

Agenda
Sacramento Suburban Water District
Regular Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, November 16, 2015
6:30 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Roll Call

Announcements

Public Comment

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Consent Items

The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

1. Minutes of the October 19, 2015 Regular Board Meeting
Recommendation: Approve subject minutes.

2. Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003)
Recommendation: Adopt subject policy.
3. Resolution No. 15-25 Accepting Grant of Easement and Right of Way and Grant of Access Easement for Howe Avenue Park
Recommendation: Adopt subject resolution.
4. 2015 Audit Engagement Letter and Contract
Recommendation: Approve the audit engagement letter with Richardson & Company and authorize the Chair of the Finance and Audit Committee to execute a contract.

Items for Discussion and Action

5. 2016 Budget and 2017 Forecast – Third Draft
Receive third draft budget, approve or direct staff as appropriate.
6. Reserve Policy (PL – Fin 004)
Receive written report, approve or direct staff as appropriate.
7. New Accounting Pronouncement – Accounting and Financial Reporting for Pensions
Receive written report and direct staff as appropriate.
8. Association of California Agencies (ACWA) Officer Elections and Changes to the Bylaws
Consider supporting Kathleen Tiegs for ACWA President and Brent Hasty for ACWA Vice President, and support the recommended changes to ACWA Bylaws.
9. Project Agreements with RWA for Grant Management Services for 2015 Prop 84 Sacramento Regional Water Efficiency Drought Measures Project
Receive written report and direct staff as appropriate.
10. Setting the Dates for January and February 2015 Regular Board Meetings
Recommendation: Schedule the January and February 2015 Regular Board meetings to the fourth Monday of those months.
11. Discussion on District Legal Services
Receive written report and direct staff as appropriate.

Information Items

12. Water Conservation and Regional Water Efficiency Program Report
 - a. Drought Report

- b. Summary of Activities to Date
 - c. Water Conservation Program and Results
 - d. Upcoming Events
13. District Activity Reports
- a. Water Operations and Exceptions Report
 - b. Customer Service Report
 - c. Community Outreach Report
14. Engineering Report
- a. Major Capital Improvement Projects
 - b. County and City Projects/Coordination
 - c. McClellan Business Park
 - d. Groundwater Quality Projects
 - e. Developer Projects
 - f. Other
15. Financial Report
- a. Financial Statements – October 2015
 - b. Investments Outstanding and Activity – October 2015
 - c. Cash Expenditures – October 2015
 - d. Credit Card Expenditures – October 2015
 - e. Directors Compensation and Expense Accounting – Through October 2015
 - f. Market Report Yields – January 2010 through September 2015
 - g. District Reserve Balances – October 2015

- h. Information Required by Bond Agreement
- 16. General Manager's Report
 - a. LED Efficiency
 - b. Notice of Upcoming Election of Offices and Committee Appointments
 - c. Long Term Warren Act Contract
- 17. Legislative and Regulatory Update
- 18. 2015 Budget Reallocations
- 19. Well Efficiency Testing Annual Report
- 20. CEQA Exemptions for 2016 Water Facility Projects
- 21. Biannual Groundwater Elevations Report
- 22. California WaterFix Environmental Document
- 23. Upcoming Policy Review
 - a. Records Inspection, Retention, and Disposal Policy (PL – Adm 002)
 - b. Workplace Dishonesty Policy (PL – Adm 006)
 - c. Training and Career Development Policy (PL – HR 004)
 - d. Employee Standards of Conduct and Discipline Policy (PL – HR 011)

Committee Reports

- 24. a. Facilities and Operations Committee (Director Thomas)
Notes from the October 29, 2015 meeting.
- b. Finance and Audit Committee (Director Locke)
Notes from the October 30, 2015 meeting.
- c. Government Affairs Committee (Director Wichert)
No report.

- d. Ad Hoc Water Banking and Transfer Committee (Director Locke)
No report.
- e. Ad Hoc Water Rights Review Committee (Director Schild)
No report.

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

- 25. a. Regional Water Authority (Director Thomas)
Agenda from the November 12, 2015 meeting.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda from the October 28, 2015 meeting.
- b. Sacramento Groundwater Authority (Director Schild)
No report.
- c. Water Forum Successor Effort (Assistant General Manager York)
No report.

Carryover Storage Working Group Meetings
No report.

Water Forum Dry Year Conference Meeting
No report.

Water Caucus Meeting
No report.
- d. Other Reports

Miscellaneous Correspondence and General Information

- 26. Correspondence received by the District
- 27. General Information

Director's Comments/Staff Statements and Requests

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Closed Session (Closed Session Items are not opened to the public)

- 28. Conference with Legal Counsel – Existing Litigation, Government Code sections 54954.5(c) and 54956.9(d)(1). *In re Municipal Derivatives Antitrust Litigation, Master Docket No. 08-02516 VM-GWG, MDL 1950 (Sacramento Suburban Water District, et al.)* – Proposed Settlement Between District and National Westminster Bank and George K. Baum

- 29. Conference with real property negotiator involving the purchase of real property, Assessor’s Parcel Numbers 203-0270-001-0000 & 203-0270-001-0000. Robert Roscoe, District negotiator, will negotiate with Scott Thompson, agent for Polycomp Trust Co., fbo Mark Stout and Ruth Stout IRAs. Instructions to the negotiator may include price, terms of payment, or both. (See Government Code sections 54954.5(b) and 54956.8.)

Adjournment

Upcoming Meetings

Thursday, December 10, 2015 at 4:00 p.m., Special Board Meeting
Monday, December 21, 2015 at 6:30 p.m., Regular Board Meeting

I certify that the foregoing agenda for the November 16, 2015 meeting of the Sacramento Suburban Water District Board of Directors was posted by November 12, 2015 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Minutes

Sacramento Suburban Water District Regular Board Meeting Monday, October 19, 2015

Call to Order

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

Roll Call

Directors Present: Frederick Gayle, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Dan York, Heather Hernandez-Fort, James Arenz, Greg Bundesen, David Espinoza, Dave Jones, John Valdes, Annette O'Leary and Lynne Yost.

Public Present: Robert Swartz, Brenda Davis, Jim DeHart, Ted Costa, William Eubanks and Avery Wiseman.

Announcements

- Thursday, October 29, 2015 at 3:00 p.m., Facilities and Operations Committee Meeting.
- The Rutland Well Pumping Plant Project low bidder was Koch and Koch Incorporated. The low bid amount was roughly \$2,045,400. The District's Engineer, Wood Rodgers, is currently finishing the review of the bids and will be providing a recommendation of bid award within the next few days.
- At last month's Board meeting, the Board directed staff to attempt to set up a meeting for the Draft Analysis of Access to San Juan Water District (SJWD) Water Rights and Entitlement; however it was unsuccessful due to schedule conflicts. Staff will continue to try to organize a meeting.

Director Thomas inquired if the document was near completion. General Manager Robert Roscoe (GM Roscoe) stated that staff will continue to attempt to assemble a quorum for the meeting and also noted that he will be sure that all Directors receive a copy of the Draft Water Rights and Entitlement document.

President Schild suggested looking at the beginning of December to organize a meeting. GM Roscoe suggested the Board send in their availability and staff will try to coordinate a time that works for all.

Director Wichert stated that the Board will need to review the draft document in closed session to remove the document from its current draft form. He further stated that the only two members of the Board that need to be there are President Schild and Director Wichert, as they are the Committee members. He further noted that the Committee invites the full Board; however he didn't believe the meeting requires the full Board's attendance. GM Roscoe requested for Director Wichert and President Schild to submit their availability and staff will try to coordinate a meeting.

Director Gayle and Director Thomas stated that they both will attend. GM Roscoe stated that the meeting will be agenzized as a Special Board meeting with a single agenda item.

Director Locke also noted that he would like to be at the meeting and offered to assemble on a Saturday if necessary.

- Recent news issued of a potential tax consequence related to conservation rebates. GM Roscoe stated that staff is researching this tax law and will report back.

Public Comment

None.

Consent Items

1. Minutes of the September 21, 2015 Regular Board Meeting
2. Minutes of the October 5, 2015 Special Board Workshop
3. Water Banking and Transfer Policy (PL – BOD 006)

Director Thomas moved to approve Items 1 through 3; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and Action

4. **Hexavalent Chromium and Groundwater Sustainability Agency Updates**
 President Schild introduced Mr. Robert Swartz of the Sacrament Groundwater Authority (SGA).

Mr. Swartz presented a power point presentation on the recent trends in groundwater elevations of Hexavalent Chromium.

President Schild asked that if SGA successfully became the sustainability agency, would there be any commitment or negotiated agreement with the Sutter County and Placer County Water Agencies. Mr. Swartz answered that SGA would require having a coordination agreement with those Counties, on how the groundwater basin would be managed, which would include a groundwater basin plan.

President Schild further inquired if there would be a designated lead agency that would lead the coordination, or if the State Water Resources Control Board (SWRCB) would be the lead agency. Mr. Swartz answered that it would not go to the SWRCB, and that it would be locally coordinated.

Director Locke inquired if there would be separate entities if that were to happen. Mr. Swartz answered that there will probably be two, one in Sutter County and one in Placer County.

Director Gayle requested the list of interested parties. President Schild provided the list to Director Gayle.

Mr. Avery Wiseman inquired about concentrations of Hexavalent Chromium at Mather Airforce Base.

Further discussion ensued regarding the background standard and elevated levels of Hexavalent Chromium in the Sacramento region, the sources of it and the age of the water.

Ms. Brenda Davis inquired how the Department of Public Health arrived at 10 parts per billion as the public health standard. Further discussion ensued regarding the public health standard.

President Schild thanked Mr. Swartz for the presentation.

5. **New Staff Position - Distribution Operator I/II**

A written report was provided. Assistant General Manager Dan York (AGM York) provided an overview.

President Schild stated that he agreed with authorizing a new staff position and suggested the Directors approve it as well. He further recommended staff perform additional analysis for a second position, and present that further information to the Facilities and Operations Committee (F&O Committee) at a later time.

Director Thomas echoed President Schild's support for approving the first position and recommending staff present further information later for a second position. He also requested staff to present information regarding newer technology such as upgraded meters to the F&O Committee as well.

Mr. Eubanks withdrew his comment.

Director Thomas moved to proceed with authorizing one position at this time, and bring the second position back next year to reevaluate. Director Gayle seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild, Thomas and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

6. Water Conservation Update

GM Roscoe introduced the item. Mr. Greg Bundesen provided the staff presentation.

President Schild commented that the District logo was not large enough on the Districts newspaper advertisement and suggested staff make it larger.

Mr. Bundesen clarified the budget for leak detection. Director Thomas asked what different ways are available for performing leak detection. Mr. Bundesen stated that he would find out and report back.

Mr. Eubanks commented.

7. 2016 Budget and 2017 Forecast – Second Draft

A written report was provided. Finance Director Dan Bills (Mr. Bills) presented a review of the power point presentation.

Director Wichert wanted to discuss a balanced budget. He noted that the budget was out of balance by roughly 3 million dollars. He stated that he would like for expenses to equal income.

Mr. Bills explained that 2.1 million dollars is budgeted for Capital Improvement Projects (CIP) for 2015 that will roll over to 2016. He further stated that will leave roughly \$800,000 unbalanced. Director Wichert commented that he is not in favor of any carryover budget.

Director Gayle requested clarification on what Director Wichert defined as a zero base budget. Director Wichert clarified that a zero base budget is when you start from zero and don't have a carryover. Director Gayle stated that it's not possible to start from zero because operations don't stop.

Mr. Bills addressed Director Wichert's point by stating that staff has been directed to focus on keeping the reserve balance above 40 million dollars, which is possible to maintain if there is a carryover balance allotted.

Director Wichert noted that based on previous year's budgets, it appeared that the implication of guidance was to reduce the reserve balance, as the reserve balance has reduced each year.

GM Roscoe stated that previous Boards have approved budgets in the past that have very intentionally drawn down the reserve balance.

Director Wichert commented that if staff believes that the reserve balance is too high, then the District should consider offering customer refunds. GM Roscoe stated that is an option that could be considered; however the previous Board of Directors identified that there are infrastructure improvements that the District is behind in replacing, therefore opted to make those improvements.

Mr. Bills noted that when the rate structure was conducted, it was intentionally designed to utilize some of the reserve funds in order to continue the CIP programs. He further stated that it was determined to be roughly 19 million dollars per year for the CIP budget.

Mr. Bills also explained that giving a refund unfortunately is not an option as the District does not have all of the same customers. He further identified that the option that would be available is to reduce rates going forward.

Director Wichert restated that he wanted to see a balanced budget with no carryover.

Director Locke acknowledged that he and Director Wichert were not with the District when the justification for the 19 million dollars was established.

President Schild suggested carrying over the money, not including it in the 2016 budget, but creating a carryover fund instead. Mr. Bills noted that is what staff has recommended, only including it in the 2016 budget.

Director Wichert commented that if staff wanted the reserve to go down, then the current rate increase is not needed. Mr. Bills noted that staff is not recommending the reserve go down. He further noted that staff is presenting a budget based on Board direction, to keep the reserves above 40 million as well as getting the CIP projects done.

Director Wichert suggested looking at the CIP area for reduction to create a balanced budget.

President Schild introduced the further consolidation analysis budget. Director Wichert commented that he is not in favor of budgeting for further consolidation analysis.

Director Wichert moved to budget for no further funding on the consolidation analysis. President Schild seconded. Director Thomas commented that it would be a shame to stop now as he believed that everyone is still looking for more information.

President Schild commented that the District can still purchase water from SJWD without the need of consolidation.

Director Locke recommended changing the budget title of “further consolidation analysis” to something else. He stated that he believes that what the Board wants to do is figure out a way to purchase surface water instead. He further stated that the analysis doesn’t need to take the form of a consolidation, but rather some other agreement and believes it’s worth continuing to make an investment into looking into it.

President Schild asked the Board how much money to put into that budget item. Mr. Bills noted that the District has spent so far this year \$93,000.00 on consolidation analysis.

A vote was called on the motion by Director Wichert to budget for no further funding on the consolidation analysis, as seconded by President Schild. The motion failed by a 2/3 vote.

AYES:	Schild and Wichert.	ABSTAINED:	
NOES:	Gayle, Locke and Thomas.	RECUSED:	
ABSENT:			

Director Wichert requested to see a benefit to the District rate payers to consolidate with SJWD. Director Thomas answered that a benefit would be the surface water. Discussion ensued regarding the purchase of SJWD surface water.

GM Roscoe acknowledged that the previous Board action on the topic of the consolidation was to suspend further action until further legal analysis was completed. He stated that staff has not been able to schedule the presentation of the final legal analysis, so the current direction is to suspend further action.

He further suggested adding a sum of money for “special studies” to be determined by the Board. He clarified by stating that this would not give the General Manager authority to spend that money on anything else, without prior Board approval. GM Roscoe also noted that this could leave the option open to spend that money on Hexavalent Chromium, or some other emergency that could possibly up.

Director Thomas moved to set aside \$100,000.00 for special studies to be determined by the Board of Directors, and that the money cannot be spent until it comes back to the Board of Directors and receive further Board action. Director Locke seconded. Director Wichert noted that he is against this type of fund. The motion carried by a 3/2 vote.

AYES:	Gayle, Locke and Thomas.	ABSTAINED:	
NOES:	Schild and Wichert.	RECUSED:	
ABSENT:			

Mr. Bills introduced the budget for water transfers.

President Schild stated that he is opposed to budgeting for water transfers, stating that he thinks that the District should utilize the water that we have stored for District customers as they were the ones that paid to put it there.

Director Wichert stated that he is in favor of budgeting a limited amount of money for water transfers; however, he is opposed to transferring water to Southern California. Director Locke stated that he is in favor of budgeting for water transfers. Director Wichert requested staff present a figure on how much to budget for water transfers.

Mr. Bills noted that staff will put an analysis together on a budget for water transfers, and bring back a figure to the full Board at the next meeting.

Mr. Bills clarified the Capital Asset portion of the reserve balance for Director Wichert.

Mr. Bills presented the water costs budget. President Schild requested to see a dollar per acre foot graph, rather than the current chart for total cost, stating that it would be more meaningful. Mr. Bills indicated that he will work on that.

Mr. Bills further noted the SJWD fee increase to the wholesale entity. Director Wichert requested staff make some inquiries to try to find out what that increase will be and report back. Mr. Bills noted that he will check and report back.

Mr. Bills presented the Merit budget. He clarified who is eligible for a 4% merit increase. He also explained what it takes in the organization to move within a person's salary band and the process for merit increases.

A brief discussion ensued regarding the impacts that wages have on the District's retention.

Director Wichert inquired how much each percent of an increase is. Mr. Bills answered about \$40,000 total per percent.

Mr. Eubanks commented.

Mr. Wiseman commented that the District has one full year of CIP budget in reserves, and that he believes that the District is overspending. He also noted that the budgeted amount for CIP is never fully spent. He suggested adjusting the CIP budget and giving the ratepayers a break.

Mr. Bills concluded his presentation on the CIP budget.

President Schild inquired about how many meters were already installed and how many services need to still be metered. He further suggested modifying the chart to make it clearer.

President Schild inquired about the engine generator compliance item. Mr. John Valdes replied that staff budgets each year for maintenance and/or replacement of engine generators for the 37 well sites that have engine generators.

President Schild inquired if SMUD offers dual connections and recommended staff contact SMUD to obtain further information.

Director Thomas inquired about GPS asset locators, asking how much they cost and if it is possible to move it up to 2016. He believes that would be a real benefit to the District. He further noted that it would be really nice to get that program going soon, noting that he has been requesting for it for a while.

Mr. Bills stated that the program has been a little difficult to implement, as the District doesn't have the equipment or the staff availability, noting that it's been more of a resource issue than anything else. Mr. Bills did however recognize that it's a need and staff will proceed with this as soon as possible.

President Schild asked if the arch flash project will be completed this year. Mr. Jim Arenz commented that it will be completed.

President Schild inquired about the impending upgrade to the accounting program. Mr. Bills answered that after a full analysis was preformed, and the current software was upgraded to a new version, it was determined that a full upgrade to the software was not necessary, creating a savings of roughly \$4,000.00.

President Schild inquired if the LED lighting project was being rebated. Staff replied that SMUD is providing a rebate for the lighting.

Director Wichert restated that he would like to see a balanced budget. He further requested for staff to present a proposal on their recommendations for decreasing the CIP budget and adding a reasonable budget for water transfers.

GM Roscoe explained the different variations of budgeting, noting that at any given day the balance could be off due to ongoing projects, but at the end of the year it balances up.

President Schild requested staff try to balance the budget to make it more understandable for the public. Director Gayle inquired what purpose that would serve. President Schild stated that if it is presented in a manner that balances, the public may understand it better.

Discussion ensued regarding the different variations of creating a balanced budget.

Mr. Bills noted that the practical implementation of the budget decision is that the Board is giving the General Manager authority to spend up to a certain amount and advising him what it can be spent on to operate and manage the district.

Director Locke remarked that each year the District is getting closer to the 40 million dollars in reserves, noting that eventually the District will need to reduce the CIP expenditures and possibly reevaluate the CIP schedule.

To help clarify the CIP plan for next year, Mr. Bills suggested putting the CIP plan into three columns, what is carried over from the current year, what is expected to be spent the next year, and what is expected to carry over to the year after that.

Mr. Eubanks commented.

8. **Reserve Policy (PL – Fin 004)**

A written report was provided. No action was taken.

Information Items

9. **Water Conservation and Regional Water Efficiency Program Report**

A written report was provided.

a. *Drought Report*

A written report was provided.

b. *Summary of Activities to Date*

A written report was provided.

c. *Water Conservation Program and Results*

A written report was provided.

d. *Upcoming Events*

A written report was provided.

10. **District Activity Reports**

A written report was provided.

a. *Water Operations and Exceptions Report*

A written report was provided.

b. *Customer Service Report*

A written report was provided.

c. *Community Outreach Report*

A written report was provided.

11. **Engineering Report**

A written report was provided.

a. *Major Capital Improvement Projects*

A written report was provided.

b. *County and City Projects/Coordination*

A written report was provided.

- c. *McClellan Business Park*
A written report was provided.
- d. *Groundwater Quality Projects*
A written report was provided.
- e. *Developer Projects*
A written report was provided.
- f. *Other*
A written report was provided.

12. **Financial Report**

A written report was provided.

- a. *Financial Statements – September 2015*
A written report was provided.
- b. *Investments Outstanding and Activity – September 2015*
A written report was provided.
- c. *Cash Expenditures – September 2015*
A written report was provided.
- d. *Credit Card Expenditures – September 2015*
A written report was provided.
- e. *Directors Compensation and Expense Accounting – Through September 2015*
A written report was provided.
- f. *Market Report Yields – January 2010 through September 2015*
A written report was provided.
- g. *District Reserve Balances – September 2015*
A written report was provided.
- h. *Information Required by Bond Agreement*
A written report was provided.

13. **New Accounting Pronouncement – Accounting and Financial Reporting for Pensions**

A written report was provided. Mr. Bills announced that the pamphlet is in the front of each Board members binder, and there will be a further presentation on it next month.

14. **Financial Markets Quarterly Report**

A written report was provided.

15. **Year-to-Date Interest Expense Quarterly Report**
A written report was provided.
16. **District Credit Rating**
A written report was provided. GM Roscoe particularly noted the efforts of District Treasurer Dan Bill and his ongoing effort in successfully keeping the District debt service costs low with the District's exceptional credit rating.
17. **General Manager's Report**
A written report was provided.
 - a. *Aerojet Superfund Issue Community Advisory Group Meeting*
A written report was provided.
 - b. *Status of the Water Master Plan Update and the 2015 Urban Water Management Plan (UWMP)*
A written report was provided.
 - c. *Surface Water Supply of Former Northridge Water District*
A written report was provided.
 - d. *Modified Flow Management Standard*
A written report was provided.
 - e. *ACWA Region Election Results and Nominations for President/Vice President*
A written report was provided.
18. **Legislative and Regulatory Update**
A written report was provided.
19. **Human Resources Quarterly Report**
A written report was provided.
20. **CIP Projects Quarterly Report**
A written report was provided.
21. **Notice of Violation Update – Central Valley Regional Water Quality Control Board**
A written report was provided. AGM York provided a summary of the report.
22. **Upcoming Policy Review**
 - a. *Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003)*
A written report was provided. Directors' comments are due by November 2, 2015.

Committee Reports

23. a. *Facilities and Operations Committee (Director Wichert)*
No report.
- b. *Finance and Audit Committee (Director Locke)*
No report.
- c. *Government Affairs Committee (Director Wichert)*
No report.
- d. *Ad Hoc Water Banking and Transfer Committee (Director Locke)*
No report.
- e. *Ad Hoc Water Rights Review Committee (Director Schild)*
No report.

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

24. a. *Regional Water Authority (Director Thomas)*
No report.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda was provided.
- b. *Sacramento Groundwater Authority (Director Schild)*
President Schild provided an oral report regarding the October 8, 2015 meeting.
- c. *Water Forum Successor Effort (Assistant General Manager York)*
Agenda was provided.

Carryover Storage Working Group Meetings
No report.

Water Forum Dry Year Conference Meeting
No report.

Water Caucus Meeting
No report.
- d. *Other Reports*
President Schild provided oral reports regarding the September 27, 2015 ACWA Federal Affairs Meeting, the September 23, 2015 ACWA Groundwater Meeting, the September 30, 2015 Financing Sustainable Water Workshop and a meeting on October 6, 2015 regarding meeting with AGM York and Mr. Arenz.

Director Thomas provided oral reports regarding the September 23, 2015 Aerojet Superfund meeting, the meeting on October 2, 2015 at CSUS presented by John Woodling, the October 7, 2015 San Juan Water District Board Meeting and his meeting with AGM York on September 24, 2015.

Director Gayle provided an oral report regarding the September 21, 2015 meeting of the McClellan RAD.

Miscellaneous Correspondence and General Information

25. Certain correspondence received by the District was provided.
26. General Information related to District business was provided.

Director's Comments/Staff Statements and Requests

None.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 10:12 p.m.

27. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.
28. Conference with real property negotiator involving the purchase, sale, lease or exchange of real property, Assessor's Parcel Numbers 203-0270-001-0000 & 203-0270-001-0000. Robert Roscoe, District negotiator, will negotiate with Polycomp Trust Co. Instructions to the negotiator may include price, terms of payment, or both. (See Government Code sections 54954.5(b) and 54956.8.)

Return to Open Session

The Board convened in open session at 10:27 p.m. There was no reportable action.

Adjournment

President Schild adjourned the meeting at 10:28 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 2

Date: November 3, 2015

Subject: Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003)

Staff Contact: Lynne Yost, Human Resources Coordinator

Recommended Board Action:

Approve the updated Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003).

Discussion:

Included with this report, in both redline and final versions, is the updated Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003) for the Board’s consideration. Staff is recommending the Board approve the policy with the following non-substantive updates: 1) change the reference to pay/salary “bands for” all positions under Section 200.00, and 2) add a reference to the evaluation procedure developed by the General Manager under Section 300.00 (a copy of that procedure, PR-HR 001, is also included with this report for reference purposes).

The policy was submitted to the Board last month as an information item. Director Neil Schild discussed his comments with Assistant General Manager Dan York and had no further changes to suggest.

The policy was not submitted to legal counsel for review. It was originally adopted by the Board in October 2003 and last revised in December 2013.

Fiscal Impact:

None.

Strategic Plan Alignment:

Customer Service – 3.A. Operate in an open and public manner.

Customer Service – 3.B. Attract and retain a well-qualified staff with competitive compensation, effective training, and professional development to ensure safe, efficient and effective job performance.

Sacramento Suburban Water District

Employee Performance Evaluation, Merit and COLA Policy

Adopted: October 20, 2003

Revised: ~~November 21, 2005~~; October 15, 2007; October 17, 2011; December 16, 2013;
November XX, 2015

100.00 Purpose of the Policy

The purpose of this policy is to establish a process to evaluate and assess employee job performance, assist employees in improving performance, provide the basis for merit increases and cost-of-living adjustments (COLA), and provide historical documentation of employee performance.

200.00 Policy

It is the District's policy to provide a program for advancement of its employees within the pay/salary ~~bands~~range ~~for~~ their positions using a merit-based system based on performance and goal achievement through an evaluation process. Performance evaluations are intended to help the employee better understand his/her job responsibilities; improve job performance in relation to the District's mission statement, values, goals and principles; measure and enhance individual performance; recognize and reward employee contributions; and foster professional development and career growth. The process is also intended to increase productivity, correct issues before they become serious problems for the individual or the District, and meet internal and external needs for documentation of individual performance. Performance evaluations are an essential part of an individual's employment experience with the District and serve as the basis for several employment-related actions including, but not limited to, completion of introductory periods, determination of merit increases and COLA, promotions and transfers. In addition, they serve as tools for placing employees on notice of performance deficiencies that, if uncorrected, may lead to corrective actions up to and including termination. The total merit increase pool must be approved by the Board of Directors within the annual labor budget. Individual merit increases are determined by the General Manager and are based on satisfactory performance reviews. Introductory employees are eligible to receive an annual COLA, if any, in the absence of any documented performance issues.

300.00 Authority and Responsibility

The General Manager is ~~authorized and~~ responsible for administering this policy and has established an evaluation process for evaluating and assessing job performance

and compensation guidelines as set forth in the Employee Performance Evaluation, Merit and COLA Procedure (PR-HR 001) and supervisory training program that will be administered by the General Manager or his/her designee.

400.00 Policy Review

This policy will be reviewed at least biennially.

Sacramento Suburban Water District

Employee Performance Evaluation, Merit and COLA Policy

Adopted: October 20, 2003

Revised: October 15, 2007; October 17, 2011; December 16, 2013; November XX, 2015

100.00 Purpose of the Policy

The purpose of this policy is to establish a process to evaluate and assess employee job performance, assist employees in improving performance, provide the basis for merit increases and cost-of-living adjustments (COLA), and provide historical documentation of employee performance.

200.00 Policy

It is the District's policy to provide a program for advancement of its employees within the pay/salary bands for their positions using a merit-based system based on performance and goal achievement through an evaluation process. Performance evaluations are intended to help the employee better understand his/her job responsibilities; improve job performance in relation to the District's mission statement, values, goals and principles; measure and enhance individual performance; recognize and reward employee contributions; and foster professional development and career growth. The process is also intended to increase productivity, correct issues before they become serious problems for the individual or the District, and meet internal and external needs for documentation of individual performance. Performance evaluations are an essential part of an individual's employment experience with the District and serve as the basis for several employment-related actions including, but not limited to, completion of introductory periods, determination of merit increases and COLA, promotions and transfers. In addition, they serve as tools for placing employees on notice of performance deficiencies that, if uncorrected, may lead to corrective actions up to and including termination. The total merit increase pool must be approved by the Board of Directors within the annual labor budget. Individual merit increases are determined by the General Manager and are based on satisfactory performance reviews. Introductory employees are eligible to receive an annual COLA, if any, in the absence of any documented performance issues.

300.00 Authority and Responsibility

The General Manager is responsible for administering this policy and has established a process for evaluating and assessing job performance and compensation guidelines as

set forth in the Employee Performance Evaluation, Merit and COLA Procedure (PR-HR 001).

400.00 Policy Review

This policy will be reviewed at least biennially.

Sacramento Suburban Water District

Employee Performance Evaluation, Merit and COLA Procedure

Effective: October 20, 2003

Revised: November 21, 2005, October 9, 2007, November 24, 2008; October 21, 2011

Purpose

The purpose of this procedure is to establish a process for evaluating and assessing job performance and compensation guidelines for cost-of-living adjustments (COLA) and merit increases for regular and management employees. This procedure is authorized under the Employee Performance Evaluation, Merit and COLA Policy PL - HR 003 and the Employee Compensation Policy PL - HR 002.

Authority

The General Manager holds statutory authority to fix and alter employee compensation subject to the approval of the District's Board of Directors (California Water Code Section 30580). Nothing in this procedure shall be interpreted to alter that authority.

General Performance Evaluation Procedure

The employee, employee's supervisor and General Manager or designee will sign all written performance evaluations. The District will maintain all written performance evaluations as part of the employee's personnel file. Performance evaluations will not only be used for merit salary increases, but also for professional development, clarification of job duties and expectations, remedial action and time frames, employee morale and promotional opportunities.

Evaluations will be prepared by an employee's immediate supervisor and reviewed by the next level Superintendent/Manager. Standardized forms will be used for all performance evaluations. The immediate supervisor, Superintendent/Manager and employee will meet to review and discuss the evaluation. The performance evaluation meeting is an interactive exchange during which an employee is encouraged to offer comments, ask questions and make suggestions. If there are performance deficiencies, supervisors should identify the specific performance areas that need improvement, provide the employee with feedback and advice regarding how to correct the deficiencies, inform the employee of the measurement criteria to be used to determine a satisfactory level of performance, and give the employee a timeframe within which performance is to be improved.

All performance evaluation meetings will be conducted in private with the employee and his/her immediate supervisor and Superintendent/Manager. At the conclusion of the meeting, the

employee will be furnished a copy of his/her performance evaluation and will sign as an indication of receipt of the evaluation. The original evaluation will then be submitted for signature by the General Manager or his/her designee. The fully-signed original will be forwarded to the Human Resources Department to provide copies to the Superintendent/Manager and employee and place the original evaluation in the employee's personnel file.

Performance Evaluation Procedure for New Hire/Promotional Introductory Employees

Newly hired employees will have a six (6) month introductory period during which they will receive two written performance evaluations: one at three (3) months and one at six (6) months from the hire date. Promotional employees may be placed on a ninety (90) day trial period at the discretion of the Department Manager or the General Manager and evaluated for their performance at approximately three (3) months and six (6) months from the promotion date. The Human Resources Department will schedule the employee's evaluations during this period.

The introductory period may be extended in those cases where the General Manager, after input from the employee's immediate supervisor, Department Manager and Human Resources Department, determines that an extension of time would be beneficial to the District. Reasons for extending the introductory period may include, but are not limited to, specific and documented performance issues, extended illness or injury, or the employee's having been precluded from performing the duties of the assigned position.

Employee termination is considered when the performance evaluation shows that an introductory employee has not met the requirements for regular status employment. An employee rejected during the introductory period following a promotional appointment may be reinstated to the position from which promoted, if available, unless the issue involves more serious departures from expectations, such as violations of employee standards of conduct, which may result in disciplinary action up to and including termination.

All employees remain "at will" employees during and following the introductory period. There is no change in "at will" employment status at the conclusion of the introductory period.

Upward movement within flex staffed positions will not require an introductory period. The General Manager has final authority in all hiring, promotions, demotions, terminations or extensions of introductory periods.

Performance Evaluation Procedure for Regular Employees

Regular employees will receive at least one annual written performance evaluation. Annual performance evaluations will be given to all employees, whether or not such employees are eligible for a merit increase. The Human Resources Department will schedule the employee's annual performance evaluation.

Performance Evaluation Procedure for Special Performance Evaluations

With the prior approval of the Superintendent/Manager, an employee's immediate supervisor may conduct a special performance evaluation at any time deemed necessary to record a specific performance issue including, but not limited to, above-average or outstanding work performance, documentation of improvement needed, or unsatisfactory performance of assigned duties. If there are performance deficiencies, supervisors may develop improvement plans, provide special performance evaluations, schedule follow-up meetings, and offer additional training and other resources. Performance evaluations are non-disciplinary.

Procedure to Appeal Performance Evaluation

If an employee disagrees with the performance evaluation, the employee may submit a written appeal to the General Manager. The General Manager or designee will investigate the evaluation and the appeal and render a written decision on all issues raised by the employee within twenty (20) working days of receipt of the appeal. The decision reached by the General Manager or designee will be final.

Timing of Performance Evaluations

New hire and promotional employees who attain regular status after their six (6) month performance evaluation will be evaluated one (1) year from their hire or promotion date. If the date of hire or promotion is between October 1 and March 31, the first annual performance evaluation shall be done with all other annual evaluations during the fourth quarter of the calendar year (i.e., October through December) in which the employee either reaches his/her first service year anniversary or is within three months of his/her anniversary. If the date of hire or promotion is between April 1 and September 30, the first annual performance evaluation shall be done by the employee's first service year anniversary. Thereafter, all annual performance evaluations for regular employees will be completed during the fourth quarter of each year (i.e., October through December of each year). The Human Resources Department will provide all necessary forms to Superintendents/Managers and drafts will be submitted for review by the General Manager or designee. Completed signed original evaluations will be submitted to the General Manager or designee by January 31st of each year.

Merit Increase Guidelines

Merit increases are not automatic; they are given based on performance and in accord with current business circumstances. The General Manager will determine a method for allocating merit increases that best represents performance level and responsibilities and include that allocation in the proposed labor budget for review and approval by the Board of Directors. For employees "capped" at the top of their position pay/salary band, merit increases, if any, may be awarded by the General Manager in the form of additional vacation hours as a one-time allocation that will not change an employee's regular rate of vacation accrual.

