

Bayview Water & Sewer District

20298 E Perimeter Rd., Bayview, ID 83803
Broadcasted over Zoom

SPECIAL MEETING MINUTES

November 20, 2023 - 6:00 PM

Call to Order and Roll Call: Chairman Shon Luoma opened the meeting at 6:00 PM and a roll call confirmed Vice-Chair Paul Franz and directors Ted Bare, Jeff Frensdorf and Dan Tindall were also present.

Others Present: District treasurer Jessie Roe, District operator Bob Kuchenski.

Guests Present: Members of the public (see attached sign in sheet).

Agenda Items

1. Public Hearing: PROPOSED Water & Sewer Rate Increase(s):

The public hearing was opened at 6:07 PM. Ms. Roe presented a PowerPoint presentation (attached) describing the rising costs the District is seeing in their routine monthly bills such as insurance and electricity, prior audits and the operating deficits in both the water and sewer, the aging infrastructure and struggling with needed repairs that have been put off in order to stay in budget with current user fees, the last time user rates were increased, and finally, the difference between billing commercial and residential accounts.

The following public comments were received at the public hearing:

Public Comment #1: Read by Judi White in the absence of Sheryl Puckett –

As a member of this community, I believe it is crucial that we carefully examine all available options before burdening residents with such a significant financial adjustment. I would like to highlight that the district currently has access to \$108,000 from the Cape Horn LID account and if allocated specifically for sewer maintenance could cover costs for the next 2 years. It's imperative that we make the most judicious use of existing funds before resorting to additional financial demands on our community. It is disconcerting that, to my knowledge, the board has not explored alternative avenues to address the financial challenges we face. I propose that the formation of committees dedicated to researching and suggesting ways to either increase revenue or reduce costs would be a prudent step forward. This approach could potentially uncover innovative solutions that might alleviate the need for such a significant rate hike. Raising rates is a straightforward solution and should be considered only after exploring and exhausting all other viable options. I urge the board to reconsider the proposed 46% increase in sewer rates, and to actively engage in exploring alternative solutions.

Public Comment #2: Jeanna Hofmeister –

I have a lot of concerns, particularly regarding the sewer increase. After looking at a freedom of information act request for the budget detail on sewer operating maintenance and looking at what

commercial payers are paying in revenue, I came up with 46% in expenses this year for commercial. Some of which I have a lot of questions about, and I know that Bob has been working, I sent him some questions about things that seem to me to be business infrastructure expenses, that I find very concerning that the District is picking up the cost for. When we looked at one of the recent slides that had the chart that laid out what the current water rates are, it only adds up to our base rate for all those 607 users. Every summer I can guarantee my water bill is much higher than the base rate by \$100 plus dollars, so that revenue is not included in this supposed significant loss that we are experiencing on the water side and, in fact, when you look at the last two budgets, amended budgets and the past budgets, water is not losing money; per what the budget says. So, I really question that. I also am concerned about commercial pump-outs when we don't seem to have a residential pump out schedule. I can say I was calling for three years in a row to get a pump out, after 17 years of living in my home and sewer backing up into my washer. So, I appreciate that we don't want sewer from all the people lucky enough to live in float houses and other places going into our lake, but I don't actually want sewage going into my laundry. I would like to see us take some time, develop a residential pump out plan, and budget for that, because lots of people have had the same experience as I do. I'm also concerned, looking at the monthly billings for KG&T, who in one instance actually went out to install a riser that a customer refused. The District paid \$550 for that mistake. Do we not call ahead and say "will you accept this", because the next month then that riser was installed at that residence on Duwamish. I don't understand how that happens. I look at what I know has been a nightmare on Arapaho Ct., while so far this year we have spent twenty-one plus thousand dollars on what looks to me like new construction. Are we all eating those expenses? I understand that things are more expensive. I'm game to pay more. 46% more is a lot when I don't think, as residences, we're getting the kind of increase in services that we should have to pay that. And I'm not here to jab these guys in the eye because it's a tough job and we have a lot of tough questions to answer. I do feel like we can be a lot more methodical in how we approach this, rather than going for an instant 46% rate increase on sewer and that rate increase on water when water hasn't been losing money if you look at the budget versus what this other thing was that was on the website.

The public hearing was closed at 7:08 PM.

The Board will keep accepting written public comments until the close of business on November 27, 2023 and will address all public comments at the next regular monthly Board meeting on December 21, 2023.

With no further business to discuss the special meeting was adjourned at 7:10 PM following a motion from Mr. Franz and seconded by Mr. Bare. All were in favor, motion carried.

