

Minutes

Sacramento Suburban Water District Special Board Meeting – Budget Workshop November 5, 2025

Location:

3701 Marconi Avenue, Sacramento, CA 95821, Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting ID #845 2280 5508

Call to Order

President Wichert called the meeting to order at 4:00 p.m.

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Roll Call

Directors Present: Jay Boatwright, Craig Locke, Kevin Thomas (arrived at 4:20 p.m.), and Robert Wichert.

Directors Absent: Dave Jones.

Staff Present: General Manager Dan York, Assistant General Manager Matt Underwood, Heather Hernandez-Fort, Jeff Ott, Dana Dean, Lynn Pham, Greg Bundesen, and Ann Bradford.

Public Present: Kurt Lauer, Kathy Lauer, Trish Harrington, and Roy Wilson.

Announcements:

None.

Public Comment

None.

Items for Discussion and/or Action

1. **Calendar Year 2026 Budget Workshop**

Jeff Ott (Mr. Ott) presented the staff report and answered clarifying questions.

President Wichert requested staff summarize the slide presentation.

Director Thomas joined the meeting at 4:20 p.m.

President Wichert expressed concern that the proposed rate increase was higher than inflation and noted that if rate increases exceeded inflation, the District risked outrunning its customers. He stated that a 4% increase would be appropriate and

recommended implementing a 4% increase instead of the 5% increase and suggested exploring cost reductions elsewhere to help manage the impact.

Director Boatwright stated that he wanted to do what was right for the ratepayers, but also wanted to take advantage of having funds available to invest in Capital Improvement Projects (CIP). He noted that there was a significant number of commitments for CIP projects, and this could help deliver them more effectively.

Director Thomas agreed with Director Boatwright, noting there were other projects that need to be completed.

Director Locke expressed that construction costs were experiencing significantly higher inflation, with some costs in the double digits. He pointed out that the Butterball Project was not budgeted or scheduled, leaving the District exposed to potential leaks, flooding, and liability. He explained that funding for the Butterball Project would not be available for three years and that the District had not conducted a full pipe replacement in a while. He emphasized that the issue was not overcharging customers, but rather underdelivering on CIP, and that postponing projects would do a disservice to the customers.

Discussion ensued on the Butterball Project's funding and tentative schedule.

Director Locke commented that the current discussion involved a potential rate decrease due to \$10 million dollars in excess reserves. He suggested that instead of reducing the rate increase that was previously approved, the District should consider removing the "gap year" and advancing the work on the Butterball Project immediately. He noted that allowing funding to drive the project schedule would not reduce costs and stated that he saw no benefit in a gap year, emphasizing that the budget should not be a limiting factor.

General Manager Dan York (GM York) stated that a master service agreement could be established and the work for the Butterball Project divided over multiple years.

Director Locke suggested encumbering the funds and rolling them over to lock in current rates. He added that the sooner the CIP projects were delivered, the better it would be. He stated that customers would benefit by avoiding higher future costs that could result from delaying the work.

President Wichert asked about the impact on the rate study if those changes were made.

Mr. Ott responded that the matter would need to be brought back for further review, as there were many moving parts and adjustments that would be required.

Kathy Lauer (Ms. Lauer) expressed strong opposition to reducing rates. She recommended continuing with slow, steady rate increases, as the District currently does, and emphasized that rates should not be lowered. She urged the Board to consider

Del Paso Manor's past experience as a cautionary example and stressed the importance of protecting ratepayers.

President Wichert suggested directing staff to explore ways to accelerate the Butterball Project as much as possible, providing the necessary manpower, construction, and design resources. He asked staff to determine how much the project could be accelerated, whether it was feasible, and the impact on planned rate increases.

Mr. Ott stated that the model could calculate the impact and that the results would be included in a future staff report.

Director Locke explained that the discussion about reducing the rate increase was due to an excess balance in capital. He suggested that instead of lowering rates, the funds should be spent on needed projects. He additionally noted that once construction began, it would proceed quickly and be costly. He recommended earmarking the \$10 million dollars in reserves for CIP to increase project delivery.

The Board agreed with Director Locke's suggestion.

Assistant General Manager Matt Underwood (AGM Underwood) stated that staff would bring back different options for the Board's consideration. He additionally clarified that at the May 19, 2025, regular Board meeting, the Board approved the staff recommendation to allocate net proceeds from recent Hexavalent Chromium (Chrom 6) and 1,2,3-Trichloropropane (TCP) settlements to the Well Development Fund for planned, anticipated, or needed water production projects such as new wells or treatment on existing wells.

Directors Locke agreed with AGM Underwood.

AGM Underwood questioned that when staff brought back options to accelerate the Butterball Project, should it include the well development funds.

Director Locke stated he preferred not to use any of the well development funds for the Butterball Project, noting that if it were something the District needed to do for cashflow and repay at a later time, he was okay with that.

President Wichert noted that he preferred to spend the available reserves on accelerating the Butterball Project.

Director Boatwright stated that if it was decided to spend the reserves, he preferred they not be spent on main replacement, but rather on Wells 85 and 86.

Director Locke stated that he believed that the well development budget was established to ensure funding would be available for treatment needs, such as PFAS or TCP. He noted that if funds were borrowed from that budget for the Butterball Project,

they should be replenished. He added that, in his view, those funds were received for damages from contamination and should remain earmarked for that purpose.

