



Georgetown Divide Public Utility District  
6425 Main Street, Georgetown, California 95634

## MINUTES

### FINANCE COMMITTEE Regular Meeting

THURSDAY, January 27, 2022  
3:30 P.M.

#### Finance Committee Members

Steve Miller, Chairman  
Marilyn Boehnke, Member  
Andy Fisher, Member

#### Board of Directors Liaison

Mike Thornbrough  
Mitch MacDonald

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#### MISSION STATEMENT

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It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies.
- Ensure high quality drinking water.
- Promote stewardship to protect community resources, public health, and quality of life.
- Provide excellent and responsive customer services through dedicated and valued staff.
- Ensure fiscal responsibility and accountability are observed by balancing immediate and long-term needs.

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#### 1. CALL TO ORDER — ROLL CALL — PLEDGE OF ALLEGIANCE

President Steve Miller called the meeting to order, lead the pledge of allegiance and called the roll with all Committee members being present.

#### 2. ADOPTION OF AGENDA

Motion by Andy Fisher to adopt the agenda. Seconded by Marilyn Boehnke, the motion **PASSED**.

- #### 3. PUBLIC FORUM
- Any member of the public may address the Finance Committee on any matter within the jurisdictional authority of the Finance Committee. Public members desiring to provide comments, must be recognized by the Committee Chairman, and speak from the podium. Comments must be directed only to the Finance Committee. The public should address the Finance Committee members during the public meetings as Chairman, Vice Chairman, Secretary, or Member, followed by the Committee member's individual last name. The Finance Committee will hear communications on matters not on the agenda, but no action will be taken. No disruptive conduct shall be permitted at any Finance Committee meeting. Persistence in disruptive conduct shall be grounds for summary termination, by the Chairman, of that person's privilege of address.

#### **4. APPROVAL OF MINUTES – MEETING OF December 2, 2021**

Steve Miller motioned the minutes of December 2, 2021 meeting be approved Andy Fisher seconded the motion. *The motioned PASSED.*

#### **5. FINANCE COMMITTEE MEMBER COMMITTEE COMMENTS AND REPORTS**

No comments or reports.

#### **6. OLD BUSINESS**

##### **A. Finance Committee Member Recruitment**

Marilyn Boehnke suggested a renewed effort to give public notice of the vacancies. Chairman Miller reported he has a potential applicant, but has not yet received a letter of intent or a resume. The individual has not been able to submit anything, so he would be at her place on Saturday to pick up an application.

The Admin. Assistant, Carol Arquette, reported an article regarding committee vacancies has been included in the GDPUD newsletter which was at the printers and should be mailed to all District customers shortly. Carol has a news release to forward to the local newspapers as a public service announcement, and email the same to the GDPUD mailing list (MailChimp)—a much more targeted audience. Director Thornbrough said he could also post the notice on Facebook. Andy Fisher inquired about the status of applicants for the Irrigation Committee. The recruitment for members had just begun. Chairman Miller suggested there may be more interest in the Irrigation Committee than for the Finance Committee.

Marilyn Boehnke asked if the District had a social media site. General Manager Adam Coyan said we used to. However, the account was grafted on to the personal page of the last General Manager so it got taken down. There is no way to revive that page. Marilyn Boehnke reminded everyone the committee policy states that vacancies should be posted to the District's social media. Adam Coyan has created a General Manager Facebook page. Andy Fisher suggested posting to the What's happening on the Divide and What's Actually happening on the Divide pages as they seem to get the most exposure within our District.

Andy Fisher also commented on the dilemma of only having only three members on the Finance Committee and needing all three for a quorum. If we get a tepid response to the recruitment efforts, he suggested the option of rather than two small committees, think about combining them and broadening the scope to have one robust committee such as the "Finance and Technical Advisory Committee" or something of that nature.

Director Thornbrough was posting the notice to the Facebook pages as suggested.

