

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, April 20, 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, Ed Formosa, Jan Gentry, Dave Jones, Warren Jung, Annette O'Leary, John Valdes, Dan York, Lynne Yost and Legal Counsel Joshua Horowitz.
Public Present: Joel Archer, Bill Eubanks, Charles Marshall, LeRoy Munsch and Mark Salmon.

Public Comment

Joel Archer, Arden-Arcade Incorporation Committee, asked the Board to support the Arden-Arcade incorporation by adopting a resolution of support and oppose annexation by the City of Sacramento.

LeRoy Munsch asked if the Board will be passing on to SSWD customers the 13% rate increase from SMUD. He strongly urges support for Arden-Arcade cityhood by District resolution and funds.

Bill Eubanks urged the Board to remain neutral on the Arden-Arcade cityhood issue.

Charles Marshall received a citation for parking in front of a fire hydrant by his house. He is requesting reimbursement of this citation as he believes he was misled by District communication that the hydrant was non-operational. General Manager Roscoe stated that it is illegal to park in front of a fire hydrant whether or the hydrant is functioning or not. President Schild directed staff to send a letter to Mr. Marshall with a claim form for his use.

Announcements

The following items were announced:

- Last Friday, a SSWD employee was injured while responding to an after-hours main break. A rock was thrown through his open window while he was driving to the District's corporation yard from his home.
- General Manager Roscoe will be attending the Cap-to-Cap in Washington, D.C. from April 25-29 and returning to the office on April 30, 2009.

Consent Item

1. Minutes of the March 16, 2009 Regular Board Meeting

2. Minutes of the March 23, 2009 Special Board Meeting
3. Minutes of the March 30, 2009 Special Board Meeting
4. Property Damage Claim – 3828 Woodcrest Road

MSC¹ (Fellenz/Gayle) that the Board of Directors approve Consent Items 1 through 4, by unanimous vote.

Items for Discussion and Action

5. **2008 Annual Financial Report and 2008 Annual Audit**

Dan Bills presented the staff report and introduced Paul Kaymark, Charles Z. Fedak & Company, who discussed the District's financial report, annual audit and distributed the operating statement review (December 31, 2008 & 2007).

Presentation and discussion included:

- OPEB and what it means to the District.
- The auditor's opinion is that in all material respects, the respective financial reporting of SSWD as of December 31, 2008 and 2007 ended in conformity with generally accepted accounting principles.
- The auditor's opinion is a clean opinion.
- Reviewed the statement of new assets (balance sheet).
- Reviewed the statement of revenues, expenses and changes in net assets.
- The audit was discussed in depth by the Finance and Audit Committee.

Bill Eubanks asked about the \$40 million in reserve. He noted this is \$10 million above for 2009. General Manager Roscoe stated that reserves are part of the financial plan and it is sensible to have prudent levels in reserve.

Presentation and discussion continued:

- Reviewed the management letter and the additional procedures requested by the auditor.
- Items briefly discussed included payroll processing cycle, AB 1234, stale dated checks, W-4s, DE-4s, CalPERS refund and wire transfers.

MSC (Hanson/Decio) that the Board of Directors accept the 2008 Annual Financial Report and related audit reports, by unanimous vote.

6. **Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL - Adm 003)**

Ed Formosa presented the staff report. Easements are considered an interest in property. The disposal of the easement falls within the District's Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy. Staff believes that in these cases where a property owner wants to remove an easement from his property, the District has no further need for the

¹Motion, Second, Carried.

easement and there is no monetary value to District to retain its interest in it, the transfer of the easement back to the property owner should be done administratively without the need for Board approval.

Staff proposed to the Facilities and Operations Committee the addition of language to the policy that would enable staff to transfer the easement back to the control of the property owner. The Committee approved the proposed changes to the policy and recommended that the proposed changes be presented to the full Board for consideration.

Discussion ensued and included:

- Definition of an easement.
- Relinquishment of District interest in an easement.
- What is a “newspaper of record.”
- Bring the policy back to the Board at the May meeting to include changes written by Legal Counsel and staff.

There was no public comment.

M (Hanson) that the Board of Directors adopt Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL Adm 003). Motion died for a lack of a second.

Staff was directed to include the changes discussed and place this item on consent for the May regular Board meeting.

7. **2009 Vehicle Replacement**

Dan York presented the staff report. Staff recommended that Trucks No. 17 (2002 Toyota Tacoma), No. 18 (2002 Ford F-350) and No. 40 (2002 Toyota Tundra) be replaced based on the criteria set forth in the current Disposing of District Real Property, Vehicles and Large Equipment and Other Personal Property policy.

