

The following is an excerpt of the LAFCO minutes from the March 23, 2023, meeting.

This excerpt is the only portion that pertains directly to Salton Community Services District.

The minutes in their entirety can be found on the LAFCO website.

9. Discussion/Action/Direction regarding an update on the Salton Community Service District.

Executive Officer Mr. Heuberger - As you recall, last August, your commission took action to initiate the process to potentially and I want to emphasize the word potentially, to dissolve the Salton Community Service District. This was a result after numerous meetings, and input. After that, they hired an Interim General Manager, which did not work out. Then they hired another General Manager that resigned and then following that, they appointed a person that was already on their staff to be the active General Manager. We have been working with the staff at the Salton Community Service District with the Interim General Manager, and more recently with a group headed by Toby Roy to get funding for their sewer system upgrades and try to get them into various forms of compliance that they need to do. This whole thing started when the district unilaterally decided to stop providing fire protection services and that resulted in the county having to step in. That was when we became involved and really started looking at the internal affairs of the district more than we normally would have. Long story short, we have been favorably impressed by how the current staff has turned around their operations. We are working with them; we are also working with Toby Roy and her associates in trying to make sure that they get this funding. There was also an analysis that was done about the sewer rates that was headed up by the W. Royce group to determine what the rate should be. They came out with a report on that, that will be going to a prop 218 vote as required for the residents to have a say in what their rates will be. **It is critical to the district that they do have a rate increase because as you know, funding agencies will not provide grant funds or any other funds unless the district or any entity can show that their operation will then be viable and able to operate the system following any upgrades.** We are working with the district and with Toby Roy's group. They are heading Prop 218, we are not. We have received some comments from the public that the prop 218 votes should go to a neutral third party rather than to the District Staff, but that's not how things operate. It is headed by the Agency that is asking for a rate increase.

Commissioner Michael Kelley - Well, that's good news then.

Executive Officer Mr. Heuberger - I want to commend the current staff. I also want to thank David Dale who is here, he stepped into the breach there for a little while and got things turned around quite a bit, then with everybody pulling together, the majority of a lot of the people out there pulling together. There is a good chance that we will not be heading in the direction of dissolving, but we will not know that until certain things pass.

Commissioner Michael Kelley - Is there now a harmonious relationship within the confines of the Board of Directors there?

Executive Officer Mr. Heuberger - I would rather not address that.

Interim General Manager Emmanuel Ramos of Salton Community Service District - My name is Emmanuel Ramos, Interim General Manager for the Salton Community Service District. First, I want to thank LAFCO Mr. Heuberger for letting us try to get in the right direction for Salton City. It has been hard work but with the staff that we have right now we are trying to comply with everything that we

need to make sure Salton City stays in service. We want to make sure that we let you know that there are a few things that are going on in Salton City, where we are working with grants for parks, right now for Desert Shores Park. We are in the design process. As Mr. Heuberger said we are going through prop 218, which should be ready for March 31st. We are going to be sending all the fliers out before March 31st. Another thing that is happening over here on March 15, 2023, two proposals were presented to the Board of Directors for accounting firms to conduct a fiscal year audit for 2021, 2022, and 2023. The Board chose O'Connor & Company. We are making sure we work to show transparency to our community. That is all I have. Thank you.

Executive Officer Mr. Heuberger - Madam Chair. I want to show my appreciation to Mr. Ramos because he has been really working hard with us, so I appreciate his help, thank you.

Salton City Resident Pam Eckert - Hi, my name is Pam Eckert, and I am a resident here in Salton City. I do have just a couple of questions. What is going to happen to the district if it dissolves? Does LAFCO have any backup plan?

Executive Officer Mr. Heuberger - If the District were to be dissolved by this Commission and only this Commission has that authority, then the backup would be that another Agency would step in and take it over, in this case that would be the County of Imperial. We have been working very closely with the County of Imperial, with their staff, with their Executive Officer, and with their Public Works Director to make sure that if that were to happen, that they were on board and prepared.

Salton City Resident Pam Eckert - Okay. Back in 2016 through 2021, the residents incurred a 72% increase over from 2014 to 2021. Now it is just two years later, and they are asking for an additional 30%. As you know, the average median income here in Salton City is about \$34,000. By the end, if this proposition goes through, what they are proposing with this rate increase, the residents will be paying \$980 a year for sewer service. Has LAFCO looked into other cost cutting measures within the district, or even the possibility, because there is only a small percentage of the residents that are supporting this huge sewer system? There are like 1955 residents, just under two thousand that are incurring the largest increase. What is LAFCO's perception on that or has anyone looked at this drastic increase?

