

Minutes

Sacramento Suburban Water District Regular Board Meeting Monday, October 15, 2018

Call to Order

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

Pledge of Allegiance

President Locke led the Pledge of Allegiance.

Roll Call

Directors Present: Craig Locke, Dave Jones, Kathleen McPherson, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Dan York, Finance Director Dan Bills, Assistant General Manager Mike Huot, Heather Hernandez-Fort, Dana Dean, Matt Underwood, Jim Arenz, Annette O’Leary, David Espinoza, Greg Bundesen, Cody Scott, Mike Jenner, David Armand, Paul Johnson, Raul Palomar, Hannah Dunrud, Joe Crockett, Hector Segoviano, Jerald Beams, Sarah Dains, Todd Artrip, Jeovani Benavidez, Colton Boatwright, Kyle Cobb, Abel Ramirez, Shawn Shedenhelm, Tom Fox, Amy Bullock, Robin Geiger, Mitchell McCarthy, Song Dang, Vicki Sprague, Rachel Middlestead, Tom Dickinson, Kyle Jividen, Michelle Hirt and Josh Taylor.

Public Present: Ryan Bezerra, William Eubanks, Avery Wiseman, Doug Johnson, Rick Phelps, Lisa Vernekoff, Alexis McCarthy, Shelly Artrip and Regina Espinoza.

Announcements

General Manager Dan York (GM York) announced:

1. SSWD was honored with the 2018 National WaterSense Excellence in Education and Outreach Award;
2. Open House on Wednesday, October 17, 2018 between 6:00 and 8:00 p.m.

Public Comment

William Eubanks (Mr. Eubanks) urged the Board to discontinue the sub-committee meetings as he believed they were not valuable, as they rarely provide the full Board with recommendations as intended. He expressed that often the material that was presented at the sub-committee meetings was duplicated at regular Board meetings, creating a lot of redundancy and wasted time.

Director Wichert requested staff to evaluate the subcommittees for value, and to provide a short analysis of their findings at a regular Board meeting. He suggested to include an analysis of how many items have gone through committees and been placed on consent versus action.

Rick Phelps (Mr. Phelps) noted that he regularly receives his neighbor’s mail, who resides in one of the units of his four-plex, and requested to have that corrected. He further requested for the District to remove the pipeline size shown on the bill, as he believed it was confusing for the customers.

GM York explained what the pipeline sizes were for.

Director Wichert expressed the reason that the pipeline size was shown on the bill was so customers understood the basis of their charges.

Consent Items

1. **Minutes of the September 17, 2018 Regular Board Meeting**
2. **Public Works Contracting Policy (PL – Eng 002)**
3. **Procurement Policy (PL – Fin 005)**
4. **2018 Audit Engagement Letter and Contract**

Director Thomas moved to approve the Consent Items; Director Jones seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, McPherson, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

5. **2018 Employee Compensation Study**
Dan Bills (Mr. Bills) presented the staff report, providing a history of the Study.

Discussion ensued regarding the 2016 Compensation Study, noting that at the time it was understood that the target was total compensation as of the middle of the third quartile, with cash compensation being lower than the third quartile, but that non-cash benefits brought total compensation back near the third quartile.

Mr. Bills expressed that it would be best that the Policy give the General Manager direction as to where the Board wanted to position the District in the market.

Mr. Bills introduced Mr. Doug Johnson (Mr. Johnson) with Ralph Andersen and Associates, who prepared the 2018 Compensation Study.

Mr. Johnson presented the PowerPoint presentation and reviewed the Compensation Study with the Board.

Clarification questions were asked.

Director McPherson requested not using the two top agencies, as she believed that including it moves the District's position downward. She requested to see the data after having removed the top two agencies.

Mr. Johnson expressed they were asked to survey all the surrounding agencies and not omit those that were high or low.

Director Jones expressed that the top two agencies were the ones that the District was losing employees to, as their compensation was much higher.