#### **7. NEW BUSINESS**

##### **A. Election of Finance Committee Officers**

Chairman Miller reported that committee officers were considered to elect or re-elect each year. Marilyn Boehnke suggested holding off on the election until another member is recruited. As it stands now, if one committee member is absent, there can be no meeting. She questioned why we need to hold the election at this point. Chairman Miller mentioned he had been in the Chair position on and off for nearly three years, and this is the time of the year elections come up. He wanted to open it up for anyone who wants to be an officer. Marilyn Boehnke pointed out the Secretary basically has no duties—minutes etc. is

specifically assigned to the staff committee clerk, the Vice Chair conducts the meeting in the absence of the Chair.

Andy Fisher motioned Chairman Miller remains Chair, Andy Fisher as Vice Chair and Marilyn Boehnke as Secretary for the coming year. Motion seconded by Marilyn Boehnke. Chairman Miller called the vote. Motioned **PASSED**

Chairman Miller, asked the Board Liaison if another election could be held if we get a new member. Director Thornbrough said he did not see any reason it couldn't be done. It was suggested the committee address the issue again when another member or two have been appointed.

## **B. Review of December 2021 Budget to Actuals**

Andy Fisher asked about the Admin General being at 60% of the year with us being only 43% through the year, (page 38 in the packet) General Manager Adam Coyan noted the report actually ended November 30, so this is not the most current December Budget to Actuals. He said the Admin General is high. It is really a seasonal thing because we have irrigation coming through the six-month budget is closer to the marks. As we go forward, we catch up until we hit irrigation season. It will look like we're under budget in the next two or three months because staff is charging time to Capital Improvement Plan (CIP) projects right now. As soon as the irrigation starts that's when things start moving quickly and we'll start burning through a lot of money in fuel and employee time as well. On the report that ends on December 30, we only went up 5% even though it was a month.

Andy Fisher asked if the General Manager sees any line items that look abnormal for where we should be mid-year given past fiscal years at mid-year. General Manager Adam Coyan said no, it's really normal. This budget was built on historical data, not even current historical data. The two years prior, the Interim General Manager tracked funds differently. They tracked the capital improvement projects as part of the general budget. So, for this budget we couldn't go to those two years prior as part of the general budget. I had to project backward for cost of living two years, then had to take the historical value starting in 2019. I really had to go back even further than 2017 and prior to the Steve Palmer years to get an average. Each General Manager is going to track things differently and put things in different categories. Back then, we weren't doing monthlies, just quarterlies. Quarterlies are much harder to track. If we come in within 10% on every category, we'd need to do a budget adjustment. However, I would be extremely proud in being able to project that. I'm still trying to stay on target for budget. We're cutting costs right now in different places just to stay on target.

Chairman Miller commented that he is compiling a spreadsheet with month-to-month budgeted amount, a year to date spent amount and a balance residing amount for this current year. He is building it so that we can add that to the next current year, and the next current year, etc. Then we have the historic data for what we actually spent month to month for the entire year for what's in our budget. In department 5500, Customer Service caught his attention—\$0 Office Supply was budgeted but currently spend over \$7000. He was curious as to why \$0 was budgeted.

The General Manager said he'd like to produce a budget outline with different categories for next year's budget and have the Finance Committee review it and make suggestions on what they would like to see as well so we could come up with an outline to begin with. We have the ability to go into each category and pull up invoices,

such as hand tools, and see how much we spent. It would give us a better indication going forward with more transparency on where the money went.

Marilyn Boehnke said the budget outline idea sounded really good and suggested the Finance Committee move to ask the Board to direct the General Manager to develop the budget outline for budget planning purposes. Andy Fisher asked if the General Manager could put a template together to show folks. The General Manager said he'll start working on it, and it doesn't need Board direction. But for us to discuss it at the Finance Committee meeting, the Finance Committee needs the Board to direct that budget outline for budget planning purposes] be placed on the Finance Committee Agenda.

Chairman Miller stated he would confer with the General Manager about the work sheet he is putting together and how it could help in the budget planning process.

Director MacDonald pointed out that when the General Manager referred to "unnecessary expenses" he means of a lower priority or not mandatory line items for community outreach. We have a means of looking at our costs at a level that you can make an informed decision if their broken-down regarding newsletters and fliers and things like that. It's not unnecessary just a lower priority. The General Manager agreed.