New Hire and Promotional Employees: New hire and promotional employees will be eligible for a prorated merit increase effective as of the first full pay period commencing on or after the anniversary date of their new or promoted position if an increase is 1) recommended by their immediate supervisor and next level Superintendent/Manager, 2) supported by the ratings given in their performance evaluation, and 3) approved by the General Manager or designee. Superintendents/Managers shall include estimated amounts for an employee's first annual merit increase in their department's fiscal year budget based upon their observations of the employee's performance.

Merit increases after the first annual performance evaluation will be prorated based on the employee's hire date under the following schedule:

- Employees hired January 1st through March 31st will receive 75% of the approved Merit Amount (MA) for the current fiscal year (i.e., .75 x MA).
- Employees hired April 1st through June 30th will receive 50% of the MA for the current fiscal year (i.e., .50 x MA).
- Employees hired July 1st through September 30th will receive 25% of the MA for the current fiscal year (i.e. .25 x MA).
- Employees hired October 1st through December 31st will receive 0% of the MA for the current fiscal year, but will receive 100% of the MA for the new fiscal year commencing January 1 with all other Regular Employees which will take effect by March 1st (see section below on Regular Employees).

Examples of Merit Increase Calculations

Example No. 1:

- Employee hired May 1, 2007.
- Employee's first annual performance review on one year anniversary on May 1, 2008; supervisor and manager recommend a merit increase.
- Employee's performance review ratings justify a merit increase of 3%.
- General Manager approves 3% merit increase.
- Merit increase is prorated based on the employee's hire date of May 1, which is 50% or $.50 \times 3\% = 1.5\%$.
- The effective date of the 1.5% merit increase is the first full pay period commencing on or after May 1, 2008.
- The employee will next be evaluated in October-December 2008 and will be eligible for a full annual merit increase that will take effect by March 1, 2009 (see section below on Regular Employees).

Example No. 2:

- Employee hired October 20, 2007.
- Employee's first annual performance review with all other annual evaluations during the fourth quarter of 2008; supervisor and manager recommend a merit increase.
- Employee's performance review ratings justify a merit increase of 4% based on the MA for the new fiscal year commencing January 1, 2009.

- General Manager approves 4% merit increase.
- The effective date of the 4% merit increase is by March 1, 2009, with all other Regular Employees.
- The employee will next be evaluated in October-December 2009.

Regular Employees: Regular employees will be eligible for annual merit increases if an increase is 1) recommended by their immediate supervisor and next level Superintendent/Manager, 2) supported by the ratings given in their performance evaluation, and 3) approved by the General Manager or designee. Annual merit increases for regular employees will take effect by March 1st of each year.

COLA Guidelines

All employees with satisfactory performance reviews will receive an annual cost-of-living adjustment (COLA) if recommended by the General Manager and approved by the Board of Directors in the proposed labor budget for the upcoming fiscal year. Introductory employees who have not yet received their first performance evaluation will be eligible to receive the annual COLA, if any, in the absence of any documented performance issues. The annual COLA, if any, will take effect by March 1st of each year.

Approved by:



General Manager Signature



Agenda Item: 3

Date: November 6, 2015

Subject: Resolution No. 15-25 Accepting Grant of Easement and Right of Way and Grant of Access Easement for Howe Avenue Park

Staff Contact: Dave Jones, Associate Engineer

Recommended Board Action:

Adopt Resolution No. 15-25 Accepting Grant of Easement and Right of Way and Grant of Access Easement for Howe Avenue Park, APN #278-0112-001.

Discussion:

The design of new water mains for the Barcelona Water Main Replacement Project has necessitated the acquisition of a pipeline easement and an access easement for a new water main supporting a new public fire hydrant. The Barcelona Water Main Project calls for the fire hydrant to be upgraded to meet current fire flow requirements by installing 238 feet of 8-inch main, a new fire hydrant and a new meter with backflow protection. The proposed improvements will require an easement from the Fulton-El Camino Recreation and Park District (FECRPD). As shown on Exhibit 1, a public fire hydrant was originally installed by the former Arcade Water District without the benefit of an easement and is located in the northern portion of Howe Avenue Park. The proposed easements are also shown on the exhibit with the proposed water line, meter and new hydrant.

Both easements are permanent, and when combined together provide the District with adequate space to install the water main and perform any future maintenance and repair. The pipeline alignment is in an asphalt parking lot.

From SSWD perspective, the single difference between this arrangement and a standard 20-foot waterline easement is the location of the pipe is limited to the 10 foot corridor. The additional width granted with the access easement provides space needed to properly access and maintain District facilities.

The property owner, FECRPD, at the direction of the Park District's Board, has agreed to grant the District two easements for the proposed improvements at no cost to the District. The first easement is for the water line, meter, and fire hydrant. This is a 10-foot wide easement. The second easement is a 24-foot wide ingress/egress easement running east/west from the centerline of Bell Street to the new fire hydrant location, combined with a 20-foot wide easement from

Resolution No. 15-25 Accepting Grant of Easement and Right of Way and Grant of Access
Easement for Howe Avenue Park

November 6, 2015

Page 2 of 2

Barcelona Way to the angle point of the water main alignment. The easement areas being acquired total approximately 14,059 square feet (sf).

Fiscal Impact:

There is no fiscal impact for accepting the easements. Minor costs are anticipated for parking lot restoration associated with the main replacement project, and minor survey work.

Strategic Plan Alignment:

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

District customers benefit as the proposed easements allow the District the right to access the new water system facilities for maintenance of the infrastructure and operation of the system and establish a right to access.

RESOLUTION NO. 15-25

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SACRAMENTO SUBURBAN WATER DISTRICT
ACCEPT GRANT OF EASEMENT AND RIGHT OF WAY AND GRANT OF ACCESS
EASEMENT FOR HOWE AVENUE PARK, APN: 278-0112-001**

WHEREAS, the below named Grantor, the owner of record of certain real properties has conveyed to Sacramento Suburban Water District, a political subdivision of the State of California, the real properties of interest therein which is more particularly described in the following instruments of conveyance:

GRANTOR: FULTON-EL CAMINO RECREATION AND PARK DISTRICT

INSTRUMENT: GRANT OF EASEMENT AND RIGHT OF WAY & GRANT OF ACCESS
EASEMENT

EXECUTED AND DATED: OCTOBER 16, 2015

AND WHEREAS, it has been duly determined by the Board of Directors of Sacramento Suburban Water District that it is in the public interest for the District to acquire and accept the said real properties or interest therein.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The District General Manager is hereby authorized and empowered to consent to and accept on behalf of the District, as presented to the Board of Directors on November 16, 2015, the real properties or interest therein conveyed by the aforementioned instruments of conveyance.
2. The properties subject to this resolution is more fully described in the attached legal descriptions and maps, attached hereto and incorporated herein as though fully set forth.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 16th day of November, 2015 by the following vote:

AYES:
NOES:
ABSENT:

By: _____
Neil W. Schild
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 16th day of November, 2015.

(SEAL)

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

CERTIFICATE OF ACCEPTANCE

This is to certify that SACRAMENTO SUBURBAN WATER DISTRICT, a political subdivision of the State of California, acting by and through its General Manager, hereby accepts for public purposes the real properties, or interest therein, conveyed by the within document and consents to the recordation thereof pursuant to authority conferred by:

Resolution No. 15-25 adopted on the 16th day of November, 2015.

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Dated: November 16, 2015

Recording Requested By, And When
Recorded, Please Mail Document To:

SACRAMENTO SUBURBAN WATER DISTRICT
Attn: General Manager
3701 MARCONI AVENUE, SUITE 100
SACRAMENTO, CA 95918

Official Document, Exempt from Recording
Fees Pursuant to Gov't Code §§ 6103 & 27383

No Document Transfer Tax
Per R&T Code § 11922

Assessor's Parcel No(s): 278-0112-001

-- This Space for Recorder's Use Only --

GRANT OF EASEMENT AND RIGHT OF WAY

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, **FULTON-EL CAMINO RECREATION AND PARK DISTRICT**, Grantor, hereby grants to **Sacramento Suburban Water District**, a political subdivision of the State of California, Grantee, a permanent easement and right of way, including the perpetual right to enter upon the real property described below at any time that Grantee may deem necessary, to locate, construct, install, operate, maintain, repair, modify, replace and remove underground pipelines, water mains and all necessary below- and above-ground appurtenances for the purpose of conveying water over, across, through, and under the lands hereinafter described, together with the right to excavate and refill ditches or trenches for the location of said pipelines, water mains and appurtenances, and the further right to remove trees, bushes, undergrowth, ground covering, pavement, and any other obstructions interfering with the location, construction, installation, operation, maintenance, repair, modification, replacement and removal of said pipelines, water mains and appurtenances.

The land burdened by this Grant of Easement and Right of Way is located in the County of Sacramento, State of California, and is more particularly described as follows:

See Exhibits 'A' and 'B'

Attached hereto and made a part hereof this Grant of Easement and Right of Way

As a condition of this Grant of Easement and Right of Way, Grantor reserves the right to use such land for purposes that will not interfere with Grantee's full enjoyment of the rights hereby granted; provided that Grantor shall not erect or construct any building, wall, fence, or other permanent structure, or drill or operate any well, or construct any reservoir or any other obstruction on said land, or to diminish or substantially add to the ground cover lying over the easement and right-of-way granted herein.

The provisions of this Grant of Easement shall run with the land and inure to the benefit of and bind the heirs, successors, and assigns of the Grantor and Grantee.

Executed this 16th day of OCTOBER, 2015.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

Signature: Michael E Grace

Signature: _____

By: MICHAEL E GRACE

By: _____

Title: GENERAL MANAGER

Title: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California

COUNTY OF Sacramento

On 10/16/15 before me, Terri R Leimbach, notary public,
date name of notary officer

personally appeared Michael E. Grace,
name(s) of signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Terri R Leimbach
 Signature of Notary



-----OPTIONAL SECTION-----

CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
- CORPORATE OFFICER(S)

Title(s)

- PARTNER(S) LIMITED
- GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

SIGNER IS REPRESENTING:
 Name of Person(s) or entity(ies)

OPTIONAL SECTION:

TITLE OR TYPE OF DOCUMENT: _____
 NUMBER OF PAGES _____ DATE _____
 SIGNER(S) OTHER THAN NAMED ABOVE _____

DATA REQUESTED HERE IS NOT REQUIRED BY LAW.

CERTIFICATE OF ACCEPTANCE

This is to certify that SACRAMENTO SUBURBAN WATER DISTRICT, a political subdivision of the State of California, acting by and through its General Manager, hereby accepts for public purposes the real property, or interest therein, conveyed by the within document and consents to the recordation thereof pursuant to authority conferred by:

Resolution No. _____ adopted on the _____ day of _____, 20____.

Dated: _____, 20____

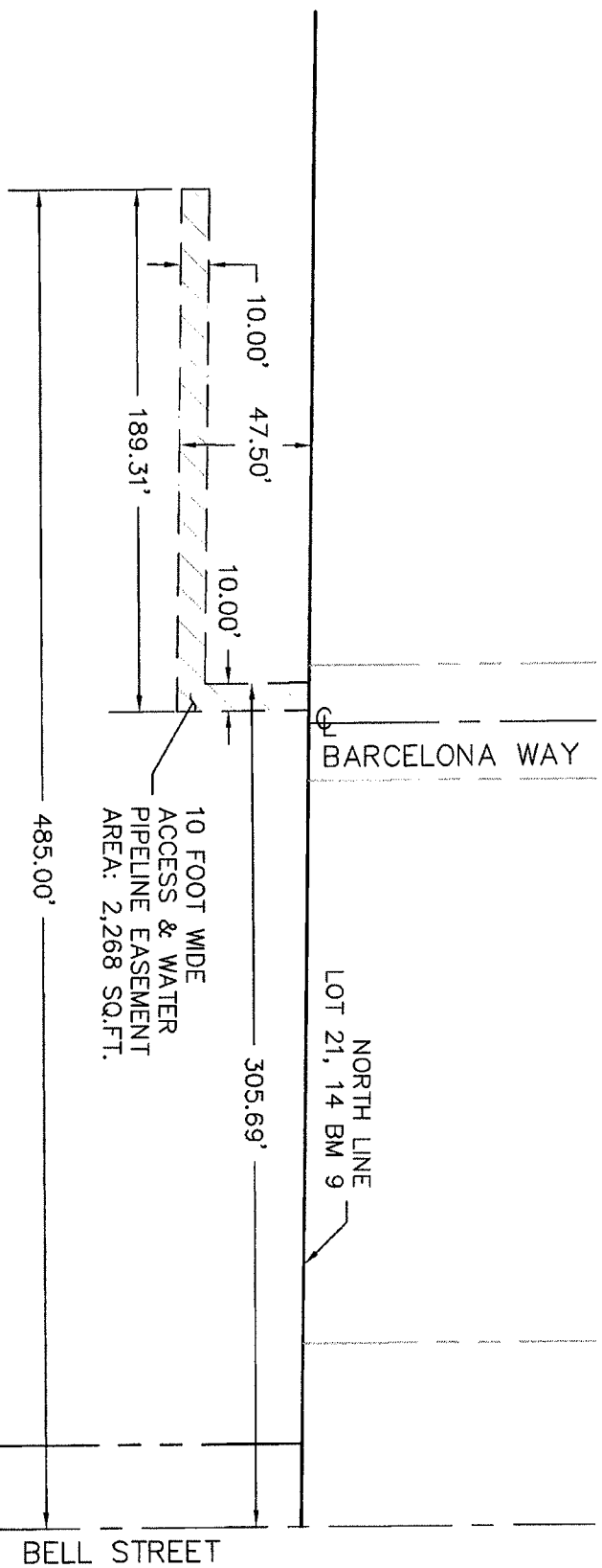
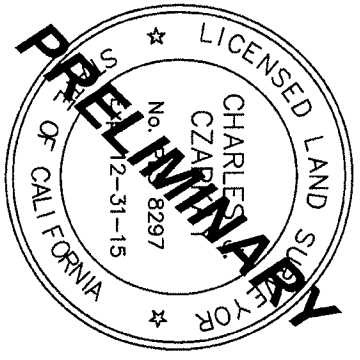
By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

EXHIBIT 'A'
Access and Water Pipeline Easement
APN: 278-0112-001

The South 10.00 feet of the North 47.50 feet of the West 189.31 feet of the East 485.00 feet and the North 47.50 feet of the West 10.00 feet of the East 305.69 feet of Lot 21 as shown on the "Plat of Subdivision of Section No. 28 of the Rancho Del Paso", filed in Book 14 of Maps, Map No. 9, Sacramento County Records, State of California.

Containing 2,268 square feet, more or less.

End description.



FULTON EL CAMINO
 RECREATION & PARK DISTRICT
 PARCEL 1, 911230 OR 1225
 APN: 278-0112-001

EXHIBIT 'B'
 ACCESS & WATER PIPELINE EASEMENT
 APN: 278-0112-001

COUNTY OF SACRAMENTO
 STATE OF CALIFORNIA

SCALE	1" = 60'
HORIZ.:	NONE
VERT.:	NONE
DATE:	SEPT., 2015

15027

1 SHEET OF 1

AREA WEST ENGINEERS, INC.
 ENGINEERING - SURVEYING - PLANNING
 7478 SANDALWOOD DRIVE, SUITE 400
 CITRUS HEIGHTS, CA 95621
 (916) 725-5551 (916) 725-5808 (FAX)
 AWE@AREWESTENG.COM

Recording Requested By, And When
Recorded, Please Mail Document To:

SACRAMENTO SUBURBAN WATER DISTRICT
Attn: General Manager
3701 MARCONI AVENUE, SUITE 100
SACRAMENTO, CA 95918

Official Document, Exempt from Recording
Fees Pursuant to Gov't Code §§ 6103 & 27383

No Document Transfer Tax
Per R&T Code § 11922

Assessor's Parcel No(s):278-0112-001

-- This Space for Recorder's Use Only --

GRANT OF ACCESS EASEMENT

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, **FULTON-EL CAMINO RECREATION AND PARK DISTRICT**, Grantor, hereby grants to **Sacramento Suburban Water District**, a political subdivision of the State of California, Grantee, a permanent access easement, including the perpetual right to enter upon the real property described below at any time that Grantee may deem necessary, having the right to place and maintain suitable road base materials and to remove trees, bushes, undergrowth, ground covering, pavement, and any other obstructions interfering with access.

The land burdened by this Grant of Access Easement is located in the County of Sacramento, State of California, and is more particularly described as follows:

See Exhibits 'A' and 'B'
attached to and made a part of this Grant of Access Easement

As a condition of this Grant of Access Easement, Grantor reserves the right to use such land for purposes that will not interfere with Grantee's full enjoyment of the rights hereby granted; provided that Grantor shall not erect or construct any building, wall, fence, or other permanent structure, or drill or operate any well, or construct any reservoir or any other obstruction on said land, or to diminish or substantially add to the ground cover lying over the access easement granted herein.

The provisions of this Grant of Access Easement shall run with the land and inure to the benefit of and bind the heirs, successors, and assigns of the Grantor and Grantee.

Executed this 16th day of OCTOBER, 2015.

FULTON-EL CAMINO RECREATION AND PARK DISTRICT

Signature: Michael E Grace

Signature: _____

By: MICHAEL E GRACE

By: _____

Title: GENERAL MANAGER

Title: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California)

COUNTY OF Sacramento)

On 10/16/15 before me, Terri R. Leimbach notary public,
date name of notary officer

personally appeared Michael E. Grace,
name(s) of signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Terri R. Leimbach

Signature of Notary



-----OPTIONAL SECTION-----

CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
- CORPORATE OFFICER(S)

Title(s)

- PARTNER(S) LIMITED
- GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: _____

SIGNER IS REPRESENTING:
Name of Person(s) or entity(ies)

OPTIONAL SECTION:

DATA REQUESTED HERE IS NOT REQUIRED BY LAW.

TITLE OR TYPE OF DOCUMENT: _____

NUMBER OF PAGES _____ DATE _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

CERTIFICATE OF ACCEPTANCE

This is to certify that SACRAMENTO SUBURBAN WATER DISTRICT, a political subdivision of the State of California, acting by and through its General Manager, hereby accepts for public purposes the real property, or interest therein, conveyed by the within document and consents to the recordation thereof pursuant to authority conferred by:

Resolution No. _____ adopted on the ____ day of _____, 20 ____.

Dated: _____, 20 ____

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

EXHIBIT 'A'
24 Foot Wide Access Easement
APN: 278-0112-001

The South 24.00 feet of the North 67.50 feet of the East 485.00 feet and the North 67.50 feet of the West 20.00 feet of the East 315.69 feet of Lot 21 as shown on the "Plat of Subdivision of Section No. 28 of the Rancho Del Paso", filed in Book 14 of Maps, Map No. 9, Sacramento County Records, State of California.

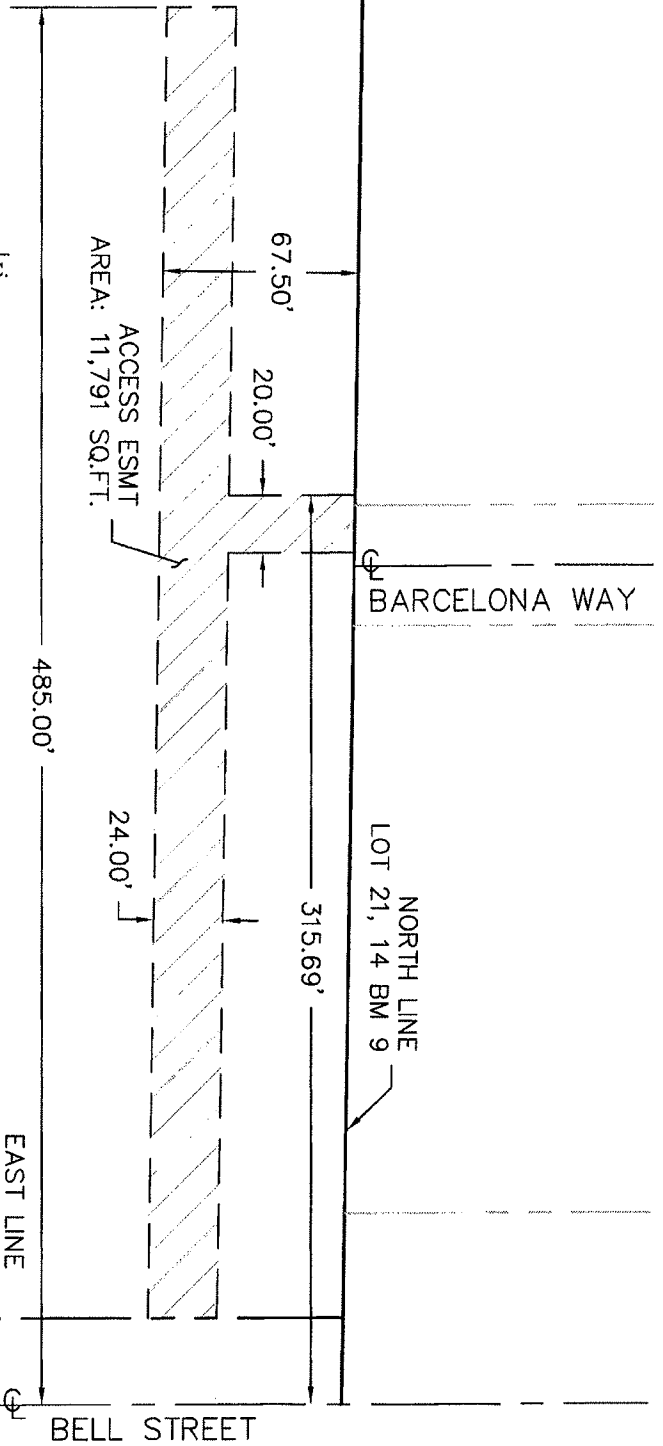
EXCEPTING THEREFROM all that portion lying within the public right of way of Bell Street, a public street.

Containing 11,791 square feet, more or less.

End description.



FULTON EL CAMINO
 RECREATION & PARK DISTRICT
 PARCEL 1, 911230 OR 1225
 APN: 278-0112-001



AREA WEST ENGINEERS, INC.
 ENGINEERING - SURVEYING - PLANNING
 7478 SANDALWOOD DRIVE, SUITE 400
 CITRUS HEIGHTS, CA 95621
 (916) 725-5551 (916) 725-5808 (FAX)
 AME@AREAWESTENG.COM

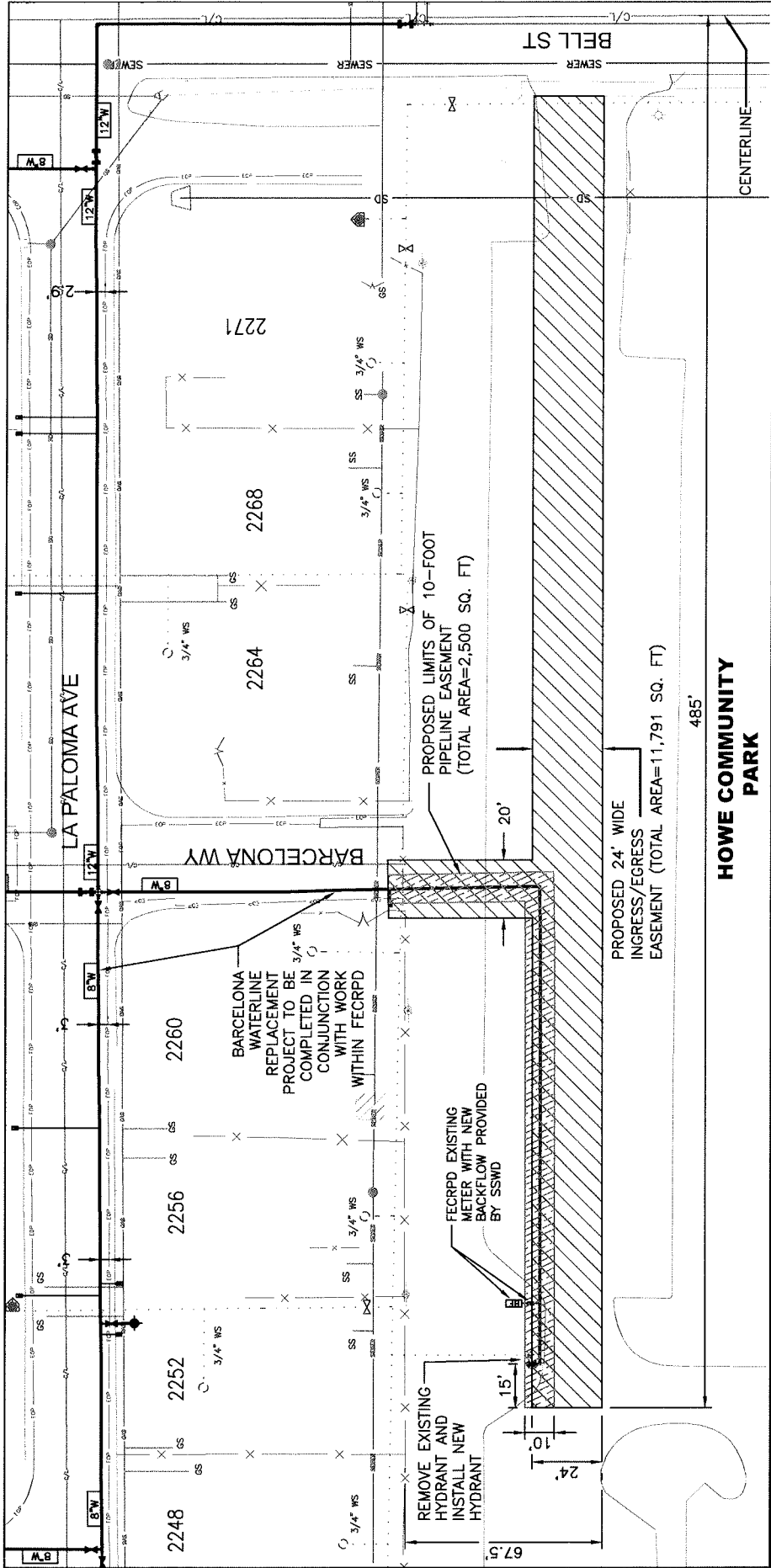
EXHIBIT 'B'
 ACCESS EASEMENT
 APN: 278-0112-001

COUNTY OF SACRAMENTO
 STATE OF CALIFORNIA

SCALE	1" = 60'
HORIZ.:	NONE
VERT.:	NONE
DATE:	SEPT., 2015

15027

1 SHEET OF 1



HOWE COMMUNITY PARK

Portion of Sacramento Suburban Water District

MAP NOT TO SCALE

485'

PROPOSED 24' WIDE INGRESS/EGRESS EASEMENT (TOTAL AREA=11,791 SQ. FT)

PROPOSED LIMITS OF 10-FOOT PIPELINE EASEMENT (TOTAL AREA=2,500 SQ. FT)

**2015 Barcelona Waterline Replacement Project
Proposed Pipeline & Ingress/Egress Easement
At Howe Park**

(Voiting Division 5)

NOT FOR RECORDING

Exhibit 1

Sacramento Suburban Water District

Base Date: Sacramento County GIS Base Map
Projection: CA State Plane 2, NAD83
Scale: As Shown
Prepared by: DAY SSWD
Sacramento, Ca. May, 2015
Howe Park-Esmt.DWG

THIS MAP SHOWS THE LOCATION OF THE PROJECT SITE AND IS NOT PART OF THE EASEMENT DOCUMENTS



Agenda Item: 4

Date: November 2, 2015

Subject: 2015 Audit Engagement Letter and Contract

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

As recommended by the Finance and Audit Committee, approve the 2015 Audit Engagement Letter and Contract with Richardson & Company, LLP at an anticipated cost of \$42,700 and authorize the Finance and Audit Committee Chair (Director Locke) to execute the Engagement Letter and Contract.

Discussion:

The District has received the 2015 Audit Engagement Letter for the December 31, 2015 Audit from Richardson & Company, LLP (Exhibit 1) which has been reviewed by the Finance and Audit Committee. The Audit Engagement Letter serves as the contract agreement between the District and the auditors for the current year's Audit and is renewable annually. Commensurate with the terms of the Audit Engagement Letter, staff has prepared a District Contract (Exhibit 2) for execution as well. The Audit Engagement Letter, describing the scope of the audit, will become Exhibit A of the contract.

Staff has reviewed the Audit Engagement Letter and confirmed it meets all the services requested by the Board in previous years, including the expanded expenditure testing the District has requested for the past ten years over and above that required for a standard public agency audit (see the second paragraph on page 2 of the Audit Engagement Letter) and the Federal Grant Single Audit.

Per the District's Engagement of Auditor Policy (PL – Fin 001), "the Finance and Audit Committee is responsible for recommending the District's independent auditor to the full Board for appointment and compensation, and administering the relationship between the District and independent auditor during the course of the audit..." Therefore, as Chair of the Finance and Audit Committee, Director Locke is requested to sign both the Audit Engagement Letter and Contract on behalf of the District. At the conclusion of the Audit, the auditors will provide a full report to both the Finance and Audit Committee and the Board of Directors.

Fiscal Impact:

\$42,700 for the audit, comprised of \$32,500 for the financial statement audit, \$6,120 for the additional procedures requested by the District, and \$4,080 for the Federal Grant Single Audit.

Strategic Plan Alignment:

Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

EXHIBIT 1



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

October 19, 2015

Finance and Audit Committee
Sacramento Suburban Water District
3701 Marconi Avenue
Sacramento, California 95821

We are pleased to confirm our understanding of the services we are to provide the Sacramento Suburban Water District (the District). We will audit the financial statements, including the notes to the financial statements which collectively comprise the basic financial statements of the District as of and for the year ended December 31, 2015. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Schedule of funding progress for the other postemployment benefits plan.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

1. Schedule of expenditures of federal grants (if applicable).

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Transmittal Letter
2. Statistical Section

At the request of the District, we will perform additional procedures by expanding the scope of our expense testing to include additional sample sizes for general cash disbursements, payroll disbursements, wire and ACH transfers, petty cash, and purchasing card payments. This testing will include verifying payments to the District employees and Board members on a sample basis. Payment verification will include verifying the pay rates for at least one period of senior management, finance staff, anyone involved in the payroll processing function and a sample of ten other employees. The results of our work will be reported in the governance letter issued as part of the audit.

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement, or may withdraw from the engagement.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal grants and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal grants received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal grants (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles; for the preparation and fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include, including identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial

statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management's responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for preparation of the schedule of expenditures of federal grants (including notes and noncash assistance received) in conformity with OMB Circular A-133. Management agrees to include our report on the schedule of expenditures of federal grants in any document that contains and indicates that we have reported on the schedule of expenditures of federal grants. Management also agrees to make the audited financial statements readily available to intended users of the schedule of expenditures of federal grants no later than the date the schedule of expenditures of federal grants is issued with our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) Management is responsible for presentation of the schedule of expenditures of federal grants in accordance with OMB Circular A-133; (2) Management believes the schedule of expenditures of federal grants, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) Management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal grants.

Management is responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) Management is responsible for presentation of the supplementary information in accordance with GAAP; (2) Management believes the supplementary information, including its form and content, is fairly presented in

accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) Management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct

confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about their responsibilities for the financial statements; schedule of expenditures of federal grants; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards. Because of the importance of oral and written management representations to an effective audit, the District releases and indemnifies Richardson & Company, LLP and its personnel from any and all claims, liabilities, costs and expenses attributable to any active negligence on the part of the District.

Audit Procedures-Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the

provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the District; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal grants, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The workpapers for this engagement are the property of Richardson & Company, LLP and constitute confidential information. The workpapers for this or any engagement for you will be retained for a minimum of seven years after the date the auditor's report is issued, or longer if required by generally accepted auditing standards. The firm will make available its workpapers and respond to all reasonable inquiries of successor auditors and others to review workpapers of the District, upon the District's written request or consent. Access to such workpapers will be provided under the supervision of Richardson & Company personnel at a location designated by our Firm. Furthermore, upon your request or consent, we may provide photocopies of selected

workpapers to the successor auditors or others. All professional and administrative services and expenses relating to such access will be charged as an additional expense to the District.

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our workpapers or our personnel to respond to inquiries or serve as witnesses with respect to this or any engagement for you, you will, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, in responding to such a request. If such a request is made, and unless we are obligated by law or legal process to the contrary, we will inform you prior to providing such access.

If the District intends to publish or otherwise reproduce in any document our report on the District's financial statements, or otherwise make reference to our Firm in a document that contains other information in addition to the audited financial statements (e.g., in a debt offering circular for example), the District agrees that prior to making any such use of our report, or reference to our Firm, management will provide us with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to our Firm, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report and any request by the District to reissue our report or to consent to its inclusion or incorporation by reference in an offering or other document will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request to make use of our report, or reference to our Firm; fees for such services would be based upon the rates for additional services as described in the Professional Fees section of this letter.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, if applicable, you understand that electronic sites are a means to distributed information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Our Firm, as well as all other accounting firms with a significant audit practice, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us.

Ingrid Shepline will serve as the engagement partner and is responsible for supervising the engagement and may sign the auditor's reports or authorize another individual to sign them.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our current peer review report accompanies this letter.

Professional Fees

Our total not-to-exceed cost for the year ended December 31, 2015 is as follows:

Financial Audit	\$ 32,500
Single Audit, one major program	4,080
Additional Procedures	<u>6,120</u>
Total	<u>\$ 42,700</u>

The fees quoted include ten hours per year for occasional consultation with auditing and tax staff regarding accounting, sales tax, arbitrage liabilities or other issues that might arise at the District during the year.

Changes in Scope That Could Result in a New Fee Arrangement: In the event that the scope of the audit increases due to changes in accounting or auditing pronouncements and standards, laws or regulations, material weaknesses in the internal control environment, the loss of key accounting personnel or significant changes in the scope of the District's operations, we will discuss the situation with you and arrive at a new mutually agreed upon fee arrangement.

Additional Services: The fee for additional services provided under this engagement letter or otherwise requested by the District, if any, will be based on a rate per hour by staff classification as follows:

<u>Classification</u>	<u>Rate Per Hour</u>
Partner	\$ 180
Senior Manager	120
Managers and Supervisors	110
Seniors	100
Staff	80

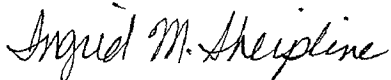
If any provision in this letter is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

Sacramento Suburban Water District
October 19, 2015
Page 10 of 11

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,

RICHARDSON & COMPANY, LLP



Ingrid Sheipline, CPA
Managing Partner

Response:

This letter correctly sets forth the understanding of the Sacramento Suburban Water District and is signed by the officer authorized by the Board of Directors to enter into this agreement on the District's behalf.

By: _____ Title: _____

Date: _____



First Financial Bank Building
400 Pine Street, Ste. 600, Abilene, TX 79601
325.672.4000 / 800.588.2525 / F: 325.672.7049
www.dkcpa.com

System Review Report

December 27, 2012

To the Owner
Richardson & Company
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **Richardson & Company** (the firm) in effect for the year ended September 30, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of **Richardson & Company** in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Richardson & Company** has received a peer review rating of *pass*.