Mr. Johnson noted that it would be difficult to do an exact comparison of the data in the 2016 Study with the data in the 2018 Study, as the study done in 2016 only represented 19 jobs, compared to the 40 jobs currently surveyed.

Discussion ensued regarding the benefit provisions for retirement plans and their basis for comparison.

Mr. Johnson explained that the retirement information was used as a basis for comparing the costs among the districts for providing such plans. Director Wichert responded that the comparative basis should be the benefit to the employee and not the cost to the District, in particular as SSWD has done a good job of lowering its retirement costs.

Discussion ensued on retirement costs.

Director Wichert requested Mr. Johnson's comments on how the 2016 Study handled retirement benefits and costs.

Mr. Johnson responded to Director Wichert's question that the 2016 Study did not include the employer rate as part of the analysis.

Director Wichert expressed he was unhappy that the staff report portrayed that the Board was responsible for the market position the District was in.

President Locke expressed it was the responsibility of the Board to set policy and to determine where they wanted to position the District within the market; which has more to do than just base pay.

Mr. Eubanks expressed total compensation packages do not focus on the salary component well enough as the increasing costs of food, housing, and transportation,

etc., are covered by salary only and not benefits, and that he believed the Board should be focusing on salary only.

GM York expressed that within the last 5 years 16 employees left the District; 9 of those employees left to other agencies, 4 of them to private companies, and 3 of them to consulting firms. Compared to the loss of those 16 employees, only one recruitment came from another local agency.

Director McPherson noted that 7 of the 16 employees that left the District were distribution operators and she expressed that she supported the General Manager dealing with those on a case-by-case basis. She further stated that the 2018 survey was broad and would have served the District better if it were focused more on water industry specific positions and how they compare with other water agencies, and not compare all of the positions to the labor market. She additionally expressed that she didn't undervalue any of the employees and she believed that the Study made the District's position look worse than it was. She concluded by stating she represented the rate payers and wanted to be sure the District was the best in terms of fiscal responsibility into the future.

Director Wichert stated if the current Study was conducted as the 2016 study was conducted, he believed the District would be about 4.3% below the median.

Mr. Johnson expressed the 2016 study used different data.

Mr. Bills explained staff was requesting direction on a conclusion to the Study that would form the basis for any needed adjustments. He noted that removing the two highest paid agencies from the Study would bias the Study.

President Locke restated staff was requesting the Board to set the policy where they wanted to position the District to be in the market, and then allow the General Manager to notify the Board how he plans to implement the policy.

Director Wichert moved to target the median base pay of the survey (50%) plus cash and insurance.

The motion died for lack of a second.

President Locke expressed he would rather target the 62.5 percentile for base salary, and keep the benefits where they are. He noted it should not all happen in one year, but that the General Manager would need to provide an implementation plan.

Director Wichert stated he was not comfortable with a 16 percent increase. He noted as each agency increases to match one another, the rates continue to drive up.

Director McPherson expressed the only trend she noticed with regards to turnover data was with the distribution operator classification, and that she didn't see a huge problem

with turnover. She stated she believed the salary ranges at the District were good, with a nice place to work and a good working environment.

President Locke recommended for the Board to set a target in the policy.

At the request of the Board, Mr. Bills explained why it would cost the District more in retirement costs if the Board raised employee salaries sufficient to cover the employee portion of CalPERS and then had the employee pay it.

Director Jones stated he was in favor of a 62.5 percentile target.

Director Thomas suggested the 55 percentile for base pay, and that the cash and benefits would bring the range up to the 62.5 percentile.

Mr. Johnson explained the difference between base pay and base pay plus cash.

President Locke proposed the 60th percentile with a 2 year implementation.

Discussion ensued regarding where to place the target.

Avery Wiseman (Mr. Wiseman) reminded the Board to consider the budget and the ratepayers when reviewing the Compensation Study. He also suggested the Study should show where the District's rates were in comparison to the other agencies.

Mr. Bills stated there were many ways to manage the budget.

