



WORKSHOP and REGULAR MEETING OF THE BOARD OF DIRECTORS

AGENDA

TUESDAY, February 26, 2019

NOTE MEETING TIME - 5:00 PM

President- Richard Smith
Vice President-Wayne Holman
Director- Marcus Dutra
Director- Wayne Norton
Director- James Leap
General Manager- Robert Johnson
Board Secretary-Louise Coombes

- I. **CALL TO ORDER**
- II. **ROLL CALL OF DIRECTORS:** President Richard Smith, Vice President Wayne Holman, Directors, Marcus Dutra, Wayne Norton and James Leap.
- III. **PLEDGE OF ALLEGIANCE**
- IV. **WORKSHOP:** Board of Directors Training Session; AB 1234 Ethics Training Refresher

7:00 PM – RETURN TO REGULAR SESSION

- I. **CALL TO ORDER**
- II. **ROLL CALL OF DIRECTORS:** President Richard Smith, Vice President Wayne Holman, Directors, Marcus Dutra, Wayne Norton and James Leap.
- III. **STATEMENTS OF DISQUALIFICATION**
- IV. **ADDITIONS AND DELETIONS**
- V. **MINUTES:** Motion to approve the Minutes of the January 22, 2019 Regular Board Meeting p.3-5
- VI. **REPORT OUT FROM JANUARY 22, 2019 CLOSED SESSION**
- VII. **ORAL COMMUNICATION:** *Anyone wishing to address the Board on informational items, staff reports or matters not listed on the agenda may do so during Oral Communications. Please limit your comment to three minutes. The public may comment on listed Action and Public Hearing items at the time they are considered by the Board.*
- VIII. **PRESENTATIONS & REPORTS**
 - A. DIRECTORS' REPORTS
 - B. ATTORNEY'S REPORT
 - C. MANAGER'S REPORT p.6-9
 - D. CORRESPONDENCE p.10-11
- IX. **ACTION ITEMS:**
 - A. **Consider adopting a resolution (Resolution #2019-01) certifying a Categorical Exemption for the Eilert annexation (Rancho Larios area) into the Aromas Water District boundary.** p.12-14
Staff will present a Categorical Exemption and Resolution related to the Eilert annexation process.
 - B. **Consider approving the Rate Study Consultant recommendation, and providing direction to Staff** p.15-33
Staff will present findings from the Rate Study Request for Proposals and provide a recommendation for the Board to consider.
 - C. **Financial Reports for the Month of January 2019** p.34-39
Oakridge & Orchard Acres Assessment Districts are now included in the financial reports. Therefore, the reports show a Total Revenue of \$71,350.86; Total expenditures were \$64,588.66 between January 17, 2019 and February 20, 2019. These financials and monthly expenditures will be presented for discussion and approval.
- X. **FUTURE MEETINGS & AGENDA ITEMS** Next meeting on Tuesday, March 26, 2019
- XI. **ADJOURNMENT**

Next Res. # 2019-02

All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of the board. Such records shall be available at the District office located at 388 Blohm Avenue, Aromas, CA.

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**Minutes of the Regular Meeting of
the Board of Directors of the Aromas Water District
January 22, 2019**

- I. CALL TO ORDER.** The regular meeting of the Board of Directors of the Aromas Water District was called to order by President Smith on Tuesday, January 22, 2019 at 7.00 p.m. at the District office located at 388 Blohm Ave, Aromas, California.
- II. ROLL CALL.** President Smith, Vice President Holman and Directors Norton, Leap and Dutra were present. Also in attendance were General Manager Robert Johnson, Management Consultant Morris, Counsel Bob Bosso, Board Secretary Louise Coombes and Staff Ester Gir6n.
- III. PLEDGE OF ALLEGIANCE.** Director Dutra led the pledge of allegiance.
- IV. OATH OF OFFICE.** The Oath of Office was conducted by Council Bob Bosso. Certificates of Appointment in Lieu of Oath of Office from Monterey County were signed by President Smith, Directors Leap and Dutra to be kept on record.
- V. STATEMENTS OF DISQUALIFICATION.** There were no disqualification statements.
- VI. ADDITIONS AND DELETIONS.** There were no additions or deletions to the Agenda.
- VII. MINUTES.** The minutes of the December 19, 2018 Board Meeting were presented for review and approval; there were no corrections or comments. Director Leap moved for approval of the minutes and Director Norton seconded. Minutes were unanimously approved with all Directors present.
- VIII. ORAL COMMUNICATION.** There were no public comments.
- IX. REPORTS/PRESENTATIONS**

- A. Director's Reports.** There were no Directors' Reports.
- B. Attorney's Report.** Counsel Bosso indicated that all cases likely to affect the District's operations are currently pending. He mentioned a case in the appellate court in Stockton that is potentially to go to the Supreme Court to resolve the conflict regarding well drilling permits being ministerial as opposed to discretionary and possibly need CEQA approval. If CEQA approval is required, this could make well permits very expensive due to the necessity of environmental documentation not currently required.

C. Manager's Report

OPERATIONS

No new meters have been installed this month so the total number of meters remains at 957 on 902 parcels. All water testing continues to be both, filed on time and represent satisfactory negative results.

Production & Well Levels

GM Johnson reported total production, in December 2018 is, again, lower than previous months at just under 5.3 million gallons; the daily average at approximately 170,534 gallons. Pleasant Acres Well only operated nine days; demand was comfortably met with Carpenteria and San Juan Wells. Carpenteria Well produced a large proportion of the total production and President Smith commented that this was good because the power bill for December was only around \$20 due to the solar field energy production. Overall production this year remains marginally higher than 2017.

Reporting on the well levels shows that Carpenteria Well is up three feet, San Juan Well is up eight feet, Marshall Well is up one foot and Aimee Meadows Well is up two feet.

Incidents

There were no incidents to report this month.

ADMINISTRATIVE

Staff & Board Recognition

GM Johnson wanted to continue to let the Board know that AC Giron and ASO Coombes go above and beyond to perform three jobs between the two of them, to keep everything running smoothly

Efforts to recruit a new Customer Services Representative have begun again. The deadline for applications for the position closes on Friday, January 25th; currently there are 15 applicants. Interviews are planned for the first week in February, with the anticipated start date at the beginning of March.

GM Johnson also wanted to give credit to CO DeAlba who is working very hard alone since Operator Zelmar is still out on leave. Operator Sanchez continues to assist CO DeAlba when available.

GM Johnson and CO DeAlba recently discussed elevating routine facility maintenance tasks to an annual planning level with associated budgets.

GM Johnson and CO DeAlba met with Kamstrup to discuss equipment issues with the automatic reading of the currently installed meters taking too long.

GM Johnson also met with a representative from San Benito Resource Management Agency (RMA) to discuss the Rocks Road Bridge project. It came to light that the plans at the District office were considerably out of date (2014) and only 65% complete, whereas the plans at the RMA were 90% complete, and dated 2016, demonstrating a lack of communication. The result of the meeting was that GM Johnson requested more information from the RMA before continuing discussion, however, the discussion did allude to the fact that the RMA are not planning to hang the water main from the bridge, but instead to construct the bridge around the current location of the 10" water main, locating the piers to avoid damaging or compromising the water main after it has been accurately located. It is likely that work could occur around May 2021.

Conservation & Rainfall

According to the rain gauge at Chittenden, since the beginning of the rain year, October 1, 2018, 10.84" has been recorded including the reading for today, with 4.04" falling in January.

Projects

Annexation on Cole Road. Mr & Mrs Naranjo recently visited the District office and are willing to be included in the annexation process. Potentially, we can be on the February agenda with PVWMA to move forward.

Rate Study Request for Proposal. GM Johnson reported that he recently released the Request for Proposal for a new rate study; the closing date is February 7th. It was also posted on the California Special Districts Association (CSDA) website, as well as being sent to five specific firms.

Fencing at Marshall Yard. This was not listed in the Manager's Report, however, 6.5ft cyclone fencing, plus 3-strand barbed wire has been installed at the Marshall Yard site, which was part of the Strategic Plan. Specifically, the back fence has been completed and a fence either side of a new front gate are also currently under construction. This attaches to the existing fencing on the adjacent property forming a good security barrier.

Solar for the District Office. GM Johnson recently met with representatives from APAL and Mynt. A quotation proposal should be forthcoming from the Mynt representative for solar installation for the Office Units A, B and C, plus one electric vehicle charger for public use.

- D. Correspondence.** GM Johnson expressed his appreciation for tiered rate language received from our Attorney, Bob Bosso, which assisted with composing the Request for Proposal for the Rate Study.

In addition, GM Johnson mentioned the last item of correspondence indicating that a payment plan for the XiO equipment has been established over a period during which the equipment will be installed.

X. ACTION ITEMS

A. Consider receiving an update on the annexation of one parcel in the Rancho Larios area into the Aromas Water District boundary. The application to LAFCO is currently in progress. The PVWMA have now reviewed and approved the request for water, providing a formal Agreement to authorize the District to extend service to the Eilert parcel. This Agreement is to be reviewed and approved by the Board before the annexation moves forward. A motion to receive the update was made by Director Leap, and seconded by Director Norton. The receipt of the update was unanimously accepted with all Directors present. A motion to Authorize the District Board President to sign the Agreement was made by Director Leap, and seconded by Vice President Holman. The motion was unanimously accepted with all Directors present.

B. Consider adoption of a proposed Expense Budget Revision. GM Johnson summarized that the revised Expense Budget is presented for approval after revision by himself and the Ad-Hoc Committee appointed at the December meeting. It is the mid-year review of the Expense Budget which includes distribution of approximately \$71,000 of additional revenue from the original Budget set at the beginning of the Fiscal Year; \$62,000 of which has been redirected to the Reserves.

Vice President Holman moved to adopt the expense budget revision. The motion was seconded by Director Leap. Director Norton commented that he was satisfied to see that money is being directed into the Capital Reserves which concurs with advice from the Auditors. Director Leap agreed, adding that the need for a new Rate Study is timely. The revised Expense Budget was unanimously adopted with all Directors present.

C. Financial Reports for the month of December 2018. Including the Oakridge and Orchard Acres Assessment Districts, the total revenue for December was \$213,158.79, which includes the tax income from both counties for the Assessment Districts; Total expenditures were \$103,555.62 between December 13, 2018 and January 16, 2019.

On the **Balance Sheet**, *Total Assets / Liabilities & Equity* are \$11,720,287.48, of which *Total Current Assets* are \$4,414,622.93, and *Total Fixed Assets* are \$7,116,383.75. In *Liabilities*, the *Total Liabilities* are almost \$4.9 million, including the solar loan which will be paid off in 2021.

In the **P&L Report**, *Water Revenue* for December was \$75,817.79 as compared to the budgeted \$70,000.00. *Power* expenses, still shows a lump sum payment for the Lower Oakridge Booster to catch up from when the meter was originally installed for Oakridge; this will no longer be present on the budget for FY 2019/2020. *Payroll* is under budget due to staffing vacancies. Based on the newly adopted Expense Budget revision, the *Annual Budget* figures will change for the next meeting.

