

Agenda Item: 1

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, October 19, 2009

Call to Order

President Schild called the meeting to order at 6:31 p.m.

Roll Call

Directors Present: Ken Decio, Thomas Fellenz, Frederick Gayle, Stephen Hanson (left at 8:57 p.m.) and Neil Schild.
Directors Absent: None.
Staff Present: General Manager Robert Roscoe, Dan Bills, Ed Formosa, Jan Gentry, Dave Jones, Warren Jung, John Valdes, Dan York and Lynne Yost.
Public Present: Mario DeSouza, William Eubanks, Terry Jones, LeRoy Munsch, John Orsi, Debra Payne and Randall Wiseman.

Public Comment

LeRoy Munsch wanted to know how CalPERS' proposed increases will impact the District ratepayers. Staff will provide this information to Mr. Munsch at a later date.

Announcements

The following items were announced:

- Directors Decio, Hanson, Schild were thanked for participating at SSWD's Community Outreach Days at the Carmichael Founder's Day event on September 26th and Director Decio for participating at the North Highlands Jubilee on October 17th.
- The SSWD Financing Corporation meeting is scheduled for January 25, 2010 at 6:00 p.m. (one-half hour prior to the January regular Board meeting).
- During the storm on October 13, District staff activated the EOC from late afternoon to early evening.

Consent Item

1. Minutes of the September 21, 2009 Regular Board Meeting
2. Resolution No. 09-17 Accept Grant Deed for 2801 Maison Way
3. Resolution No. 09-18 Accept Grant Deed for 2811 Maison Way
4. Resolution No. 09-19 Accept Grant Deed for 2817 Maison Way

MSC¹ (Fellenz/Gayle) that the Board of Directors approve Consent Items 1, 2, 3 and 4 by unanimous vote.

Items for Discussion and Action

5. **MJD Engineering Back Charge Claim – Storm Drain Issue**

General Manger Roscoe presented the staff report. On September 10, 2009, MJD filed a back charge claim for damages resulting from lost time on a sewer project on Watt Avenue. The lost time was due to the alleged excessive amount of water in a 50” storm drain.

Well 59A was rehabilitated by a District contractor in May 2009 to clear encrustation from the perforations. Subsequently water quality issues, iron and manganese, were confirmed as emanating from Well 59A. It was necessary to begin flushing the well to waste in order to assist in redeveloping the well in the attempt to regain its previous water quality. The District has a National Pollutant Discharge Elimination System (NPDES) Permit with the California Regional Water Quality Control Board covering this activity.

This claim has no merit as the District’s activity, flushing a well following rehabilitation, while infrequent, is a standard and necessary activity in municipal well maintenance, and is a permissible, “low threat,” discharge. Because of the discharge flow rate, District staff took the extra measure of notifying the County and receiving permission to flush Well 59A. Staff has notified the District’s insurance carrier, ACWA/JPIA, of the claim.

William Eubanks stated that the District should be concerned with the perception of water waste with the flushing of this well. He believes that over 16 days of flushing resulted in millions of gallons of water being wasted.

General Manager Roscoe stated that flushing is nothing unusual for this situation and this size well. It is the water industry standard to flush wells sufficiently to assure water quality. The District has a permit to flush the well to waste.

Marion DeSouza was not sure why his claim was denied. He stated he has affidavits regarding the water running for over two months. He believes there should be an independent investigation.

MSC (Hanson/Gayle) that the Board of Directors reject MJD Engineering’s back charge claim in the amount of \$25,822.03 for alleged lost time due to excessive flow in a 50” storm drain during a sewer pipeline project, by the unanimous vote.

6. **MJD Engineering Back Charge Claim – Fire Hydrant Issue**

General Manger Roscoe presented the staff report. On September 10, 2009 MJD filed a back charge claim for damages resulting from lost construction time on a sewer project on Watt Avenue. The lost time was due to the surrounding soils at their

¹Motion, Second, Carried.

project site being over saturated. MJD claims the saturated soil was due to a broken and leaking fire hydrant. Based on staff's determinations during the claim investigation process, this claim has no merit. Staff has notified the District's insurance carrier, ACWA/JPIA, of the claim.

William Eubanks mentioned that the contractor was asked about infrastructure damage during the fire hydrant replacement. He believes that District staff should be investigating any damage related to a fire hydrant and not asking the contractor to complete this task.

Mr. DeSouza stated that the hydrant was broken for months and that SSWD did not know it was leaking. He provided photos to the Board to review.

