HUMBOLDT COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
REGULAR SCHEDULED MEETING

AGENDA

DATE: **Tuesday, April 25, 2023**

TIME: **5:00 p.m.**

LOCATION: **5055 Walnut Drive, Eureka, CA**

The HCSD Boardroom is open to the public during open session segment(s) of the meeting. This meeting will also be held by Zoom video/teleconference, per Government Code Section 54953(b). If members of the public cannot attend in person and would like to speak on an agenda item including Public Participation, please join through the Zoom website (https://zoom.us) entering Meeting ID 859 0022 3867 and Passcode 865770. Access may also be achieved via telephone only by dialing 1-669-900-9128.

A. ROLL CALL

Directors Benzonelli, Gardiner, Hansen, Matteoli, Ryan

B. PLEDGE OF ALLEGIANCE

C. CONSENT CALENDAR

1. Approval of April 25, 2023 Agenda — *Pgs 1-2*
2. Approval of Minutes of the Regular Meeting of April 11, 2023 — *Pgs 3-5*

D. REPORTS

1. General Manager
   a) District Update — *Pgs 7-15*
2. Engineering Department
   a) Engineering Status — *Pg 17*
3. Superintendent
4. Finance Department
5. Legal Counsel
6. Director Reports

7. Other

E. PUBLIC PARTICIPATION **

**Members of the public will be given the opportunity to comment on items not on the agenda. Please use the information set forth above to participate via Zoom. The Board requests that speakers please state their name and where they are from, be clear, concise and limit their communications to 3 to 5 minutes. At the conclusion of *all* oral communications, the Board or staff may choose to briefly respond with information in response to comments; however, the Brown Act prohibits discussion of matters not on the published agenda. Matters requiring discussion, or action, will be placed on a future agenda.

F. NON-AGENDA

G. NEW BUSINESS

H. OLD BUSINESS

1. Reconsideration of Appointment of an AdHoc Committee to Assist with City of Eureka Contract Negotiations *Pg 19*

I. CLOSED SESSION

1. CONFERENCE WITH SPECIAL LEGAL COUNSEL – INITIATION OF LITIGATION Pursuant to Government Code §54956.9(d)(4): One potential case

J. ADJOURNMENT

Next Res: 2023-05
Next Ord: 2023-01

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Brenda Franklin at (707) 443-4558, ext. 210. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102 – 35.104 ADA Title II).

Pursuant to §54957.5(a) of the California Government Code, any public record writings relating to an agenda item for an open session of a regular meeting of the Board of Directors, not otherwise exempt from public disclosure, are available for public inspection upon request at the District offices located at 5055 Walnut Drive, Monday through Friday (holidays excepted) during regular business hours.

DRAFT – MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
HUMBOLDT COMMUNITY SERVICES DISTRICT

The Board of Directors of the Humboldt Community Services District met in Regular Session at 5:00 p.m. on Tuesday, April 11, 2023, at 5055 Walnut Drive, Eureka, California with public participation available via Zoom tele/video conference.

A. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 5:01 p.m. Present upon roll call were Directors Benzonelli, Gardiner, Hansen, and Ryan. Director Matteoli was absent. Staff in attendance: General Manager Williams (GM), Superintendent Latham, Finance Manager Montag (FM), and Assistant Engineer Adams (AE).

B. PLEDGE OF ALLEGIANCE

President Benzonelli invited those present to join in the Pledge of Allegiance.

C. CONSENT CALENDAR

1. Approval of the April 11, 2023 Agenda
2. Approval of Minutes of the Regular Meeting of March 28, 2023

Public Comment: None

GM advised some of the printed Agendas reflect March 11 rather than April 11, and those posted to the web-site and kiosk were corrected.

DIRECTOR HANSEN MOVED, DIRECTOR RYAN SECONDED, TO ACCEPT AND APPROVE THE APRIL 11, 2023 CONSENT CALENDAR. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: BENZONELLI, GARDINER, HANSEN, RYAN
NOES: NONE
ABSENT: MATTEOLI

D. REPORTS

1. General Manager

   a) District Update

      - Rate Study Update – District Special Legal Counsel is reviewing the Draft Report to confirm all criteria has been met. GM spoke with a couple builders related to the connection fee increases, and heard some have been in contact with the County requesting assistance with the costs of development.
      - Earthquake Recovery – The District incurred $36,000 protective measures expenses resulting from the December 20, 2022 earthquake. CalOES has awarded 75% of the eligible expenses at $27,000. District staff is also working with CalOES to obtain

funding to repair the water and sewer mains damaged under Walnut Drive. The estimated cost of repair is $1 Million with anticipated funding at 75%.