### **C. Review Annual Audit for the Fiscal Year ending June 30, 2021**

Andy Fisher asked about Revenue from Irrigation Sales (page 8 of the Audit). For fiscal year 20 revenue was \$407,000 and has gone down, I think that might be a typo, in fiscal year 21 \$395,000, \$12,000 less over the fiscal year. So, what's happening with irrigation? Have we reached a point where raising rates has caused people to drop off of the irrigation customer list so that we're losing money?

The General Manager said when the rates were raised, some people got rid of the irrigation for sure. That's common, I wouldn't equate that to break-point pricing. If we wanted to do further analysis, we'd have to work with the rates in order to get a break point-pricing graph. I could look into the exact number of customers who dropped. We're looking at a 2–3% change. That could just be normal, I'd have to look at the historical values to get a good feel if those numbers change each year, depending on drought or not. There's not enough analysis here to make a determination.

Andy Fisher mentioned this gets at the heart of the task before the irrigation committee—if you raise rates and you don't make any more money or you lose money, where do we go from here. It is a fundamental problem; you have a very small rate payer base of 400 irrigation customers with a huge amount of infrastructure. Adam Coyan said it's kind of a "hot ticket" item either way because typically in an average year, Pilot Creek supplies enough drinking water even if we eliminated the dam and all storage we'd still have enough for drinking (typically). A serious drought would affect the flow of Pilot Creek then we would have big problems. Irrigation is needed as a community service and fire break. That's hard to put a price tag on. You can't compare it with treated water.

Director Thornbrough commented that the impact of the rate increase was felt the first year the increase was implemented. Back then we lost about 100 irrigation customers. The rates they have now are the same rates since the increase, they kept getting caught up in rates freezes. The difference between this year and last year could be rate related, but the major impact of losing customers was felt in the first one or two

years the rate increase was implemented.

Again, on page 8 of the Audit under Non-Operating Revenues and Contributions, table A-2, Andy Fisher asked about a possible typo \$3,424 million fiscal year 20, \$3,415 million fiscal year 21. Then on page 10 reiterates Non-Operating Revenues and Contributions in more detail it says 2020 was \$2893 million where page 8 said \$3.4 million. I'm not sure if there's a typo there or if there's some contribution to that just didn't carry across the two pages. I wanted to bring that up for somebody to take a look. Adam Coyan said the difference is the one on page 8 is the total Non-Operating Revenues and Contributions is \$3,424 million. Then come down to page 10, if you add the \$2.8 million with the \$531,000 and the \$172,000, that will be the same number, the \$3,424 million. The typo here is the \$531,000 should have parenthesis like the next line. Andy Fisher said OK, that answers that, the other is just a curiosity the Hydroelectric Royalty Payments was at \$57,000 in the year 20 and went down to \$36,000 in 2021. That seems like a small amount to be in the Hydroelectric business. I presume we have expenses related to that too. Adam Coyan said going forward we could utilize the hydroelectric a lot more in some regards,

#### **D. Study Treated Water Rate Freeze Impact and Possible Actions**

General Manager, Adam Coyan indicated we need to wait until we get the analysis back so we can make databased decisions. Then those decisions can be justified as to whether we need a rate increase or not. The discussion then, we'll know how much deficit we have going forward, we'll be able to project when we take over the two hydros we currently own that are under lease into the rate structure as well. Then it becomes a conversation as to when we want to raise rates and how much—a small annual increase if 1 or 2% or every three years a 5% increase or something like that.

Those are just examples, If we get the two hydros back, put in solar, it could mean we don't have to raise rates for years. That's what the studies will show—how much we need to raise rates or how much deficit or excess we have going forward.

Director Thornbrough commented that the objective of a rate increase is not only to cover costs, but also to have money left over every year to put toward Capital Improvement Projects. Last year's audit showed we had \$1,050,000 left over after all expenses put toward capital improvement projects. This last audit, we have \$130,000 more to put into capital improvement projects. So I think the rate freeze was completely justified. Like Adam said, we need to look to the future and other projects we want to do, but I have no reservations about freezing the rates again. If the trend keeps going, I'd say we freeze it again next year.

