

Agenda Item: 2

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, November 16, 2009

Call to Order

President Schild called the meeting to order at 6:30 p.m.

Roll Call

Directors Present: Ken Decio, Thomas Fellenz, Frederick Gayle, Stephen Hanson (left at 8:25 p.m.) 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 and Lynne Yost.

Public Present: William Eubanks, Michael Hogan, Bill More and Avery Wiseman.

Public Comment

None.

Announcements

The following items were announced:

- 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).
- The latest SSWD giveaways were on the dais.
- Tom Graff, who worked on California environment and water policy reforms, passed away.

Consent Item

1. Minutes of the October 19, 2009 Regular Board Meeting
2. Resolution No. 09-20 Accepting Grant of Easement and Right of Way for 2927 Marconi Avenue

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

Items for Discussion and Action

3. **Annual Renewal of Master Service Agreements for Main Replacement Projects**

¹Motion, Second, Carried.

General Manger Roscoe presented the staff report. These agreements are presented for a common action as the water main installation service contract is dependent on the service line installation service contract, and vice versa. This is the fourth of a five year annual agreement. It is difficult to compare with other entities for this type of work (backyard main replacement). The District purchases the pipe, meters, and other hard materials. The contract is for labor, equipment and soft materials such as backfill and bedding materials.

Dave Jones stated that the master service agreements have resulted in lower inspection costs and less necessity for District staff oversight. Customer complaints are very low and are responded to quickly by both contractors. There has been no contractor initiated change order on any of the previous task orders for the main replacement projects under the master service contract with either Ahlstrom or GM Construction. Ahlstrom has completed out of scope tasks without asking for any compensation from the District.

Discussion ensued and included:

- Consider going out to bid for these projects. Additional time and money would be required for each project that went through the design-bid-build process. Staff does not believe that going out to bid will save large dollar amounts.
- The City of Sacramento has recently completed work that is similar to the District's main replacement work. Their costs are coming down and getting closer to what SSWD is currently paying for projects.
- It is difficult to put a price on customer goodwill.
- The current contractors are experienced with this type of work.
- SSWD plans to install 40,000 feet of pipe in 2010. About 25% of that amount will be competitively bid in the spring of 2010.
- Staff could report to the Board in mid-2010 on how the competitively bid project compares with Ahlstrom and GM Construction's pricing and consider bidding this work in 2011.

There was no public comment.

MSC (Hanson/Gayle) that the Board of Directors approve the fourth year of a five year Master Service Contract (2007 through 2011) and 2010 unit cost schedules with Ahlstrom Construction, Inc. and GM Construction and Developers, Inc., respectively, for the installation of water main lines and service lines as part of the Water Main Replacement Program, and authorize the General Manager to execute any subsequent task orders on behalf of the District and for staff to provide a written report to the Board in mid-2010 comparing the competitive bid project with Ahlstrom and GM Construction's pricing, by unanimous vote.

4. **Outside Auditing Firm Engagement Letter**

General Manger Roscoe presented the staff report. The engagement letter includes extra scope of services over and above the standard public agency audit. The Finance and Audit Committee recommends approval of the audit engagement letter with Gilbert Associates, Inc.

There was no public comment.

MSC (Decio/Fellenz) that the Board of Directors approve the audit Engagement Letter with Gilbert Associates, Inc. and authorize the Finance and Audit Committee Chair (Director Schild) to execute the Engagement Letter, by unanimous vote.

5. **Outside Auditing Firm Engagement Letter for the U.S. Bureau of Reclamation**

General Manager Roscoe presented the staff report. SSWD and four nearby water purveyors are recipients of a USBR Water Marketing and Efficiency Grant in the amount of \$5,000,000. The District's grant share is \$1,100,000 less its share of USBR, RWA, and District administrative expenses. The grant is to fund the acceleration of water meter installations. As the lead agency in administering the grant, the District will perform the accounting and reporting functions of the grant on behalf of all five water purveyors. A portion of the accounting and reporting costs includes the performance of a "Single Audit" for 2009 and 2010 as prescribed under Federal regulations. The Finance and Audit Committee recommends approval of the audit engagement letter with Gilbert Associates, Inc.

