

**REGULAR BOARD MINUTES
SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

Meeting	Location	Date	Time
Regular	SPMUD Boardroom Zoom Meeting	March 2, 2023	4:30 p.m.

I. CALL MEETING TO ORDER: The Regular Meeting of the South Placer Municipal Utility District Board of Directors was called to order with President Williams presiding at 4:31 p.m.

II. ROLL CALL OF DIRECTORS:

Present: Director Jerry Mitchell, Director Christy Jewell, Director James Durfee, Director Will Dickinson, Director Jim Williams

Absent: None

Vacant: None

Staff: Adam Brown, Legal Counsel
Herb Niederberger, General Manager
Carie Huff, District Engineer
Eric Nielsen, Superintendent
Emilie Costan, Administrative Services Manager

III. PLEDGE OF ALLEGIANCE: DS Nielsen led the Pledge of Allegiance.

IV. PUBLIC COMMENTS:

ASM Costan confirmed that no eComments were received. Hearing no other comments, the public comments session was closed.

V. CONSENT ITEMS:

1. MINUTES from the February 2, 2023, Regular Meeting.
2. ACCOUNTS PAYABLE in the amount of \$1,075,980.93 through February 21, 2023.

Director Dickinson made a motion to approve the consent items; a second was made by Director Durfee; a voice call vote was taken, and the motion carried 5-0.

VI. BOARD BUSINESS

1. RESOLUTION 23-06 ACCEPTANCE OF THE COST SERVICE AND RATE STUDY REPORT AND APPROVAL OF THE PROPOSITION 218 NOTICE TO PROPERTY OWNERS

GM Niederberger presented the Rate and Cost of Service Study Report, sharing that the study includes a series of proposed annual rate increases over the next five years. He added that the rates were further

refined since the last Board meeting, which allowed for a slight reduction in the rates over time. The proposed increases will be included in a Proposition 218 Notice to property owners.

Director Dickinson asked for additional information on the funds from the reserve requirement reductions going to the operating fund. GM Niederberger shared that the Operating Fund (Fund 100) and the Capital Repair and Replacement Fund (Fund 400) are both funded by rates, and the freed-up reserve dollars allow annual transfers from Fund 100 to Fund 400 without requiring additional rate revenues. The new reserve requirements consist of a minimum requirement and a target requirement. Director Dickinson asked what the freed-up funding can be used for, and GM Niederberger shared that it can be used for operating or capital expenses.

Director Jewell commented that she saw the article on the proposed rate increases in the newsletter and asked what other mechanisms will be used to notify residents and ratepayers. GM Niederberger shared that every property owner will receive a mandated Proposition 218 Notice, and the District will hold two public hearings on the proposed rates.

President Williams commented that the District has not had a rate increase in the last three years. The proposed increases are three 4% increases, followed by two 5% increases which will keep the District at one of the lowest monthly rates for wastewater in the region.

President Williams asked for public comments. No comments from the public were received.

Director Durfee made a motion to adopt Resolution 23-06 (1) Accepting the Cost Services and Rate Study Report, (2) Approving the proposed 5-year increases in monthly service charges to be included in a Proposition 218 Notice to Property Owners; and (3) Authorizing the Notice to Property Owners of Public Hearings on the Proposed Wastewater (Sewer) Rate Increases scheduled for May 4, 2023 and June 1, 2023; a second was made by Director Jewell; a roll call vote was taken, and the motion carried 4-1 with Director Mitchell voting No.

2. LOW-INCOME HOUSING PARTICIPATION FEE DISCUSSION

GM Niederberger introduced a discussion on the participation fee for low-income housing projects. He shared that a proposal to use a portion of the District's ad valorem property tax revenues to fund new developments serving households 60% below the area median income (AMI) has been discussed at previous Rocklin 2x2 Committee meetings. GM Niederberger shared that the reduction would only apply to the Local Fee as the District doesn't have authority over the Regional Fee. Both the Local and Regional Fees are currently part of separate active participation fee studies. Staff is recommending a legal review to ensure compliance with Prop 218 and other legal obligations of the District.

Director Mitchell asked about the legal review. GM Niederberger shared that the participation fee reduction for eligible low-income housing developments would use funds collected in the Operating Fund (Fund 100) to pay for capital expansion projects (Fund 300). The legal review will advise the District on potential compliance issues. Director Durfee asked how much ad valorem tax the District collects. GM Niederberger shared that approximately \$1.5 million is collected each year.

Director Dickinson commented on items that were inconsistent with the District's proposal in the letter from the Northern State Building Industry Association (BIA) that was distributed to the Board

members prior to the meeting. He clarified that the current proposal is to set aside up to \$80,000 per year to provide a 15% reduction per equivalent dwelling unit (EDU) to the local participation fee.