- South Broadway Forcemain – In 2017 the district applied for grant funding to replace this 2-mile-long pipe line. The District was recently awarded the grant, however, during the ensuing years of cost increases the funding is inadequate by nearly $5 million. Thus, staff is investigating additional funding from FEMA and/or applying for Clean Water State Revolving Funds to offset the costs of the critical project.
- Snowpack – recent State measurements reflect significant above average snowpack for this time of year.
- Humboldt No. 1 Fire Protect District Board – GM advised he applied to and has been selected as a member of the Fire District's Board.

Director Gardiner suggested considering the addition of more District staff rather than outside contractors to accomplish the significant CIP over ten years wherein GM affirmed hiring additional staff is his preference over contracting projects to third parties. Director Benzonelli questioned whether the Walnut water and sewer pipe damage/funding is just District infrastructure or also the County road. GM advised the project does not address the County road failure, that replacement was incorporated into the 5–10-year CIP plan previously, and that the earthquake damage brought forth urgency.

2. Engineering

a) Engineering Status

18th Street Steel Water Main Replacement Project – AE reviewed the report summarizing the 480 feet of intended improvements, affirming the draft design documents are now complete.

3. Superintendent

a) March 2023 Construction Operations

Superintendent reviewed the standard activities consisting of a variety of repairs, replacements, new water services, CIP work, and assistance to other departments as needed.

4. Finance Department

a) March 2023 Check Register

FM affirmed no notable transactions as all were standard for the month.

E. PUBLIC PARTICIPATION - None

G. NEW BUSINESS

1. Reconsideration of Appointment of an AdHoc Committee to Assist with City of Eureka Contract Negotiations

   At 5:21 p.m. Director Hansen recused himself from the item due to his employment with the City of Eureka as its Wastewater Treatment Plant Public Works Director.

   At the request of Director Gardiner that another Director be appointed to the AdHoc Committee, the matter was returned for reconsideration. In view of Director Matteoli's absence, GM suggested the item be tabled to the next regular meeting. Director Gardiner offered to provide the AdHoc with a report summarizing historical interaction with the City. Discussion ensued regarding potential Brown Act serial meeting violations should more than two members confer wherein GM suggested a closed session could suffice and he would verify with Legal Counsel to identify the ideal method of knowledge transfer.

   IT WAS THEN MOVED BY DIRECTOR RYAN, SECONDED BY DIRECTOR GARDINER, TO TABLE THE MATTER TO THE NEXT REGULAR MEETING OF APRIL 25, 2023. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

   AYES: BENZONELLI, GARDINER, RYAN
   NOES: NONE
   RECUSED: HANSEN
   ABSENT: MATTEOLI

J. ADJOURNMENT

There being no further business, IT WAS MOVED BY DIRECTOR RYAN, SECONDED BY DIRECTOR GARDINER, TO ADJOURN. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: BENZONELLI, GARDINER, RYAN
NOES: NONE
ABSENT: HANSEN, MATTEOLI

THE BOARD ADJOURNED ITS REGULAR MEETING OF APRIL 11, 2023 AT 5:32 P.M.

____
Submitted, Board Secretary

INTENTIONAL BLANK PAGE

Humboldt Community Services District

Dedicated to providing high quality, cost effective water and sewer service for our customers

MEMORANDUM

TO: Board of Directors

FROM: Terrence Williams, General Manager

DATE: April 21, 2023

SUBJECT: General Manager Report for April 25, 2023 Board Meeting

---

Rate Study Update

On April 13, 2023, Director Gardiner requested by email that his attached comments regarding the rate study be included in this Board Packet. Following are my responses to Director Gardiner's comments:

