

Minutes

Sacramento Suburban Water District Regular Board Meeting Monday, July 17, 2017

Call to Order

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

Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

Roll Call

Directors Present: Dave Jones, Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, Annette O’Leary, James Arenz, Dana Dean, David Espinoza, David Armand, Hannah Dunrud, John Valdes and District Legal Counsel Josh Horowitz

Public Present: Avery Wiseman, William Eubanks, Brenda Davis, Shellie Anderson, Kent Craney, Eric Wunschel, Ben Borba, Mark Rawlings, Doug Veerkamp, Glen Jorgensen, Ryan Rawles and Scott Rawles.

Announcements

General Manager Robert Roscoe (GM Roscoe) requested to add an item to the agenda regarding the letter of credit extension with Sumitomo Mitsui Bank Corporation.

President Wichert moved to include the added item immediately following the Consent Calendar; Director Jones seconded. The motion passed by unanimous vote.

The item was added as 2.5 following the Consent Calendar.

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

Public Comment

Avery Wiseman (Mr. Wiseman) provided a handout and commented about the General Manager Recruitment. He suggested that the Board consider an annual salary range between \$135,000 and \$145,000, commenting that it was an administrative position.

Consent Items

1. Minutes of the June 19, 2017 Regular Board Meeting

2. **Hastings Park Apartment Complex – Claim – 4533 Antelope Road Water Main Leak – June 21, 2016**

Director Locke moved to approve the Consent Items; Director Jones seconded. The motion passed by unanimous vote.

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

Items for Discussion and Action

2.5 **Letter of Credit Extension with Sumitomo Mitsui Banking Corporation**

Dan Bills (Mr. Bills) introduced the added agenda item. He provided the Board with a brief explanation of the staff report.

Director Schild asked clarifying questions.

Director Thomas moved to approve the staff recommendation; Director Locke seconded. The motion passed by unanimous vote.

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

3. **McClellan Business Park and Operations Agreement Update**

Assistant General Manager Dan York (AGM York) presented the staff report.

District Legal Counsel Josh Horowitz (Mr. Horowitz) provided a summary of the discussion between the District and McClellan Business Park (MBP). He noted that the intent was to deal with the unliquidated repairs that needed to take place, as well as the relationship between the two entities. He noted that both entities were working toward a new successor agreement.

GM Roscoe expressed that regarding new development and building improvements, MBP would be treated like any other customer in the District.

It was clarified that MBP was still a superfund site; therefore, the District was limited to what contractors were allowed to work at that property.

GM Roscoe explained that the staff report was clarification for the Board as to what the District's initial statement of intent was.

Kent Craney (Mr. Craney) with the County of Sacramento (County) expressed that he was helping facilitate getting the term sheet together for both entities. He noted that the intention was to get the framework to the successor agreement so that all parties could find an agreement that worked.

Director Thomas noted that he would feel more comfortable if the agreement was completed before the County transferred the property to MBP.

William Eubanks (Mr. Eubanks) commented that he agreed with Director Thomas that the agreement should be completed before the transfer. He further urged the Board to take it all under consideration and that he was concerned that the ratepayers were being put at risk.

President Wichert recapped that some Directors were showing concerns that the District could lose some negotiating leverage with MBP and the County if the District executed the draft term sheet now, rather than wait until after it was finalized.

He further stated that there were Directors expressing concerns that with the County being a party to the 1999 agreement, and MBP not being a party to the 1999 agreement, that it was not clear who the District owed the obligations to.

President Wichert expressed that he believed that the staff report demonstrated the first step to resolving the issues and expressed his support for it.

President Wichert asked Mr. Horowitz if he felt the attorneys for the County and MBP were acting in good faith. Mr. Horowitz responded that he felt that they were acting in good faith.

President Wichert moved to direct staff to negotiate in good faith with the County and MBP in order to flush out the term sheet with mutually agreeable terms such that now the land transfer could proceed; Director Locke seconded.

