

Minutes

Sacramento Suburban Water District

Finance and Audit Committee

Monday, October 8, 2018

Call to Order

Chair Thomas called the meeting to order at 2:07 p.m.

Roll Call

Directors Present: Kevin Thomas.

Directors Absent: Kathleen McPherson (arrived at 2:11 p.m.)

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

Public Present: District Legal Counsel Josh Horowitz, William Eubanks, David Cousins, and Doug Johnson with Ralph Andersen and Associates.

Announcements

General Manager Dan York (GM York) announced:

- The Sacramento Groundwater Association's 20 Year Anniversary Luncheon was on Thursday, October 18, 2018.

Public Comment

None.

Items for Discussion and Action

Chair Thomas requested to present Item 3 first.

3. 2018 Audit Engagement Letter and Contract

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

Director McPherson joined the meeting at 2:11 p.m.

William Eubanks (Mr. Eubanks) complimented staff on the success of the audits in previous years.

The Committee supported the staff recommendation of approval of the 2018 Audit Engagement Letter and Contract with Richardson & Company, LLP and recommended it be presented to the full Board of Directors to request authorization for the Finance and Audit Committee Chair (Director Thomas) to execute the Engagement Letter and Contract.

1. **Fixing the 2018 Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act Follow Up**
Mr. Bills presented the staff report.

Legal Counsel Josh Horowitz (Mr. Horowitz) provided a summary of the memorandum and provided answers to clarifying questions.

Director McPherson requested staff to continue to research cost projections for different options.

Mr. Bills expressed that staff would separate out the retirement rules from healthcare rules for improved clarity in the future.

2. **2018 Employee Compensation Study Update**

Mr. Bills presented the background of the 2018 Employee Compensation Study.

He introduced Doug Johnson (Mr. Johnson) with Ralph Andersen and Associates, who prepared the Compensation Study and presented the PowerPoint presentation and reviewed the Compensation Study.

Director McPherson requested a copy of the salary structure, the current versus proposed salary bands, and the report which included the data collected from the Study. She also requested District staff provide information, on the recent turnover rate. She inquired about the agencies used in the study, noting that she was unsure if those agencies were being fiscally responsible. She expressed that she was surprised that other entities such as the State of California were not included in the Study, as they are the largest employer in the area. She was also unsure how the District went from being level and competitive with the market two years ago, to being at the bottom of the market. She further noted that the morale at the District was really good, which was a huge factor, as that morale alone was worth as much as compensation. She expressed that she would never advocate for staff not making a wage comfortable to live in the area, as she valued the employees, however she recognized that the District is a public agency, and she has a responsibility to the ratepayers to make good financial decisions.

GM York expressed that the Board previously showed concern with ensuring there was proper succession planning. He explained that if the District didn't resolve the situation, succession planning could fail. He noted one of the "Values" of the District is to "Achieve high levels of staff professionalism through career development, including training opportunities, and retention of skilled staff with competitive compensation." He further expressed he didn't want the District to become a "training ground," only to lose good employees to higher paying jobs in the neighboring area. He emphasized that it was important to compensate appropriately in an effort to retain employees.

Mr. Bills expressed District staff were underpaid for years due to being placed in "classes", instead of matching each position to the market. He expressed that the Board always intended for the District to be within the third quartile, which is between the 50th and 75th percentile. He noted that the Compensation Policy was inadequate in certain areas and stated that each position needed to be benchmarked to the market.

Mr. Eubanks encouraged the Board to hold a workshop on the item, as there was a lot of information. He expressed that Sub-Committees were established to make decisions and recommendations. He concluded with stating that he didn't believe that the Board valued the employees.

Mr. Bills expressed that anecdotally, staff had been aware for a while of the problem through the lack of qualified respondents to job announcements, and the number of District staff who leave District service for another competing agency within the District's market. He recapped that staff was proposing three items to change in order to bring the District back up from the bottom of the market to a range previously targeted by the Board.

1. Update the Employee Compensation Policy,
2. Direct the General Manager to select the "midpoint of the third quartile" in the labor market for District compensation,
3. Accept the Compensation Survey.

Director McPherson expressed that she was not comfortable making a decision on the Policy by targeting a number for future salary levels that was unsustainable. She expressed that she didn't understand the methodology of the study enough to base the Policy on it. She further expressed that she didn't feel that she had enough information and wanted to ensure that the resources of the District were well managed.

The Committee recommended for staff to bring the Item to the full Board at the Monday October 15, 2018 regular Board meeting with more information for discussion and direction.

Adjournment

Chair Thomas adjourned the meeting at 4:37 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District