

**Grizzly Flats Community Services District  
Minutes of the Special Meeting of the Board  
March 29, 2022**

**A. CALL TO ORDER**

The regular meeting of the Grizzly Flats CSD Board of Directors was called to order at 9:00 AM by Director Hannblom.

**ROLL CALL OF THE BOARD**

Present: Directors Davidson, Hannblom, Malonson (in at 9:10 AM), and McKillop

Absent: Director Chigazola

Others: Kim Gustafson and Jodi Lauther

**SALUTE TO THE FLAG** was led by Director Hannblom.

**B. APPROVAL OF THE AGENDA – Director McKillop made a motion to approve the agenda as presented. Director Davidson 2<sup>nd</sup> the motion. There was no further discussion. A roll call vote was taken: Director Chigazola – ABSENT, Director Davidson – AYE, Director Hannblom – AYE, Director Malonson – ABSENT, and Director McKillop - AYE. The motion passed.**

**C. PUBLIC COMMENT –** There was no public comment.

**D. CUSTOMER BILLING**

1. **Review the District’s current financial status and billing policies, then discuss whether to resume regular billing for all property owners with a service connection as stated in the District’s Ordinance 88-1** - Jodi Lauther gave a presentation which summarized the District’s current financial status. She noted that although some facilities were damaged during the Caldor Fire, there was no upfront revenue to repair them.

**\*Director Malonson arrived at 9:10 AM\***

She went on to say that the District has spent over \$400,000 since August 2021, and that the first reimbursement was received last week from the Federal Emergency Management Agency (FEMA) for approximately \$30,000. She indicated that FEMA typically reimburses 75% of costs to restore the distribution system to where it was before the fire, but they recently increased that coverage to 90%. California Office of Emergency Services (CalOES) normally provides 18.75% funding, but that was recently decreased to 8%. The District is responsible for covering the remaining 2% of restoration costs. Director Malonson asked if the District’s insurance carrier Special District Risk Management Authority (SDRMA) will cover the District’s loss of revenue, but Jodi said they will not assist with that now that water production has resumed. The only financial assistance available to the District covers the system restoration, not daily operations and maintenance costs. In an effort to help the community, the District did not bill customers who lost their homes during the fire, which resulted in a loss of revenue for approximately \$30,000 per month. She mentioned that the base rate which is charged to customers with service connections covers the District’s operating costs. An in-depth Cost of Services Study (COS) was performed in 2016, wherein it was discovered that the District’s fixed costs (personnel costs, vehicle maintenance, parts and equipment, testing, audits, regulatory requirements, etc.) represent 96% of the budget, while variable costs make up the remaining 4%. Variable costs are expenses that change with additional water production. The monthly base rate of \$68.97 was identified as the amount needed to cover our fixed costs, with a \$1.20/hcf water usage charge to cover our variable costs.

Jodi noted that the District is experiencing increased expenses, work and customer calls, along with inflation and supply chain issues. She said that the District can’t create any new rate categories without going through the lengthy Proposition 218 process which requires a comprehensive rate study to identify costs for providing the service, public hearings, etc. The only funding source we can use for our Operations and Maintenance costs is customer water rates. She noted that the Capital Connection Fee of \$6,030.60 is paid when a new service connection is established to assist with infrastructure improvement projects, and that the \$48/year standby fee

which is assessed for all parcels within the District boundary is dedicated to Capital Improvement Projects. Jodi said that the Board will be discussing existing District policy of charging the monthly base rate to all service connections. Staff consulted with legal counsel to determine if the District is allowed to bill customers who lost their homes during the fire, and were informed that it is legal as long as the service is available to those being charged. She said that the current definition of a service connection in Ordinance 88-1 is "the junction of water supply system and the customer's supply line consisting of a water flow meter, pressure regulator, gate valve and associated fittings, all contained within a meter box" needs to be redefined as not all services will have a meter when they are restored to supply water to Temporary Recreational Vehicles. This item will be added to the April 14, 2022 meeting agenda for further discussion. Jodi then noted that having access to the water system adds tremendous value to parcels for resale purposes. Without water service, the community would not survive. She said that water meters are not removed for non-payment and confirmed that the meter itself belongs to the District. She wrapped up her presentation by stating that there is not a policy in place for customers to disconnect from the water system if they don't want to pay the monthly charges, but that item will be discussed at the next meeting scheduled for April 14, 2022.

A. Williams asked "Do you plan to bill customers who have lost their homes and their water service connection has not been restored yet? Also, how will the homeowner's know if it's fixed?"

Chris asked "How many lots will be billed? What is the expected revenue? Do you expect people will pay?"

M. Almer said "First of all, I'd like to compliment Jodi and the staff. Jodi, your unwavering leadership since August 16<sup>th</sup> has been over the top, so thank you. I don't know if you are getting any sleep or not. Also, I wanted to say that for the financial viability for this district, I support going back to billing the people who haven't been billed this far since August and I think we need to keep a financially solid district moving forward. I don't think you can do that without returning to the base rate billing you had in the past."