1) The last sentence of the second paragraph states that Director Gardiner believes that the rate study process was flawed and rushed. The rate study itself took over a year, the contract with the consultant was finalized in January 2022. Staff worked tirelessly with the consultant to develop a mathematical model that accurately reflects the current state of the District's finances. This was an extremely difficult process because the City of Eureka was reluctant to release any information regarding projected spending. Ultimately, the City agreed that my projections were as good as their own, and that they would spend at least that much of the District's money. The Draft Rate Study Report was presented to the District Board for review on March 28, 2023 giving a full 94 days before the rates need to be adopted so that the FY 2023-24 budget can be implemented. The Board voted to accept the Draft Rate Study during the March 28 meeting and initiate the Proposition 218 process. During that time, notifications will go out, we will hold two public workshops and we will solicit for protest votes. After the 45-day notification period, the District Board can adopt the Rate Study. This part has been reiterated several times. The rate increases that are adopted each year (including for FY2023-24) going forward through FY2027-28 can be anything, from zero up to the amount that is written into the accepted rate study once it has been adopted after the Proposition 218 process is complete. This whole process was described to the Board several times over the past year and a half, in writing and verbally during public meetings. The law requires that the Proposition. 218 Protest process take at least 45-days. I did my best to get a draft study to the Board for review as early as possible to create as much time as possible for the process. I was able to leave 94-days for the process from the time the Draft Study was presented. A process that begins with the acceptance of the Draft Rate Study. I contend that the process is not flawed nor is it being rushed.

2) Over the next three paragraphs on Page 13, Director Gardiner asserts that he believes that the rate study is "driven by Capital Improvements." He goes on to describe the projected spending that was presented to and then adopted by the Board in the last two Capital Improvement Program plans. Two years ago, and last year, when I presented the Capital Improvement Process, I described the deteriorated condition of the District's infrastructure and that decades of deferred spending has resulted in a situation where we will need to significantly accelerate spending to avoid catastrophic failure. When I drafted the first Capital Improvement Plan In 2020, I intentionally suppressed projected spending during the five-year

horizon so that the District would have the opportunity to perform and adopt a rate study so that the necessary spending would be possible. Per the 2017 rate study, rate revenue was insufficient to keep pace with Capital spending that had been projected in 2017 because of significant increases in City spending and poor management of the Wastewater fund. This was evidenced by the declining wastewater reserves despite spending less on District Capital Improvements than was projected to be spent between 2017 and 2020. If you recall, Michael Montag and I devised a plan (that was vetted by legal counsel) to significantly increase wastewater pass-through while spending down Water Fund reserves so that critical wastewater spending could occur without completely depleting the wastewater reserves and to avoid significantly increasing ratepayer bills without following the full Proposition 218 legal process.

The most important point that I can make about the projected spending is this. The spending described in the Draft Rate Study will be necessary for the foreseeable future. The infrastructure renewal described in the 5 to 10-year projections and 10 to 20-year projections is for infrastructure that is currently 50 to 70-years-old. The design life of this infrastructure is 50 years. The highest priority infrastructure will be rehabilitated or replaced first. By the end of the 20-year planning horizon, this infrastructure would be 70 to 90-years-old if it is not rehabilitated or replaced. The longer we push infrastructure beyond the design life, the higher the probability of catastrophic failure. This is evidenced by the fact that the District has experienced five watermain breaks in the past 30 days, all in infrastructure that is 50 to 70 years old.

There is just as much infrastructure that is currently 30 to 50-years-old as there is infrastructure that is 50 to 70-years-old. In 20 years, the 30 to 50-year-old infrastructure will need to be replaced because it will be 50 to 70 years old in 20 years. Then there is all of the infrastructure that is 10 to 30 years old that will need to be renewed after that. Historically, the District has used Capital Spending to build new infrastructure to accommodate growth and expansion and comparatively little money was invested in infrastructure renewal. I have described all of this to you in the past. Director Gardiner asserts that we are rushing to get this work done because I am an engineer. We are rushing because we are 20 years late to the party and it will take us 40 years to catch up. Unfortunately, the District is currently 71 years old, and it's time to start paying the piper.