Mr. Craney expressed that all three parties supported working toward the new successor agreement.

The motion passed by a 3-2 vote. Director Schild and Director Thomas opposed.

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

4. **Parkland Estates Waterline Replacement Project Phase 2 – Service Lines**

John Valdes (Mr. Valdes) presented the staff report. He pointed out the three options that staff provided.

GM Roscoe expressed that staff was asking for the Board to authorize the General Manager to pursue any of the three options for the service line portion of the Parkland Estates Waterline Replacement Project.

Director Wichert expressed that he was not comfortable with the staff recommendation. He stated that he wanted to see the negotiated price before the contract was agreed upon.

Director Locke expressed his faith that the General Manager would make a good decision.

GM Roscoe expressed that he was concerned with the time that would be lost if he was not able to get the contract completed before the next regular Board meeting.

Ryan Rawles introduced himself and provided a brief history of Rawles Engineering.

Director Locke moved to approve the staff recommendation; Director Jones seconded. The motion passed by 3-2 vote. President Wichert and Director Schild opposed.

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

5. Extension of Master Service Agreement for Main Replacements

Mr. Valdes presented the staff report.

Eric Wunschel, Ben Borba and Mark Rawlings with Doug Veerkamp General Engineering Inc. (Veerkamp) presented the PowerPoint presentation.

GM Roscoe expressed that the changes in the Division of Drinking Water’s (DDW) separation issues created additional potholing requirements, creating an additional expense to the District. He noted that a significant benefit of having a Master Service Agreement with one company is a cost savings since that one company is permitted to pothole only once.

Director Schild moved to competitively bid for a 3 year contract with a possibility of 2 year or 1 year extension on a distribution system contract, starting in calendar year 2018; President Wichert seconded.

Director Jones stated that there was a potholing requirement from DDW that was going to cost the District an additional \$200,000.

President Wichert expressed his support in opening up a competitive bidding for the master service agreements.

Mr. Valdes expressed that if the same contractor potholed during the design phase and then performed the construction; they wouldn’t have to re-pothole. However, if there were different contractor’s potholing during design and performing the construction, then the construction contractor wouldn’t be able to rely on the original potholes; therefore, there would need to be a second set of potholes performed.

Mr. Valdes expressed that Veerkamp has already done the potholes for the Edison Meadows project.

President Wichert restated the original motion, stating that the next master services agreement to do multiple projects goes out to bid. The motion passed by 3-2 vote. Director’s Jones and Locke opposed.

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

President Wichert additionally moved to extend the contract for Veerkamp to construct the main lines for the Edison Meadows project for the purpose of using the potholing that has already been done; Director Jones seconded. The motion passed by a 4-1 vote. Director Schild opposed.

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

6. **A Day in the Life of the Environmental Compliance Department**

David Armand (Mr. Armand) presented the Power Point presentation.

Mr. Armand introduced Hannah Dunrud, who assisted with presenting the Power Point presentation.

GM Roscoe emphasized the growing importance of the District’s Environmental Compliance Department, the attention to detail required and the very good work performed by staff.

7. **Water Service Charges and Rate Setting Policy (PL – Fin 009)**

Mr. Bills presented the staff report.

President Wichert suggested a change to page 3, under section 200.00 C. He requested to add a number 6 and have it state “It shall be a policy of the District to set rates at the lowest responsible rate.”

Director Thomas moved the staff report including President Wichert’s suggested change; Director Schild seconded. The motion passed by unanimous vote.

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

8. **Budget Policy (PL – Fin 012)**

Mr. Bills presented the staff report noting the amendment to Director Schild’s suggestions of replacing the word rate with revenue.

Director Thomas moved to approve the staff recommendation.

Director Locke commented on the suggested change made by Director Schild on section 200.00 H. 4. He noted that he supported the existing language stating “A comprehensive rate study will be conducted by an outside party at least every three (3) to five (5) years in order to assess the fairness of the rates to the District’s ratepayers and to verify that necessary revenue is available for the District’s operating and capital needs.”

