some sort of "yes, it's a great idea", and the renter replies "no", the "no" counts.

Director Neyman: Yes DiAnn.

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DiAnn Dever: One quick question again. On this subject. I'm not 'gunna ramble off too much. I'll try to be good. The question is, so I own six properties in this town. I get your six letters just like the gentleman over here, and of course I vote on all six letters. What bothers me, on my area, up by the fire station is where I live, we have people that live in Sacramento, Arizona, all these other states, that own the property there. So, if they decide, if it was a "yes" or "no" vote, and they decided "yes" because they don't give a d*mn about Frazier Park. They moved away. We're sunk, because the people that live here, that pay the water bill, that have a water meter, don't have enough votes, because the empty lots out voted them. Is that what you're saying?

GM Allison: It's not a "yes". We're not counting any "yes's". It's simply a "no" vote.

DiAnn Dever: Yeah, but I meant if they don't reply, and there's more empty lots than resident lots, in this town, we've lost without a vote. Am I right? Okay, thank you.

John Van Den Bergh: So if the property owners of empty lots send in a "no" vote, yes, that counts as a "no" vote towards the 50%.

DiAnn Dever: But if they didn't send it in...

John Van Den Bergh: If they didn't send it in, then they didn't protest, so they don't count.

DiAnn Dever: Is there more empty lots in Frazier Park than people with meters? We've already lost because if they don't send it in, they're going for it.

John Van Den Bergh: That's the way the law is.

Director Neyman: And that's the way the law's written. Yes ma'am, would you like to...? And then we'll have to cut it off and let him get into his presentation.

Kris: My name is Kris, I'm on Hale. Mrs. Dever you're a perfect example for this. So she has six lots, and the thing is sending in letters is a "no" vote correct? So if Mrs. Dever sends one letter, is it going to count for all six lots?

Director Neyman: She needs to send in each six with each... it has the APN number on it. So when you send that letter in, she has to list the APN numbers. Now, I don't see a problem with, if she lists all six and says, you know, "I'm protesting with six votes".

GM Allison: She can do that. As long as they're all listed on the one page.

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Director Neyman: As long as they're listed on there with the APN numbers.

Kris: But is that clearly stated on the letter to those that have multiple...?

GM Allison: What it says in the letter is that you have to respond for that... So if there's a question about it in your mind, just write six letters.

Kris: Well I have one. I mean, I'm only one, but like people who have multiples that aren't here.

GM Allison: It does explain on the letter, to respond with the APN and address on it.

Kris: But they may be thinking that if they have 20 lots in a row, if they respond with their one address, it should count for all 20 of those lots.

GM Allison: No, unfortunately we're as clear as we could be on the instructions, including highlighting stuff, so I don't know how much better we can do.

Kris: I read the whole thing and that wasn't clear.

Director Schoenberg: Well, I mean the best solution to that, and somebody just said it, would be to ask, since the news is here, the newspaper, to ask if you could put something in the paper that clearly says that you need to either write all your APNs on one letter, or send in multiple letters.

Patric Hedlund: Yes, definitely.

Kris: Thank you.

CM: It said in the letter APN number or Account Number, so either one?

Director Schoenberg: Right. Right, because there's a different account number for every... So if you have multiple lots, but if you have a lot without a meter, that doesn't have an account number, so you have to put an APN.

Director Neyman: Okay, you'll be the last. Come up to the..., and then we need to get started on ours.

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CM: We have an APN number, and I did not receive a letter from you on those two lots. Can I write a protest on those two lots also, with my other properties, even though I didn't receive a letter?

Director Neyman: Absolutely. What I would ask you to do, if you could come in and see Jonnie on Monday, or Tiffany, and they can verify it, and then the answer to you is yes.

CM: Oh I got a tax bill with an APN number.

GM Allison: Some people like me, I have two lots, they're separate, but my inlaws, they joined them. I was kind of worried about that a little bit. How many people got separate votes for lots that are joined.

CM: Well if you have two APN numbers, they're not joined. They're separate lots. I get a separate tax bill. There's no meter on them.

Director Neyman: Okay, at this time we're at number four, and I'd like to introduce John Van Den Bergh. He's from RCAC. He is the gentleman that assisted us with doing the Rate Study. And, thankfully, RCAC was able to do it for us for free. Normally, a Rate Study would cost like \$25,000, \$30,000. And so, Frazier Park did not have to pay for the Rate Study. And, they did this for us. So, I introduce John Van Den Bergh.

John Van Den Bergh: Thank you. I work for RCAC. RCAC stands for Rural Community Assistance Corporation. What we do is, we help small communities, like Frazier Park, deal with their issues, and in this case, it's the Water Rate Study. We get our money from... We have several contracts with the State and with the Federal Government, and that's why we can do these things for free for you. The goal is to stay in compliance with all the rules and regulations. And part of that is to be able to have enough money so you can do the things that you have to do, to provide clean water to you. That's the responsibility of the Board. The Board, their main responsibility, is to provide you with clean water, and that includes a whole lot of things, most of which costs money. And that's where the Rate Study comes in. So why do we do a Rate Study? The most important thing is, you want to be able to provide water to your community, and to do that you have to stay solvent. Meaning, that you have to have enough money to pay the bills. Also, the reason why we do this study is because, Frazier Park is a Disadvantaged Community. Meaning that, you are eligible for grants and loans, however, the State says that your water bill should be between 1.5% and 4%. Right now, you're at 1.25%. What that means in government speak, is that you don't try enough to be self sustaining. Your rates should be

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about 1.5%. If you are 1.5%, the State says you are trying to pay, and trying to be self sufficient, and we'll help you with grants and loans.

Patric Hedlund: Because it's not clear on there, would you just please say if that is a median income, is that an average income? 1.25% of what?

John Van Den Bergh: Of Median Household Income. It's half of the families in this town, make more than that, and half of them make below that number.

Director Schoenberg: And what is the number you use John?

GM Allison: I think it's... \$43,000...

John Van Den Bergh: I have it somewhere in the computer. I don't exactly remember what it is, but it is below the disadvantaged level, so you are a Disadvantaged Community, which makes you eligible for grants and loans.

Director Neyman: Which under grants and loans means that, part of that grant will have to be a loan. And usually like what happened with us, we had, what was it a \$2,000,000?

Director Schoenberg: On our last USDA, which was a \$2,000,000 grant, we had to pay a \$1,000,000 loan as well.

Director Neyman: And so there's a lot of requirements that come in from the Federal Government that say you have to put away so much for interest and principal, and you have to put away so much for replacement of whatever they're fixing. So, there's a lot of different requirements that go along with that. So the cost of that can be very exorbitant. And we have to be able as a community, to be able to pay that loan back, in order for them to even consider any kind of grant for us.

John Van Den Bergh: The way the State works is, that when you apply for funding, they look at your Median Household Income, to see if you're Disadvantaged, and then they give you a combination of grants and loans. If you're Severely Disadvantaged, which you are not, you get 100% grants. Unfortunately you're not.

Director Schoenberg: But Lake of the Woods is.

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John Van Den Bergh: Ok, what are the consequences of not raising rates enough? The first thing... I have five things here that I'm going to go through. The first thing that happens is that you are eating up your reserves. You are very lucky to have some reserve funds. They're not enough, but you do have some. If you don't raise your rates, you're going to cut into those reserve funds, and eventually you're going to run out. You don't have the ability to pay your bills, and then you don't have the ability to maintain your system. And this is really real. Extra pressure from the State to consolidate with your neighboring systems. The State doesn't like all these small systems. There's going to be pressure on you to consolidate, and it is a double edged sword. If the State pushes you to consolidate, there is money involved. They will give you money for that. If you fight the consolidation, you'll probably win, but you're not going to get as much support from the State as you would otherwise get. The last resort is the State will take over. The State actually doesn't take over, they step in and they let somebody else run your water system. They get rid of the Board, you lose complete control at that point. And then the rates will increase and you will not get a letter that you can protest. The rates will go up dramatically. So let's look some little bit detail about what reserves are. Reserves are necessary funds that you need to keep your operations running. Debt Reserve is money that the lender says you should keep aside, just in case you cannot make your payment. You want that aside. You don't have any control over that. That is the lender. And you have enough Debt Reserves to operate. That's good. Operating Reserves is money that you keep in your checking account to make sure that you can pay all the bills every month until you collect on the invoices that you send out. And you have enough of that also. Emergency Reserves are things that you keep handy for when things go wrong. When something drastic happens, you want to have money to repair it right away. You don't want to go to Sacramento to see if you can get some money. You have to have things available, to fix the things that need to be fixed right away. And you have that money, that's great. What you don't have is Capital Reserves. Capital Reserves are money that you put aside for when things break down. For when the pumps wear out. You should put some money aside every month. When pipes need to be replaced you should put aside some money every month. And there, that's the biggest thing that I found. That you don't have enough Capital Reserves. I'll come back to that. Okay, if you don't have the ability to pay bills, you have cash flow problems, and in your case you should keep about \$125,000, and you have that, so you're good. And you should have some Emergency Reserves, and you have that. That's good. If you don't have the ability to maintain your system, you cannot provide clean drinking water. And I told you that, that is the main reason for having a Board. The Board's main responsibility is to provide you with clean drinking water. And they have to do whatever is necessary to provide you with clean drinking water, even if it is raising the rates. That's what they have to do, that's their responsibility. If you don't maintain the system, you have service interruptions, and you are non-compliant with the State Drinking Water Act. Non-Compliance with the Safe Drinking Water Act opens you to whole can