In the **Monthly Expenditures**. GM Johnson pointed out the cost of CO DeAlba's accreditation licensure, as well as a couple of payments to individuals for finalizing their accounts. Director Leap enquired whether the PVWMA payment for their augmentation fee is quarterly, which GM Johnson confirmed, therefore around \$80-90,000 per year.

Director Leap moved to adopt the Financial Reports as presented; seconded by Director Norton. The Financial Reports were unanimously accepted with all Directors present.

XI. FUTURE MEETINGS & AGENDA ITEMS. The next meeting will be on Tuesday, February 26, 2019.

XII. ADJOURN TO CLOSED SESSION. At 8:01pm the Board adjourned to a closed session to discuss personnel matters as permitted by Govt. Code § 54956.9.

XIII. RETURN TO OPEN SESSION. President Smith announced that the General Manager was given direction.

XIV. ADJOURNMENT. President Smith adjourned the meeting at 8:30 pm until Tuesday, February 26, 2019.

Read and approved by: _____
President, Richard Smith

Attest: _____
Board Secretary, Louise Coombes

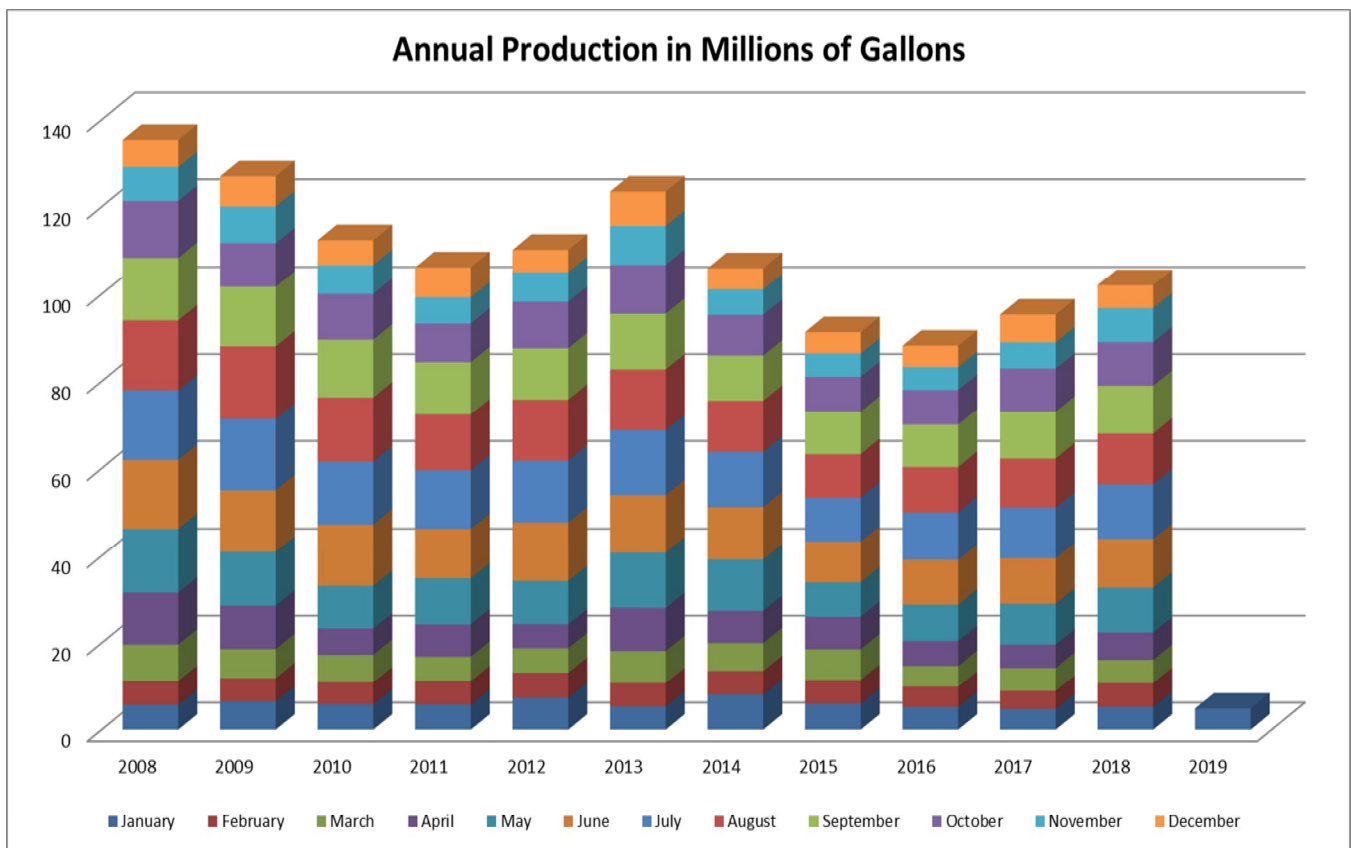
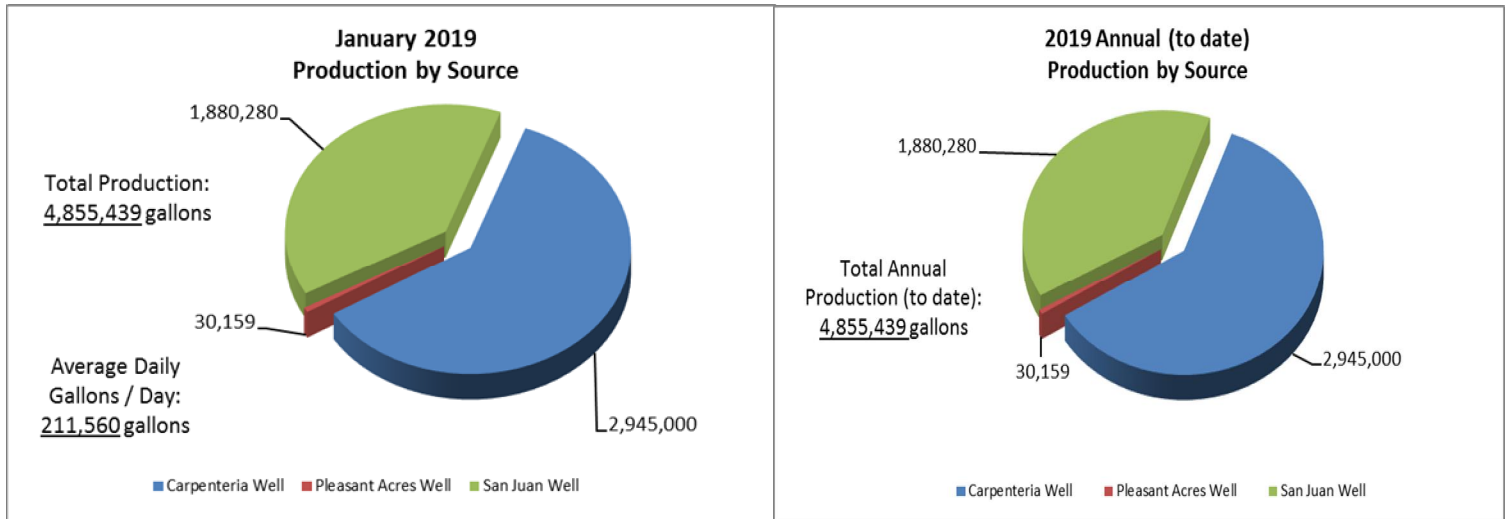
Date: _____

Date: _____

General Manager's Report January 2019



PRODUCTION REPORT



Totals	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Million Gal	135.38	126.9	112.37	106.15	110.17	123.42	105.97	91.27	88.152	95.304	102.07	4.86
Acre Ft	415.4	389.4	344.8	325.7	338.05	378.7	325.16	280.05	270.49	292.43	313.18	14.90

OPERATIONS AND MAINTENANCE REPORT

OPERATIONS:

- There are 957 total meters, on 902 parcels.
- Loss Production system wide has been maintained at below 5% for over 18+ months.
- Carpentaria well was operational the entire month, San Juan was not utilized two days; while Pleasant Acres well was when needed, for a total of five days this month.
- Water Treatment Plant; finished water was non-detect for both iron and manganese this month.
- Distribution testing for total Coliform; all samples negative.
- All monthly DWR reports on Coliform, and Mn / Fe were filed on time.
- WTP filters are being backwashed approximately every 5-7+/- days.
- Monthly Generator in-house 15-minute testing under load.
- Monthly well-level monitoring (see attached chart).

MAINTENANCE:

- Preventative maintenance and flushing were performed, as needed
- Graffiti removal whenever it occurs
- Chlorine chemical pump maintenance and analyzer maintenance at all wells, as time allows
- Maintenance tasks are being performed as time allows

INCIDENTS:

- None during this reporting period

ADMINISTRATIVE REPORT

STAFF & BOARD RECOGNITION:

- Administrative Services Officer (ASO) Coombes and Account Clerk (AC) Girõn continue to go above and beyond the call, keeping things running smoothly.
- A new Customer Service Representative (CSR) was hired and her start date is February 25.
- Chief Operator (CO) DeAlba has been keeping the District's infrastructure functioning single-handedly, since early October, since Operator Zelmar has been out on leave.
- With Operator Zelmar's absence, GM Johnson has hired an operator on a part-time temporary basis to work a few hours each day and be on-call when necessary until February 15.
- With Operator Zelmar's absence, GM Johnson has hired another operator on a part-time temporary basis to work three days a week, moving to five days a week when his current internship with Santa Clara Valley Water District is completed. He starts February 19.
- CO DeAlba has been doing work in the back unit when weather dictates, to help refurbish that unit so it can be utilized more effectively in the future.
- GM Johnson and ASO Coombes updated the quarterly Aromas Water District NewsSplash!
- GM Johnson is initiating the planning process for the AWD 60th anniversary!
- GM Johnson sent out a request for bids on February 13 to perform the tri-annual tank cleaning effort. Bids should come back by the end of February.

CONSERVATION UPDATE:

January 2019 usage figures are indicative of the reduced water use due to winter rainfall.

October 1, 2018 marked the start of a new water year. As of the date of this report, the rain gauge at Chittenden Pass has recorded 18.80 inches of precipitation this water year, with 7.28 inches falling so far in the month of February.

PROJECTS:

1. Capron et al Annexation – Cole Road area

This project continues to move forward. Staff has reached out to a contiguous property owner to have them be included in this annexation effort; they have agreed to join the Annexation. Staff present this item to the Pajaro Valley Water Management Agency (PVWMA) Board of Directors on the evening of February 20.

2. Aromas Water District Rate Study – Request for Proposals (RFP) update

The District is in the final year of a five-year rate cycle that was based off a rate study completed in 2014. It is now time to perform a similar effort to determine appropriate water rates and charges for the next five years. An RFP was released to five specific firms on January 7, 2019 as well as being uploaded to the California Special Districts Association (CSDA) RFP Clearinghouse for others to view and propose. The closing date was February 7, 2019. The District received four responses and staff is currently in the process of reviewing the submittals.