Davis Kinard & Co, PC
Certified Public Accountants

Exhibit 2

**AGREEMENT BETWEEN SACRAMENTO SUBURBAN WATER DISTRICT
AND RICHARDSON & COMPANY, LLP FOR SERVICES RELATING TO
2015 ANNUAL ADUIT**

THIS AGREEMENT is made this _____, 2015, in Sacramento, California, between the Sacramento Suburban Water District (“District”), a California public agency, and Richardson & Company, LLP, a public accounting firm (“Consultant”), concerning the District’s 2015 annual audit (the “Work”). The parties agree as follows:

1. Scope of Work. Consultant shall perform the work described in Exhibit A attached hereto and incorporated herein, and described as follows: 2015 annual audit (the “Work”). Consultant shall: (a) provide all labor, equipment, material and supplies required or necessary to properly, competently, and completely perform the Work under this Agreement; and (b) determine the method, details and means of doing the Work.

2. Compensation.

a. In exchange for the Work, District shall pay to Consultant a fee based on the fee arrangement described on Exhibit A attached hereto and incorporated herein.

b. The total fee for the Work shall not exceed \$42,700.00. There shall be no compensation for extra or additional work or services by Consultant unless approved in advance in writing by District. Consultant’s fee shall include all of Consultant’s costs and expenses related to the Work.

c. At the end of each month, Consultant shall submit to District an invoice for the Work performed during the preceding month. The invoice shall include a brief description of the Work performed, the dates of Work, number of hours worked and by whom (if payment is based on time), and an itemization of any reimbursable expenditures. If the Work is satisfactorily completed and the invoice is accurately computed, District shall pay the invoice within 30 days of its receipt.

3. Term and Termination.

a. This Agreement shall take effect on the above date and continue in effect until completion of the Work, unless sooner terminated as provided below. Time is of the essence in this Agreement. Consultant shall perform the Work diligently and as expeditiously as possible, consistent with the professional skill and care appropriate for the orderly progress of the Work.

b. This Agreement may be terminated at any time by District upon 10 days’ advance written notice to Consultant. In the event of such termination, Consultant shall be fairly compensated for all work performed to the date of termination as calculated by District based on the above fee and payment provisions. Compensation under this subsection shall not include any termination-related expenses, cancellation or demobilization charges, or lost profit associated with the expected completion of the Work or other such similar payments relating to Consultant’s claimed benefit of the bargain.

4. Professional Ability of Consultant. Consultant represents that it is specially trained and experienced, and possesses the skill, ability, knowledge and certification, to competently perform the Work provided by this Agreement. District has relied upon Consultant’s training, experience, skill,

Exhibit 2

ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Consultant shall meet the standard of care and quality ordinarily to be expected of competent professionals in Consultant's field.

5. Conflict of Interest. Consultant (including its principals, associates and professional employees) represents and acknowledges that: (a) it does not now and shall not acquire any direct or indirect investment, interest in real property or source of income in the area covered by this Agreement or that would be affected in any manner or degree by the performance of Consultant's services under this Agreement; and (b) no person having any such interest shall perform any portion of the Work. The parties agree that Consultant is not a designated employee within the meaning of the Political Reform Act and District's conflict of interest code because Consultant will perform the Work independent of the control and direction of the District or of any District official, other than normal contract monitoring, and Consultant possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel. Consultant shall not engage in any conduct or other employment or business that would be incompatible with or unreasonably interfere with its obligations under this Agreement, that would create a conflict of interest, or that would reflect unfavorably upon the interests of District.

6. Consultant Records.

a. Consultant shall keep and maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records and documents evidencing or relating to the Work and charges for services, expenditures and disbursements for the Work for a minimum period of three years (or for any longer period required by law) from the date of final payment to Consultant under this Agreement. District may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement.

b. In accordance with California Government Code section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the State Auditor General for three years following final payment under the Agreement.

7. Ownership of Documents.

a. Every report, study, spreadsheet, worksheet, plan, blueprint, specification, drawing, map, photograph, computer model, computer disk, magnetic tape, CAD data file, GIS data file, computer software and any other document or thing prepared by Consultant under this Agreement and provided to District ("Work Product") shall be the sole and exclusive property of District, and District shall have the perpetual, world-wide right to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Consultant or any other party. Consultant may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product; provided, however, that Consultant shall not provide any Work Product to any third party without District's prior written approval, unless compelled to do so by legal process.

b. If any Work Product is copyrightable, Consultant may copyright the same, except that, as to any Work Product that is copyrighted by Consultant, District reserves a royalty-free, nonexclusive, world-wide, and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product. If District reuses or modifies any Work Product for a use or purpose other than

Exhibit 2

that intended by the scope of work under this Agreement, then District shall hold Consultant harmless against all claims, damages, losses and expenses arising from such reuse or modification.

c. For Work Product provided to District in paper format, upon request by District, Consultant agrees to provide the Work Product to District in an appropriate and usable electronic format (e.g., Word file, Excel spreadsheet, Adobe pdf, AutoCAD file).

8. Compliance with Laws; Safety of Work.

a. Consultant shall perform the Work in compliance with all applicable federal, California, and local laws and regulations, including applicable anti-discrimination and anti-harassment laws, and to give all notices required by any such law or regulation. Consultant also shall possess, maintain and comply with all federal, state and local permits, licenses, certificates, and approvals that may be required for it to perform the Work. In accordance with California Code of Regulations Title 13, section 2022.1(g), Consultant shall comply with all federal, state and local air pollution control laws and regulations applicable to the Consultant and its Work.

9. Confidentiality of Documents and Information. Consultant shall keep in strict confidence all Work Product and other documents and information provided to, shared with or created by Consultant in connection with the performance of the Work under this Agreement or during its time as a District consultant (collectively "Information"). Consultant shall not use any Information for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by District. Consultant shall not disclose any Information to any person or entity not connected with the performance of the Work under this Agreement, unless otherwise authorized in advance in writing by District.

10. Professional Liability Insurance. Consultant shall maintain professional liability insurance as shall protect against claims based on alleged errors or negligent acts or omissions which may arise from the Work or from Consultant's operations or performance under this Agreement, whether any such claim is made during or subsequent to the term of this Agreement, and whether such operations or performance be by Consultant or its employees, subcontractors, agents or anyone else employed by any of the foregoing. Coverage is to be endorsed to include contractual liability. The amount of this insurance shall not be less than \$2,000,000 per claim and \$2,000,000 aggregate. Said policy shall be continued in full force and effect during the term of this Agreement and for a period of five years following the completion of the Work. In the event of termination of said policy, new coverage shall be obtained for the required period to insure for the prior acts of Consultant during the course of performing services under the terms of this Agreement. Consultant shall provide to District a certificate of insurance on a form acceptable to the District indicating the deductible or self-retention amounts and the expiration date of said policy, and shall provide renewal certificates within 10 days after expiration of each policy term. Any deductible or self-insured retention must not exceed \$50,000, unless authorized in writing by District prior to Consultant beginning the Work. The insurance is to be placed with insurers licensed to do business by and in good standing with the California Department of Insurance, with a current A.M. Best's rating of A:VII or better unless otherwise approved in advance by District.

11. General Insurance.

a. Consultant, at its sole cost and expense, shall procure and maintain for the duration of this Agreement the following types and limits of insurance:

Exhibit 2

Type	Limits	Scope
Commercial General Liability	\$1,000,000 per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for general liability, blanket contractual liability, bodily injury, personal injury and property damage.	At least as broad as ISO Occurrence Form CG 0001.
Automobile Liability	\$1,000,000 per accident for bodily injury, including death, and property damage.	At least as broad as ISO Business Auto Coverage Form CA 0001 (Code 1, any auto).
Workers' Compensation	California statutory limits.	
Employer's Liability	\$1,000,000 per accident for bodily injury or disease.	

b. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the Work/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to District), or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.

c. The general liability and automobile liability policies will be endorsed to name District, and its directors, officers, employees, authorized volunteers, and agents, as additional insureds regarding liability arising out of this Agreement using an ISO endorsement form at least as broad as CG 2010 1185 or both CG 20 37 and CG 20 38 04 13 forms (if later revisions used) as respects: liability arising out of activities performed by or on behalf of Consultant; products and completed operations of Consultant; premises owned, occupied or used by Consultant; and automobiles owned, leased, hired or borrowed by Consultant. The policies shall contain no special limitations on the scope of protection afforded to District, and its directors, officers, employees, authorized volunteers, and agents.

d. Each insurance policy will be endorsed to state that coverage will not be canceled, except after 30 days' prior written notice to the District (10 days for non-payment of premium).

e. The workers' compensation policy will be endorsed to include a waiver of subrogation against the District and its directors, officers, employees, authorized volunteers, and agents.

f. If Consultant's firm owns no motor vehicles, Consultant agrees to obtain Business Automobile liability insurance in compliance with this Agreement should any motor vehicle be acquired during the term of this Agreement. Such Business Automobile coverage shall be at least as broad as Insurance Services Office Automobile Liability form CA 0001 (3-06 ed.) Code 1, any auto. Non-Owned and Hired Automobile liability insurance is waived if Consultant's firm does not own

Exhibit 2

any motor vehicles and such coverage is provided by a hired and non-owned auto endorsement to the Commercial General Liability policy described in Section 11(a), above.

g. Consultant's coverage will be endorsed to be primary and apply separately to each insurer against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability, and District's insurance or self-insurance, if any, will be excess and will not contribute with Consultant's insurance (at least as broad as ISO endorsement CG 20 01).

h. Insurance is to be written on policy forms acceptable to District and be placed with insurers with a current A.M. Best's rating of A:VII or better and that are admitted to do business and in good standing in California, unless otherwise acceptable upon notice to and approval by District. In the case of Workers' Compensation and Employer's Liability Insurance, coverage provided by the California State Compensation Insurance Fund is acceptable.

i. No later than its execution of this Agreement and then annually thereafter, Consultant will provide to District the following proofs of insurance: (a) certificate(s) of insurance evidencing all required coverages under this Section 11 on Acord Form 25 or insurer's equivalent; and (b) additional insured endorsement(s), signed by an insurer representative evidencing the required coverages and endorsements required hereunder. Consultant may not commence the Work until District has approved all insurance coverages and documentation, unless otherwise agreed by District in writing. District reserves the right to review and reject any certificates or endorsements that are not in compliance with this Section 11 and to require Consultant to obtain the appropriate coverages and amendatory endorsements prior to starting the Work.

j. The requirements as to the types, limits, and District's approval of insurance coverage to be maintained by the Consultant are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by Consultant under this Agreement. In addition, in the event any change is made in the insurance carrier, policies or nature of coverage required under this Agreement, Consultant shall notify District prior to making such changes.

k. Consultant shall ensure that all required insurance coverages are maintained throughout the term of this Agreement. If any of the required coverages expire during the term of this Agreement, Consultant shall deliver renewal certificates and any required endorsements to District at least 10 days before the expiration date.

l. Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

m. Insurance deductibles or self-insured retentions must be declared by Consultant, and such deductibles and retentions shall be approved by District before Consultant commences the Work. At the election of District, Consultant shall either: (1) reduce or eliminate such deductibles or self-insured retentions; or (2) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

n. Consultant shall, upon demand of District, deliver to District such policy or policies of insurance required under this Section 11 and the receipts for payment of premiums thereon.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall immediately indemnify, defend (with counsel approved by District), protect, and hold harmless District, and its directors, officers, employees, authorized volunteers, and agents from and against any and all actions, judgments, legal or administrative proceedings, arbitrations, claims, demands, damages, liabilities, interest, and costs (including, without limitation, attorney's, expert witness and consultant fees and expenses, fines, penalties, and litigation costs and expenses) of every nature ("claims" or "claim"), arising out of, pertaining to or in any way connected with the negligence, recklessness or willful misconduct of Consultant's, or its employees', agents' or subcontractors', negligence, recklessness or willful misconduct arising out of or in any manner directly or indirectly connected with the Work to be performed under this Agreement, however caused, regardless of any negligence of District, or its directors, officers, employees, authorized volunteers, or agents (including passive negligence), except if caused by the sole negligence or willful misconduct or active negligence of District, or its directors, officers, employees, authorized volunteers, or agents, or as otherwise provided or limited by law.

b. Consultant's obligations under this indemnification provision shall survive the completion of Work under, or the termination of, this Agreement. Submission of insurance certificates or submission of other proof of compliance with the insurance requirements in this Agreement does not relieve Consultant from liability under this provision. The obligations of this provision shall apply whether or not such insurance policies shall have been determined to be applicable to any claims.

c. By executing this Agreement, Consultant specifically acknowledges that: (1) the duty to defend provided in this indemnification provision is a separate and distinct obligation from Consultant's duty to indemnify District; (2) Consultant shall defend District and other indemnified parties in any legal, equitable, administrative, or special proceedings asserting a claim covered by this indemnity, including any claims under the Americans with Disabilities Act or other federal or state disability access or discrimination laws; (3) Consultant shall pay and satisfy any judgment, award or decree that may be rendered against District, or its directors, officers, employees, authorized volunteers, or agents, in any and all suits, actions, or other legal or administrative proceedings asserting a claim covered by this indemnity and otherwise not barred by subsection (a) of this Section 12; and (4) Consultant shall reimburse District, or its directors, officers, employees, authorized volunteers, or agents, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

13. Subcontractors. No subcontract shall be awarded nor any subcontractor engaged by Consultant without District's prior written approval. Consultant shall be responsible for requiring and confirming that each approved subcontractor meets the minimum insurance requirements specified in Sections 10 and 11 of this Agreement. Any approved subcontractor shall be covered by Consultant's insurance in accordance with the insurance requirements of Sections 10 and 11 of this Agreement or such subcontractor shall obtain the required insurance coverages and provide proof of same to District in the manner provided in Section 11 of this Agreement.

14. Independent Contractor. It is expressly understood and agreed by the parties that Consultant's relationship to District is that of an independent contractor. All persons hired by Consultant and performing the Work shall be Consultant's employees or agents. Consultant and its officers, employees, subcontractors, and agents are not District employees, and they are not entitled to District employment salary, wages or benefits. Consultant shall pay, and District shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance,

Exhibit 2

disability insurance, tax withholding, and benefits to and on behalf of Consultant's employees. Consultant shall, to the fullest extent permitted by law, indemnify District, and its directors, officers, employees, authorized volunteers, and agents, from and against any and all liability, penalties, expenses and costs resulting from any adverse determination by the United States Internal Revenue Service, California Franchise Tax Board or other federal or state agency concerning Consultant's independent contractor status.

15. Entire Agreement. This Agreement and the attached exhibits represent the sole, final, complete, exclusive, and integrated expression and statement of the terms of the agreement between District and Consultant concerning the Work. There are no written or oral agreements, conditions, representations, warranties, or promises with respect to the subject matter of this Agreement except those contained in or referred to in this writing. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties to this Agreement.

16. Successors and Assignment. This Agreement shall be binding on, and inure to the benefit of, the heirs, successors, and assigns of the parties. However, Consultant agrees that it will not subcontract, assign, transfer, convey, or otherwise dispose of this Agreement or any part thereof, or its rights, title or interest therein, or its power to execute the same without the prior written consent of District, which shall be given or refused in the District's sole discretion.

17. Severability. If any part of this Agreement is held to be void, invalid, illegal or unenforceable, then the remaining parts will continue in full force and effect and be fully binding, provided that each party still receives the benefits of this Agreement.

18. No Waiver of Rights. Any waiver at any time by either District or Consultant of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default. No payment by District to Consultant shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default.

19. Interpretation. District and Consultant each had the opportunity to consult independent counsel in the negotiation and execution of this Agreement. For the purposes of interpretation of this Agreement, neither party will be deemed to have been its drafter.

20. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the State of California. The state superior or federal district court where District's office is located shall be venue for any litigation concerning the enforcement or construction of this Agreement.

21. Notices. Any notice or other communication required or permitted to be given under this Agreement will be in writing and will be deemed to be properly given if delivered, mailed or sent by facsimile or e-mail in the manner provided in this Section 21, to the following persons:

District:

Sacramento Suburban Water District
Attn: Dan Bills
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

Consultant:

Richardson & Company, LLP
Attn: Ingrid Shepline
550 Howe Avenue, Suite 210
Sacramento, CA 95825

Exhibit 2

Fax: (916) 972-7639
E-mail: dbills@sswd.org

Fax: (916) 564-8728
E-mail: isheipline@richardsoncpas.com

If sent by mail, any notice, delivery or other communication will be effective or deemed to have been given three days after it has been deposited in the United States mail, with postage prepaid, and addressed as set forth above. If sent by facsimile or e-mail, any notice, delivery or other communication will be deemed to have been given only after it has been confirmed in writing as received. If delivered personally or by commercial overnight delivery service, any such notice, delivery or other communication will be deemed to have been given on the date of delivery. Either party may change that party's address or designated representative by giving written notice of the change to the other party in the manner provided in this Section 21.

23. Consultant represents that it is licensed by the California Board of Accountancy, and that Consultant's license is in good standing and will be kept in good standing during the term of this Agreement.

IN WITNESS WHEREOF, the parties execute this Agreement on the day and year first above written.

SACRAMENTO SUBURBAN
WATER DISTRICT:

Richardson & Company:

By: _____
Craig M. Locke
Chair, Finance & Audit Committee

By: _____
Ingrid Sheipline
Managing Partner



Agenda Item: 5

Date: October 29, 2015

Subject: 2016 Budget and 2017 Forecast - Third Draft

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

Approve the 2016 proposed budget and 2017 Forecast (Exhibit A) by way of the following actions:

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, with the following exception –
 - i. \$100,000 budgeted for special studies to require future Board action prior to expenditure.
 - c. Authorize the General Manager to adjust and/or reallocate various line item costs as necessary within the total O&M Budget amount.
 - d. Approve the Other Post-Employment Benefits (OPEB) portion of the O&M budget, and direct the General Manager to fully fund the Actuarial Required Contribution.
2. 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 and project category as listed for 2016 and 2017.
 - c. Authorize the General Manager spending authority up to the total budgeted CIP amount.
 - d. Authorize the General Manager to adjust and/or reallocate amongst the project type cost categories as necessary during the budget year within the total CIP Budget amount.
3. With respect to the Operating Capital Budget (OCB Budget):
 - a. Approve the OCB Budget as attached or as amended by the Board.
 - b. Approve each project and project category as listed for 2016 and 2017.
 - c. Authorize the General Manager spending authority up to the total OCB budgeted amount.
 - d. Authorize the General Manager to adjust and/or reallocate amounts amongst the project type cost categories as necessary during the budget year within the total OCB Budget amount.

4. Direct the General Manager to request Board approval prior to any inter-budget transfers, e.g., O&M budget to CIP budget transfers, with subsequent reporting to the Board.
5. Direct the District Treasurer to report the Budget status at regular monthly Board meetings and to report any intra-budget reallocations as necessary.

Discussion:

Attached is the proposed 2016 budget and 2017 forecast, updated with all director comments and direction provided to staff from the October 5, 2015 Board Workshop and October 19, 2015 Board Meeting. Key assumptions used in the proposed 2016 budget were originally presented to the Finance and Audit Committee on Friday, August 28, 2015 with no changes recommended at the Board Workshop or the October Board meeting.

The attached PowerPoint presentation reports changes requested at the October Board meeting.

Budget detail is provided in the following order:

1. Purpose and Background
2. Key assumptions
3. Revenue projection and total cost analysis
4. Reserve balance data
5. Operation & Maintenance (O&M) Budget
6. Capital Improvement Program (CIP) Budget
7. Operating Capital Budget (OCB)
8. Debt Service Forecast

Fiscal Impact:

If adopted as presented, the O&M budget would be \$18.2 million (including funding other post-employment benefits of \$0.5 million); the CIP budget would be \$18.4 million; the OCB budget would be \$1.1 million, and the debt service forecast would be \$7.8 million. The total of all four budgets would be \$45.5 million.

Strategic Plan Alignment:

Finance – 4.H. Produce and monitor an annual budget for necessary system operations, maintenance and improvements.

EXHIBIT A

2016 Budget

Operations and Maintenance Budget	2016 Proposed Budget
Water Costs	\$4,699,000
Salaries	4,966,000
Employee Benefits	2,326,000
Employer Taxes and Insurance	488,000
OPEB	470,000
Engineering and Construction Services	1,317,000
Public Outreach & Conservation	773,000
Other	3,119,000
Total	\$18,158,000

Capital Improvement Program Budget	2016 Proposed Budget
Production (Source of Supply)	\$4,515,000
Conjunctive Use	180,000
Storage	200,000
Distribution	13,393,000
Special Projects	107,000
Total	\$18,395,000

Operating Capital Budget	2016 Proposed Budget
Information Technology	\$401,000
Maintenance	206,000
Operations	225,000
Vehicles and Fleet	236,000
Office Furniture and Equipment	20,000
Total	\$1,088,000

Total 2016 Budget	\$37,641,000
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EXHIBIT A

Capital Improvement Program Projects for 2016 and 2017
See Attached

Operating Capital Projects for 2016 and 2017
2016
Purchase office furniture for Marconi and Walnut facilities
Map for Board Room Wall
Asphalt Repair/Replacement - Various Well Sites
Production Meter Replacement Program, Magmeters
Fox Fury Lighting - Nomad 360/Area Spot Light
Water Conservation Master Plan
Update 2015 Urban Water Management Plan
Meter Vault Lid Retrofit
New Field Service Department Vehicle
Vehicle Replacement/Right Size - Truck #26 and 32
Marconi Facility – LED Lighting retrofit; Customer Service Remodel and Replace Cameras
Walnut Facility – Install 5 additional cameras
HVAC, Roof and Building Repairs and Maintenance
Computer Hardware Refresh Program Purchases & Trimble Nomad
Software Enhancements
Website Upgrade
2017
Purchase office furniture for Marconi facility
Asphalt Repair/Replacement - Various Well Sites
Production Meter Replacement Program, Magmeters
Vanair Underdeck - Air Supply
Meter Vault Lid Retrofit
Chemical Vat/Tank Replacement
New Field Service Department Vehicle
Vehicle Replacement/Right Size - Truck #25, 32 and 41
HVAC, Roof and Building Repairs and Maintenance
Antelope Facility – Lighting Upgrade
Walnut Facility – Driveway and Landscaping
Computer Hardware Refresh Program Purchases
Software Enhancements
GPS Asset Locators

**Sacramento Suburban Water District
2016/17
Capital Improvement Program Budget
3rd Draft**

AMP Plan ¹	Project No.	Project Name	(2) 2015 Carryover	(3) 2016 New Projects	(4) 2016 Carryover	(2) + (3) - (4) Total 2016 Budget	(5) 2016 Carryover	(6) 2017 New Projects	(7) 2017 Carryover	(5) + (6) - (7) Total 2017 Budget	Funding Source	2016/17 Project Details (Proposed Need)
PRODUCTION (SOURCE OF SUPPLY)												
11	007	SSWD Groundwater Monitoring and Modeling Project	\$30,000	\$20,000		\$50,000		\$0		\$0	LGA Grant/Water Sales	This is a continuation of a project originally initiated in CY2014. The District has received a partial Prop. 84 Local Groundwater Assistance (LGA) grant from the Department of Water Resources (DWR) in the amount of \$157,135. The funded project consists of two groundwater monitoring wells and related tasks, including water quality sampling and testing. The two proposed monitoring well locations were both changed in 2015 resulting in some delays. The two monitoring wells will be constructed in late-2015. Remaining work will include quarterly water quality sampling/testing and grant reporting. The total estimated project cost is approximately \$207,000. Therefore, the District's local cost share is approx. \$50,000.
10	009	Well Rehabilitation / Pump Station Improvements	\$0	\$890,000		\$890,000		\$890,000		\$890,000	Water Sales	Projects planned for CY 2016 may include, but not be limited to: well investigations/evaluations and/or rehabilitation projects for Wells #23 (Marconi North/Fulton), #74 (River Walk/NETP South) and #N6 (Palm); replacement or removal of hydropneumatic tanks (replace with new tanks or install flush-to-waste assemblies) at Wells #N3 (Engle), #N15 (Cabana), #N17 (Oakdale) and #N22 (River College); rebuild two pressure vessels and replace underdrain system at Well #32A (Eden/Root); investigation and possible installation of a VFD at Well #68R (Northrop/Dornajo); and destruction of Wells #N11 (Diablo), #N18 (McCloud), #N19 (Larchmont), #67 (El Camino/Eastern) and #63 A-F (AWD infiltration gallery). Specific projects for CY 2017 have not yet been identified.
8	010	SCADA Remote Terminal Units (RTU's) / Communication Improvements / MCC Panel Replacement/Upgrades	\$0	\$200,000		\$200,000		\$200,000		\$200,000	Water Sales	This project includes improvements and modifications recommended in the SCADA Master Plan. The District is very close to having all active wells on SCADA. Well sites to be upgraded with new MCC panels and/or PLC's/RTU's in CY2016 are #N25 (Sutter), #N8 (Field), and #N14 (Orange Grove). Two other well sites, yet to be determined, will be upgraded with new PLC's/RTU's only. These sites were selected from staff's motor control center study and analysis.
10	011	Wellhead Treatment / Chemical Feed System Rehab. / Improvements	\$220,000	\$150,000		\$370,000		\$1,500,000		\$1,500,000	Water Sales	Project to cover costs associated with needing to install new and repair/replace existing wellhead treatment or chemical feed systems on an as-needed basis. Seven District wells have Chromium VI levels above the established MCL. A Chromium VI operations plan is currently being prepared that will address the potential need for wellhead treatment as compared to other options. A carryover project from 2015 is the design and eventual construction of a manganese (Mn) treatment facility at the existing Verner Well (#N36). Luhdorff & Scalmanini has been selected for this work. The alternatives evaluation phase and pre and final design work will extend into the fall of 2016. Construction of a proposed 1,500 gpm Mn treatment facility would begin in late-2016 and extend into 2017. The estimated construction cost for this facility is \$1.5 million. The Mn treatment facility would be designed to be expandable since it may be possible to drill additional wells at this site. In addition, several well sites (gas engine sites) not currently equipped with disinfection equipment will be equipped with tablet chlorinator units purchased in 2014 including Wells #37 (Morse/Cottage Park), #40 (Auburn/Yard), #43 (Edison/Truax), #45 (Jamestown/Middleberry), #46 (Jonas/Sierra Mills), and #47 (Copenhagen/Arden).
4	012	Well Replacement	\$800,000	\$2,000,000	\$200,000	\$2,600,000	\$200,000	\$2,400,000	\$200,000	\$2,400,000	Prop. 84 Grant/Water Sales	* Priority depends on the well. Recommended in 2009 Water System Master Plan capital needs analysis. The Rutland Well pumping plant will be under construction starting in October 2015 but construction will not be completed until July 2016. Therefore, there will be construction work in progress or carryover at the end of 2015. Some of the unused budgeted 2015 funds are anticipated to be used to pre-purchase materials for the 2016 Meter Retrofit Project. For 2016, budget is also included for design and drilling of a new well either on property to be obtained within the new Barrett Ranch East Subdivision or District owned property at the Kingbird Well lot. Both of these sites are in the District's North Service Area. Also, costs are budgeted to acquire additional land for future replacement well sites within the District. For 2017, it is assumed that the pumping plant will be constructed for either the Barrett Ranch Well or the Kingbird Well.
11	013	Electrical Arc Flash Hazard Modifications at Various Well Sites	\$30,000	\$300,000		\$330,000		\$0		\$0	Water Sales	An electrical engineering consultant was previously hired to perform a hazard assessment of all of the District's electrical panels to determine what modifications are necessary for panels rated as Category 3 or higher. Based on work already performed, required modifications are expected to cost up to \$15,000 per well site. The highest priority modifications were completed in 2011 - 2014. Some additional panels required some sort of modification and/or corrective action and these modifications were, for the most part, completed in 2015. However, two items of work remain in 2016. The arc flash labels at all of the sites need to be updated to reflect improvements and corrections made over the past few years. In addition, arc flash modifications are still required for the electrical distribution panel at the Administration Building. This panel will be replaced with a new panel in 2016. In addition, a new SMUD transformer will be installed at the Admin. Building due to access issues related to the existing transformer.
10	040	Engine Generator Compliance	\$0	\$75,000		\$75,000		\$75,000		\$75,000	Water Sales	Funds are included for a major engine overhaul and/or engine generator replacement. Anticipate one new engine generator (for Administration Building) in 2016 and an engine overhaul in 2017.
CONJUNCTIVE USE												

AMP Plan ¹	Project No.	Project Name	(2) 2015 Carryover	(3) 2016 New Projects	(4) 2016 Carryover	(2) + (3) - (4) Total 2016 Budget	(5) 2016 Carryover	(6) 2017 New Projects	(7) 2017 Carryover	(5) + (6) - (7) Total 2017 Budget	Funding Source	2016/17 Project Details (Proposed Need)
11	045	Enterprise Intertie Improvements	\$10,000	\$170,000		\$180,000		\$0		\$0	Prop. 84 Grant/Water Sales	SSWD has an existing intertie with the City of Sacramento at SSWD's Enterprise Reservoir site. This intertie was originally designed for SSWD to take delivery of treated surface water purchased from the City of Sacramento. With the addition of some piping, a control valve and instrumentation and controls, this intertie can also be used for SSWD to deliver excess groundwater supplies to the City of Sacramento in dry years, thereby promoting conjunctive use. It is estimated that an instantaneous supply of as much as 20.0 mgd could be made available for delivery to the City. The estimated total project cost is \$178,700 but a Prop. 84 Drought Implementation Grant in the amount of \$118,225 has been awarded by the Dept. of Water Resources (DWR). Currently a cost-sharing agreement is being negotiated with the City of Sacramento. Once an agreement is finalized, design work can begin. It is anticipated that design and construction will both be completed in 2016.
STORAGE												
6	034	Corrosion Control for Reservoir/Tank and Well Site Painting/Coating, Upgrades and Improvements	\$0	\$200,000		\$200,000		\$200,000		\$200,000	Water Sales	Note: Includes funds originally budgeted under O&M Account 06-54508. Transmission mains, storage and hydropneumatic tanks, and corrosion control facilities are on a scheduled maintenance program for inspection, testing, and recoating as necessary. Many of the District's above ground storage reservoirs have existing cathodic protection systems in place, but they have not been serviced since installation. The District is going to complete a survey on each system verifying its proper operation. As part of this process, a corrosion consultant is assisting with coating inspections in 2015 to determine a baseline for each of the above ground storage reservoirs. These inspections are being performed by a certified Coating Inspector Level 1. This condition assessment will help provide the District with better knowledge of the existing conditions of the tanks and which tanks are in need of repair or restoration in 2016.
DISTRIBUTION												
5	034A	Corrosion Control - Transmission Mains	\$0	\$450,000		\$450,000		\$450,000		\$450,000	Water Sales	After completing initial surveys of many of the District's major transmission pipelines (i.e., Conveyance Transmission Pipeline (CTP), Walerga Pipeline, Antelope North Pipeline, Mission Avenue Pipeline, Bell/Northrop Pipeline) it has been determined that it is time to install impressed current cathodic protection to each of the pipelines. Impressed current systems can be installed on a system by system basis allowing the District to focus on one or two installations a year. These systems would be complete for each individual transmission main, for example five rectifiers are needed to completely protect the CTP. Other systems will require less equipment based on the current demand. JDH Corrosion has worked extensively this year on the CTP and Walerga impressed current system designs. By the end of this year the CTP design will be completed and ready for bid.
3	018	Distribution Main Replacements	\$1,000,000	\$8,900,000	\$1,480,000	\$8,420,000	\$1,480,000	\$9,500,000	\$2,075,000	\$8,905,000	Water Sales	This project assumes up to 8 miles of distribution mains to be replaced per year using the service contract approach combined with District purchase of materials. Some contracted design and construction work from 2015 is anticipated to carryover into CY2016. Projects planned for construction in CY 2016 include the Drayton Heights Phase 2, Edison Meadows Phase 1 and Rivera Woods (size to be determined based on remaining budget). This includes approximately 35,000 lf of new 8" and 12" mains. Work planned for 2016 also includes completion of final paving for the Santa Anita Phase 2, Fair Oaks Estates and Barcelona Main Replacement Projects. Also includes hiring consultant(s) to provide support services (surveying and mapping services, SWPPP, construction management, etc.) for in-house design of projects planned for construction in 2017/2018. In addition, funds are included to pre-purchase up to 40,000 linear feet of ductile iron pipe in the fall of 2016, for installation in 2017, before anticipated price increases take affect. Includes installation of 371 water meters in 2016 and 564 in 2017.
3	019	Distribution Main Improvements / Extensions / Interties and Resolving Utility Conflicts	\$25,000	\$750,000		\$775,000		\$750,000		\$750,000	Water Sales	Includes various small main replacement projects to solve distribution system hydraulic issues and relocating District water mains and appurtenances due to grade conflicts with County of Sacramento improvements (storm drains, etc.). Small main replacement projects planned for construction in 2016 include the El Camino/Bell Main Extension and Keema Avenue Main Extension projects.
3	020	McClellan Improvements	\$0	\$0		\$0		\$0		\$0	Water Sales	Improvements required per agreement with McClellan AFB. (Combined into project -019 above.)
10	022	Water Related Street Improvements (Lowering/Raising Valve Boxes)	\$0	\$150,000		\$150,000		\$150,000		\$150,000	Water Sales	This project includes lowering and raising existing water valve boxes before and after pavement grinding and overlay by the County of Sacramento and/or the City of Citrus Heights. Typically, the County of Sacramento and City of Citrus Heights have 2 to 4 projects a year and the District's cost projection is an annual average of their project impacts. This project also includes work identified by the District's Preventative Maintenance (PM) crew including raising valve boxes, etc.
1	024	Meter Retrofit Program - District and Grant Funded	\$0	\$1,900,000		\$1,900,000		\$2,200,000		\$2,200,000	Water Sales/CalFed Grant/Water SMART Grant	District is on schedule to comply with AB 2572 requirement to install meters in California by 2025. Specific meter retrofit schedule is in accordance with updated Water Meter Retrofit Plan originally adopted in September 2004 and last updated in 2015. In 2016, an estimated 1,510 meters will be replaced as part of the retrofit program. Note that the District committed to installing 1,476 meters to receive the grant funding; the remaining 34 meters are being installed to complete a meter retrofit area. It is currently anticipated that available 2015 CIP funds will be used to purchase materials in advance for the 2016 retrofit project. Approximately 56 meters will be replaced using CalFed Water Use Efficiency grant funds (\$98,000) and 83 meters will be replaced using the CalFed WaterSMART grant funds (\$145,000). Both of these grants were obtained to accelerate meter installation. In 2017, an estimated 1,216 meters will be replaced as part of the retrofit program (with no grant funds).
1	024A	Voluntary Meter Retrofit Program	\$0	\$75,000		\$75,000		\$75,000		\$75,000	Water Sales	Budget is provided to install new water meters as requested by customers through the District's voluntary meter program. Expenditures over the past five years have averaged approximately \$75,000/year.