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of worms. It's a real... The State has changed the way these water systems are regulated. Before, they were regulated by the Health Department. They were much more open to working with water systems to try to make them compliant with the Safe Drinking Water Act; help you comply with the Safe Drinking Water Act. The supervision of these water systems has changed from the Health Department, to the Department of Water Resources. They have a different philosophy. They say it's your responsibility to comply with the Drinking Water Act, and if you don't, you're fined. And that's why the threat of fines is so much higher than it used to be. So, this is a serious thing that I'm worried about. Fines can come, and then legal action by the State. And the State is much more aggressive these days than they used to be. Okay, pressure to consolidate. When you apply for grants and funding from the State, you're required to look at the possibility of consolidating. Just looking at the possibility of consolidating. Now, if Frazier Park is not compliant with the Safe Drinking Water Act, or has a non-functioning Board, or they can't balance its books, in that case, the State will really force you to consolidate. So, if you want to stay independent, you really have to try to be compliant with all these regulations. Otherwise, the State has the tools now to force you to consolidate. So far, you're okay. But my concern is, if you don't raise enough money to maintain your system, you're not going to be compliant. And then the State is going to come after you and try to force you into consolidation. So the State may force you into doing consolidation. Okay, the last resort that the State has is that they take over. It's basically the bankruptcy of the District. You're still far from that, but I want you to be aware of the consequences. And that's what happened in Flint. They just took over, they threw out the Board, they put their own people in, and they will raise the rates without any public input, because they don't have to. They may force a consolidation. They put in new management, or they sell to private investors. It happens all the time here in the last year actually in California. The State says you guys cannot run your own system, fine. We'll sell it to private company, and you'll get a bill, and it's not pretty. So, the goal of this Rate Study is to allow you to keep operating as an independent organization. But you have to take responsibility for that. Okay. I work for RCAC, Rural Community Assistance Corporation, and I have an MBA in finance, but I've also been the General Manager of a water system like this, I've been on the Board of a water system like this. I'm a licensed Distribution Operator and a licensed Treatment Operator, so I really understand the ins and outs of this business. For RCAC, I do almost all their Rate Studies, and that's all along the U.S. coast. So I looked at... We're trying to make this as easy as possible, and that's why we proposed to spread out the rates over five years. I did not look at the consolidation with the neighboring system. I did not look at that at all. And, what will happen if the community decides to consolidate, is there is some money in Sacramento to help repair things. And, what I think is that, if the consolidation is eminent, I will do a new Rate Study. And I think the Rate Study indicates there are some [...]. Usually a larger system, rates go down. That really is the case, and that's why your rates here are higher than they are in a bigger town. That's the way it is.

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John Dever: I wanted to ask one thing. Is that considering the people you are consolidating with has a plus or a negative in their account, to supply water or repair their own system?

John Van Den Bergh: I'll show you a little later as to how I do a Rate Study.

Director Neyman: Can I interject something? Part of this Lake of the Woods consolidation, there is certain stipulations that are being put in place, that they have to comply with, before we would ever become one complete District. And one of those things, they just received, I think \$1,500,000 that they're getting ready to fix some of their pipes. They're also going to be putting in meters. They will be metered, and everybody there will be metered. Because I've heard now they're not. So that will be taken into consideration if we decide to consolidate, and they're already in the process of doing it. They've already received funding and they're already working on that.

John Dever: They'll be a plus instead of a minus?

Director Neyman: They'll be a plus instead of a minus, yeah.

Director Schoenberg: Or we would say no.

John Dever: Well you never know. If the government makes you consolidate with a negative...

Director Neyman: That's a whole different story.

Director Schoenberg: Then you don't have a choice.

John Dever: Yeah, you don't have a choice.

Director Schoenberg: But right now they're not making us consolidate, they gave us money to consider the possibility of consolidating, which is where we got that last grant from, and that grant has allowed us to look at the possibility, see what we might get out of it, and so we haven't said "yes", I mean we've done all these things to a certain point, but now they have to go to the next step, which we would ask for money again, to do the planning.

John Dever: The only reason I ask is by the time we get to the end, I'll forget what the question was.

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Director Schoenberg: Yeah, and that's fine if you have something that you want to ask in the middle of the presentation. We're just trying to hope that he moves along because he has to leave at a certain time. I think there was one other gentleman that had...

John Van Den Bergh: Let's wait another 10 minutes or so, I'm almost through. So, tough decisions have to be made, and I don't envy this Board. This Board is really trying hard to do the right thing for you. I've worked... I think this is the seventh time I'm here. They worked really hard with me on trying to find the best solution possible. And, I'll show you how we did it. The guiding principles that I used is that, your system, first of all, your system must be sustainable. Meaning, you have to have the ability to continue to serve the community. It has to be fair. There should not be anybody that pays more than somebody else for the same kind of service. Also, it should promote conservation. Meaning, no free water. And it should be justifiable. And this is really, really the crux of Prop 218. We can only use numbers that the accounting records tell us are justifiable. It doesn't cost a penny more. In fact, these rates don't even cover all the expenses. We'll talk about that a little later.

Director Schoenberg: He said that doesn't cover all the expenses, it gets you to a point where you're sustainable, but it doesn't necessarily get you to the best point that you could be at.

John Van Den Bergh: We're relying on other people's money to balance the budget here. So, we'll talk about that. Okay, this looks complicated but it isn't. The yellow boxes are things that I got from the accounting department. A list of all the assets. Okay, we went through all the assets. All the pumps, all the valves, all the lines, all the tanks, all the computers, the trucks, everything. And we said, okay, how long is this piece of equipment going to last? Each piece. Then, how are we going to pay for the replacement? Well, three ways. Cash, grant, or loan. No other way. So we looked at each piece, and we said, okay, we think we can get a grant for that, or I don't think they are going to give us a grant, they are going to give us a loan, and if that's not the case, we're going to put some cash away. So, line by line, by line, by line, we went through all the pieces. Which told us how much money we have to set away every month to cover all these replacement costs. And that's what we call our Capital Reserve. That's the money we set aside to replace the tanks when they wear out. So, we looked at all the assets. We calculated the reserve, and we are putting a five year forecast together. Okay, then from the budget... The budget... This summer, the Board and the staff worked on creating a good budget, and they had public hearings about it. And I just took that budget, and I looked at it carefully, and there is no fat in there. I went through it, and there's nothing there that should be cut. So, we adjusted that a little bit for inflation, and we put it in our five year forecast. Then, we looked at the expenses of the budget. There are two types of expenses. Ones that are fixed, and ones that are variable. Fixed expenses are like insurance, they don't change no matter

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how much water the District sells, it doesn't change. The electricity, the more water they sell, the more water they pump, that varies with the electricity, with the amount sold. And most other expenses are somewhere in between. So, remember on your rate you have a base charge, fixed amount, and then you have a usage charge, that changes per gallon, or per cubic feet, I think its cubic feet here.

Tiffany Matte: It's 1,000 gallons right now.

Director Schoenberg: It's gallons, but we're going to try and change it back to cubic feet, because it's very confusing to most people.

John Van Den Bergh: So the District has fixed expenses that don't change, and they got variable expenses that do change with the amount of water sold. So we separated those, and the fixed portion becomes our usage rate. So, the fixed portion that you pay every month, that covers the expenses that don't change every month. Okay, and the variable expenses are covered by the usage rate. So, the fixed goes to the base rate, and the variable goes to the usage rate. Then we looked at all the sales, not in dollars, but in gallons or cubic feet. We made some adjustments, and then we used these calculated rates to come up with the revenue forecast, and we put that into our five year budget. And then, we saw if the budget balances or not. And in the beginning it didn't balance, but then we had to adjust these rates, run our revenue forecast again, until the budget balances. And the way now it works, is that the first year, our budget still doesn't balance, but over five years we get to the point where it balances, and we'll reach the 1.5% of Median Household Income that makes you eligible for grants. So, these are the rates we came up with. These are the old rates, and these are the new rates. So, the fixed, or the base charge, \$39, to \$55. And this is just the first year. So, every year for the next five years, it will be another 10% of that.

