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# **Foresthill Public Utility District fights for its life**

By [Roberta Long](#)

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If Measure C does not pass in Placer County on June 5, the Foresthill Public Utility District will close its doors on June 30. Measure C repeals Measure B, which passed June 21, 2011. Measure B rolled back the increase in district's water rates that became effective on Sept. 1, 2010.

This urgent warning came from the Foresthill PUD General Manager Leo Havener at the quarterly joint meeting of Mountain Counties Water Resources Association and the Association of County Water Agencies held at The Ridge Golf Club and Event Center in Auburn on March 9.

Havener was invited to speak about the crisis happening at the small Mother Lode water district, a situation that resonates with similar districts up and down the foothill counties. The major elements are: aging infrastructure, increasing requirements under state and federal regulations, small customer base, the desire of many residents to "keep the area rural," and the failure, for various reasons, to increase rates as necessary to keep up with rising costs and maintenance or replacement of the systems.

Adding more strain to the district's revenue stream, water sales fell significantly in 2007, 2008 and 2009 due to increased rainfall and economic pressures.

## **Foresthill a typical Mother Lode community**

Foresthill is located on the ridge that separates the North and Middle forks of the American River, south of Interstate 80 in Placer County. At an elevation of 3,228 feet, it is on the western edge of the Tahoe National Forest.

Once home to Native Americans, the town and surrounding small communities were settled during the Gold Rush when miners traveled there from Coloma and Auburn.

The U.S. Census reports the 103-square-mile Foresthill Zip code, 95631, had a population of 6,076 people in 2010, up from 5,703 in 2000. In 2010, the town itself had 1,483 residents. The median age is 41.8.

Foresthill has a Tahoe National Forest district office, a fire protection district (also facing budget challenges), a library and museum.

Children can attend school from kindergarten through high school on the divide. Foresthill High School, "Home of the Wildfires," is in the Placer Union High School District. It was established in 2004 and currently enrolls 267 students. Foresthill Elementary, Foresthill Middle School and Milestones Cooperative Charter School are in the Foresthill Union School District.

The Foresthill Chamber of Commerce lists around 200 business members. The chamber is looking for another bank to locate in Foresthill after the town's sole financial institution, Wells Fargo, pulled out in early March.

## **Foresthill Public Utility District**

In 1950, the Foresthill Public Utilities District was formed "for the purpose of operating a water system."

The district's reservoir, Sugar Pine Dam and related facilities were authorized in 1965 under Public Law 89-161.

According to the U.S. Bureau of Reclamation, the earth and rock-filled dam was completed in 1982, and the project was transferred to the Foresthill Public Utility District for operation and maintenance in 1984. The project was built in North Shrittail Canyon in the Tahoe National Forest northeast of Foresthill at the 3,600-foot elevation. Sugar Pine Reservoir has a maximum capacity of 6,918 acre-feet.

The cost to construct the project was \$71 million. Sugar Pine Dam was integrated into the Central Valley Project financially, but was never integrated operationally, as it was originally intended to work with the proposed Auburn Dam. It has always had only one contractor: Foresthill Public Utility District. Currently the district provides water to 1,875 homes and 75 businesses in an area of approximately 13,000 acres in and around Foresthill.

Following authorization by Congress in S. 1694, the Bureau of Reclamation transferred ownership of Sugar Pine Dam and related facilities to Foresthill Public Utilities District on Feb. 5, 2003. General Manager Havener said the price was \$3.2 million. The purchase was funded by a bond from Bank of New York.

### **Board and management rotations**

In the past few years, board members have come and gone. President Brett Grant is the only director who has been on the board for more than a year. Director Bret Finning was selected by three members of the Placer County Board of Supervisors in June 2011 when there was a 2-2 split on the Foresthill PUD board for the appointment. The supervisors saved the water district the expense of a special election.

Vice President Bradley Reeves resigned Feb. 3. The board is considering three residents who applied for appointment to the seat.

The general manager's position has been revolving also. On Jan. 12, 2011, General Manager Kurt Reed requested either vacation or administrative leave after serving in the leadership role for 25 years. On Jan 19, Glenn Carnahan was appointed interim GM. He started work Jan. 31. Carnahan resigned effective June 1. On June 29 the board approved a 90-day contract with Joan Phillipe to serve as interim GM.

Leo Havener was hired as general manager on Sept. 14, 2011. He came from Elk Grove Water Service, where he had been general manager since 2006. Prior to that, he worked for Vandenburg Village Community Services District, City of Salinas, Walker River Irrigation District and Modesto Irrigation District. A self-described "recovering politician," Havener served on the Ceres City Council from 1993-97 and was mayor in 1997-98. In addition to his professional experience, Havener is a world champion handball player.