Steve Miller commented that we have lots of categories for reserve accounts. He'd like to know how much is enough in each of these reserve accounts and what they stand for, so that if we have enough that will factor in. Do we have the capacity to do more capital improvements? In the past it was apparent we could not get to all the projects in the first year. My suggestion would be building a reasonable Capital Improvement Plan that we can actually accomplish, and understanding what funds we need to have to do that, and building it to a cap. That has an impact on where we look at rate increase and where we need to go. One of the things I would like to see is what's the cap on the reserve accounts we have, when do we determine we have enough.

General Manager Adam Coyan stated it is common knowledge we have \$113,000,000 liability in the ground, just in our pipes. If we utilize contractors for replacing those

pipes, we're looking at a typical 30% markup on labor and materials. We could instantly take more than \$30,000,000 off that figure if we hired in-house labor. When we get to this point, I would produce a cost base analysis so the Board can make that decision once we get all the other reports in so that we can see where we're going. This doesn't need to start right now. It needs to be tiered out based on how many miles of pipe we can replace a year, and the age of the pipes. That's the best way to go about it from a financial perspective because you're not paying a contractor's mark up, This just needs to be in the planning stage right now. If this is thought out, planned for and timed correctly, we might not need a rate increase.

Chairman Miller stated it's not just keeping what we have, which of course we need, but there's always the opportunity to lay more pipe.

Andy Fisher commented that in doing the cost analysis of using employees vs contract labor we need to include the cost of post retirement, benefits, the entire cost that goes with hiring new employees. Depending on the economy, sometimes the differential between prevailing wage and market is less and sometimes it's more. You don't know what kind of bids you'll get until you bid out. But comparing the two makes a lot of sense. He asked if the \$113,000,000 included ditches too or just pipe? Adam Coyan said it is strictly pipe, it does not include building, treatment plant, cost of living increase, salaries or any other liabilities that will increase with time. It is strictly pipes and that is figured at a lower rate than the current rate for price per foot installation. Due to the rural nature here, most of the pipes are alongside the road and we won't need to tear up infrastructure and replace full strips of roadway.

Adam Coyan does not anticipate all the related studies to determine the direction of rate increase recommendation until late August or September. The Castle report (assessment evaluation) will take 3 or 4 months. Then we need to do an assets management plan; we need a rate study which will take into consideration the staffing levels, the salary survey, and the Board approved RFPs. The rate study will be kind of a timeline for the future where we will be able predict future rates. The Finance Committee is going to be pretty involved in all this as we go forward.

#### **E. Review Conceptual Agenda Timeline for possible update amendment to the Board of Directors**

General Manager Adam Coyan stated this is a planning tool for future agendas and needs to be revised going forward so we aren't always behind and reactionary. Items are listed on the chart at the Boards direction and are automatically included on the Finance Committee's agenda. The notes indicate some examples as to why the timeline needs to be reorganized. The reorganization will help put the committee in a better advisory role rather than simply a "rubber stamp" position. Insofar as it is part of Board policy, whatever timeline the committee comes up will need to be presented for Board approval.

General Manager suggested the committee members review the chart and bring recommendations to the next Board meeting. Steve Miller suggested the Committee should have the ability to propose things the Board hasn't thought of. Then it is taken back to the Board for approval.

#### **8. AGENDA ITEMS FOR NEXT FINANCE COMMITTEE MEETING**

Steve Miller asked the Committee for items for the next agenda

- Agenda Conceptual Timeline revision
- Budget Outline for Budget Planning

9. **NEXT MEETING DATE AND ADJOURNMENT** – The Finance Committee set the last Thursday of each month at 3:30 PM for regular committee meetings.
- A. Next regular Committee Meeting **February 24, 2022**
  - B. Andy Fisher motioned for adjournment and Marylin Boehnke seconded the motion. Meeting adjourned at 5:10 PM.

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Carol Arquette, Interim Clerk

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Date