Director Neyman: And most people are on a ¾ inch meter.

John Van Den Bergh: Yeah, most of you are on a ¾ inch. So, the usage charge is \$1.60 now for 1,000 gallons. It went up to \$2.60.

Director Schoenberg: Can you explain, John, the way that you figure the difference between the ¾ and the 6 inch, that makes the rates go up such a high percentage for the greater diameter of the pipe?

John Van Den Bergh: The base rate covers the fixed expenses of the District. It doesn't include any water. A ¾ inch meter has the potential of drawing a certain amount of water per

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minute. A 2 inch, all these larger meters, have the potential of drawing much more water. So, what we've done, we've allocated the base charges, the fixed charges, among the meter sizes according to their ability to draw water. So, this is about 80% more, that's because the 1 inch meter can draw 80% more than a $\frac{3}{4}$ inch meter. A 2 inch meter, can draw about three times as much as a 1 inch meter. It's just the way it is. So, the people that have large meters now, they're being subsidized by smaller meters, which is not really fair, because they have the potential of drawing much more water. So here, remember our Fair Principal, we want to be fair. People who can draw more water, get charged more. So, it's just a mathematical formula.

CM: How many places have a 6 inch meter?

John Van Den Bergh: I think one.

CM: Which one is that?

Director Schoenberg: The school.

CM: The school can't afford that.

John Van Den Bergh: Okay, the whole principle is to be fair. Maybe the school doesn't need a 6 inch meter. I don't know. But, they have that potential of drawing so much water. And Jonnie has to provide that water. And he has the system designed to provide that much water.

CM: Does the school have that 6 inch meter?

Director Schoenberg: The school is the only business that has a 6 inch right now.

CM: They have fire sprinklers at that school?

Director Schoenberg: Yes. By law, I think they can't drop their meter to a smaller size because of fire protection. So, the library also I think has a 6 inch meter, but they don't use it. It's just there for fire protection. They're actually using a smaller meter. But I think the school is actually using the meter that they're required to have for the fire protection.

CM: Do we all have a $\frac{3}{4}$?

Director Schoenberg: Almost any resident, unless you specifically ask for a larger pipe, is the $\frac{3}{4}$. So, most of the businesses in town are 2 inch, but there are some 4 inch too.

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GM Allison: Almost every business in town is a 1 inch. There are 77, roughly, 1 inch meters for the businesses in town. There's a few that have bigger than that, but there's not that many that have 2 inch.

John Van Den Bergh: So, with these rates, you balance the budget in five years. Ending by the fifth year, there is enough money set aside to maintain and replace the water system, and the affordability levels are 2.64% of Median Household Income. In the fifth year. So you qualify for loans, you have enough money set aside to replace pieces of equipment that need to be replaced, and you have a balanced budget. That's the goal.

CM: So, just because you have a larger meter, doesn't necessarily mean you're going to be using a lot more water than a smaller meter. They might run theirs all the time, and you run yours very little.

John Van Den Bergh: Well Jonnie has to provide for the potential. If they turn on their 6 inch meter, Jonnie's responsible...

CM: But you're basing that on the potential, not the actual usage.

John Van Den Bergh: Yeah, that's right. If they don't need a 6 inch meter, they shouldn't have a 6 inch meter. But they do.

Fred Leighton: Do you take into consideration people's residences?

John Van Den Bergh: Well residents, they go to the \$55.

Director Schoenberg: I don't think we have any. Do we have any residences with a 1 inch?

GM Allison: Yeah, there's a few people with a 1 inch, but that's because they've done business or are zoned commercially, and they had the 1 inch put in. There's at least 1,200, ¾ inch meters. The majority of everybody's on a ¾ meter in town. There's roughly 77, 1 inch meters, there's a few 2 inch, there's one 6 inch. So the majority of the town is ¾ inch meters.

Fred Leighton: Well, what I'm trying to say though, if there's five people living in a house, they're going to use a lot more water than one person.

GM Allison: And that's where the consumption fee comes in. Then, the usage fee, which he is going to cover, will charge per 1,000 gallons of water that goes into that house. Somebody like

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my mom, that uses very little, is going to be paying a lot less than somebody with a family of five, that does watering of the grass. You know, people that use a lot of water, they're going to be paying more.

Director Neyman: Tommy, you had a question.

Tommy Hastings: Yeah, I'm curious. To my understanding, the Prop 218 Rate Study is, that people that will pay more, get their vote counted higher. So if you're on that 1 inch main... Is that correct? The way I understand it, you'll get almost two "no" votes compared to the one "no" vote on a $\frac{3}{4}$ meter?

John Van Den Bergh: No, it's per parcel. If it is a 1,000 square foot parcel or a 10 acre parcel.

Tommy Hastings: As I understand it, I'm just reading what's underneath the California State website, legislation [...], and it talks about that. That if you're going to pay double, then you'll get two votes, versus that one vote, based on standard rates. I can show it to you, that's just what I read. But the way you guys are construing it as of right now, it's just one vote per parcel.

Director Neyman: Yes.

John Van Den Bergh: Yes, unless they have multiple parcels, which they probably do. Okay, we went through that. Tough decisions, I know. It's hard. I can tell you though, that this Board and staff has really tried hard to try to make this work. And that's why we're spreading this out over five years, and we squeezed as much as we could out of it. But these are the numbers.

Director Neyman: Can you go to the podium please?

DiAnn Dever: Hi guys, I'm back. I was quiet. Okay, a couple of questions. First of all, I love all of my Water Board people. You're individuals and you're at least sitting here and staking your job. I just had a few questions I wrote down here for myself because I forget. If we get forced into merging with another water company, why would we even look at one like Lake of the Woods, that had no water? We would want to merge with L.A., that might give us some money. But I mean, because I'm an accountant, I see your diagram very well. I see money. Okay, to my personal looking at that as an accountant on your diagram, and what you said on the budget, on the inch pipes, okay $\frac{3}{4}$ pipe is all our residents here, most of us are fixed income. Okay, 1 inch pipes are some of our businesses. Why is it, in my mind as an accountant, the businesses are making money. They're selling me something in that business. I'm going in to eat, I'm paying to be in that place. Okay, they're making money. Sure, they have to pay rent

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and stuff, but they're still making money. A lot more income than I'm making at \$512 a month. Why can't we give a break to the little guy that's in a house, and raise the business a little bit? They are making the profit more than we are.

Director Neyman: If they have a 1 inch, they are getting...

DiAnn Dever: But I meant... What I'm saying is, I don't see... Okay, that's 92, I see the 92 and the 55, and they're 'gunna go up. But, the 92, they're still going to get profit. They're all going to raise their meals, they're going to raise... Every time you raise that 92, the burritos are going to go to \$10. Guys, we're going to pay more. Okay, we're not getting no more income in, but they're going to be able to afford that, where the little guy over the next five years is not going to be able to afford it. I'm just personally thinking of the residents here. Nobody else. I understand businesses come and go here, I've been here for almost 50 years, my husband's been here over 50 years. I met him and married him in this town. And truthfully, we've seen so many businesses close, move, come back. Close, move, come back. Our kids closed, moved, and came back too. I mean our kids have come back, and they live on our street. What I'm saying is, I don't want to see us run out of water, by feeling sorry for, like say, Lake of the Woods. I'm sorry. I love my neighbor in Lake of the Woods, but do you know in 1970, when my first inlaws went to move there, when I lived in Lake of the Woods, Ray Mayroy realtors, who sold the properties up there, informed everybody that lived out there, they could only build on every other lot, or they would run out of money. And they knew that in the 70's... Out of water, sorry. They knew it in the 70's. They did it. Now, if we don't watch it, I can understand the rates increase. Don't get me wrong...

Director Neyman: DiAnn? DiAnn, I'm going to have to stop you for a second. This Rate Study has nothing to do with the annexation of Lake of the Woods.

DiAnn Dever: I know, but what I'm saying is... If you go into any big business, I don't care, Ralph's, little Bernadine's Market, or Frazier Park Market. They would get more help for running theirs, than you would from Wal Mart. Because Wal Mart's more substantial to make it on their own. I understand grants and loans, but what I don't understand, is over the five year period, you're taking the food out of the people's... Like I personally would work on this Water Board for free, if it meant everybody in this room could live here. What we're doing is chasing out every resident in this town, and everybody's going to move, and then you're going to have six of us who can't afford to move, but we won't have water, but we're still going to be sitting in our house, trucking our water in on our trucks. And I've seen it happen in Oregon.

