

Minutes

Sacramento Suburban Water District Regular Board Meeting Monday, October 19, 2015

Call to Order

President Schild called the meeting to order at 6:31 p.m.

Roll Call

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

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Dan York, Heather Hernandez-Fort, James Arenz, Greg Bundesen, David Espinoza, Dave Jones, John Valdes, Annette O'Leary and Lynne Yost.

Public Present: Robert Swartz, Brenda Davis, Jim DeHart, Ted Costa, William Eubanks and Avery Wiseman.

Announcements

- Thursday, October 29, 2015 at 3:00 p.m., Facilities and Operations Committee Meeting.
- The Rutland Well Pumping Plant Project low bidder was Koch and Koch Incorporated. The low bid amount was roughly \$2,045,400. The District's Engineer, Wood Rodgers, is currently finishing the review of the bids and will be providing a recommendation of bid award within the next few days.
- At last month's Board meeting, the Board directed staff to attempt to set up a meeting for the Draft Analysis of Access to San Juan Water District (SJWD) Water Rights and Entitlement; however it was unsuccessful due to schedule conflicts. Staff will continue to try to organize a meeting.

Director Thomas inquired if the document was near completion. General Manager Robert Roscoe (GM Roscoe) stated that staff will continue to attempt to assemble a quorum for the meeting and also noted that he will be sure that all Directors receive a copy of the Draft Water Rights and Entitlement document.

President Schild suggested looking at the beginning of December to organize a meeting. GM Roscoe suggested the Board send in their availability and staff will try to coordinate a time that works for all.

Director Wichert stated that the Board will need to review the draft document in closed session to remove the document from its current draft form. He further stated that the only two members of the Board that need to be there are President Schild and Director Wichert, as they are the Committee members. He further noted that the Committee invites the full Board; however he didn't believe the meeting requires the full Board's attendance. GM Roscoe requested for Director Wichert and President Schild to submit their availability and staff will try to coordinate a meeting.

Director Gayle and Director Thomas stated that they both will attend. GM Roscoe stated that the meeting will be agenzized as a Special Board meeting with a single agenda item.

Director Locke also noted that he would like to be at the meeting and offered to assemble on a Saturday if necessary.

- Recent news issued of a potential tax consequence related to conservation rebates. GM Roscoe stated that staff is researching this tax law and will report back.

Public Comment

None.

Consent Items

1. Minutes of the September 21, 2015 Regular Board Meeting
2. Minutes of the October 5, 2015 Special Board Workshop
3. Water Banking and Transfer Policy (PL – BOD 006)

Director Thomas moved to approve Items 1 through 3; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and Action

4. **Hexavalent Chromium and Groundwater Sustainability Agency Updates**
President Schild introduced Mr. Robert Swartz of the Sacramento Groundwater Authority (SGA).

Mr. Swartz presented a power point presentation on the recent trends in groundwater elevations of Hexavalent Chromium.

President Schild asked that if SGA successfully became the sustainability agency, would there be any commitment or negotiated agreement with the Sutter County and Placer County Water Agencies. Mr. Swartz answered that SGA would require having a coordination agreement with those Counties, on how the groundwater basin would be managed, which would include a groundwater basin plan.

President Schild further inquired if there would be a designated lead agency that would lead the coordination, or if the State Water Resources Control Board (SWRCB) would be the lead agency. Mr. Swartz answered that it would not go to the SWRCB, and that it would be locally coordinated.

Director Locke inquired if there would be separate entities if that were to happen. Mr. Swartz answered that there will probably be two, one in Sutter County and one in Placer County.

Director Gayle requested the list of interested parties. President Schild provided the list to Director Gayle.

Mr. Avery Wiseman inquired about concentrations of Hexavalent Chromium at Mather Airforce Base.

Further discussion ensued regarding the background standard and elevated levels of Hexavalent Chromium in the Sacramento region, the sources of it and the age of the water.