President Locke moved to approve 58 percentile for the salary, as a target, and implement it over two years; Director Jones seconded.

The motion failed by a 2/3 vote. Wichert, Thomas and McPherson opposed.

AYES:	Jones and Locke.	ABSTAINED:	
NOES:	McPherson, Thomas and Wichert.	RECUSED:	
ABSENT:			

Director McPherson stated she was against it, and she was unaware why they didn't vote on the Study first.

President Locke moved to accept and approve the Compensation Study as presented; Director Jones seconded. The motion passed by 3/2 vote. Wichert and McPherson opposed.

AYES:	Jones, Locke and Thomas.	ABSTAINED:	
NOES:	McPherson and Wichert.	RECUSED:	
ABSENT:			

Director Wichert moved to amend the original motion made by President Locke, to approve moving ahead with the compensation study to eliminate the consideration of a retirement, to be consistent with the Compensation Study that was prepared in 2016; President Locke seconded.

Discussion ensued.

Director Wichert restated his motion to direct the study to be revised to eliminate retirement, and brought back to the Board; Director Thomas seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, McPherson, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Director McPherson requested to discuss other options with the Compensation Study.

Director Wichert suggested for Director McPherson to meet with the General Manager to discuss.

6. Antelope Garden Deactivation

Director Thomas moved to approve the staff recommendation; Director Wichert seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, McPherson, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Mr. Eubanks supported the Board’s decision.

7. Options for Providing the Board with Electronic Board Packets

Assistant General Manager Mike Huot (AGM Huot) presented the staff report.

Director Wichert inquired if he would still be allowed to use his own device. Legal Counsel Ryan Bezerra (Mr. Bezerra) expressed that it was the Directors decision, however, he noted the use of personal devices while conducting District business could potentially render the device to disclosure. He additionally expressed that the confidential packets could still be distributed via email or printed in hard copy.

Mr. Eubanks inquired if the Directors would be able to send and receive emails during a Board meeting. He noted he felt it would be appropriate to have a display board to show what was on each Director’s laptop during each meeting. He concluded by expressing that he was in favor of the 12.3” screens so the audience could still see the Director over the laptop.

President Locke moved to approve the staff recommendation; Director Thomas seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, McPherson, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Director Thomas requested staff look at the Microsoft Surface Go.

8. Fiscal Year 2019 Budget – 2nd Draft

Mr. Bills presented the staff report.

President Locke recommended staff to set a budget for each CIP project, then encumber the funds, and the encumbrance would stay until the project was complete. He stated that it would not need to come up each year in the budget for review other than to sign contracts and/or review budget augmentation.

Mr. Bills expressed that the recommendation would make budgeting for CIP much more efficient.

President Locke further expressed he believed the real estate fund needed to be greater, and the McClellan liability needed to be addressed separately, rather than a plan to take from reserves.

The Board approved President Locke’s recommendations.

Director Wichert moved to change the COLA from 3.9 percent to 4.3 percent; Director Jones seconded.

Director McPherson inquired why Director Wichert moved to change the COLA.

Director Wichert explained that it was he believed they should do.

The motion passed by a 3/2 vote.

Mr. Bills stated he would double check if there needed to be a basis in which to change the COLA percent.

AYES:	Jones, Locke and Wichert.	ABSTAINED:	
NOES:	McPherson and Thomas.	RECUSED:	
ABSENT:			

General Manager’s Report

9. General Manager’s Report

GM York presented the staff report.

- a. *2018 Water Transfer Update*
GM York presented the staff report and provided an update.
- b. *Strategic Plan Workshop Update*
GM York presented the staff report and provided an update.

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

- 10. a. Regional Water Authority (Director Wichert)
None.

Regional Water Authority Executive Committee (General Manager York)
The agenda from the September 27, 2018 Meeting was provided.

- b. Sacramento Groundwater Authority (Director Thomas)
No report.

- c. Water Caucus Meeting (General Manager York)
None.

- d. Water Forum Successor Effort (General Manager York)
The agenda from the October 11, 2018 Meeting was provided.