3) In paragraphs five, six and seven of Page 13, Director Gardiner asserts that the Board took one meeting to approve a 128-page rate study.
   a. The Draft Rate Study Report is 52 pages plus appendices.
   b. The Board did not approve anything except the initiation of the Proposition 218 process. On March 28, 2023, the Board voted to accept the Draft Rate Study and begin the Proposition 218 process. Again, this process had been laid out for the Board multiple times over the last year and a half and nobody objected. I never asked for a vote asking if the Board approves of the process, but I did receive consensus when I described the process during multiple General Manager Reports over that time period.
   c. In paragraph seven, Director Gardiner asserts that it will be virtually too late to overturn the rate increases. If all goes well, the Board will be adopting rate increases at the end of June, after the Proposition 218 process is complete. The purpose of the Proposition 218 process is to solicit for public comment and protests before rate increases are adopted. The law requires the Proposition 218 process in order to adopt rate increases.
   d. Director Gardiner also indicates that the consultant's slide show could not be seen from the Directors' chairs in the Board room. Director Gardiner and I switched seats

so that Director Gardiner could sit right in front of the monitor where he could see the slideshow and spreadsheets etc. I could see the monitor with all of the detail from Director Gardiner's chair without my glasses. In the future I will be sure to print all slide presentations for the Director's and the public's convenience. This slideshow will be presented again at the public workshop(s) and maybe again at the public hearing.

4) In paragraph eight on Page 13, Director Gardiner asserts that the Rate Study was developed without input from the District Board or public comment.

   a. The truth is that the District Board has had full transparency to the District's spending and projected spending from the moment I was hired in 2020. Every month, a check register and a detailed accounting of the Budget year to date is presented for comment and question.
   b. The Board adopts the annual budget, Capital Improvement Plan, rate increases and passthroughs before the spending is implemented. The Rate Study is solely based on the District's past spending, projected spending, District assets and debt.
   c. The Rate Structure was discussed at several meetings where consensus was reached. This resulted in shifting the revenue recovery to a 40% fixed and 60% volumetric scheme in an attempt to incentivize conservation. This was a direct response to public comment during the 2017 rate study hearings and public comment received by District staff between 2020 and 2022.
   d. The base rates and connection fees for residential connections that require an upsized meter to accommodate fire flow, whose demands could be accommodated by a smaller meter based on fixture unit count, will be charged the lower value for connection and base rates, as discussed and approved by the Board. This was intended to address many public comments over the years since 2011 when residential fire sprinkler laws were first enacted in California.
   e. I am offended that Director Gardiner states, "The basis for this rate study was decided in advance by HCSD management and given to the consultant without board input." By management, Director Gardiner means me, and this is simply not true.

5) In paragraph nine on Page 13 Director Gardiner further asserts that, "all CIPs are to be paid out of margins on the back of our current customers." I have two responses to this:

   a. During the two and a half years that I've been with the District, I have developed a grant program through which I have applied for over $15M for capital projects and, as a direct result of my effort, landed $4M. In the 68 years preceding my tenure, the District had applied for a total of $3M in grant funding; if I wasn't here to manage that application, it would have been rejected.
   b. Water and wastewater are enterprise funds and therefore must be paid by rate payers. Besides grants, there are no other sources of revenue available to pay for water and wastewater expenses.

6) In paragraph one on Page 14, Director Gardiner states that he requested a reduction in the CIP budgets to spread the improvements over a more extended period of time. He also states that he would like the Board to consider long term loans to see how that would impact rates. Again two responses:

   a. The District is in the financial state that it is because of decades of artificially suppressing rates and electing for deferred maintenance; which is what Director Gardiner is proposing by "spreading the improvements over a more extended period of time." This has been reiterated over and over at every step of the way, when the last two Capital Improvement Program plans were developed, when the annual budgets have been adopted, when the rate increases and passthroughs have been adopted, and for every grant that I have applied for.

b. Borrowing money is fine for large, one-time expenses like whole treatment plant rehabilitation. This rate study and the proposed rate increases address ongoing infrastructure renewal. This level of spending will be necessary for at least the next 40 years to avoid high probabilities of catastrophic failure. If money is borrowed now to cover any portion of this infrastructure renewal, the future rate payers will not only have to pay for the ongoing infrastructure renewal that will be necessary in the future, they will also have to pay for the infrastructure renewal that is necessary now because they will still be paying on the loan. Director Gardiner points out that the Board voted 3 to 2 to accept the Draft Rate Study without considering a long-term financing option. What he neglects to say is that one of the dissenting voters stated that he agrees that we should not borrow money to finance Capital Projects if we can avoid it. To me, that sounds like the vote not to borrow money is 4 to 1.