Director Neyman: Thank you DiAnn. Director Schoenberg.

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Director Schoenberg: I have that exact same issue that you're having. Even more so because of the school, because when I saw that amount, I just really couldn't even fathom it, but you know, what John explained to me and what I had to understand, which is why it went forward even though... My vote has to do with a few different things, but what he was explaining is, for the 218 it has to be fair, and if you say, "Oh the customers...". Because that was the first thing I thought. Why can't customers pay a little less, small business pay a little less, big businesses pay a little more, you know I had it all like... But you can't do that. So that was what he explained to me, because I had that same exact thought.

DiAnn Dever: And that's under the Proposition 218.

Director Schoenberg: Because it has to be fair. You can't just pull... What used to happen years ago, before Prop 218 existed, is that when a Water Board tried to raise rates, they just made stuff up based on... And I know because I was part... You just sort of said, you know, this amount for this, this amount for that, it wasn't based on any kind of fair or equitable... So even though his chart here seems really outrageous, it's based on some sort of fair and equitable scale, whereas the way I wanted to do it, is not based on anything except my emotional thoughts about stuff.

DiAnn Dever: Well, he said the standard household income of \$43,000.

Director Schoenberg: Right, so he based it on the income.

DiAnn Dever: But Frazier Park income in this town is probably less than standard.

Director Schoenberg: So that was the other thing I was going to say, is there is a way... There's going to be another Rate Study that comes after this, but one of the things that's going on is, we can ask for a survey. It could hurt us or it could help us. We haven't done a survey in about 10 years I think, what the actual Median Income is. It's taken from the census. A lot of us are really paranoid to give figures to the census, so I don't know how real those census figures are or not, but I'll tell you, even when we did the survey, a lot of people didn't answer it because they didn't like giving a governmental entity, agency, information about how much they make. If we could actually do a really balanced survey, I believe that we would be a Severely Disadvantaged Community, but that's my own personal belief, hold on one second Jonnie, but we haven't done that survey yet. That survey can be done, but that survey could also backfire on us because maybe I'm completely wrong, and maybe the Median Income is really \$45,000 and then we won't even be a Disadvantaged Community. So there's no way to really know that, unless you go through that study, and it has to be based on the amount of houses that actually

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answer that study. And if a lot of low income people don't answer that study, then the results are skewed. And I had one more thought, but now I can't remember.

GM Allison: I just wanted to point out, part of the reason why it's such a big increase right now, is because the Board, probably going back 15, 20 years ago... Everybody on the Board lives here, and the General Manager. And every time the need to raise rates came up, nobody wanted their neighbor, and their friends, and the people living down the street, to pay more. Everybody said, everybody's on a fixed income, we can't afford that. So let's change what the expert says, and lower that, and try to weather it, try to get by. The last guy that did the Rate Study told me the same thing when I talked to him a couple weeks ago, or a month ago. Well, I knew that it needed to be higher, but nobody wanted it to go where it needed to be. So, because it kept on getting put off, and put off, and put off, now we're at a point where we're at critical mass. Where we have the high bills, we have the problems with the pipe, we have the problem with the valves, we have the problem with the equipment. We have all these problems, but we don't have the money for it. We just had to pay a principal and an interest payment for our USDA loans, that was \$105,000. After we did that we paid our monthly bills, we were shy \$800 in that account.

Director Neyman: In our Operating Account.

GM Allison: So we had to transfer money around...

Director Schoenberg: ...From our Reserve Account...

GM Allison: ...to be able to make it, because all of this stuff... None of us like this. We all live here. None of us want to pay more. I don't want my mom to pay more, and myself, or anybody else to pay more. But we're at the point now where we 'gotta do the tough decision, and raise it to what the expert is saying it needs to be raised, so we can sustain ourselves.

DiAnn Dever: On that loan payment, is that monthly? Biannually?

Director Schoenberg: That was a interest and principal payment that's every October. We also have an interest payment that happens in the middle of the year. But the one we just paid was an annual interest and principal, on all of the loans that we currently have. It's the two USDA... Actually it's three loans total. So it's three USDA loans that we got that we're paying interest and principal on. But that is a really scary thought, because now, two years... Not last year. Last year we actually had enough money for whatever reason. The year before we

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actually had to borrow \$50,000 out of our Reserve Account in order to pay that interest and principal.

GM Allison: Well I know why we had enough last year, because we didn't know about those Reserve Accounts that we had to put in, and you were putting money into the Reserve Accounts, and that took money out of the...

Director Schoenberg: One of the things that happened is we were... Our accounting people did not tell us exactly the correct amount that we needed to be putting... It's really hard. They give you these bond books, and you have to figure it out yourself. And so we finally figured out exactly how much we were supposed to have in each reserve. What he's talking about, the loan reserves. The banks make you put in a certain amount to cover, in case we go belly up, they want us to have money in a bank account...

Director Neyman: So they get their money back.

Director Schoenberg: They get their money. So we were short on that. We actually weren't paying money into those Reserve Accounts the way we were supposed to be, so last year in order to catch up, we paid extra money in, so that we're at the... So right now we're exactly where we're supposed to be, however, we didn't have enough money to pay our loan without borrowing from the reserve this year.

Frank Durso: I don't know how much information the Board gave you. Alright. But I do know for a fact why the meter rates are going to \$55 a month. For the simple reason, this is a yes or no question for Lisa, because it has to go to \$55 so we can get extra grants. It could be cheaper, but to get the extra grants, it has to go to \$55. Yes or no Lisa.

Director Neyman: Yes.

Director Schoenberg: No.

Director Neyman: Well, according to Self-Help, if we're going it alone...

Frank Durso: I have insight, I know.

Director Neyman: If we're going it alone, we have to have a minimum...

Frank Durso: No, for grants.

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Director Neyman: We have to have a minimum base rate of \$54 a month, in order to qualify for any kind of grant/loan combination to continue to upgrade and fix our system. And, without having that, we don't even qualify for...

Frank Durso: Right, but you don't need to raise the water rates, you just raise the meter rates, and you're eligible for the grants.

John Van Den Bergh: No, this takes us to...

Director Schoenberg: What? I didn't understand that.

John Van Den Bergh: The way this is calculated...

Fred Leighton: [...]

Director Neyman: Let him talk please.

John Van Den Bergh: There are standards now. Recently... These Rate Studies are based on American Water Works Association standards. AWWA. Their standards set, and these standards hold up in court. I am willing to defend these rates in court (John indicates proposed rates). I am not willing to defend these rates (John indicates current rate). These are made up rates (John indicates current rate) . These are calculated rates, based upon all the information that I asked for from staff, and I got from staff (John indicates proposed rates). So, I feel very good about these rates. I can defend these rates.

DiAnn Dever: I think what he was trying to get through... Okay, to be able to get your grants and loans, and grants are fantastic, we don't pay them back. I'll go for 100 grants guys. I'll walk to Sacramento to get grants.

Director Neyman: But the problem is, as a Disadvantaged Community, it's always a grant/loan.

DiAnn Dever: I know, but what I'm saying is, on your \$55, what he was trying to get through, why can't you just raise the \$55, but instead of raising the gallons up so much, take a lower amount for the gallons, over the \$55? Get your \$55, I'm just explaining what he's trying to say.

Director Schoenberg: Can I just answer that? I understand what you're saying Frank. The issue is, is that there's a certain amount of money you need, to get grants and loans. That's less than what's there. That's 54. But this isn't based on getting grants or loans. This is based

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on not having the possibility to get grants and loans. This is based on what we would need to have, should we... Because there's no guarantee on any grants or loans. So this is...

Director Neyman: And we need new equipment, we need new vehicles, we need... I mean all of our vehicles are falling apart.

CM: Fix them.

Director Neyman: We have been fixing them, and it's causing us more money to fix these vehicles...

Director Schoenberg: Can I continue talking?

Director Neyman: ... So the reality is, is we have to have some money to be able to continue to operate. We don't even... The dump truck is, I don't know how many years old. It's completely almost non-usable.