AMP Plan ¹	Project No.	Project Name	(2) 2015 Carryover	(3) 2016 New Projects	(4) 2016 Carryover	(2) + (3) - (4) Total 2016 Budget	(5) 2016 Carryover	(6) 2017 New Projects	(7) 2017 Carryover	(5) + (6) - (7) Total 2017 Budget	Funding Source	2016/17 Project Details (Proposed Need)
10	027	Distribution System Major Repairs	\$0	\$350,000		\$350,000		\$350,000		\$350,000	Water Sales	Consists of repair of major main breaks that require replacement of infrastructure.
10	028	Distribution System Improvements	\$0	\$375,000		\$375,000		\$375,000		\$375,000	Water Sales	Note: New account. Includes funds originally budgeted under O&M Accounts No. 07-54507, 07-54511 and 08-54507. Covers costs for miscellaneous distribution system repairs and improvements including new taps/saddles, new water service lines, etc.
2	038	Large Water Meter (> 3") Replacement Program	\$0	\$140,000		\$140,000		\$140,000		\$140,000	Water Sales	Budget is provided for the replacement of large (> 3") water meters that have outlived their useful life. In most cases, it is unnecessary to replace the meters; instead the large meters are rebuilt. As a result, this account is generally used to upgrade the service to current District standards with a bypass to allow for future testing and maintenance without interrupting water service to the customer. This is an ongoing project and work is scheduled according to findings related to the Meter PM Program. For 2016 and 2017, an additional \$50,000 has been included in the budget for the installation of meter bypasses.
3, 9	039	Fire Hydrant Replacement / Rehabilitation / Additions	\$0	\$200,000		\$200,000		\$200,000		\$200,000	Water Sales	Note: Similar to 2015, the 2016 budget has been increased by \$100,000 using funds that were originally included in the O&M budget (Account #07-54507). The 2009 Water System Master Plan identifies some areas with insufficient fire flow. This project will bring these areas into compliance with minimum District and fire district standards, especially in those areas where main replacement projects are not scheduled for several years. A similar budget is proposed for 2017.
2	042	Meter Replacement and Repair	\$0	\$558,000		\$558,000		\$240,000		\$240,000	Water Sales	As recommended in the 2015 Water Meter Asset Management Plan (100-year replacement schedule) with some adjustments to level out the work each year. This is the initiation of a planned program to repair and/or replace water meters that have outlived their useful life (estimated at 20 years). In the Asset Management Plan, an inventory of meters installed from pre-1990 through 2014 was used to project a 100-year meter replacement schedule. In 2016, it is estimated that 1,200 existing water meters in sizes from 3/4-inch to 1-inch will be replaced. An additional 188 existing meters in the 1-1/2" and 2" sizes will also be replaced as these meters are not rebuildable and they are not compatible with AMR. The new water meters will be compatible with the fixed network meter reading system. For 2017, an additional 1,200 existing water meters in sizes from 3/4-inch to 1-inch will also be replaced.
SPECIAL PROJECTS												
10	035	Professional / Special Services	\$0	\$100,000		\$100,000		\$100,000		\$100,000	Water Sales	Includes potential professional services for CEQA Work, Preliminary Design, Special Studies, Hydraulic Modeling, Surveying, etc.
11	044	Capital Improvements to CTP (Per Contract Agreement with SJWD)	\$0	\$7,000		\$7,000		\$0		\$0	Water Sales	District's cost share (owed to San Juan Water District) for Cooperative Transmission Pipeline (CTP) Corrosion Testing for 2015.
Total - Project Costs			\$2,115,000	\$17,960,000	\$1,680,000	\$18,395,000	\$1,680,000	\$19,795,000	\$2,275,000	\$19,200,000		

¹ AMP Plan

- | | | |
|---------------------------------|---------------------------------------|--|
| 1 Meter Retrofit | 5 Transmission Main | 9 From 2009 Water System Master Plan |
| 2 Meter Replacement & Repair | 6 Reservoir and Booster Pump Stations | 10 Other Re-Occurring Annual Capital Costs |
| 3 Distribution Main Replacement | 7 Buildings and Structures | 11 Other Capitalizable Projects |
| 4 Well Replacement | 8 SCADA | |

**Third Draft
2016 Budget
and 2017 Forecast
Changes From
October Board Meeting**

2016 Budget Development Process

- Finance and Audit Committee – 08/28/15
 - Initial Presentation; Provide Direction to Staff
- September Board Meeting – 09/21/15
 - Discuss Items Recommended by Finance and Audit Committee
- Board Workshop – 10/05/15
 - Initial Presentation to Full Board; Provide Direction to Staff
- October Board Meeting – 10/19/15
 - 2nd Draft of Budget; Approve or Provide Additional Direction to Staff
- November Board Meeting – 11/16/15
 - Budget Approval or Additional Direction to Staff

Budget Direction

- Overall Budget Guidance: Total Expenditures and Capital Reserves?
 - Direction 1 – Balanced Budget
 - Direction 2 – Maintain a Certain Reserve Level > \$40 million
- Assume Normal Water Years for 2016 and 2017?
 - Answer: Yes, Budget Total Production of 35,000 AF
 - Budget for 13,150 AF of Surface Water
- Proposed Additions to Staff?
 - Answer: Yes, Approved 1 Position for 2016. During 2016, Bring back the 2017 Request
- Maintain a Similar Level of Customer Outreach in 2016 & 17?
 - Answer: Yes, But at a Reduced Level Compared to 2015
 - Remove Night Patrols and Door-to-Door Hangers
- Budget for Further Consolidation Analysis?
 - Answer: Budget \$100,000 for Special Studies. Requires Future Board Action
- Budget for Water Transfers?
 - Answer: Yes. See Next Slide for Details

Water Transfers

➤ History:

	2009	2010	2013
Acre-Feet Sold	8,462	2,712	2,822
Revenue/AF	\$ 277	\$ 235	\$ 190
Cost/AF	\$ 58	\$ 56	\$ 45
Revenue	2,347,132	636,638	536,218
Cost (Water & Legal)	487,297	151,254	127,155
Net Sales Revenue	1,859,835	485,384	409,063

➤ 2016/17 Projection:

	2016	2017
Acre-Feet to be Sold	3,000	3,000
Revenue/AF	\$ 500	\$ 500
Cost/AF	\$ 50	\$ 50
Revenue	1,500,000	1,500,000
Cost (Water & Legal)	150,000	150,000
Net Sales Revenue	1,350,000	1,350,000

2015 Sales Ranged Between \$500 and \$700 Per AF

2016 Budget and 2017 Forecast

2016 Budget

	As Presented	Changes From Prior Meeting		As Proposed
		(See Note 1)	Work in Process (2)	
Operations and Maintenance	18,058,000	100,000		18,158,000
Capital Improvement Program	20,075,000		(1,680,000)	18,395,000
Operating Capital	1,113,000	75,000	(100,000)	1,088,000
Debt Service	7,805,000			7,805,000
Total Costs	47,051,000	175,000	(1,780,000)	45,446,000

2017 Forecast

	As Presented	Changes From Prior Meeting		As Proposed
		(See Note 1)	Work in Process (2)	
Operations and Maintenance	18,587,000			18,587,000
Capital Improvement Program	19,795,000		(595,000)	19,200,000
Operating Capital	1,163,000		(100,000)	1,063,000
Debt Service	7,770,000			7,770,000
Total Costs	47,315,000	-	(695,000)	46,620,000

Notes:

1. \$100,000 added for Special Studies. \$75,000 added for a GPS Asset Location project.
2. Work-In-Process represents funds for construction projects begun in the budget year but not completed prior to year-end.

2016 Budget and 2017 Forecast

2016/17 CIP and OCB Budget and Forecast

	2015	2016		2016	2017		2017	
	Carryover	New Projects	Carryover	Budget	Carryover	New Projects	Carryover	
							Forecast	
Capital Improvement Program	2,115,000	17,960,000	(1,680,000)	18,395,000	1,680,000	19,795,000	(2,275,000)	19,200,000
Operating Capital		1,188,000	(100,000)	1,088,000	100,000	1,063,000	(100,000)	1,063,000
Total Costs	<u>2,115,000</u>	<u>19,148,000</u>	<u>(1,780,000)</u>	<u>19,483,000</u>	<u>1,780,000</u>	<u>20,858,000</u>	<u>(2,375,000)</u>	<u>20,263,000</u>

2016 Budget and 2017 Forecast

	2014 Actual	2014 Amended Budget	Actual As Of 8/31/2015	Projected 2015	2015 Amended Budget	2016 Proposed Budget	2017 Forecast
Income From Customers	\$ 38,929,512	\$ 39,640,000	\$ 28,563,197	\$ 38,734,000	\$ 38,837,000	\$ 41,548,000	\$ 43,210,000
Water Transfers	-	-	-	-	-	1,350,000	1,350,000
Total Other Income	<u>1,502,987</u>	<u>1,631,000</u>	<u>1,486,963</u>	<u>1,657,000</u>	<u>1,742,000</u>	<u>2,548,000</u>	<u>2,060,000</u>
Total Revenue	<u>\$ 40,432,499</u>	<u>\$ 41,271,000</u>	<u>\$ 30,050,160</u>	<u>\$ 40,391,000</u>	<u>\$ 40,579,000</u>	<u>\$ 45,446,000</u>	<u>\$ 46,620,000</u>
Budgets:							
Operations and Maintenance	15,993,938	16,639,000	10,852,619	15,179,000	17,282,427	18,158,000	18,587,000
Capital Improvement Program	19,826,144	20,955,000	10,050,662	16,617,000	18,332,000	18,395,000	19,200,000
Operating Capital Program	702,357	944,000	360,004	900,000	1,140,925	1,088,000	1,063,000
Debt Service (Forecast)	7,467,909	7,625,000	2,711,208	7,448,000	7,850,000	7,805,000	7,770,000
Total Costs	<u>43,990,348</u>	<u>46,163,000</u>	<u>23,974,493</u>	<u>40,144,000</u>	<u>44,605,352</u>	<u>45,446,000</u>	<u>46,620,000</u>
Change in Reserve Balance	(3,557,849)	(4,892,000)	6,075,667	247,000	(4,026,352)	-	-
Reserve (Cash) Balance	<u>\$ 44,812,477</u>	<u>\$ 43,844,600</u>	<u>\$ 49,440,660</u>	<u>\$ 45,059,477</u>	<u>\$ 40,786,125</u>	<u>\$ 45,059,477</u>	<u>\$ 45,059,477</u>

Note: Bolded lines are the Budgets – O&M, CIP, OCB, and Debt Service Forecast

QUESTIONS

Third Draft
2016 Budget
and 2017 Forecast
Detail

Board Meeting
November 16, 2015

Mission Statement

- *To deliver a high quality, reliable supply of water and superior customer service at a reasonable price.*

Strategic Plan

Goals

- **Water Supply:**
 - Assure a present and long-term safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers.
- **Facilities and Operations:**
 - Plan, construct, operate and maintain the District water system facilities embracing sustainable practices to provide reliable delivery of high quality water.
- **Customer Service:**
 - Assure superior customer service.
- **Finance:**
 - Ensure effective and efficient management and public reporting of all District financial processes.
- **Leadership:**
 - Provide leadership on regional, statewide and national water management issues that affect the District.

2016 Budget Development Process

- Finance and Audit Committee – 08/28/15
 - Initial Presentation; Provide Direction to Staff
- September Board Meeting – 09/21/15
 - Discuss Items Recommended by Finance and Audit Committee
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Definitions and Changes for 2016 Budget

Definitions

- Budget - Comprises All District Costs:
 - O&M Budget – Operations and Maintenance Budget
 - CIP Budget – Capital Improvement Program Budget (Water Infrastructure)
 - OCB Budget – Operating Capital Budget (Autos, Computers, Equipment, Etc.)
 - Debt Service Forecast – Debt Principal and Interest Payments
- AF - Acre Foot. Basic unit for water revenues and costs.

2016 Changes

- Budget Expanded to a 2 Year Planning Horizon:
 - First Year – Project and Budget Approval
 - Second Year – Project Approval; Forecast Provided
- Revisit Budget in Spring for Surface Water Availability?

2015 Budget and Highlights

	2015 Amended Budget	\$ Millions
Operations & Maintenance Budget		\$17.4
Capital Improvement Program Budget		\$18.3
Operating Capital Program Budget		\$ 1.1
Debt Service Budget		\$ 7.9

2015 Budget Allowed the District to Accomplish:

- Projected Water Deliveries of roughly 29,000 Acre Feet (AF)
 - Water Supply Source: All Ground Water
 - No Wheeled Water Deliveries in 2015
- On Schedule to meet SWRCB's 32% Conservation Reduction Standard
- Completed Drilling of Rutland Drive Well
- On Schedule to Complete Antelope Pump-Around Project (& Pump-Back Project)
- On Schedule to replace 6.5 miles of Distribution Main Lines
- On Schedule to install 1,782 Water Meter Retrofits
 - (See slide 39 for current status of water meter retrofit program)

2016 Goals

Budget Will Allow the District to Accomplish the Following:

- Water Deliveries of 35,000 AF (32,200 AF to Customers)
 - Includes Wheeled Water Deliveries of 2,800 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
 - Replace up to 8 miles of Distribution Main Lines, including 371 Meters
 - Install an Additional 1,510 Water Meter Retrofits (139 from grant funds)
 - Complete Rutland Drive Well – Site Work and Pumping Plant
 - Purchase Property for Future Wells
 - Complete Design/Begin Construction of Manganese Treatment Facility at Verner Well
- Continue efforts in meeting SWRCB Conservation Reduction
 - Ends February 29, 2016
 - Maintain water conservation awareness/rebate program after February
- Transfer 3,000 AF for Net Revenues of \$1.35 Million

Budget Direction

- **Overall Budget Guidance: Total Expenditures and Capital Reserves?**
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- **Assume Normal Water Years for 2016 and 2017?**
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Budget Assumptions

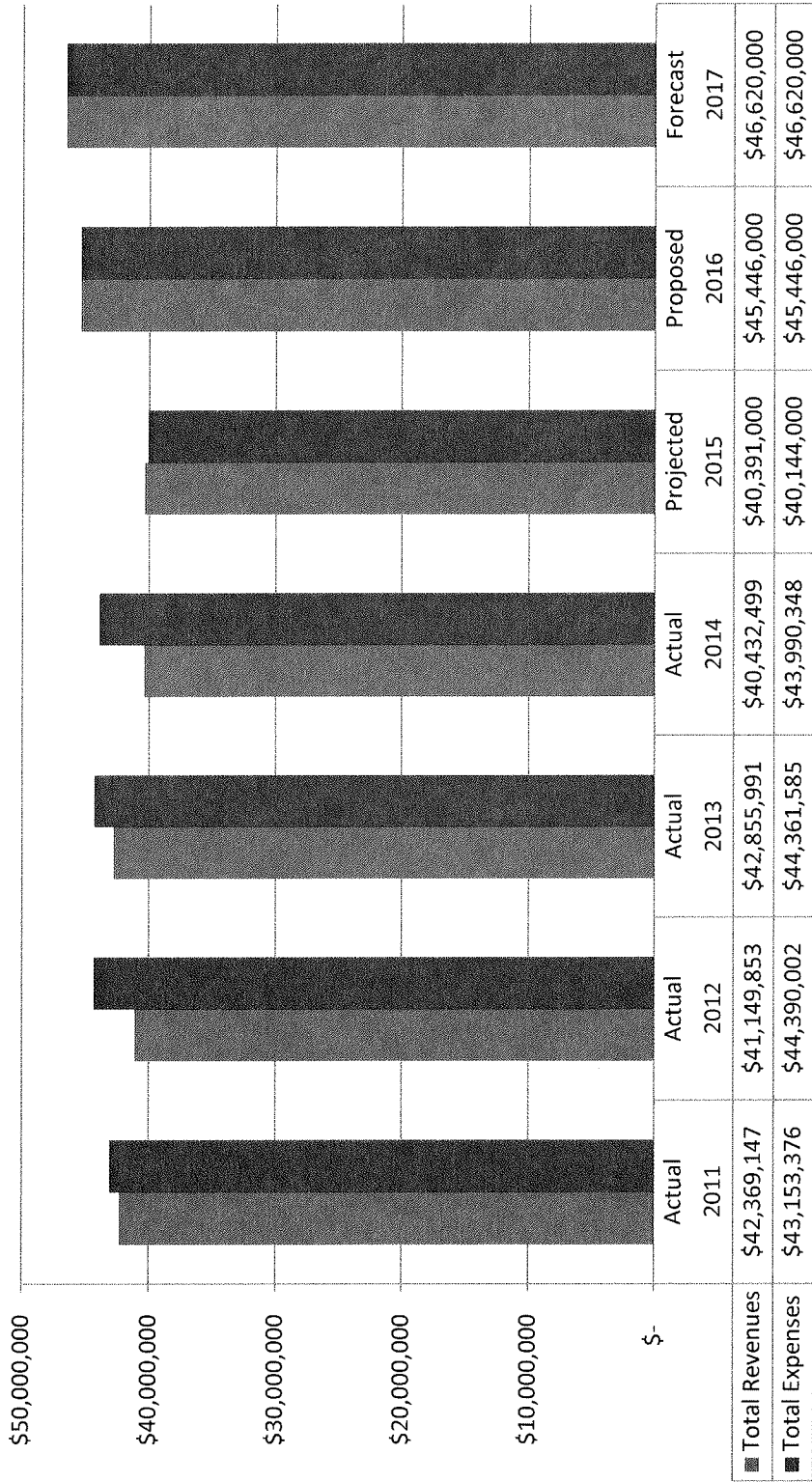
- No changes planned in service boundaries
- Water Transfers of 3,000 Acre Feet (AF) (Net Revenue ~ \$1.35 million)
- Water Production – Calculated based on prior 5 year seasonally-adjusted average
 - Total: 35,000 AF
 - Surface Water: 13,150 AF (NSA = 12,150 AF @ \$177/AF, SSA = 1,000 AF @ \$429/AF)
 - Customers: 10,200 AF
 - Wheeling: 2,800 AF (Cal-Am 2,000 AF; RLECWD 500 AF; and CHID 300 AF.)
 - Ground Water: 21,850 AF (NSA = 6,850 AF @ \$87/AF, SSA = 15,000 AF @ \$100/AF)
 - City of Sacramento Water Cost is \$429 per AF, up from \$332 per AF in 2015
- Customer Rate increase of 4.0% – Revenue increase of roughly \$1.6 million
- Groundwater costs per AF include – electricity, chlorine, fluoride, SGA fees and permits
- Investment yield is expected to increase 25 bps/annum to 1.75% in 2016 and 2.00% in 2017
- 0.3% cost-of-living increase in 2016 and 2.0% in 2017
- 4.0% merit pool in 2016 and 2017
- Health Care costs based on premium increase of 2.6% in 2016 and 3.0% in 2017 and employee’s moving in/out of District medical coverage from/to spousal coverage
- Pension increase is expected to be 7.1% in 2016 and 7.4% in 2017
- 2 additions to staff – one in 2016 and one in 2017
- OPEB funding requirement is decreasing by roughly \$125,000 per annum
- No debt refinancing anticipated and no change to District credit rating is assumed

2016 Budget and 2017 Forecast

	2014 Actual	2014 Amended Budget	Actual As Of 8/31/2015	Projected 2015	2015 Amended Budget	2016 Proposed Budget	2017 Forecast
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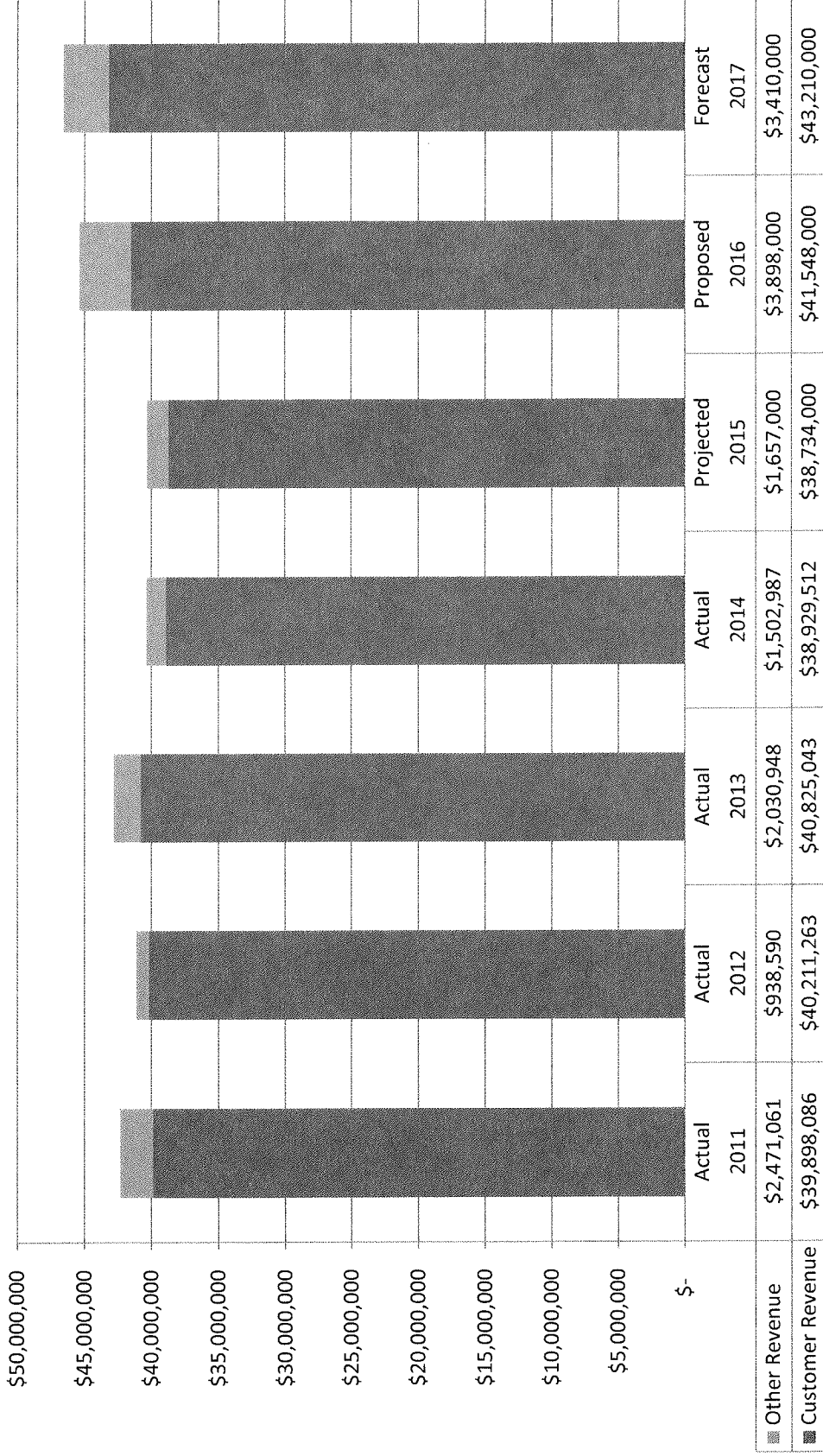
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Total Revenues Vs Total Expenditures 2011 to 2017



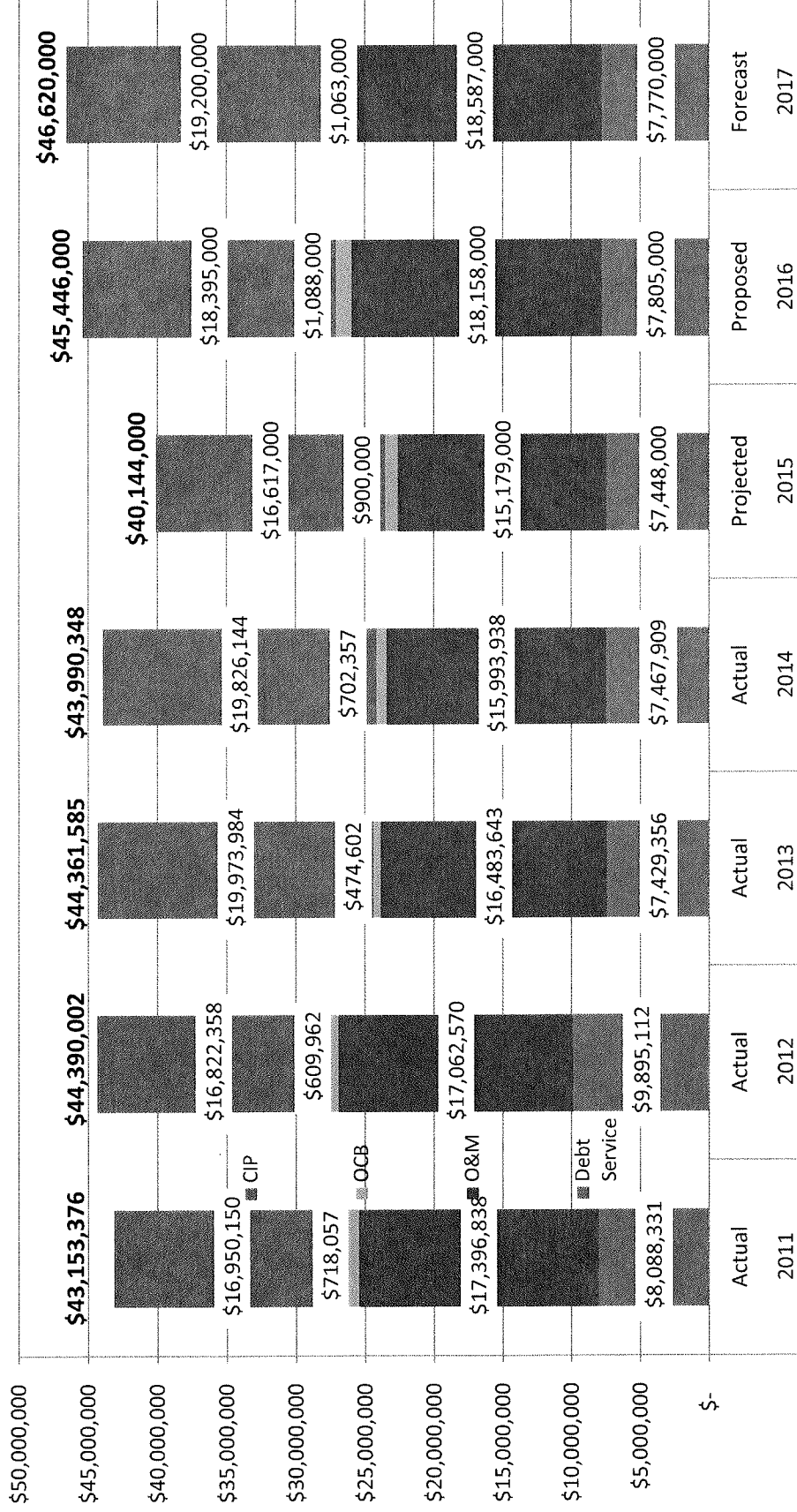
2016 Increase due to 2015 CIP Project Deferrals and Purchase of Surface Water.

Total Revenues 2011 to 2017



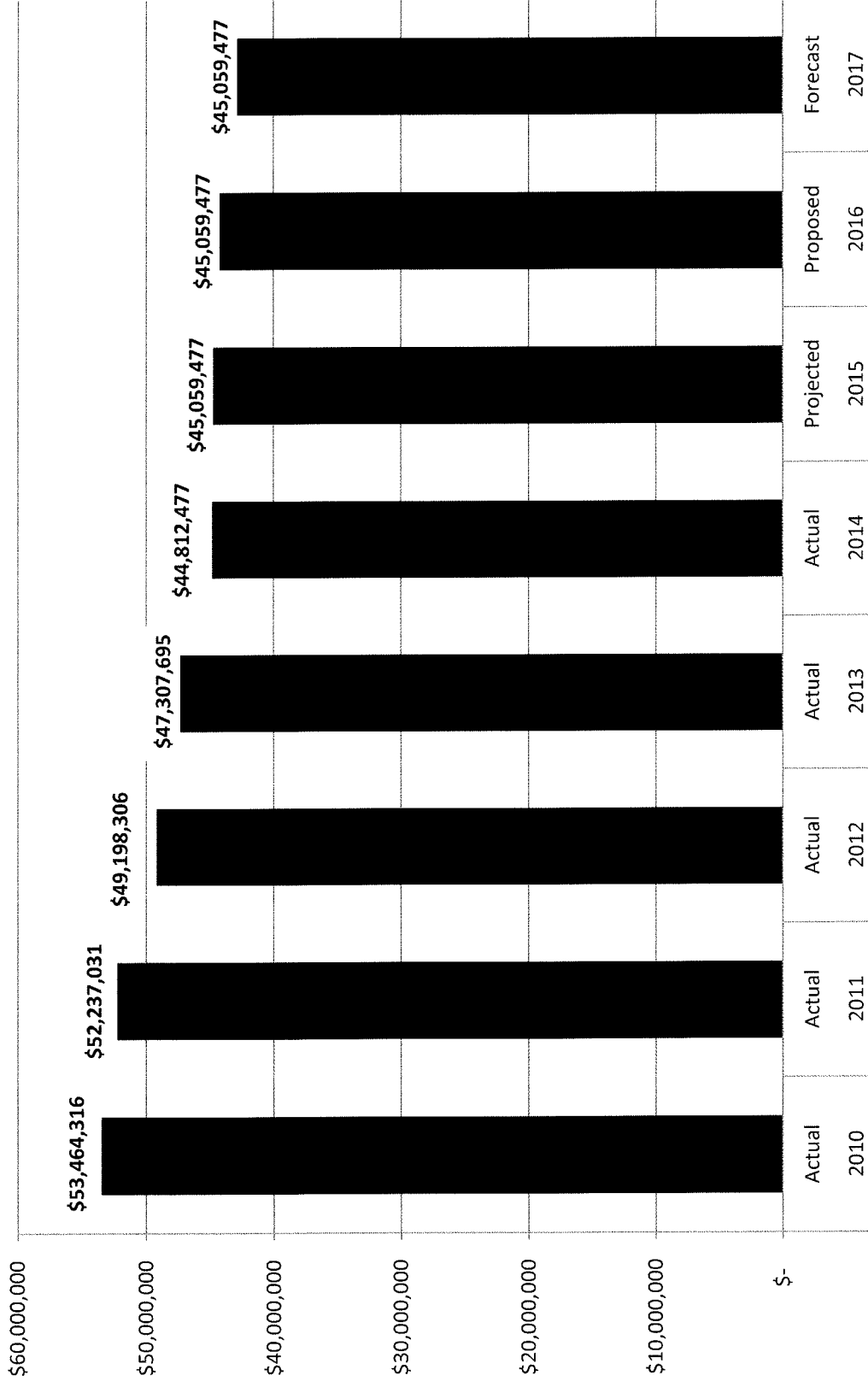
Customer revenue is expected to increase \$1.6 million in 2016 and 2017 due to the 4.0% per annum rate increase approved in 2013. Other revenue includes \$1.4 million in net water transfer sales in both 2016 and 2017.

Total Expenditures 2011 to 2017



The CIP decrease in 2015 is due to deferred projects – Wells \$0.8 million; Distribution Mains \$1.0 million.
The O&M increase in 2016/17 is primarily due to the purchase of surface water - \$2.7 million.

Reserve Balance 2010 to 2017



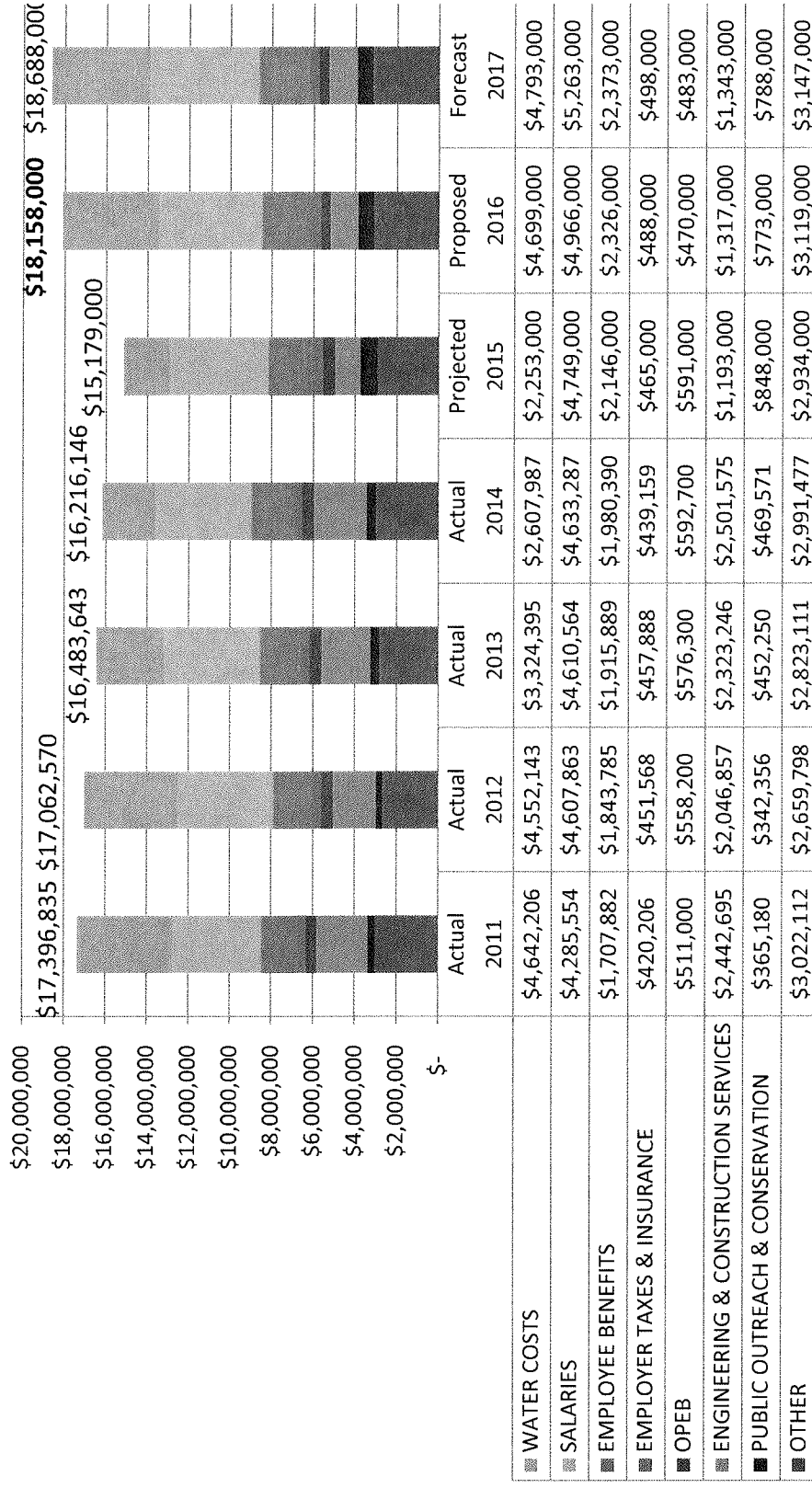
Reserve Balance Detail 2010 to 2017

	Actual <u>12/31/2010</u>	Actual <u>12/31/2011</u>	Actual <u>12/31/2012</u>	Actual <u>12/31/2013</u>	Actual <u>12/31/2014</u>	Projected <u>12/31/2015</u>	Proposed <u>12/31/2016</u>	Forecast <u>12/31/2017</u>
Debt Service Reserve	\$ 6,642,655	\$ 6,642,655	\$ 3,532,012	\$ 3,520,472	\$ 3,540,082	\$ 3,517,500	\$ 3,517,500	\$ 3,517,500
Facilities Reimbursement	32,217	32,217	76,051	42,968	21,873	120,000	100,000	100,000
Emergency/Contingency	10,978,750	10,978,750	10,660,000	10,317,750	10,758,000	11,771,750	11,361,500	11,655,000
Operating	6,358,000	6,358,000	6,183,575	6,466,000	6,468,857	6,596,750	6,490,750	6,589,250
Rate Stabilization	5,825,000	5,825,000	5,470,000	5,525,000	5,870,000	5,630,000	5,855,000	6,089,200
Interest Rate Risk	-	-	-	-	-	-	-	-
Grant	5,671,000	5,671,000	7,696,000	3,832,000	654,000	175,000	1,068,000	500,000
Capital Asset	17,956,694	16,729,409	15,580,668	17,603,505	17,499,665	17,238,477	16,656,727	16,598,527
TOTAL	\$ 53,464,316	\$ 52,237,031	\$ 49,198,306	\$ 47,307,695	\$ 44,812,477	\$ 45,049,477	\$ 45,049,477	\$ 45,049,477

Individual reserve account changes based on proposed 2016 budget. Actual fluctuations (years 2010 to 2014) are due to changes in CIP or O&M expenditures.