To achieve the maximum return of investment in the District’s motor vehicle fleet, staff reviewed the current process and developed a method that allows the District to project actual fleet costs throughout the life of the vehicles. To meet this goal, staff developed a Fleet Management Plan (Plan). In developing the Plan, staff utilized portions of the State and Federal Fleet Management Plan that would best meet the needs for of District.

One of the main components in the replacement portion of the Plan is identifying a procedure that determines when a vehicle is ready for replacement. Staff believes the Vehicle Point System represents a method that allows the District to look into the future to project actual fleet costs throughout the life of the vehicles. The process was presented to the Facilities and Operations Committee on April 9, 2009. After review, the Committee asked that the methodology be presented to the full Board, with their recommendation, for approval.

Discussion ensued and included:

- Life cycle costing versus the vehicle point system.
- Points assigned in the vehicle point system.
- How a vehicle is used is reflected in the point system, e.g. infrequent field visits, used daily, pulling a trailer with frequent starts and stops in town.
- Mileage alone is not a good indication of when to surplus a vehicle.

There was no public comment.

MSC (Hanson/Decio) that the Board of Directors approve staff's process for evaluating vehicle replacement needs and declare Trucks No. 17 (2002 Toyota Tacoma), No. 18 (2002 Ford F-350) and No. 40 (2002 Toyota Tundra) surplus, by 4/1/0 vote (Schild opposed).

8. **Construction Contract for Bohemian Village #2 – Phase 3 Main Replacement Project**

Dave Jones presented the staff report. On March 6, 2009, Invitations to Bid were submitted to a select group of contractors to construct the Bohemian Village #2 – Phase 3 Main Replacement Project. The Bohemian Village #2 – Phase 3 Main Replacement Project consist of the construction and installation of approximately 5,300 feet of 16” water main, 3,000 feet of 8” and 12” water mains, 43 commercial service connections and upgrades, and 24 fire hydrant upgrades.

The bid opening for this project was held on April 7, 2009. Bids were received from 7 of the 8 contractors that had attended the mandatory pre-bid meeting. The apparent low bid for the project is \$1,887,855.00 from C&D Contractors, Inc., Nevada City, California. The bids ranged from \$1,887,855.00 to \$2,959,958.00. The engineers' estimate of probably construction cost for the project was \$2.1 million dollars.

There was no public comment.

MSC (Hanson/Fellenz) that the Board of Directors authorize the General Manager to accept, award and execute a contract agreement with C&D Contractors to construct the Bohemian Village #2 – Phase 3 Main Replacement Project, by unanimous vote.

9. **Resolution No. 09-06 Amending Regulation No. 15 of the Regulations Governing Water Service**

Ed Formosa presented the staff report. A handout was distributed that proposed including the addition of the following language to Stage 1 – Normal Conditions (within the requirements):

9. The use of water in new conveyer car washes and new commercial laundry systems that do not use a recirculating system shall be prohibited.

This language was suggested so that the regulation aligns with California Urban Water Conservation Council's (CUWCC) BMPs. The District will probably be joining the CUWCC in the near future.

This regulation was brought back from the March meeting to address the Board's concerns. It was extensively rewritten and shortened by several pages.

Discussion ensued and included:

- The specific dates as when the Board would annually adopt a stage declaration were removed from the regulation.
- Repetitive verbiage was removed.
- Enforcing a 10% reduction is difficult as the majority of District customers do not have meters installed at their property.
- All outside water is turned off in Stage 5.
- Fire fighting verbiage was included in the proposed regulation.
- Minimal changes occurred in the enforcement section.
- The Facilities and Operations Committee extensively reviewed the regulation.
- On page 10, if a leak is on the property of a customer, District staff has the responsibility and authority to control the leak.
- After receiving a warning, most customers comply. Educating customers about proper watering practices is staff's focus.
- The water conservation goal is 20%.

Bill Eubanks complimented staff on cleaning up the inconsistencies and making the document clear.

MSC (Hanson/Fellenz) that the Board of Directors adopt Resolution No. 09-06 Amending Regulation No. 15 of the Regulations Governing Water Service to include the addition of the following language to Stage 1 – Normal Conditions (within the requirements):

9. The use of water in new conveyer car washes and new commercial laundry systems that do not use a recirculating system shall be prohibited.

by 4/1/0 vote (Schild opposed).

10. **Resolution No. 09-07 Making Findings Under Water Code Section 1745.10 and Approving Agreements for Transfer of Water to the 2009 Drought Water Bank**
Mr. Formosa presented the staff report. The State Department of Water Resources established the 2009 Drought Water Bank as a way to assist water agencies and communities in dealing with projected water supply shortages. The purpose of the Bank is to act as a repository of water made available from willing sellers, typically located north of the Delta, and made available to willing purchasers who are experiencing difficulty with attaining adequate water supply amounts.

