

# OAKWOOD LAKE WATER DISTRICT

## REGULAR MEETING MINUTES OF JANUARY 25, 2022

### HELD REMOTELY VIA ZOOM

A Regular Meeting of the Oakwood Lake Water District was held remotely, via Zoom, on Tuesday, January 25, 2022, at 7:00 p.m.

1. CALL TO ORDER; ROLL CALL. The meeting was brought to order at 7:04 p.m. by President Gene Oliver. Secretary Knight took roll call, and the following Directors and staff were remotely present:

Gene Oliver, President  
Steve Marino, Vice President  
Tim Smith, Director  
Nelson Bahler, Director  
Scott Anderson, Director  
Jean Knight, District Secretary  
Doug Coty, Legal Counsel  
Bert Michalczyk, District Engineer

Others Present Were:

Casey Wichert, Valley Operators  
Lynn Wichert, Valley Operators

2. PUBLIC COMMENT
  - a. Audience members may address the Board on any item pertaining to Oakwood Lake Water District's jurisdiction not appearing on the agenda. Please limit each presentation to five minutes. No public comment.
  - b. Written correspondence received via District email. No written correspondence received.
3. CONSENT ITEMS:  
*The following items can be acted on in one consolidated motion as recommended or may be removed from Consent and separately considered at the request of any Director.*
  - a. Approve Minutes for Regular Meeting of December 28, 2021
  - b. Accept Financial Reports for December 2021
  - c. Receive Capital Projects Status Report for December 2021
  - d. Receive Fiscal Year Goals Status Report for December 2021
  - e. Receive Infrastructure Finance and Construction Agreement Status Report for December 2021
  - f. Receive Time Schedule Order Status Report for December 2021
  - g. Receive Manteca Wastewater Services Agreement Status Report for December 2021
  - h. Receive Quarterly Reports for Use of Spending Authority; Disposition, Acquisition or Refurbishment of Capital Assets; Administrative Adjustments to the Operating or Capital

Budget and the Unplanned Replacement of Capital Assets and Consider Streamlined Spending Authority Report

- i. Re-Authorize Remote Teleconference Meetings of the Legislative Bodies of the Oakwood Lake Water District for the Period from January 25, 2022, through February 24, 2022, Pursuant to Brown Act Provisions

After review,

It was moved/seconded (S. Anderson/S. Marino), roll call<sup>1</sup> by Secretary Knight was responded to as follows: Gene Oliver; Aye; S. Marino; Aye; T. Smith; Aye; Nelson Bahler; Aye, Scott Anderson; Aye; and unanimously carried by the Board of Directors of the Oakwood Lake Water District that a. The minutes for the Regular Meeting of December 28, 2021, were approved; b. The Financial Reports for December, 2021 were accepted; c. The Capital Projects Status Report for December 2021 was received; d. The Fiscal Year Goals Status Report for December 2021 was received; e. The Infrastructure Finance and Construction Agreement Status Report for November was received; f. The Time Schedule Order Status Report for December 2021 was accepted; g. The Manteca Wastewater Services Agreement Status Report for December 2021 was accepted; h. The Quarterly Reports for Use of Spending Authority; Disposition, Acquisition or Refurbishment of Capital Assets; Administrative Adjustments to the Operating or Capital Budget and the Unplanned Replacement of Capital Assets and Consider Streamlined Spending Authority Report was received and approved so that future reports be streamlined to only identify reportable items in amounts greater than or equal to \$2,500; and i. The request to Re-Authorize Remote Teleconference Meetings of the Legislative Bodies of the Oakwood Lake Water District for the Period from January 25, 2022 through February 24, 2022 Pursuant to Brown Act Provisions was approved with the draft resolution presented.

4. ACTION/ ITEMS:

4.a Water and Wastewater Rates (i) Discuss and Provide Policy Level Direction on Structure and Implementation.

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<sup>1</sup> All actions taken at this meeting will require a roll call vote. The Secretary (or in her absence, the Board President), will perform all roll calls.



Bert Michalczyk presented this item. He stated the last time he spoke about this matter was almost a year ago and noted this discussion is taking place because the schedule for adopting new rates is driven by the anticipated commencement of delivery of the District's wastewater to the City of Manteca via the new pump station and new pipeline. He stated that last year when the project slowed down horribly, he held off further consideration of the new rates. However, the pump station and force main will be undergoing its last testing phase on January 31, 2022 and last week. If that 14-day test is successful then the District will be targeting new wastewater rates to go into effect on July 1, 2022. He went on to explain the process required for a public agency to set rates and that it cannot take more than 6-8 weeks from now to start that process if the July deadline is to be met.