The table below depicts the company and cost estimate for the Rate Study:

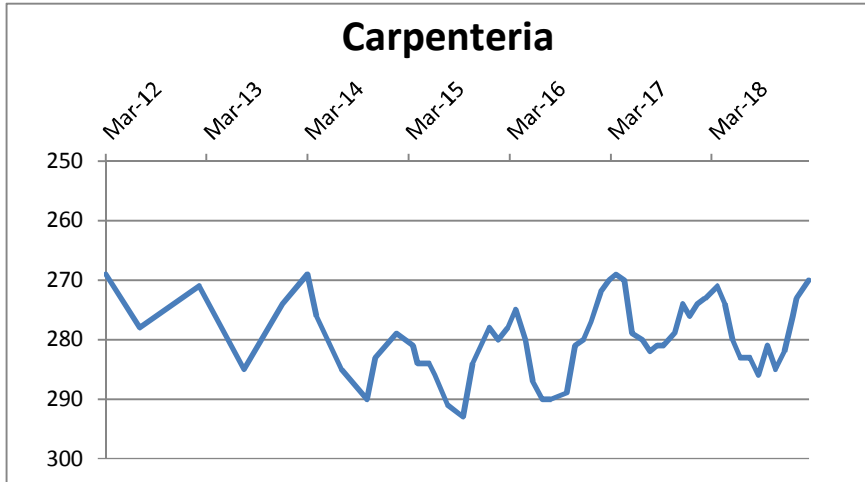
Company	Cost Estimate (\$)
Municipal Financial Services	\$17,160
Raftelis	\$36,894
Bartle Wells Associates	\$14,780 + \$5,000 (contingency)
Willdan Financial Services	\$32,890 (calculated) + possible other charges

3. Security Fencing at Marshall Yard

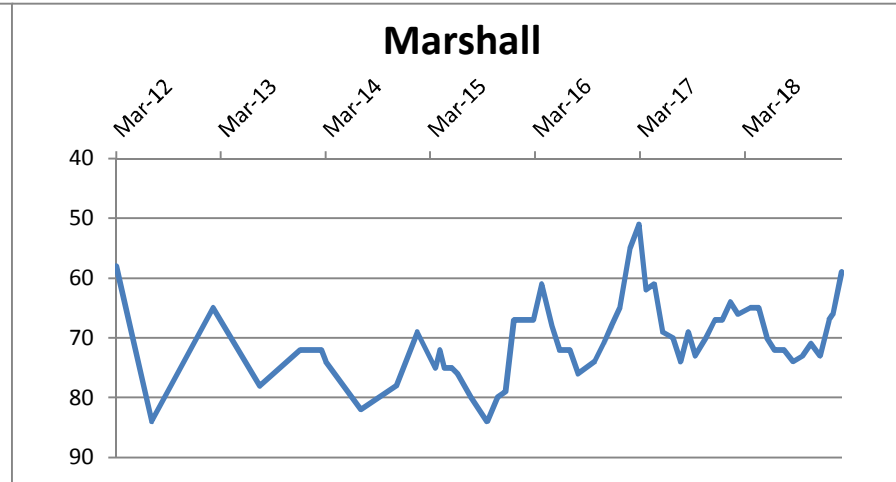
In the Capital Budget for FY 2018-19, monies were earmarked for security fencing at the Marshall Yard. Fencing along two sides has been completed; the other two sides may not need additional fencing at this time (nursery and residential properties). Additional signage and solar lighting have been placed in strategic locations around the yard as increased security measures.

Robert Johnson
General Manager
February 19, 2019

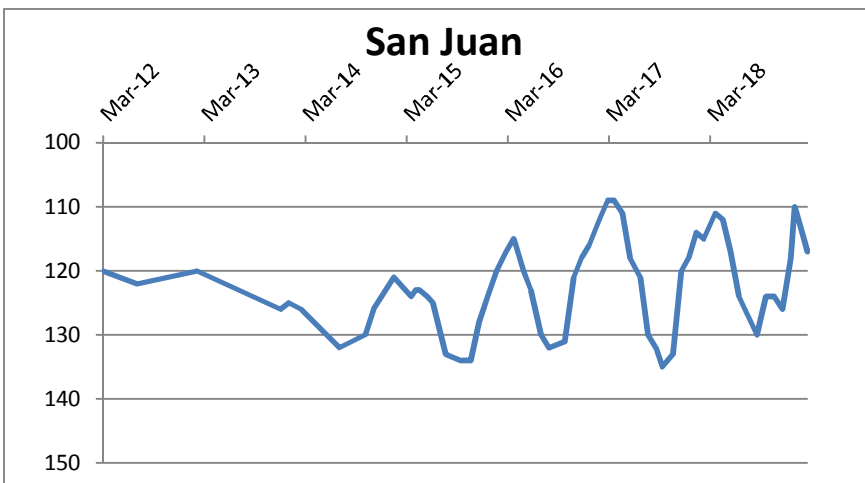
Well Water Level Monitoring
 Depth to Water Measurements
 Date: February 15, 2019



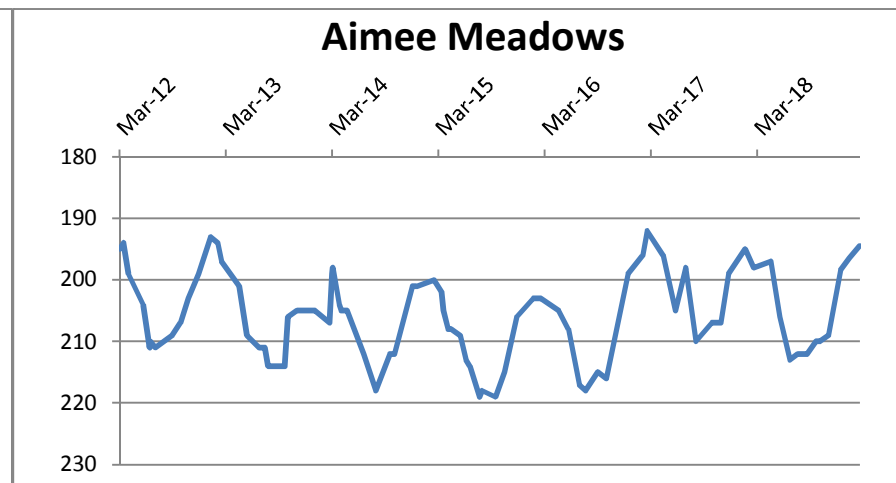
Carpenteria Well (production): Previous Read = 273 feet ; Current Read = 270 feet



Marshall Well (monitoring): Previous Read = 66 feet ; Current Read = 59 feet



San Juan Well (production): Previous Read = 110 feet ; Current Read = 117 feet



Aimee Meadows (monitoring): Previous Read = 196 feet ; Current Read = 194 feet

CORRESPONDENCE LIST: 1/17/2018 - 2/20/2019

DATE	TYPE	TO	FROM	SUBJECT
Jan 2019	E	AWD	CSDA	Take Action Brief
Jan 2019	M	R. Johnson, AWD	C. Lemaire, CSDA	Newly updated CSDA Special Dist. Board Member Handbook & SDL Academy Brochure
1.8.19	M	AWD	C Fechter, Fechter & Co	Offering Audit Services
1.10.19	M	R. Johnson, AWD	ACWA JPIA	Presenting AWD with President's Special Recognition Award
1.17.19	E	R. Johnson, AWD	L Bronnar	SBC Proposed Rezoning to Commercial at 101 nodes; Enquiry on AWD's Sol & Position
1.18.19	E	R. Johnson, AWD	J Sweigert, SWRCB	Water Quality Monitoring Schedules & Elec reporting of Lead and Copper data
1.18.19	E	L Bronnar	R. Johnson, AWD	Response to: SBC Proposed Rezoning to Commercial at 101 nodes; AWD's Sol
1.18.19	M	AWD	CalPERS	Provision of complimentary Labor Law Poster
1.18.19	E	L Marshall, UC Hastings	R. Johnson, AWD	Enquiry & Reponse re: Voting Structures in AWD
1.24.19	E	B Nicholson, COSB LAFCO	R. Johnson, AWD	LAFCO Application for Eilert Annexation / Categorical Exemption of CEQA Section
1.24.19	E	S Smith, Proposed Intern	R. Johnson, AWD	Employment Agreement for Review & Signature
1.24.19	E	AWD	Mem. Svcs, ACWA JPIA	Extension of coverage term for Property Insurance Programs with no additional premium.
1.25.19	E	AWD	Mem. Svcs, ACWA JPIA	Extension of coverage term for Property & Crime Insurance Programs with no additional premium.
1.25.19	E	AWD	M Hemming, SDLF	Spec. Dist. Admin. Program Online Study Group
1.28.19	E	S Smith, Proposed Intern	R. Johnson, AWD	Clarification of Employment Agreement specifics
1.28.19	E	R. Johnson, AWD	L. Austin, Greenpower	Question on Solar, Battery & EV hookup
1.28.19	E	R. Johnson, AWD	B. Bosso, Attorney	Goleta Water District Case Decision
1.28.19	E	C Fechter, Fechter & Co	L. Coombes, AWD	Response to Offered Audit Services
1.29.19	E	R. Johnson, AWD	B Nicholson, COSB LAFCO	Response to Annexation Questions re: Eilert parcel Categorical Exemption of CEQA Section
1.30.19	M	S Smith, Proposed Intern	R. Johnson, AWD	P/T, Temp, Employment Agreement
1.30.19	E	R. Felsing, COSB	R. Johnson, AWD	Requesting zoning info on Eilert parcel and verifying need for permit requirements for retaining wall at AWD facility
1.31.19	E	B Lockwood, PVWMA	R. Johnson, AWD	Proposed Eilert Annexation
1.31.19	E	AWD	ACWA JPIA	New CA Law on Sexual Harassment Prevention Training Required for All Staff

CORRESPONDENCE LIST: 1/17/2018 - 2/20/2019

DATE	TYPE	TO	FROM	SUBJECT
2.1.19	M	AWD	J McQueen, CA State Controller's Office	2018 Government Compensation in CA Report
2.1.19	M	AWD Board	R. Johnson, AWD	Informational Staff Report: Cole Rd Annexation
2.1.19	E	R. Johnson, AWD	L Mello & G Skogen	Cole Road Annexation
2.1.19	E	E. Giron, AWD	M Young, Smartprocure	Public Records Request for PO/Vendor Info & Response from AWD
2.1.19	E	AWD	USA North 811	Ticket Standardization Testing
2.1.19	E	R. Johnson, AWD	S. Capron, L. Mello & B. Ford	Cole Road Annexation - AWD GM Introduction & Approval of Annexation By AWD Board; next steps
2.4.19	E	M. San, Raftelis	R. Johnson, AWD	Water Rate & Water Capacity Charge Study RFP
2.4.19	E	R. Johnson, AWD	M. San, Raftelis	Water Rate & Water Capacity Charge Study RFP
2.4.19	E	R. Johnson, AWD	T. Pavletic, Municipal Finance Services	Municipal Financial Services Proposal
2.4.19	E	L Mello	R. Johnson, AWD	Cole Road Annexation
2.6.19	E	SWRCB	R Johnson, AWD	Monthly Summary of Coliform Monitoring
2.6.19	E	SWRCB	R Johnson, AWD	Monthly Fe & Mn Field Test Results
2.7.19	E	D. Kyburz, ACWA JPIA	L. Coombes, AWD	Excess Crime Program Completed Renewal Application
2.8.19	E	Mem Svcs, ACWA JPIA	L. Coombes, AWD	Response to request for Certificate Holder email information [Solar Loan & USDA contacts]
2.8.19	M	AWD	US Bankruptcy Court	Notice of Ch 11 Bankruptcy for PG&E
2.12.19	E	AWD	P. Riso, CSDA	Upcoming CSDA Training Opportunities
2.13.19	E	D Harvey, Potable Divers	R. Johnson, AWD	Request for Tank Cleaning Bids
2.13.19	E	L. Coombes, AWD	K Brown, ACWA JPIA	Property Program Certificates & Receipt of Email Addresses for Certificate Holders
2.14.19	E	L. Coombes, AWD	State Controller's Office	Acknowledge submission of 2018 Gov't Compensation Report
2.14.19	E	R. Johnson, AWD	D Harvey, Potable Divers	Response for Tank Cleaning Bids: Proposal
2.18.19	E	R. Johnson, AWD	E Sundahl, Midco Diving & Marine Svcs	Response for Tank Cleaning Bids: Proposal

Staff Report



To: Board of Directors

Re: Item IX.A ó Consider adopting a resolution (Resolution #2019-01) certifying a Categorical Exemption for the Eilert annexation (Rancho Larios area) into the Aromas Water District boundary.

