

Minutes

Sacramento Suburban Water District **Special Board Workshop** Monday, October 5, 2015

Call to Order

President Schild called the meeting to order at 3:06 p.m.

Roll Call

Directors Present: Frederick Gayle, Craig Locke, Neil Schild and Kevin Thomas.

Directors Absent: Robert Wichert.

Staff Present: Finance Director Dan Bills, Heather Hernandez-Fort, James Arenz, Greg Bundesen, David Espinoza, Dave Jones, John Valdes, Annette O'Leary, Lynn Pham and Chantelle Garvin.

Public Present: William Eubanks.

Announcements

- Finance Director Dan Bills (Mr. Bills) announced that there was recent fatality in front of the District's Antelope Garden facility. The fatality resulted from a car accident that hit a tree and caused only minor damages to the brick wall surrounding the facility.

Public Comment

Mr. William Eubanks (Mr. Eubanks) made comments.

Items for Discussion and Action

1. 2016 Budget – First Draft

Mr. Bills provided a 63 slide presentation on the 2016 budget which included:

- Purpose and Background
- Key assumptions
- Revenue projection and total cost analysis
- Reserve balance data
- Operation & Maintenance (O&M) Budget
- Capital Improvement Program (CIP) Budget
- Operating Capital Budget (OCB)
- Debt Service Forecast

President Schild stated that although Director Wichert was unable to attend the meeting, he provided some feedback for President Schild to convey to the Board. President Schild stated that Director Wichert expressed he was disappointed that the budget was not balanced, and that he anticipated a balanced budget. President Schild further noted that Director Wichert strongly recommended that staff bring back a balanced budget to the October Regular Board meeting.

Mr. Eubanks commented.

Director Gayle stated that the budget is generally flexible and does not, necessarily, need to be balanced. Discussion ensued regarding the difference between a budget and a spending plan. President Schild further noted that Director Wichert has not been through a budget meeting with the District yet, as he was not on the Board last year. Mr. Bills pointed out that this budget is still a first draft. He further indicated that the budget is closer to balancing than the numbers may represent, as staff is deferring some expenses from the current year into next year.

Mr. Bills announced that the budget has two noteworthy changes from prior year presentations. The first change is that staff is expanding the budget to incorporate a two year planning forecast, with only the first year of approved spending, while the second year would be an approval of projects. He further explained that the design of many CIP projects generally takes roughly six months to complete, so approving two years of projects would provide staff more flexibility to complete its CIP projects in an efficient manor. Director Thomas noted an example of how this idea has proven to be beneficial in the past. Director Thomas and Director Gayle acknowledged that this is a good concept. President Schild expressed that he would like this topic discussed in further detail.

Mr. Bills stated the second noteworthy change was that staff would like to have a formal revisit of the budget in the Spring. He stated that this would be advantageous as it would coincide with announcements of surface water availability and conservation stage declarations.

Mr. Bills provided a thorough presentation of the power point slides pertaining to the 2016 goals, Budget and 2017 Forecast. He explained why the projected expenditures are higher in 2016 than the anticipated expenditures in 2015. President Schild asked if there could be a better way to present the summary budget graph, stating that it is not as bad as it looks, it just needs to be presented better to further explain where the money is going. Mr. Bills agreed to better clarify the graph.

Mr. Bills next provided a thorough presentation of the power point pertaining to budget assumptions, total expenditures and the reserve balance.

Mr. Bills provided a detailed presentation of the power point pertaining to the O&M budget. President Schild inquired why engineering and construction costs were in the O&M budget when he believed it should be in the CIP budget. Mr. Bills explained the difference between engineering and construction service costs that are O&M related versus capitalized engineering and construction service costs that are part of the CIP budget.

President Schild called a 5 minutes break. Director Thomas left the meeting due to illness.