Director Schoenberg: So yes, I mean, there's a part of what he's saying that's correct, in the sense that in order to get grants and loans you have to have a certain... What he was saying. You have to have 1.5%, which we have been under that. We're at 1.25%. The bigger issue is, that he did these calculations based on the fact that we may never get another USDA grant, and so what would it take to keep the water company solvent if we never get another grant. My issue, if you look at my vote, was because we can get another grant, but a lot of you guys are against that. That's that annexation. I'm not for it if they don't come up with a whole lot of different things. It has nothing to do with his calculations, but if the annexation happened, the State has this \$13,000,000 carrot that they're dangling over our heads. And they're saying you can get up to \$13,000,000, 100%, because they're a Severely Disadvantaged Community. You're only a Disadvantaged Community. And then we wouldn't have these rates this high, because they would actually pay for a water tank that needs to be replaced. They would pay for piping that needs to be replaced. Not everything in the town, but there's a small portion of the town that would get paid for. Am I sure that's going to be like a great idea? No, I'm not. I'm not absolutely sure, and that's why they gave us this grant to do this pre-planning. Then we're going to try to get another grant to do planning. We're still not 'gunna be annexed with them, unless all that stuff makes sense.

Director Neyman: Then we would have to get construction funds.

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Director Schoenberg: Then we would have to get another grant to do construction because we're not going to pay for it out of our pockets. Because we can't afford to. Then our rates would be, you know, \$300 a month or something. So, it's hard though, because it's like, if we don't do something different that allows us to get grants and loans, this is absolutely what we need to do in order to be solvent. If we do get some grants and loans, maybe we'll get another USDA grant. I mean, our issue is when I was... Because I voted "no" on this. But I voted "no" because it feels overwhelming to me. But I also know that the reality is, this is what we have to do if we don't like annex, or get other grants or loans in this town. You know, because this is what our expert has said is what we absolutely have to do to stay solvent. I'm hoping that we can do something else so that it isn't this five years from now. Because I certainly don't really want to be paying whatever it is, \$100... What is the five year amount? 80 something a month. You know, I'm on a fixed income too. I'm disabled. You know, I understand that if we don't move forward, or we don't get grants and loans, if we don't do this, the State could also force us into consolidating with, who knows, like Tejon-Castac. I don't know. Something we really don't want... Or takes us over.

CM: I just want to state first of all, say thank you to all you guys for your hard work. If you don't stay in compliance, and the State steps in, I think this is what happened up in Lake Isabella. We just sold a home about a year ago, because I couldn't afford the water rates up there. It jumped from 1.6 per CCF to 8.2, \$8.02 per CCF. So I'm just saying, you 'gotta stay in compliance, and that's with the smaller rate...

Director Neyman: So what was your monthly bill, so that people can understand?

CM: You know, I didn't live there. It was a rental property that I had bought for retirement, but when I calculated it, with the swamp cooler, \$800 a month. If you're running a swamp cooler.

CM: I'm only paying \$30 in Lake Isabella a month.

CM: Yeah, we're out in Onyx. What they did was when Cal Water came in, they did all the upgrades on everything, the repairs and the upgrades and stuff. They passed it on to the smaller portion of the community. It's still Cal Water. All of like Bakersfield and everything is Cal Water, but they didn't get that rate. They looked at the repairs, and keeping it upgraded to their standards, and then they passed the cost on to the smaller community. Like what we're looking at here. So, you think these are high, check around the State and see what everybody else is paying.

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Director Neyman: And I'd like to say, you know, we as a Board, I don't want to see the rates higher. And we're going to continue to work to try and keep the rates down. That's what our goal...

CM: If you look at these rates, and the rest of California, it's in the ballpark.

Director Neyman: Our problem is, there's so much inflation on any kind of materials, and anything put in... I mean it cost us, the new well costs, we were lucky enough to get an emergency grant which gave us a half a million dollars, and that didn't even cover the cost of the well. We had to actually shut down one of the wells and take some parts out of it, and we had to do some of the work ourselves, and we had to build the dog house ourselves. That covers the well. And we had to put in that money too. So it cost us over and above the \$500,000.

CM: I just want to say, these people are working really hard, and you need to appreciate your Water Board. Because if it goes out of your hands, if it's a large company like Cal Water or something, they're not going to take the little individual town hall meeting, and they're not going to care what your rates are.

Director Garcia: Thank you.

GM Allison: I also wanted to point out to everybody that, we're not asking for the increase so we can just spend money at will either. Our District, we shut down the office one day a week, we're only open four days a week to cut back on cost. We put off replacing our dump truck for the last few years, even though it's a safety hazard. We put off a lot that we can, we kept wages down for the... The guys in the field and the office make less money than any other District on the hill. Everybody here is fully aware of the pinch that this brings. And everybody's been making the sacrifices, and we've been trying to cut back as much as we can on everything that we can. But unfortunately, people like Edison, and our supply companies for the clamps, the Gas Company, everybody else that goes into this, they don't care about our fixed income.

Director Neyman: Even permits for the State have like, doubled or tripled.

GM Allison: For Everything. The oversight from the State Water Resource Control Board, for our water quality. Nobody takes into consideration that we're a small community with a fixed income. Their prices continue to go up, and we're trying to keep them down, but at some point, you can't.

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Fred Leighton: People [...] are on a fixed income too.

GM Allison: On what?

Director Neyman: Sir, you wanted to come up and say something? Come up to the podium please.

CM: I just have a question for Jonnie. Did you say you were on four days a week?

GM Allison: Yeah.

CM: You're still working 10 hour days then?

GM Allison: Well the office... Yeah. Tiffany only works six hours a day. The front desk works eight hours a day. The guys work 4/10s in the field, because we still have to accomplish stuff in the field. But the office we can close one day a week to cut back on that cost.

CM: I saw them over there working today.

GM Allison: Yeah the guys worked, well, they were getting ready for this, but one guy has to be actually actively working on weekends too. And then there's a backup guy that has to be available to help in case something happens. But really, all of us are on call all the time. There's not the constant...

CM: Well, 4/10 is a good shift. Everybody wants that.

GM Allison: Yeah. It's good for everybody.

CM: [...]

GM Allison: Yeah, it's true but they can still drop money into the dropbox.

CM: But it's not added 'till that following Monday.

GM Allison: Well that's true, but if they're paying late, and they're 'gunna get a late fee, we process the payments the following Monday, before we add the late fee.

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Director Neyman: Okay, John only has an hour left, so we need to get him, so he can finish up his presentation. Oh, you're done.

Director Schoenberg: He's done, yeah.

Director Neyman: Okay. DiAnn, again.

DiAnn Dever: Oh I love you too. Okay, what I was thinking. I know people don't like to give personal information. I don't like to tell people my personal information, and I hate filling out surveys. So, I'm sure everybody feels a lot like me. But, if you got a letter with the water bill, let's say, like you send out, and say please take a minute to fill out this survey for your... We're surveying only homes with water meters, to decide if the raise is properly adjusted for the income of this town. I think more people would honestly put their income down. If they thought it would honestly help.

Director Schoenberg: But we can't actually use that legally. The only legal way we can do a survey, is it can't even be done by us. It has to be done by like a third party that you hire, like somebody from the State. And they go around, like literally like the census, door to door. It has to be a certain amount of houses in each like, quadrant. Like it can't be all from one side of town, or, you know, they do some scientific thing in order to actually find that out. We did it years ago, right before I got on the Board, I think.

DiAnn Dever: Well could you hire, like they do for a lot of surveys, they hire college students? Like surveys are ran by volunteers and stuff.

Director Schoenberg: It can't be done by us at all.

DiAnn Dever: Because it can't be a bias.

John Van Den Bergh: RCAC, the company that I work for, we have a special department that does these Median Household Income, and they're free also. Just a matter of asking for them.

CM: Then ask for one.

John Van Den Bergh: I didn't finish my sentence. You ask for it when you go for a grant or a loan. Then they take a look at that.

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DiAnn Dever: I meant, that was just an idea. Then if we came out, like you said, upside down, the town honestly made more money than we honestly thought we were making, okay. But the thing is, it would make us personally here, like you. We all think that we're a lot less than the average 43,000. I mean it's just a personal...

GM Allison: I'd like to also point out, that even though that would be nice, a big part of this really doesn't even affect the Median Household Income to an extent. A lot of this is the fact that to run the company, we have to charge this amount. It's an added benefit, and certainly a consideration over the five year period, to reach what we need to for the grant. But, right now the increase is to sustain the business, because of what it costs to run the business. What it costs for the repair clamps and all the work.

Fred Leighton: It's nearly a 50% raise.

CM: It's a 150% raise.

GM Allison: It's like I said earlier, if we had started 15 or 20 years ago, doing an annual increase, it wouldn't be a big chunk like this. That's what I'm saying. Nobody wanted to raise the rates to what was needed for a long time. Every time somebody thought about it, it was like, okay, well we need this, but let's only charge this, and try to get by. This system has been in operation since 1939. Most of the piping has been here since the 60s and 70s. It has long outlived its usefulness and the expectancy. That's why it cost so much to run around and try and put clamps on everything. So, even though this is painful, it wasn't done in the past, and if you continue to do this, well, let's go ahead and lower it, and let's hope to get by again, it's not going to work. We're 'gunna fail. When we only have \$800 left, when we're short \$800, and we have to borrow it from another account because we couldn't pay the bills, that's a problem.