Date: February 15, 2019

Summary / Discussion

A request for water service has been made by Mr. Patrick Eilert, APN #012-014-019, who resides within the Rancho Larios subdivision, though his parcel is not a part of the Rancho Larios development. Due to this unique situation, his parcel was not included in the agreement to deliver water to the Rancho Larios development. He does have a well on his property, which, by using storage tanks, has been enough for his needs over the years. Recently though, the well's yield has gone down (from 3 gallons per minute to 1 gallon per minute); therefore, for health and safety reasons, Mr. Eilert is looking to be served by the Aromas Water District (District). The District Board of Directors (BOD) approved the initiation of the annexation process at their September 2018 meeting. This is an update of the progress within the process.

The Pajaro Valley Water Management Agency (PVWMA) BOD met on October 17, 2018 and approved the request for an exemption from Ordinances 98-01 and 98-02, allowing water to be exported out of the Pajaro Basin for health and safety reasons.

Staff, Consultant Morris and Mr. Eilert are continuing to work on the Annexation application to the San Benito County Local Area Foundation Commission (LAFCO). This application has about 10 important items that need to be completed for the application to be considered. One of these items is inclusion of the appropriate environmental documentation.

For this project staff has determined that a Categorical Exemption (CE) under the California Environmental Quality Act (CEQA) is the appropriate level of environmental documentation. Basically, a CE is a project that has been determined to not have a significant effect on the environment. Since the District would be providing water to this parcel (in addition to the 149 parcels already served), there is not a significant effect on the well delivering the water, and the environment where the parcel is located will experience a small reduction in pumping as the Eilert parcel would be receiving delivered water for their domestic water uses. Once a completed application gets to LAFCO, there is a minimum two-month wait before the item will make it on their agenda.

Staff Recommendation

Receive the update report; Certify the Categorical Exemption; and Adopt the Resolution to annex the Eilert parcel into the Aromas Water District boundary.

Submitted by:

Robert Johnson
General Manager



RESOLUTION 2019-01

A RESOLUTION OF

**THE BOARD OF DIRECTORS OF THE AROMAS WATER DISTRICT
FINDING THAT A PROJECT IS CATEGORICALLY EXEMPT
UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The Aromas Water District has made the following findings:

WHEREAS, the requested annexation for service by Patrick Eilert, APN #012-014-019 (San Benito County) is a small utility extension to a single-family residence, and

WHEREAS, the California Environmental Quality Act provides a Categorical Exemption for annexations of single-family dwellings for provision of utilities pursuant to Section 15319 of the California Code of Regulations Guidelines for Implementation of the California Environmental Quality Act.

NOW THEREFORE, BE IT RESOLVED, the Aromas Water District Board of Directors hereby resolves, and order as follows:

that the annexation of San Benito Parcel No. APN #012-014-019 to the Aromas Water District is Categorically Exempt under Section 15319 of the California Code of Regulations from the requirements of the California Environmental Quality Act.

PASSED AND ADOPTED by the Aromas Water District Board of Directors, Aromas, Monterey and San Benito Counties, California, at a Regular meeting duly held on this 26th day of FEBRUARY by the following vote:

AYES:

NOES:

ABSENT:

APPROVE:

ATTEST:

Richard Smith, Board President

Board Secretary, Louise Coombes

CATEGORICAL EXEMPTION

Notice of Exemption

Appendix

TO: County Clerk
County of San Benito
440 Fifth Street
Hollister, CA 95023

Project Title: Annexation of Eilert Property (APN 012-014-019) into the Aromas Water District

Project Location: 9 Rocks Road, San Benito County, an island parcel located within the Rancho Larios Subdivision, CSA 45

Project Location City & County: San Benito County

Description of Nature, Purpose, and Beneficiaries of Project: The purpose of the proposed action is to annex this one existing residential parcel into the Aromas Water District to provide residential water service to replace a well for the property owner, Patrick Eilert.

Name of Public Agency Approving Project: San Benito County Local Agency Formation Commission

Name of Person or Agency Carrying Out Project: Aromas Water District

Exempt Status: (Check One)

Ministerial (Sec21080(b)(1); 15268);

Declared Emergency

Emergency Project

Categorical Exemption: Sections 15303(d), and 15319

Statutory Exemptions: State code number

Other: The activity is not a project subject to CEQA

Reason Why Project is Exempt: This project is de minimis in nature. This five-acre parcel annexation cleans up an island boundary within this existing annexed subdivision while providing municipal water to the one existing residence experiencing poor water quality and inadequate water quantity.

Lead Agency Contact Person: Robert Johnson, General Manager, Aromas Water District
(831) 726-5071

Signature: _____ Date: _____

Staff Report



To: Board of Directors

Re: Item IX.B ó Consider approving the Rate Study Consultant recommendation, and providing direction to Staff

Date: February 20, 2019

Summary / Discussion

The last Rate Study for the District was completed in 2014 and implemented a five-year rate structure that allowed for incremental increases each of those five years. The last incremental increase was applied in July of 2018.

The last two Financial Audits have shown a negative net position; however, the trend is going in a positive direction. A Request for Proposals (RFP) was released to perform a new Rate Study to cover the next five years of possible rate increases to facilitate the maintenance and improvement of the District's financial position. The District can utilize a strong financial position into the future for potential borrowing needs, the building of capital reserves and reserves for emergency situations.

An RFP was developed and sent to five consulting firms, as well as it being placed on the California Special District Association's (CSDA) RFP Clearinghouse to allow others to submit. We received four proposals within the time frame allotted. Attached is the RFP that was sent out, along with cover letters and proposal covers from each of the submitters.

Below is a matrix of the submittals for ease of review:

Company	Cost Estimate (\$)	Ranking
Municipal Financial Services	\$17,160	1
Raftelis	\$36,894	4
Bartle Wells Associates	\$14,780 + \$5,000 (contingency)	2
Willdan Financial Services	\$32,890 (calculated) + possible other charges	3

Staff Recommendation

Approve the Rate Study Consultant selection and direct staff to initiate the Rate Study process

Submitted by:

Robert Johnson
General Manager



AROMAS WATER DISTRICT

WATER RATE and WATER
CAPACITY CHARGE STUDY
Request for Proposals (RFP)

Issued: January 7, 2019

**Proposal must be received no later than:
5:00 PM Local Time, February 7, 2019**

**Email or deliver to:
Aromas Water District
PO Box 388
388 Blohm Ave.
Aromas CA 95004-0388
(831) 726-3155 FAX (831) 726-3951
Email: robert@aromaswaterdistrict.org**

Executive Summary

The Aromas Water District (District) provides water service to approximately 960 predominantly residential accounts in Monterey and San Benito Counties. The District is seeking a qualified candidate to conduct an independent review of water rates and capacity charges. Key objectives of our study include:

- Analyze current District rates, connection fees, and finances.
- Develop long-term cash flow projections incorporating future operating and capital funding requirements.
- Recommend minimum prudent fund reserve targets.
- Recommend commodity and capacity rate adjustments needed to fund the District's cost of providing service and maintain long-term financial health.
- Update the District's connection fees to ensure new connections fund their share of costs for the District's existing infrastructure.

Background

The District is a Multi-County Special District providing water service to residents in Monterey and San Benito Counties that was incorporated in 1959. It has a five-member Board of Directors, elected at large; that serves staggered four-year terms and meets on the fourth Tuesday of each month. The District's customer base is predominantly single family residential with a few commercial customers. The District serves approximately 960 connections utilizing over 35 miles of pipeline from three water wells.

District Finances

Currently, the District's primary revenue sources are water service charges, which consist of a monthly charge based on meter-size tiered rates based on water usage, and property taxes. The District has remained in good financial standing; maintains balanced budgets and annual Financial Audits. Please see the website: aromaswaterdistrict.org for most recent 2017/18 Financial Statements, current budgets and additional information.

Past and Current Rates

The District's water rates include a fixed monthly charge, based on meter size, plus a water usage charge that is applied to the amount of metered water consumption. Water usage charges are billed according to a three-tier, inclining rate structure to encourage conservation. The last rate and capacity charge increases went into effect 11/1/2014 with the last increase effective on July 1, 2018.

See following chart for historical view of Aromas Water District's water rates.

Water Rates

Current Aromas Water District Commodity Rates

		6.5%	6.5%	6.5%	
Monthly Charge					
Meter	Ratio	2015/16	2016/17	2017/18	2018/19
5/8" x 3/4"	1.0	\$34.60	\$36.30	\$38.10	\$40.00
1"	2.5	83.00	86.90	91.00	96.00
1.5"	5.0	164.00	171.00	180.00	189.00
2"	8.0	261.00	273.00	287.00	301.00
3"	17.5	567.00	594.00	624.00	655.00
4"	30.0	971.00	1016.00	1068.00	1121.00
Tiered Rates					
Tier 1	0-899 cf	\$0.03190	\$0.03440	\$0.03680	\$0.03900
Tier 2	900-3000 cf	0.05340	0.05770	0.06170	0.06540
Tier 3	over 3,000 cf	0.07420	0.08020	0.08580	0.09090

Proposition 218

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property-related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of “property-related fees”. In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates.

