

## **Minutes**

### **Sacramento Suburban Water District Special Board Meeting Tuesday, October 30, 2018**

#### **Call to Order**

President Locke called the meeting to order at 4:30 p.m.

#### **Pledge of Allegiance**

President Locke led the Pledge of Allegiance.

#### **Roll Call**

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

Directors Absent: Robert Wichert.

Staff Present: General Manager Dan York, Finance Director Dan Bills, Assistant General Manager Mike Huot, Heather Hernandez-Fort, Annette O'Leary and Lynn Pham.

Public Present: William Eubanks, Avery Wiseman, Habib Isaac and Andrea Boehling.

#### **Announcements**

General Manager Dan York (GM York) announced:

- Long Term Warren Act Contract was signed and executed by the Bureau of Reclamation.

#### **Public Comment**

None.

#### **Items for Discussion and/or Action**

1. **2018 Water Rate Study**

Dan Bills (Mr. Bills) presented the staff report.

Director Wichert joined the meeting at 4:33 p.m.

Mr. Bills introduced Habib Isaac (Mr. Isaac) with Raftelis who presented the PowerPoint presentation.

Mr. Isaac reviewed the key assumptions, current financials, capital investment plan, reserves and the recommended financial plan.

Director Wichert recommended staff look into SMUD's upcoming time of use rates to see what effect it will have on the District.

Avery Wiseman (Mr. Wiseman) stated he was not in favor of increasing reserves and expressed that they should be reduced. He additionally stated that a 3% rate increase was not justified and stated the District was in a really good financial position.

William Eubanks (Mr. Eubanks) expressed that he was in favor of the methodology and that sufficient reserves were a good business practice.

Director Wichert expressed that the Master Plan (the Plan) was initially presented to the Board with no rate commitment, however, he stated that now it doesn't appear so. He additionally stated that if they would adopt a more frugal Capital Improvement Project plan, then rates would not be as adversely impacted by it. He also conveyed that that Mr. Isaac was not making any recommendations to the Asset Management Plans.

Mr. Isaac explained that it was not a part of his scope to provide an asset management plan analysis of the current system to determine if the Plan was appropriate, or to offer any suggestions on it.

Discussion ensued regarding rates and financial outlook.

Mr. Eubanks praised the strong financial position the District is in.

Mr. Isaac explained that to reduce the capital projects would increase the District's risk, creating a higher need for increased reserves to cover the risk tolerance.

Mr. Wiseman expressed that the Plan stated there was not a future funding commitment. He additionally expressed that the Board should consider where they stand regarding a consolidation with San Juan Water District, as that would significantly impact revenue.

Director McPherson expressed that she was ok with the methodology, but that the recommendation from the consultant was to raise the rates. She expressed that if the study was accepted, the Board still had the option to make changes to those recommendations based on the numbers each year.

Mr. Bills expressed that the Board would need a basis for changing the study once it was accepted.

Mr. Eubanks stated that he believed the process was needed in order to justify the rates, but that it wasn't the basis for a rate increase. He supported completing the study and allow the Board to determine a decision accordingly.

Mr. Isaac further explained the benefit of conducting the study that the last one was done 5 years ago and pointed out even if rates don't change the cost structure will have changed over the past 5 years, so an update is necessary in order to remain compliant with Prop 218.

Director Jones conveyed that he was comfortable with the assumptions made and the information used to generate the study, and he was interested in the details that would be presented at the December Regular Board meeting.

Director Wichert stated he was not satisfied with using the Plan, and expressed that it would increase rates.

Mr. Eubanks commented that the Board was not obligated to anything, as they were able to change whatever they wanted, other than state law, by a majority vote.

President Locke expressed that he was comfortable with the Plan.

Director Thomas requested Mr. Isaac to provide the Board with 2 different analyses at a minimum. The first would represent a 3% increase each year over the next 5 years; the second would represent a 0% increase for 2019, then 2 years with a 4% increase each year, and 2 years with a 3% increase each year.

Director Wichert requested for him to additionally show what adjustments would need to be made to the Capital Plan in order to realize the rate increases proposed.

Mr. Isaac explained that he would not be able to recommend a particular plan for expenses of the District, but that he could incorporate another Capital Improvement scenario if staff wanted to provide him with one.

President Locke expressed that Director Wichert's request would require a majority vote of the Board.

Director Wichert clarified he wanted to see how much the CIP would need to change in order to realize the rate increases proposed.

Mr. Bills expressed that staff could provide that information to him.

Mr. Bills stated that the report would be presented to the full Board at the December Regular Board Meeting for approval.

### **Adjournment**

President Locke adjourned the meeting at 5:54 p.m.

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Dan York  
General Manager/Secretary  
Sacramento Suburban Water District