President Williams commented that the District previously completed a discharge study of multi-family versus single-family units. The study showed that the peak discharge for multi-family residential was higher, and sewer capacity must be designed to peak discharge. Participation fees are used to pay for capacity. He also added that food service establishments and other businesses have also asked for reduced participation fees to assist with the startup challenges facing new businesses.

President Williams asked for public comments. Jeff Short, Northern State BIA, gave public comment. He commented that the discussion on participation fees is multi-faceted. He stated that the District's participation fees are higher than other sewer districts in the region; however, he voiced support for tonight's proposal. He asked for further discussion on meaningful impacts for attainable housing including a tiered fee system. He commented that tackling this large societal issue will require partnerships from all sectors of the economy and multiple government agencies.

Director Mitchell commented that the City of Roseville and Placer County are land development authorities which allows for other funding mechanisms, and the District has granite and difficult terrain where it is more expensive to install infrastructure. President Williams added that he would appreciate more input from the BIA, and encouraged the BIA to point the District to studies that support substantive changes to the fee structure. He added that Sacramento County was able to increase taxes to fund capacity needs, which would likely be more difficult in Placer County. Mr. Short commented that developers are aware of regional differences; however, the District's fees are substantially higher than other agencies. He commented that regardless of what the fees are set at, there are still ways to provide relief by setting a fee structure that allows developers to tailor housing products to the free market instead of to one-size-fits-all building fees.

Director Dickinson commented that comparisons to other agencies need to be provided with context and shared that he looks forward to further discussion. He added that the District has worked hard to develop trunk lines ahead of development projects. Mr. Stock commented that the County recently used its America Rescue Plan Act (ARPA) funding to place infrastructure in areas that will be ideal for affordable housing projects. Director Williams commented that those funds could have been used in the incorporated areas as well. Director Dickinson reiterated that it would be great to continue discussions and create more understanding.

Sean Rabé, Loomis Town Manager, gave public comment. He commented that he understands the challenges, but that all agencies need to work together to find ways to address the need for affordable housing. He offered assistance from the Town to support the region with housing needs.

Bill Halldin, City of Rocklin Councilmember, gave public comment. He commented that the City of Rocklin has been looking at ways to provide relief for everyone. He shared that they have moved to fees by square footage. He encouraged continued discussion on fees for housing and businesses, stating that he is aware of businesses that are not in Rocklin today because of SPMUD fees.

Director Mitchell commented that the City of Rocklin and PCWA have substantial fees as well. Mr. Halldin added that he realizes that SPWA is two-thirds of the connection fee; however, it would be great to get the combined fee close to the median fee for the region. He commented that Rocklin has

no voice on the SPWA Board and SPMUD must be that voice. Mr. Halldin added that even if the fee can't be lowered overall, adopting a square footage-based model would allow more starter homes in Rocklin. President Williams expressed interest in studying that model further. He shared that the biggest driver of treatment expenses has been increasing regulatory requirements for water quality.

Director Mitchell commented that as a wastewater provider, the District is separate from the requirements placed on the cities, counties, and towns. The job of the District is to maintain the wastewater system and each entity needs to focus on its mission. He shared that he is open to exploring a tiered fee, but not to reducing the fee at the cost of meeting the utility's needs. The environmental and health consequences of a wastewater system failure are huge. Director Mitchell also commented that the City of Rocklin has multiple large reserves that could be used to support growth. SPMUD funds are required to ensure that the sewer system functions properly. Director Dickinson commented that there are reasons identified in the board report as to why a tiered fee model based on square footage may not make sense for the District; however, he invited further discussion on the topic at the committee level. Mr. Halldin asked that stakeholders be included in the conversation. President Williams commented that the District is open to ideas and further discussion.

Director Durfee shared support for agencies working together but added that he will be critical of District spending as protecting the environment and public health must come first. Director Jewell commented that attainable housing requires a collaboration of partners. She commented that she has concerns about this proposal occurring outside of the larger fee study, and the proposal does very little to address the larger concerns of the participation fee and how it affects housing concerns. She proposed a larger participation fee workshop with city and town partners that reaches all stakeholders and allows an opportunity to discuss the fee in a more deliberative manner. She also commented that the fee table in the board report shows a larger increase over time to the Local Fee than to the Regional Fee. She added that higher density units benefit the District by providing more EDUs than planned for and allowing for the advantage of economies of scale. President Williams commented that the committees can gather information and bring that back to the full board for deliberation. He added that the District does not get much attendance at public meetings and the public feedback is very valuable. Director Mitchell commented that this item should remain front and center on the agenda with regular updates from the committees.