Ms. Brenda Davis inquired how the Department of Public Health arrived at 10 parts per billion as the public health standard. Further discussion ensued regarding the public health standard.

President Schild thanked Mr. Swartz for the presentation.

5. **New Staff Position - Distribution Operator I/II**

A written report was provided. Assistant General Manager Dan York (AGM York) provided an overview.

President Schild stated that he agreed with authorizing a new staff position and suggested the Directors approve it as well. He further recommended staff perform additional analysis for a second position, and present that further information to the Facilities and Operations Committee (F&O Committee) at a later time.

Director Thomas echoed President Schild's support for approving the first position and recommending staff present further information later for a second position. He also requested staff to present information regarding newer technology such as upgraded meters to the F&O Committee as well.

Mr. Eubanks withdrew his comment.

Director Thomas moved to proceed with authorizing one position at this time, and bring the second position back next year to reevaluate. Director Gayle seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

6. Water Conservation Update

GM Roscoe introduced the item. Mr. Greg Bundesen provided the staff presentation.

President Schild commented that the District logo was not large enough on the Districts newspaper advertisement and suggested staff make it larger.

Mr. Bundesen clarified the budget for leak detection. Director Thomas asked what different ways are available for performing leak detection. Mr. Bundesen stated that he would find out and report back.

Mr. Eubanks commented.

7. 2016 Budget and 2017 Forecast – Second Draft

A written report was provided. Finance Director Dan Bills (Mr. Bills) presented a review of the power point presentation.

Director Wichert wanted to discuss a balanced budget. He noted that the budget was out of balance by roughly 3 million dollars. He stated that he would like for expenses to equal income.

Mr. Bills explained that 2.1 million dollars is budgeted for Capital Improvement Projects (CIP) for 2015 that will roll over to 2016. He further stated that will leave roughly \$800,000 unbalanced. Director Wichert commented that he is not in favor of any carryover budget.

Director Gayle requested clarification on what Director Wichert defined as a zero base budget. Director Wichert clarified that a zero base budget is when you start from zero and don't have a carryover. Director Gayle stated that it's not possible to start from zero because operations don't stop.

Mr. Bills addressed Director Wichert's point by stating that staff has been directed to focus on keeping the reserve balance above 40 million dollars, which is possible to maintain if there is a carryover balance allotted.

Director Wichert noted that based on previous year's budgets, it appeared that the implication of guidance was to reduce the reserve balance, as the reserve balance has reduced each year.

GM Roscoe stated that previous Boards have approved budgets in the past that have very intentionally drawn down the reserve balance.

Director Wichert commented that if staff believes that the reserve balance is too high, then the District should consider offering customer refunds. GM Roscoe stated that is an option that could be considered; however the previous Board of Directors identified that there are infrastructure improvements that the District is behind in replacing, therefore opted to make those improvements.

Mr. Bills noted that when the rate structure was conducted, it was intentionally designed to utilize some of the reserve funds in order to continue the CIP programs. He further stated that it was determined to be roughly 19 million dollars per year for the CIP budget.

Mr. Bills also explained that giving a refund unfortunately is not an option as the District does not have all of the same customers. He further identified that the option that would be available is to reduce rates going forward.

Director Wichert restated that he wanted to see a balanced budget with no carryover.

Director Locke acknowledged that he and Director Wichert were not with the District when the justification for the 19 million dollars was established.

President Schild suggested carrying over the money, not including it in the 2016 budget, but creating a carryover fund instead. Mr. Bills noted that is what staff has recommended, only including it in the 2016 budget.

Director Wichert commented that if staff wanted the reserve to go down, then the current rate increase is not needed. Mr. Bills noted that staff is not recommending the reserve go down. He further noted that staff is presenting a budget based on Board direction, to keep the reserves above 40 million as well as getting the CIP projects done.

Director Wichert suggested looking at the CIP area for reduction to create a balanced budget.

President Schild introduced the further consolidation analysis budget. Director Wichert commented that he is not in favor of budgeting for further consolidation analysis.