SSWD staff proposed, with concurrence from the Board's Ad Hoc Conjunctive Use Planning Committee, to institute a groundwater substitution transfer which would forego receipt of up to 17,000 acre feet of surface water. SSWD would normally receive this surface water through its contractual relationships with the City of Sacramento (COS) and Placer County Water Agency (PCWA). In replacement of receiving this surface water, the District would pump an equivalent amount of groundwater. The surface water not taken by the District could be stored in and

released from Folsom Reservoir, travel down through the American River into the San Joaquin – Sacramento Delta, where it could be used for environmental benefits or sold and delivered to other agencies throughout the state via the Department of Water Resources. Agreements between the District, the City of Sacramento and Placer County Water Agency were in final draft. The agreement with the State of California, who would be purchasing the water, is under review by legal counsel.

Discussion ensued and included:

- Progress has been slow with the State Department of Water Resources.
- The Ad Hoc Conjunctive Use Planning Committee reviewed the drought water bank several times.
- A standard price was negotiated.
- There is a 12% loss factor applied to any transferred water.
- The 17,000 acre feet is the maximum that would be sold to the drought water bank.
- District revenue would be about \$1.7 million.

There was no public comment.

MSC (Hanson/Gayle) that the Board of Directors approve the Resolution No. 09-07 which (1) makes findings under Water Code Section 1745.10 that participation in the 2009 Drought Water Bank is consistent with the Groundwater Management Plan adopted by the Sacramento Groundwater Authority (SGA), (2) approves agreements for the transfer of surface water, normally used by the District, to the 2009 Drought Water Bank, and (3) directs the General Manager to take all actions necessary to implement the resolution, including executing each of the agreements approved in Section 3 of the resolution, subject to approval by District legal counsel of any non-substantive changes to such agreements, by unanimous vote.

Information Items

Treasurer's Report

11. Financial Markets Update

Dan Bills stated the economy affects District debt and how the District approaches its debt strategy. The Federal government is keeping rates low. Mr. Bills is seeing a positive turn in the economy projected for later this year into next year. He presented the status of the debt portfolio.

12. Refinancing District Debt

Mr. Bills stated that the refinancing of the bond is proceeding. The due diligence meeting with Sumitomo Bank on April 14th went well.

13. Year-to-Date Interest Expense Quarterly Report

Mr. Bills stated that the actual interest expense is about \$127,000 over budget. Allied Irish Bank will not consent to allow the District to buy back bank bonds.

14. Financial Report

Mr. Bills reviewed the investments outstanding and the cash expenditures.

- a. *Draft Financial Statements – December 2008*
A written draft report was provided. Next month the 2009 January, February and March financial statements will be provided. The format will have minor modifications.
- b. *Investments Outstanding – March 31, 2009*
A written report was provided.
- c. *Cash Expenditures – March 2009*
A written report was provided.
- d. *Credit Card Expenditures – March 2009*
A written report was provided.
- e. *Directors Compensation and Expense Accounting – through March 2009*
A written report was provided.
- f. *Investment Portfolios Yield Compared to LAIF Yield – through March 2009*
A written report was provided.
- g. *Hedging Report – Yield to Rates – December 2004 through March 2009*
A written report was provided.
- h. *Market Report Yields – September 2005 through January 2009*
A written report was provided.

General Manager’s Report

15. District Activity Reports

- a. *Water Operations Report*
A written report was provided. In March the District took some surface water.
- 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. Director Decio commented that the May bill insert had good information.
- 16. **Cycle Billing Implementation**
A written report was provided.
- 17. **Owner/Tenant Billing Service**
A written report was provided and reviewed by General Manager Roscoe. Staff is receiving more requests for this service as more properties are metered. The owner is still responsible for the bill, but a duplicate bill is sent to the tenant.
- 18. **Preventative Maintenance Quarterly Report**
A written report was provided and reviewed by General Manager Roscoe. This program has been successful for the District. Staff is fixing problems as they are found. The quantity of incidents is expected to go down over time with the program in place.
- 19. **Meter Pilot Program Quarterly Report**
A written report was provided. This program is gaining in popularity. About a dozen have joined the program since January. The map shows the location of the program participant.
- 20. **Resolution of 2008 SMAQMD Notice of Violation**
A written report was provided and briefly reviewed by General Manager Roscoe.
- 21. **NDMA Detection – Well N32C**
A written report was provided and briefly reviewed by General Manager Roscoe. This notice is for the Board. There is a confirmed reading for N-nitrosodimethylamine (NDMA) at Well N32C. There is no maximum contaminant level (MCL) for NDMA. Readings can be detected in parts per trillion.
- 22. **Fixed Network Meter Reading**
A written report was provided and briefly reviewed by General Manager Roscoe. Staff is in the process of completing trials of a fixed network meter reading system.
- 23. **Island Area Freeway Crossing Consultant Selection**
A written report was provided and reviewed by General Manager Roscoe.
- 24. **CEQA Exemptions for Small Water Facility Projects**
A written report was provided and reviewed by General Manager Roscoe. These projects are exempt. These exemptions were handled administratively and then reported to the Board.
- 25. **Emergency Generator Compliance Project**
A written report was provided and reviewed by General Manager Roscoe.