7) The last sentence of paragraph one on Page 14 Director Gardiner states, "the general manager pushed for ***<u>his</u>*** rate increase, and the board voted three to two to support and accept the rate study (emphasis added)." During the March 28, Board meeting, I tried hard, in the face of abuse, open hostility and very creative numerical manipulation, to explain why the rate increases are necessary and why I feel it is irresponsible and unethical to saddle future generations with the expenses associated with the mismanagement of the District's assets in the past by borrowing money to fund ongoing infrastructure renewal or continuing a policy of deferred maintenance.

8) In paragraph two on Page 14, Director Gardiner reiterates his desire for long term financing for these Capital Projects. Despite repeatedly explaining why this is unethical, he persists. Long term financing for ongoing infrastructure renewal will double the burden on the next generation of rate payers. Not only will they be paying to renew the infrastructure that is currently 30 to 50 years old, they will also be paying off the debt incurred by the decision to finance now. This is not a one-time capital project like building a new ocean outfall, this is infrastructure renewal that has been neglected for decades. A systematic infrastructure renewal program should have been initiated 30 years ago when the oldest infrastructure in the District was 40 years old in anticipation of the pending 50 year design life. The replacement pace could have been more manageable and the rate increases would have been gradual with a significant reduction in the probability of catastrophic failure. During those 30 years, the District could have prioritized rehabilitation/replacement and renewal schedules. That ship has sailed. Now we need an aggressive infrastructure renewal schedule that will persist for at least the next 40 years before the a more moderate renewal schedule can even be considered.

   The only way for a loan to be more cost effective than capitalizing projects from cash on hand is if the interest rate is lower than the average inflation over the term of the loan. The benefit will be compounded if the cash on hand can be left in an account that has a higher interest yield than the loan interest rate. Loans with interest rates that are lower than inflation do not make the lender money so they are difficult to come by. The State does offer low or zero interest loans to Special Districts but there is a limited amount available to a District at one time. Personally, I feel it is good strategy to keep the State's low interest loan options available for emergencies. For example, when the District's Sewer Vac experienced catastrophic failure in 2020 and the previous management had drawn sewer reserves down to critical levels, District staff was able to identify a lender that was willing to write a federally subsidized five-year loan for the purchase. This financing option was beneficial because the purchase was necessary, two years ahead of schedule and the sewer fund had been underperforming. That interest rate for this short-term loan is 2.74% APR which is considerably lower than the average inflation over the two years that we have been paying on it.

9) Paragraph three on Page 14 describes a list of items that Director Gardiner feels should have been included in the Draft Rate Study Report. Those items include a long-term low interest financing option, spreading out the CIPs, looking at the difference between maintaining the 50/50 split and moving to the 60/40 split, and a balance sheet supporting an income statement in the rate study.
    a. We have beaten the long-term low interest financing option to death.
    b. Spreading out the CIPs is another way of saying deferred maintenance and that is what got us into this mess in the first place.
    c. The 50/50 versus 60/40 revenue models recover the same costs so the results for the average user would be very similar using either model. Also, the Board agreed to this structure because of public input regarding the rates study and incentives for conservation.
    d. I'm not completely clear what "balance sheets supporting an income statement" is but supporting data for the Rate Study was presented in the appendices. Also, the check register and the budget to date are presented to the Board every month.

10) Paragraph four on Page 14 states that Director Gardiner is, "sure several of our board members have no idea what's in this study." I am sure that all of the HCSD Directors do understand the Rate Study, they all read it before the meeting and several of them sent emails and/or called me to discuss the rate study ahead of the meeting; including Director Gardiner.

11) The last two paragraphs of Page 14 discuss connection fees. The connection fees developed by our consultant were set by following the American Water Works Association (AWWA) methodology. This methodology is described in the "AWWA Manual M1: Principals of Water Rates, Fees and Charges." The consultant based the connection fee study on the District's current debt, assets (including reserves) and projected spending. The District doesn't need connection fee revenue unless there are new connections. While higher connection fees will probably impact development in the District, artificially suppressing fees below the AWWA recommended level over the past 20 plus years has not worked to encourage development in the District. The District has experienced 0.33% growth over the past two decades, just like the rest of the County. This percent growth, along with the current number of connections, was used to estimate the number of homes that will be built in the next ten years. There is no incentive benefit for rate payers to subsidize development in the District.

