

Minutes

Sacramento Suburban Water District

Regular Board Meeting

Monday, June 17, 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, Matt Underwood, Julie Nemitz, David Espinoza, David Armand, and Dana Dean.

Public Present: William Eubanks, Avery Wiseman, Marissa Burt, John Lenahan, Gregory Schneider, Habib Isaac, and District Legal Counsel Josh Horowitz.

Announcements

General Manager Dan York (GM York) announced:

- Annual Financial Disclosure Statement Form 470 was at the dais for each Director to complete.
- James Peifer was named the new Regional Water Authority Executive Director effective June 28, 2019.

President Jones announced that Steve Ahlstrom from the former Ahlstrom Construction Company passed away.

Public Comment

William Eubanks (Mr. Eubanks) expressed that the City of Sacramento was holding a meeting regarding potentially updating their 2009 Master Plan, which included a possible annexation of the Arden Arcade area. He wanted to make sure the Board was aware of it.

Director Thomas inquired if there would be any follow up meetings regarding the topic.

GM York expressed that he would let the Board know of any subsequent meetings.

Consent Items

- 1. **Minutes of the May 20, 2019 Regular Board Meeting**
- 2. **Reserve Policy (PL – Fin 004)**
- 3. **Facility Development Charge Policy (PL – Fin 010)**
- 4. **Resolution No. 19-07 Placing in Nomination General Manager Dan York for Association of California Water Agencies Region 4 Board Member**

Director Wichert requested to pull Item 2.

Director Thomas moved to approve all Consent Items except Item 2; Director Locke seconded. The motion passed by unanimous vote.

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

Regarding Item 2, Director Wichert expressed he was ok with adjusting the allocations, but was not in favor of raising the total reserve amount.

Dan Bills (Mr. Bills) recommended to review Item 2, after Item 5 was presented, as they were interrelated.

Item 2 was tabled until after Item 5.

Items for Discussion and/or Action

- 5. **2019 Water Rate Study**
Mr. Bills presented the staff report and introduced Habib Isaac (Mr. Isaac) from the consulting firm of Raftelis, who presented the PowerPoint presentation.

Clarifying questions were asked regarding the target reserve balance.

Mr. Isaac explained that the goal was to slowly build up the reserve balance to reach the target band width, by using the measured approach of the 5%, 4%, and 3% rate increases over the course of the next 5 years.

Director Wichert suggested to incorporate a high and low range for the reserve target.

Director Locke expressed that he was not in favor of deferring CIP projects, as he believed it would only cost the District more down the road.

Director McPherson noted that the District was in a very healthy financial state compared to other local districts.

GM York expressed that staff was reevaluating the Asset Management Plans, and the condition assessment to determine the best use of CIP funds.

Director Wichert moved to approve the staff recommendation, Director Thomas seconded.

Avery Wiseman (Mr. Wiseman) expressed that he believed the rate study was based on a false premise and further stated the District needed to control costs better. He requested to submit information to be included in publications the District provides to customers regarding the Prop 218 hearing.

Director Wichert suggested that staff reevaluate the budget with the proposed rate increases to make best use of funding in all areas.

The motion passed by a 4/1 vote, Director Locke opposed.

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

Regarding Item 2, Reserve Policy, Director Locke moved to approve the staff recommendation; Director Thomas seconded. The motion passed by a 4/1 vote, Director Wichert opposed.

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

6. Water Facilities Development Charge Study

Mr. Bills presented the staff report.

Several clarifying questions were asked.

Director Thomas moved to approve the staff recommendation; Director Wichert seconded.

Director Thomas amended his motion to approve the staff recommendation to include updating the study based on 2019 end-of-year assets and use the Engineering News Report cost index of those assets as of December 31, 2019; Director Wichert seconded. The motion passed by unanimous vote.

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

7. **Del Paso Manor Water District’s Request for Water System Operations Assistance**

GM York presented the item.

President Jones noted that he was concerned with potential liabilities.

Josh Horowitz (Mr. Horowitz) expressed that any agreement between the two agencies would have the appropriate indemnity language.

Mr. Bills expressed that some of the additional concerns were the District’s staff time and resources, and being able to fulfill the District’s needs before providing assistance to other agencies.

Director Wichert recommended to bill the Del Paso Manor Water District (DPMWD) at an overtime rate when assisting them.

Director McPherson noted that it was meant to be a short term contract.

GM York expressed that the recommendation was to monitor on a monthly basis to ensure it was not negatively impacting the District’s operational needs.

Director Wichert recommended that the District should do what it can to assist in the situation that DPMWD was in.

Director Wichert 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:			

Mr. Eubanks withdrew his comment.

8. **Discontinue the Asset Management Plan Summary Report**

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

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

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

9. **Distribution Main Asset Management Plan Condition Assessment**

David Espinoza (Mr. Espinoza) presented the staff report.

Discussion ensued and several clarifying questions were asked.

Mr. Espinoza expressed that the next step was to insert the condition assessment into the Distribution Asset Management Plan, then bring back this item in August with a recommendation for Board approval.

The Board approved the next steps.

Mr. Espinoza expressed that staff was still researching new technology for added support.

Mr. Eubanks inquired what the objective of the direct method was.

President Jones answered that the projects were placed into a matrix that did not include a conditional assessment, which was added to verify that the pipe was in need of repair or replacement.

Mr. Eubanks stated some additional clarifying questions, including expressing that he was not in support of the project.

Discussion ensued regarding cost.

Assistant General Manager Mike Huot (Mr. Huot) stated that the level of extra sophistication allowed staff to invest a small amount up front, to ensure the best decision was made.

Director Locke noted the potential cost savings by partnering with the County of Sacramento to coordinate our projects with their paving plan.