O&M Budget

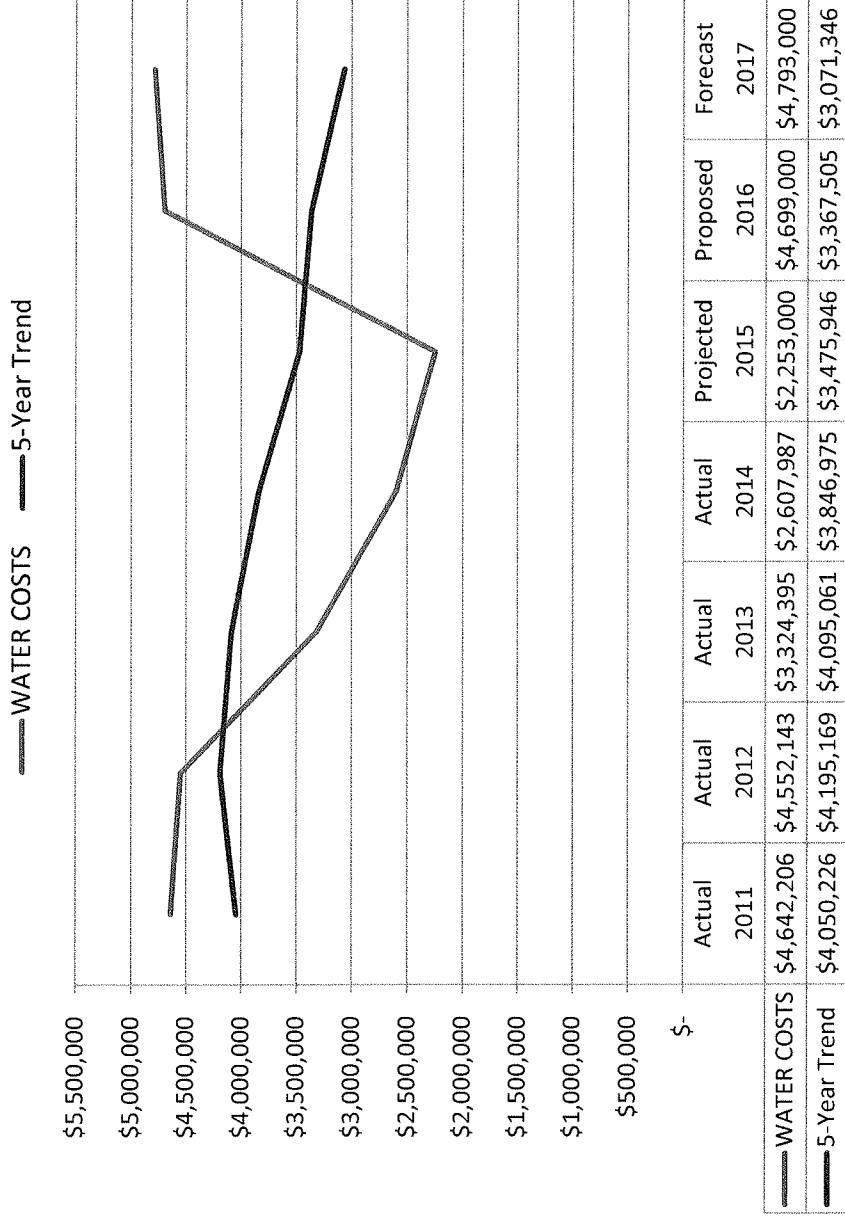
O&M Expenses 2011 to 2017



Discussion of individual line items variances appear on subsequent pages.

O&M Expense Detail

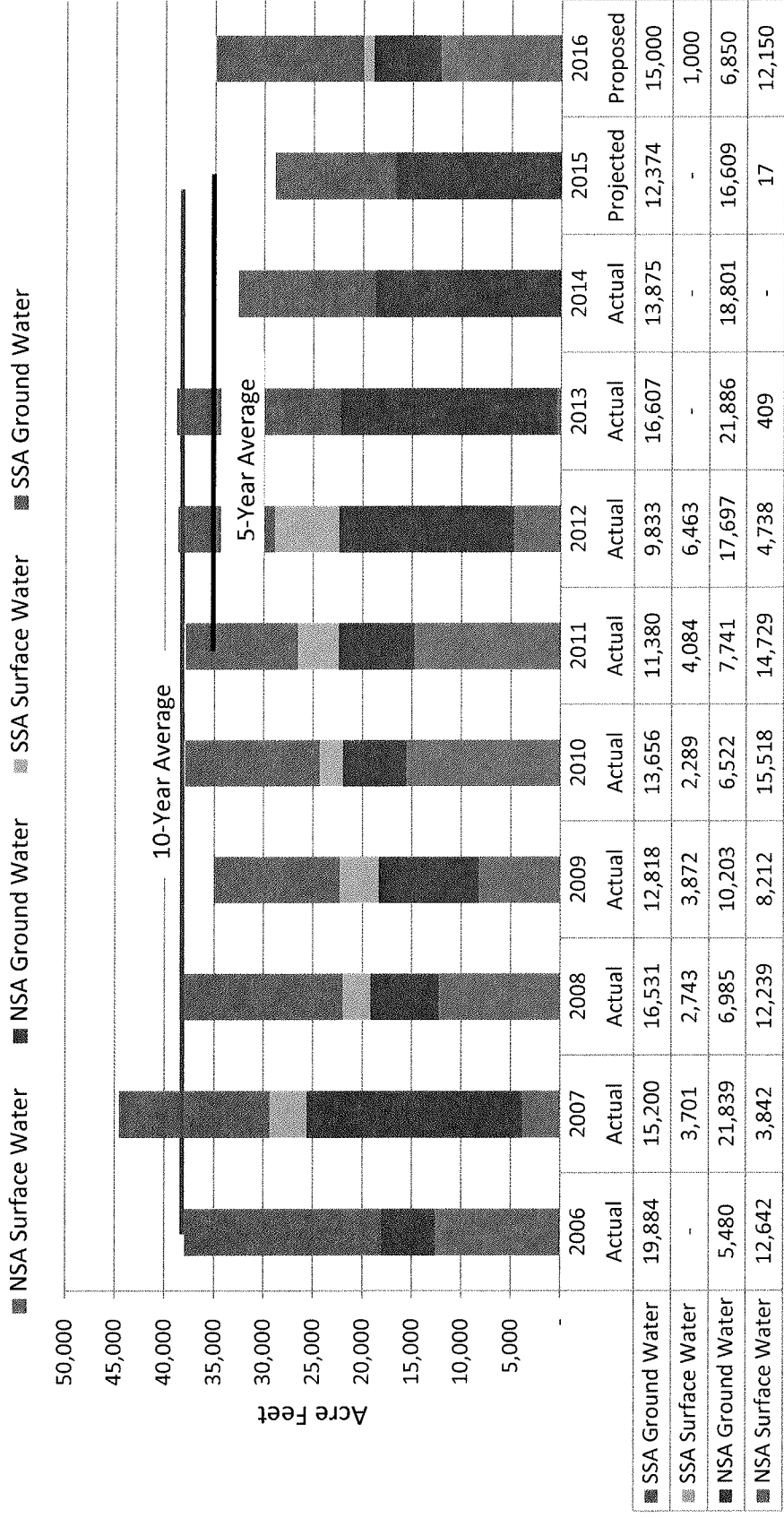
Water Costs



Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013, 14 and 15, surface water was unavailable. 2016 and 17 assumes the purchase of 13,150 AF of surface water (SSA - 1,000 AF and NSA 12,150 AF) for a \$2.7 million increase.

O&M Expense Detail

Water Production

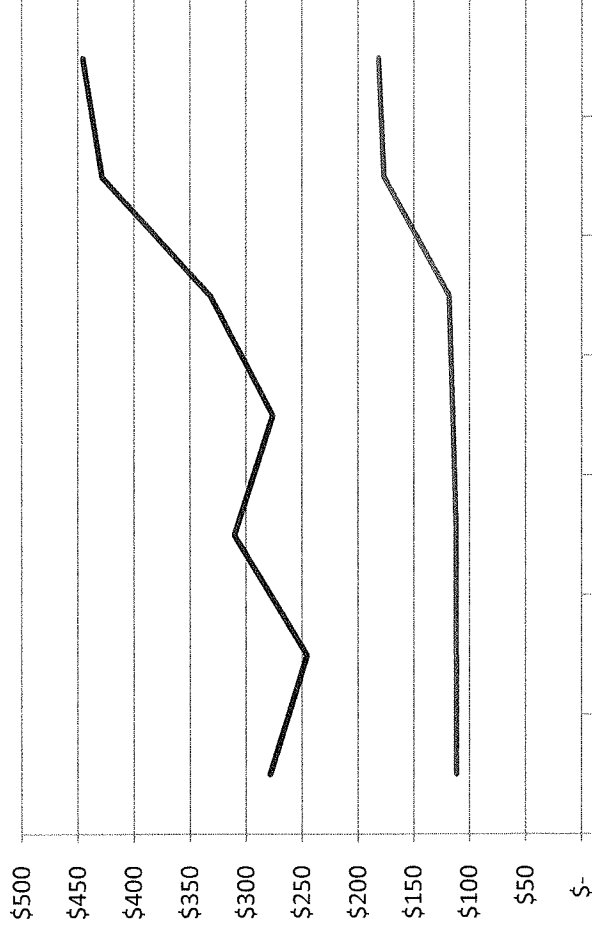


Production amounts for 2016 recommended by the Finance and Audit Committee.

Surface Water vs Ground Water

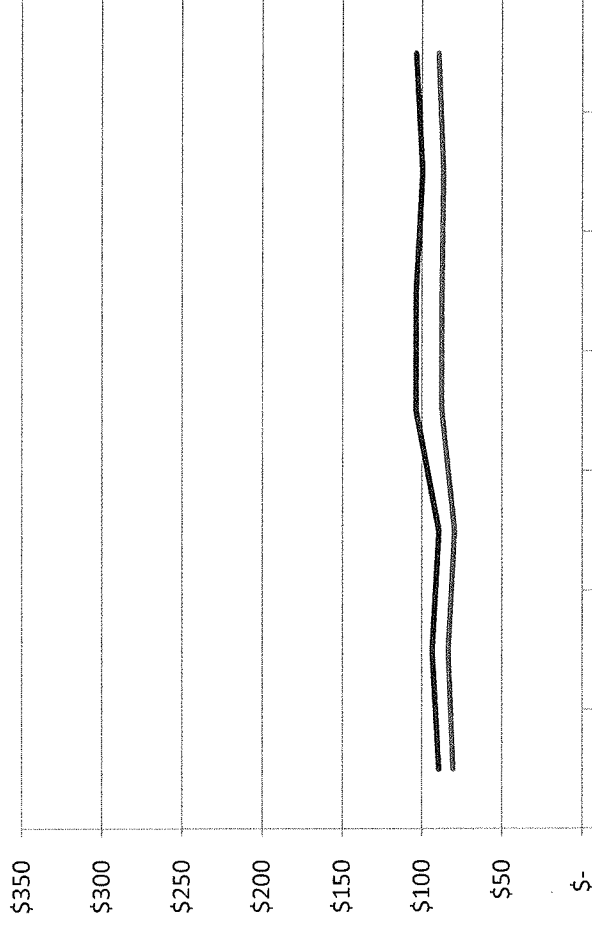
Surface Water

NSA SSA



Ground Water

NSA SSA

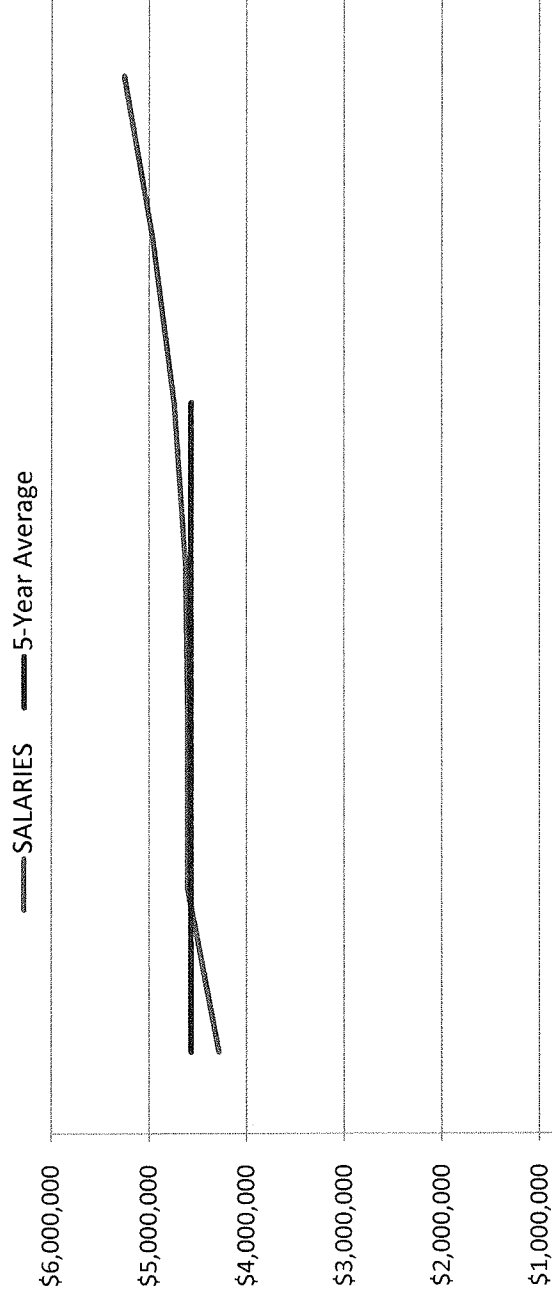


SSA - City Surface Water (SW) price increase is \$97/AF for 2016, for a total of \$429 per AF.

NSA - SJWD treatment cost increase is \$62/AF due to USBR cost increase. Total SW cost will be \$177 per AF. 21

O&M Expense Detail

Salaries



	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Projected 2015	Proposed 2016	Forecast 2017
SALARIES	\$4,285,554	\$4,607,863	\$4,610,564	\$4,633,287	\$4,749,000	\$4,966,000	\$5,263,000
5-Year Average	\$4,577,254	\$4,577,254	\$4,577,254	\$4,577,254	\$4,577,254		

Increase in 2016 due to one new position (\$40,000) and Merit and COLA increases of 4.3% (\$160,000).

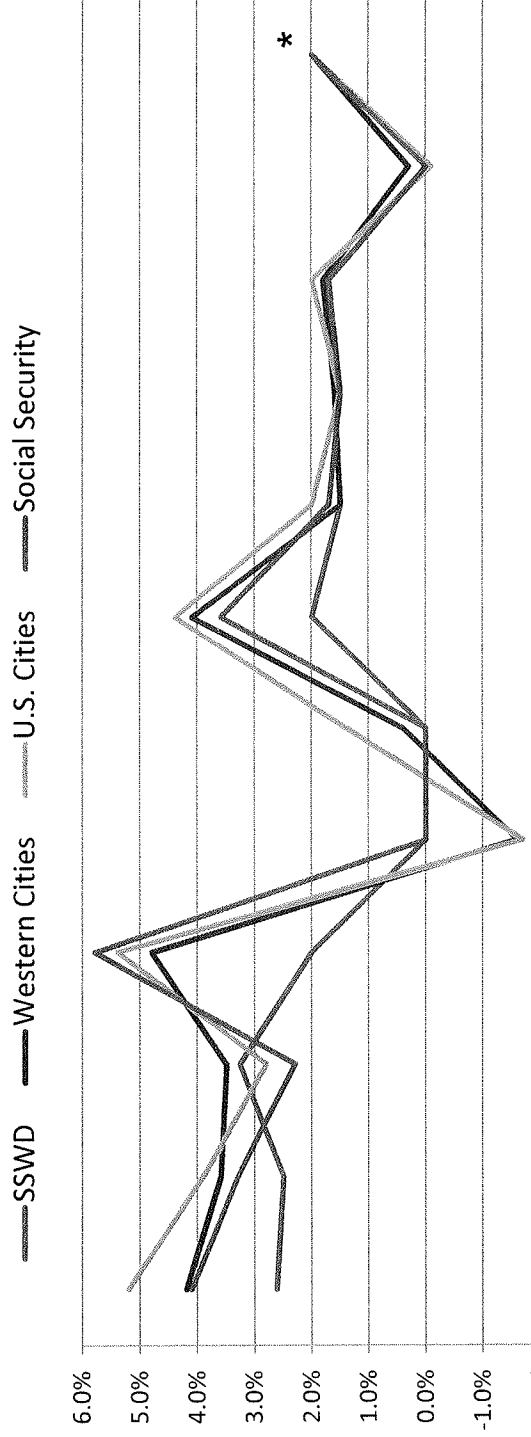
New Position Request

- Position Approved at October Board Meeting.

- Distribution Operator I/II Cost:
 - Annual Salary ~ \$40,000
 - Annual Salary, Benefits, Employer Taxes ~ \$61,000
 - New Vehicle & Equipment ~ \$45,000

O&M Expense Detail

COLA

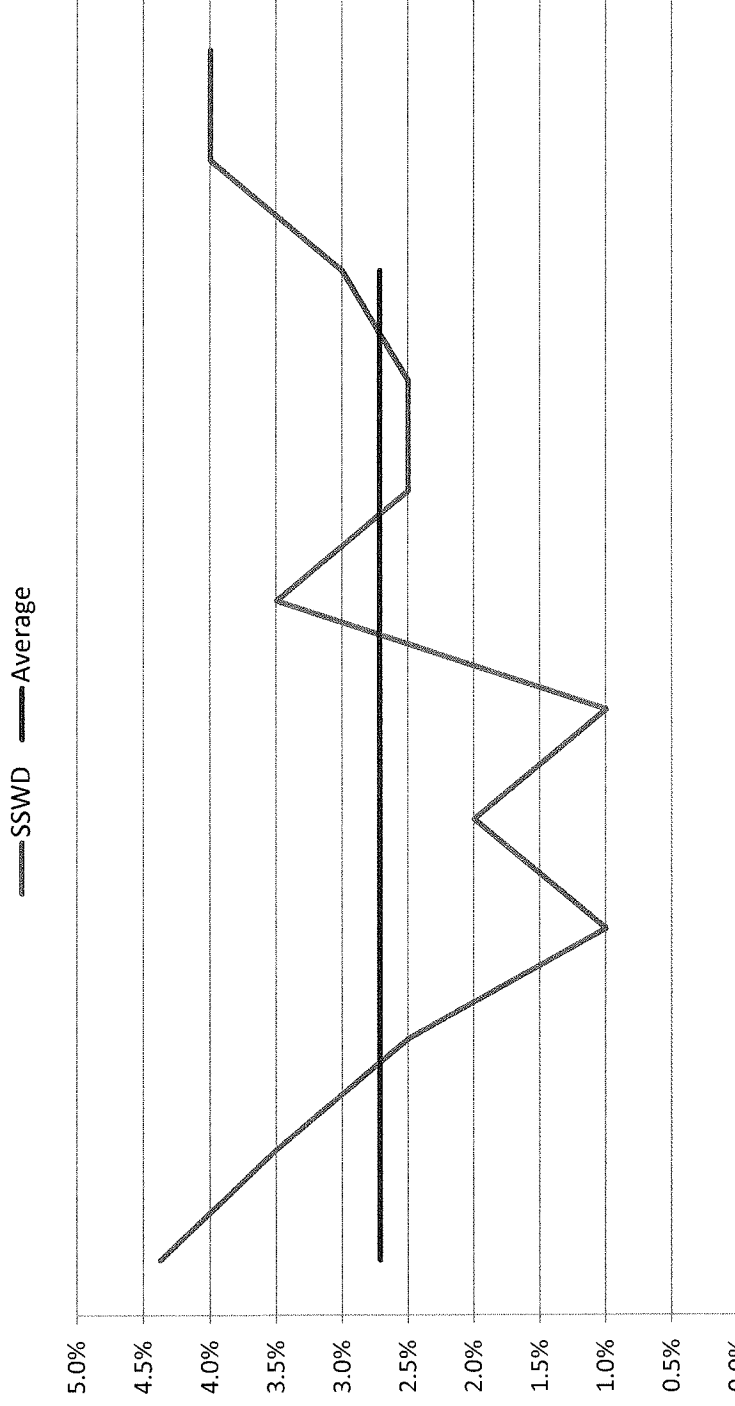


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SSWD	Actual	2.6%	2.5%	2.0%	0.0%	0.0%	2.0%	1.5%	1.6%	1.8%	0.3%	2.0%
Western Cities	Actual	4.2%	3.6%	3.5%	4.8%	-1.6%	4.1%	1.5%	1.6%	1.8%	0.3%	2.0%
U.S. Cities	Actual	5.2%	3.9%	2.8%	5.4%	-1.7%	4.4%	2.0%	1.5%	2.0%	-0.1%	2.0%
Social Security	Actual	4.1%	3.3%	2.3%	5.8%	0.0%	3.6%	1.7%	1.5%	1.7%	0.0%	2.0%

SSWD COLA is intended to be equal to the Western Cities Index. Comparison is also shown to National Consumer Price and Social Security Indices as published on their respective websites.
 * 2017 estimated by staff.

O&M Expense Detail

Merit



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SSWD	4.4%	3.5%	2.5%	1.0%	2.0%	1.0%	3.5%	2.5%	2.5%	3.0%	4.0%	4.0%
Average	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%

Discussion of staff recommendation appears on slides 25 and 26.

O&M Expense Detail

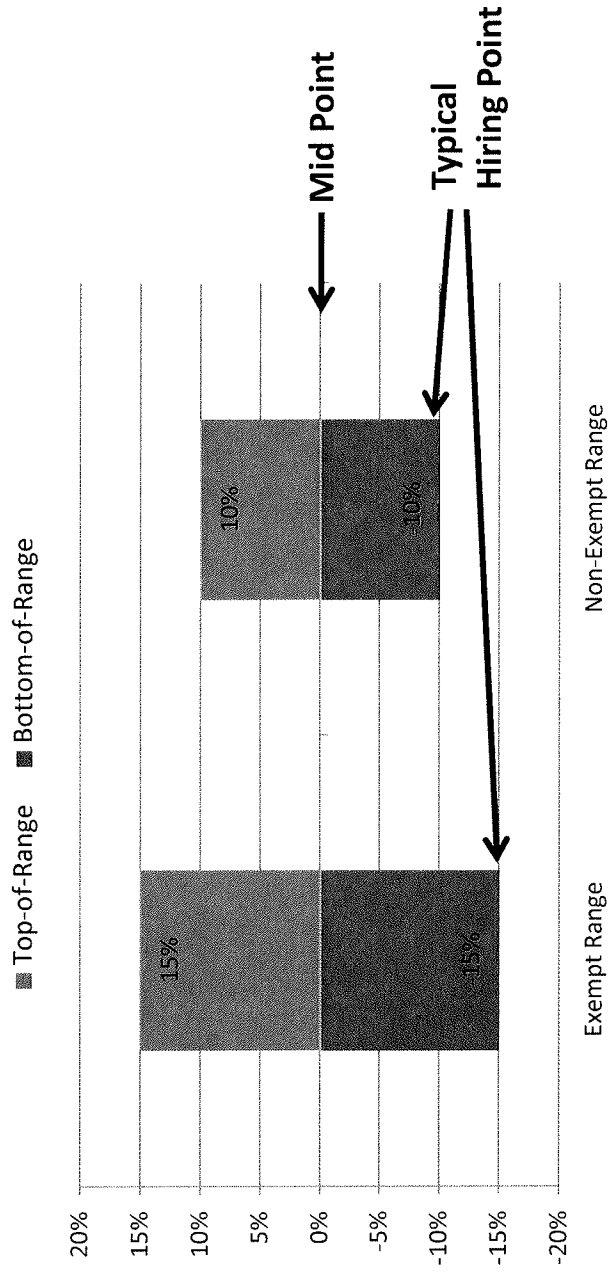
Salary Band Data

	<u>No. of</u>	<u>At Salary</u>	
	<u>Employees</u>	<u>Cap</u>	<u>Percentage</u>
Exempt	16	8	50%
Non-Exempt	46	19	41%
Total Employees	62	27	44%

Salary-Capped employees do not receive any change in base salary, but are eligible for a one-time vacation bonus.

O&M Expense Detail

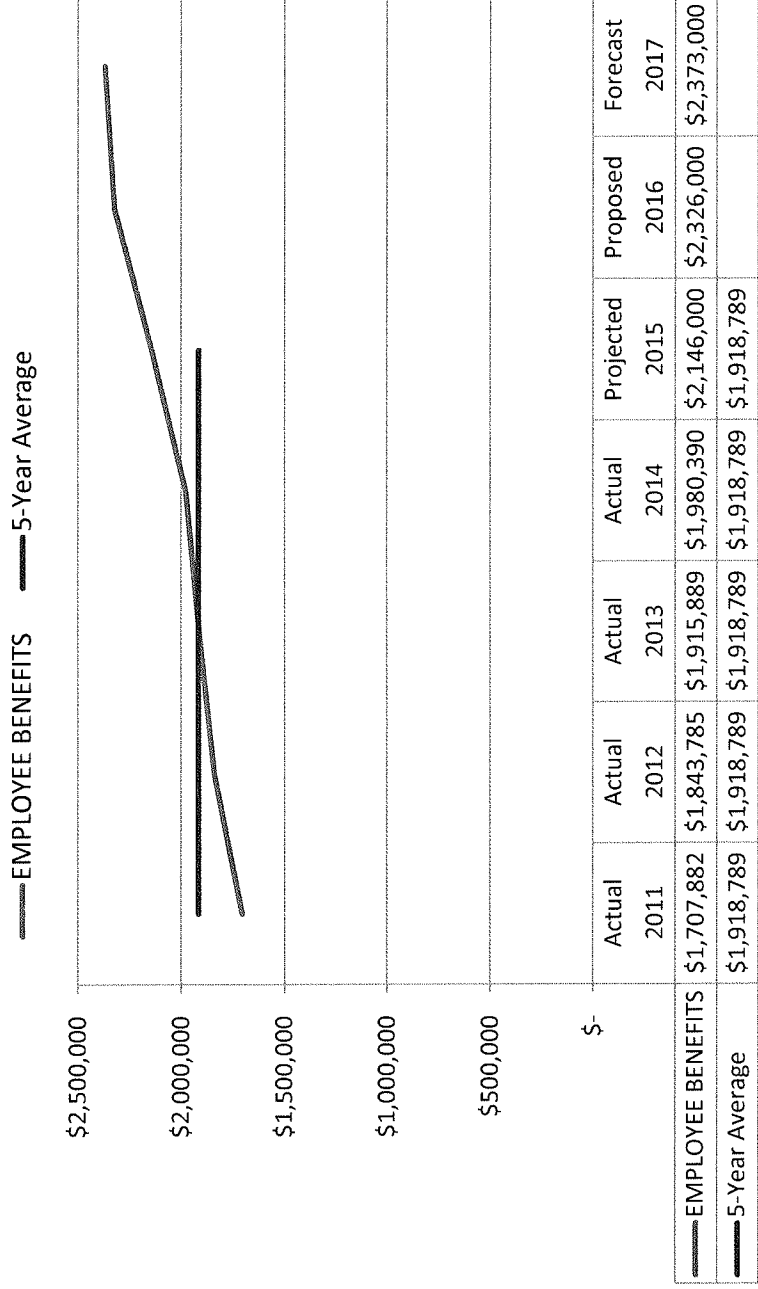
Salary Bands



New employees typically hired at or near bottom of salary range. Based on performance, an average merit increase of 4.0% will move a good performing non-exempt employee through their salary range in 5 years and an exempt employee in 7.5 years.

O&M Expense Detail

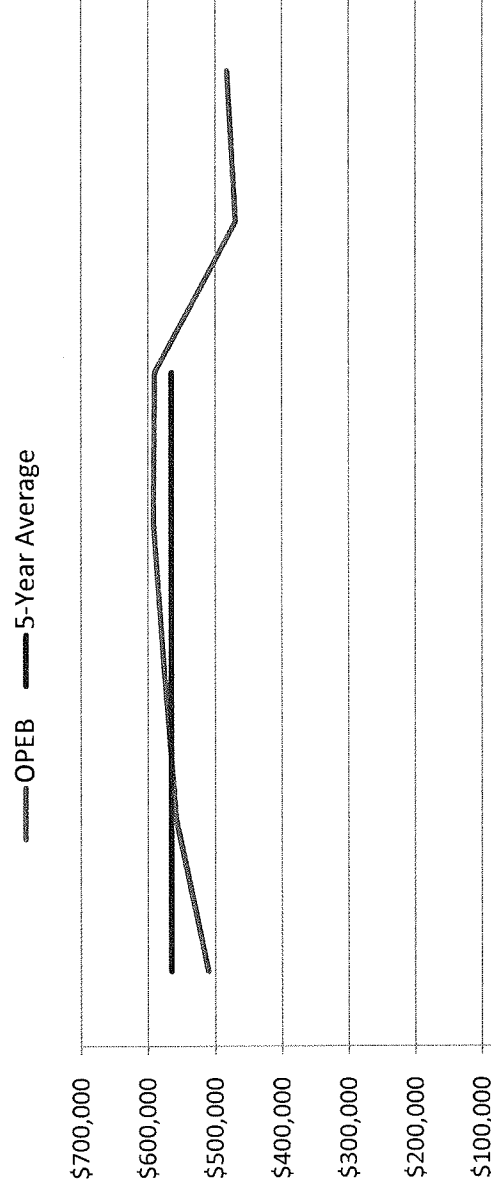
Employee Benefits



Increase in 2016 primarily due to pension and medical premium increases of 7.1% and 2.6%, respectively .

O&M Expense Detail

OPEB

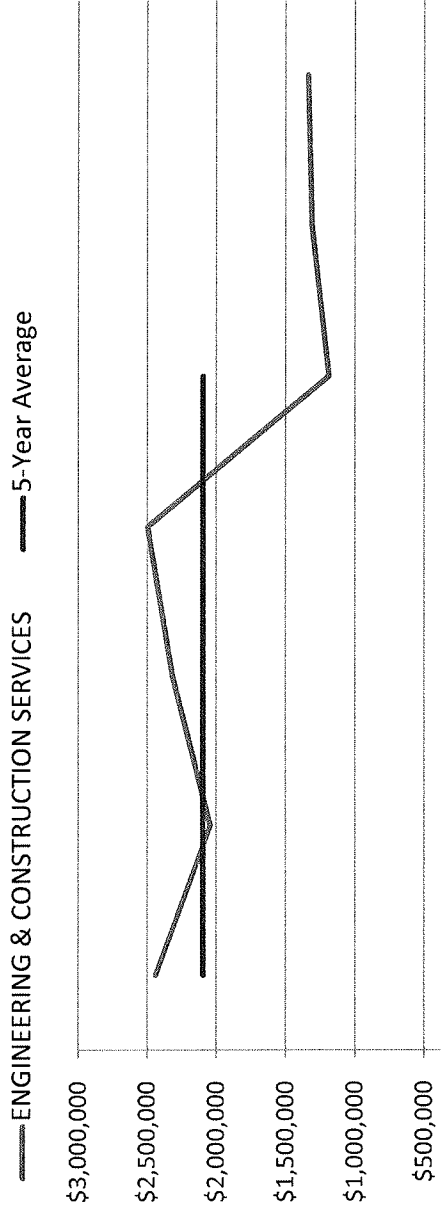


	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Projected 2015	Proposed 2016	Forecast 2017
OPEB	\$511,000	\$558,200	\$576,300	\$592,700	\$591,000	\$470,000	\$483,000
5-Year Average	\$565,840	\$565,840	\$565,840	\$565,840	\$565,840		

2016/17 reduction due to a combination of – reduced projected liability, prior contribution level, higher earnings inception-to-date and reduced amortization of the UAAL from 22 years to 10 years.

O&M Expense Detail

Engineering, Construction & Consulting

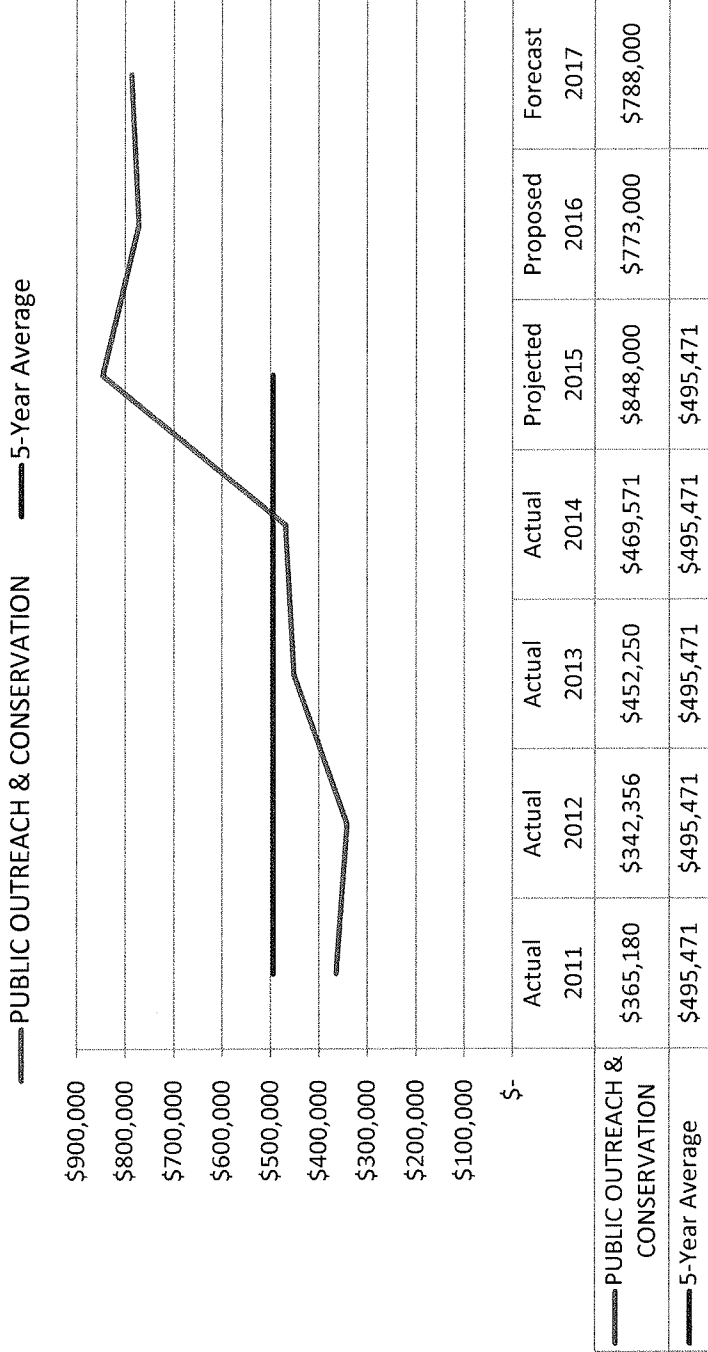


	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Projected 2015	Proposed 2016	Forecast 2017
ENGINEERING & CONSTRUCTION SERVICES	\$2,442,695	\$2,046,857	\$2,323,246	\$2,501,575	\$1,193,000	\$1,317,000	\$1,343,000
5-Year Average	\$2,101,475	\$2,101,475	\$2,101,475	\$2,101,475	\$2,101,475		

2015 decrease due to approval of an Assistant Engineer position.
 Budget to-be-determined for 2016 consolidation study. 2015 actual was \$93,000.