12) Director Gardiner goes on to argue that if we continue to artificially suppress the connection fees, the growth will have a positive impact on the water and wastewater rates. To have a meaningful impact on the water and sewer rates, the District would need to see 3,000 to 4,000 new connections. If there was any reason to think that this many new houses would be built in the District over the next 10 years, the connection fees would be significantly lower than they are because they would be spread out over 3,000 to 4,000 new connections; instead of new 259 connections. Again, there is no incentive or meaningful benefit for the Rate Payers to subsidize the developers.

13) Director Gardiner states that there is a "pent up demand for housing" and goes on to describe how hard it is to make money building houses in Humboldt County. He says that if developers could make money here, they would be here. Well, if the demand for housing is high enough, the cost of housing will reflect that. When the cost of housing is high enough to support the profit margins that the developers need to see, they will build; and they will be able to afford the connection fees.

14) In closing, Director Gardiner says that, over five years, the combination of these rate increases will more than double the rate payer's bills. He goes on to say that a single-family water connection will increase by 84.2% and that the average wastewater customer will see an increase of 92%. The weighted average of increase over five years calculates out to 88% which is 12% less than double.

I want to compliment Humboldt Community Services Distich Manager TK Williams and his executive team. I think TK is doing an excellent job of managing the system. I also understand that the Humboldt Community Service District needs to spend money on Capital Improvements throughout its system.

TK has done an excellent job of pointing out the many projects that need to be completed. My comments are about this rate-making process and how we went about it, and the impact it will have on our ratepayers. I believe the process was flawed and rushed.

This rate case is driven by Capital Improvements. Projects (CIP)

CIP over the next five years $25,700,000

CIP over the next ten years $75+ Million

The problem comes when we look at what needs to be done, and when it needs to be done. As a professional engineer, TK wants to get as much done as quickly as possible. While that's laudable and undoubtedly understandable, such a vast increase in capital expenditure has a massive impact on rates.

Driven by the desire to get these improvements done as quickly as possible. The information that the district fed the consultants to develop the rate study had us spending $25 million in the next five years and anticipating an additional $10 million-plus each year over the next five years for a total of some $75 million.

The board took one meeting to review and comment on 128 pages – much of it is hard to take in without significant help.

The 128 pages rate study was packed with information, and very little was explained to the board except for an overview. The Consultant PowerPoint presentation tables could not be seen from the board room directors' chairs - the monitor was too far to view it, and no printed copy of the PowerPoint was provided.

No public input came to the board before they approved the rate study, and there will be no public input until after the state-mandated 218 process starts - then it's virtually too late - to overturn this rate increase. It takes 50% +1 customer to send in "do not approve." The ratepayer should have had a chance to review and comment on such massive increases before starting the 218 processes.

The basis for this rate study was decided in advance by HCSD management and given to the consultant without board input. The board did approve HCSD CIP without seeing what it would cost the district and its ratepayers and how it would be paid for.

In this rate study - All CIP are to be paid out of margins on the back of our current customers - no other alternatives were shared or looked at. It was dismissed during the meeting even when I requested we look at alternatives.

I also asked the manager and the board to look at a reduction in the CIP budgets and spread the improvements over a more extended period of time. In addition, we should have looked at long-term low-interest financing to see how they would impact rates. The request got nowhere. The general manager pushed for his rate increase, and the board voted three to two to support and accept the rate study.

Almost all utilities finance long-term construction with a long life of 30-plus years with municipal bonds or low-interest long-term financing.

The rate study should have given the board some options to look at. Those options should have been included.

- Long-term municipal bonds or another long-term low-interest financing
- CIP spread out over a more extended period.
- Looking at the difference between keeping the water rate at a 50% base rate and 50% volume rate vs. the 60/40 shown in the rate study,
- Balance sheet supporting an income statement in the rate study.

I believe this information should have been included and presented to the board and not pushed through in one meeting. I am sure several of our board members have no idea what's in this study. They did know the outcome and voted 3 to 2 to accept it. But had the process not been rushed and presented over a few meetings with the time to get educated and debate the issue that drove it, we might have had a different outcome.