- e. Other Reports – AB 1234

President Locke provided an oral report on the meeting he had with the Assistant General Manager on April 27, 2018.

Director Thomas provided oral reports on the meetings he had with the General Manger on September 20, August 22, August 28 and October 10, 2018. He provided oral reports on the Bay Delta meetings he attended on August 14 and 15, 2018; the Aerojet CAG meeting he attended on September 19, 2018; and the RWA meeting on September 13, 2018.

Director Jones provided an oral report on the meeting he had at ACWA Region 4 tour on September 26, 2018, and the meeting he had with the General Manager on September 28, 2018.

Director McPherson provided oral reports on the meetings she had with the General Manager on July 18, 2018, and September 7, 2018.

Director Wichert provided a report regarding a meeting he had with a CIP consultant.

Committee Reports

11. a. Facilities and Operations Committee (Director Jones)
The draft minutes from the September 13, 2018 Meeting were provided.
- b. Finance and Audit Committee (Director Thomas)
The draft minutes from the October 8, 2018 Meeting were provided.
- c. San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee (Director Locke and Director Jones)
The draft notes from the October 3, 2018 meeting were provided.

Mr. Eubanks disagreed with the comment in the notes from the San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee, where he was noted as saying he discouraged bringing more people into the discussion, as he stated the more input you get the longer it takes. He expressed that he meant the opposite, as he suggested very strongly to put everyone on that Committee for the specific purpose of making it take longer.

GM York and President Locke provided a summary of the meeting.

Information Items

12. **Well Efficiency Testing Annual Report**
A written report was provided.
13. **2018 Water Rate Study Update**
A written report was provided.
14. **2018 Budget Reallocations**
A written report was provided.
15. **Environment Review for Well 79 Verner/Panorama Project**
A written report was provided.
16. **Legislative and Regulatory Update**
A written report was provided.
17. **Upcoming Water Industry Events**
A written report was provided.
18. **CEQA Notice of Exemption**
A written report was provided.
 - a. Jonas Main Replacement and Plover Main Replacement
A written report was provided.

19. **Upcoming Policy Review**

A written report was provided.

- a. Debt Obligation Continuing Disclosure Policy (PL – Fin 013)
A written report was provided.
- b. Employee Recognition and Retention Expense Policy (PL – Adm 008)
A written report was provided.

Department/Staff Reports

20. **Financial Report**

A written report was provided.

- a. *Financial Highlights – September 2018*
A written report was provided.
- b. *Financial Statements – September 2018*
A written report was provided.
- c. *Investments Outstanding and Activity – September 2018*
A written report was provided.
- d. *Cash Expenditures – September 2018*
A written report was provided.
- e. *Credit Card Expenditures – September 2018*
A written report was provided.
- f. *Directors Compensation and Expense Accounting – Third Quarter 2018*
A written report was provided.
- g. *District Reserve Balances – September 2018*
A written report was provided.
- h. *Information Required by Bond Agreement*
A written report was provided.
- i. *Financial Markets Report – September 2018*
A written report was provided.

21. **District Activity Report**

- a. *Water Operations and Exceptions Report*
A written report was provided.

- b. *Water Quality Report*
A written report was provided.
- c. *Water Conservation and Regional Water Efficiency Program Report*
A written report was provided.
- d. *Customer Service Report*
A written report was provided.
- e. *Community Outreach Report*
A written report was provided.

22. Engineering Report

- a. *Major Capital Improvement Projects*
A written report was provided.
- b. *Other*
A written report 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 8:56 p.m. to discuss the following:

- 23. Conference with legal counsel – potential litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(4); consideration of initiating litigation involving the State Water Resources Control Board's proceedings related to the California Water Fix and the Bay-Delta Water Quality Control Plan Update.

Return to Open Session

The Board convened in open session at 9:16 p.m. There was no reportable action.

Adjournment

President Locke adjourned the meeting at 9:17 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District