O&M Expense Detail

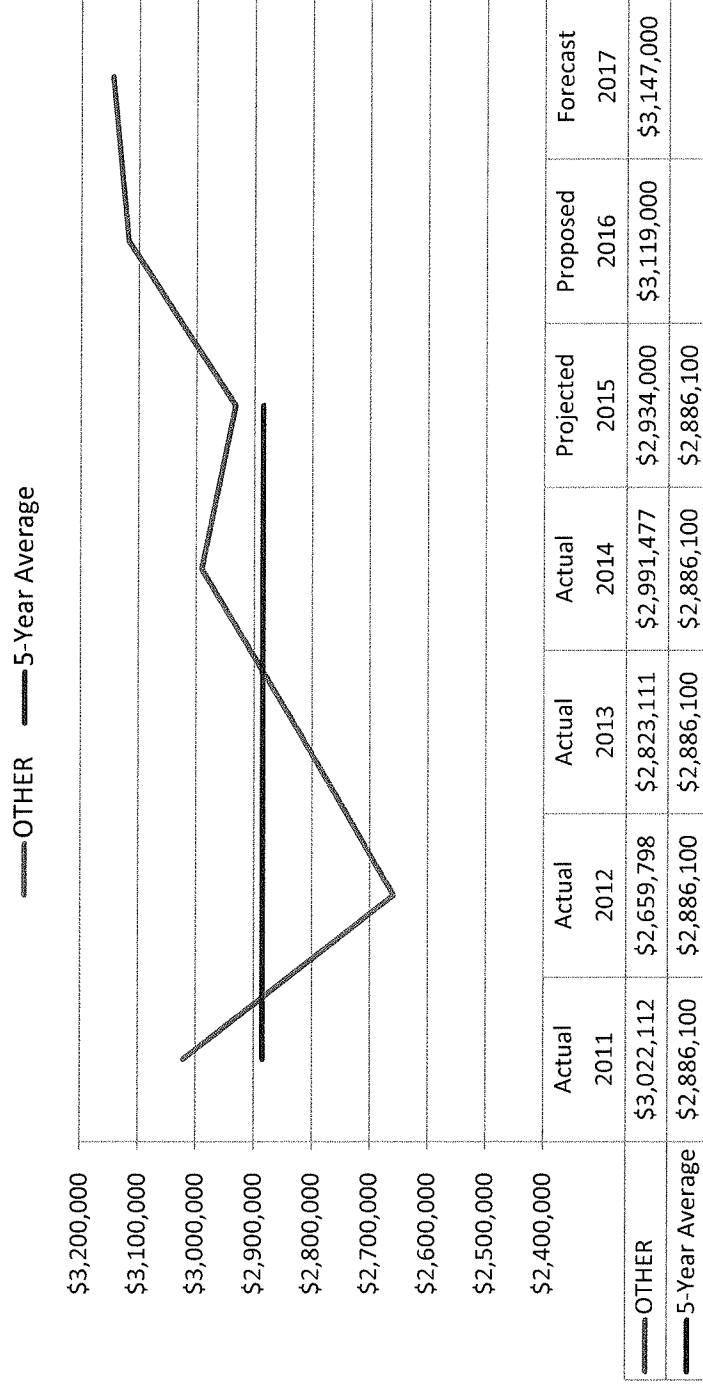
PUBLIC OUTREACH & CONSERVATION



2015 increase due primarily to customer relation cost increases for conservation and outreach plus conservation-based rebates (\$400,000).

O&M Expense Detail

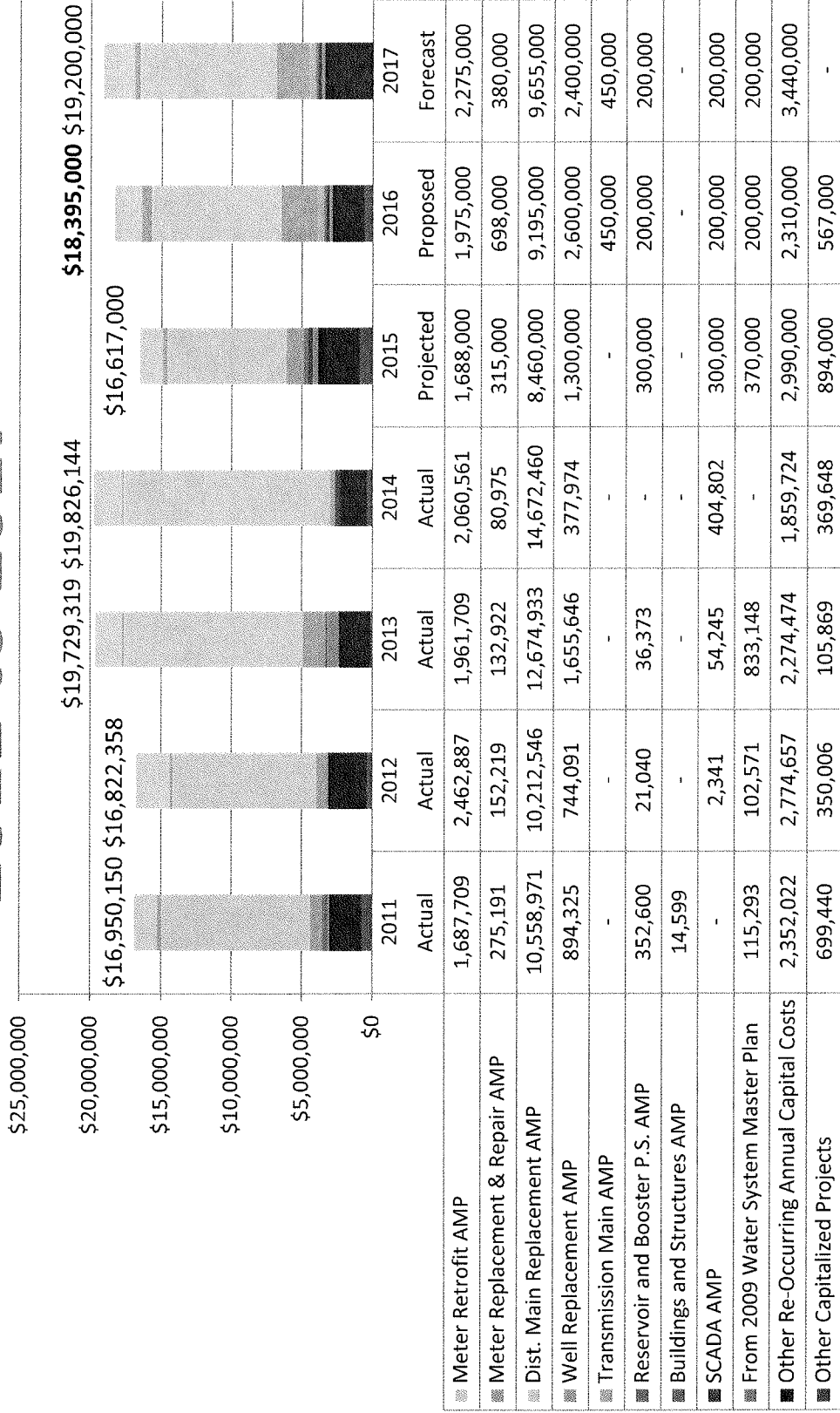
OTHER EXPENSES



2015/16/17 increase due primarily to increased operating supplies and inventory for repairs, rebuilds and replacement of meters (\$400,000).

CIP Budget

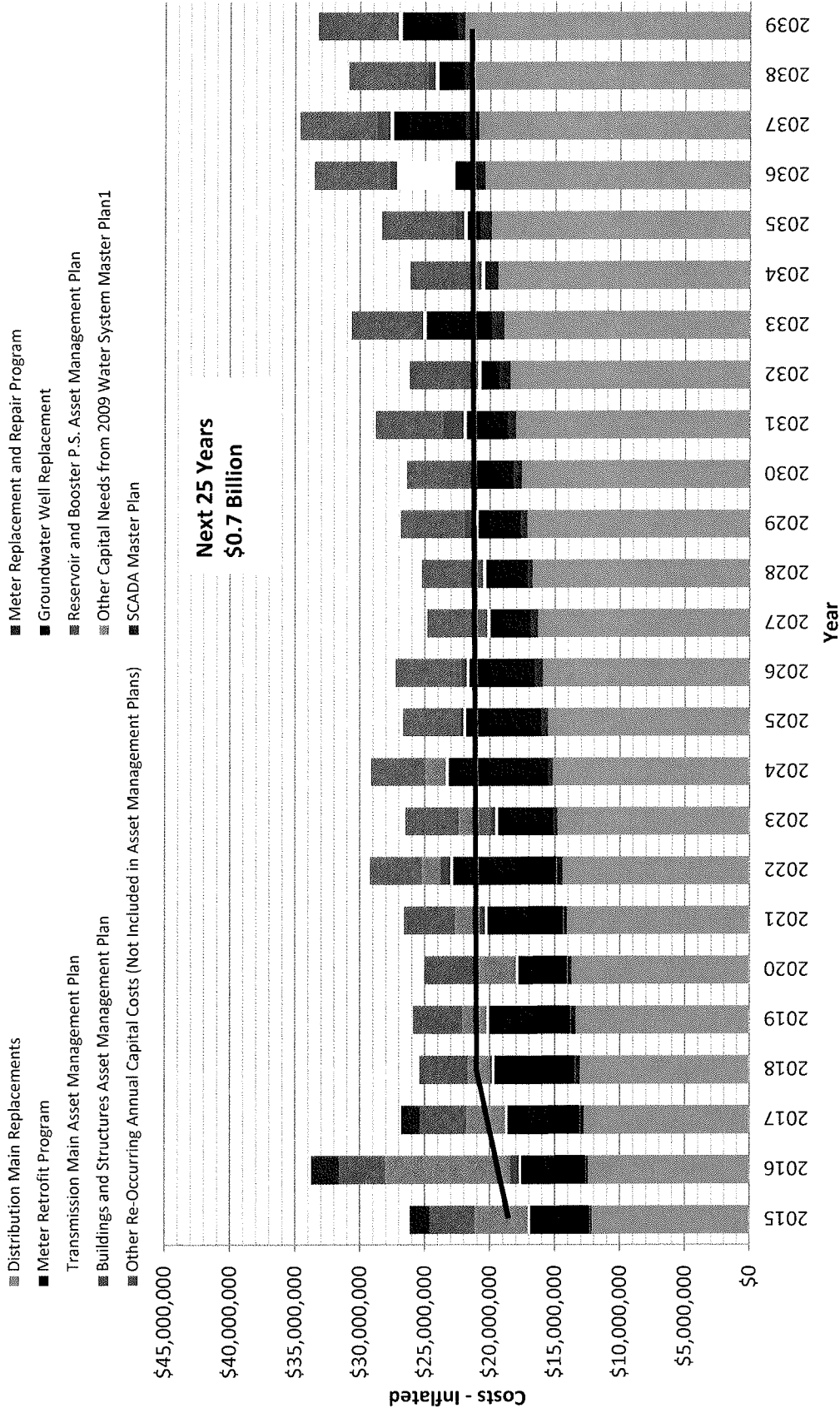
CIP Project Costs 2011 to 2017



Discussion of individual line items appears on subsequent pages.

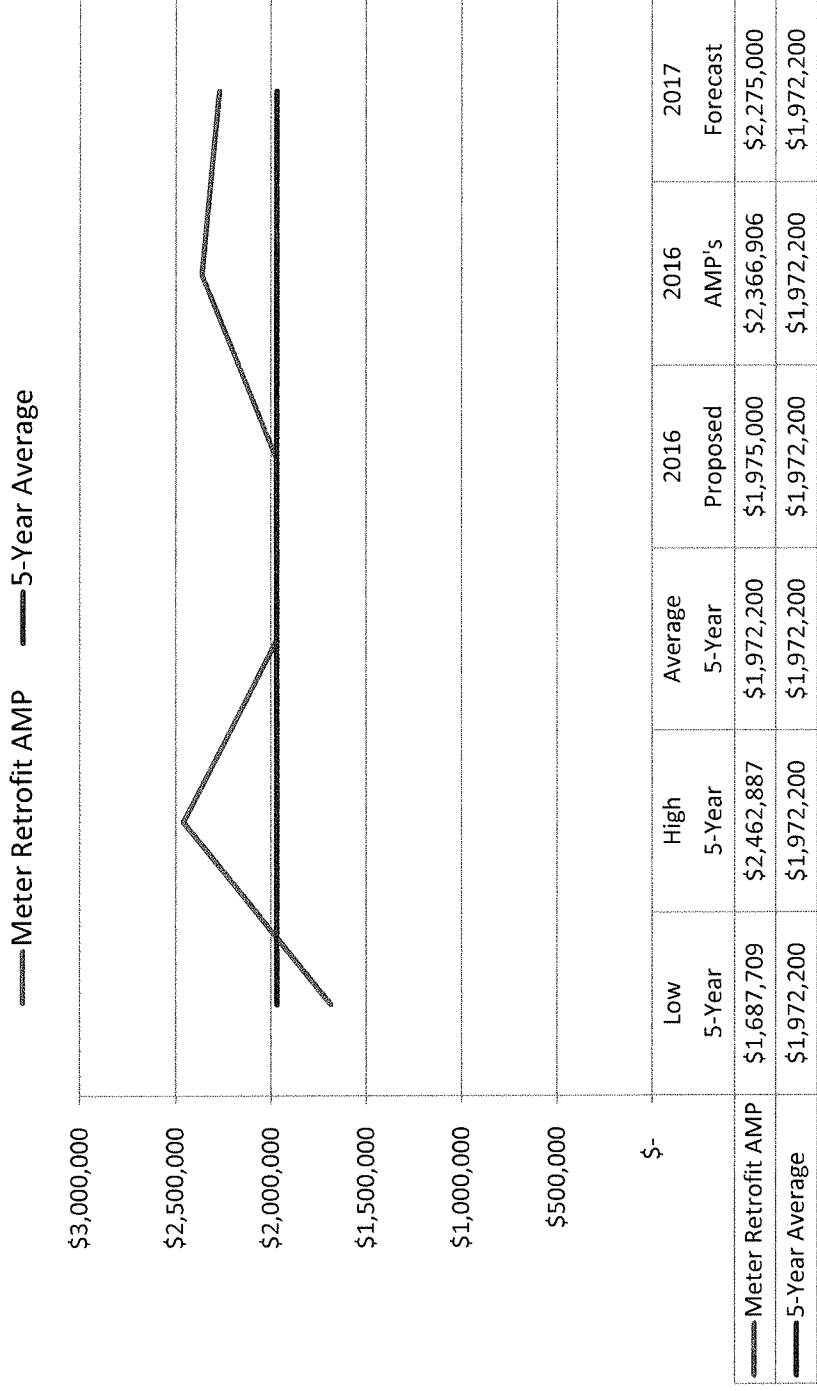
Asset Management Plans (AMPs)

Next 25 Years



Black line shows capital funding level from customer rates.

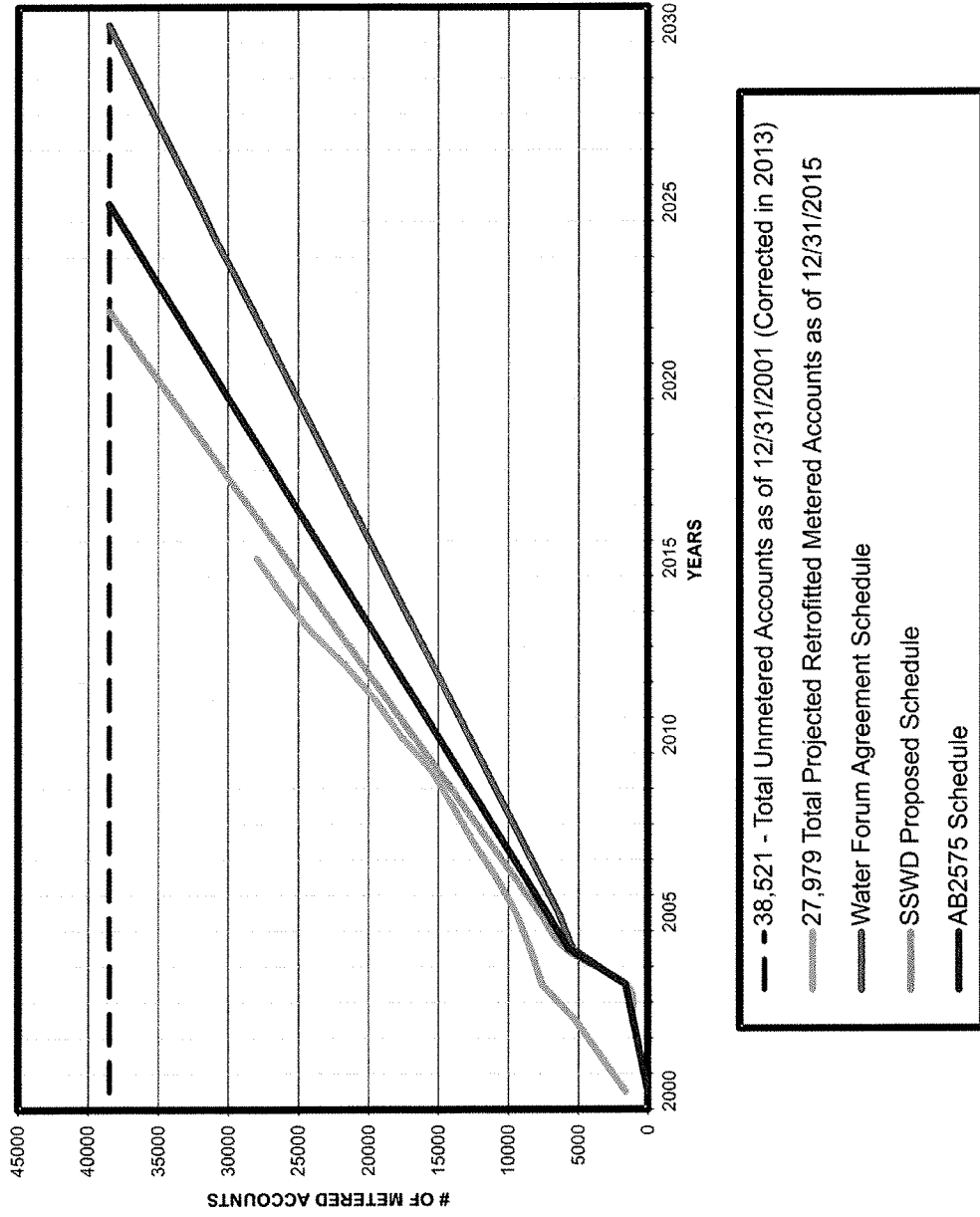
Water Meter Retrofit Program



Meters to be installed per Meter Retrofit Plan in 2016 is 1,510, including 139 meters funded by grant monies and 1,216 in 2017. (Note: total meter installation for 2016 and 2017 is expected to be 1,881 and 1,780, respectively, which includes 371 meters and 564 meters installed as part of replacing distribution mains.)

Water Meter Retrofit Program

SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



CIP Project Detail

Meter Replacement & Repair Costs

5-Year	5-Year	5-Year	Budget	AMP	Forecast
Low	High	Average	2016	2016	2017
\$ 80,975	\$ 315,000	\$ 191,300	\$ 698,000	\$ 539,463	\$ 380,000
<u>2016/17 Projects</u>					
Replace obsolete large meters (>3")				140,000	
Replace 1,200 3/4" to 1" meters and 188 1-1/2" to 2" meters				558,000	
				\$ 698,000	

Per 2015 Water Meter Asset Management Plan, beginning in 2016, replacement of water meters installed in 1990's that have outlived their useful life will begin.

CIP Project Detail

Distribution Main Replacements (2015)

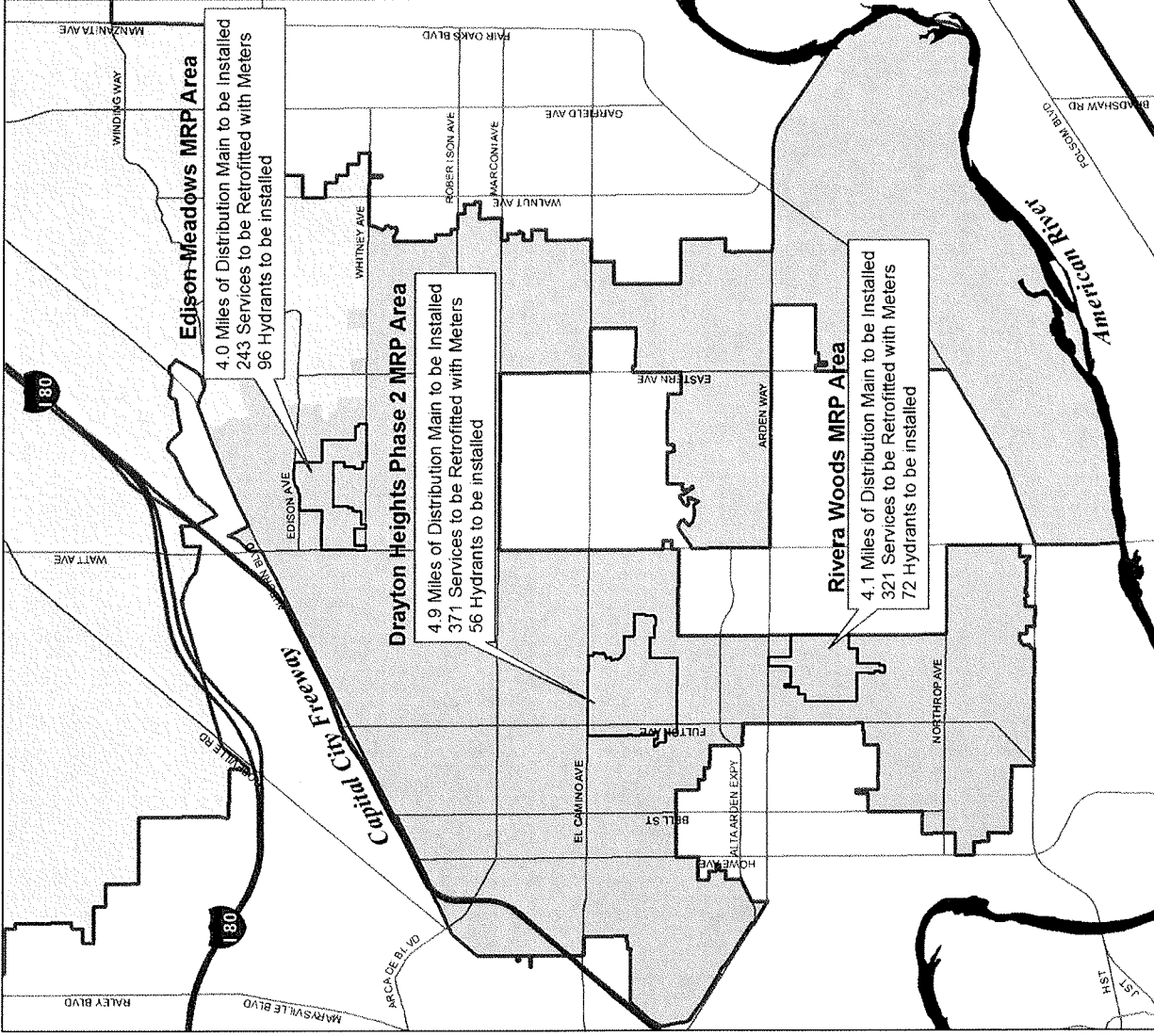
	Amended Budget 2015	Projected 2015
<u>2015 Projects</u>		
Arden Oaks - Final Paving, and Santa Anita - Phase 2 , and Fair Oaks Estates, and Country Club Vista North, and Project Design for 2017/2018, and Pre-purchase of 40,000 linear feet Ductile Iron Pipe for 2016	\$ 9,060,000 \$	8,460,000
	\$ 9,060,000 \$	8,460,000

All 3 Paving Projects Deferred to 2016 due to paving conditions (weather).

CIP Project Detail

Distribution Main Replacement Costs

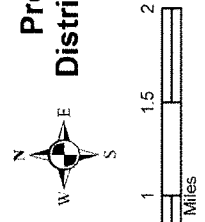
	5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
	\$ 8,460,000	\$ 14,672,460	\$ 11,315,800	\$ 9,195,000	\$ 12,445,490	\$ 9,655,000
<u>2016/17 Projects</u>						
Drayton Heights - Phase 2, Construction, and Edison Meadows - Phase 1, Construction, and Rivera Woods, Construction, and Final Paving for Santa Anita, Phase 2, Fair Oaks Estates and Barcelona, and Project Design for 2017/2018, and Pre-purchase of 40,000 linear feet Ductile Iron Pipe for 2017					\$ 9,195,000	
					\$ 9,195,000	



Legend

- Distribution Main Replacement Areas
- North Service Area
- South Service Area

Proposed 2016-2017 Distribution Main Projects



Base Data: Sacramento County Gas Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: JWS, SSWD
 Sacramento, CA - September 28, 2015
 Main_Replacements-2015-2017.mxd

CIP Project Detail

Well Replacement Costs (2015)

	Amended Budget	Projected
<u>2015 Projects</u>	2015	2015
Design and drilling of a new well on property to be obtained within the new Barrett Ranch East Subdivision. Also to acquire more land for future replacement well sites within the District.	\$ 2,100,000	\$ 300,000
	<u>\$ 2,100,000</u>	<u>\$ 300,000</u>

Barrett Ranch Property to be Acquired in 2016. Rutland Well Delayed until 2016.

CIP Project Detail

Well Replacement Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ 300,000	\$ 1,655,646	\$ 794,400	\$ 2,600,000	\$ 2,602,239	\$ 2,400,000

2016/17 Projects

Complete construction of Rutland well pumping plant, and

Design and drill a new well on property to be obtained within the new Barrett Ranch East Subdivision. Also to acquire more land for future replacment well sites within the District.

\$	<u>2,600,000</u>
\$	<u><u>2,600,000</u></u>

CIP Project Detail

Transmission Main Replacement Cost

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 50,000	\$ 10,000	\$ 450,000	\$ 169,711	\$ 450,000

2016/17 Projects

Install impressed current cathodic protection to each District's major transmission pipelines (CTP, Walerga Pipeline, Antelope North Pipeline, Mission Ave Pipeline and Bell/Northrop Pipeline)

\$	450,000
\$	<u>450,000</u>

Asset Management Plan called for an equal amount of repair/replacement costs each year.

CIP Project Detail

SCADA System Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	AMP 2016	Forecast 2017
\$ -	\$ 404,802	\$ 152,300	\$ 200,000	\$ 2,132,026	\$ 200,000

2016/17 Projects

Three well sites to be upgraded with new MCC Panels and RTU and two well sites to have new PLC's/RTU's

\$ 200,000
\$ 200,000

Asset Management Plan called for an expanded RTU Pilot Study and SCADA System completion, which includes purchasing and installing SCADA system components on 24 remote water facility sites that currently do not have SCADA.

CIP Project Detail

Other Re-Occurring Capital Costs

	5-Year			5-Year Average	Budget 2016	Original	
	Low	High				Estimate 2016	Forecast 2017
	\$ 1,859,724	\$ 2,774,657	\$ 2,250,200	\$ 2,310,000	\$ 3,609,192	\$ 3,440,000	
<u>2016/17 Projects</u>							
Well Rehabilitation - investigate and rehab 9 well sites and destruction of 3 wells					\$ 890,000		
Wellhead Treatment - Install tablet chlorinator unit for 6 wells and construction of manganese treatment facility at the Verner well					370,000		
Engine Generator Compliance					75,000		
Distribution Main Improvements/Extensions/Interties					375,000		
Distribution Major Repairs - Large Main Break Repairs					350,000		
Professional Services - CEQA, Design, Studies, Etc.					100,000		
Lowering/Raising Valve Boxes					150,000		
					\$ 2,310,000		

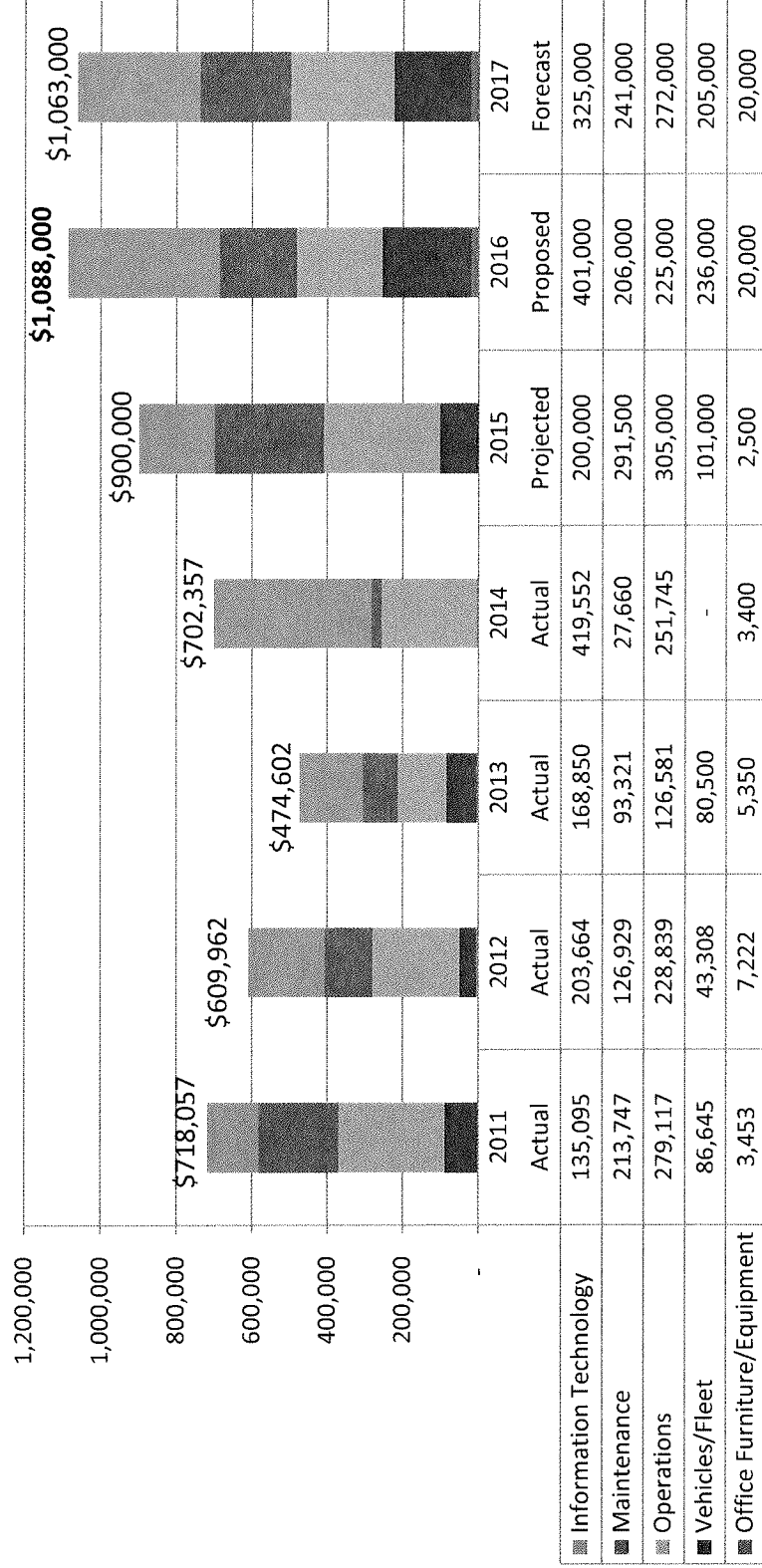
CIP Project Detail

Other Capitalized Project Costs

	5-Year Low	5-Year High	5-Year Average	Budget 2016	Original Estimate 2016	Forecast 2017
\$	105,869	\$ 894,000	\$ 483,800	\$ 567,000	\$ -	\$ -
<u>2016/17 Projects</u>						
Water Quality Sampling and Testing - 2 Monitoring Wells					\$ 50,000	
Enterprise Intertie Improvements					180,000	
Electrical Arc Flash Hazard Modifications at Various Well Sites					330,000	
Cooperative Transmission Pipeline Corrosion Testing					7,000	
					<u>\$ 567,000</u>	

OCB Budget

OCB Project Costs 2011 to 2017



Discussion of individual line items appear on subsequent pages.