The District follows the procedural requirements of Proposition 218 for all future water rate increases. These requirements include:

- The District must mail a notice of proposed rate increases to all affected property owners and ratepayers who are not property owners. The notice must also specify the date/time/location of a public rate hearing at which the proposed rates will be adopted, and other related information,
- The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed,
- At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners submit written protests against the proposed rate increases, the increases cannot be adopted, and

- Charges for water, sewer, and refuse collection are exempt from the additional voting requirements of Proposition 218 provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

Rate Study - Project Work Program

1. Work with District staff to begin the project, identify information requirements, assemble information, and establish project schedule, goals and objectives.
2. Assemble, review, and analyze available legal, financial, engineering, and economic data that have a bearing on the District's water charges. Information to examine and review generally includes the following:
 - Costs and description of water facilities
 - Capital improvement program
 - Facilities replacement program
 - Audits and current budget
 - Customer information and consumption
 - Outstanding debt
 - Pertinent District financial policies
3. Examine District's current revenues and expenses. Identify cost centers and, if appropriate, determine the fixed and variable costs of operating, maintaining, and replacing the water system. Also, if appropriate and with the assistance of District staff, develop a consumption block analysis to determine customer water consumption patterns. This would be used to develop tiered water rates, if that is the appropriate course, and it is legally defensible.
4. Prepare expense projections, recommend facilities replacement requirements, and include capital projects that may be required in the relatively near future. Determine annual revenue requirements of the District. Project year-end fund reserves and recommend reserve fund levels.
5. Analyze alternative water rate structures including combinations of tiered rate volume charges and fixed monthly charges based on meter size. Discuss pros and cons of current rate structure and alternatives with the District; recommend a legally defensible "rate and charge alternative" that meets the District's needs and requirements. Develop and recommend a water capacity charge levied to new users connecting to the system.
6. Discuss and review your findings and preliminary recommendations with District staff. Discuss policy alternatives with the District staff before completing the draft report.
7. Prepare and submit a draft report based on the review described above and make recommendations based on District's needs and resources. Submit draft report to District staff, Board and others as requested for review.

8. During the project period, remain available to discuss your progress with District staff and others as requested. The fee shall include at least two meetings at the District, with the Board of Directors, including the Public Hearing and answering questions as may be submitted by the District Board and the public regarding our recommendations.

Additional Services

Provide additional financial consulting services as requested by the District. Such services may include attendance at additional meetings in excess of the two meetings at the District mentioned above.

Schedule

A panel made up of managers from the District will review all submitted proposals and invite the top two or three candidates to provide oral presentations. The current proposed schedule for the award process and completion of the work is as follows:

Feb 7 th	Proposals Due at 5:00pm
Feb 12 th -20 th	Oral Presentations (if requested)
Mar 4 th	Notice to Proceed (subject to Board's approval)
May 16 th	Draft Report Due
Jun 13 th	Final Report Due

PROPOSAL SUBMITTAL

Five (5) unbound copies and one (1) electronic copy of a written proposal based on the scope of services must be delivered to the Aromas Water District, 388 Blohm Ave. or P.O. Box 388, Aromas California 95004 by **5:00 p.m., Thursday, February 7th, 2019**. Proposals and any questions shall be directed to the attention of Robert Johnson, Aromas Water District General Manager.

PROPOSALS SHOULD INCLUDE:

1. A discussion of the approach the consultant proposes to use to provide the District with the product requested. The consultant should demonstrate their knowledge and experience developing financial plans and water and utility rates for agencies comparable in size and complexity to the District and describe why their firm may be best able to perform the work required.
2. An independent itemization/breakdown for each agency of all services to be provided and the estimated number of hours to complete each task, including sub-consultant tasks.
3. A list of deliverables to be provided to the District as part of the project developing financial plans, rates, and capacity fees.

4. A resume of previous relevant experience. References (with phone numbers) for at least five (5) relevant projects should be included.
5. The name of the project manager and of the staff people to be assigned to the project, their resumes, and the estimated time each team member is expected to spend on the project.
6. A schedule of hourly rates (including sub-consultants) to be used for the duration of the project, even if the project extends beyond the anticipated completion date.
7. A detailed schedule for completing the study by **June 13, 2019**. Please show the various work tasks along with the important intermediate dates (meetings, submittals, reviews, etc.). Please allow realistic review periods for District staff.
8. A list of sub-consultants to be used, the nature of their services and a statement of their qualifications and references. The list of sub-consultants should identify the key personnel performing the work and include their resumes.

SELECTION CRITERIA

The District intends to select a consultant based on demonstrated competence and professional qualifications for the types of services to be performed at a fair and reasonable price to the public. The District will review all proposals and rank them according to the following criteria:

Content of Proposal (45%)

- Understanding the nature of the project
- Proposed approach to required services
- Originality and innovation in project approach
- Scheduling and responsiveness
- Quality assurance methods

Qualifications of Team (40%)

- Team's verifiable experience in preparation of similar financial plans.
- Proposed project staff's and associate firm's wealth of experience in preparation of similar financial plans and their commitment to participate in the project.
- Quantity and quality of recent similar work as attested to by referenced clients
- Technical expertise with "cost of service" rate analysis and AWWA M1 methodology.
- Experience working with public agency staff and political bodies and compliance with legal requirements of California's Proposition 218.

Budget (15%)

- Competitive hourly rate
- Reasonable amounts of time to complete the various tasks

The consultants whose proposals are rated most favorably will be invited to make an oral presentation to District staff. Interviews are tentatively scheduled to be conducted on February 12th - 20th, 2019. District staff will make the final recommendation for award of this consultant contract to the Board in March. The final scope and contract amount will be negotiated with the selected consultant.

INSURANCE

The District will require the selected consultant to provide the following policies of insurance:

Without limiting Consultant's duty to indemnify, Consultant shall maintain, at no cost to District, throughout the term of this Agreement a policy or policies of insurance with the following minimum coverage:

1. Commercial general liability insurance combined single limit of \$1,000,000;
2. Professional liability insurance, \$1,000,000;
3. Motor vehicle insurance, covering all motor vehicles, including owned and non-owned, used in providing services under this Agreement, with a combined single limit of not less than \$1,000,000.
4. Workers' Compensation Insurance to cover its employees.

All such insurance shall be with a company authorized by law to transact insurance business in the State of California. The commercial liability, motor vehicle, and workers' compensation insurance shall name the Aromas Water District as an additional insured, and shall be written on an occurrence form, except for professional liability, which is written on a claims-made form. Each policy shall provide that District shall be given notice in writing at least thirty (30) days in advance of any change, cancellation, or non-renewal thereof. Each policy shall provide identical coverage for each subcontractor performing work under this contract, or be accompanied by a certificate of insurance for each subcontractor showing identical insurance coverage.

Comprehensive general and automobile liability policies shall provide that such insurance is Primary Insurance and that no insurance of the additional insured's shall be called on to contribute to any loss incurred in connection with Consultant's performance of this Agreement.

CONDITIONS OF REQUEST

The following conditions apply to this Request for Proposals:

1. District reserves the right to withdraw this solicitation of a proposal at any time without prior notice. Further, District does not make any representations that any agreement will be awarded to any firm submitting a proposal.
2. District reserves the right to reject any and all proposals submitted in response to this request and reject any sub-consultant or individual working for a consulting firm.

3. All proposals, inquires, responses, or correspondence related to or in reference to this RFP, and all reports, charts, displays, schedules, exhibits, and other documentation submitted by the consultant will become the property of the District and a matter of public record.
4. In any event, the District shall not be liable for any pre-contractual expenses incurred by any proposed or selected consultant. Proposers shall not include any such expenses as part of the price proposed in its proposal. Pre-contractual expenses are defined as expenses incurred by proposers in preparation of the proposal, submissions of the proposal, negotiations with the District on any matter related to the proposal, and other expenses incurred by the proposer prior to the date of award for any agreement related to the services herein described.
5. The District maintains an anti-discrimination policy, which requires that all contractors not discriminate in hiring on the basis of age, gender, race, religion, sexual orientation, or medical condition. Upon acceptance of a proposal, the District may request the selected consultant sign a statement affirming their compliance with this policy.

CONTRACT

It is recognized that the formal basis of an agreement between the District and the consultant is a contract, rather than a proposal. In submitting price proposal, consultants must indicate that they are prepared to complete a contract containing all the information submitted in their price proposal. The price proposal will become part of the contract between the District and the successful consultant. If the consultant has a specific contract that they wish to use, the consultant must submit a sample along with the RFP for consideration.



Proposal to Conduct a
Water Rates and Capacity Charges Study
Aromas Water District
Aromas, California

Submitted February 7, 2019

MUNICIPAL FINANCIAL SERVICES
2960 Valley Basin Avenue, Henderson, Nevada 89052-3814

Letter of Transmittal

February 7, 2019

Mr. Robert Johnson
General Manager
Aromas Water District
388 Blohm Avenue
Aromas, CA 95004

Subject: Proposal to Conduct a Water Rates and Capacity Charges Study

Dear Mr. Johnson:

Municipal Financial Services (MFS) is pleased to submit a proposal to work with the Aromas Water District (District) staff and Board to perform an independent review of Water Rates and Capacity Charges. This proposal documents our team's experience and qualifications, project approach, time commitments, estimated time to complete the project and hourly rates.

Our team, Tommy Pavletic and Marv Winer, have extensive experience developing water, wastewater, storm water and nonpotable water rate structures for both municipal and investor owned water utilities. Collectively they have completed over 200 rate studies.

General Nature of Services. Our team has a combined 68 years of experience completing rate and capacity charge studies for municipal utilities; conducting utility replacement fund accrual studies, utility valuation studies and water price elasticity studies; reviewing and updating municipal enterprise fund policies, rules and regulations; and working on Attorney – Client privileged and confidential projects and as expert witnesses. Our team has also conducted outside peer reviews of the work of other financial consultants.

Local and Regional Presence. Our team has worked for municipalities in and nearby Monterey and San Benito Counties including the City of King (wastewater rates and capacity charges), Monterey Regional Water Pollution Control Agency (wastewater rates and capacity charges), City of Salinas (agriculture process water treatment rates), Salsipuedes Sanitary District (wastewater rates), San Lorenzo Valley Water District (water and wastewater rates), City of Seaside (storm water rates), Soquel Creek Water District (water rates and capacity charges) and Watsonville (water rates).

Projects of Similar Size or Scope. Tom and Marv have recently developed water rates for other associations, cities and special districts of size similar to the District. Clients include the California cities of Antioch, Fresno, Lathrop, Martinez, Pittsburg, Ripon, and Turlock; the Town of Minden (Nevada); and the Tahoe Keys Property Owners Association.

Previous Work for Aromas Water District. Tommy and Marv prepared the *2014 Water Rates and Capacity Charges Study* for the District. Work began on February 24, 2014. A preliminary report was completed on March 17 and a draft report on April 17. The consultant team met with the Board in an April workshop, the May meeting to authorize sending the Notice of Hearing, and the July meeting at which the hearing was closed and the Proposition 218 ballots counted. A final report was completed in August.

Unique Qualifications. Tom was previously an employee of the Jurupa Community Services District and the East Bay Municipal Utility District. While working for these special districts he worked as an Operator in Training and as Supervisor of the Industrial Discharger Section. Duties included work as an “Operator-in-Training”, review of the Federal Register and California legislation, implementation of Pretreatment and Source Programs, and development of special fees and charges.

Commitment to Providing Services to the District. Our team has worked for some of our clients for decades. For example, our team worked for the City of Pittsburg from 2005-present; the City of Fresno from 1991-present; and the City of Martinez from 2003-present.

Knowledge of, and Experience with, California’s Proposition 218 and Litigation. Our team has extensive experience working with staff and political bodies of municipalities to implement procedures required by California’s Proposition 218 for the adoption of fees. We work with our clients to ensure they are aware of requirements found in the Proposition 218 Omnibus Implementation Act (AB 483, Legislative Session 2013-2014, Government Code §§53750-53756) and SB 553 (Legislative Session 2013-2014, Government Code §53755.5).