Mr. Michalczyk stated that while he would be giving a verbal report, this agenda item is fully detailed on pages 49 through 52 of the agenda packet. Mr. Michalczyk reminded the Board of their last discussion when it was realized that the wastewater rates are much more complicated and are greater higher than the water rates so that is where he will be focusing his attention.

## **WATERWATER RATES**

Mr. Michalczyk referred the Board to page 50 of the agenda materials where Table 1 – Possible Wastewater Rate Structure (Monthly charges) presents a very preliminary but structurally correct summary of the wastewater rates on four lines on that table.

First line item. Wastewater treatment. After the pumping station and force main are placed into service the City of Manteca will be treating and disposing of the District's wastewater and the District will be able to decommission its existing wastewater treatment facility. Under the agreement entered into with the City of Manteca the District is obligated to simply "pass through" the Manteca Wastewater Rate to District customers; the District will bill our customers, collect the revenue and remit it to Manteca. That amount will be approximately \$20,000 to \$25,000 dollars per month; currently the District spends \$30,000 to \$35,000 per month to operate its wastewater treatment facilities. There are currently two customer classes - Single Family Home and Mobile Homes. As part of this rate proposal the District will be setting up a third customer class - commercial – to accommodate near term commercial development plans for the parcel east of the District's water treatment plant on Woodward. It is anticipated that this development will have a restaurant and other boutique businesses. Mr. Michalczyk reminded the Board that the City of Manteca currently charges the same rate for a single-family home as it does for a mobile even though there typically is less wastewater from a mobile home. In the wastewater industry, mobile homes rates are usually set at 50% to 75% of the single family home rate representing the lower demand that they place on a wastewater system. He noted that the disparate rates between these two customer classes will likely be the most significant issue needing to be resolved in the rate study. He notes that this topic needs further work and discussion. Director Bahler



asked about apartments and Mr. Michalczyk said they are also generally in the two thirds to three fourths range of a Single-Family Home and a bit greater than a mobile home unit. Mr. Michalczyk also said that the City of Manteca is just starting a rate study of its own in which he hopes that this issue is considered.

Second line item. Collection System Charge. Mr. Michalczyk stated that this line item, represents all the costs that are in the District's control. The District must continue to operate and maintain the collection system, four pump stations (including the new one) and an approximate two mile-long force main and cover its general overhead costs. Additionally, the Collection System Master Plan (CSMP) identifies various capital and equipment needs for the system.

Director Anderson asked about the Beck settlement money how these funds could possibly be applied. Mr. Michalczyk confirmed that they are to be used for repairs and remediation of infrastructure deficiencies in both its water and wastewater enterprises. The funds are restricted by contract and Board policy in that they cannot be used for operating expenses. Mr. Michalczyk stated that the Beck settlement funds are approximately \$1.9 million. He stated that one policy matter that the Board will need to consider is how much of those funds are apportioned to each enterprise. He noted that under the next item on the agenda tonight that the Board will be considering forming a rate review committee which would be charged with studying this issue and formulating a recommendation for the Board.

The Directors and Mr. Michalczyk discussed the possibility of placing wastewater rates on the property tax roll. Under that approach San Joaquin County would bill, collect and disburse funds to the District. Disbursements would happen twice a year in December and April. The District would receive 100% of the billed amount whether or not the County collects it in a given year. This will require that the District maintain greater reserve levels. There will be a cost to have the County do this but there will also be a savings in customer service costs. The Directors suggested that maybe the wastewater rates are initially set a little high with rate decreases over several years until a level rate can be maintained.

The Directors and Mr. Michalczyk also discussed the proceeds from the potential sale of Ponds 1 and 2 to Lafferty. Mr. Michalczyk noted that contractually those funds must first be used to pay down the "Lafferty loan" amount (Line 4).

Third Line item. Buy-in to Manteca Treatment and Disposal System. Mr. Michalczyk reminded the Board that the District always knew this was coming and is spelled out in the District's 2019 agreement with Manteca. He went on to explain that this charge will be somewhat complicated to implement. The agreement with Manteca requires that single family homes first sold before June 4, 2019 must pay a \$5,964 Buy-in to Manteca; this amount is \$5,103 for each mobile home park units. The amount can be amortized at 2.5% over 12 years and can be billed and collected on property tax rolls. It would be

\$48.30/month for single family homes first sold before this date; the entire fee has already been paid up front by Lafferty for homes sold after this date. He summarized that there will be three customer subclasses:

1. Those first homes sold prior to June 4, 2019 (and the mobile home park units) which will be amortized as above with the understanding that the Board wishes to allow home owners to pay off the loan annually;
2. Those sold between June 4, 2019 to the effective date of the rates (Lafferty already has remitted those funds to the District which will remit them to the City in accordance with our agreement upon facility start-up); and
3. New home starts (those will be paid in full by Lafferty prior to will serve letters being issued and directly remitted by the District to the City).