OCB Project Detail

Information Technology Costs

	5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$	135,095	\$ 419,552	\$ 225,400	\$ 401,000	\$ 325,000
<u>2016/17 Projects</u>					
Hardware Refresh Program				\$ 170,000	\$ 120,000
Software Enhancements/Modules				115,000	130,000
Web Site Upgrade				35,000	
Trimble Nomad Handheld Computer for Production				6,000	
GPS Asset Location Project				75,000	75,000
				<u>\$ 401,000</u>	<u>\$ 325,000</u>

2015 budget was \$274,900

OCB Project Detail

Maintenance

	5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$	27,660	\$ 291,500	\$ 150,600	\$ 206,000	\$ 241,000
<u>2016/17 Projects</u>					
Remodel Customer Service Area				\$ 35,000	
Replace exterior/garage lighting at Marconi with LED				20,000	
Install five additional cameras at Walnut				20,000	
Replace obsolete cameras at the Marconi Facility				6,000	
HVAC/Roof/Building repairs				30,000	30,000
Building and Structures Maintenance				95,000	95,000
Lighting Upgrade - Antelope Facility					35,000
Mulch the Antelope Garden					16,000
Driveway and Parking Landscaping and Irrigation Walnut Facility					65,000
				\$ 206,000	\$ 241,000

2015 Budget was \$302,500.

OCB Project Detail

Operations Project Costs

	5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$	126,581	\$ 305,000	\$ 238,300	\$ 225,000	\$ 272,000
<u>2016/17 Projects</u>					
Asphalt Repair/Replacement - Various Well Sites				\$ 35,500	\$ 35,500
Production Meter Replacement Program, Magmeters				15,000	15,000
Fox Fury Lighting - Nomad 360/Area Spot Light				4,000	
Water Conservation Master Plan				45,000	
Update 2015 Urban Water Management Plan				115,000	150,000
Vanair Underdeck - Air Supply					25,000
Meter Vault Lid Retrofit				10,500	10,500
Chemical Vat/Tank Replacement					36,000
				<u>\$ 225,000</u>	<u>\$ 272,000</u>

2015 budget was \$452,200

OCB Project Detail

Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ -	\$ 101,000	\$ 62,300	\$ 236,000	\$ 205,000
<u>2016/17 Projects</u>				
	New Field Service Department Vehicles		\$ 45,000	\$ 75,000
	Vehicle Replacement/Right Size - Truck #13 and 32		157,500	
	Vehicle Replacement - Truck #26		33,500	
	Vehicle Replacement/Right Size - Truck #25			70,000
	Vehicle Replacement/Right Size - Truck #32			30,000
	Vehicle Replacement/Right Size - Truck #41			30,000
			<u>\$ 236,000</u>	<u>\$ 205,000</u>

2015 budget was \$105,825 – Replaced Leak Truck (F-450).

OCB Project Detail

Office Furniture Costs

5-Year Low	5-Year High	5-Year Average	Budget 2016	Forecast 2017
\$ 2,500	\$ 7,222	\$ 4,400	\$ 20,000	\$ 20,000
<u>2016/17 Projects</u>				
Office Furniture - Marconi			\$ 5,000	\$ 20,000
Office Furniture - Walnut			10,000	
Board Room Wall				
Maps			5,000	
			<u>\$ 20,000</u>	<u>\$ 20,000</u>

2015 budget was \$5,500

Debt Service Forecast

Debt Service Forecast

	5-Year		5-Year		Forecast		Forecast	
	Low	High	Average	2016	2016	2017	2017	
	\$ 7,429,356	\$ 9,895,112	\$ 8,022,285	\$ 7,805,000	\$ 7,805,000	\$ 7,770,000	\$ 7,770,000	
	2011	2012	2013	2014	2015	2016	2017	
Principal	\$ 3,315,000	\$ 5,994,000	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	
Interest	4,773,331	3,901,112	3,849,356	3,792,909	3,653,000	3,860,000	3,710,000	
Total Debt Service	<u>\$ 8,088,331</u>	<u>\$ 9,895,112</u>	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,448,000</u>	<u>\$ 7,805,000</u>	<u>\$ 7,770,000</u>	

2016/17 forecast assumes a variable interest rate of 3.86%, which incorporates the terms for the new Letter-of-Credit negotiated in 2015. Average interest rate for total debt portfolio is 4.35%.

2016 Budget and 2017 Forecast Summary

	2014 Actual	2014 Amended Budget	Actual As Of 8/31/2015	Projected 2015	2015 Amended Budget	2016 Proposed Budget	2017 Forecast
Income From Customers	\$ 38,929,512	\$ 39,640,000	\$ 28,563,197	\$ 38,734,000	\$ 38,837,000	\$ 41,548,000	\$ 43,210,000
Water Transfers	-	-	-	-	-	1,350,000	1,350,000
Total Other Income	1,502,987	1,631,000	1,486,963	1,657,000	1,742,000	2,548,000	2,060,000
Total Revenue	\$ 40,432,499	\$ 41,271,000	\$ 30,050,160	\$ 40,391,000	\$ 40,579,000	\$ 45,446,000	\$ 46,620,000
Budgets:							
Operations and Maintenance	15,993,938	16,639,000	10,852,619	15,179,000	17,282,427	18,158,000	18,587,000
Capital Improvement Program	19,826,144	20,955,000	10,050,662	16,617,000	18,332,000	18,395,000	19,200,000
Operating Capital Program	702,357	944,000	360,004	900,000	1,140,925	1,088,000	1,063,000
Debt Service (Forecast)	7,467,909	7,625,000	2,711,208	7,448,000	7,850,000	7,805,000	7,770,000
Total Costs	43,990,348	46,163,000	23,974,493	40,144,000	44,605,352	45,446,000	46,620,000
Change in Reserve Balance	(3,557,849)	(4,892,000)	6,075,667	247,000	(4,026,352)	-	-
Reserve (Cash) Balance	\$ 44,812,477	\$ 43,844,600	\$ 49,440,660	\$ 45,059,477	\$ 40,786,125	\$ 45,059,477	\$ 45,059,477

QUESTIONS



Agenda Item: 6

Date: October 30, 2015

Subject: Reserve Policy (PL - Fin 004)

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

After budget adoption, approve the attached updated policy - Reserve Policy (PL - Fin 004).

Discussion:

At last month's board meeting and at the October 5 Board Workshop, an update of the Reserve Policy (PL - Fin 004) was presented to the Board for review and comment (Exhibit 1). Staff is recommending one technical edit to the Policy, which is to have the budget reviewed annually commensurate with the budget adoption process. Accordingly, staff is requesting that once the budget is adopted that any revisions made to the Reserve Policy also be adopted.

Fiscal Impact:

None.

Strategic Plan Alignment:

Finance – 4.A. Monitor District operation through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

Sacramento Suburban Water District

Field Code Changed

Reserve Policy

Adopted: August 18, 2003

Revised: September 20, 2004; August 21, 2006; August 18, 2008, November 19, 2012,
January 27, 2014; November XX, 2015

100.00 Purpose of the Policy

The District will maintain reserve funds where required by law, ordinance or bond covenant, and revenue stability, so as to provide the necessary cash flow for normal and ordinary operations, while also providing the ability to address economic downturns and limited system emergencies.

The primary purposes of this policy are: to establish a reserve fund level that is specific to the needs and risks of the District; to identify when and how reserve funds are utilized and replenished; and to recognize the long-term nature of such funds and their relationship to current and projected customer rates. The District's financial reserve fund comprises various funds established for specific purposes and to reduce certain risks. Collectively, these funds enable the District to operate in a prudent manner, while allowing for transparency of reserve fund balances.

200.00 Policy

200.10 Fund Classification Types

The District shall maintain three fund classifications that collectively comprise the District's reserve fund balance. Fund classifications are a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon it. The fund classifications are - Restricted funds, Committed funds and Assigned funds, with distinction among the funds based on the relative strength of the constraints that control how amounts can be spent.

Restricted funds include amounts that can be spent only for specific purposes stipulated by law or third parties, such as grantors or creditors. Committed funds include amounts that can be used only for specific purposes as determined by Board action. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

200.20 Restricted Funds Classification

Restricted funds are those financial assets subject to enforceable third party constraints, such as those imposed by creditors, grantors, laws or regulation.

Debt Service Reserve Fund

Financial assets held by the District per bond or certificate-of-participation (COP) debt covenants. The amount of assets to be held as debt service reserves is determined at the time of debt issuance. Such assets may only be used to repay the outstanding bond or COP for which the assets were placed in reserve as long as the bond or COP remains outstanding.

200.30 Committed Funds Classification

Committed funds are those financial assets identified by the Board for specific purposes as determined by Board resolution or ordinance. Such financial assets are to be utilized only as directed by the Board.

Facilities Reimbursement Fund

As established by the Board in the District's Regulations Governing Water Service (Regulations), the District will retain a percentage of Facility Development Charges collected each fiscal year for the purpose of repaying individuals or businesses who were required to install up-sized lines or extension facilities at the request of the District. Disbursements will be made in accordance with the Regulations, including the release of unexpended funds into the District's unrestricted net position.

200.40 Assigned Funds Classification

Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board as needs arise.

Emergency/Contingency Fund

Financial assets held for purposes of continued operations during times of severe economic distress due to events that require an immediate and/or significant use of cash. Such severe economic situations may include otherwise insurable events for which the timely receipt of cash may be delayed. The District shall target a balance of twenty-five percent (25%) of its following year's anticipated annual revenues in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be approved by the Board.

Prior to amounts being expended from this fund, the District shall establish a contingency plan that addresses, at a minimum:

1. The reason(s) for expenditures from this fund.
2. Amounts expected to be expended.
3. The funds replenishment timeline and funding source.

Operating Fund

Financial assets held primarily in the form of cash and cash-equivalents for the purpose of debt avoidance due to unexpected expenditures of a non-recurring nature or to meet unexpected increases in operating costs. The District shall target a minimum balance in short-term investments and/or cash equal to twenty-five percent (25%) of its current year's budgeted annual expenditures for operating costs and debt service in this fund. Conditions for utilization of these reserves and a plan for fund replenishment will be determined by the Board at annual budget time.

The operating fund reflects the timing difference between billing for revenues and payment of expenses. The target level is a financial measure or guideline. If the fund level drops below the twenty-five percent target balance, that is a sign for staff to review the fund and, if necessary, bring recommendations to the Board to assure the fund will not continue to decline.

Rate Stabilization Fund

Financial assets held for purposes of managing cost variability in obtaining, treating and delivering potable surface water and groundwater. This Fund is focused on consumption fluctuations related to customer demand and purchasing of surface water as part of the District's conjunctive use efforts. Consumption charges established in the rate setting process forecast customer demand based on a repeat of average, recent climactic conditions. Financial fluctuations occur when situations vary from the assumption. The District shall target a balance of fifty percent (50%) of its expected upcoming year consumption revenues in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be directed by the Board at annual budget time.

Interest Rate Risk Management Fund

This fund is derived from earnings based on financial assets held as short-term investments pursuant to interest rate risk exposure assumed by the District upon the issuance of floating-rate debt. The amount of investments from which earnings are derived and accumulated will be determined at the time of debt issuance. Earnings on such investments will be used to repay a portion of the interest expense on the outstanding floating-rate bond or COP as long as the bond or COP is subject to interest rate risk exposure. This fund will be reduced in line with the amortized balance of the interest-rate swap(s).

Grant Fund

Financial assets held for purposes of funding the "local cost share" and advance payment of eligible reimbursable costs on capital projects funded partially from grant awards. As eligibility for potential grant awards requires the District to demonstrate financial viability to fund anticipated project costs, the District shall maintain a minimum balance equal to the combined sum of anticipated costs for those projects considered grant eligible in the upcoming biennial period. Conditions for utilization of such reserves and a plan for fund replenishment will be determined at the time of grant award.

Capital Asset Fund

Financial assets held for purposes of funding District capital asset replacements and capital projects necessary to meet regulatory requirements and/or system reliability needs. Through the annual budget process, staff shall recommend capital replacement projects and any necessary appropriations from this fund. The District shall target a balance to sufficiently fund anticipated capital improvement project replacement cost deviations above the CIP funding level. Fund replenishment will be determined by the Board periodically through the rate setting process and annually through the budget process.

Facilities Development Charge Fund

Financial assets held for expenditure on growth/capacity-related capital asset projects only. Amounts deposited into this fund come from unexpended facility development charges collected from developers (see related Facilities Reimbursement Fund in section 200.30 above.) These growth/capacity-related capital asset projects form the cost-basis and legal nexus for the establishment and collection of the Facility Development Charges. This fund is dependent upon customer growth. Therefore, there is no prescribed target or minimum balance.

300.00 Disposition of “One-Time” Revenues

“One-time” revenues are revenues of an unusual or infrequent nature which are likely not the result of the District providing services and producing and delivering goods in connection with the District’s principal ongoing operations (e.g. legal settlement). Unless specifically earmarked by Board action otherwise, “one-time” revenues should be transferred to the appropriate reserve fund which best represents the reason for the “one-time” revenue.

400.00 Authority

The General Manager is responsible for the appropriate accounting and regular reporting of the District’s reserve fund balance. Board oversight will be accomplished through regular reporting and review of this Policy.

500.00 Procedure

District staff will maintain procedures for each fund classification, to be approved by the General Manager, and in conformance with this Policy.

In any case where the reserves are drawn below target minimums, a report shall be developed containing the reasons for withdrawals and any impacts to programs or rates due to such withdrawals. If reserves are depleted, the reserves shall be replenished over a maximum five (5) year period to the established or re-established target as directed by the Board.

Maintenance of minimum reserves should not, on its own, trigger the need for a rate adjustment. Rates will be reviewed after two consecutive years of revenue dropping below established minimums balances, or diminishing reserves as a result of covering unanticipated costs.

600.00 Policy Review

This Policy will be reviewed ~~at least biennially~~ annually as part of the budget adoption process.



Agenda Item: 7

Date: November 9, 2015

Subject: New Accounting Pronouncement – Accounting and Financial Reporting for Pensions

Staff Contact: Daniel A. Bills, Finance Director

As discussed at last month's Board meeting, attached is a proforma presentation of the 2014 Comprehensive Annual Financial Report (CAFR) as if Government Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions," (GASB 68) had been effective for the District in 2014. Explanations of the reporting requirements of GASB 68 were provided last month in the "Elected Officials Guide" of GASB 68 that was distributed to all Directors (entitled "The New Pension Accounting.")

Attached, highlighted in bold, are the changes to the 2014 CAFR due to GASB 68. Items presented are – 1) Statements of Net Position (Balance Sheet) – Exhibit 1, 2) Statements of Revenues, Expenses and Changes in Net Position (Income Statement) – Exhibit 2, and 3) Footnotes 1 and 12 – Exhibit 3.

The impact to the District's Statements of Net Position due to implementing GASB 68 includes a prior period downward adjustment to Net Position of \$6.7 million, the recording of a "Net Pension Liability" of \$5.1 million and the recording of Deferred Outflows and Inflows of Resources of \$0.5 million and \$1.8 million, respectively.

The impact to the District's Statements of Revenues, Expenses and Changes in Net Position is a decrease to Pension Expense of \$0.3 million due to the expense no longer equaling the amount of contributions made.

The effect on the Footnotes is a significant expansion to the Pension disclosure. Previously, the Pension Footnote was 2 paragraphs in length or 1 page of the CAFR. Under GASB 68, the disclosure has expanded to 5 pages.

When implemented for the coming year end's CAFR (2015), amounts to be recorded will differ from the amounts presented in the attached proforma. This is due, amongst other factors, to income earned on the pension liability and contributions made during the year.

EXHIBIT 1

PRE-GASB 68

Sacramento Suburban Water District
Statements of Net Position
December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,313,305	\$ 5,413,907
Restricted cash and cash equivalents (notes 2 and 3)	32,271	31,397
Receivables, net (note 4)	2,241,329	3,014,435
Inventory	570,864	581,685
Prepays and other current assets	453,270	590,561
Total current assets	<u>4,611,039</u>	<u>9,631,985</u>
Noncurrent assets:		
Investments (note 2)	39,959,090	38,373,316
Restricted investments (notes 2 and 3)	3,497,003	3,478,267
Fair value of interest rate swap (notes 1 and 7)	-	2,564,670
Capital assets not being depreciated (note 5)	9,768,292	6,036,482
Capital assets being depreciated and amortized, net (note 5)	261,870,252	254,081,176
Total noncurrent assets	<u>315,094,637</u>	<u>304,533,911</u>
Total assets	<u>319,705,676</u>	<u>314,165,896</u>
Deferred outflows of resources		
Deferred outflow of effective swap (notes 1 and 7)	675,593	-
Deferred amount on long-term debt refundings (note 1)	8,607,462	9,250,586
Total deferred outflows of resources	<u>9,283,055</u>	<u>9,250,586</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	2,404,021	1,871,396
Accrued interest payable	458,417	474,503
Unearned revenue and customer deposits	677,961	1,189,233
Compensated absences, current portion (note 6)	600,000	630,000
Current portion of long-term debt (note 7)	3,795,000	3,675,000
Total current liabilities	<u>7,935,399</u>	<u>7,840,132</u>
Noncurrent liabilities:		
Compensated absences (note 6)	321,934	170,990
Long-term debt, net of current portion (note 7)	99,733,879	104,162,562
Fair value of interest rate swap (notes 1 and 7)	675,593	-
Total noncurrent liabilities	<u>100,731,406</u>	<u>104,333,552</u>
Total liabilities	<u>108,666,805</u>	<u>112,173,684</u>
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 7)	-	2,564,670
Total deferred inflows of resources	<u>-</u>	<u>2,564,670</u>
Net position		
Net investment in capital assets (note 8)	176,717,127	161,530,682
Restricted for debt service reserve fund (note 9)	3,540,082	3,520,472
Unrestricted (note 10)	40,064,717	43,626,974
Total net position	<u>\$ 220,321,926</u>	<u>\$ 208,678,128</u>

See accompanying notes to the basic financial statements

AFTER GASB 68

Sacramento Suburban Water District
Statements of Net Position
December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,313,305	\$ 5,413,907
Restricted cash and cash equivalents (notes 2 and 3)	32,271	31,397
Receivables, net (note 4)	2,241,329	3,014,435
Inventory	570,864	581,685
Prepays and other current assets	453,270	590,561
Total current assets	<u>4,611,039</u>	<u>9,631,985</u>
Noncurrent assets:		
Investments (note 2)	39,959,090	38,373,316
Restricted investments (notes 2 and 3)	3,497,003	3,478,267
Fair value of interest rate swap (notes 1 and 7)	-	2,564,670
Capital assets not being depreciated (note 5)	9,768,292	6,036,482
Capital assets being depreciated and amortized, net (note 5)	261,870,252	254,081,176
Total noncurrent assets	<u>315,094,637</u>	<u>304,533,911</u>
Total assets	<u>319,705,676</u>	<u>314,165,896</u>
Deferred outflows of resources		
Deferred outflow of effective swap (notes 1 and 7)	675,593	-
Deferred amount on long-term debt refundings (note 1)	8,607,462	9,250,586
Deferred outflow on pension contributions (note 12)	470,362	
Total deferred outflows of resources	<u>9,753,417</u>	<u>9,250,586</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	2,404,021	1,871,396
Accrued interest payable	458,417	474,503
Unearned revenue and customer deposits	677,961	1,189,233
Compensated absences, current portion (note 6)	600,000	630,000
Current portion of long-term debt (note 7)	3,795,000	3,675,000
Total current liabilities	<u>7,935,399</u>	<u>7,840,132</u>
Noncurrent liabilities:		
Compensated absences (note 6)	321,934	170,990
Net pension liability (note 12)	5,061,703	
Long-term debt, net of current portion (note 7)	99,733,879	104,162,562
Fair value of interest rate swap (notes 1 and 7)	675,593	-
Total noncurrent liabilities	<u>105,793,109</u>	<u>104,333,552</u>
Total liabilities	<u>113,728,508</u>	<u>112,173,684</u>
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 7)	-	2,564,670
Deferred inflows from pension (note 12)	1,761,070	
Total deferred inflows of resources	<u>1,761,070</u>	<u>2,564,670</u>
Net position		
Net investment in capital assets (note 8)	176,717,127	161,530,682
Restricted for debt service reserve fund (note 9)	3,540,082	3,520,472
Unrestricted (note 10)	34,390,744	43,626,974
Total net position	<u>\$ 213,969,515</u>	<u>\$ 208,678,128</u>

See accompanying notes to the basic financial statements

EXHIBIT 2

PRE-GASB 68

Sacramento Suburban Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues:		
Water consumption sales	\$ 10,826,599	\$ 12,451,284
Water consumption sales – transfers	-	536,218
Water service charge	6,306,241	6,607,557
Capital facilities charge	20,677,853	20,650,099
Wheeling water charge	5,551	6,127
Other charges for services	1,113,268	1,067,869
Total operating revenues	38,929,513	41,319,154
Operating Expenses:		
Source of supply	66,844	278,758
Source of supply – transfers	-	127,155
Pumping	4,636,673	4,705,822
Transmission and distribution	3,651,454	3,885,987
Water conservation	400,092	321,564
Customer accounts	1,124,358	1,086,079
Administrative and general	6,114,517	5,919,127
Total operating expenses	15,993,938	16,324,492
Operating income before depreciation and amortization	22,935,575	24,994,662
Depreciation and amortization (note 5)	(10,886,410)	(10,423,858)
Operating income	12,049,165	14,570,804
Nonoperating revenues (expenses):		
Rental revenue	286,217	306,473
Interest and investment revenue	548,363	89,155
Interest expense (note 7)	(3,802,350)	(3,913,617)
Other non-operating revenues	61,029	92,346
Grant revenue pass-through to subrecipients	947,563	-
Other non-operating expenses	(149)	(55)
Subrecipient grant expenses	(947,563)	-
Gain on disposal of capital assets, net	20,934	-
Total nonoperating revenues (expenses), net	(2,885,956)	(3,425,698)
Income before capital contributions	9,163,209	11,145,106
Capital contributions:		
Facility development charges	560,784	187,246
Developer capital contributions	1,893,996	1,553,213
Federal, state and local capital grants	25,809	1,355,783
Total capital contributions	2,480,589	3,096,242
Increase in net position	11,643,798	14,241,348
Net position, beginning of year	208,678,128	194,436,780
Net position, end of year	\$ 220,321,926	\$ 208,678,128

See accompanying notes to the basic financial statements

AFTER GASB 68

Sacramento Suburban Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues:		
Water consumption sales	\$ 10,826,599	\$ 12,451,284
Water consumption sales – transfers	-	536,218
Water service charge	6,306,241	6,607,557
Capital facilities charge	20,677,853	20,650,099
Wheeling water charge	5,551	6,127
Other charges for services	1,113,268	1,067,869
Total operating revenues	38,929,513	41,319,154
Operating Expenses:		
Source of supply	66,844	278,758
Source of supply – transfers	-	127,155
Pumping	4,636,673	4,705,822
Transmission and distribution	3,651,454	3,885,987
Water conservation	400,092	321,564
Customer accounts	1,124,358	1,086,079
Administrative and general	5,775,298	5,919,127
Total operating expenses	15,654,719	16,324,492
Operating income before depreciation and amortization	23,274,794	24,994,662
Depreciation and amortization (note 5)	(10,886,410)	(10,423,858)
Operating income	12,388,384	14,570,804
Nonoperating revenues (expenses):		
Rental revenue	286,217	306,473
Interest and investment revenue	548,363	89,155
Interest expense (note 7)	(3,802,350)	(3,913,617)
Other non-operating revenues	61,029	92,346
Grant revenue pass-through to subrecipients	947,563	-
Other non-operating expenses	(149)	(55)
Subrecipient grant expenses	(947,563)	-
Gain on disposal of capital assets, net	20,934	-
Total nonoperating revenues (expenses), net	(2,885,956)	(3,425,698)
Income before capital contributions	9,502,428	11,145,106
Capital contributions:		
Facility development charges	560,784	187,246
Developer capital contributions	1,893,996	1,553,213
Federal, state and local capital grants	25,809	1,355,783
Total capital contributions	2,480,589	3,096,242
Increase in net position	11,983,017	14,241,348
Net position, beginning of year	201,986,498	194,436,780
Net position, end of year	\$ 213,969,515	\$ 208,678,128

See accompanying notes to the basic financial statements

EXHIBIT 3

PRE-GASB 68

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS) cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. The District has three levels of retirement groups: Miscellaneous 3 percent at 60 (Misc 3% @ 60), Miscellaneous 2 percent at 55 (Misc 2% @ 55), and Miscellaneous 2 percent at 62 (Misc 2% @ 62). Upon retirement, eligible participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their average full-time monthly salary for the highest twelve consecutive months of employment for participants in the Misc 3% @ 60 plan (thirty-six consecutive months for Misc 2% @ 55 and Misc 2% @ 62 participants). Benefit provisions, contribution requirements of participants and the District, and any and all other requirements are established by state statute. Copies of CalPERS annual financial report and pertinent past trend information may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the CalPERS plans are required to contribute 8 percent for Misc 3% @ 60 (7 percent for Misc 2% @ 55 members) of their annual covered salary. Effective January 1, 2013, new active members are required to contribute 6.5 percent of their annual covered salary due to CalPERS's implementation of Public Employees' Pension Reform Act of 2013 (PEPRA). The District is required to contribute at an actuarially determined rate. The current rates are 17.822 percent for the Misc 3% @ 60 plan, 11.840 percent for the Misc 2% @ 55 plan, and 6.7 percent for the Misc 2% @ 62 plan. The District makes the contributions required of District employees on their behalf for the employees in the Misc 3% @ 60 and Misc 2% @ 55 plans, which amounted to \$295,491, \$316,721 and \$317,427 for the years ended December 31, 2014, 2013, and 2012, respectively. With the implementation of the Public Employees' Pension Reform Act (PEPRA) taking place on January 1, 2013, members in the Misc 2% @ 62 plan are required to make their own required contributions. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended December 31, 2014, 2013, and 2012 were \$620,038, \$623,286 and \$606,773, respectively, which were equal to the annual required contribution (ARC) for each year. The ARC is an amount actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Miscellaneous 2 percent at 55 CalPERS plan was placed in a Risk Pool upon its inception in 2006.

(13) Postemployment Benefits

Plan Description

In addition to pension benefits, the District provides certain healthcare benefits through CalPERS, and dental and vision benefits through private insurance carriers (postemployment benefits) for retired employees, certain former Northridge Water District directors, and their survivor dependents, subject to certain conditions.

AFTER GASB 68

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

1) Reporting Entity and Summary of Significant Accounting Policies, continued

8. Deferred Outflows and Deferred Inflows of Resources – Effective Interest Rate Swap

The District entered into an interest rate swap agreement (swap) to manage interest rate risk and reduce debt service costs on variable-rate debt originally issued simultaneous with the swap. The swap is reported in the accompanying Statements of Net Position at fair value as of December 31, 2014 and 2013, determined using the zero-coupon measurement method, which calculates the future net settlement payments based on current forward rates implied by the yield curve. See Note 7 for a description of the reporting of the negative fair value of the swap at December 31, 2014 and 2013, as either a Deferred Outflow of Resources or a Deferred Inflow of Resources.

In 2010 the District implemented GASB Statement No. 53, “Accounting and Reporting for Derivative Instruments,” (GASB 53), which was further amended and clarified By GASB Statements No. 59 and 64. As more fully described in Note 7, in accordance with the provisions of these statements the swap has been determined to serve as an effective cash flow hedge of the District’s variable-rate COP obligations as determined using the synthetic instrument method.

9. Deferred Outflows of Resources - Long-Term Debt Refundings

Unamortized gains and losses resulting from advance debt refundings are classified as deferred outflows of resources.

10. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. The District’s policy provides vacation leave to employees at a rate of 12 days up to 25 days per year based on the number of years of employment and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned vacation leave is paid to employees upon separation from the District. Employees under age 55 are paid once a year for all earned vacation leave exceeding 400 hours at their current hourly rate of pay. Based upon meeting certain criteria, employees may be paid for earned vacation leave at any time. Sick leave accrues at the rate of 96 hours per year and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned sick leave is paid to employees who are age 55 and older upon retirement at their current hourly rate of pay or may be contributed to the District’s deferred compensation plan (See Note 11) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 12). Employees under age 55 are paid once a year for all earned sick leave exceeding 240 hours at one-half of their current hourly rate of pay (See Note 6).

11. Long-Term Debt Discounts and Premiums

Long-term debt discounts and premiums are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable discounts or premiums.

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plans

a. General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Cost-Sharing Multiple Employer Defined Benefit Pension Plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (<https://www.calpers.ca.gov/>).

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at December 31, 2014, are summarized as follows:

	Miscellaneous		
	Prior to 09/25/2006	After 9/25/2006 and Prior to 01/01/2013	On or after 01/01/2013
Hire date			
Benefit formula	3% @ 60	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits as a % of eligible compensation	2.0% to 3.0%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8%*	7%*	6.5%
Required employer contribution rates	12.76%	8.84%	6.73%
Required employer contribution amounts	\$ 260,404	\$ 3,471	\$ -
Open or Closed to New Entrants	Closed	Open to "Classic" Members	Open

(* Paid by District on behalf of employees)

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plans (continued)

Contributions:

CalPERS Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended December 31, 2014, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>3% @ 60</u>	<u>2% @ 55</u>	<u>2% @ 62</u>
Contributions - employer	\$ 491,976	\$ 111,413	\$ 16,649
Contributions - employee	227,485*	68,006*	16,152
	<u>\$ 719,461</u>	<u>\$ 179,419</u>	<u>\$ 32,801</u>

(* Paid by District on behalf of employees)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of December 31, 2014, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Miscellaneous	Proportionate Share of Net Pension Liability
3% @ 60	\$ 4,899,121
2% @ 55	162,582
2% @ 62	-
Total	<u>\$ 5,061,703</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>3% @ 60</u>	<u>2% @ 55</u>	<u>2% @ 62</u>
Proportion - June 30, 2013	0.22590%	0.00750%	
Proportion - June 30, 2014	0.19823%	0.00658%	
Change - Increase (Decrease)	<u>-0.02767%</u>	<u>-0.00092%</u>	<u>0.00000%</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plans (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$576,310. At December 31, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 470,362	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,700,967
Adjustment due to differences in proportion	-	60,103
Total	<u>\$ 470,362</u>	<u>\$ 1,761,070</u>

\$470,362 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	
2015	\$ (446,708)
2016	\$ (446,708)
2017	\$ (442,413)
2018	\$ (425,241)

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' Membership Data for all Funds

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plans (continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plans (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% is used for this period.

(b) An expected inflation of 3.0% is used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>3% @ 60</u>	<u>2% @ 55</u>	<u>2% @ 62</u>
1% Decrease	6.50%	6.50%	
Net Pension Liability	\$ 8,728,719	\$ 289,672	
Current Discount Rate	7.50%	7.50%	
Net Pension Liability	\$ 4,899,121	\$ 162,582	
1% Increase	8.50%	8.50%	
Net Pension Liability	\$ 1,720,918	\$ 57,110	

Plan Fiduciary Net Position:

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan:

At December 31, 2014, the District had no outstanding payable to the pension plans.



Agenda Item: 8

Date: November 10, 2015

Subject: Association of California Water Agencies (ACWA) Officer Elections and Changes to the Bylaws

Staff Contact: Robert S. Roscoe, General Manager

Recommended Board Action:

Direct the District's ACWA voting representative to support Kathleen Tiegs for ACWA President and Brent Hasty for ACWA Vice President, and support the recommended changes to ACWA Bylaws.

Discussion:

At the August 17, 2015 Board meeting, the Board of Directors supported the nomination of Kathleen Tiegs, Cucamonga Valley Water District (CVWD) for Association of California Water Agencies (ACWA) Board President, and authorized the General Manager to submit the resolution to the CVWD and ACWA offices.

Staff received the attached letter dated October 19, 2015 from Ms. Tiegs stating that she has officially received the 2016-2017 nomination for Presidency of ACWA, and is requesting the Board's support again at the Fall Conference on December 2, 2015. The nominee for ACWA Vice President is Brent Hasty, a member of the Board of Directors of Yuba County Water Agency.

Also attached is the memo of the General Session Membership at ACWA 2015 Fall Conference to formally nominate and elect ACWA's President and Vice President for the 2016-2017 term, and to conduct a vote by the membership on the proposed amendments to ACWA's Bylaws. A strikeout copy of the proposed Bylaws changes is also attached. At the beginning of each section is a condensed summary of the proposed changes to the section.

Staff recommends supporting the ACWA nominating committee's selections for President and Vice President for 2016-2017 and supporting the proposed changes in the Association's Bylaws.

Fiscal Impact:

None.

Strategic Plan Alignment:

5.B. Engage in a leadership role with professional water industry groups to enhance proficiency in technical and policy matters.

Actively engaging in establishing the Bylaws of this statewide water association and exercising the District's vote to elect association officers is fundamental to engaging in a leadership role.



Cucamonga Valley
Water District

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P.O. BOX 638 • Rancho Cucamonga, CA 91729-0638
(909) 987-2591 • Fax (909) 476-8032

Martin E. Zvirbulis
Secretary/General Manager/CEO

RECEIVED
10/23/15

October 19, 2015

Board of Directors
Sacramento Suburban Water District
3701 Marconi Ave #100
Sacramento, CA 95821

Dear President and Members of the Board:

I am honored to share with you that I have officially received the 2016-2017 nomination for President of the Association of California Agencies (ACWA). I am poised and ready to provide strong leadership and guidance to our over 430 member agencies that represent ACWA.

Over the summer many of our members confirmed their support of my nomination through resolutions, phone calls and one-to-one meetings with me. I thank you for your support and will do everything in my power to represent you and your agency's unique perspective to ensure sensible water policy is being proposed at both the state and federal level.

There are many wonderful characteristics about ACWA, but the attributes that I cherish the most are the diverse perspectives of our members. We have built a collaborative and supportive community that works together to solve issues that have lasting benefits to the regions that we serve. There are many more challenges before us that will require a style of leadership that seeks to find solutions that benefit our industry and our ratepayers. I am completely committed, willing and able to continue a legacy of leadership that helps resolve issues and provides a better water supply outlook for future generations.

I respectfully request your support to represent you and your organization and the millions of people that rely on our foresight and leadership to provide a high quality and reliable water supply to our customers. I look forward to seeing you at our Fall Conference in Indian Wells. Thank you for your continued support and please contact me should you have any questions about my candidacy at 909.635.4177.

Respectfully,

Kathleen J. Tiegs
Director

Kathleen Tiegs
For
2016-2017 Association of California Water Agencies
President

October 19, 2015

My Fellow ACWA Member:

Over the past two years I have had the pleasure to serve in the capacity as ACWA Vice-President working closely with President John Coleman, Past President Randy Record and my other colleagues on the ACWA board of directors. As a team, we work collaboratively engaging in issues that are critical to the water community as well as to the ratepayers that we represent at each of our agencies.

My experience with ACWA began on a regional basis having served on the ACWA Region 9 Board of Directors beginning in 2008. I also had the opportunity to serve as the Vice-Chair of the Federal Affairs Committee, and served on the Local Government and the Groundwater Committees. My active participation in the committees and the Region 9 board provided a strong foundation as I began to pursue other avenues to expand my understanding and knowledge of the ACWA organization. The experience I have gained over the past two years has well-equipped me to effectively dialogue with the Administration, regulatory agencies, and other special interest groups that impact our industry. More importantly it has given me the experience to lead our organization, and build upon the accomplishments of those that came before me.

Currently, I serve as the Chair of the Sustainable Groundwater Management Act Implementation Policy Group. The Group has provided a critical role working closely with the Administration and the Department of Water Resources to ensure members concerns are clearly voiced as the law is implemented. In order to be an effective leader I believe it is important to engage with members throughout the state so I can better understand the issues in all of the regions. I regularly attend ACWA committee meetings, as well as regional events so I can have a two-way conversation with members and hear what is important to them and their regions.

Currently, I serve on the Cucamonga Valley Water District (CVWD) Board of Directors. I was elected to CVWD in November 2005 and have served as both President and Vice-President of the Board of Directors. Prior to my serving on the CVWD Board, I enjoyed a career in water resources management for a local wholesale water agency for over 30 years. In April 2011, I was honored by State Assembly Member Mike Morrell as the 63rd Assembly District Woman of the Year.