Discussion ensued and included:

- Possible contradictory statements in the staff report regarding leakage.
- The belief that unrelated work at a dewatering basin lead to the water issue for this claim.
- If denied, this claim will be forwarded to the District's insurance company.

MSC (Fellenz/Gayle) that the Board of Directors reject back charge claim, in the amount of \$46,091.06, submitted by MJD Engineering for lost construction time while in the process of installing 50' of sewer extension project due to an alleged leaking fire hydrant, by unanimous vote.

7. **2009 Compensation Study Update**

General Manager Roscoe presented the staff report. Shellie Anderson of Bryce Consulting conducted the 2009 Compensation Study Update. The study focused on total compensation with surveyed agencies in the local area that were included in the original 2007 study since those agencies remain the most comparable and competitive. Furlough and layoff information was included to obtain information on salary/pay saving measures taken by the surveyed agencies. The draft study was presented to the Facilities & Operations Committee on October 1, 2009, and the Committee recommended the report be presented to the full Board.

To assure that compensation is in alignment with Board policy, a compensation study is completed periodically. SSWD benchmarks with other water districts for total compensation and not just salary. The findings of this study show that the District's compensation practices align with Board policy.

Ms. Anderson made a presentation on the compensation study update. Twenty-one classifications were reviewed. Nineteen agencies were surveyed. Comparative data elements were noted, e.g. paid leave benefits, retirement practices, contributions to health, dental, vision and Social Security.

Discussion ensued and included:

- Additional time is warranted to review this study in depth.
- No salary change is recommended for any District classification. All classifications are within the third quartile.

- Benefits paid by the employee and employer, e.g. health, retirement, Social Security.
- Bryce Consulting collected all the information for this survey.
- If there is insufficient data for an external comparison, a position's salary is tied to an internal position.
- Benefits were noted and compared. Comparisons are based on if the District hired a person today to be competitive.
- The Board considered two tiered salary schedule when the PERS contract was changed from 3% at 60 to 2% at 55. Currently about 50% of the staff is under the 2% at 55 formula.

William Eubanks complimented Ms. Anderson and General Manager Roscoe for an easy to understand report. He wanted to know if other local water districts are experiencing layoffs. Ms. Anderson stated that El Dorado Irrigation District was the only local water district that had layoffs. Mr. Eubanks also asked about the 3% COLA/merit for employees distributed for 2009. General Manager Roscoe stated that for CY 2009, 2% was provided for COLA and 1% was available for merit.

LeRoy Munsch suggested expanding the labor market to include the private sector. He stated that the benefits and salary are not as good as the public sector. Ms. Anderson stated that the private sector does not generally share this information and if the information was provided, the information cannot be verified.

MSC (Gayle/Decio) that the Board of Directors receive and accept 2009 Compensation Study Update, by 4/1/0 vote (Schild opposed).

8. Employee Policy and Procedures Manual (PL - HR 001) Updates

General Manager Roscoe presented the staff report. While there appears to be many changes, most of the changes involve reorganization without a material impact. Only the pages that have changes are include in the staff report. There was a brief discussion regarding changes to the meal allowance (non-travel status). If a flat rate for meals is provided, the money would be considered taxable.

MSC (Hanson/Fellenz) that the Board of Directors approve the updated Employee Policy and Procedures Manual (PL - HR 001), by unanimous vote.

9. Federal Recovery Act Grant

Warren Jung presented the staff report. SSWD and four neighboring water purveyors are recipients of a Recovery Act of 2009 Water Marketing and Efficiency Grant from the U.S. Bureau of Reclamation in the nominal amount of \$5,000,000. SSWD's grant share is approximately \$1,100,000 minus Bureau administration charges. The grant is to fund the acceleration of water meter installations in the service areas of the five agencies. Per the grant, SSWD is to accelerate a minimum of 847 meters between the dates of July 1, 2009 to September 30, 2010. From the Water Meter Retrofit Plan, staff has selected three areas in the North Service Area to be accelerated: two areas (Area 24 and 31) that are scheduled for meter retrofits in 2011 and one area (Area 13A) that is scheduled for 2016. On October 1, 2009, the Facilities and Operations

Committee reviewed the report and recommended approval of the out of sequence metering of Area 13A from the Plan.

MSC (Fellenz/Decio) that the Board of Directors approve the out of sequence metering for Area 13A from the updated 2007 Water Meter Retrofit Plan, by unanimous vote.

10. **Facilities Consolidation and Potential Property Acquisition**

General Manager Roscoe introduced the item. John Valdes presented the staff report. Earlier in 2009, four additional properties were identified as good candidates for potential facility consolidation. The Facilities and Operations Committee directed District staff and consultants to further investigate two of these properties (4600 Auburn Blvd. and 4231 Auburn Blvd.) for potential facility consolidation and/or acquisition. Of these two properties, 4600 Auburn Blvd. was preferred by both staff and the Committee.

