SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

MEETING DATE: November 7, 2013

Subject: DISCUSSION/ACTION RE DISTRICT LENDING PRACTICES

RECOMMENDED ACTION: Receive an updated presentation from the General Manager re District lending practices.

FISCAL IMPACT: none

DISCUSSION:

This item was first discussed at the October Board meeting at the request of Director Victoria Wikle. The item that brought this subject up was the proposal to allow the Monte Rio Chamber of Commerce to pay the capacity charge for the Monte Rio Triangle, which is privately owned, over 20 years, interest free.

In the discussion that occurred with this item at the October Board meeting, District staff agreed to call around to neighboring districts to see what their practices were.

All of the Districts contacted make a practice of paying the capacity charge in full up front, which is our practice as well. However, when it comes to water bills, all contacted districts – and Sweetwater -- allow office staff the discretion to allow additional time to make water bill payments. None of the Districts contacted had encountered a scenario mirroring the Chamber's request, but each had their own scenarios which were handled on a case-by case basis:

- Russian River Utilities has allowed water use on a parcel from an adjoining parcel in lieu of connecting a new water meter with a resulting capacity charge when said water use was deemed to be in the public interest.

- The Forestville Water District was faced with backcharging certain sewer customers for additional billing and capacity charges based on a multiple unit investigation. Their Board decided to allow impacted customers time to make payments, and charge interest. In practice, however, implementing this decision has proven labor

intensive as some customers decided to accelerate their repayment schedules – calculating interest versus principal can be a challenge.

- The Forestville Water District received and granted a request from the Forestville Youth Park for reduced water rates in recognition of the public service it provides.

- The Forestville Water District water enterprise fund has provided short term loans with interest to the sewer enterprise fund.

From our short investigation, it appears that:

1. From time to time other Districts are faced with unique situations requiring case-by-case handling.

2. Other districts do provide special treatment (if that's the correct term) to customers on a case-by-case basis when they think it is in the public interest.

3. Other districts do charge interest for certain payment extensions, but that practice can bring up administrative complexities that may outweigh the interest revenue involved.

Staff believes situations where capacity charge wouldn't be paid upfront will continue to be very infrequent and the revenue involved is not substantial compared to the effort tracking interest. However, if the Board wishes that interest be charged in future situations, we should talk to our auditor about the best way to calculate interest payments.