### **Rates go up**

In June 2010, Eco:Logic, from Rocklin, provided the district with a "Water Rate Study," including a cost-of-service analysis.

Based on the study, the board passed Ordinance 10-03, to adequately fund the district.

Following a noticed protest hearing under Proposition 218, the ordinance became effective Sept. 1, 2010.

### **Measure B rolls back rates**

Measure B, which overrode the rate increases adopted by the board, passed in a special election held June 21, 2011. Of the total of 1,551 voters, 983 (63.38 percent) voted for the measure, 568 (36.67 percent) voted against.

The impartial analysis of Measure B by Placer Deputy County Counsel Brian R. Wirtz on the ballot states that prior to Sept. 1, 2010, a typical user was charged \$27.50 for a monthly base allocation of 10,000 gallons or less. Any excess use was charged at the rate of \$2.24 per 10,000 gallons.

Under Ordinance 10-03, a typical user is charged \$48.21 for a monthly base allocation of 7,500 gallons or less per month. Any use in excess is charged at the rate of \$1.50 per 1,000 gallons. The ordinance also provided for additional rate increases in future years.

The spokesperson for Measure B was Thomas Brent. In a telephone interview, Brent said he has lived in Todd's Valley, near Foresthill, for 22 years. He describes himself as a former telecommunications engineer and retired real estate broker. Brent recently published a book entitled, "Poker is a Great Game, but Bridge is Better."

Brent wrote both the argument for Measure B and the rebuttal to the argument against. In his argument for the measure, he said, "Over the years, the FPUD has mismanaged important fiscal matters. Funding for future expenses such as enhanced employee benefits, and long-lived asset maintenance has been lacking. Suddenly they wanted to catch up using ratepayers' dollars at the time of a great recession."

### **Board responds with Measure C on June 5 ballot**

At a special meeting on Dec. 28, 2011, the board approved a resolution declaring the results of the Measure B election to be invalid and reinstating the 2010 water rates.

At a special meeting on March 6, the board approved the argument for Measure C. Measure C will be on the June 5 presidential primary election ballot. The ballot statement reads: "Shall Measure B, which rolled back the district's water rates, be repealed to allow the district to set rates sufficient to meet the costs of providing water service?" Measure C requires a simple majority to pass.

Brent said he missed the time to put the argument against Measure C on the ballot. "We will print it in the local newspaper, the *Foresthill Messenger*, he said.

### **District's position**

At the meeting at the Ridge, Havener presented a PowerPoint made originally for residents of the district. The introduction says, "As a public utility, the Foresthill Public Utility District belongs to you and the other members of the community." Its purpose is to provide clean, safe water for drinking, cooking, washing, etc. and for fire protection.

Among his key points are:

1. The costs for paying the bond, meeting its reserve requirements and maintenance is \$277,000 per year. Divided by the number of service connections, the total needed is \$12 a month. The district only charges \$6.50 a month.
2. The district has 21 miles of pipeline that needs to be replaced or installed. The district's pipes are mostly surplus from the Vietnam War that were installed in the 1970s. They are rusted and leaking. The district Website has instructions for customers on how to check for leaks. Leaking pipes are patched with metal bands. The pipes cost approximately \$98 per linear foot to replace, a total of \$10.9 million. There is no money set aside for replacement.
3. The audit identified that \$330,000 should be collected annually for total repairs and replacement. The district collects \$3.32 a month, generating \$74,700.
4. The treatment plant needs a minimum of three certified water operators 24/7. The district only has one certified water operator dedicated to the dam and treatment plant.
5. Typical staffing for a district the size of Foresthill is 13 employees. The district has 6.5: four operators for treatment and distribution, one administrative person, one general manager, one part-time finance manager.

### **The future of the district**

The future of the Foresthill Public Utilities District is now in the hands of the voters.

Following his presentation, Havener asked rhetorically, "How does Foresthill PUD survive?"

His answer was: increase water rates to cover the real cost of providing water to the community, and collect funds to begin repairing and replacing the aging system.

Can the voters close the district down? It appears so. The issue may be decided in court. Can the voters require the district to operate below the cost of service? Apparently not. That would be illegal.

In an e-mail response to the question, Havener said, "If the FPUD closes its doors, Placer County would take over. The county is not in the water business and I am sure they would work with the state Department of Public Health Services to find an established water company to take over the service area, which will not be PCWA (Placer County Water Agency) and most likely will be a large private water company with their headquarters located somewhere else in California."

Havener continues to work on increasing revenue for the district. He appeared before the Placer County Board of Supervisors on March 13 to talk about the board's vision for the future, including green energy projects with potential for mini hydros, completing Sugar Pine Dam to raise the water level for future use and an opportunity for infrastructure replacement.



**Roberta Long**