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

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

10. **Committee and Liaison Appointments – Board Consideration of an Employee Benefits Ad Hoc Committee**

President Jones stated the Board had a lot going on with a Prop 218 hearing towards the end of the year and requested to bring the item back for consideration in January, 2020.

Director Wichert pointed out that establishing an Employee Benefits Ad Hoc Committee sooner rather than later could provide an opportunity for cost savings to the District. He further noted that he believed there was a slight conflict of interest with staff bringing recommendations for staff salaries and benefits to the Board. He expressed that a committee would allow the Board to evaluate and provide estimates of savings that would be fair to everyone.

Director McPherson echoed Director Wichert's comments, expressing that having a separate committee would allow the Board to gather information to make the best decision for all.

President Jones expressed that he would like to have the item brought back for consideration in January 2020.

General Manager's Report

11. **General Manager's Report**

GM York presented the staff report.

a. *Regional Water Supply/Wheeling Opportunities*

GM York presented the staff report and provided an update.

Director Locke inquired if the water would be treated at San Juan Water District and Carmichael Water District.

GM York expressed that he would provide Director Locke with the answer.

b. *Wholesale Water Rates and Area D Water Supply Map*

GM York presented the staff report and provided an update.

c. *Meter Consortium Update*

GM York presented the staff report and provided an update.

Matt Underwood (Mr. Underwood) provided further details.

Director Wichert inquired if staff looked into other utilities for partnerships.

Mr. Underwood answered that staff continues to evaluate all options.

Mr. Eubanks inquired if the District would have the option of showing real time billing status.

Staff expressed that real time billing status was already an option for customers.

Department/Staff Reports

12. Financial Report

A written report was provided.

a. Financial Highlights – May 2019

A written report was provided.

b. Financial Statements – May 2019

A written report was provided.

c. Investments Outstanding and Activity – May 2019

A written report was provided.

d. Cash Expenditures – May 2019

A written report was provided.

e. Credit Card Expenditures – May 2019

A written report was provided.

f. District Reserve Balances – May 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.

13. District Activity Report

A written report was provided.

GM York expressed that staff was going to revise some of the Department/Staff reports and would bring back redline strikethrough versions to the next regular Board meeting.

Director Locke expressed that he was interested in Preventive Maintenance system totals, not just the 5 year goal.

14. Engineering Report

A written report was provided.

a. Major Capital Improvement Program (CIP) Projects

A written report was provided.

- b. *Asset Management Plans*
A written report was provided.
- c. *Other*
A written report was provided.

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

- 15. a. Regional Water Authority (President Jones)
The agenda from the May 22, 2019 meeting was provided.

Regional Water Authority Executive Committee (General Manager York)
The agenda from the May 13, 2019, and May 22, 2019 meetings were provided.
- b. Sacramento Groundwater Authority (Director Thomas)
The agenda from the May 13 meeting was provided.
- c. Water Caucus Meeting (General Manager York)
The agenda from the June 12, 2019 meeting was provided.
- d. Water Forum Successor Effort (General Manager York)
None.
- e. Other Reports – AB 1234

Director McPherson provided oral reports on the following meetings she attended:

- March 14, 2019 RWA meeting.
- March 26-27, 2019 AWWA Conference.
- April 4, 2019 meeting with the General Manager.
- April 19, 2019 Kaiser Earth Day.

President Jones provided an oral report on the following meeting he attended:

- SAWWA meeting he attended on May 16, 2019.

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

- March 15, 2019 meeting with the General Manager.
- March 20, 2019 Rate Setting Under 218 Workshop.
- March 27, 2019 AWWA Conference.
- April 8, 2019 McClellan Business Park tour with the General Manager.
- April 25, 2019 meeting with the General Manager.
- May 6-9, 2019 ACWA Conference.

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

- May 22, 2019 Brown Bag Seminar on Chesapeake Bay.
- May 31, 2019 meeting with the General Manager.
- June 4, 2019 meeting with the General Manager.

- June 13, 2019 SGA meeting.
- June 14, 2019 meeting with the General Manager.

Committee Reports

16. a. Facilities and Operations Committee (Director Jones)
None.
- b. Finance and Audit Committee (Director Wichert)
None.
- c. San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee (Director Locke and Director Jones)
None.

Information Items

17. **Sacramento Suburban Water District / San Juan Water District Management/Re-Organization Committee Update**

A written report was provided, GM York provided an oral report of the meeting.

Director Wichert recommended to be cautious using titles for the studies being conducted and further suggested to discuss the economic impacts.

18. **Legislative and Regulatory Update**

A written report was provided, GM York provided an update to the report.

Mr. Horowitz provided additional information on the report.

19. **Upcoming Water Industry Events**

A written report was provided.

20. **Upcoming Policy Review**

A written report was provided.

- a. Purchasing Card Policy (PL – Fin 006)

A written report was provided.

- b. Impaired Capital Asset Policy (PL – Fin 008)

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 8:25 p.m. to discuss the following:

21. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.
22. Conference with legal counsel--existing litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(1); *In re LIBOR-Based Financial Instruments Antitrust Litigation*, and related cases, Case No. 11-md-2262 (So. Dist. New York).

Return to Open Session

The Board convened in open session at 9:33 p.m.

The California Attorney General entered into a settlement with Citibank related to that bank's alleged manipulation of the LIBOR interest rate. The District is entitled to receive a share of the settlement in the amount of \$362,240, subject to signing a release of all claims. The Board authorized the General Manager to sign and file that release, which will result in the District receiving the funds and terminating the District's interests in the lawsuit. The release is a public document and available upon request.

Adjournment

President Jones adjourned the meeting at 9:34 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District