Director Wichert moved to budget for no further funding on the consolidation analysis. President Schild seconded. Director Thomas commented that it would be a shame to stop now as he believed that everyone is still looking for more information.

President Schild commented that the District can still purchase water from SJWD without the need of consolidation.

Director Locke recommended changing the budget title of “further consolidation analysis” to something else. He stated that he believes that what the Board wants to do is figure out a way to purchase surface water instead. He further stated that the analysis doesn’t need to take the form of a consolidation, but rather some other agreement and believes it’s worth continuing to make an investment into looking into it.

President Schild asked the Board how much money to put into that budget item. Mr. Bills noted that the District has spent so far this year \$93,000.00 on consolidation analysis.

A vote was called on the motion by Director Wichert to budget for no further funding on the consolidation analysis, as seconded by President Schild. The motion failed by a 2/3 vote.

AYES:	Schild and Wichert.	ABSTAINED:	
NOES:	Gayle, Locke and Thomas.	RECUSED:	
ABSENT:			

Director Wichert requested to see a benefit to the District rate payers to consolidate with SJWD. Director Thomas answered that a benefit would be the surface water. Discussion ensued regarding the purchase of SJWD surface water.

GM Roscoe acknowledged that the previous Board action on the topic of the consolidation was to suspend further action until further legal analysis was completed. He stated that staff has not been able to schedule the presentation of the final legal analysis, so the current direction is to suspend further action.

He further suggested adding a sum of money for “special studies” to be determined by the Board. He clarified by stating that this would not give the General Manager authority to spend that money on anything else, without prior Board approval. GM Roscoe also noted that this could leave the option open to spend that money on Hexavalent Chromium, or some other emergency that could possibly up.

Director Thomas moved to set aside \$100,000.00 for special studies to be determined by the Board of Directors, and that the money cannot be spent until it comes back to the Board of Directors and receive further Board action. Director Locke seconded. Director Wichert noted that he is against this type of fund. The motion carried by a 3/2 vote.

AYES:	Gayle, Locke and Thomas.	ABSTAINED:	
NOES:	Schild and Wichert.	RECUSED:	
ABSENT:			

Mr. Bills introduced the budget for water transfers.

President Schild stated that he is opposed to budgeting for water transfers, stating that he thinks that the District should utilize the water that we have stored for District customers as they were the ones that paid to put it there.

Director Wichert stated that he is in favor of budgeting a limited amount of money for water transfers; however, he is opposed to transferring water to Southern California. Director Locke stated that he is in favor of budgeting for water transfers. Director Wichert requested staff present a figure on how much to budget for water transfers.

Mr. Bills noted that staff will put an analysis together on a budget for water transfers, and bring back a figure to the full Board at the next meeting.

Mr. Bills clarified the Capital Asset portion of the reserve balance for Director Wichert.

Mr. Bills presented the water costs budget. President Schild requested to see a dollar per acre foot graph, rather than the current chart for total cost, stating that it would be more meaningful. Mr. Bills indicated that he will work on that.

Mr. Bills further noted the SJWD fee increase to the wholesale entity. Director Wichert requested staff make some inquiries to try to find out what that increase will be and report back. Mr. Bills noted that he will check and report back.

Mr. Bills presented the Merit budget. He clarified who is eligible for a 4% merit increase. He also explained what it takes in the organization to move within a person's salary band and the process for merit increases.

A brief discussion ensued regarding the impacts that wages have on the District's retention.

Director Wichert inquired how much each percent of an increase is. Mr. Bills answered about \$40,000 total per percent.

Mr. Eubanks commented.

Mr. Wiseman commented that the District has one full year of CIP budget in reserves, and that he believes that the District is overspending. He also noted that the budgeted amount for CIP is never fully spent. He suggested adjusting the CIP budget and giving the ratepayers a break.

Mr. Bills concluded his presentation on the CIP budget.

President Schild inquired about how many meters were already installed and how many services need to still be metered. He further suggested modifying the chart to make it clearer.

