

Minutes

Sacramento Suburban Water District Special Board Workshop Monday, October 9, 2017

Call to Order

President Wichert called the meeting to order at 6:00 p.m.

Roll Call

Directors Present: Dave Jones, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York, Amy Bullock, Dan Bills, James Arenz and Dana Dean.

Public Present: William Eubanks, Avery Wiseman, Brenda Davis and Ken Payne.

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Announcements

General Manager, Robert Roscoe (GM Roscoe) stated that the budget had been presented to the Finance and Audit Committee and staff was not expecting any action to be taken at this workshop. Instead, staff was only requesting Board comments to the Budget.

Director Schild noted that his attendance at the Monday, October 16, 2017 regular Board meeting may be limited due to scheduling conflicts.

Public Comment

William Eubanks (Mr. Eubanks) commented on the General Manager's recruitment stating that the large number of candidates interviewed was a waste of Director and staff's time.

Director Thomas stated that staff received a lot of qualified applicants and that the General Manager's position was a very important position therefore the Board wanted to ensure a thorough process.

President Wichert stated that he appreciated Mr. Eubanks comments and that the Directors decided to interview a large number of applicants to be fair to everyone who applied.

Items for Discussion and Action

1. Second Draft 2018 Budget and 2019 Forecast and Reserve Policy (PL – Fin 004)

Avery Wiseman (Mr. Wiseman) provided a 2 page handout and commented that he believed that the Directors were the only ones that looked out for the ratepayers. He proposed that significant reductions could be made from the O&M budget.

Dan Bills (Mr. Bills) presented the PowerPoint presentation and summarized the staff report.

President Wichert asked for clarification on the 2017 and 2018 budget and how that budget carried into 2018 and 2019.

Mr. Bills stated that staff was going to request Board approval in the 2018 Budget for projects started in 2017 and to be completed in 2018 and noted there would be new projects started in 2018 that may not be completed until 2019.

Director Schild inquired if the reserve balance was still in excess of \$40 million dollars after 2018.

Mr. Bills stated that the reserve balance would actually be roughly \$45 million at the end of 2017, because \$3.7 million from two deferred projects in 2017 would be carried over into 2018. At the end of 2018 reserves are projected to be \$41 million.

President Wichert inquired that if the rate stabilization fund figures seemed to be growing, why staff would not be using it to stabilize the rates.

Mr. Bills stated that the Board could authorize staff to utilize the rate stabilization fund to stabilize the rates; however, he noted, the Board would need to change its Reserve Policy which has been set to roughly equal \$40 million. He noted that rate stabilization fund was roughly \$6 million and if used to defer future rate increases would not support stabilizing rates for long.

GM Roscoe stated that when the majority of the District was on a flat rate, staff could project revenues rather easily; however, now that the majority of the District was on a metered rate, it was harder to predict revenues. The rate stabilization fund was in place for that use as well.

President Wichert stated that staff did an excellent job at setting it's fixed vs. variable rates and it showed in the revenues that the District had, given the drought and reduced water use over the past few years.

President Wichert inquired what years groundwater was used solely.

Mr. Bills stated that 2014 and 2015 was when groundwater was used as the only water source.

GM Roscoe stated that because he had not met with the Board in closed session, his official retirement date has not been set, therefore, the salary projections for 2018 are based on having two overlapping General Manager's contracts for all of 2018.

Mr. Eubanks provided a handout and reviewed CPI information listed on the handout. He inquired why the U.S. Cities and Social Security Indexes were listed if they had no

influence and were unrelated to the District's Cost of Living Allowance (COLA). He further commented that the Del Paso Manor District (DPM) was depleting their reserve balance by using roughly \$20,000 a month, noting that they were not making necessary infrastructure improvements. Mr. Eubanks asked why SSWD is being compared to DPM at all?

President Wichert inquired on the cost of living increase for the District, and asked staff to validate the numbers on item page 8A of Mr. Eubank's handout and make a recommendation to the Board on the COLA Index.

Mr. Eubanks noted that the websites that he gathered the information for his handout were listed on his handout. He further noted that since staff was only projecting a 2.3% COLA increase, the District is coming in for too low based on the actual cost of living in California.

Mr. Wiseman stated that he disagreed with Mr. Eubanks statements.

Mr. Eubanks inquired if the Field staff in the District was represented by a Union.

GM Roscoe and President Wichert stated that the District's Field staff were not currently represented by a Union.

Mr. Eubanks stated that the District may need to entertain the Union option if the District continues to give out low cost of living raises especially given that the salary ranges were mediocre.

Director Locke commented on the State's step merit program.

Director Thomas inquired if staff came to any resolution on the Districts morale fund in regards to gifts, etc.

Mr. Bills stated that there were a lot of legal issues with the morale fund and that no resolution has come to fruition yet.

Director Schild inquired if LTD was through JPIA.

Mr. Bills stated that he was unsure if LTD was through JPIA, and that he would follow up individually with Director Schild on his question.

Director Thomas suggested for staff to evaluate the RWA annual fees due to the large increase over the last few years.

President Wichert inquired where staff believed they could make further cuts.

GM Roscoe reminded the Board that the Budget was cut by over \$1.5 million based on the direction from the F&A Committee. He further stated that staff might reevaluate the

O&M budget if water transfers became an option in 2018. He additionally commented that another option could be to purchase less surface water and push capital service projects out.

Mr. Wiseman stated that the District was driven by an asset management plan which could be slowed down.

Mr. Eubanks stated that the Directors were unnecessarily picking at very minor items on the Budget from staff's recommendations.

Adjournment

President Wichert adjourned the meeting at 8:30 p.m.

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