County of Sacramento Planning Department staff indicated that they did not see any “fatal flaws” that would prevent the District from obtaining a Conditional Use Permit (CUP).

The Phase 1 Environmental Site Assessment (ESA) is currently being updated by Dunn Environmental. However, the original site assessment indicates that some hazardous materials were present on the property at one time and, as a result, Dunn Environmental is recommending that the District also proceed with a Phase II ESA. Pat Dunn, Dunn Environmental was present.

Turning safely onto (and off of) Auburn Boulevard which is a very busy street is a concern. There is a sliver of property 12-foot wide that extends out to Pasadena Avenue. Another option is to have an easement directly south to Orange Grove Avenue through two properties.

Discussion ensued and included:

- The hazardous materials that were stored on this site.
- A well could be located at this site.
- The County is agreeable to a phased building approach.
- A 12’ wide access is problematic. Consider an easement directly south of the site that crosses two properties to Orange Grove Avenue.
- The size and cost of a new well site.
- The District building could be single story at this property.

MSC (Hanson/Decio) that the Board of Directors direct staff to proceed with the following steps at a not to exceed amount of \$10,000: 1) approval to proceed with a property appraisal; 2) a Phase II Environmental Site Assessment; and 3) contact the owners of the property located to the South of 4600 Auburn Blvd. to discuss obtaining an easement to for access out to Pasadena Avenue and Orange Grove Avenue, by unanimous vote.

11. **Grant Funding for North Service Area (NSA) Fluoridation Facilities**

Mr. Valdes presented the staff report. He introduced Debra Payne, John Orsi and Terry Jones representing Sacramento First 5 and the Fluoridation Task Force. First 5 Commission has approximately \$7 million in grant funds for fluoridation projects remaining in their current funding cycle which ends on June 30, 2010. The Commission wants to be in negotiations for this grant money by January 2010. There is about \$15 million available in the next funding cycle, but is at risk if the \$7 million is not used.

The estimated capital cost to install fluoridation facilities on 37 groundwater wells in the District's NSA is \$6.593 million. The estimated annual O&M cost is \$372,000 per year. The estimated annual O&M cost includes \$158,943 for labor and \$194,006 for chemicals. The labor estimate is more than one new full-time operator position.

If the District waits, grant funding may not be available at a later date. Then the cost of fluoridating the NSA wells may be borne by District ratepayers or the District would be delivering sub-optimally fluoridated water. The disadvantage to applying for funding now is that once the equipment is installed it could remain idle for a long time. It is unknown if San Juan Water District (SJWD) will ever fluoridate their water supply.

Discussion ensued and included:

- It would be best if SJWD would fluoridate water at the treatment plant.
- SSWD could add fluoridation equipment to both branches of the Antelope Transmission Pipeline if San Juan Water District did not fluoridate at their treatment plant.
- If fluoride equipment is installed, it would be best to run the equipment within the first year of warranty. It might be possible to receive an extended warranty.
- The grant money is available on a first come, first serve basis and is targeted for water districts that have children aged 0-5 in their service area.
- Consider asking the Commission for O&M funds.
- Staff can propose contract language and conditions for Board consideration.
- Community outreach and public meetings would be necessary if the Board proceeds.
- A significant portion of fluoridated water is placed on landscape, gets flushed down the toilet, etc. Very little is consumed by people. Is this the most cost effective way to distribute fluoride? Drs. Orsi and Jones stated that water fluoridation is an effective and cost efficient strategy.
- How does the discharge of fluoridated water in affect the ecosystem in creeks, rivers and oceans? Have there been any studies completed on the effects of discharged fluoridated water?
- A decision to apply for a grant does not necessarily require the District to accept a grant offer if contract conditions are deemed unfavorable.

Director Hanson left the meeting at 8:57 p.m.

William Eubanks is in favor of providing good dental health through water fluoridation.

MSC (Gayle/Fellenz) that the Board of Directors direct staff to proceed with completing and submitting a funding application to the First 5 Sacramento Commission to potentially pay for the capital costs to install fluoridation equipment and facilities on 37 groundwater wells in the North Service Area by 3/1/1 vote (Decio opposed and Hanson absent).

12. **Selection of Outside Auditing Firm for 2009 Audit**

Dan Bills presented the staff report. Due to opportunities potentially present in the current economic environment and concerns expressed by Board members that the District ensures the best value received for expenditures of public funds, staff mailed a "Request for Proposal" (RFP) to 10 auditing firms. Responses were received from seven.