The rate study was built on one premise: that all CIP be raised with margins over the next five years on the back of current customers. That made the rates SORE.

Connection fees –

The massive cost of the CIPs also has a high price on connection fees. The determining factor over the next nine years is that our community will build an additional 259 units. While I understand the concept of new users having to buy into the system and that you can formulate what that might cost is contrary to what makes sense for development. You can arrive at many different methodologies to get another conclusion. Again, nothing in this study showed any other possibilities.

Our community has a pent-up demand for housing; our problem is that so many factors make it hard for development to occur. If builders/developers could make money here, they would be here. The sad truth is they can't. and so, it does not happen, I think, except for a few well-healed people; the additional increase in connection fees for water and wastewater significantly drives down building in the district boundaries. That is counterproductive because we want more ratepayers paying into the system. That was one thing the rate study did point out, part of the reason for the cost increase was too few customers over too large an area.

Looking at what was passed by the board with a three to two vote:

Connection fee for wastewater:

The residential cost for a new connection will be $16,355 - an increase of $10,354 over our current connection fees for water and sewer.

- Currently, the connection fee is $2,958
- The new connection fee will be $10,260
- That's a rate increase of 246.8%

Connection fees for Water:

- Currently, the connection fee is $3,045
- The new connection fee will be $6,098
- That's an increase of 100.4%

Water and wastewater rates:

Over the next five years, the combination of these rate increases will more than double our current customers' bills.

Water - Percentage cost over the next five years for a 5/8-inch connection - the standard connection will be an increase of 84.2%

Wastewater - The increase for the average wastewater customer will be 92%

This rate increase is by far the most significant increase the district has ever had.

This will sincerely hurt low-income and senior citizens on fixed income.

Gregg Gardiner

INTENTIONAL BLANK PAGE

Humboldt Community Services District

Dedicated to providing high quality, cost effective water and sewer service for our customers

Engineering Memorandum

TO: Board of Directors

FROM: Benjamin Adams, Assistant Engineer

DATE: April 21, 2023

SUBJECT: Engineering Dept. Status Report for April 25, 2023 Board Meeting

---

Sewer Pre-treatment Device Inspections

Engineering Staff have completed ten wastewater pre-treatment device inspections so far this calendar year. All devices inspected, have been in compliance, functional, and in an actively maintained state. Approximately 45 pre-treatment devices are inspected biannually in accordance with the District's pre-treatment program.

The objective of the pre-treatment inspection program is to ensure that privately owned and maintained wastewater pre-treatment devices remain effective in reducing the fats, oils, and grease (FOG) contributed to the public wastewater collection system.

Private Projects Within the District

Engineering staff have received, reviewed, and responded to 177 USA notifications since reported last at the February 24th Board Meeting. 83% of the notifications required District staff to proceed with further research and mark District infrastructure in the proposed work areas.

Engineering staff have reviewed and responded to 15 Humboldt County Building Department Permit Referrals this year.

Engineering staff developed a Technical Question Submission form to organize customer questions and collect preliminary information so that answers can be provided in an efficient manner. Engineering staff have received 30 submissions since the form has been implemented.

INTENTIONAL BLANK PAGE

Humboldt Community Services District

Dedicated to providing high quality, cost effective water and sewer service for our customers

AGENDA REPORT

For HCSD Board of Directors Regular Meeting of: April 25, 2023

AGENDA ITEM: **H.1** (Old Business)

TITLE: Request for Appointment of Ad Hoc Committee to Assist with Negotiations with the City of Eureka

PRESENTED BY: Terrence Williams, General Manager

Recommendation:

Appoint an Ad Hoc Committee to assist with negotiations with the City of Eureka

Summary:

During the March 28, 2023 meeting, the Board appointed an Ad Hoc Committee to assist with contract negotiations with the City of Eureka. Director Gardiner requested that the committee appointment be reconsidered because he feels that other members of the Board would be better suited to represent the District than himself at this time. During the April 11, meeting, the Board tabled the discussion because Director Matteoli was absent and some Board members nominated him to be on the committee. Hopefully the third time is a charm.

Fiscal Impact:

Based on averages from the past five fiscal years, the combined agreements cover about $3M annual spending by the District to the City.