We monitor litigation of Proposition 218 issues, most notably, the recent San Juan Capistrano water lawsuit (Capistrano Taxpayers Association v San Juan Capistrano) and the City of Palmdale v Palmdale Water District lawsuit both of which involved litigation of water rate structures.

We are experts in the development of water rates that meet the substantive requirements found in Article XIII D, Section 6(b) of the California Constitution (added by Proposition 218) that lists the five substantive requirements for “property related fees and charges.” Rates developed by our firm have never invited legal challenge.

Expertise with American Water Works Association Methodology. Both Tommy and Marv have expert knowledge of the American Water Works Association (AWWA) Manual of Water Supply Practices M1 Manual, *Principles of Water Rates, Fees and Charges*. During April 2013, Tommy attended the AWWA Cost of Service Rate Making Seminar.

Subconsultants. Marv Winer will work as subconsultant to MFS. Marv has worked for MFS since 2005 on dozens of projects. Prior to working as a subconsultant to MFS, Marv and Tommy worked together at Brown and Caldwell for five years.

In addition to our unique qualifications it should be noted that we consistently exceed client expectations as a result of careful project staffing, planning and monitoring which includes:

- A two-person project team, both of whom are experts, with no junior associates.
- Booking a limited number of project commitments.
- Continuous update of schedule changes by clients.
- Use of internet conferencing technology.
- Working on-site for day-long sessions to expedite project completion.

We are excited about the opportunity to discuss our proposal with you in greater detail. We appreciate the opportunity to submit a proposal to perform this interesting project. If you have any questions, please call me at (510) 439-6264 (cell).

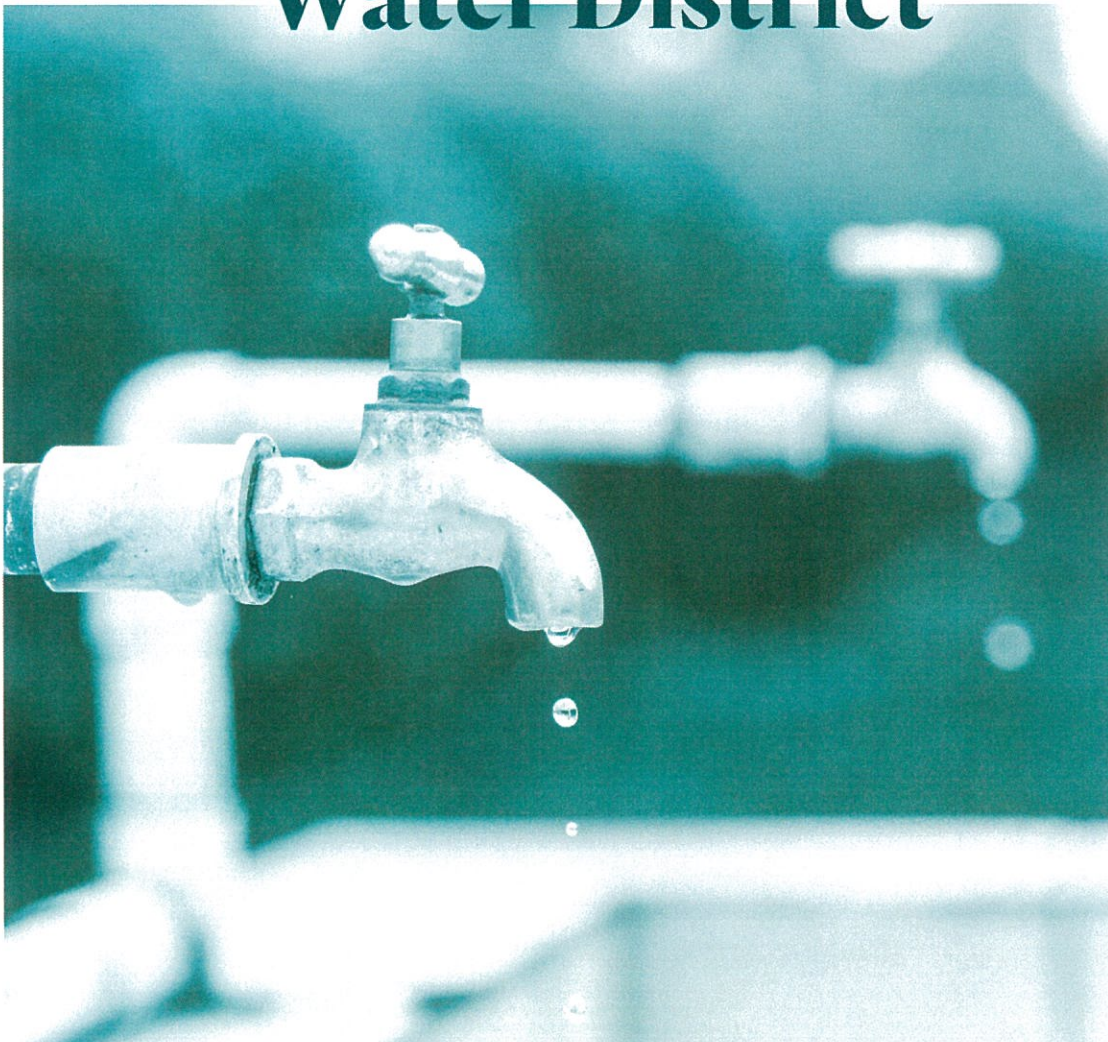
Very truly yours,



Tommy Pavletic

MUNICIPAL FINANCIAL SERVICES

Aromas Water District



February 7, 2019

Mr. Robert Johnson
General Manager
Aromas Water District
388 Blohm Ave.
Aromas, CA 95004-0388

Subject: Proposal – Water Rate and Water Capacity Charge Study

Dear Mr. Johnson:

Raftelis is excited to submit this proposal to provide financial planning and rate-setting services. Rate-setting and cost-based rates, which meet Proposition 218 requirements, are our expertise. We have conducted thousands of rate studies across the U.S. and hundreds in California. Recent engagements in your area include studies for the City of Santa Cruz, City of Watsonville, Soquel Creek Water District, Scotts Valley Water District, and Monterey County Water Resources Agency. A more comprehensive list of our prior clients is included in this proposal.

Mr. Sanjay Gaur will be the Project Director. He revised San Juan Capistrano's water rates after the precedent-setting Capistrano Taxpayers Association vs City of San Juan Capistrano legal case. Mr. Gaur will ultimately be responsible for the success of this project; he will be available for guidance, and has over 20 years of experience consulting to over 200 agencies.

I, Steve Gagnon, PE (AZ), will be the Project Manager. I helped the Sweetwater Authority set rates during pending Proposition 218-related litigation. Mr. Gaur and I have extensive experience developing defensible cost based rates in the current rate setting environment. We have conducted numerous presentations and developed reports that garner public support and understanding. I have a master's degree in environmental engineering, over 20 years of consulting experience, and I am registered with the Securities and Exchange Commission as a Municipal Advisor. I will manage the day-to-day aspects, ensuring the project meets the District's objectives.

Raftelis was founded in 1993 and has grown to over 80 water, wastewater, and stormwater financial, organizational, and technology consultants nationwide, including 12 in California, giving us the largest such practice in the state and the nation. Our staff is actively involved in rate-setting associations and we frequently present at national conferences. Mr. Gaur recently co-authored a new chapter in the American Water Works Association's (AWWA) *Manual M1: Principles of Water Rates, Fees and Charges, 6th Edition* (Manual M1) and contributed to the AWWA's *Water Rates, Fees, and the Legal Environment, 2nd Edition*. I am on the AWWA Rates and Charge Committee and presented at a 2018 California Society of Municipal Finance Officers annual conference regarding typical rate study challenges.

For a cost-effective proposal, we propose to develop and review the District's financial plan and draft rates with District staff via webinars - followed by an in-person meeting to finalize rates. Our proposal includes a total of three meetings during two visits to the District. The first two meetings would take place in one trip: one with staff to finalize rates followed by a Board meeting the following day. The last meeting would be the Proposition 218 Public Hearing.

This cover letter transmits a firm proposal and is valid for 90 days. I am authorized to bind the firm. Should you have any questions, please contact me at 714.351.2013 or sgagnon@ratelis.com.

Sincerely,

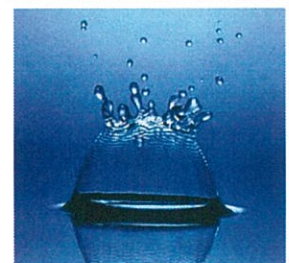


Steve Gagnon, PE (AZ)
Manager



Proposal for a Water Rate & Connection Fee Study

February 7, 2019



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue
Berkeley, CA 94703
T: 510-653-3399
www.bartlewells.com

February 7, 2019

Aromas Water District
388 Blohm Avenue
Aromas, CA 95004-0388

Attn: Robert Johnson, General Manager

Re: Proposal for Water Rate & Connection Fee Study

Bartle Wells Associates is pleased to submit this proposal to develop a comprehensive Water Rate & Connection Fee Study for Aromas Water District. BWA specializes in providing independent financial advisory and utility rate consulting services to California water and wastewater agencies. BWA was founded in 1964 and has advised over 500 California cities, counties, and special districts. We have extensive experience developing long-term financial plans, utility rates, and development impact fees designed to recover the costs of providing service while being fair to all customers.

Our rate studies are based on a comprehensive analysis of each agency's long-term financial needs, customer base, and consumption patterns to ensure rate structure recommendations reflect local needs and objectives. In recent years, we have consulted for many regional agencies including the City of San Juan Bautista, City of Gilroy, Sunny Slope County Water District and more.

Our overall goal for this project would be to work closely with the District's project team to evaluate the District's long-term financial health and its current rates and fees. The project will begin with a kickoff meeting and a Board listening session to discuss our study's goals and objectives. We will perform a Best Financial Management Practices review to establish financial policies and targets that guide the long-term financial plan and rate revenue requirements. A detailed cost of service review will allow us to evaluate the District's current water rates **with special attention to tiered rates**. We will recommend cost-based rate alternatives that are favorable to the District's financial stability and customer bills. Regular project meetings will allow us to seek ongoing input from District Staff and stakeholders while building consensus for the final rate recommendations.

We are very interested in working with the District on this project and hope this proposal provides a suitable basis for our selection. Please contact me at (510) 653-3399, ext. 110 if you have any questions or would like additional information.

