

## Committee Report

Sacramento Suburban Water District  
**Finance and Audit Committee**  
Monday, November 9, 2009

**Call to Order** – 5:46 p.m.

**Directors Present:** Chair Neil Schild and Thomas Fellenz.

**Directors Absent:** None.

**Staff Present:** General Manager Robert Roscoe, Edward Formosa, Daniel Bills, and Judy Vilayphone.

**Public Present:** William Eubanks and Bob Reed.

**Public Comment:** None.

### Items for Discussion and Action

1. **Scope and Timeline of Study for the Financial Plan, Water Rate, and Facility Development Charge Study as Per the Agreement with the Reed Group, Inc.**

General Manager, Robert Roscoe began the meeting by providing the Committee with a history of the financial plan and water rate study that were prepared three years ago, which served as the impetus for the significant rate increases that have occurred over the past three years. He further stated that as directed by Board at the September Board meeting, staff has engaged the The Reed Group to perform the financial plan, water rate study and Facility Development Charge (FDC) study, noting that staff has met with The Reed Group and set a preliminary scope and timeline for the study.

Bob Reed from the The Reed Group presented the Committee with detail of the four scenarios for the water rate study set out from discussions with staff.

After discussion of the four scenarios it was decided to perform two of the scenarios and bring the results back to the Committee. One scenario included raising customer rates to fully fund Capital Improvement projects laid out in the Water Master Plan. The other scenario assumed no rate increases.

Director Fellenz noted that first scenario does not include operations and maintenance costs. Mr. Reed stated he would add this information.

Mr. Bills explained the timeline for the study and meeting schedule to the Committee. The next meeting would be with the Committee in January and then a Board workshop in February.

Mr. Bills went on to mention that normally the FDC charges are updated the first of each year. He is recommending that such charges be delayed until the study is complete.

Mr. Bill Eubanks stated that he had no comment on the scope of work, but suggested that the Board move quickly and inform the ratepayers of any decisions.

Director Schild mentioned that he feels that the Board needs to look at the policies that staff is following. These policies affect water rate and FDC charge increases.

Director Fellenz stated it is valuable to hire a consultant to do this study to help the Board's understanding. This type of study gives him answers to what he is not familiar with.

Mr. Bills stated studies such as this are very helpful for him to plan and manage the District's finances.

2. **Auditor and Audit Engagement Letter for the Year Ended 2009**

Mr. Bills stated that the Engagement letter (letter) is essentially a contract between the District and the auditors. The letter has been reviewed by staff and meets all the criteria sent out in the RFP this past summer. Staff will be meeting with the auditors (Gilbert And Associates, Inc.) once the letter is signed. It was noted the auditors will conduct additional testing to provide the Board with assurance that problems the District had in the past are not recurring. This additional testing is not required for a complete audit.

The Committee directed staff to bring this item to the November board meeting as an action item with Committee support.

3. **USBR Grant Auditor and Audit Engagement Letter for 2009**

Mr. Bills discussed the cost to the grant audit. He said that the District will only pay its share and the balance will be covered by the additional grant recipients. The District is the lead Agency on the grant. RWA is responsible for producing/providing information for the District and the auditors.

The Committee directed staff to bring this item to the November board meeting as an action item with Committee support.

**Adjournment**

Director Schild adjourned the meeting at 7:00 p.m.