Executive Officer Mr. Heuberger - Yes Mam. We are working with Toby Roy and her group and the District Staff. We do recognize that rate increases are not a popular item, but they are a necessity if the operation of the system as you know needs to continue. Please do not take this as a threat, but even if the county were to take it over, they would have to look at the same issues as to whether or not rate increases were necessary. There was an independent rate study done that determined what the rate should be in order to procure enough funds to continue the operations at the level that it needs to be. It is not LAFCO's decision as to what those rates should be. Our obligation is to make sure that there are sufficient funds coming into the district for the long term so that they can remain a viable District. If we decide not to dissolve the district, we must be able to show that the district has the resources, not only the financial, but other resources that they can continue to operate the system. The granting agencies or the funding agencies, however you want to look at them, they are also looking at this, and they will not fund a District or City or any other Agency, if after they have given the grant funds to that Agency, there's not sufficient funds to continue the operation. It is an unfortunate situation, but I will also note that the \$980 is well in line with what other areas Agencies are charging for sewer, so it is not out of line, it is an increase I agree.

Salton City Resident Pam Eckert - Okay, so over that 10-year period, it will be like a 164% increase. There is such a small number of residents, we have about 18,000 plus lots that are undeveloped, and some of them are paying like a standby fee. Their increases went up like \$2 a year versus ours is

hundreds of dollars. Do you know why the huge difference in percentage, why that deficit is not spread out a little more fairly? I know they are just on standby, but all those lines still must run by those properties. They are not even incurring the cost of inflation rate that is going up. Why the big injustice with that? Because right now with us all paying that sewer direct charge, the district is taking in over \$2 million annually, which I think is a fair amount of money for this small Community. I am just curious why the huge difference? We are going to be incurring like 164% and the lots are going to be under 10% over this whole period of rate increase going through.

Executive Officer Mr. Heuberger - Mamm, I do not really want to get into the details of the rate study because that is not something we conducted. My understanding was, and Emmanuel can address it better than I can, but I understand there were public workshops or public meetings to discuss the rate increases in the prop 218 process, and that is really where you need to ask the question, to the team that did the rate Study.

Salton City Resident Pam Eckert - Okay, so LAFCO does not oversee any of that and does not have any impact as far as the increases? Am I understanding that?

Executive Officer Mr. Heuberger - We cannot dictate what the rate increases, if any, shall be. We must look at it, at the end, to see if there are sufficient funds being generated to continue a viable operation. The bottom line is, if after all this process, they go through and prop 218 passes or does not pass, if there are not enough funds to run the district, then LAFCO is going to have a problem allowing the district to continue to operate. We do not want to be in that boat. I think the Commission has made it clear that while we did provide notice that we would dissolve them, that we would rather they get their act together and become an operational District. Our charge in the end is to decide whether they can continue to be an operational District. Unfortunately, that does take money and in some cases, it takes a rate increase. Even if the County were to step in, if we dissolve the District, the County will have the same problem. They would look at it and we have done this in other areas, we have done this in the Niland Sanitary district where we dissolved the district and then the County came in and did a prop 218 and ended up raising the rates.

Salton City Resident Pam Eckert - I question what Niland what was paying? One of the properties was a little over \$700 on an annual basis, and that is after the County took over. I was just curious if the County has put together any type of price that we would know if it would be beneficial for us to go to the County? I know this is not under your jurisdiction, but I think there would be some cost savings for the Community here not having a separate office and I assume these workers would become County workers. Is there a plan that has been written up with the County that the residents could look at and say, okay, which is more beneficial and economical as well?

Executive Officer Mr. Heuberger - I do not think the County has gotten to the level that they have an actual plan and what the costs would be. You can certainly contact the Public Works Director in the Public Works Department, and he can share with you the information about the Niland District so you can get an idea of what rate changes were there. I think that will give you a better feel for it.

Salton City Resident Pam Eckert - Right, yes, and they told me about \$700 and some dollars, so to me, it is still looking like it would be cheaper than the \$980 that we are going to incur. Okay, thank you for your time. I just have those questions for you.

Commissioner Froelich - Thank you for your comments. I have a quick question. When is proposition 218 expected to pass or fail? Do you have a timeline?

Senior Analyst Paula Graf - May 17th.

Salton City Service District Resident Lilian Garcia - Good morning. Once again, my name is Lilian Garcia, and I am going to apologize to resident Pam. She did send me an email to share with LAFCO and Salton Community Service District. I am going to read her email that was sent to me, not at the beginning, but just relevant information. She is addressing this concern to me, and she states I wanted to inform you of a phone conversation I had with Christina Sutton the Finance Officer at the District back on March 7. When I learned of the increase the district was proposing I questioned her about why the increase was so drastic, and how they arrived at the 30% figure. What she told me is that the district went to LAFCO and recommended a 10% increase, and LAFCO said no. Then they tried to submit 15% and LAFCO said no again and that it still was not sufficient to solve the district's budget deficit. That is why it is so high. Makes me wonder if the district really needs the amount of money or is there pressure from LAFCO to keep the district from solvency? This is a great concern to me and there has been a lack of information to the community residents and I have addressed this to Mr. Heuberger in the past through email. I just want to state this, I am a little bit familiar with what happened in Niland, and I am sad to say like I mentioned, a lot of the wastewater facilities are not in compliance. The Salton Community Service District is eligible to seek funding from the State Water Resources Control board, and that is a goal that should be for the district at this moment and also the other Districts within the County. This to me is evident that LAFCO does have a say regarding the increase and as you are aware, Mr. Heuberger did make some statements right now contradicting what he said in this email. Thank you for your time.