Fred Leighton: Well what I'm saying though, I can't send a letter to Social Security and say, hey I need [...].

GM Allison: Well that's true. And we can't send a letter to Edison, and say we need to pay less in power. We can't send a letter to our supplier that gets our clamps, and say our District can't afford to pay this, so I need you to lower your prices. So, it's a fixed amount that we have to pay regardless. This other lady, she pointed out, there's some districts that have a bigger problem than us. They pay way more, because it's based on the size of the system, like John said earlier. For 1,300 connections, you have to split the cost of what it costs to run this District, amongst those 1,300 people. If you add 400 people, that's even better, because now you're

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splitting the cost between 1,700 plus people. So your rate goes down. There's districts that only have 300 people, that pay twice as much, because their issues cost more to fix.

Director Neyman: Okay. Director Schoenberg.

Director Schoenberg: It's even really hard to compare this District, even with other districts on the hill, because I had asked Jonnie, I want to see what every other district is paying. But some of them, they haven't been in existence as long, so their pipes are like, much newer, or they're taking fees or something, like Pine Mountain Club, they have homeowner's fees that they pay in. So, it's all different. It's really hard to even compare us to one of the other districts up here, let alone some of these other districts in other places. And I just want to say, I've been on the Board a long time, and I'm one of the people that's guilty of having held the rates down, because I totally get that people don't have the money to pay higher and higher rates. And one of the problems is, is that you know, this time I gave a really accurate idea of what needs to be replaced. In the past what we've done, even though tanks theoretically, they're supposed to get replaced every 25 years, we've been going, "oh, we'll replace them when they fail, or 50 years." And I even did that to John this time. I got mad. I said, "let's just forget the 25 years, it's too high. Let's go to some 50 years, or 75 years, or when it fails." Which is what we've done, and luckily we've gotten USDA grants when stuff has failed. We've gotten these emergency grants, and that's how we've gotten by so far, but I also realize, even though I voted "no" because in principle I can't afford this. But I also know that's what we need to do. So it's really sad because even though I voted "no", I guess in principal, hoping that maybe that we annex, or maybe we do something, or get more grants, or we figure something out where it's not so expensive, but the reality is, is if we don't get those things, there's no choice but to do this. So, I think we have held rates down while I've been on the Board. Even the last person who did a Rate Study, we weren't very fair to the person. Like John insisted that we not make up stuff, like what happened with the last person is, we didn't give him all the capital expenditures so that it would be lower. He didn't include the grants and loans. It was lower. So that way the rates didn't go up that much, but, anyway, sorry.

Kris: So my question. We talked about the increases, what all would this do? If we did these increases, what all would get fixed, and where would it put our reserves? Where would we be in five years? Because we're talking about doing another evaluation in five years with possible more pipes, so...

Director Neyman: If we annex with Lake of the Woods, we would be doing another 218 study, and seeing what we were able to fix...

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GM Allison: That would be long before five years.

Kris: Right.

Director Neyman: So that's probably going to be like two or three years out.

GM Allison: Right now the capital improvement for this, what was figured in, is just phase 1, which is a small amount of piping.

Kris: Okay, and that's year 1 you're talking about.

Director Schoenberg: No, that's over five years. So this didn't include all the stuff that, like every pipe we need to replace. There's no way.

GM Allison: To put it into perspective. We had six phases planned out, in theory, years ago. We've only completed two phases. We need at least another five or six phases. We only have one phase, with some pipeline, figured into these rates right here.

Kris: So this still wouldn't repair all the problems that we're talking about.

GM Allison: There's no way.

Director Schoenberg: No, what we included in this was the most critical parts of town. So all the things that need to be replaced in the next five...We did up to like 10 years for the pipes, right?

John Van Den Bergh: Well, what we did was, we looked at all the pieces of equipment you have, and when it was installed, and the normal life expectancy of that. And you can see, this dump truck is from '93, usually lasts 10 years, but you're already 13 years passed its useful life. So we said in one year we're going to replace that truck. And we're going to pay 20% cash, we're going to borrow 80% of it. And we did that with all of these. Let's look at another one. Here, a booster pump. From '65. They normally last 12 years. It's 39 years past due. Two years we're going to replace it. We're going to pay cash for it. What that shows is, for each piece of equipment, it tells us how much money we have to put aside every year, and that's what's our reserve requirement. And this list goes on, and on, and on, and on, and on with all the pieces of equipment. And it tells us when we need the money, in how many years we need the money, and how much cash we're going to put in it, and the rest we hope in loans. So, we looked at all the pieces, and every piece of equipment now has a plan to be replaced.

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Kris: So this is replacing equipment, but it's still not fixing the pipes and other stuff within the community?

John Van Den Bergh: That's right. This is the replacement of pieces.

Kris: Operating Machinery that's necessary.

John Van Den Bergh: Right, there is a line in the budget for everything.

Director Schoenberg: Actually, we did include some piping on the areas that we know are critical. Like, there's certain areas where right now we keep putting clamps, and clamps, and clamps. So we took all of the most critical areas, and they were also on this. But we couldn't do the entire town or our rates would really be insane. There's so much that needs to be replaced.

John Van Den Bergh: So we came up with six replacement projects for pipes. Every five years we do a portion. About a \$4,000,000 to \$7,000,000 project. We're going to get some grants for it. The farther you go into the future, the less chance for grants. Right now it's relatively good to get grants. It's going to decrease. The State just doesn't have the money.

GM Allison: I'd like to point out, because we had this problem with the last time we had a rate increase. It's relative as to what the worst part of the town is. Lisa's saying we took into account the worst part. The worst parts will not be covered in this. Only some of the worst parts are going to be covered in this. There's a lot of terrible parts of town that were not taken into consideration, because we simply didn't have the money to include them, even with these rates. There's just no way. And it ain't just a problem in Frazier Park, it's a problem throughout the United States. With the lifespan of the equipment, and pipes being out of date, and people not having the money to repair that or replace that. But, it is a start on what we have to do.

John Dever: I just had one minor question. A while back you guys sent out a letter, and on the backside of it, it showed your testing and stuff, but it said you hadn't tested for one entire year...

GM Allison: Nitrates.

John Dever: ...2015, for the whole year. What happened?

GM Allison: Well, what happens is we get a list called The Monitoring Schedule from the State. We sample for tons of things.

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John Dever: I know, I used to do it.

GM Allison: Okay, well, I send the list with everything highlighted to the lab. Tell them I need these bottles. They send me back the bottles. There's tons of bottles in ice chests. We go out there and pull the samples, and the nitrate was left off of there. Not by me, but because the lab didn't supply the bottle for it, and the paperwork.

John Dever: Nobody requested a new...?

GM Allison: No, historically, like John said, historically, Jesse Dhaliwal would call me up and say, "Hey Jonnie, where's the nitrate?" I had sampled it, but not before the end of that year. Jesse would call me up. Now, it's a lot more straightforward, and you get the letter. They had sent me an earlier email, and said you need to sample for nitrates, but I knew that I had just pulled tons of samples, and that I had requested that sample to be done. And, as another note, even though the sample wasn't done in 2015, as soon as it was done at the beginning of 2016, it was still good. The nitrate levels aren't 'gunna go... I mean the water was fine before 2015, and after 2015. They're not 'gunna go up and down, and cause a health hazard.

John Dever: Yeah, I was just curious because I have been here over 50 years, and in 2015 my water changed to where you could smell it. I have never had water I could smell, unless I went to Oxnard, California.

GM Allison: Well people brought up the smell of chlorine, is that what you're talking about?

John Dever: It's just terrible. I don't know if it's chlorine, my wife says it's chlorine. Well to me it's...

GM Allison: The chlorine, I don't know if you were chlorinating when you were on the Board, it's required by the State of California.

John Dever: 1970.

GM Allison: We have to chlorinate the water to prevent sickness and bacteria from being in the water, so we always chlorinate.

John Dever: But it's not all over town.

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GM Allison: There always has to be a residual in the water. I can explain it to you. The way it works is, we have to chlorinate, and we have to figure out what the best amount to add at the well is. So then at the farthest reach of the system, there's still chlorine in the system. Meaning, the people closest are 'gunna have a higher chlorine content, but still well below the level...

Director Neyman: There's a minimum level.

GM Allison: ... so that there can still be something... Can I finish? There's still something at the far end of the District. And, as far as the rest of it goes, we sample way more than you guys did back when. They constantly have us sampling for all kinds of things now.