There was no public comment.

MSC (Gayle/Decio) that the Board of Directors approve the U.S. Bureau of Reclamation Grant "Single Audit" Engagement Letter with Gilbert Associates, Inc. and authorize the Finance and Audit Committee Chair (Director Schild) to execute the Engagement Letter, by unanimous vote.

6. **Sacramento Regional Water Meter Installation Acceleration Project**

General Manager Roscoe presented the staff report. The District will receive about \$1.1 million of the \$5 million USBR Water Marketing and Efficiency Grant. The grant is to fund the acceleration of water meter installations in the service areas of five participating agencies. The five participants, Carmichael Water District, El Dorado Irrigation District, City of Sacramento, City of West Sacramento and SSWD are in agreement to have the RWA manage the project. RWA's proposal to manage the grant will be proportionately distributed between the five agencies. The shares for each agency will be based on the percent of grant award.

Discussion ensued and included:

- The grant money will be spent by the end of 2010.
- The grant money is not for meters previously scheduled to be installed in 2010. An additional 847 meters are estimated to be installed with this grant money.
- Staff was told that the NEPA document is complete.
- The average cost to install a meter retrofit is around \$1,000 per property.
- Federal monies have additional requirements such as buying American products and prevailing wages (Davis Bacon Act).
- Staff will be using a contractor that has several years experience with this type of work.
- Non-ratepayer money is being used for this meter retrofit acceleration project.

William Eubanks asked about the cost to the District for this project, RWA managing the project and customer complaints.

MSC (Hanson/Decio) that the Board of Directors authorized the General Manager to execute an agreement with the Regional Water Authority for the "Sacramento Regional Water Meter Installation Acceleration Project" on behalf of Sacramento Suburban Water District, by unanimous vote.

7. **NWRA California Caucus Ballot**

General Manager Roscoe presented the staff report. Through the Association of California Water Agencies (ACWA), the District received the National Water Resources Association (NWRA) California Caucus ballot. The District may vote for up to five candidates. Representatives who have groundwater ties should be strongly considered.

There was no public comment.

MSC (Hanson/Fellenz) that the Board of Directors direct the General Manager to cast a ballot for the following individuals: David Breninger, Wayne Clark, Bill George, Lawrence Libeu and Adrienne Mathews, by unanimous vote.

8. **Sacramento LAFCo Election of Special District Commissioner and Alternate Special District Commissioner**

General Manager Roscoe presented the staff report. Sacramento Local Agency Formation Commission (LAFCo) is holding an election for Special District Commissioner Office No. 6 and Alternate Special District Commissioner Office No. 6 & 7. The District may vote for one candidate per ballot.

Director Hanson supports Gay Jones for Special District Commissioner Office No. 6. Director Schild suggested Jerry Fox for the Alternate Special District Commissioner Office No. 6 & 7.

There was no public comment.

MSC (Hanson/Fellenz) that the Board of Directors direct the Board Secretary to cast a vote for Gay Jones for Special District Commissioner Office No. 6 and cast a vote for Jerry Fox, Alternate Special District Commissioner Office No. 6 & 7, by unanimous vote.

9. **Request for Variance at 8640 Antelope North Road**

General Manager Roscoe presented the staff report. In October 2009, staff received an application for variance from the property owner for 8640 Antelope North Road. The owner is obtaining a new use permit for the property and the County of Sacramento has placed conditions that must be satisfied prior to issuing the use permit. These conditions include requirements of the Sacramento Metropolitan Fire Department to install a fire hydrant. SSWD's regulations require the installation of a 16-inch water main across the frontage from the south property line to the north

property line. The requirement was based on the present zoning use of the property and the potential fire flow requirements for that type of zoning.

The owner requested a variance from the District's requirement to install the 16-inch water main across the entire frontage (approximately 550 feet) of the project site at 8640 Antelope North Road. The owner offered in lieu of the require 16-inch water main, the installation of 290 linear feet of 8-inch water main with fire hydrant.