Director Dickinson shared that he asked to have this item brought forward so that the District could act immediately to provide a positive impact. The other issues such as a tiered fee model are complicated and will require studies, data, and analysis, and the District must meet the SPWA bond requirements. He supported moving forward with further research on this proposal in support of Placer County agencies working together to solve problems. Director Mitchell commented that it would be difficult for the District to switch to a square footage-based model if the SPWA does not also adopt this model. GM Niederberger shared that he does not believe that the SPWA is exploring this model. President Williams commented that a tiered model for the Local Participation Fee only could be applied. GM Niederberger commented that the proposal before the Board does not require the participation fee study to be complete and can be acted on now until such time as the participation fee studies are completed. Director Mitchell added that the District has won the Certificate of Achievement for Excellence in Financial Reporting for three years and invited the public to view the District's financial documents and challenge the District where it makes sense.

Director Durfee made a motion to adopt Resolution 23-05, directing staff to evaluate the concept of a monetary reduction to the Local Participation Fee for development proposals serving 60% AMI households, funded by a portion of ad valorem property taxes collected by the District from a legal and operational standpoint, and to study other alternatives which may be available to the District under existing state law to minimize the impact of Local Participation Fees on low-income housing developments; a second was made by Director Dickinson; a voice vote was taken, and the motion carried 5-0.

3. RESOLUTION 23-07 DESIGN AND CONSTRUCTION COOPERATION AND REIMBURSEMENT AGREEMENT WITH PLACER COUNTY WATER AGENCY FOR THE OLD STATE HIGHWAY SEWER PIPELINE PROJECT

DE Huff presented an overview of the Old State Highway Sewer Pipeline Project located in Newcastle to be constructed in conjunction with Placer County Water Agency (PCWA) improvements. The project is included in the Newcastle Master Plan adopted by the Board in 2017. A coordination project with PCWA will minimize impacts on District's customers and allow savings from shared expenses such as traffic control and paving work.

Director Mitchell commented that this project is a great example of agencies working together in partnership with each other, similar to the Rocklin Road Roundabout Project, and is the type of collaboration that he would like to continue to see. Director Durfee thanked staff for the thorough discussion at the Infrastructure Advisory Committee meeting. Director Dickinson shared that part of the discussion at the committee meeting was that the District will likely overspend the \$2.4 million allocated for the Newcastle Master Plan. GM Niederberger shared that Master Plan was created in 2017 and construction costs have escalated.

President Williams asked for public comments. No comments from the public were received.

Director Jewell made a motion to adopt Resolution 23-07, Authorizing the General Manager to execute the attached Design and Construction Cooperation and Reimbursement Agreement between South Placer Municipal Utility District and Placer County Water Agency for the Old State Highway Sewer Pipeline Project subject to final review and approval by the District's legal counsel; a second was made by Director Durfee; a roll call vote was taken, and the motion carried 5-0.

VII. REPORTS

1. District General Counsel (A. Brown):

General Counsel Brown had no report for this meeting.

2. General Manager (H. Niederberger):

A. ASD, FSD & TSD Reports:

GM Niederberger provided an update on changes to the long-range board agenda. There were no other comments on the manager's reports.

B. Information Items: No additional items.

3. Director's Comments:

Director Jewell asked if the Participation Fee Study is in progress. GM Niederberger shared that the same consultant that is completing the Cost of Service and Rate Study is performing the Participation Fee Study. The plan is to have the study completed so the new fee can be included in the July 1, 2023, District Fee Schedule. Although, there is flexibility to continue to increase the fee in accordance with the Engineering News Records (ENR) Construction Cost Index and adopt a new participation fee at a later date.

Director Mitchell asked for an update on the Irish Lane property in Newcastle. GM Niederberger shared that the District completed a lot split and was prepared to sell the property when new requirements mandated that the property be offered for low-income housing. The District was working on the required notices when a development proposal from Castle City Mobile Home Park was received that would require the use of the parcel. The discussion with Castle City needs to be completed before moving forward with the surplus of the property.

Director Mitchell also asked for updates on the Food Service Establishments, IHOP and Painkillers. DE Huff shared that the corrections are still in progress. Both restaurants were waiting for the new sewer code regulations to become effective, which occurred on February 13, 2023.

Director Dickinson thanked staff for the completion of some very important items.

Director Jewell suggested that there be a cooperative workshop to bring more folks together to strategize on ways to work together.

President Williams shared that he attended the Chamber's Joint Government Relations Committee meeting as a member of the Board.

VIII. CLOSED SESSION READOUT

The Board met in Closed Session at 5:58 p.m. to hear a report from the District negotiator. No action was taken.

The Board adjourned the closed session at 6:37 p.m.

IX. ADJOURNMENT

The President adjourned the meeting at 6:38 p.m. to the next regular meeting to be held on April 6, 2023, at 4:30 p.m.



Emilie Costan, Board Secretary