Thank you for allowing me to share my experience, leadership and knowledge with you. I look forward to the opportunity to represent you and the water industry of California. Please feel contact me directly should you have questions about my candidacy (909) 635-4177.

Thank you in advance for your consideration.



Kathleen J. Tiegs



Association of California Water Agencies

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MEMORANDUM

TO: ACWA Public Agency Members
General Managers and Board Presidents

CC: ACWA Board of Directors

FROM: John A. Coleman, ACWA President
Kathleen J. Tieg, ACWA Vice President
Timothy Quinn, ACWA Executive Director

DATE: October 14, 2015

SUBJECT: General Session Membership Meeting at ACWA 2015 Fall Conference

There will be a General Session Membership Meeting of ACWA's membership at the 2015 Fall Conference in Indian Wells, California, on **Wednesday, December 2**. The meeting will be held in the Crystal Ballroom, Renaissance Indian Wells at 1:05 p.m. The purpose of the meeting is to formally nominate and elect ACWA's President and Vice President for the 2016-2017 term and to conduct a vote by the membership on proposed amendments to the Association's Bylaws as recommended by the Board of Directors at its meetings on July 31 and September 25, 2015.

ELECTION OF PRESIDENT/VICE PRESIDENT

The ACWA Nominating Committee has announced a 2016-2017 slate that recommends current Vice President Kathleen J. Tieg for ACWA President and Region 2 Board Member Brent Haste for ACWA Vice President. As provided by ACWA's Bylaws (Article 9), nominations from the floor will be accepted prior to the vote. Such nominations and seconds must be supported by a resolution of the governing body of the member making and seconding such nomination. (See attached for General Session/Election Procedures.)

PROPOSED AMENDMENTS TO ACWA'S BYLAWS

In response to the priority actions identified in the 2014-2015 Strategic and Business Plan, staff has been working to comprehensively review and update its governance documents (i.e., Board Policy Manual and the Association's Bylaws). The proposed bylaws amendments have been reviewed by a Legal Affairs Committee Workgroup and represent the Board's actions to address the following issues:

1. Consistency with updated Board Policy Manual
2. Consistency with California nonprofit corporation law requirements
3. Consistency with business practices post 2012 reorganization
4. Clarification of roles and responsibilities

5. Clarification of election procedures of ACWA's Board Officers
6. Other minor clean-up items

The Board of Directors recommends adoption of the proposed amendments to the Association's Bylaws through a vote of the membership. ACWA staff is available in advance of the membership meeting on December 2 to answer any questions you may have. A Legal Affairs Committee representative will also provide an overview of these changes during the General Session Membership Meeting before the item is called for a vote. (The proposed bylaws amendments are attached.)

MEMBERSHIP VOTING PROCESS

ACWA will issue each member agency **present** one proxy card for voting purposes based on the designated voting representative identified by the member agency on the proxy designation form. The designated voting representative is required to register and sign as the proxy holder to receive the proxy card. Proxy cards will **only** be available for pick-up on **Wednesday, December 2**, between **9:00 a.m. and 12:30 p.m.** at the **ACWA General Session Desk** in the alcove area outside of the **Crystal Ballroom, Renaissance Indian Wells**, where the luncheon and General Session Membership Meeting will be held.

To expedite the sign-in process at the **ACWA General Session Desk**, please indicate your voting delegate on the enclosed proxy designation form and return it by email (**donnap@acwa.com**) or fax (**916-325-4857**) at your earliest convenience. If there is a last minute change of delegate, please let us know before the meeting date by contacting ACWA's Executive Assistant/Clerk of the Board, Donna Pangborn, at 916-441-4545 or donnap@acwa.com.

If you have any questions, do not hesitate to contact us by telephone or e-mail.

dgp

Enclosures:

1. General Session/Election Procedures
2. Proposed ACWA Bylaws Amendments – Redline Version
3. Proposed ACWA Bylaws Amendments – Clean Version
4. Proxy Form



**Association of
California Water Agencies**

Since 1910

BYLAWS of the Association of California Water Agencies

Proposed Bylaws Amendments – Redline Version

Amended by the ACWA Members: May 7, 2014

Proposed amendments: July 31 and September 25, 2015



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(As amended by the Members on May 7, 2014)

Proposed amendments approved by ACWA Board: July 31 and September 25, 2015

ARTICLE 1 – GENERAL

Section 1. Name. The name of this California nonprofit corporation shall be the Association of California Water Agencies (hereinafter referred to as the Association).

Section 2. Principal Office. The principal office for the transaction of business of the Association is located at 910 K Street, Suite 100, Sacramento, California; provided, however, that the Board of Directors may change the location of the principal office by resolution and without amendment of these bylaws.

Section 3. Purposes. The purposes of the Association shall be to work together with its members and others for the best interests of California and its citizens and landowners who use, need and depend upon water; to encourage the orderly development of the waters of the state; to seek means of obtaining and making available to all of California a dependable water supply of the best possible quality at the lowest possible cost, giving due consideration to environmental factors involved therein; to provide inspiration and leadership in meeting and solving the water supply problems of this state; to propose and advocate such policies and measures—local, state and federal—that serve the best interests of the Association, opposing those of contrary nature; to assist in promoting the health, safety and welfare of the employees of its members; and to do all other things that are in the best interests of its members.

ARTICLE 2 – MEMBERSHIP AND DUES

Section 1. Membership.

- A. **Members.** Only a public district, public agency, or public organization created and operated for the purpose of controlling, treating, developing, acquiring, using or supplying water for any purpose for inhabitants or lands within the state of California, or for the protection, drainage or reclamation of lands within the state of California, may become a member of the Association. Such an entity will become a member upon written application, approval by the Board of Directors, and the payment of the required dues. Acceptance to membership shall authorize full participation in Association activities. Except as otherwise provided in subsection (B) below, in no case may an organization other than a state, a political subdivision (as defined in § 1.103-1(b) of the Income Tax Regulations) of a state or an entity the income of which is excluded from gross income under § 115 of the Internal Revenue Code be a member of the Association.

- B. **Honorary Life Members.** Any person who has rendered conspicuous service in furthering the purposes of the Association may, by vote of the Board of Directors, be granted an honorary life membership in the Association without payment of dues or assessments. All past presidents of the Association shall automatically be honorary life members without vote of the Board of Directors. Honorary life members shall not be entitled to a vote or to hold office automatically because of their status as honorary life members.
- C. **Termination of Members.** Membership shall cease upon the failure of any member to pay the dues provided for in Section 2 of this Article. The membership of any member may be terminated at any time by such member sending written notification of its intention to withdraw to the Association's principal office. The Board of Directors may terminate the membership of any member upon 30 days' written notice by first-class mail when it is determined at any regular Board meeting or at any special Board meeting called for that purpose that continuance of such membership would not be in the best interests of the Association. Withdrawal or termination of membership ends any participation in Association activities and shall terminate a member's interest in the Association's assets.

Section 2. Dues. The annual dues of each member of the Association shall be established by the Board of Directors; provided, however, that any member may apply for a change in its dues because of conditions that differentiate such applicant from other members.

Section 3. Liability of Members. No member shall be liable for any obligation incurred by the Association with the following exception: (1) the payment of the annual dues while it remains a member; and (2) the payment of emergency assessments, which shall not exceed 10 percent of current annual dues for each member in any calendar year while it remains a member. No emergency assessment may be levied against any member during its first two years of membership in the Association.

ARTICLE 3 – OFFICERS

Following is an overview of the proposed amendments to Article 3:

- Provides language clarifying that the President and Vice President are the **elected** officers of the Association.
- Deletes the general counsel language since the position does not exist in ACWA's organizational structure. ACWA's legal counsel is provided by outside counsel based on direction from the Board during the 2012 reorganization.
- Deletes the fidelity bond language, which is now covered in newly proposed Article 10, Indemnification of Directors, Officers, and Other Agents.

Section 1. President and Vice President.

- A. **General.** The president and vice president of the Association shall be the elected officers of the Association. At the time of their election the president and vice president shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association. The president and vice president shall be elected by the members of the Association at its fall conference in each odd-numbered year, shall take office on January 1 of the calendar year following election, and shall hold office until such time as their successors take office or are appointed. An elected president shall not be permitted to succeed himself/herself to that office. Except as provided in this Article, should vacancies occur in either office of the president or vice president, the Board of Directors shall appoint persons to fill such offices for the unexpired terms thereof.

- B. **President.** The president shall preside at all meetings of the Board of Directors, the Executive Committee, and the general membership; shall appoint members of all committees, including the chair and vice chair of each, upon recommendation from members and regions (as communicated by the region chairs), with each such committee chair and vice chair ratified by the Board of Directors; and shall perform all other duties necessary to carry out the functions of the office. The president shall be a non-voting *ex officio* member of each committee, but shall not be an *ex officio* member of the Nominating Committee or the region boards.

The president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

- C. **Vice President.** The vice president shall, in the absence of the president, assume all of the duties of that office and, if a vacancy occurs, succeed thereto for the unexpired term. The vice president shall sit as a member of the Executive Committee of the ACWA Joint Powers Insurance Authority and shall perform such other duties as assigned by the president.

Section 2. Executive Director/Secretary, and Controller-/Treasurer, and General Counsel.

- A. **General.** The executive director/secretary and controller-/treasurer of the Association shall also be officers of the Association. The executive director/secretary shall be appointed by and hold office at the pleasure of the Board of Directors of the Association.

- B. **Executive Director/Secretary.** The executive director/secretary shall: (1) advise and assist the Board of Directors, all committees, the boards of each region, and the workgroups of each region; (2) be responsible for administering the total operations of the Association; (3) employ, direct, and release all employed staff in accordance with the policies adopted by the Board of Directors and consistent with the budget adopted by the Board of Directors; (4) provide relevant information to the Board of Directors needed by the Board to take actions; (5) give members notice and record minutes of all meetings of the membership, Board of Directors, and Executive

BYLAWS OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES

Committee; and (6) have such other powers and perform such other duties as may be provided and assigned by the Board of Directors directly or through the president of the Board or the Executive Committee. The executive director/secretary, with the assistance of the controller-/treasurer, shall render a report to the Board of Directors at the first meeting following the close of each calendar year showing the membership of the Association, the receipts and expenditures during the year, and the work accomplished during the previous year.

C. **Controller-/Treasurer.** The controller-/treasurer shall report to and act under the direction of the executive director/secretary. The controller-/treasurer shall be a signatory on all accounts held by the Association and shall act as a fiduciary for all assets of the Association.

~~D. **General Counsel.** The general counsel shall advise the Board of Directors and executive director/secretary on all legal issues facing the Association including maintaining and developing the legal and contractual infrastructure required of a US-based nonprofit and such internal issues as organizational policy, document retention, filing and registration requirements, labor law, contracts, and leases.~~

~~**Section 3. Bonds.** The Board of Directors shall require fidelity bonds to be furnished for all officers and/or employees handling the finances of the Association in such amounts as it shall deem desirable or necessary, said bond, or bonds, to be approved by the Board of Directors and premiums paid by the Association.~~

ARTICLE 4 – BOARD OF DIRECTORS

Following is an overview of the proposed amendments to Article 4:

- Moves the Council of Past Presidents from the Board membership section to its own section under Article 8 to comply with the nonprofit corporation requirements set forth in the California Corporations Code which does not allow for non-voting directors.
- Provides language clarifying the role and function of the Immediate Past President position.
- Deletes the reference to general counsel as previously explained in Article 3.

Section 1. Membership. The Board of Directors shall consist of:

- A. The Association president and vice president.
- B. The chair and vice chair of each region.
- C. The chair of each standing committee.
- D. The most immediate active past president.
- E. The vice president of the ACWA/Joint Powers Insurance Authority.

~~F. The members of the Council of Past Presidents, who will be non-voting members.~~

Section 2. Term of Office. The term of office of all members of the Board of Directors shall commence on January 1 of the calendar year following election of the president and vice president, except for those persons who serve on the Board of Directors by nature of their position as chairs of standing committees, whose terms shall instead commence upon their ratification by the Board of Directors. Except as provided in Article 4, Section 11, the term of office for all members of the Board of Directors shall terminate on December 31 of the following odd-numbered year two years later, or until their successors take office.

Section 3. Attendance Requirement. Any member of the Board of Directors who misses two consecutive regular Board meetings without being excused by the Board will no longer be a member of the Board of Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly at such times and places as the Board may determine.

Section 5. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.

Section 6. Meeting Requirements and Quorums. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission. At any meeting of the Board of Directors, the attendance of 50 percent of the voting members of the Board of Directors, or their permitted alternates as specified in these bylaws, shall constitute a quorum for the transaction of any business. The Board may hold a closed session for discussion of personnel matters or enforcement of violations of the code of conduct.

Section 7. Alternates. Each region shall designate an alternate for each chair and vice chair, who shall meet the qualification requirements for chair and vice chair, to act at meetings of the Board of Directors when the chair or vice chair is unable to attend. The vice chair of each standing committee will be the alternate to act at meetings of the Board of Directors when the chair is unable to attend. An alternate

may not act or vote on behalf of more than one member of the Board of Directors. A member of the Board of Directors may not act as an alternate for any other member.

Section 8. Vacancies for Standing Committee Chairs and Vice Chairs. Should a vacancy occur in the office of any standing committee chair or vice chair before the end of the term, the president shall appoint a new committee chair or vice chair to fulfill the unexpired term of such committee chair or vice chair subject to ratification by the Board of Directors. A vacancy in the office of any such standing committee chair or vice chair as described in the previous sentence shall be deemed to exist when the chair or vice chair: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 9. Duties, Authorities, and Delegation. Subject to the provisions and limitations of California Nonprofit Corporation Law, other applicable laws, and the provisions of these bylaws, the Association's activities and affairs are to be exercised by or under the direction of the Association's Board of Directors. The Board of Directors is responsible for the overall supervision, control, and direction of the Association. The Board of Directors shall: (1) employ and release the executive director/secretary; (2) set performance expectations for the executive director/secretary; (3) receive, review, and consider approval of executive director/secretary recommended compensation, other terms and conditions of employment, and annual evaluations as prepared by the Executive Committee; (4) annually adopt a budget; and (5) set the level of dues for the Association. Except as to the duties listed in the previous sentence, and subject to Article 3, Section 2, the Board of Directors may delegate the supervision, control, and direction of the Association's affairs to any person or group, including a committee, provided the Association Board retains ultimate responsibility for the actions of such person or group. Where such powers are delegated, the delegation shall be documented in writing.

~~**Section 10. Council of Past Presidents.** There shall be a Council of Past Presidents composed of all past presidents of the Association. Each member of the council shall be non-voting members of the Board of Directors, except for the most immediate active past president who shall be a voting member. Past presidents shall serve on the council until each no longer is able to or wishes to serve. The president and/or executive director/secretary, with approval of the Board of Directors, may assign specific responsibilities to the council from time to time.~~

Section 10. Immediate Past President. The immediate past president automatically assumes this position after serving as the Association's elected president and is a voting member of the Board of Directors and Executive Committee. The term of office for the immediate past president shall commence on January 1 of the calendar year following election of the president and vice president and shall terminate on December 31 of the following odd-numbered year two years later. In the event the most immediate active past president is unavailable to serve, the most recent and available active past president in succession shall serve in this capacity.

Section 11. Code of Conduct of Board Members.

- A. **Code of Conduct: Purpose and Adoption.** The Board of Directors shall establish, and update as appropriate, a code of conduct for its Directors that recognizes the Association's commitment of integrity, respect, and fair representation to its members and the public they serve and establishes minimum ethical standards for the performance of the duties of office. The code shall be consistent with the procedural processes contained in this section. The code shall be distributed to all new Directors and shall be distributed annually to all members of the Association.
- B. **Violations and Enforcement Process.** A violation of the code of conduct may result in removal, public censure, or private reprimand of a Director, or such other action as contained in the code of conduct. However, removal and public censure shall be reserved only for serious violations. A Director may not be removed or publically censured absent an affirmative vote of two-thirds of the voting members of the Board of Directors. A Director may be privately reprimanded for a violation of the code of conduct upon the majority vote of the quorum. Complaints of violation of the code of conduct may be filed with the president, or the vice-president if the allegations are made against the president. The president may refer a complaint of violation to the executive director/secretary ~~or the general counsel~~ for investigation. The executive director/secretary ~~or general counsel~~ may retain a special investigator or special counsel to conduct or assist the investigation. A Director accused of a violation shall be provided a copy of the complaint. A Director that takes any hostile or retaliatory action, directly or indirectly, against a complainant is subject to removal from the Board in conformance with the process identified above. Prior to scheduling a Board action on a complaint, the president shall consult with the Executive Committee, ~~the general counsel~~, and the chair of the Legal Affairs Committee. A Director accused of a violation of the code of conduct shall be provided at least 15 days' written notice of any meeting of the Board at which a determination of enforcement will be considered. A determination of enforcement may be made only at a regular meeting of the Board and shall be made in closed session. The determinations of the Board under this section shall not be admissible in any criminal or civil proceeding brought against the Director for conduct that violates any other law.

ARTICLE 5 – REGIONS

Following is an overview of the proposed amendments to Article 5:

- Provides clean-up language that correlates with Board policies and region guidelines.

Section 1. Boundaries of Each Region.

- A. There shall be a maximum of 10 regions within the state. The Board of Directors shall determine the regional boundaries. Insofar as is practicable, the regions shall have a numerical balance in members of the Association; make geographic sense; and promote regional problem solving.

- B. A member of the Association may file a written petition to the Board of Directors requesting a change in regions. Such petition shall set forth the reasons for such requested change. The Board shall, within a reasonable time, act upon such petition and set forth the reasons for its action. Such action by the Board shall be based on factors in (A) above, as well as others deemed by the Board of Directors to be relevant to the decision.

Section 2. Officers.

- A. The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region by September 30, or the preceding Friday if September 30 falls on a weekend, of odd-numbered years. ~~By resolution of the region board, the A region board may choose to maintain a board of fewer than five to seven but not less than three members as provided in the region's rules and regulations.~~ The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. ACWA staff shall verify the legitimacy of the ballots.
- B. The officers of each region shall: (1) exercise the powers and perform duties of the region during the interim between region meetings; and (2) make recommendations to the president regarding appointments to committees. The chair and vice chair shall be the region's representatives to the ACWA Board of Directors.
- C. Each officer of a region shall be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the office, the individual may not serve during the remaining term of that office unless that individual can again meet the criteria for the office and is appointed to complete the term ~~pursuant to the next sentence.~~ The region board, ~~by resolution,~~ may adopt more stringent criteria for the ~~qualifications of its board members.~~ qualifications as part of the region's rules and regulations.
- D. Should a vacancy occur in any of the region board positions before the end of the term, the remaining members of the region board shall appoint a new member. A vacancy in the office of any region board position ~~as described in the previous sentence~~ shall be deemed to exist when a region board member: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 3. Nominating Committees. There shall be a nominating committee for each region consisting of three or more designees, each representing a member of the Association located within the region, appointed by the chair of the region and approved by the region board. Nominating committees shall be formed by February 28 of each odd-numbered year. The nominating committee shall announce its

nominations for chair, vice chair, and region board members by August 1 of an election year. All regions must complete the election process by September 30 of the election year, or the preceding Friday if the September 30 falls on a weekend.

Section 4. Meetings. The meetings of each region shall be held at both the spring and fall conferences and at such other times and places as may be determined by the region chair. Representatives of five or more members of the Association from the region present at any region meeting shall constitute a quorum for purposes of conducting the business of the region. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission.

Section 5. Workgroups. Workgroups may be appointed by the region chair as needed.

Section 6. Rules. Each region shall organize and adopt rules and regulations for the conduct of its meetings and affairs not inconsistent with the Articles of Incorporation or bylaws of the Association. Each region shall abide by the code of conduct adopted by the Board of Directors of the Association.

ARTICLE 6 – EXECUTIVE COMMITTEE

Following is an overview of the proposed amendments to Article 6:

- Provides additional language clarifying the discrete powers and defined authority of the Executive Committee.
- Clarifies the following pertaining to meeting attendance:
 - All Board members may attend any meeting of the Executive Committee.
 - Meetings may be closed to others at the discretion of the President or committee.

Section 1. Membership. There shall be an Executive Committee consisting of the following: the president of the Association, who shall be the chair thereof; the vice president; the most immediate active past president; the chair of the Finance Committee; and three at-large representatives selected from and by the members of the Board of Directors. The election of the three at-large representatives to the Executive Committee shall occur at the first Board of Directors meeting held in each even-numbered year and the elected representatives shall serve immediately following their election and until such time as their successors take office. To the extent practical, the Executive Committee should be constituted so as to reflect the geographic extent of the Association and the functions of the members of the Association.

Section 2. Powers. The Executive Committee shall have the following authority:

- A. **Personnel.** Subject to the budget adopted by the Board of Directors, the Executive Committee shall perform the following personnel actions: (1) recommend compensation for the executive director/secretary to the Board of Directors for approval; (2) perform annual reviews of the executive director/secretary and submit that review to the Board of Directors; (3) review and

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approve ~~employee~~ the classification and compensation plan and publicly posted salary schedule for Association employees and compensation levels submitted by the executive director/secretary, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors; (4) establish personnel policies for the conduct and behavior of employees, which shall be reviewable by the Board of Directors; and (5) undertake such other personnel actions as may be requested by the executive director/secretary in support of his or her oversight of all other personnel matters, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors.

- B. **Delegation.** The Executive Committee may act pursuant to any authority specifically delegated to it by the Board of Directors. The delegation shall indicate whether the authority is still subject to the ultimate authority of the Board.
- C. **Authority to Act Between Meetings.** The Executive Committee may act for the Board of Directors between Board meetings when calling a special meeting of the Board of Directors is impracticable, provided that no such action of the Executive Committee shall be binding on the Board of Directors until authorized or approved by the Board. The Executive Committee has the authority to authorize actions recommended by the Legal Affairs Committee (such as the filing of letter briefs and amicus curiae briefs) by electronic means without the need for an in-person or telephonic meeting, but such actions shall be ratified by the Board of Directors at its next meeting.
- ~~D. **Other Duties.** The Executive Committee shall perform such other duties and assume such other responsibilities as are referred to it by the president.~~

Section 3. Reporting. The president, or any person designated by the president, shall report to the Board of Directors, at each regular Board meeting, any action taken by the Executive Committee since the last preceding regular Board meeting. The minutes of Executive Committee meetings, which at that time may still be in draft form, shall be mailed (using the U.S. Postal Service, express delivery, electronic means, or otherwise) to each member of the Board of Directors at least five days prior to Board meetings, except in cases in which the Executive Committee meets during or immediately prior to a conference of the Association or immediately prior to a Board meeting, in which case the minutes, which may still be in draft form, shall be mailed to each director promptly thereafter.

Section 4. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference or other electronic video screen communication or electronic transmission. All members of the Board of Directors may attend any The meetings of the Executive Committee. Meetings of the Executive Committee may be closed to others at

~~the discretion of the President or committee. shall be open to all members of the Board of Directors, but may be closed to others at the discretion of the Executive Committee. Only members of the Executive Committee are allowed to vote on matters at a meeting of the committee.~~

Section 5. Minutes. The minutes of the Executive Committee meetings shall be kept by the executive director/secretary at the Association's principal office. Actions of the Executive Committee shall be reported to the Board of Directors as provided in Section 3 of this Article and shall be available to any member of the Board of Directors upon request to the executive director/secretary.

ARTICLE 7 – STANDING COMMITTEES

Following is an overview of the proposed amendments to Article 7:

- Clarifies terms for standing committee vice chairs.

Section 1. Qualification. In order to serve on any ACWA standing committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the appointment, the individual may not serve during the remaining term of that appointment unless that individual can again meet the criteria for appointment and is appointed to complete the term.

Section 2. Term of Office. The term of office of standing committee members shall be two years commencing on January 1 of each even-numbered year. The term of office of standing committee chairs ~~and vice chairs, who serve on the Board of Directors,~~ shall be approximately two years and shall commence as soon after January 1 of the even-numbered year as they may be appointed by the president and ratified by the then-seated Board of Directors, and shall terminate on December 31 of the odd-numbered year approximately two years later or until their successors are appointed and ratified.

Section 3. Meetings. Meetings of standing committees may be called at such times and places designated by the respective chair thereof except where provided otherwise by these bylaws. Subject to the provisions of these bylaws and any actions that may be taken by the Board of Directors, the chairs of each standing committee may establish their own rules for the efficient operation of the committee they each chair. The chairs of each standing committee are authorized to create subcommittees and workgroups in order to complete the work of the committee.

Section 4. Business Development Committee. There shall be a Business Development Committee whose duty it is to develop and recommend to the Board of Directors programs and activities to be provided or administered by the Association that generate non-dues revenue and provide a service or benefit to Association members. The committee shall consist of at least one representative from each region and one representative from the other standing committees.

Section 5. Communications Committee. There shall be a Communications Committee whose duty it shall be to develop and make recommendations to the Board of Directors regarding a comprehensive internal and external communications program for the Association and to promote development of sound public information and education programs and practices among members of the Association. The committee shall consist of no more than 40 individuals. Of that number, at least one individual shall be from each region.

Section 6. Energy Committee. There shall be an Energy Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 7. Federal Affairs Committee. There shall be a Federal Affairs Committee whose duty it shall be to review all federal legislative proposals and regulatory proposals affecting members of the Association, after consulting with other appropriate committees, and to develop Association positions consistent with existing policy, where it has been established; recommend sponsorship of bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's federal legislative program. The committee shall consist of at least one and no more than five individuals from each region.

Section 8. Finance Committee. There shall be a Finance Committee whose duty it shall be to make recommendations to the Board of Directors regarding annual budgets, dues formula and schedules and other revenue-producing income, annual audit and selection of an auditor, and investment strategies. The committee shall consist of the president and vice president of the Association as *ex officio* members, the Finance Committee chair, one member of the region board from each of the Association's 10 regions (either chair or vice chair), and one additional representative from each region with experience in financial matters.

Section 9. Groundwater Committee. There shall be a Groundwater Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one representative from each region.

Section 10. Legal Affairs Committee. There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to members of the Association, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the members of the Association and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between 35 and 45 attorneys, each of whom shall be, or act as, counsel for a member of the Association, representing diverse interests

within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. Further, there shall be at least one representative from each region on the committee.

Section 11. Local Government Committee. There shall be a Local Government Committee whose duty it shall be to recommend policies to the State Legislative Committee, as appropriate, and Board of Directors on matters affecting water agencies as a segment of local government in California. The committee shall consist of at least one and no more than three individuals from each region.

Section 12. Membership Committee. There shall be a Membership Committee whose duty it shall be to assist staff in developing membership recruitment and retention programs, make recommendations to the Board of Directors regarding membership policies, eligibility, and applications for membership and review and make recommendations to the Finance Committee regarding an equitable dues structure. The committee shall consist of at least one member from each region.

Section 13. State Legislative Committee. There shall be a State Legislative Committee whose duty it shall be to review all state legislative proposals affecting members of the Association and to establish Association positions, consistent with existing policy, where it has been established; sponsor bills that will resolve problems or improve conditions for members of the Association; and assist in the establishment of the Association's legislative program. The committee shall consist of individuals representing a variety of types of members and at least one and no more than four individuals from each region.

Section 14. Water Management Committee. There shall be a Water Management Committee whose duty it shall be to recommend policy and programs to the Board of Directors on any area of concern in water management. The committee shall consist of at least one and no more than four individuals from each region.

Section 15. Water Quality Committee. There shall be a Water Quality Committee whose duty it shall be to develop and recommend Association policy, positions, and programs to the Board of Directors, to promote cost-effective state and federal water quality regulations that protect the public health, to enable interested members of the Association to join together to develop and coordinate with other organizations, and to present unified comments regarding agricultural and domestic water quality regulations. The committee shall consist of at least one individual from each region.

ARTICLE 8 – SPECIAL COUNCILS, COMMITTEES, AND TASK FORCES

Following is an overview of the proposed amendments to Article 8:

- Moves the Council of Past Presidents from Article 4, Board of Directors, to its own section under Article 8 to comply with the nonprofit corporation requirements set forth in the California Corporations Code which does not allow for non-voting directors. The language describes the

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Council as the means by which past presidents continue to make valuable contributions to the Association.

- Provides additional language to clarify the role and function of the Nominating Committee.

Section 1. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board meetings.

~~Section 1.2. Nominating Committee.~~ **Section 2. Nominating Committee.** There shall be a Nominating Committee consisting of five or more persons appointed by the president prior to the Association's fall conference in each odd-numbered year, whose purpose shall be to nominate qualified individuals for the offices of president and vice president of the Association. Not later than 48 hours prior to the election of officers of the Association, ~~the~~ The ~~Nominating~~ Nominating ~~Committee~~ Committee shall publish its nominations for the offices of president and vice president of the Association not less than 10 or more than 90 days before the membership meeting is held at fall conference. Additional nominations may be made by any member of the Association for candidates for the office of president and vice president. Additional nominations shall be made from the floor during the election of president and vice president at the membership meeting scheduled for said purposes.

Section 2. Other Committees and Task Forces. Other committees and task forces may be appointed by the president from time to time as needed, consistent with and supportive of the mission of the Association.

ARTICLE 9 – MEETINGS OF MEMBERS

Following is an overview of the proposed amendments to Article 9:

- Expands the definition of membership meeting to include the timing of officer elections, to comply with nonprofit corporation requirements set forth in the California Corporations Code.
- Provides detailed information on how membership meetings and special meetings are noticed to comply with nonprofit corporation requirements set forth in the California Corporations Code.
- Provides clarifying language for how quorums are determined for purposes of transacting business at membership meetings.
- Provides detailed information pertaining to the election process for the Association's Board officers.

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Section 1. Meetings. Meetings of the members of the Association shall be held at the Association's conferences at such times as may be determined by the Board of Directors to conduct necessary business and to elect the president and vice president, which occurs at the fall conference in each odd-numbered year.

Section 2. Special Meetings. Special meetings of the members of the Association may be called by the Board of Directors, the president of the Board of Directors, or by 5 percent or more of the members of the Association. Except when called by the Board, a request for a special meeting must be in writing and must be delivered in person or mailed by first-class mail addressed to the president of the Board at the principal office of the Association, with a copy to the executive director/secretary. The request must state the general nature of the business proposed to be transacted at the meeting.

A special meeting that has been called by written request of 5 percent of the member agencies of the Association to the Board of Directors shall be set by the Board of Directors on a date that is not less than 35 or more than 90 days after receipt of the request. ~~The executive director/secretary shall cause notice to be given to all members of the Association, which notice shall state the place, date, and time of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting.~~

Section 3. Notice Requirements for Membership Meetings. Written notice of any membership meeting shall be given to each voting member of the Association. The notice shall state the date, time, and place of the meeting; the means by which members may participate; and the general nature of the business to be transacted. The notice of any meeting at which Board officers are to be formally nominated and elected shall include the names of the recommended slate of candidates for the offices of president and vice president in addition to the election procedures. The member notification information shall also be posted on the Association's website.

Except as otherwise provided in these bylaws or California law, a written notice of regular membership meetings shall be given not less than 10 or more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

Section 4. Notice Requirements for Special Meetings. The executive director/secretary shall cause notice to be given to all members of the Association of the date, time, and place of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting. If notice of the requested special meeting is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 3.5 Voting. Each member of the Association shall be entitled to one vote that shall be cast by its authorized representative. All questions, except amendments or revisions of these bylaws, shall be

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determined by a majority of the members present and voting. A roll call may be requested by any representative.

Section-4.6 Amendment of Bylaws. These bylaws may be amended or revised by two-thirds of the member agencies of the Association present and voting at any meeting.

Section-5.7 Quorums. The presence of the authorized representative of 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business.

Section-6.8. Amendments, Revisions, and Resolutions. Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least 30 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association at least five days prior to presentation at such meeting. The 30-day rule may be suspended at any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections 3 and 4 of this Article.

Section 9. Nomination of President and Vice President.

A. Qualification. At the time of their election, the president and vice president of the Association shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association.

B. Nominating Committee Process. All nominations for the positions of president and vice president shall be accompanied by an official resolution from the Association member agency on whose board the nominee serves. Said resolution shall be signed by an authorized signatory of the member agency's Board of Directors.

C. Nominations from the Floor. Additional nominations may be made by any member of the Association for the office of president and vice president. Said nominations and seconds shall be made from the floor during the election of the offices of president and vice president at the membership meeting scheduled for said purposes (as provided for in the penultimate sentence of Article 8, Section 2). Such nominations and seconds shall be made by a member of the Association and must be supported by a resolution of the governing body of the member making and seconding such nomination. The member agency on whose board the nominee serves shall submit a resolution of support if they are not the agency making the floor nomination or second.

Section 10. Additional Procedures for Election of Officers. The Board shall have the authority to develop additional procedures for elections of president and vice president when not otherwise covered by these bylaws.

~~**Section 7. Nominations for Officers from the Floor.** Additional nominations and seconds, if any, for candidates for the office of president and vice president (as provided for in the last sentence of Article 8, Section 1) will be made from the floor, during the election of the officers of president and vice president, by a member of the Association. Such nominations and seconds must be supported by a resolution of the governing body of the member making and seconding such nomination.~~

ARTICLE 10 –INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHER AGENTS

Following is an overview of the proposed amendments to Article 10:

- Creates new article/language that sets forth provisions for the indemnification of directors, officers, and other agents to comply with nonprofit corporation requirements which are set forth in the California Corporations Code.

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its Directors, Officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these bylaws in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its Officers, Directors, employees, and other agents, against any

liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE 110 – MISCELLANEOUS

Following is an overview of the proposed amendments to Article 11:

- Creates new language that sets forth the parameters for the disposition of the Association's assets upon dissolution of the organization consistent with the California Corporations Code and the Articles of Incorporation.

Section 1. Conduct of Meetings. All meetings of the Association shall be conducted in accord with the code of conduct and in substantial accordance with the latest edition of Robert's Rules of Order Newly Revised unless the Board adopts alternate rules of conduct for itself and/or its committees, region boards, and region workgroups.

Section 2. Funds. The funds of the Association shall be used to further the aims and purposes of this Association. They shall be kept by the controller-/treasurer and paid out by checks or other electronic means, which shall only be valid with two authorized signatures. The Board of Directors shall designate by resolution which persons, other than the controller-/treasurer, may sign for expenditures. The Finance Committee shall implement procedures to ensure necessary internal controls over the receipt and expenditures of Association funds and arrange for an external audit. Audit reports shall be presented to the Board of Directors.

Section 3. Disposition of Assets upon Dissolution. The Association's properties and assets are irrevocably dedicated to the fulfillment of the Association's purposes as described in Article 2 of the Articles of Incorporation. No part of the Association's net earnings, properties and assets, on dissolution or otherwise, may inure to the benefit of any private person. Upon the dissolution of the Association, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed to the Association's member political subdivisions for a public purpose, consistent with the provisions of the California Nonprofit Corporation Law relating to public benefit corporations then in effect and with the Articles of Incorporation.

Section 3. Definitions. As used in these bylaws, the term "notice provided by electronic means" shall refer to notice given by fax or e-mail.

Amended comprehensively December 1, 2010

Amended May 9, 2012

Amended May 7, 2014

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