Sincerely,

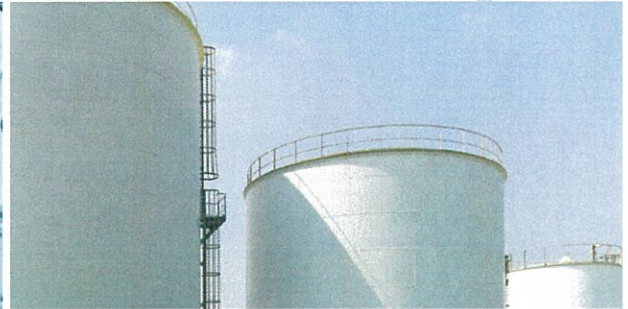
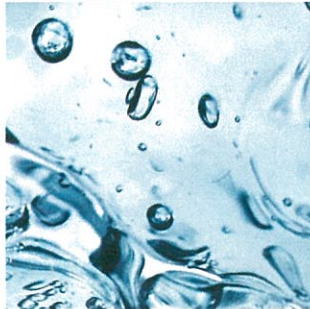
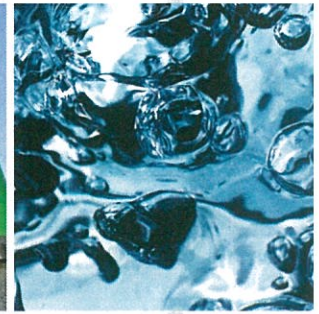
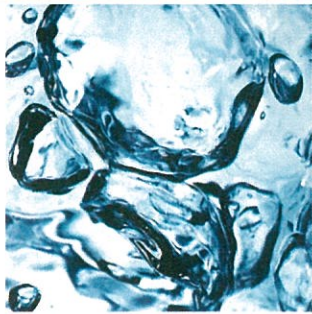
BARTLE WELLS ASSOCIATES

Douglas Dove, PE, CIPMA
Principal/ President

Aromas Water District

PROPOSAL FOR

WATER RATE AND WATER CAPACITY CHARGE STUDY





February 7, 2019

Mr. Robert Johnson
General Manager
Aromas Water District
388 Blohm Avenue
Aromas, California 95004

Re: Proposal to Conduct a Water and Water Capacity Charge Study

Dear Mr. Johnson:

Willdan Financial Services (“Willdan”) is pleased to submit the following proposal to conduct a Water and Water Capacity Charge Study for the Aromas Water District (“District”). Willdan possesses considerable experience in rate and financial analysis and consulting for utilities; and look forward to this opportunity to work with you on this important project.

Willdan’s interactive approach will result in a customized Excel financial model that the District will retain, and a focused and tailored analysis of the District’s current rates, revenues, capital and operational expenditures, debt commitments, reserve funding, and other financial data. The culmination of our analyses will be a comprehensive financial management plan that develops projected system operating results for the next 10 fiscal years, and suggested rates for up to five years. We will employ our proven interactive approach, supported with advanced financial modeling techniques, to develop a sophisticated and flexible financial model to help us guide the District through operating and financial scenarios, while evaluating the impact of policy assumptions, and performing sensitivity analysis on utility rate and financial strategies.

Our ability to focus on the financial aspects of operating publicly-owned utility systems is coupled with recognized leadership in strategic planning and operations and enables us to bring unmatched value to our clients. Our team brings a set of nationally-recognized qualifications and experts that sets us apart. These qualifications include:

Unique Approach — Our approach to the development of utility rates has been carefully honed over the years. We will **work collaboratively with District staff to carefully assess and understand the District’s unique utility system concerns and issues and develop a tailored approach that will best serve your needs.** We do not use a “cookie-cutter” approach, but rather bring a combination of planning and financial expertise providing a thorough understanding of utility operations and management. **A key to our approach is the use of a sophisticated and dynamic model and dashboard that allows us to quickly evaluate alternatives resulting from changes in assumptions and input variables, to address different policy and financial objectives.** This allows us to work collaboratively and transparently, to provide comprehensive business solutions. Our objective is to educate and inform throughout the process, not just at the completion of the project.

Communicating the Results — Sound technical analysis is only one element of this process. It will be equally important to effectively communicate results and implications of the proposed rate structure to District staff, District Board of Directors, key stakeholders and, **ultimately, to those that will be subject to new rates.** Most of our projects incorporate significant community and/or stakeholder involvement and education efforts, and our experienced consultants are able to communicate complicated technical analysis in a manner that is easy to follow and understand.

The intuitive setup of our financial models allows Willdan to discuss and present critical information in a way that maximizes engagement and facilitates outreach. Our reports and presentations provide a solid understanding of the project and the rationale behind the development of the rates.

Unmatched California Experience Developing and Implementing Utility Rates — Willdan’s home is in California, but we are also nationally recognized for our expertise in developing and implementing utility financial planning, rate and impact fee studies. Our extensive experience in California implementing Proposition 218 compliant rate structures includes **successful recent studies for the Cities of Calexico, Dinuba, Tulare, Norwalk, Soledad, as well as the Mission Springs Water District, with experience that relates closely to the goals and objectives of the District’s proposed study.**

Mr. Robert Johnson, General Manager
Aromas water District
Proposal to Conduct a Water and Water Capacity Charge Study
February 7, 2019
Page ii

I, Chris Fisher, will serve as the Primary Contact person for this proposal; as an officer of the firm, I am authorized to bind Willdan Financial Services. Provided in the table below is my contact information, and the District engagement office:

Contact Information
Project Manager
Chris Fisher
Vice President – Group Manager
27368 Via Industria, Suite 200
Temecula, CA 92590
Tel#: (951) 587-3500 Fax #: (951) 587-3510
Email: CFisher@Willdan.com

Sincerely,

WILLDAN FINANCIAL SERVICES



Chris Fisher
Vice President – Group Manager
Financial Consulting Services



Aromas Water District
Balance Sheet Prev Year Comparison

As of January 31, 2019

	Jan 31, 19	Jan 31, 18
ASSETS		
Current Assets		
Checking/Savings		
UB Checking	190,916.59	125,039.03
UB Bk Money Market xxxx7853	210,128.61	105,035.54
LAIF-State of Ca xx-05	805,820.23	789,380.71
Petty Cash	100.00	100.00
Assessment District Banks		
OAWA Union Bank Checking 7741	24,667.42	37,039.54
OAWA Union Bank 101 Redemption	4.56	9,901.87
OAWA Union Bank 102 Reserve	35,827.44	35,549.40
Oakridge Union Checking 5587	378,847.90	373,804.39
CFD Union Bank CFD98-1	0.00	10,361.54
CFD 02 Provident T Fund Reserve	0.00	-59.62
Total Assessment District Banks	439,347.32	466,597.12
Total Checking/Savings	1,646,312.75	1,486,152.40
Other Current Assets		
1292 · Accounts Rec - USDA Loan	2,272,916.60	2,329,859.60
1291 · Accounts Rec - Orchard Acres	335,320.03	339,708.47
Prepaid Insurance	15,366.91	13,324.04
128 · Inventory	22,913.50	23,913.50
1200.1 · Accounts Receivable--UBMax	97,809.10	82,337.48
1201.9 · Less Allowance for doubtful Acc	-500.00	-500.00
Total Other Current Assets	2,743,826.14	2,788,643.09
Total Current Assets	4,390,138.89	4,274,795.49
Fixed Assets		
1900 · Water System	11,746,311.89	11,646,309.34
1915 · Office Building & Improvements	397,777.96	387,260.80
1970 · Office Equipment & Fixtures	93,467.05	93,467.05
1980 · District Vehicles	117,577.39	75,349.31
1990 · Land and Easements	340,644.03	330,195.78
1995 · Idle Assets	43,400.00	43,400.00
1998 · Less Accum Depr Idle Assets	-42,400.00	-42,400.00
1999 · Less Accumuated Depreciation	-5,604,372.00	-5,105,460.75
Total Fixed Assets	7,092,406.32	7,428,121.53
Other Assets		
Deferred Outflow of Resources	187,200.00	174,771.00
Deposits		
ACWA Deposit	2,080.80	2,080.80
Total Deposits	2,080.80	2,080.80
Total Other Assets	189,280.80	176,851.80
TOTAL ASSETS	11,671,826.01	11,879,768.82

Aromas Water District
Balance Sheet Prev Year Comparison

As of January 31, 2019

	Jan 31, 19	Jan 31, 18
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable	15,898.88	968.70
Total Accounts Payable	15,898.88	968.70
Credit Cards		
First Bankcard - E Giron #86	200.00	275.00
First Bankcard - R. Johnson #31	-1,413.58	500.00
ACE Hardware	0.00	39.85
First Bankcard - L Coombes #92	-101.87	108.02
First Bankcard -- T. Zelmar #67	0.00	-5.34
Valero - Fuel	426.05	317.33
First Bankcard -- D DeAlba #35	335.27	160.06
First Bankcard -- #24 (VM)	0.00	-34.01
Total Credit Cards	-554.13	1,360.91
Other Current Liabilities		
2100 · Payroll Liabilities	889.76	3,853.23
City National Bank - Current	111,781.03	105,477.00
Deferred Inflows- Actuarial	7,709.00	17,463.00
CUSTOMER DEPOSITS		
Connection Deposits Payable	4,000.00	4,000.00
Hydrant Meter Deposit	566.06	150.00
Total CUSTOMER DEPOSITS	4,566.06	4,150.00
Accrued Vacation Payable	19,106.97	22,769.14
Interest Payable	52,480.90	52,480.90
Payroll Taxes Payable		
State Payroll Taxes Payable		
Payroll-SUI	-112.14	0.00
Total State Payroll Taxes Payable	-112.14	0.00
Total Payroll Taxes Payable	-112.14	0.00
PVWMA Payable	11,140.32	9,460.88
Total Other Current Liabilities	207,561.90	215,654.15
Total Current Liabilities	222,906.65	217,983.76
Long Term Liabilities		
2590 · Unearned Revenue - CFD 98-1	5,545.71	13,436.52
2392 · Long-term Debt - USDA (Oakrdge)	2,629,000.00	2,693,000.00
2391 · Long-term Debt - Orchard Acres	400,000.00	420,000.00
GASB 68 Pension Liability	562,232.00	501,054.00
City National Bank	1,041,901.30	1,158,375.84
Total Long Term Liabilities	4,638,679.01	4,785,866.36
Total Liabilities	4,861,585.66	5,003,850.12
Equity		
Investment in Capital Assets	6,420,006.53	6,420,006.53
Unrestricted Net Assets	2,876,965.76	3,019,748.84
Allocation of Net Assets	-2,637,574.59	-2,637,407.62
Net Income	150,842.65	73,570.95
Total Equity	6,810,240.35	6,875,918.70
TOTAL LIABILITIES & EQUITY	11,671,826.01	11,879,768.82