John Dever: Because they used to come by my house to take samples, and they haven't done that for a year.

GM Allison: We take 10 samples every month, in the system. And the State has the sampling sites, of where it's at, the only ones we have changed since I've been here, in the last almost eight years, was the ones that people put in a water softener, or put in a fence, or whatever. But the point is, the State dictates whether or not we can sample from there. The State has a sampling plan, they approve it, so if your house isn't on it now, somebody else in your area is. The State oversees that every single month. So all of our water quality tests have come back good. There's not been any issues with our water quality in the entire eight years that I've been here. We haven't had boil notices. We've only had boil notices that were just precautionary because we've had a leak or we've had something to that effect. But, knock on wood, we have not had any water quality issues since I've been here.

John Dever: Yeah, we did it up until '15, at my house. Maybe we can get a sample. I live off High Trail, 4500.

DiAnn Dever: We're almost at the end of the water well system.

GM Allison: What street do you live on?

John Dever: High Trail.

GM Allison: You live on High Trail?

John Dever: Yes, 45 years.

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GM Allison: You live mid block?

John Dever: Yep.

GM Allison: I remember going to your house. You had it all wrapped up with all kinds of stuff, and it was difficult to sample from there.

John Dever: No, two years ago, or three years ago, when you guys were working on my system, you screwed up every valve in my house.

GM Allison: Who was working on your system?

John Dever: Up above us, somewhere.

GM Allison: We weren't working on your system. What I'm saying is, when I went to your house, and you had to tear everything off of there, I don't know if you ever took a sample or if you were just on the Board. But to take a sample, you want to get a representation of what's in the water. Not what's on the spigit, not what's in the yard, not what's blowing in the wind. So you don't want things that are all fully wrapped, that's got dust, you know, the wind blows and there's dog feces in the air. You really want a clean sample point. So if we decided that yours was not good enough, we would just move across the street, and everybody that gets sampled, that's only every other month, that your house gets sampled.

John Dever: We own the three lots across the street, so I know you didn't do those.

Director Neyman: Can you talk to Jonnie after the meeting please?

Bill Wheeler: We sample from two locations in that neighborhood. Two houses above you, and on the street below, two houses...

John Dever: On Gilpin?

GM Allison: No, it's right on your street.

Director Neyman: Okay, we need to get back to this meeting.

GM Allison: I just want to finish the concern about the water quality.

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Director Neyman: I would ask him to get with you after the meeting for a few minutes if he has some more questions. I mean I appreciate, but we have to really... He's 'gotta leave at 3:30...

John Dever: He's 'gotta go? Everybody's 'gotta go somewhere.

Director Schoenberg: And Jonnie, I think that if there is a water quality issue...

GM Allison: There's not.

Director Schoenberg: I know, but if he feels like there is, then not the one that we send, but we can do a separate, like the one other gentleman.

GM Allison: Here's the problem with that Lisa, is we're sampling right next to his house, there's an empty lot right next to the house that we sample at, it's right on the same street.

DiAnn Dever: At our house? There's no empty lots next to our house.

GM Allison: Not next to your house, next to the house that we sample next to.

DiAnn Dever: Okay sorry.

GM Allison: My point is, if everybody in this town decides that they want us to do a personal water BacT on their system, it's going to run into a ton of money. We do a representation, if it's clean three houses down from him, it's certainly clean at his house. And those tests cost \$15 apiece, plus, going down to deliver them. We don't want to start gettin' 200 a month that we have to sample for.

Director Schoenberg: I understand that, but right now it's just two people that have issues.

GM Allison: And neither one of them has water quality issues on their street.

Director Neyman: Okay, is there any other questions or comments? Sir.

Art Slater: Sorry to get into this. Art Slater. One question. Could this be voted on each year, instead of one vote for five years? It would feel a lot easier.

Director Neyman: If the rates get approved, as a Board we can revisit it... Isn't that correct John? If the rates were approved as is... I think what he's asking is, can the Board revisit it like

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in a year, whether we're going to raise it the full amount? Or we can revisit it, and say we're only going to raise it this much, instead of the full amount?

John Van Den Bergh: Okay, if this gets approved, if next year the Board decides these rates are not good enough, or you want to lower them, yes you can go... You have to go through the Prop 218 process.

Director Neyman: Without a Prop 218 we're able to go lower.

Director Schoenberg: No, we would have to do a 218 again.

John Van Den Bergh: If you change the rates, you have to go through Prop 218.

Director Neyman: Right, but it would be like if we voted... You would have to redo the whole figures...

Director Schoenberg: Yes.

Director Neyman: You'd have to come out and do another Rate Study?

John Van Den Bergh: I don't need to do a whole Rate Study, but you do have to go through the Prop 218 if you change the rates.

Director Neyman: Okay.

John Van Den Bergh: Whenever you change the rates.

Director Neyman: Okay.

John Van Den Bergh: Up or down.

Director Neyman: Up or down. Okay.

Director Schoenberg: And our problem with this, is that it costs a lot of money to do the 218. So, right now even though we're really blessed that the State decided to do the Rate Study for free, but we still had to send out all of the mailers, and we still have to pay the people to count, and we still have to go pay for the printing, and all that stuff. So it ends up being thousands of dollars every time we do a 218. Which is why we haven't even done the standby fees, even

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though I think it's crazy that it's only \$5, I think it should be like 25 or something, but we've never done that because it costs so much money just to do that study, just to do everything. So, yeah, I mean we could, but it would mean that we would have to pay that money every year.

Director Neyman: I think that's something though, that we might look at later on, and congruently we're running with the Lake of the Woods, starting to do this planning, going for this planning money to get construction funds, which at that point, if that does go forward, we're definitely going to be doing another Prop 218. And the hope is, you're adding on customers, and everything will be figured out, and the rates could come down. And that's the hope, and that's my hope. I mean, and that's what I'm looking for. You know, I don't like the idea of us having to raise... You know, I look at it like, oh my G*d, but at the same time, I'm also on the other side of the coin. The costs that are involved in just upgrading systems, and putting in tanks, and doing piping is astronomical. And people don't realize it costs millions and millions of dollars to do all this work. And, you know, we only have 1,300 customers at this point, and so there's only so much that we can do, and our responsibility as a Board, is to provide clean, safe drinking water for the community. And we have to continue to do that. And we have to look to the future. We have to make sure that, you know, 10 years from now, 20 years from now, that we're still a viable system, and we have a community. Because if we don't have a viable system, we could have no property value, we could not have a community here, and we don't want that to happen either. So, we're really working, trying to do our best for the community. And I understand people's angst about it, you know, there's a lot of angst about food prices, and electricity prices, and rent prices, and you know, it's just like, it's really difficult. It's a difficult time, I think, for everybody, and we understand that. But we're trying to do the best that we can.

Art Slater: Another question, is there another water district we could join with, as you were saying, I believe that the more customers, the lower the price?

Director Neyman: Well see, and that's what we're looking at right now with providing water to Lake of the Woods. You know, basically, they're still going to be providing their own water for their own community, but we've had to provide water for them during the summertimes. They've had to have water trucked up to them.

Director Gipson: We've sold them water.

Director Neyman: So in this annexation, if we go through with this annexation, we're 'gunna end up with 1,700 customers. So, we will be a bigger system, and we just have to keep looking forward, and trying to do the best that we can.

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Director Schoenberg: I was just going to say, when the State came to us about the possibility of us annexing multiple water companies up here, we put something out to all of the water districts up here, and the only one what was even remotely interested was Lake of the Woods. So, none of the other... Lebec...

CM: [...]

Director Schoenberg: Yeah, that was the one without water, so of course it was in their interest to be a part of... But I'm saying, that may change over the years, but right now, all the districts that feel like they're functioning fine without consolidating, are not interested in consolidating.

GM Allison: Plus it can also be taken into consideration, the water districts are so spread apart, it's not like we live down in the city. You live in Ontario, and you annex Chino. They're right next to each other, it's easy to tie them in. If Pine Mountain Club wanted to tie in, or Pinon Pines, it would cost an astronomical amount of money just to connect them. So then you're really not going to get any benefit.

John Van Den Bergh: Jonnie. The State has pushed for consolidation, and it doesn't mean tying them together. You can have islands under the same management, and using the same equipment. They have forced that to happen.

Art Slater: Thank you.

Director Neyman: Alright, thank you.

Terry Kelling: Yeah, my name's Terry.

Director Neyman: Hi Terry.

Terry Kelling: What is Lake of the Woods paying per gallon now?

Director Neyman: Well, Lake of the Woods... I mean we're definitely 'gunna have... They're 'gunna be paying more, like the Frazier Park community if we do the annexation.