J. McVey said "In my opinion, it's heartless for the Board to consider the recommended action of imposing water service charges to the people who quite literally lost everything in the Caldor Fire and are known to no longer reside in the area. Putting the moral side of things aside, the fee for a service that will not be used will seemingly never end because the outlook of selling our properties with the high number of listings competing with the low demand in what is now an undesirable place to move to is bleak at best. With that said, I did look at the Grizzly Flats CSD Ordinance 88-1 document that the Board seems to believe gives them authority to enact these service fees. Presumably the Board is looking at Section 5-01.a. which states "The base rate is charged to all customers who have a service connection and is determined by the District's fixed costs." Earlier in the document, the definition of a customer was provided. Taken at face value, it appears that we are obligated to pay the fees because if you own property within the boundaries of the service District, Ordinance 88-1 does a good job of stating that we must pay the base rate. However, in a letter sent out by the Grizzly Flats CSD it clearly uses the word revisit when it said "based on the data provided as well as a review of our current operations and financial reports, our Board concluded that we should revisit our existing policy of billing all property owners with a service connection to the water system." The word revisit implies that this policy has not been used for some time, and the Board now wishes to impose this property related fee on people who the Board knows full well will not use the service. Now look at what I just said, the Board wishes to impose this property related fee on people who will not use the service. California Government Code Section 61123(b) states before imposing or increasing any fees for property related services the Board of Directors shall follow the procedures in Section 6 of Article 13d of the California Constitution. California Constitution Article 13d Section 6(b)(4) states no fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees are charged based on potential or future use of a service are not permitted. Standby charges whether characterized as charges or assessments shall be classified as assessments which shall not be imposed without compliance with Section 4. I would argue that the District is attempting to impose a standby fee on the former residents of Grizzly Flats, which would be classified as an assessment and would therefore need to comply with Section 4. The currently approved standby fee is \$4.00 per parcel per month, which was approved in 1991. To increase this rate would require notice by mail, a 45 day wait period, public hearings and counting ballots sent to customers. Section 4(e) states that the agency shall conduct a public hearing upon proposed assessment not

less than 45 days after mailing a notice of the proposed assessment to record owners of each identified parcel. At the public hearing, the agency shall consider all protests against the proposed assessment and tabulate the ballots. Agency shall not impose an assessment if there is a majority protest. So I ask the Board, do you honestly believe that you have followed the requirements set forth by the California Constitution, you have received a majority of ballots, and they were to accept an assessment? We all know the answer to the question is no, of course not. I certainly recommend dropping the recommended motion at this point as A) The motion would need to follow the assessment steps I just outlined in order to comply with the California Constitution and B) following this procedure would result in a failed action that would ultimately result in a waste of CSD dollars. Thank you.”

T. Bolen said “I want to give congratulations to Mr. McVey. He obviously did some pretty good homework there. A lot better than study than I’ve done. All I’ve got is a comment about how I feel about this whole issue. The action that you’re considering is awful. With all the loss that our community has suffered, you are now considering leveling tax, if you will, on every property owner that has lost everything in order to protect your interests. One question I have for you, are you going to be offering an opt-out option or disconnection from the system? This fire was not the fault of us property owners, but we are forced into compliance. You might say water to a property gives it value, perhaps, but I say to you look around. Who would want to buy property up there right now? I’ve got two pieces there that are about as ugly as they can get. Especially if a property comes with a monthly fee, who is going to want to pay for that? Grizzly Flats was devastated by this fire, our lives were devastated by this fire and to finance the District for the few on the backs of the many who lost everything I see as borderline criminal. We did not ask for this and I urge you to reconsider. Thank you.”

T. Greenberg said “First of all, I want to thank everybody. I know you guys are working hard on this issue, and I think the last few comments have pretty much nailed it. I think the process for notice and comment should have started a lot sooner than now and I was a little shocked with your slide presentation that there is literally no possible funding for O&M which is ridiculous. I don’t understand quite how that works where you can rebuild an entire system but have no ability to pay for the running of it. While I certainly appreciate with the outrage as a property owner, I want to get water to the property that I close on next month because I want to nourish some trees that I want to plant, the problem I’m facing is that the entire town can’t exist at all if there is no water up there. If Tony and Mr. McVey think their lots are going to be worthless now, if the water district collapses, what’s left of the entire town will never exist. One of my comments, not that I want to impose any greater burdens to the homes that survived, but they are the ones that are actually using the service. Unfortunately, it becomes a position where the entire water district exists to support those properties while losing a significant portion of their customers so it’s a real dilemma, and I can see a lot of property owners trying to abandon the properties, further depressing the values and decreasing income over time plus what it’s taking to rebuild is an additional burden that is going to turn a lot of people off and slow the process down. I think there’s got to be other ways to close the gap other than this or consider other creative ways. I don’t think this is going to work as it is currently constituted. Thank you.”

Director Hannblom thanked the public for listening and for their comments. Jodi Lauther mentioned that although she made the call to place the billing on hold to help customers after the fire, the District’s reserves are running low and the Board is not left with any other options besides resuming billing for all service connections.

**Director McKillop made a motion to resume water rate charges for all customers with a service connection to the water system and access to potable water. Director Davidson 2<sup>nd</sup> the motion. There was no further discussion. A roll call vote was taken: Director Chigazola – ABSENT, Director Davidson – AYE, Director Hannblom – AYE, Director Malonson – AYE, and Director McKillop - AYE. The motion passed.**

**ADJORNMENT- Director McKillop made a motion to adjourn. Director Davidson 2<sup>nd</sup> the motion. There was no further discussion. A roll call vote was taken: Director Chigazola – ABSENT, Director Davidson – AYE, Director Hannblom – AYE, Director Malonson – AYE, and Director McKillop - AYE. The motion passed and the meeting was adjourned at 10:05 AM.** The next regular meeting will be held in Grizzly Flats and via teleconference starting at 9:00 AM on Thursday, April 14, 2022.

Minutes submitted by:

\_\_\_\_\_  
*Kim Gustafson, Board Secretary*

Approved by:

\_\_\_\_\_  
*Lynn Hannblom, Board Chair*

Date:

\_\_\_\_\_