Mr. Michalczyk stated that he very much hopes this charge, as it applies to the first customer sub-class, can be placed on the property tax role. Billing it through the District's existing billing platform will be exceedingly complicated and may not be possible.

Fourth Line Item – District Share of Capital Costs of Facilities to Pump to Manteca. In accordance with the 2017 wastewater infrastructure financing agreement, Lafferty is fronting the costs of the new pumping station at an approximate 48% (District) to 52% (Lafferty) cost share. The financing arrangement was agreed to in 2017 because at that time the District did not have the reserves to either undertake the project itself or even deposit the agreed upon District share. The 2017 agreement requires the District to pay back its share to Lafferty. Payment is planned to be over thirty years at a varying interest rate that translates to about \$3,200 per occupied unit (single family home and mobile home park units). This is an estimate because the final cost of the facilities to pump to Manteca has not yet been determined. If amortized, this equates to about \$14.50 per month for single family homes and about \$12.60 per month for a mobile home park unit for the first ten years of the loan. Mr. Michalczyk stated that the District must use the proceeds from sale of the ponds to pay down or pay off this loan up-front. The net sale proceeds are not yet know so for rate setting and financial planning purposes the District will likely need to set this rate until the sale is completed.

## **WATER RATES**

Mr. Michalczyk noted that the District has not had a water rate increase in 4 years. He stated that after he has studied the preliminary financial model that he thinks water rates are still about right, but may need to look at nominal increases approximating inflation going forward.

The most significant issue associated with the water rates is being driven by the need for an additional water reservoir. Mr. Michalczyk reminded the Board that the District's Water System Master Plan identified the need for that new tank and that it would be



adjacent to the existing tank on Woodward. The current cost estimate for that facility is approximately \$1.5 million. The reserves in the water fund will not be sufficient to fund that expenditure without a significant rate increase to build reserves or unless the District borrows the money needed. A loan for the entire amount of the water reservoir would require an estimated \$95,000 annual payment. Director Oliver asked if the District would be contacting the District's builders for funding assistance as he thought this could benefit them. Mr. Michalczyk stated that he has opened conversations with Lafferty in this regard but those are still in the very early phase and there is no guarantee. Accordingly, the District must plan on doing it with its own resources and credit-worthiness.

Legal Counsel stated that there is no need for a motion on any of the above matters because there was no policy change.

Engineer Michalczyk said he would like a thumbs up that Board is still in support of the general structure for the wastewater rates and the direction being pursued to put the wastewater rates on the property tax role as well as the Board's openness to consider a loan for the new water reservoir. The Board members indicated that they were supportive of the direction being taken on those items.

#### 4a. Water and Wastewater Rates (ii) Ad Hoc Rate Review Committee

Mr. Michalczyk stated that this rate setting process would benefit tremendously from review by a committee of the Board which could study and discuss the issues in depth. President Oliver asked if there were any Directors who would be interested in serving on an Ad Hoc Rate Review Committee; he then asked Director's Bahler and Anderson if they would be willing to serve. Both Directors said they would be interested. When asked how many meetings there would be, Engineer Michalczyk said he would anticipate 3 or 4 meetings and two hours for each meeting at whatever day and time works for the committee members. The first meeting would be in the next couple of weeks.

District legal counsel stated that this item did not require a vote because ad-hoc committees can be appointed by the Board President.

#### 5. STAFF REPORTS:

- a. Director Reports – none
- b. Committee Report (Ad-Hoc Chiavari Landscape Replacement Water Committee)

Engineer Michalczyk reported on discussions at the Ad-Hoc Chiavari Landscape Replacement Water Committee meeting that was held at 5:30 p.m. prior to this meeting. Tim

Smith and Nelson Bahler were present as well as Engineer Michalczyk and Counsel Doug Coty. He stated that the Committee's discussion centered on what the District will do with this strip of land once recycled water for is no longer available because the original purpose of this landscaped area is for wastewater disposal purposes. The Committee discussed that the District is not required to maintain the area for a landscape buffer, a park or for any recreational purpose. The Committee also noted that there currently is a fair amount of water in storage and that it is anticipated that the area could be irrigated with this stored wastewater until the late May to early July timeframe depending on weather.

The Committee reported that it recommended that the District once again reach out to the HOA and Lafferty asking if either or both parties are interested in maintain the existing landscaping or using the property for some community purpose. Mr. Michalczyk said the last time the District reached out about this matter was last April. At that time, Lafferty stated that they would not be contributing anything and the HOA returned a written proposal that the Committee rejected.