The Board agreed on the following language for the section:

“A comprehensive rate study will be conducted by an outside party as determined by the Board in order to assess the fairness of the rates to the District’s ratepayers and to verify that necessary revenue is available for the District’s operating and capital needs.”

President Wichert additionally requested to add a number 5. to the same section above and have it state “It shall be a policy of the District to set rates at the lowest responsible rate.”

President Wichert further commented that anywhere that discussed rates in the policy, he wanted to insert the same statement as above to remain consistent with the Mission Statement.

The Board agreed to add President Wichert’s suggestions.

Director Locke expressed that he had concerns regarding the proposed changes to section 200.00 I. numbers 1 through 5. He noted that he didn’t want to have any reduced funding for the capital expenditures and that the language suggested seemed restrictive.

GM Roscoe expressed that staff would reevaluate numbers 1 through 5 and attempt to better clarify those items.

GM Roscoe expressed that staff would make the changes listed, and bring the item back to the next regular Board meeting on the Consent Calendar.

Director Thomas’ motion died for lack of a second.

9. **2018/19 Budget Assumptions**

Mr. Bills presented the staff report.

President Wichert inquired why staff believed there needed to be a 4% rate increase for 2018.

Mr. Bills expressed staff’s position on the approved rate increase.

Director Locke moved the staff recommendation; Director Thomas seconded. The motion passed by unanimous vote.

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

10. **2017 Budget Reallocations and Marconi Project Request**

Mr. Bills presented the staff report.

Director Thomas inquired how much the alarm system at the Marconi office was monthly.

Mr. Bills expressed that he would get back to him with the answer.

President Wichert moved the staff recommendation; Director Thomas seconded. The motion passed by a 4-1 vote. Director Schild opposed.

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

11. **Resolution No. 17-08 Fixing the 2018 Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act, and Resolution No. 17-09 Fixing the 2018 Employer Contribution Under Section 22893 of the Public Employees' Medical and Hospital Care Act**

Director Jones recused himself.

Mr. Bills presented the staff report.

Director Thomas moved to approve the staff recommendation; Director Locke seconded. The motion passed by unanimous vote.

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

Information Items

12. **District Activity Report**

A written report was provided.

Director Locke suggested a change to the Water Operations Report, Exhibit 3, the Water Operations Activity report. He requested to add a column to include the total of preventive maintenance items from the previous calendar year, or the total number that the District had of each line item. This way there was some type of comparison of how many the District had versus how many were getting done.

a. *Water Operations and Exceptions Report*

A written report was provided.

b. Water Conservation and Regional Water Efficiency Program Report
A written report was provided.

c. Customer Service Report
A written report was provided.

d. Community Outreach Report
A written report was provided.

13. 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. Developer Projects (Including McClellan Business Park)
A written report was provided.

d. Planning Studies
A written report was provided.

e. Other
A written report was provided.

14. Financial Report

A written report was provided.

a. Financial Statements – June 2017
A written report was provided.

b. Investments Outstanding and Activity Quarterly Report
A written report was provided.

c. Cash Expenditures – June 2017
A written report was provided.

d. Credit Card Expenditures – June 2017
A written report was provided.

e. Directors Compensation and Expense Accounting Quarterly Report
A written report was provided.

f. District Reserve Balances – June 2017

A written report was provided.

g. Information Required by Bond Agreement

A written report was provided.

15. Financial Markets Quarterly Report

A written report was provided.

16. Year-to-Date Interest Expense Quarterly Report

A written report was provided.

17. Human Resources and Succession Plan Quarterly Report

A written report was provided.

Director Locke commented that it seemed like the compensation study on the Distribution Operator position needed to be reevaluated noting the amount of turnover in that department.

Director Jones commented that perhaps staff could also look into better ways of retaining existing employees as well.

18. CIP Projects Quarterly Report

A written report was provided.