Aromas Water District
Profit & Loss Budget Performance

January 2019

	Jan 19	Budget	Jul '18 - Jan 19	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
303 · Water Revenue	69,409.70	66,000.00	746,847.57	692,000.00	1,150,000.00
307 · Bulk Water	239.41	200.00	13,905.66	12,700.00	15,000.00
302 · Connection	0.00	0.00	0.00	0.00	13,300.00
301 · Taxes Rcvd - AWD					
3090 · Oakridge / OAWA Assess...	0.00	0.00	100,116.67	115,000.00	160,140.73
301 · Taxes Rcvd - AWD - Other	0.00	0.00	38,907.55	40,000.00	66,000.00
Total 301 · Taxes Rcvd - AWD	0.00	0.00	139,024.22	155,000.00	226,140.73
304 · Other Office Income & Reimbu...	0.00	0.00	412.13	410.00	2,000.00
306 · Interest	1,701.75	1,500.00	11,237.90	8,700.00	17,000.00
312 · Grant Revenue	0.00	0.00	2,150.00	2,500.00	2,600.00
Total Income	71,350.86	67,700.00	913,577.48	871,310.00	1,426,040.73
Gross Profit	71,350.86	67,700.00	913,577.48	871,310.00	1,426,040.73
Expense					
Operations					
403 · Fuel	723.46	900.00	6,466.08	6,600.00	12,000.00
404 · Truck Maint	625.49	500.00	3,519.85	3,500.00	5,000.00
431 · System Repair & Maint	3,244.75	5,000.00	26,920.59	35,000.00	60,000.00
463 · Water Analysis	332.00	500.00	3,272.00	3,500.00	6,000.00
464 · Water Treatment	797.87	792.00	8,577.08	8,040.00	12,000.00
468 · Tools	508.49	500.00	1,307.18	4,400.00	7,500.00
470 · Public Outreach / Annexation	0.00	330.00	-60.00	2,310.00	4,000.00
Total Operations	6,232.06	8,522.00	50,002.78	63,350.00	106,500.00
Power					
449.75 · 388 Blohm, # C	28.10	17.00	80.39	117.00	200.00
449.5 · 388 Blohm, A & B Office	164.12	140.00	891.37	940.00	1,600.00
461.5 · RLS Tank Booster	9.86	10.00	66.04	74.00	125.00
447 · Leo Ln Booster	34.75	33.00	242.02	239.00	400.00
448 · Aimee Mdws Well	9.86	10.00	65.39	74.00	125.00
451 · Marshall Corp Yard	32.47	41.00	222.11	291.00	500.00
452 · Rea Booster @ Seely	37.32	33.00	254.56	235.00	400.00
454 · Carr Booster	408.21	360.00	3,179.35	2,660.00	4,500.00
458 · Pleasant Acres Well	679.09	1,000.00	8,188.76	7,900.00	12,000.00
459 · Seely Booster @ Carpenteria	19.72	25.00	131.45	200.00	300.00
460 · San Juan Well	2,295.95	3,750.00	26,311.00	26,750.00	45,000.00
461 · Cole Tank	12.45	14.00	83.67	105.00	175.00
462 · Rea Tank	12.39	14.00	83.00	105.00	175.00
465 · Lwr Oakridge Boost	74.88	80.00	4,659.69	4,610.00	5,000.00
465.5 · Upper Oakridge Booster	150.00	50.00	450.00	350.00	600.00
466 · Pine Tree Tank	12.50	12.50	83.95	87.50	150.00
Total Power	3,981.67	5,589.50	44,992.75	44,737.50	71,250.00
Payroll					
Gross	29,563.52	33,890.00	227,368.68	236,280.00	405,740.00
Comp FICA	1,832.93	2,096.00	13,287.75	14,672.00	25,156.00
Comp MCARE	428.70	490.00	3,296.89	3,430.00	5,883.00
Comp SUI	826.34	195.00	1,185.79	1,360.00	2,335.00
Total Payroll	32,651.49	36,671.00	245,139.11	255,742.00	439,114.00
Employee / Labor Costs					
407 · Outside Services	503.95	500.00	3,667.57	3,500.00	6,000.00
408 · Uniform Allowance	0.00	0.00	319.07	300.00	2,000.00
409 · Workers Comp	935.55	1,059.00	7,309.20	7,407.00	12,702.00
410 · Health Ins	5,866.13	5,852.00	41,165.95	40,964.00	70,224.00
474 · Education	0.00	500.00	1,479.29	3,500.00	6,000.00
477 · Retirement	5,678.24	6,160.00	41,704.17	43,114.00	73,914.00
Total Employee / Labor Costs	12,983.87	14,071.00	95,645.25	98,785.00	170,840.00

Aromas Water District
Profit & Loss Budget Performance

January 2019

	Jan 19	Budget	Jul '18 - Jan 19	YTD Budget	Annual Budget
Office					
440 · Misc Exp	295.00	330.00	1,915.23	2,310.00	4,000.00
444 · Postage	266.77	280.00	1,862.67	1,960.00	4,000.00
445 · Office Supplies	111.90	330.00	1,182.70	2,310.00	4,000.00
446 · Office Eqpmt and Maint	131.94	780.00	4,120.90	5,680.00	10,000.00
Total Office	805.61	1,720.00	9,081.50	12,260.00	22,000.00
Communications					
455 · Phone, Off	335.60	335.00	2,359.45	2,075.00	4,000.00
456 · Telemetry	299.15	300.00	2,095.73	2,100.00	3,600.00
457 · Answ Serv/Cellular Phone	233.52	300.00	1,694.65	2,100.00	3,600.00
Total Communications	868.27	935.00	6,149.83	6,275.00	11,200.00
Administrative & General					
4593 · Bond Issue Cost	0.00	0.00	0.00	0.00	11,875.00
4592 · Professional Fees	0.00	0.00	0.00	0.00	2,215.80
4591 · Admin Fee (Bond Admin N...	0.00	0.00	2,574.09	1,680.00	8,423.16
4590 · Bond Interest Exp - Assess...	12,007.50	12,000.00	79,712.02	80,588.00	137,176.42
Int Pymts LoansCapital Projects	0.00	0.00	0.00	0.00	3,393.35
417 · Capital Loan Interest	0.00	0.00	18,006.11	18,410.00	36,820.00
467.5 · Amortization Exp	0.00	0.00	0.00	0.00	1,500.00
467 - Depreciation Reserve	32,000.00	32,000.00	164,000.00	164,000.00	327,608.00
405 · Election	0.00	0.00	0.00	0.00	1,000.00
406 · Liability Ins	1,556.24	1,700.00	10,731.68	11,500.00	20,000.00
420 · Legal Fees	1,300.00	1,340.00	9,100.00	9,300.00	16,000.00
422 · Bank Charges	343.44	85.00	1,323.63	575.00	1,000.00
423 · Litigation Contingency	0.00	0.00	0.00	5,000.00	10,000.00
425 · Audit	0.00	0.00	10,136.00	8,000.00	11,625.00
471 · Bad Debts	15.00	15.00	15.00	15.00	500.00
473 · Memberships	5,420.00	5,500.00	16,125.08	15,500.00	16,000.00
Total Administrative & General	52,642.18	52,640.00	311,723.61	314,568.00	605,136.73
Total Expense	110,165.15	120,148.50	762,734.83	795,717.50	1,426,040.73
Net Ordinary Income	-38,814.29	-52,448.50	150,842.65	75,592.50	0.00
Net Income	-38,814.29	-52,448.50	150,842.65	75,592.50	0.00

02/22/19

Aromas Water District
Monthly Expenditures
 January 17 through February 20, 2019

Date	Num	Name	Amount
UB Checking			
01/25/2019	17068	Aromas Water District (Petty Cash)	-100.00
01/25/2019	17069	Murillo Upholstery	-150.00
01/25/2019	17070	Softline Data, Inc.	-61.50
01/28/2019	E-pay	Employment Development Dept	-661.14
01/28/2019	E-pay	United States Treasury (EFTPS)	-3,674.16
01/28/2019	EFT	CalPERS	-1,009.72
01/28/2019	EFT	CalPERS	-2,003.26
01/29/2019	EFT	QuickBooks Payroll Service	-5,973.41
01/30/2019	DD1321	Morris (P), Vicki	0.00
01/30/2019	DD1322	Coombes (P), Louise P	0.00
01/30/2019	17071	DeAlba (P), David	-3,499.26
01/30/2019	DD1323	Giron (P), Ester	0.00
01/30/2019	DD1324	Johnson (P), Robert L	0.00
01/30/2019	17072	Sanchez, Jesus L	-270.56
01/30/2019	DD1325	Zelmar (P), Trevor J	0.00
01/30/2019	17073	A T & T U-verse	-60.00
01/30/2019	17074	ACE Hardware Prunedale	-49.74
01/30/2019	17075	CALNET3	-574.75
01/30/2019	17076	CSSC	-90.85
01/30/2019	17077	David DeAlba	-46.40
01/30/2019	17078	Fastenal Company	-32.45
01/30/2019	17079	Gilroy Chevrolet Cadillac Inc	-475.49
01/30/2019	17080	Mid Valley Supply	-797.87
01/30/2019	17081	Rob Johnson	-50.00
01/30/2019	17082	TESCO Controls, Inc.	-1,380.11
01/30/2019	17083	United Way serving San Benito County	-38.00
01/30/2019	17084	Valero	-575.15
01/30/2019	17085	Verizon Wireless	-92.67
01/30/2019	Paid Online	P G & E	-74.88
01/31/2019	17087	USPO	-201.32
01/31/2019	EFT	Bank Service Fees	-164.44
01/31/2019	17101	Robert E. Bosso	-1,300.00
02/01/2019	NSF	Bill Adjustment Report	-150.00
02/01/2019	NSF	Bill Adjustment Report	-76.80
02/04/2019	EFT	CalPERS	-3,495.42
02/04/2019	Paid Online	First Bankcard	-3,554.92
02/05/2019	17086	USPO	-55.00
02/06/2019	E-pay	United States Treasury (EFTPS)	-886.58
02/06/2019	E-pay	Employment Development Dept	-183.44
02/06/2019	NSF	Bill Adjustment Report	-200.00
02/07/2019	EFT	QuickBooks Payroll Service	-2,529.45
02/08/2019	17088	Clearwater Landcape Services	-416.06
02/08/2019	DD1327	Johnson (P), Robert L	0.00
02/08/2019	17089	J. A. Fencing	-3,300.00
02/08/2019	17090	Recology San Benito County	-51.00
02/08/2019	17091	USA BlueBook	-775.32
02/08/2019	17092	XIO, INC.	-4,335.87
02/11/2019	Paid Online	P G & E	-3,065.20
02/13/2019	E-pay	Employment Development Dept	-633.80
02/13/2019	E-pay	United States Treasury (EFTPS)	-3,734.02
02/14/2019	EFT	QuickBooks Payroll Service	-6,029.69

02/22/19

Aromas Water District
Monthly Expenditures
January 17 through February 20, 2019

Date	Num	Name	Amount
02/14/2019	EFT	Intuit	-98.95
02/15/2019	DD1331	Coombes (P), Louise P	0.00
02/15/2019	17095	DeAlba (P), David	-3,070.09
02/15/2019	DD1332	Giron (P), Ester	0.00
02/15/2019	DD1333	Johnson (P), Robert L	0.00
02/15/2019	17096	Sanchez, Jesus L	-754.22
02/15/2019	17093	Dutra (P), Marcus	-214.67
02/15/2019	17094	Holman (P), Wayne R	-214.67
02/15/2019	DD1328	Leap (P), James E	0.00
02/15/2019	DD1329	Norton (P), K W	0.00
02/15/2019	DD1330	Smith (P), Richard	0.00
02/15/2019	DD1334	Zelmar (P), Trevor J	0.00
02/15/2019	EFT	CalPERS	-1,102.69
02/15/2019	EFT	CalPERS	-1,931.41
02/20/2019	17097	ACE Hardware Prunedale	-61.12
02/20/2019	17098	BAVCO	-47.88
02/20/2019	17099	David DeAlba	-23.20
02/20/2019	17100	Old Firehouse Market	-190.06
Total UB Checking			-64,588.66
TOTAL			<u>-64,588.66</u>