The Committee discussed:

- Current maintenance cost for the landscaping now in place is about \$5,000/month but the HOA believes that they can get better pricing;
- Staff has developed a more cost effective way to physically connect to the potable water system and that cost is now estimated to be \$15,000 (had been \$52,000);
- Capacity charges for a potable water connection are estimated to be \$115,000 depending on the number and size of water meters needed;
- The cost to clear the existing low lying plants and trees will be about \$35-\$45,000 and District is working to get a better estimate; and
- Long term District maintenance costs which could be avoided;

The Directors discussed the possibility of the District amortizing the upfront costs over a certain amount of time to help the HOA out. The Directors also discussed the fact that the HOA has almost a fully new Board except for Director Oliver who remained on the Board and that it also has a new manager (Cindy Parker) so the response this time could be different than last year.

The Board recommended that Engineer Michalczyk once again write letters to the HOA and to Lafferty explaining the District's position and that that the water will be shut off in a few months and that thereafter that the District would need to remove the low-lying landscaping as it would not survive without water.

c. Staff Reports (District Engineer, Legal Counsel):

Bert Michalczyk reported on several items.



1. Theft of copper at wastewater treatment plant. A claim has been opened with the insurance company. Stolen was about \$3,000 to \$4,000 worth of copper and the District had to bring in an electrician to re-wire the facilities that were affected. The insurance claim is being processed.
2. Pond 1 – homeless encampment. The homeless have been throwing hypodermic needles over the fence onto District property near Pond 1. He had the landscapers clean up the area and they recently gathered a 5-gallon bucket of needles. Director Oliver asked how it is affecting our property. He said they don't have a right to destroy our property and he added, if they destroy the District's fence, this needs to be reported. Mr. Michalczyk stated that the San Joaquin Sheriff's Department is aware of the situation as is Manteca PD. He said there is not much the District can do because it is not on our property.
3. Audit Status– Croce, Sanguinetti and VanderVeen. Lyndsay George, the former accountant with Croce recently resigned to become the CFO of a central valley winery. Pauline Sanguinetti, a principal of the accounting firm is now the auditor. She is working on the audit with a target of being able to present it to the Board in February.
4. Delinquencies and Collections – Delinquencies significantly bumped up at the onset of Covid, then eased down a bit before stabilizing. However, they are now trending up again. Staff plans to send 30-day notices offering payment plans to seriously delinquent accounts. Legal Counsel is reviewing the form of the notice. One account is about \$12,000 delinquent. Directors asked if we can place lien on the homes. Mr. Michalczyk responded that District has five liens in place and uses them in accordance with Board policy when the delinquent amount exceeds \$1,000, when an account is 90 days or more past due and when a for-sale home is ready to close and the owner and real estate agent are not cooperative with paying off what will be an estimated final bill.
5. The new pumping station and force main have passed the "bump test" and are two days into a 72-hour test using semi-treated water. The final 14 day commissioning test is scheduled to start on January 31, 2022. While completing those tests will enable the District to begin pumping to Manteca there still remains a lot of site work and administrative matters (training, as-built drawings, spare parts etc.) to be completed before the project is complete.
6. Will Serve Letters and release of deed restrictions – When the 14 day test is successfully completed the District will:
  - Release up to 25 will serve letters;
  - Remove the current deed restrictions on the ten homes under construction;
  - Quit claim the irrigation easements it holds on the twelve lots on Calesetta;
  - Quitclaim the irrigation easement it holds on the property Lafferty owns on Woodward; and



- Begin the process that could lead to the eventual sale of Ponds 1 and 2 to Lafferty.

Doug Coty: No report.

6. CLOSED SESSION:

District Counsel stated that there is no need for closed session 6.b. and that only Closed Session 6.a. will be held. The Board entered closed session at 8:31 p.m.

- a. Conference with Real Property Negotiator – as authorized pursuant to Government Code Section 54956.8: Property: *Portions of APN 241-520-010 and APN 241-520-170*; Agency Negotiator: *District Engineer*; Negotiating Party: *Reclamation District 17*; Under Negotiation: *Price and Terms of Payment*
- b. Conference with Legal Counsel – Consider Initiation of Litigation – as authorized pursuant to Paragraph 4 of Subdivision (d) of Government Code Section 54956.9: (1 *Potential Case*) (**Not held**)

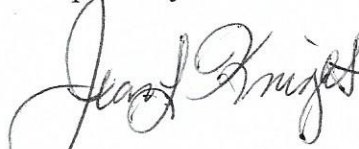
The Board returned to Open Session at 8:48 p.m. There was no reportable action.

7. ADJOURN

The meeting was adjourned by President Oliver at 8:49 p.m.

The Agenda for this meeting was posted in a sign board in front of the Oakwood Shores Clubhouse, 1699 Bella Lago Way, Manteca, CA at least 72 hours preceding the meeting.

Respectfully Submitted,



JEAN L. KNIGHT  
District Secretary