President Schild inquired about the engine generator compliance item. Mr. John Valdes replied that staff budgets each year for maintenance and/or replacement of engine generators for the 37 well sites that have engine generators.

President Schild inquired if SMUD offers dual connections and recommended staff contact SMUD to obtain further information.

Director Thomas inquired about GPS asset locators, asking how much they cost and if it is possible to move it up to 2016. He believes that would be a real benefit to the District. He further noted that it would be really nice to get that program going soon, noting that he has been requesting for it for a while.

Mr. Bills stated that the program has been a little difficult to implement, as the District doesn't have the equipment or the staff availability, noting that it's been more of a resource issue than anything else. Mr. Bills did however recognize that it's a need and staff will proceed with this as soon as possible.

President Schild asked if the arch flash project will be completed this year. Mr. Jim Arenz commented that it will be completed.

President Schild inquired about the impending upgrade to the accounting program. Mr. Bills answered that after a full analysis was preformed, and the current software was upgraded to a new version, it was determined that a full upgrade to the software was not necessary, creating a savings of roughly \$4,000.00.

President Schild inquired if the LED lighting project was being rebated. Staff replied that SMUD is providing a rebate for the lighting.

Director Wichert restated that he would like to see a balanced budget. He further requested for staff to present a proposal on their recommendations for decreasing the CIP budget and adding a reasonable budget for water transfers.

GM Roscoe explained the different variations of budgeting, noting that at any given day the balance could be off due to ongoing projects, but at the end of the year it balances up.

President Schild requested staff try to balance the budget to make it more understandable for the public. Director Gayle inquired what purpose that would serve. President Schild stated that if it is presented in a manner that balances, the public may understand it better.

Discussion ensued regarding the different variations of creating a balanced budget.

Mr. Bills noted that the practical implementation of the budget decision is that the Board is giving the General Manager authority to spend up to a certain amount and advising him what it can be spent on to operate and manage the district.

Director Locke remarked that each year the District is getting closer to the 40 million dollars in reserves, noting that eventually the District will need to reduce the CIP expenditures and possibly reevaluate the CIP schedule.

To help clarify the CIP plan for next year, Mr. Bills suggested putting the CIP plan into three columns, what is carried over from the current year, what is expected to be spent the next year, and what is expected to carry over to the year after that.

Mr. Eubanks commented.

8. **Reserve Policy (PL – Fin 004)**
A written report was provided. No action was taken.

Information Items

9. **Water Conservation and Regional Water Efficiency Program Report**
A written report was provided.
 - a. *Drought Report*
A written report was provided.
 - b. *Summary of Activities to Date*
A written report was provided.
 - c. *Water Conservation Program and Results*
A written report was provided.
 - d. *Upcoming Events*
A written report was provided.
10. **District Activity Reports**
A written report was provided.
 - a. *Water Operations and Exceptions Report*
A written report was provided.
 - b. *Customer Service Report*
A written report was provided.
 - c. *Community Outreach Report*
A written report was provided.
11. **Engineering Report**
A written report was provided.
 - a. *Major Capital Improvement Projects*
A written report was provided.
 - b. *County and City Projects/Coordination*
A written report was provided.

- c. *McClellan Business Park*
A written report was provided.
- d. *Groundwater Quality Projects*
A written report was provided.
- e. *Developer Projects*
A written report was provided.
- f. *Other*
A written report was provided.

12. **Financial Report**

A written report was provided.

- a. *Financial Statements – September 2015*
A written report was provided.
- b. *Investments Outstanding and Activity – September 2015*
A written report was provided.
- c. *Cash Expenditures – September 2015*
A written report was provided.
- d. *Credit Card Expenditures – September 2015*
A written report was provided.
- e. *Directors Compensation and Expense Accounting – Through September 2015*
A written report was provided.
- f. *Market Report Yields – January 2010 through September 2015*
A written report was provided.
- g. *District Reserve Balances – September 2015*
A written report was provided.
- h. *Information Required by Bond Agreement*
A written report was provided.