The variance request was presented to the Facilities & Operations Committee and the Committee recommended denial of the request. The Committee also proposed to discuss with the full Board the possibilities of providing agreements to allow deferred water main installation.

Currently the District's regulations do not allow deferred improvement agreements. Staff could develop an agreement if the Board wishes to consider modifying the regulations to allow work to be completed in phases over time. Staff concerns with such an agreement include preferential treatment for some developments and some risk would be assumed by the District.

Discussion ensued and included:

- There is no control regarding ownership.
- Financial assurity, such as a bond, would be necessary to ensure this work would be completed in the future. Then tracking the bond, imposing an administrative fee, etc. would be required.
- Other developers have requested a variance and the District did not grant one.
- This would set a precedent for past as well as future developments.

Bill Moore, representing the property owner, clarified that a private sprinkler service is not required by the fire district. He stated that development in this area will be in the future and only wrecked cars are on the property. If the variance was granted, this would save the property owner about \$40,000 in these tough economic times.

Michael Hogan, Engineer for the property owner, stated this is a unique situation that was triggered by a permit. He is requesting that the 16" main be postponed until development occurs in this area.

MSC (Fellenz/Hanson) that the Board of Directors require the construction and installation of the proper sized water main along the frontage of the property as per District Regulations Governing Water Service and direct staff not to develop a deferred improvement agreement, by unanimous vote.

10. **Calendar Year 2010 Budget**

General Manager Roscoe opened the staff report. Drafts of the 2010 budget (Operations and Maintenance budget (O&M Budget), Operating Capital Budget (OCB) and Capital Improvement Program budget (CIP Budget)), assumptions, revenue projections, and cash reserve balances were reviewed with the Finance and Audit Committee in September and with the full Board at the October 19, 2009 meeting. All requested changes were made and incorporated in the budget presented.

President Schild stated that staff did an excellent job on putting the budget together. Staff bases budget requests on Board policy. To reduce the budget, changes to policies need to be made. Directors have the responsibility to closely look at the policies when they are reviewed periodically. Health insurance and purchasing of vacation time are areas that could be reviewed for cost savings.

Director Hanson stated that the changes to the vehicle replacement procedure were a great stride forward in a policy adjustment that relates to the budget.

Discussion ensued and included:

- Do not spend the \$100,000 for a groundwater study (OCB, Department 14 – CIP, 14-2).
- The General Manager cannot move money between the three budgets without Board approval.
- The reserves are to be drawn down to complete more capital projects.
- Consider the necessity of spending \$75,000 on the 2010 urban water management plan (OCB, Department 15 – Engineering, 15-1). This plan must be updated every five years per the Department of Water Resources.

Avery Wiseman stated that the Board has a fiduciary responsibility to the ratepayer. The CIP budget went up 100% in 1 year. A large part of the District revenue is from the fixed costs on the water bill. The District should have a higher proportion of the water rates collected from the variable portion of the bill to encourage conservation.

William Eubanks stated that over two years, the CIP budget has doubled. He wondered if the last rate increase now fully funds the CIP program.

MSC (Gayle/Fellenz) that the Board of Directors approve the 2010 budget as follows:

1. With respect to the Operations and Maintenance Budget (O&M budget):
 - a. Approve the O&M budget as attached or as amended by the Board.
 - b. Authorize the General Manager spending authority up to the total O&M budgeted amount.
 - c. Authorize the General Manager to adjust and/or reallocate various line item costs as necessary within the total O&M budget amount.
 - d. With respect to Other Post Employment Benefits (OPEB) portion of the O&M budget, direct the General Manager to fund the Actuarial Required Contribution.
2. With respect to the Operating Capital Budget (OCB budget):
 - a. Approve the OCB budget as attached or as amended by the Board.
 - b. Authorize the General Manager spending authority up to the total OCB budgeted amount.
 - c. Authorize the General Manager to adjust and/or reallocate various line item costs as necessary within the total OCB budget amount.