Executive Officer Mr. Heuberger - I will repeat, we have never told the district that we would not accept the rate increase. I do not know where Christina came with that. What we have said is that they must get a rate study done, and that is what they did with the assistance of Toby Roy's group. They are the ones that must come up with what the rate increase should or should not be based on a technical study, whether it is 10%, 20%, or 50% is not our decision. I have never told her no; I will not accept a 10%. Why would I, if 10% is adequate, so be it, but I do not have that information until the rate study is done.

Finance Officer Christina Sutton from Salton Community Service District - Hi, good morning, my name is Christina Sutton. I am the Finance Officer here at the Salton Community Service District. To address the email that Miss Garcia just stated from Pam, several draft rate studies were presented to Mr. Heuberger to review. Based on reading those rates studies they sent us comments regarding the insufficient amount of funding that would be placed in reserves which is a red flag that indicates the district could not operate and maintain itself without having sufficient funds to be able to put in reserves. At that slight increase, it would not do any good for the district to be able to maintain itself and operate on its own. So RCAC went back and redid the numbers and in order for the district to be able to place money in the essential reserves and to be able to operate without touching reserves to pay for operating expenses. The initial increase would have to be 30%. That rate study was then sent to Mr. Heuberger to review, he emailed back, commenting that yes, that indicates that would have to be the amount of an increase for the reserves to receive funding and for the District to be able to operate without touching those reserves on a regular basis just to pay operating expenses.

Commissioner West - I want to thank everybody for coming forward. I would like to remind people that LAFCO does not arbitrarily tell any District what they must do. That is where the rate studies come in and they must be done. LAFCO has worked with the State to get funding for different projects, whether it is water or sewer, but that does not negate the fact that District or that City or whatever, must be able to continue having enough funds to operate. Just because you get \$10 million to produce the facility or to increase the facility, you still must have the funds. **One of the problems**

we have had in other areas, talking about a poor area, one time they told us, well can't the rest of the County pay for ours. No. It does not work that way. Each organization must take care of itself. I just wanted to bring that up because sometimes people think that someone else or the rest of the County can pay for your portion. It does not work that way, my friends. LAFCO will continue to have a high regard for all Districts, Special Districts and Cities. We will always work with those organizations to do the best job that we can, so that things are done in a proper manner.

Commissioner Michael Kelley - As LAFCO mentioned before, the Service Area Reviews are to ensure that the Community has the proper funds and the infrastructures to take care of the health, safety, and welfare of the citizens in their responsibilities: fire, police, water, sewer, infrastructure, roads, all that stuff. We oversee the proper management of the Community and that is what our responsibility is. If I am wrong Jurg correct me.

Executive Officer Mr. Heuberger - No Sir.

Commissioner Moreno - Any organization knows very well that in order to be sustainable, you need to invest in capital improvement projects. In this case, if the district is going to be able to survive, you have to have those funds available. Studies do help you; it is a roadmap to help you to get you where you want to go. If you want to continue with this, you must accept that in order to survive and sustain yourself, you have to accept the rate study and provide the services for citizens.

Commissioner Ryan E. Kelley - Just to add, I am familiar with Salton Community Service District and the troubles of small Districts in the Imperial County. It is ever increasing regulations and compliance that is an extreme burden where local authority and control over operations has been so overburdensome that these choices are having to be made. In years past, I have witnessed Winterhaven, Niland, and other Special Districts come under increasing pressure to make these changes. It is unfortunate, any help we can offer to make it adjustable and acceptable to the population, I think we should be there.

Commissioner Froelich - I have said time and time again that LAFCO, we are not in the business of wanting to dissolve the districts. We want you to succeed. However, it is important that the districts understand that we want you to be solvent, we want you to satisfy all the criteria that are necessary in order to be a healthy District. I am happy to hear that there are a lot of things going on behind the scenes and there is a lot of positive going on. When we asked Mr. Jurg Heuberger to provide technical assistance, it was never our intention for him to micromanage, but he is a professional. He has worked with many Special Districts in the past and so you know, we continue to support him working with all of you. With that said, do you need us to make a motion?

Executive Officer Mr. Heuberger - No, this is just an update.

Commissioner Froelich - Okay and so we will continue to follow this. Thank you very much.