Respectfully Submitted and Approved:

Jessie Roe
Administrative/Treasurer

Shon Luoma
Chairperson of the Board

Comment #1

- Carefully examine all available options/alternative avenues.
 - District has been examining the loss of income with every reported year following audits.
 - Continually finding the lowest pumping; changing vendors.
 - Changing phone internet providers. Reducing trash pickups to on-call.
 - Annually seeking lowest costs for plowing, mowing and office maintenance (staying local whenever possible).
 - Negotiating lowest possible professional fees: attorney, engineering, and accounting (audits).
 - Analyzing employee costs vs. contracted services (billing/mailing).
 - Reducing maintenance/repair items. Putting off projects and operating on an as-needed basis.
 - Re-evaluating user accounts: ER (sewer) usage and water base rates (revived resolution 1982-014 with resolution 2020-006; multi-family charges).
- Access to \$108,000 from Cape Horn LID account and if allocated specifically for sewer maintenance it could cover costs for 2 years.
 - Unlawful to use funds on any sewer-related expenses or anything in Bayview Proper. It is restricted to Cape Horn use. The District draws down annually at the end of the fiscal year to assist in the Operation & Maintenance items in the general account. This will not last.
 - Previously had income still flowing into Cape Horn LID from annual billing every October; 2023 was the last year for billing.
 - The account will NO LONGER increase, only diminish.
 - FY20/21: \$36,140
 - FY21/22: \$62,110
 - FY22/23: \$45,858

Comment #2

- 46% of expenses for FY22/23 towards commercial accounts.
 - Commercial Account Expenses:
 - FY22/23 - \$69,872.35 is **35%** of \$199,798.83
 - FY21/22 - \$5,725 is **9.7%** of \$58,889
 - FY20/21 - \$4,662 is **7%** of \$66,652
 - FY19/20 - \$17,736 is **24%** of \$71,998
- Picking up the cost for business infrastructure expenses.
 - It is the responsibility of the District to maintain the tank, which includes, not only pumping but repairs and maintenance to the tank and the line leading from the tank to the main sewer line. This is the same for residential accounts as well as commercial accounts, there is no difference.
- Only accounting for water base rate revenue – not being included in significant loss.

- Audit numbers include ALL water revenue received in user payments. This includes, late fees, overage charges, base fees and State Revolving Fund (SRF) Loan. The District subtracted the SRF loan figures from the operations and maintenance before analyzing the TRUE water revenue. The SRF funds can only be used to re-pay the water improvement project loan and will never be considered income for the District.
- Budget numbers DO include the projected water overage revenue
 - FY23/24 Budget is **\$267,120**
Proposed new rate: \$30
Connected customers: 667
 $\$30 \times 667 = \$240,120$ - **plus \$27,000** for projected for water overage revenue
- Budgets aren't showing the District is operating at a deficit.
 - The District is required to implement a budget to stay within its revenue source. It is not the *goal* of the District to spend outside its budget, therefore, you will not find our budgets showing an increase in spending or a deficit. Where you will find our *actual* spending associated with the routine cost of business is in the audit(s); That is where the deficits are showing.
- Residential pump out schedule.
 - If the District were to implement a residential pump out schedule of every 5 years, we would need to increase the user rates to offset the cost, which I believe is what the customers are trying to avoid. Also, that would put the District pumping some, or most, houses before they actually need to be pumped because most houses do NOT require pumping every 5 years. This would be very cost ineffective for the District and the customers.
- KG&T work done even when customer refused.
 - It is the responsibility of the District to maintain septic tanks, pumps and lines from the tank to the main sewer line. This agreement is signed by the connecting customer before service is established, via permit and service agreements. Please contact the office for an example of those agreements when a customer requests to connect into the system.
- Spending \$21,000 on new construction. Are we all eating those expenses?
 - The District charges each connecting customer for actual costs incurred to connect into the District system; for water and for sewer. The District rate schedule can be found on the website.

Part 2 (written follow-up)

- Commercial accounts are benefiting on the backs of residential ratepayers.
 - redefine rate structure to make commercial accounts pay their fair share.
 - Commercial accounts are billed at a higher sewer rate based on the Equivalent Residence (ER) Schedule outlined in Ordinance 21-2. The purpose of the Equivalent Residence (ER) Schedule is to make the commercial account(s) charged fairly and equitably equivalent to a residential unit based on the schedule outlined in Section 4.0 of Ordinance 21-2.
- Stricter controls on contractors.

- The District will be implementing tighter controls over all projects and routine maintenance. Our goal is to keep a very vigilant review of all expenses and keep analyzing how the revenue is handling our District needs.
- Information at 11/20/23 public hearing regarding water was “patently false”.
 - Slide 31 (amended budget) makes it clear.
 - Please refer to audit figures as these are actuals.
 - Budget figures are a prediction and a goal and do NOT reflect the District’s actual spending.
- Where is revenue to offset new construction?
 - Under the Profit and Loss line item labeled: “Water Hookup Fees” or “Sewer Hookup Fees”. The income will be reported in the month they were received. This is when a customer comes into the office to apply for a new service and pay the appropriate fees for connection costs. (i.e. Profit and Loss for June 2023, attached to the minutes for July at the regular Board meeting when the June financials were reported).