26. **Water Master Plan Update**

A written report was provided and reviewed by General Manager Roscoe. It is an ambitious schedule to discuss the plan at the May regular Board meeting and the June meeting is now being targeted. It is a large document and staff wants to allow sufficient time for Director review, prior to a meeting.

27. **CIP Projects Quarterly Report**

A written report was provided.

28. **ACWA Water Conservation Policy Principles**

A written report was provided and reviewed by General Manager Roscoe. ACWA's "save our water" campaign has started. The latest snow survey results are included in this report.

29. **Legislative Update**

Director Hanson is interested in writing a letter of support on District letterhead as an individual director for certain legislation.

Director Schild stated that if a position is stated on District letterhead, then that is a District position even if the letter states it is written voicing only a specific individual's opinion.

Director Hanson stated that other agencies, such as SMUD, allow this practice. He stated that individual directors have letterhead to announce their positions, e.g. bills, Arden-Arcade cityhood.

The current Legislative Response Policy is silent on this specific topic. Currently there are no individual positions by directors on legislation. Staff provides a recommended District position and at the Board meeting the recommendations become the District position unless otherwise directed by the Board.

General Manager Roscoe suggested there could be confusion on the District's position if a legislator received two individual director's letters supporting a bill and two individual director's letters opposing a bill. Legislation tends to be partisan.

Legal Counsel Horowitz stated that use of letterhead has complicated guidelines. He posed the question of if the District wants to be in the situation of two to three different positions on one topic. Directors could be personally responsible for potential fines levied for misuse of letterhead.

The Board directed staff to bring the topic of use of District letterhead to the May regular Board meeting.

A written legislative report was provided. Changes are happening quickly with bills. There are multiple different competing bills for bonds, water conservation and the Delta.

30. **Miscellaneous District Issues – General Manger’s Report**

A written report was provided.

General Counsel’s Report

Legal Counsel Horowitz stated that SB 122 was gutted and amended. SB 178 (groundwater monitoring) will be brought back. This bill provides local control (SGA monitoring program) rather than State control and is the best of the worst of current bills. There is nothing to report for CalPERS therefore no closed session is required tonight. The CalPERS mediation meeting was changed from May 22nd to June 30th. Regarding the drought water bank, a Butte environmental group has filed litigation and SSWD will be involved.

Committee Reports

- 31. a. *Facilities and Operations Committee*
A written report from the April 9, 2009 meeting was provided.
- b. *Finance and Audit Committee*
A written report from the March 17, 2009 meeting was provided.
- c. *Ad Hoc Conjunctive Use Planning Committee*
No report.
- d. *Ad Hoc CalPERS Committee*
No report.
- e. *Ad Hoc Water Master Plan Committee*
An oral report from April 1, 2009 meeting was provided.
- f. *General Manager Performance Review Committee*
No report.

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

- 32. a. *Regional Water Authority*
No report.

Regional Water Authority Executive Committee
An agenda from the March 25, 2009 meeting was provided.
- b. *Sacramento Groundwater Authority*
An agenda from the April 9, 2009 meeting was provided.
- c. *Water Forum Successor Effort*
No report.
- d. *San Juan Water District Executive Committee*
An agenda from the March 24, 2009 meeting was provided.
- e. *Sacramento River Water Reliability Study*
No report.

f. *Other Reports*

Director Schild reported on the ACWA Legislative Day he attended on March 18th and the SGA budget meeting he attended on March 24th.

Director Decio reported on the District facilities tour he attended on March 20th.

Director Hanson reported on his April 10th tour of District facilities.

Director Gayle stated that on May 16th there will be a dedication of a new park by the North Highlands Recreation and Parks District. He suggested that SSWD participate in this event.

General Manager Roscoe requested direction from the Board regarding Arden-Arcade cityhood (right to vote, support or not annexation or cityhood). Staff met with Supervisor Peters recently and discussed this topic. The Board directed staff to continue to monitor and report major developments back to the Board on the Arden-Arcade topic.

Miscellaneous Correspondence and General Information

- 33. Certain correspondence received by the District was provided.
- 34. 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 10:02 p.m.

Robert S. Roscoe
General Manager/Secretary