Of the seven firms that responded, staff prepared a weighted-evaluation for each firm based on their response to the District's RFP. Staff narrowed the evaluation down to three firms. After deliberation, the Finance and Audit Committee recommended selection of Gilbert Associates, Inc. to the full Board for approval.

MSC (Gayle/Fellenz) that the Board of Directors select Gilbert Associates, Inc. as the District's auditing firm for the next five years, with an option for annual renewal, by 4/0/1 vote (Hanson absent).

13. **Operations and Maintenance Budget (O&M) to Capital Improvement Program Budget (CIP) Reallocation**

Dan Bills presented the staff report. During the year the District began capitalizing direct salaries and benefits to CIP projects (primarily distribution main replacements). The budgeted amount of salaries to be transferred and capitalized from O&M to CIP is \$150,000. The budgeted amount of benefits to be transferred and capitalized from O&M to CIP is \$90,000. Such transfers will decrease the O&M budget from \$16,610,297 to \$16,370,297. The CIP budget will increase from \$21,052,000 to \$21,292,000.

MSC (Fellenz/Decio) that the Board of Directors approve the transfer of \$240,000 from the 2009 O&M budget to the CIP budget, by 4/0/1 vote (Hanson absent).

Information Items

Treasurer's Report

14. **Financial Markets Quarterly Report**

Mr. Bills reviewed the written report. Rates are low and trading is at historic lows. Trading rates are very favorable for the District.

15. **Year-to-Date Interest Expense Quarterly Report**

Mr. Bills stated the interest expense is about \$500,000 higher than predicted.

16. **Financial Report**

Mr. Bills reviewed the income statement, O&M budget, investment activity and cash expenditures (most expenditures are for CIP).

- a. *Financial Statements – September 2009*
A written report was provided.
- b. *Investments Outstanding and Activity –September 2009*
A written report was provided.
- c. *Cash Expenditures –September 2009*
A written report was provided.
- d. *Credit Card Expenditures –September 2009*
A written report was provided.
- e. *Directors Compensation and Expense Accounting – through September 2009*
A written report was provided.
- f. *Hedging Report – Yield to Rates – December 2004 through September 2009*
A written report was provided.
- g. *Market Report Yields – August 2005 through August 2009*
A written report was provided.
- h. *Information Required by Bond Agreement*
A written report was provided.

17. **Operating Capital Budget (OCB) Reallocation**

Mr. Bills noted the budget transfers in the written report.

18. **Calendar Year 2010 Budget**

Mr. Bills, General Manager Roscoe and Ed Formosa presented the staff report. Staff prepared a draft revenue projection and drafts of the Operations and Maintenance budget (O&M Budget), Operating Capital Budget (OCB Budget) and Capital Improvement Program budget (CIP Budget) for the Board's review. The drafts reflected departmental requests, Finance and Audit Committee input, and management edits and comments.

The presentation included:

- Budgeting considerations, 2010 District goals, cost saving measures, budgeted revenue by source, budgeted costs by type, O&M expenses, and cash expenditures.
- Budget assumptions, including investment rate of return, interest expense, purchasing and wheeling water, electrical costs, health care costs, pension costs.

- Income sources, including Sacramento First 5 grant funds. Using about \$6.8 million in reserves for CY 2010 budget.
- The morale and retention budget does not include Directors as requested by the Finance and Audit Committee.
- The OCB is less than this year.
- The CIP budget includes the potential project of fluoridation in the NSA.

Board members complimented staff on the budget presentation. There were no questions or changes suggested. Staff requested Board members to contact staff directly over the following month so that any concerns or questions could be addressed prior to the budget approval action item at the November regular meeting.

General Manager's Report

19. District Activity Reports

a. *Water Operations and Exception Report*

A written report was provided. Surface water was used almost exclusively in the month of September.

b. *Customer Service Report*

A written report was provided. Online payment has now reached about 5%. "Non-traditional" bill pay methods now account for about 50% payments.

c. *Water Conservation and 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.

20. CIP Projects Quarterly Report

A written report was provided and briefly reviewed by General Manager Roscoe.

21. Preventative Maintenance Quarterly Report

A written report was provided and briefly reviewed by General Manager Roscoe. There is value in exercising the District's mainline valves. This year's work locations and the Directors' divisions were noted.

22. Meter Pilot Program Quarterly Report

A written report was provided and briefly reviewed by General Manager Roscoe. Often when a customer is saving money by having a meter, they will switch to a metered rate which skews the reporting table.