Mr. Greg Bundesen and Ms. Annette O'Leary together provided a thorough presentation of the power point pertaining to public outreach and conservation. President Schild commented that attempting to extend the conservation program into the winter months and maintaining

the same level of conservation as in the summertime, could result in customers not cooperating at all. Director Locke commented that the District's outreach program is great and he supports the rebates, stating that he feels that is incentive for customers.

President Schild recommended staff evaluate the need to continue contracts such as Paladin Security, door to door messaging and other similar contracts, suggesting they may not be necessary. Director Locke echoed President Schild's comments regarding evaluating some potential unnecessary contracts, and further suggested to keep the public outreach and conservation budget the same. Mr. Bills acknowledged the Board's direction regarding reviewing conservation contracts for necessity. Mr. Eubanks commented.

Mr. Bundesen noted that he will include in 2016 the conservation program efforts that worked well in 2015 and will point out the extra unique efforts due to the drought, in the October Board report. Mr. Bills recommended revisiting the budget before May 2016, when the water conservation stage is declared, to determine if further efforts are needed with conservation. President Schild suggested having justification for further efforts.

Mr. Jim Arenz provided a thorough presentation of the power point pertaining to water production. He noted that staff is requesting to budget for 35,000 acre foot (af) of water. Mr. Arenz noted the \$62.00 per af increase from the Bureau of Reclamation on San Juan Water District, making it a total of \$177 per af for PCWA water beginning in 2016. The Board stated that they are comfortable with staff budgeting for a conjunctive use program.

Mr. Bills provided a thorough presentation of the power point pertaining to salaries. He introduced staff's request for a Distribution Operator I position. President Schild inquired if staff has investigated the option of purchasing extra meters for replacing ones that have failed, then ship back failed ones to the manufacturer for refurbishing. Mr. Bills explained that the District would still need a staff person to go out to replace the meter, noting that they generally repair them onsite. Mr. Bills further explained that there is a 126% increase on meter related service requests.

Mr. Arenz clarified that the inch and a half to three inch size meters are inspected every three years, and that all larger meters are inspected annually. He further noted that all new meters are being tested and if needed, rebuilt in the field. Mr. Arenz further stated that the meter retrofit program is expanding to include a meter maintenance program in order to maintain the volume of meters that the District has been installing.

Director Locke inquired if flow accuracy is being tested on meters. Mr. Arenz responded that it is. Director Locke inquired about ultrasonic meters. Mr. Arenz explained that they are substantially more expensive, and that they also require outside voltage at the site.

Mr. Arenz further explained that the District has added roughly 10,000 meters within the last ten years; however, the District has not increased staff to maintain those meters. He stated that as a result, staff has fallen behind on the preventative maintenance program due to not having sufficient staff to complete the work.

President Schild requested that staff present this item to the full Board as a separate agenda item. Director Gayle mirrored President Schild's suggestion, and further added to hire somebody after that has been presented. Mr. Eubanks commented.

Mr. Bills provided a thorough presentation of the power point pertaining to COLA and Merit. President Schild stated that a 4% Merit increase just gets a person to the top of their salary band faster and could potentially lead to a person leaving the District for higher pay sooner. Mr. Bills clarified that with this 4% increase, it would take roughly 5 years to get to the top of the salary band for a non-exempt employee and 7.5 years for an exempt employee.

Mr. John Valdes provided a thorough presentation of the power point pertaining to CIP projects, including water meter retrofits, main replacements and wells. President Schild requested clarification on the difference between O&M and CIP when referencing meter retrofitting. Mr. Valdes explained that the O&M budget relates to the person doing meter repair and replacement, and that the CIP budget relates to the cost of meters and parts.

Mr. Bills stated that staff has not budgeted for consolidation efforts. President Schild recommended keeping it at zero at this point.

President Schild requested to have the second draft budget (power point slides only) sent to the Board a week prior to the Board meeting to allow for sufficient review time.

Adjournment

President Schild adjourned the meeting at 5:50 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District