

Minutes

Sacramento Suburban Water District **Regular Board Meeting** Monday, February 25, 2019

Call to Order

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

Pledge of Allegiance

President Jones led the Pledge of Allegiance.

Roll Call

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

Directors Absent: None.

Staff Present: General Manager Dan York, Assistant General Manager Mike Huot, Director of Finance and Administration Dan Bills, Heather Hernandez-Fort, Cassie Crittenden, Jim Arenz, and Dana Dean.

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

Announcements

General Manager Dan York (GM York) announced:

- Jonas Main Replacement Project 1st Phase Open House was held on Thursday, February 21st and was a successful event;
- Registration for the ACWA Spring Conference has opened;
- Registration for the AWWA Conference has also opened.

Public Comment

William Eubanks (Mr. Eubanks) informed the Board that Governor Newsom removed Felicia Markus from the State Water Resources Control Board and encouraged the Board to pay attention to that change.

Mr. Eubanks further expressed that Robert Matteoli, a Director from Del Paso Manor Water District (DPMWD) approached him about his interest in merging with the District. GM York confirmed that the Directors at DPMWD had requested that the DPMWD General Manager ask the District if they could generate their 2018 Consumer Confidence Report. GM York informed the Board that the request was respectfully denied as it is a regulatory requirement and the District would not want the responsibility on the backs of its rate payers.

Mr. Eubanks additionally stated that Los Angeles Metro Water recently acquired ownership of over 60% of the Sites Reservoir.

Consent Items

1. **Minutes of the January 28, 2019 Regular Board Meeting**
2. **Minutes of the February 11, 2019 Strategic Plan Workshop**
3. **Catastrophic Leave Policy (PL – HR 008)**
4. **Resolution No. 19-02 Honoring John Woodling on His Retirement**

Director Thomas moved to approve all Consent Items; Director Locke 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 Water Rate Study**

Director of Finance and Administration Dan Bills (Mr. Bills) presented the staff report and introduced Habib Isaac (Mr. Isaac) from the consulting firm of Rafetellis who presented the PowerPoint Presentation.

Several clarifying questions were asked.

Director Wichert inquired why the majority of the increases in total operating expenditures came from salaries and benefits.

Mr. Isaac answered that they used the approved 2019 budget and were doing an escalation factor of their percent over each year thereafter. He further explained that the cost was nearly 50% of total expenditures.

President Jones inquired if salaries and benefits could be broken out on two separate lines.

Mr. Isaac expressed he would make that change.

Director Wichert inquired what staff has done to hold the line on salaries and benefits.

GM York expressed that typically staff proposed around a 3% merit and a 3% COLA increase, which has the standard, however, for four out of the past ten years, there were no COLA raises which resulted in significant pay differentials between SSWD and other local districts.

Director McPherson inquired if it was standard among other water purveyors that Mr. Isaac has worked with, that the salaries and benefits were around the same percentage of the total.

Mr. Isaac answered that it was pretty typical.

Further discussion ensued regarding the next 5 year outlook. Mr. Bills pointed out that, under this version, the budget would have more expenditures than revenue each year until the year 2022. He expressed that would draw down the reserves by roughly 25% from where they are today.

Director Locke inquired if that would impact the bond rating for the District.

Mr. Bills expressed that staff would have to explain the planned draw down, and hope the markets would react positively, however a 5 year downward trend could impact the bond rating.

Discussion ensued regarding nonresidential versus residential rates, and peek versus non-peek rates.

Director Wichert inquired what is being done to minimize the increases in water costs and how they have been included in the budget.

GM York answered that regarding groundwater, the District does not operate the less efficient wells during peak demands, and that staff is in the process of working with the City of Sacramento to reduce their costs, as well as working with the San Juan Water District in an effort to obtain CVP water. He expressed to the Board that it takes time and that it does not happen overnight.

Mr. Isaac explored different rate increase figures throughout each year of 5 years with the Board.

Director Wichert advocated for cutting costs.

Director Locke reminded the Board that if you cut capital improvement projects, either pay now for capital improvements projects, or you pay at a higher rate later.

Discussion ensued regarding inflation rates.

Director Wichert asked again what staff has done to hold the line on rates.

GM York expressed that staff has been reviewing options such as water cost savings, reviewing the Asset Management Plans, as well as reviewing the steel main replacement project, that is coming to an end. He reiterated that staff is making efforts to examine all options.

Director Wichert inquired when the proposed rate increases would take effect.

Mr. Isaac answered the first would be September, 2019 and then January of each year for the next four following years.

Director Wichert expressed that he was against having two rate increases within 5 months of each other.

Mr. Isaac expressed he could bring back a different model if the Board preferred.

Director Locke echoed Director Wichert, expressing that the intervals for rate increases needed to be only once in a calendar year. He further expressed that a rate increase was necessary in order to fund the rising costs noting that the most important expenditures were the pipes that bring the water to the customers, and the staff that maintain the pipes. He additionally expressed that he was not in favor of reducing the reserve fund over the next 5 years, stating he would like to see a different scenario with reserves.

President Jones expressed concern over some of the potential future expenditures such as the McClellan Business Park Successor Agreement and the AMI metering issue, stating that he would like for those to be incorporated in the analysis.

Mr. Bills noted that neither of those expenditures have been approved in the budget, therefor they were not provided to the consultant.

Director McPherson expressed that she was in favor of the consultants proposal of the 15 cubic feet tier levels, and the suggestion for the peak versus non-peak nonresidential rates. She further expressed that she believed the issue is determining how to implement the rate increases so that the Board felt comfortable with them.