13. **New Accounting Pronouncement – Accounting and Financial Reporting for Pensions**

A written report was provided. Mr. Bills announced that the pamphlet is in the front of each Board members binder, and there will be a further presentation on it next month.

14. **Financial Markets Quarterly Report**

A written report was provided.

15. **Year-to-Date Interest Expense Quarterly Report**
A written report was provided.
16. **District Credit Rating**
A written report was provided. GM Roscoe particularly noted the efforts of District Treasurer Dan Bill and his ongoing effort in successfully keeping the District debt service costs low with the District's exceptional credit rating.
17. **General Manager's Report**
A written report was provided.
 - a. *Aerojet Superfund Issue Community Advisory Group Meeting*
A written report was provided.
 - b. *Status of the Water Master Plan Update and the 2015 Urban Water Management Plan (UWMP)*
A written report was provided.
 - c. *Surface Water Supply of Former Northridge Water District*
A written report was provided.
 - d. *Modified Flow Management Standard*
A written report was provided.
 - e. *ACWA Region Election Results and Nominations for President/Vice President*
A written report was provided.
18. **Legislative and Regulatory Update**
A written report was provided.
19. **Human Resources Quarterly Report**
A written report was provided.
20. **CIP Projects Quarterly Report**
A written report was provided.
21. **Notice of Violation Update – Central Valley Regional Water Quality Control Board**
A written report was provided. AGM York provided a summary of the report.
22. **Upcoming Policy Review**
 - a. *Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003)*
A written report was provided. Directors' comments are due by November 2, 2015.

Committee Reports

23. a. *Facilities and Operations Committee (Director Wichert)*
No report.
- b. *Finance and Audit Committee (Director Locke)*
No report.
- c. *Government Affairs Committee (Director Wichert)*
No report.
- d. *Ad Hoc Water Banking and Transfer Committee (Director Locke)*
No report.
- e. *Ad Hoc Water Rights Review Committee (Director Schild)*
No report.

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

24. a. *Regional Water Authority (Director Thomas)*
No report.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda was provided.
- b. *Sacramento Groundwater Authority (Director Schild)*
President Schild provided an oral report regarding the October 8, 2015 meeting.
- c. *Water Forum Successor Effort (Assistant General Manager York)*
Agenda was provided.

Carryover Storage Working Group Meetings
No report.

Water Forum Dry Year Conference Meeting
No report.

Water Caucus Meeting
No report.
- d. *Other Reports*
President Schild provided oral reports regarding the September 27, 2015 ACWA Federal Affairs Meeting, the September 23, 2015 ACWA Groundwater Meeting, the September 30, 2015 Financing Sustainable Water Workshop and a meeting on October 6, 2015 regarding meeting with AGM York and Mr. Arenz.

Director Thomas provided oral reports regarding the September 23, 2015 Aerojet Superfund meeting, the meeting on October 2, 2015 at CSUS presented by John Woodling, the October 7, 2015 San Juan Water District Board Meeting and his meeting with AGM York on September 24, 2015.

Director Gayle provided an oral report regarding the September 21, 2015 meeting of the McClellan RAD.

Miscellaneous Correspondence and General Information

25. Certain correspondence received by the District was provided.
26. General Information related to District business was provided.

Director's Comments/Staff Statements and Requests

None.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 10:12 p.m.

27. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.
28. Conference with real property negotiator involving the purchase, sale, lease or exchange of real property, Assessor's Parcel Numbers 203-0270-001-0000 & 203-0270-001-0000. Robert Roscoe, District negotiator, will negotiate with Polycomp Trust Co. Instructions to the negotiator may include price, terms of payment, or both. (See Government Code sections 54954.5(b) and 54956.8.)

Return to Open Session

The Board convened in open session at 10:27 p.m. There was no reportable action.

Adjournment

President Schild adjourned the meeting at 10:28 p.m.

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