Comment #3

- Irresponsible for large increase when financial numbers need clarification.
 - Please review the audits on the website which reflect an annual deficit on both the water and sewer side. The District has a goal to only increase rates to cover the cost of business.
- Monthly rates plus overages should be sufficient to cover costs w/o a rate increase.
 - All figures incorporated into the Board’s analysis included overage charges for water used over the monthly 5,000 gallons. It is not sufficient to cover the existing and rising costs the District is experiencing. It hasn’t been enough for several years. All audits documenting this information are available to the public for review and on the District website.
- Excessive commercial pumping costs should be fair and not paid for by residents.
 - Example - (REAL) Commercial Customer:
 - **Pays \$1,233.96 a month for sewer. (\$14,807.52/year)**
 - Pumping/Repairs 2023: \$7,995 (paid for in 6 months) – excess of \$6,812
 - Pumping/Repairs 2022: \$1,320 (paid for in +1 month) – excess of \$13,487
 - Pumping/Repairs 2021: \$0 - Excess of \$14,807
 - Pumping/Repairs 2020: \$7,449 (paid for in 6 months) – Excess of \$7,358
 - *This commercial account pays for their pumping and any repairs needed, plus more, in less than one year.*
 - Example – Typical Residential Customer (1 ER):
 - **Pays \$26.00 a month for sewer. (\$312/year)**
 - Typical residential pumping cost (without a repair): \$650
 - *Takes approximately two years to pay for a pump only.*
- Separate banking accounts for the public to clearly see water & sewer situation.
 - LID reserve can cover this cost for one year until this is produced.

- This has been a goal for the District for several years and as part of the rate increase(s), we will be implementing this. This is on the December 21, 2023 agenda for discussion.

Comment #4

- Have you considered increasing the amount you charge residents who go over allotted monthly amount for water vs. increasing the charge for everyone?
 - This was not included in any rate analysis to-date. It has been mentioned amongst the Board but not seriously discussed.
- Is everyone being charged for sewer? Those who aren't on BWSD water; are they charged a sewer fee?
 - Everyone who is connected into the sewer system is being charged the sewer base rate. The District has a number of accounts that are strictly sewer accounts and on a different water system.
- Are bars, restaurants, marina, motels charges more for water & sewer?
 - Yes. Please refer to Ordinance 21-2 section 4 for the commercial ER breakout.

Comment #5

- Have all alternative avenues been addressed?
 - Bayview Community Council brought to our attention that the District will draw down \$108,000 from Cape Horn LID.
 - The Cape Horn account funds can ONLY be used for Cape Horn operations and maintenance. At the end of every fiscal year the District analyzes what part of their expenses were directly pertaining to Cape Horn and draws from the corresponding account and disburses them into the General O&M account. This practice will continue until that account no longer has the funds.

Comment #6

- Many users are on a fixed income
 - The Board certainly recognizes that there are a number of customers who are on a fixed income. Note that the District is a not-for-profit, quasi-municipal entity and, as such, operates off a fixed income itself. The proposed rate increase is intended to solely cover the costs of operation and stop operating in a deficit; not profit off of the funds collected.
- The water side is not losing money, sewer is. Don't agree with water increase but understand sewer increase.
 - Please review the audits on the website which reflect an annual deficit on both the water and sewer side. The District has a goal to only increase rates to cover the cost of business.
- Historically water has subsidized sewer.
 - This is correct and the proposed rate increase(s) aims to correct this issue.

- Board members are not speaking at public hearings
 - The Board will plan to speak more at the public hearings so you can hear directly from them as well.
- Currently paying \$8 for SRF fund
 - The \$8 charge is solely to re-pay the State Revolving Fund (SRF) loan and will never be a source of income for the District.
 - By definition: A revenue bond is a special type of municipal bond distinguished by its guarantee of repayment solely from revenues generated by a specified revenue-generating entity associated with the purpose of the bonds, rather than from a tax. Unlike general obligation bonds, only the revenues specified in the legal contract between the bond holder and bond issuer are required to be used for repayment of the principal and interest of the bonds; other revenues (notably tax revenues) and the general credit of the issuing agency are not so encumbered.
- Historically didn't pump all commercial accounts before Bayview Daze
 - We still do not pump ALL commercial accounts on an annual basis. The District will pump the business directly impacted by Bayview Daze, without fail, to ensure there are no issues during the event. This last fiscal year 2022-2023 happened to incorporate several commercial accounts that had not been pumped in two or more years. It was a heavier year than normal. We will still operate on an as-needed basis to keep costs as low as possible.
- Audit never completed for residents.
 - The District still maintains a goal to audit all residential parcels to ensure the proper sewer and water rate is being assessed to each account. This will be done in respect to employee hours and District funds/budget.
- Water loss is still approximately 50% even w/ pipes being replaced; why?
 - While the new water main has been installed and is in service at Farragut State Park, the 75-year-old existing water main is still in service at this time. When construction of the new water main was completed early in the Fall, we turned off the valves to the old water main to remove it from service. However, one of the valves did not shut down all the way. Our next option was to install a \$30,000 insertion valve to isolate the old water main from the new water main without shutting the water system down. We discovered that our 75-year-old water main had an odd size interior diameter, meaning an insertion valve would not work. At this time, we had two choices. Either shut down and drain the water system for a couple of days to remove the valve from the water system, or install what is called a "line stop." Line stops are technical to install. As such, very few companies do it and they are in high demand across the country. With winter approaching fast, our engineering team felt it would be best to wait until Spring to install the line stop and complete the project.