

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, February 23, 2009

Call to Order

President Schild called the meeting to order at 6:32 p.m.

Roll Call

Directors Present: Ken Decio, Thomas Fellenz, Frederick Gayle, Stephen Hanson and Neil Schild.
Directors Absent: None.
Staff Present: General Manager Robert Roscoe, Dan Bills, Stephanie Crary, Jan Gentry, Dave Jones, Warren Jung, Annette O'Leary, John Valdes, Dan York, Lynne Yost and Legal Counsel Joshua Horowitz.
Public Present: Art Davis, Bill Eubanks and James Maneatis.

Announcements

The following items were announced:

- The Community Outreach Day on Saturday, February 21, 2009 was successful. Staff joined the Fulton-El Camino Park and Recreation District for their Annual Fishing Derby. Directors Decio, Fellenz and Hanson attended. Directors Fellenz and Hanson attended an open house with General Manager Roscoe and spoke with Senator Darrell Steinberg at his district office that same day.
- A SSWD Board planning workshop is scheduled for Monday, March 30, 2009 at 6:00 p.m.

Public Comment

Art Davis believes SSWD should do more with water conservation because of the drought. He suggested rebates for instant hot water heaters and low flow toilets. He sees sprinklers running in the rain and that should be addressed. He suggested running ads on television to reach more people about water conservation.

Consent Items

1. Minutes of the January 26, 2009 Regular Board Meeting
2. Barrett Meadows Well #31 Waste Water Drain Project
3. Cowan Circle/Robertson Avenue Improvement Project
4. Larchmont Drive Main Extension Project
5. Merrihill Well #29 Waste Water Drain Project
6. Solari Court Main Extension Project

7. Verner Avenue Pump Station

MSC¹ (Hanson/Gayle) that the Board of Directors approve Consent Items 1 through 7, by unanimous vote.

Items for Discussion and Action

8. **Resolution No. 09-03 Approving the 2009-2010 Water Year Warren Act Contract Between the District and the United States Bureau of Reclamation**

Warren Jung presented the staff report. The Bureau of Reclamation prepared a 2009-2010 contract agreement for Conveyance of Non-Project Water for the Board's approval and execution. Executing the agreement is required for SSWD to transport raw water purchased from Placer County Water Agency through the Bureau facilities at Folsom Reservoir.

Since a proposed long-term agreement has not yet been approved and executed by the Bureau, SSWD present short-term agreement will expire on February 28, 2009, a new short-term agreement is required until the long-term agreement is finalized and executed.

Discussion ensued and included:

- Line 260 on Page 12 covers sale of water and the necessity of written Bureau approval. Water that is transferred to another agency is used within the place of use and written approval is not necessary.
- Rio Linda/Elverta Community Water District is not included in this contract.

There was no public comment.

MSC (Fellenz/Hanson) that the Board of Directors adopt Resolution No. 09-03 Approving the 2009-2010 Water Year Warren Act Contract between the District and the United States Bureau of Reclamation; Contract No. 09-WC-20-3796 pending non-substantive revisions by legal counsel, by unanimous vote.

9. **District Variable-Rate Demand Obligations (VRDOs)**

Dan Bills presented the staff report. The Finance and Audit Committee met in December 2008 and this month to discuss variable-rate debt refinancing alternatives given the conditions in the short-term debt markets. The Committee reviewed alternative refinancing options proposed by staff and the District's financial advisor (Kelling, Northcross and Nobriega public financial advisors (KNN)).

At last week's Committee meeting David Houston of Citigroup presented an analysis of the various financing options quantifying the cost, benefits, and other issues to consider when choosing a specific financing solution for each of the District's VRDOs. The Citigroup analysis was reviewed in depth by staff and KNN. KNN presented the results of their review of Citigroup's analysis as well as other issues for the District to consider regarding its debt portfolio to the Committee.

¹Motion, Second, Carried.

Based on staff's review of the analysis prepared by Citigroup and KNNs assessment, staff made a recommendation to the Committee to replace the 2004 VRDO with a three year Letter of Credit from Sumitomo Bank and make no changes to the 2008A-1 and 2008A-2 VRDOs. However last Friday, Sumitomo Bank withdrew its pricing offer. Staff's current recommendation is to stay in the current investment vehicles for VRDOs and continue to monitor options.