3. With respect to the Capital Improvement Program Budget (CIP budget):
 - a. Approve the CIP budget as attached or as amended by the Board.
 - b. Approve each project as listed.
 - c. Authorize the General Manager spending authority up to the total budgeted CIP amount.
 - d. Authorize the General Manager to adjust and/or reallocate various line item costs as necessary within the total CIP budget amount.
4. Direct the General Manager to request Board approval prior to any transfers between major budget categories (e.g., O&M budget to CIP budget transfer).
5. Direct the Director of Finance to report the budget status at regular monthly Board meetings and to report any intra-budget reallocations authorized by the General Manager.
6. Staff will bring budget item OCB, Department 14 – CIP, 14-2 (groundwater study) back to the Board for discussion prior to proceeding with the project.
7. Staff will report back to the Board when the Urban Water Management Plan guidelines are available for OCB, Department 15 – Engineering, 15-1 budget item.

by unanimous vote.

Director Hanson left the meeting at 8:25 p.m.

Information Items

Treasurer's Report

11. Financial Plan, Water Rates, and Facility Development Charge Study

Mr. Bills reviewed the written report. After direction from the Board at the September Board meeting, staff entered into an agreement with The Reed Group, Inc. to perform a Financial Plan, Water Rate, and Facility Development Charge (FDC) Study. The scope and timeline of the study were reviewed with the Finance and Audit Committee.

William Eubanks asked about increasing the rates so that the CIP program is fully funded. General Manager Roscoe stated that the recently adopted Water System Master Plan identifies areas that are not funded by the current rate schedule. Mr. Eubanks stated that most of his water bill is fixed rate and therefore there is no incentive to conserve water. He believes the District is doing a professional job but without concern of the impact to ratepayer.

Director Fellenz is interested in pushing the limits of the assumptions when looking at the financial plan and water rate structure scenarios. General Manager Roscoe stated that the assumptions that will be used in this study are the ones taken directly from the Water System Master Plan.

Consideration of adding a third tier to the residential metered water rate structure, is included in the scope of the study.

12. **Financial Report**

Mr. Bills noted the \$1.5 million from the drought water bank in the income statement and that every month there is a report on the CIP program.

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

General Manager's Report

13. **District Activity Reports**

- a. *Water Operations and Exception Report*
A written report was provided. Water production is lower than the five year average.
- b. *Customer Service Report*
A written report was provided.
- 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.

14. **ACWA/JPIA – Best Practices Subgroups**

A written report was provided and briefly reviewed by General Manager Roscoe. The District is participating in the Water Operations & Maintenance Subgroup Committee.

15. **ACWA/JPIA – Sacramento Area Regional Training**

A written report was provided and briefly reviewed by General Manager Roscoe. SSWD hosted this two day regional training at Antelope.

16. **Regional Security Plan Training Exercise**

A written report was provided and briefly reviewed by General Manager Roscoe. District staff participated in this training exercise at Carmichael Water District.

17. **H1N1 Flu**

A written report was provided and reviewed by General Manager Roscoe. The District has a Pandemic Flu Plan prepared to implement if necessary.

18. **Storm Event – October 13, 2009**

A written report was provided and briefly reviewed by General Manager Roscoe. An oral report was provided at the October Board meeting.

19. **Biennial Groundwater Elevations Report**

A written report was provided and reviewed by General Manager Roscoe. The trend is an increase in groundwater levels.

20. **Antelope Gardens Report**

A written report was provided and reviewed by General Manager Roscoe. The garden was open during the week and the second Saturday from spring through mid-fall. Many people visited the garden during this time.

21. **Summer Water Conservation Program 2009**

A written report was provided and reviewed by General Manager Roscoe. Watering times in the District's regulations will be reviewed and a recommendation provided at the December Board meeting.

22. **OSHA/Workers' Compensation Statistics 2005-Present**

A written report was provided and reviewed by General Manager Roscoe. Compared with the industry average, SSWD is below the average of work-related injuries for water, sewer and other utility systems. The District's OSHA reportable injuries were higher this year than last year. However half of those injuries were not serious and did not require time away from work or modified duty.