AGM Underwood clarified that the settlement agreements for both TCP and Chrome 6 were based on the District's efforts to mitigate the lost capacity. He noted that the capacity has since been replaced and that the settlement funds were provided to reimburse the District for work already completed. He added that there was no language in the agreements specifying how the funds must be utilized. He noted that staff was still in the process of discussion options on using the funds, such as taking the well development funds, and using them towards funding Well 86, and then use the funds that were currently allocated for Well 86 to fund the Butterball Project.

Directors Locke and Boatwright agreed with AGM Underwood.

AGM Underwood clarified that if at the Board directed accelerating the Butterball Project at all, the reserve funding would be used somehow.

President Wichert suggested that if accelerating the Butterball Project included issuing the request for proposals in 2026, additional funding would need to be added to the budget.

AGM Underwood clarified that President Wichert meant moving the \$100,000 to the 2026 budget.

President Wichert confirmed this, stating that would be the case if staff truly wanted to accelerate the Butterball Project.

Director Locke added that if staff needed more funding, to bring it back before the Board for additional approval. Director Locke noted that he would be upset if there was a 6-month lag in design because of lack of funding in the budget, noting that they could use additional funding from the reserve budget.

President Wichert noted that staff needed to run the model and inform the Board of the projected reserve levels.

AGM Underwood let the Board know that staff would bring back a report to the Board at a later date.

Mr. Ott expressed that he could make the \$100,000 change, but that the alternatives for the Butterball Project would need to come back at a later date.

Director Locke noted that the Butterball Project was not necessarily something staff would be able to complete in the 2026 budget year. He stated that staff could allocate funds for design on the Butterball Project in 2026, and if the funds were not used, they would roll over to the following year. He indicated that he would be comfortable

funding approximately \$400,000 for design now to ensure continuity in advancing the project.

Mr. Ott stated that in the past, funds had been accelerated into the current year, so if a project was already planned for the following year, it could be rolled into the current year, making it a multi-year project. He noted that any changes would be brought back to the Board for approval.

Director Locke noted that it could be done on the Consent Calendar.

Director Boatwright asked whether, if the Board accepted the rate increase, it could approve the budget without adding the \$100k. He also asked if the Board would need to approve the \$100k and bring the item back with that single change, and whether the out years needed to be included in the multiyear Butterball budget.

Mr. Ott explained that the 2026 budget did not include 2027, so the Board was only approving 2026. He noted that the final budget would contain only 2026 numbers and that, in the past, the Board had approved budgets as submitted with specific additions. He stated that staff could make any changes requested that night and still bring the final numbers to the November 17, 2025, regular Board meeting.

Director Locke suggested that instead of adding only the \$100,000, the Board include \$500,000 in the 2026 budget to cover both the \$100,000 and the estimated \$364,000 design cost. He stated that if the project moved quickly, the funds could be used in 2026, and if not, they could roll over to 2027.

President Wichert said he was in favor of everything Director Locke said, except the statement that we don't really care if it gets done, noting that we do care if it gets done.

Director Locke clarified that we do want it to get done, but his point was making sure to facilitate staff's ability to get the project done without having any additional delays, and he noted that he was fine with it, pointing out it was a gamble whether or not staff could do it, but said that even if staff was not able to do it, its not like the money goes away, and that it would be there for the following year.

GM York inquired if Director Locke's comment was a motion.

Director Locke was unclear whether motions were necessary, or if the Board was just giving direction to staff.

President Wichert seconded the motion, clarifying that it would be \$500,000 for the Butterball Project, but staff had to get it done.

Mr. Ott clarified that the \$356,000 would be increased to \$500,000 and the \$100,000 removed from the 2026 budget. He noted that the Butterball Project plan would already be included when the 2026 budget was approved and stated that staff would return with

options for integrating the Butterball Project schedule into the current financial structure.

Director Locke noted that reserve levels may fluctuate, but as long as the Board reached its target, it was acceptable. He stated that, if everything went according to plan, an additional \$25 million or \$17 million would be spent on CIP during this rate study and incorporated into the next 218 rate hearing.

Mr. Ott reminded the Board that in 2031 the debt service would be paid off, freeing an additional \$7 million per year.

President Wichert noted that the motion to increase to \$500,000 and remove the \$100,000 had been moved and seconded. He stated that staff would bring back a model showing the impact on reserves or potential rate increases at a later time. He added that the Board was approving the 2026 budget.

Mr. Ott explained that a discovery in the budget could affect the VODA budget and noted that staff might be able to cover the VODA budget.

The motion passed by unanimous vote.

AYES:	Boatwright, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones.		

President Wichert inquired if staff had additional items to discuss.

Mr. Ott noted the other item was whether to reduce the rate stabilization reserve from 40% to 30% and presented options, noting the current percentage was higher than necessary.

Director Locke stated he saw no reason not to reduce it and noted staff could return if more funds were needed.

Mr. Ott stated that the Reserve Policy was included in the Board packet for approval.

Director Locke moved to approve the staff recommendation for the Reserve Policy; Director Boatwright seconded, the motion passed by unanimous vote.

AYES:	Boatwright, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones.		

Mr. Ott asked if the Board wanted to see a clean version of the Policy at the November 17, 2025, regular Board meeting.

The Board agreed it did not need to see the Reserve Policy again.

Mr. Ott stated he would bring back the final budget sheet for future reconciliations but not the full presentation.

2. **Capital Improvement Program Plan 2026**

Mr. Ott presented the staff report noting alternatives for the Butterball Project would be presented to the Board at a future Board meeting.

Adjournment

President Wichert adjourned the meeting at 5:15 p.m.

Heather Hernandez-Fort
Board Secretary
Sacramento Suburban Water District