



COTTONWOOD WATER DISTRICT

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MINUTES

REGULAR BOARD MEETING

Date: December 8, 2021
Time: 4:00 PM
Location: District Office

Board Members

Art Parham	Chairperson	Present
Lewis Presley	Vice Chair	Present
Ron Spurgeon	Board Member	Present
Nick Shidlovsky	Board Member	Present
Vince Dunn	Board Member	Absent

District Staff

John Hollmer	General Manager	Present
Candice Krames	District Secretary	Present

AGENDA ITEM(S):

1. Call to Order

- a. The Cottonwood Water District Board of Director's meeting was called to order at 4:02pm by Art Parham, Chairman.

2. Comment Period

- a. Persons wishing to address the Board on a matter, which is not listed on the agenda, Pursuant to Government Code Section 54950. (Time Limit may be utilized at the discretion of the Board). Members of the public may address the *Closed Session* matters at the time the closed session is announced.

1. We had several guests from the community present to address the Board. Superintendent from North and West Cottonwood Schools Doug Geren, Superintendent from Cottonwood Creek Charter Mark Boyle, along with a few businesses' owners Cody Jones, Woody Clendenen and Tom Ruess.

3. Consent Agenda Items

- a. Approve minutes of the Regular Board Meeting of October 13, 2021.
 1. The motion to approve the meeting Minutes from October 13th, 2021 was table again due to lack of presence from Board members.
- b. Financial Statement; approve payment of October, 2021 bills.
 1. The motion to approve payments of October 2021 bills was tabled again due to lack of board presence from that meeting.
- c. Approve minutes of the Regular Board Meeting of November 10, 2021.
 1. A motion to approve the meeting minutes from November 10th 2021 was made by Spurgeon and seconded by Shidlovsky. Motion passed.
- d. Financial Statement; approve payment of November, 2021 bills.
 1. A motion to approve the payment of November 2021 bills was made by Spurgeon and seconded by Shidlovsky. Motion passed.

4. Regular Agenda Items

- a. PACE Engineering Rate Study Presentation.
 1. Approve PACE to finalize the water rate study recommending implementation of one of the following options:
 1. Option A: Hydraulic Capacity Based Rates for the next 5 years.
 2. Option B: Existing Rate Basis for the next 5 years.
 3. Option C: Existing Rate Basis for the next 4 years and Hydraulic Capacity Based Rate for the 5th year.

Laurie with PACE Engineering presented the Rate Study by presentation. Since the last meeting, some of the figures were updated based on more accurate meter numbers, endpoint totals for 1" or larger and the financials were approved by the Board.

Recap: Our District reserve currently is at 40%-50% with a 6% inflation rate average
The School Superintendents asked of details about meter sizes at the schools currently. North Cottonwood school has one 4" meter, West Cottonwood School has one 4" meter and one 3"

meter, and the Cottonwood Creek Charter School has two 2" meters.

Laurie continued her presentation of how the rate study is proof our District needs to raise the existing rates to keep up with inflation. Smaller services use about 83% of the water in this District but pay for about 89% of the costs to produce it. Larger services are not paying their fair share of the cost. The proposed rate increase is a 5-year plan so the District can maintain 30% O&M reserves for emergencies, set aside annual depreciation, fund an additional Operator, keep pace with inflation costs and ensure users are paying their fair share of the costs for water being used.

Option A: Hydraulic Capacity Base rate- this option is dependent on meter size and its capacity usage. This is the most widely used rate basis used and most defensible. All users pay same consumption charge.

Option B: Maintain existing rate structure with all users paying the same base rate and same consumption charge.

Option C: Implement hydraulic capacity-based base rate in the fifth year.

Community members present expressed if the concerns over cost factors. If a 5/8" meter and a 2" meter have the same costs, then they should be treated the same. Laurie assured the consumption charges is based on the District fixed costs (expenditures). Cody Jones, a local who owns agricultural property by the Auction yard. His family has owned this property for centuries and he disclosed his family was the ones responsible for installing the 8" line many years ago with a 4" meter. He feels if we implement the Hydraulic Capacity rates that our District is robbing him as a hometown boy. His family never charged our District for those line installations and its unfortunate it not in writing. All community members agreed that all already installed meters should be grandfathered in. They feel its best to raise rates across the board, no matter the meter size. Mark Boyle, Cottonwood Creek Charter Superintendent asked how it would impact if the District did not hire another employee. Roughly the figures would change by \$5.00 per month which is not a significant decrease. The Superintendents expressed how the School Districts have already made major cut backs for water usage due to the drought. With this proposed rate structure, the schools' bills would spike significantly. Woody Clendenen, local small business owner said he wouldn't mind paying more to help the balance across the community. They all feel its fair to pay for water usage but not based on meter size. Questions arose about apartment complexes, mobile home parks and how they are being treated. Based on meters sizes, those standards would not change. This is a household equivalent standard and unfortunately does not work legally due to everyone needs to be treated equally across the board. Suggestions to just change the consumption charge and not raise the base rate come forth but this is not suggested for legal purposes. Community members suggested to raise the suggested inflation rate of 4%-6% to go higher and consider 10% inflation since our economy is not improving.

Board members began discussing options best for our District. Option B is favored by most. When comparing to other local Districts, Laurie said Option A is best and gives businesses a chance to downgrade their meters. Other considerations were to do a rate increase at a 3-year plan rather than 5-year. The cost of the rate study is the same either way.

A motion was made to approve Option B with an 8% inflation rate with a 5-year plan; along with updating our By-laws (Policies & Procedures) to adopt a policy on incorporating household equivalent standards to multi-units to be required to install a 1" or larger meter for any new builds by Spurgeon and seconded by Shidlovsky. 3 yes votes, one no by Presley. Motion passed.

Discussion of changing the reserve percentage from 30% to 40% were brought forward by John. Laurie will calculate the figures in the final rate study report. She also said the District can re-visit a 5-year plan in year 3 and can decide if they don't want to raise the rates at that given time. The District will hold a special meeting soon to finalize the rate study report and have legal counsel review rate study before adopting it. We hope to have to the Public by June 2022.

5. Closed Session

- a. Not Requested.

DISCUSSION:

ADJOURN: With there being no further business, The Cottonwood Water Board of Director's meeting was adjourned by Art Parham at 5:47pm.

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