Terry Kelling: No, no. I'm talking about right now, what are they paying per gallon for us to truck water to them?

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Director Neyman: Oh, it's something like \$0.04 per gallon. It's about \$8,000 to \$10,000 a month that they're paying us right now, to get water.

Terry Kelling: Okay, so I'm paying \$1.60 a month...

GM Allison: Per 1,000 gallons is what you're paying.

Director Schoenberg: They're paying per one gallon. They're paying more per one gallon than you're paying for your... But they're not paying more than you're paying for your 1,000, but they're paying more per gallon than you're paying per gallon. They're paying... Yeah, he'd have to do the math. It's definitely higher, because we stayed at the same rate that Lebec had been charging. Lebec actually came up with the rate for them, but I'm not sure how they came to their rate. But when they came to us, we kept the same rate.

Director Neyman: They're paying about \$40 per 1,000 gallons, and you're paying \$1.60.

GM Allison: Now I want to point out another thing about selling water, even though it's separate from the annexation. Part of the reason to sell water to Lake of the Woods is, I have faith in the engineers and the hydrologist that say we have enough water. But, by the same token, I'd like to believe what I actually see. So we sound our wells, and if we sell water to Lake of the Woods now, we could prove above and beyond the experts, that it's not affecting our aquifers. If it takes us two years, and we've sold water to Lake of the Woods, and it hasn't affected our water supply, that's going to make me feel a whole lot more comfortable when it comes time to making the final decision to annex Lake of the Woods then. Otherwise, if we hold off on selling to Lake of the Woods water, then it turns out somebody had made an error, we ain't 'gunna know it until we've already taken that responsibility. So selling water to them is a twofold thing. It benefits us financially, as well as proving all the studies.

Director Neyman: It's not 100%, but it's a good indication, when you're sounding the wells, and the level of water is not going down, and we still are maintaining the same well levels.

Director Schoenberg: And one of the things that's changed over the years that I've been on the Board, we used to make a considerable amount of money, having people buy into the system. So we used to have people developing lots, building a house, buying into the system, and that was a good chunk of money coming in. In the last, I don't know, eight years or something, I think we've had two people buy into the system? It's almost nothing because there aren't a whole lot of lots to develop up here, and people aren't building. So, I mean that also, when that went away, and that's why I think the rates have had to go up so much more, because

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we're not getting that money into the system at all. It helps a little bit to get... You know, I was... What Jonnie was saying, and I felt like when we voted for it, that you know, why aren't we taking in some kind of extra money that we can take in, because we've lost all these other sources of money that we used to get. So, that raises all of our rates as well. So, it doesn't... Obviously it's a drop in the bucket compared to the amount we were bringing in per people buying into the system.

Terry Kelling: And then, I also think that people have to understand that the annexation with Lake of the Woods is not a consolidation that the State would necessarily say, okay, we've now... Because they are definitely not able to function, and the State would have to come in and take over them, so even though we're, by annexing in that system, that doesn't mean that a bigger system couldn't come in and take over us if we we're not solvent.

Director Neyman: If we were not solvent, if we were not...

Terry Kelling: ...able to pay our bills, and a larger system...

Director Neyman: ... and the State could come in, and then also even though at this point they're highly encouraging us, that's why they want to give us the carrot of the extra \$13,000,000 to try to encourage us to help our neighbors, and come together and consolidate as one unit. That's the thinking from the State. Now they could, at some point, and it's not a threat, it's just at some point they could come in and say, you know, you need to do this. But, at this point, you know, that's why we've been doing the study for the last two years, and we got the engineers and the, you know, and did all the studies of whether we had enough water to supply to Lake of the Woods. Anyhow, thank you Terry. Yes sir.

Rory Garrett: Hi, I'm Rory Garrett, account number 102, let me get it straight. It all boils down to money, right? And if you don't have the money, you can't run the system, right? Okay, meeting adjourned.

Director Garcia: Thank you.

Rory Garrett: By the way, it does not instill confidence in me that you're all drinking bottled water.

Director Neyman: Is there anybody else that would like to make a comment?

CM: Short question...

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Director Neyman: Could you come up to the podium? Because we try to get it in our Minutes, so we like to...

CM: Could we install solar panels or windmills, for power for the wells?

Director Schoenberg: We've been looking into that but we... I don't know, where'd Jonnie go?

CM: I noticed that we got two windmills on the way into town, they're working.

Director Schoenberg: Yeah, that's not...

CM: I know, but they do work all the time.

Director Schoenberg: Yeah, I've actually brought that up a couple of times at Board Meetings, and I know Jonnie's looked into it, and I think that there were some issues with what it would cost us, because we have boosters and things in so many different places, but I have brought it up continually.

Director Neyman: And it's something that we're going to revisit, we have to revisit.

CM: Right, thank you.

Director Neyman: Thank you. Okay, if nobody has any further questions...

Director Gipson: Tommy does.

Director Neyman: Huh? Oh Tommy, come up to the podium please so we can...

Tommy Hastings: If this Rate Study does pass, and the annexation of Lake of the Woods doesn't happen, that's why we're here right?

Director Schoenberg: Yeah.

Tommy Hastings: Are we under any way, shape, or form, the Utility District, obligated to follow the Rate Study, as far as yearly replacements, and things of that nature on equipment, or is that just a guideline? Is that still something, obviously it can be voted on, we're not stuck to that, as far as a plan?

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John Van Den Bergh: It's a plan, and plans can change, but it is a plan that you never had before, so now we have something to go by.

Director Neyman: The full intention is...

John Van Den Bergh: Before any money is expended the Board will vote on it.

Tommy Hastings: Has to vote on it, yeah. Do they get to keep a copy of your Rate Study even if it doesn't go through?

Tiffany Matte: I have a copy of it Tommy. I can get you a copy of it.

Director Schoenberg: Yeah, anything that we have is public information, so...

Tommy Hastings: I mean on the Excel file, as far as...

John Van Den Bergh: The Excel file? No, I'm not giving you that.

Tommy Hastings: Oh.

Director Schoenberg: He didn't even give me the Excel file. I tried, but we do have the printed copy of everything.

Director Neyman: Ok, if there is no other questions, I'd like to thank everybody for coming today. We appreciate your input, and you know, as always, you know, we're working for you. We're really trying to continue to, continue to make the system as good as we can make it. I mean, the system's like 90 years old, and there's been a lot of replacement, and there's still a lot more replacement that we need to do, and there's a lot more regulations from the State concerning water at all times. So it becomes more difficult. As each year progresses they keep adding more, and more regulations on water, and what you can do, and what you can't do. So, we're just trying to serve the community, and do it to the best of our ability. So, we appreciate you all coming out today, and thank you very much.

Director Schoenberg: And I just wanted to again encourage people to put in a Letter of Intent to be on the Board, because the more diverse, and the more knowledgeable the Board, the better off we are.

Director Neyman: By October 27th, right? Yeah, by October 27th. So we can fill that position.

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John Van Den Bergh: I'll be back on November 10th at 6:00 at the office here.

Director Schoenberg: Okay, this time we will have to appoint someone because it's in the middle of an election cycle, and if he had resigned a little bit earlier we could have opened it up for an election, but it happened in such a way that we have to appoint at the end of that period, which is almost two years, then that person would be voted on.

Director Neyman: One more thing.

John Dever: Just one more thing. My wife and I are both on Social Security. We get a 2% increase in our Social Security occasionally. 2% works out to about \$3 of course. The Medicare takes 5. Every year I get an increase, or I don't get an increase, I'm still in the hole, but this is what, like a 35% increase? I'll never make that up in my lifetime. When you go to \$80 a month, I'm going to have to move.

Director Schoenberg: That's why I was concerned with it. I have the same issue.

Director Neyman: I entertain a motion that we adjourn the meeting.

Director Schoenberg: Hopefully, if we were able to do it, and the annexation behooves us, and is in our interest...

John Dever: But if you're taking a debit, annexation does no good.

Director Schoenberg: Oh I agree.

John Dever: Okay, thank you guys.

Director Neyman: I entertain a motion that we adjourn the meeting.

Director Schoenberg: I'll move that we adjourn the meeting.

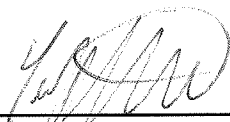
Director Neyman: Do I hear a second? Okay, all in favor?

(Directors in unison): Aye.

Director Neyman: Meeting adjourned at 3:06. Thank you everybody.

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At every special meeting, the legislative body shall provide the public with an opportunity to address the body on any item described in the notice before or during consideration of that item. Taken from the Brown Act Statutes 54954.3(a)



Tiffany Matte, Clerk of the Board



Attest: Rebecca Gipson, Secretary

seal