Mr. Houston summarized the presentation made to the Committee last week. He reviewed the rate performance history and trading performance of the series 2004, 2008A-1 and 2008 A-2.

Discussion ensued and included:

- The market situation has stabilized but it is still volatile.
- Staff urged Directors to read pages 44-45 which outlines the basis for the staff's recommendation regarding refunding.
- The District will be looking for an opportunity to take action prior to 2011.
- The District has saved money with variable rate bonds.
- Page 21 of the presentation summarized the options for VRDOs
- There is risk/reward balance with fixed or VRDOs.
- The figures shown are fully loaded.
- The District can buy its own bonds, using reserves. The Treasury now allows districts to hold its own paper. The cost is estimated at \$10,000 for this option.
- Staff is working with bond counsel to develop the paperwork for the District to buy its own bonds. Once all the paperwork and process is in place, after Board approval, it would only take a few days to implement.

Bill Eubanks asked if the volatility continued for three years, what would happen. He noted that 12 weeks to change to the fixed rate option is a long time.

The Board took no action. The Board directed staff to continue to monitor the situation and work with the consultant.

10. **Water Conservation for Summer 2009**

General Manager Roscoe introduced Stephanie Crary, Water Conservation Coordinator, who presented the staff report. The District is currently in the Basic Stage for water conservation. Due to the previous dry years and the current low rain and snow fall, staff is preparing to shift to an elevated conservation stage.

Discussion ensued and included:

- Stage 2 (Water Warning) calls for a 20% or greater reduction in water usage.
- SSWD should be consistent in a stage declaration with other local water purveyors.
- The District needs to consider the perception of customers and other water purveyors if an elevated stage is not declared.
- Customers should be told why to conserve.
- Additional details of the Governor's 20/20 plan are needed for implementation.

- Consider signage (vehicle wraps or magnets) to water patrol vehicles.
- Director Hanson stated that the District's community outreach is phenomenal.
- Consider using volunteers in the water patrols. There are insurance issues related to using volunteers.
- Develop a recognition program for active reporting of water waste.

Bill Eubanks asked about the baseline for the 20% reduction.

The Board took no action.

11. **Resolution No. 09-04 Declaring an Intent to Retain Control of Conserved Groundwater**

There was no public comment.

MSC (Gayle/Fellenz) that the Board of Directors adopt Resolution No. 09-04 Declaring an Intent to Retain Control of Conserved Groundwater, by unanimous vote.

Information Items

Treasurer's Report

12. **Financial Markets Update**

Dan Bills presented the staff report and focused on the investment market. Rates are on the rise.

13. **Auditor's Required Communication to the Governing Board**

Mr. Bills briefly reviewed the auditor's required communication to the board.

14. **Financial Report**

Bill Eubanks asked about the \$8 million carryover from the CY 2008 budget. Mr. Bills stated it is kept in the District's reserve account. The reserve account is a hedge against the District's debt, pays for the capital improvement projects and is an emergency fund.

Director Schild asked about the cost of the bank charges and suggested that staff should consider comparative price shopping.

- a. *Draft Financial Statements – December 2008*
A written draft report was provided.
- b. *Investments Outstanding – January 31, 2009*
A written report was provided.
- c. *Cash Expenditures – January 2009*
A written report was provided.
- d. *Credit Card Expenditures – January 2009*
A written report was provided.

- e. *Directors Compensation and Expense Accounting – through January 2009*
A written report was provided.
- f. *Investment Portfolios Yield Compared to LAIF Yield – through January 2009*
A written report was provided.
- g. *Hedging Report – Yield to Rates – December 2004 through January 2009*
A written report was provided.
- h. *Market Report Yields – September 2005 through December 2008*
A written report was provided.

General Manager's Report

15. District Activity Reports

- a. *Water Operations Report*
A written report was provided. Water production for January is lower than last year and the five year average.
- b. *Customer Service Report*
A written report was provided.
- c. *Regional Water Efficiency Program Report*
A written report was provided.
- d. *Human Resources Report*
A written report was provided.
- e. *Community Outreach Report*
A written report was provided. The repair and responsibility and the cycle billing inserts were noted.