Mr. Isaac provided different examples of rate increase percentages over 5 years. He suggested for the Board to implement rate increases during nonpeak times.

Director Locke and Director Thomas agreed with Director McPherson's support of the consultants proposal of the structure of the rates by using the 15 cubic feet tier levels, and the suggestion for the peak versus nonpeak nonresidential rates.

Director Wichert noted the possibility of the meter retrofit being completed closer to the required date versus getting it done sooner than required.

Mr. Bills expressed that one of the things staff could do was to look at CIP projects over the next 5 years, to see if any could be deferred until 2023 when debt service costs would decrease by roughly \$2 million a year.

Director McPherson noted that the best case scenario is to plan that the equipment has a life cycle and to plan accordingly for ongoing costs.

Assistant General Manager Mike Huot (AGM Huot) expressed to the Board that staff has been looking at the Distribution Asset Management Plan and working to incorporate condition assessment into the plan.

Mr. Isaac expressed that he would review the suggestions and make some adjustments to the proposal for the March Regular Board meeting.

6. Communications Site Lease Agreement – Auburn Yard

Dana Dean (Mr. Dean) presented the staff report.

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

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

7. General Manager Employee Agreement – Dan York

President Jones presented the staff report.

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

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

General Manager’s Report

8. General Manager’s Report

GM York presented the staff report.

a. Fixed Network Update

GM York presented the staff report and provided an update.

b. Water Transfer Update

GM York presented the staff report and provided an update.

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

9. a. Regional Water Authority (Director Jones)

The agenda for the February 15, 2019 meeting was provided.

Regional Water Authority Executive Committee (General Manager York)

The agendas for the January 29 and February 27, 2019 meetings were provided.

- b. Sacramento Groundwater Authority (Director Thomas)
The agenda for the February 14, 2019 meeting was provided.
- c. Water Caucus Meeting (General Manager York)
The agenda for the February 13, 2019 meeting was provided.
- d. Water Forum Successor Effort (General Manager York)
The agenda for the February 14, 2019 meeting was provided.
- e. Other Reports – AB 1234

Director Locke provided oral reports on the following meetings he attended:

- August 16, 2016 - SAWWA Luncheon
- September 24, 2018 - ASR Well Discussion with Gary Gin
- September 25, 2018 - West Yost GRA Event
- September 26, 2018 - ACWA Folsom Dan Tour
- September 28, 2018 - Meeting with Director Jones regarding the 2x2
- October 8, 2018 - Meeting with the General Manager re: F&A Meeting and Arden Oaks Hydrant
- October 10, 2018 - Meeting with the General Manager regarding Salary Survey
- October 18, 2018 - SGA 20 Year Luncheon
- October 22, 18 to October 24, 2018 - AWWA Conference
- November 2, 2018 - Meeting with the General Manager on Rate Study and Salary Survey
- November 8, 2018 - Meeting with the General Manager on Salary Survey

President Jones provided oral reports on the following meetings he attended:

- January 4, 2019 - Meeting with the General Manager on Year End and Goals
- January 10, 2019 - RWA Board Meeting
- January 15, 2019 - Meeting with the General Manager on Performance and Goals
- January 16, 2019 - Meeting with Director Locke on GM Performance
- January 18, 2019 - Meeting with the General Manager on Performance and Goals

Director Thomas provided oral reports on the following meetings he attended:

- January 16, 2019 - AeroJet CAG Meeting
- January 17, 2019 - Meeting with the Assistant General Manager
- January 29, 2019 - Meeting with the General Manager
- February 5, 2019 to February 6, 2019 - Groundwater Conference
- February 8, 2019 - Meeting with Ellen Cross
- February 14, 2019 - Meeting with the General Manager

Committee Reports

10. a. Facilities and Operations Committee (Director Jones)
None.
- b. Finance and Audit Committee (Director Wichert)
The draft minutes from the February 7, 2019 meeting were provided.

Director Wichert provided an oral report of the meeting.
- c. San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee (Director Locke and Director Jones)
None.

Information Items

11. **2019 Customer Engagement Program - Speaker Series**
A written report was provided.
12. **Legislative and Regulatory Update**
A written report was provided.
13. **Upcoming Water Industry Events**
A written report was provided.
14. **Upcoming Policy Review**
A written report was provided.
 - a. Improvement Standards and Technical Specifications (PL – Eng 001)
A written report was provided.
 - b. Drug and Alcohol Program Policy (PL – HR 010)
A written report was provided.

Department/Staff Reports

15. **Financial Report**
A written report was provided.
 - a. *Draft Financial Highlights – January 2019*
A written report was provided.
 - b. *Draft Financial Statements – January 2019*
A written report was provided.

c. Investments Outstanding and Activity – January 2019
A written report was provided.

d. Cash Expenditures – January 2019
A written report was provided.

e. Credit Card Expenditures – January 2019
A written report was provided.

f. Draft District Reserve Balances – January 2019
A written report was provided.

g. Information Required by LOC Agreement
A written report was provided.

h. Financial Markets Report
A written report was provided.

16. District Activity Report

A written report was provided.

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.

17. Engineering Report

A written report was provided.

a. Major Capital Improvement Projects
A written report was provided.

b. Asset Management Plans
A written report was provided.

c. Other

A written report was provided.

Director's Comments/Staff Statements and Requests

None.

Adjournment

President Jones adjourned the meeting at 8:13 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District