19. Chromium 6 Court Compliant and Regulations Update

A written report was provided.

AGM York noted that the two District spokespersons were President Wichert and GM Roscoe.

20. Retirement Plan Enrollments, Turnover Information and Average Years of Experience

A written report was provided.

21. Improvements from Hiring of New Position in Customer Service

A written report was provided.

22. Association of California Water Agencies Call for Candidate Nominations for President and Vice President for the 2018-19 Term

A written report was provided.

23. Sacramento Local Agency Formation Commission (LAFCo) Open Nomination Period for Special District Commissioner Office No. 7 and Alternate Special District Commissioner for Offices No. 6 & 7

A written report was provided.

24. **New Administrative Services Department Procedures**
A written report was provided.
25. **Update on Water/Sewer Separation Issue with Division of Drinking Water**
A written report was provided.
26. **Legislative and Regulatory Update**
A written report was provided.
27. **General Manager's Report**
A written report was provided.
 - a. *Long Term Warren Act Contract Update*
A written report was provided.
 - b. *California WaterFix Update*
A written report was provided.
 - c. *ACWA/JPIA Liability, Property, and Workers' Compensation Risk Assessment*
A written report was provided.
 - d. *Update to Closeout of District's Groundwater Monitoring Wells Project*
A written report was provided.
 - e. *McClellan Business Park – Excavation Process*
A written report was provided.
 - f. *Failed Network Switch*
A written report was provided.
28. **Upcoming Policy Review**
A written report was provided.
 - a. Directors' Compensation and Expense Reimbursement Policy (PL - BOD 003)
A written report was provided. Directors' comments are due by August 7, 2017.
 - b. Impaired Capital Asset Policy (PL - Fin 008)
A written report was provided. Directors' comments are due by August 7, 2017.
 - c. Purchasing Card Policy (PL – Fin 006)
A written report was provided. Directors' comments are due by August 7, 2017.
29. **Upcoming Water Industry Events**
A written report was provided.

Committee Reports

30. a. Facilities and Operations Committee (Director Schild)
No report.
- b. Finance and Audit Committee (Director Thomas)
The draft Minutes from the July 10, 2017 Meeting were provided.
- c. Water Quality Committee (Director Wichert)
The agenda from the July 17, 2017 Meeting was provided.
- d. Government Affairs Committee (Director Locke)
No report.
- e. Ad Hoc Water Banking and Transfer Committee (Director Schild)
No report.
- f. Ad Hoc Selection Committee (Director Wichert)
No report.
- g. Ad Hoc Process Committee (Director Wichert)
No report.
- h. Ad Hoc Compensation Committee (Director Schild)
No report.

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

31. a. Regional Water Authority (Director Thomas)
The agenda from the July 13, 2017 Meeting was provided, Director's Locke and Schild provided an oral reports.

Regional Water Authority Executive Committee (General Manager Roscoe)
No report.
- b. Sacramento Groundwater Authority (Director Schild)
No report.
- c. Water Caucus Meeting
The agenda from the July 12, 2017 Meeting was provided.
- d. Water Forum Successor Effort (General Manager Roscoe)
No report.

e. **Other Reports**

Director Locke provided oral reports regarding the Kennedy Jenks Water Transfer Seminar meeting that he attended on June 20, 2017; the San Juan Water District Board meeting that he attended on June 28, 2017; and his meeting with the Assistant General Manager on June 27, 2017.

Director Thomas provided oral reports regarding his meetings with the General Manager on June 22 and June 23, 2017.

Director Schild provided an oral report regarding the Board meeting that he attended at the San Juan Water District on June 28, 2017.

Miscellaneous Correspondence and General Information

32. **Correspondence received by the District**

A written report was provided.

33. **General Information**

A written report 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 9:19 p.m. to discuss the following:

34. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).

Return to Open Session

The Board convened in open session at 9:43 p.m. There was no reportable action.

Adjournment

President Wichert adjourned the meeting at 9:44 p.m.

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