16. Cycle Billing Outreach Update

A written report was provided and reviewed by General Manager Roscoe. There is considerable customer outreach associated with this new program, which included a brightly colored post card mailed to each metered account customer with custom information regarding the changes in billing for their billing cycle.

17. Nationwide Auction – Small Claims Court Results

A written report was provided and reviewed by General Manager Roscoe. The judgment was awarded in favor of the district for the full amount.

18. Engine Generator Compliance Project Update

A written report was provided. Staff plans to replace three large generators this year. Modeling will assist in determining placement of the generators.

19. **Administration Building Remodel, ADA Compliance Project and Status of Building Permit**

A written report was provided. The District has the building permits. The remodeling will bring the bathroom and rear parking lot in compliance with the Americans with Disabilities Act.

20. **Terry Lynn Acres Main Replacement Project Environmental Review**

A written report was provided.

21. **Regional Water Authority Strategic Plan**

A written report was provided and briefly reviewed by General Manager Roscoe. A meeting was held today and the core values were defined.

Director Hanson is unable to serve as the RWA representative. President Schild appointed Director Fellenz as the primary RWA representative. General Manager Roscoe will continue to serve as a representative and President Schild as the alternate representative.

22. **Sacramento Groundwater Authority Groundwater Management Plan**

A written report was provided. The plan is available on the SGA website.

23. **Position Papers Regarding Delta Solutions**

A written report was provided and reviewed by General Manager Roscoe. The Public Water Coalition of California (PWCC) closely aligns with the District's previously adopted Delta resolution. The Sac Metro Chamber and ACWA supports the PWCC position paper on the Delta. Staff is engaged with the Chamber for the 2009 Cap-to-Cap effort. General Manager Roscoe is involved with the state legislative day slated for June.

24. **Legislative Update**

A written report was provided and briefly reviewed by General Manager Roscoe. Staff is monitoring the stimulus bill. The recommended District position is stated in the staff report and unless the Board directs otherwise, that is SSWD's position on a bill.

25. **Miscellaneous District Issues – General Manger's Report**

A written report was provided. The General Manager noted the following:

- Staff has the building permits for the Marconi office remodeling.
- The American River Parkway Foundation native plant garden was replanted recently.
- The Ad Hoc Water Master Plan Committee will be meeting in April.

General Counsel's Report

Legal Counsel Horowitz stated there is much discussion regarding water conservation. There were about 550 bills introduced this legislative session. Mediation for the PERS issues is scheduled for May 22, 2009.

Committee Reports

26. a. *Facilities and Operations Committee*
No report.
- b. *Finance and Audit Committee*
No report.
- c. *Ad Hoc Conjunctive Use Planning Committee*
No report.
- d. *Ad Hoc CalPERS Committee*
No report.
- e. *Ad Hoc Water Master Plan Committee*
No report.
- f. *General Manager Performance Review Committee*
No report.

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

27. a. *Regional Water Authority*
No report.

Regional Water Authority Executive Committee
An agenda from the January 28, 2009 meeting was provided.
- b. *Sacramento Groundwater Authority*
An agenda from the February 12, 2009 meeting was provided.
- c. *Water Forum Successor Effort*
An agenda from the February 19, 2009 meeting was provided. Directors Decio and Gayle provided an oral report on this meeting.
- d. *San Juan Water District Executive Committee*
No report.
- e. *Sacramento River Water Reliability Study*
No report.
- f. *Other Reports*
Directors Decio, Fellenz and Hanson provided an oral report on the District's Community Outreach Day on February 21, 2009. They liked the pipe displays. Directors Fellenz and Hanson provided an oral report on the meeting with Senator Steinberg on February 21, 2009.

Director Gayle reported that he completed his ethics and sexual harassment for supervisor trainings recently.

Miscellaneous Correspondence and General Information

28. Certain correspondence received by the District was provided.

29. General information related to District business was provided.

Director's Comments/Staff Statements and Requests

No report.

Closed Session

None.

Adjournment

President Schild adjourned the meeting at 8:56 p.m.

Robert S. Roscoe
General Manager/Secretary