

# **Agenda**

## **Sacramento Suburban Water District**

### **Regular Board Meeting**

3701 Marconi Avenue, Suite 100  
Sacramento, California 95821

Monday, October 16, 2017  
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**

#### **Pledge of Allegiance**

#### **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 September 18, 2017 Regular Board Meeting  
*Recommendation: Approve subject minutes.*

2. Minutes of the September 26, 2017 Special Board Meeting  
*Recommendation: Approve subject minutes.*
3. Minutes of the September 27, 2017 Special Board Meeting  
*Recommendation: Approve subject minutes.*
4. Minutes of the October 9, 2017 Special Board Workshop  
*Recommendation: Approve subject minutes.*
5. Minutes of the October 10, 2017 Special Board Meeting  
*Recommendation: Approve subject minutes.*
6. Records Inspection, Retention and Disposal Policy (PL - Adm 002)  
*Recommendation: Adopt subject policy.*
7. Employee Performance Evaluation, Merit and COLA Policy (PL - HR 003)  
*Recommendation: Adopt subject policy.*
8. 2017 Audit Engagement Letter and Contract  
*Authorize the Finance and Audit Committee Chair, Director Thomas, to execute the Audit Engagement Letter and Contract with Richardson and Company.*

**Items for Discussion and Action**

9. Resolution No. 17-15 Honoring John E. Valdes on His Retirement  
*Recommendation: Adopt subject Resolution.*
10. Resolution No. 17-13 Authorizing the Extension of a Letter of Credit in Connection with its Outstanding 2009A Certificates of Participation, and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters  
*Recommendation: Approve subject Resolution and Approve the Execution and Delivery of Documents.*
11. 2018 Budget and 2019 Forecast – Third Draft & Reserve Policy (PL – Fin 004)  
*Adopt 2018 Budget and 2019 Inaugural CIP Budget as presented.*
12. A Day in the Life of Engineering  
*Presentation by Dana Dean of the Engineering Department.*

13. Rules for Proceeding of the Board of Directors
  - a. Resolution No. 17-11 Amending Policy PL – BOD 002, Rules for Proceedings of the Board of Directors - Changing the Regular Board Meeting Time to 6:00p.m.  
*Receive written staff report and direct staff as appropriate.*
  - b. Rules for Proceeding of the Board of Directors Policy (PL – BOD 002)  
*Recommendation: Adopt amended policy.*
14. Ethics Policy (PL – BOD 004)  
*Recommendation: Adopt subject policy.*
15. Sacramento LAFCo Elections of Special District Commissioner and Alternate Special District Commissioner  
*Receive written staff report and direct staff as appropriate.*

**Information Items**

16. Chromium 6 Court Complaint Update
17. District Activity Report
  - a. Water Operations and Exceptions Report
  - b. Water Conservation and Regional Water Efficiency Program Report
  - c. Customer Service Report
  - d. Community Outreach Report
18. Engineering Report
  - a. Major Capital Improvement Projects
  - b. County and City Projects/Coordination
  - c. Developer Projects
  - d. Planning Studies
  - e. Other

19. Financial Report
  - a. Financial Statements – September 2017
  - b. Investments Outstanding and Activity Quarterly Report
  - c. Cash Expenditures – September 2017
  - d. Credit Card Expenditures – September 2017
  - e. Directors Compensation and Expense Accounting Quarterly Report
  - f. Market Report Yields – January 2011 through August 2017
  - g. District Reserve Balances – September 2017
  - h. Information Required by Bond Agreement
20. Financial Markets Quarterly Report
21. Year-to-Date Interest Expense Quarterly Report
22. Water Rate Increase History of Surrounding Purveyors
23. McClellan Business Park Successor Agreement Update
24. ACWA Region Election Results
25. AMI/AMR Update
26. Maintenance Schedule for District Properties
27. Palm Well Site Issue Update
28. Well Efficiency Testing Annual Report
29. Update on the August 2017 Unplanned Discharge to Chicken Ranch Slough
30. CIP Projects Quarterly Report
31. Human Resources and Succession Plan Quarterly Report
32. Legislative and Regulatory Update



33. General Manager's Report
  - a. City of Sacramento Wholesale Water Rates and 9,023 af of Area D Water
  - b. Regional Partnership – Groundwater Banking
  - c. Cal WaterFix Update
  - d. 2017 Premium Only Plan (POP) Discrimination Testing Results
  - e. Long Term Warren Act Contract
34. Upcoming Policy Review
  - a. Workplace Dishonesty Policy (PL – Adm 006)
  - b. Training and Career Development Policy (PL – HR 004)
35. Upcoming Water Industry Events

#### **Committee Reports**

36.
  - a. Facilities and Operations Committee (Director Schild)  
Minutes from the October 4, 2017 Meeting.
  - b. Finance and Audit Committee (Director Thomas)  
Minutes from the October 2, 2017 Meeting.
  - c. Water Quality Committee (Director Wichert)  
Agenda for the October 16, 2017 Meeting.
  - 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)**

- 37. a. Regional Water Authority (Director Thomas)  
No report.

Regional Water Authority Executive Committee (General Manager Roscoe)  
Agenda for the September 27, 2017 Meeting.

- b. Sacramento Groundwater Authority (Director Schild)  
Agenda for the October 12, 2017 Meeting.
- c. Water Caucus Meeting  
Agenda for the October 11, 2017 Meeting.
- d. Water Forum Successor Effort (General Manager Roscoe)  
No report.
- e. Other Reports

**Miscellaneous Correspondence**

- 38. Correspondence received by the District

**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)**

- 39. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).
- 40. Conference to provide District’s labor negotiator, Robert Wichert, with direction concerning changes to General Manager’s compensation and benefits; Government Code sections 54954.5(f) and 54957.6.

**Adjournment**

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**Upcoming Meetings**

Monday, November 20, 2017 at 6:30 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the October 16, 2017 meeting of the Sacramento Suburban Water District Board of Directors was posted by October 12, 2017 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.

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

# ITEM 1

## Minutes

Sacramento Suburban Water District  
**Regular Board Meeting**  
Monday, September 18, 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 and Robert Wichert.

Directors Absent: Kevin Thomas.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, Lynne Yost, David Espinoza, James Arenz, John Valdes, Matt Underwood and Dana Dean.

Public Present: William Eubanks, Avery Wiseman, Keith Durkin and Audie Foster.

### Announcements

General Manager Robert Roscoe (GM Roscoe) announced:

- Jim Arenz moved from Operations Manager to Project Manager for the Engineering Department and Matt Underwood was promoted to the Operations Manager;
- The Sustainable Business of the Year BERC award that the District received;
- An update to Agenda Item 22 regarding an additional response to the water rate item is at the dais;
- The update to AB 1668 and SB 606 bills;
- The American Flag Etiquette handout that was at the dais;
- A thank you to staff for doing a great job while he was out on vacation, and;
- A thank you to President Wichert for meeting Assistant General Manager Dan York (AGM York) at a field visit to the Palm well project site.

### Public Comment

None.

### Consent Items

1. **Minutes of the August 21, 2017 Regular Board Meeting**
2. **Minutes of the August 25, 2017 Special Board Meeting**

3. **Minutes of the August 26, 2017 Special Board Meeting**
4. **Minutes of the August 28, 2017 Special Board Meeting**
5. **Minutes of the August 29, 2017 Special Board Meeting**
6. **Minutes of the August 30, 2017 Special Board Meeting**
7. **Minutes of the September 5, 2017 Special Board Meeting**
8. **Water Banking and Transfer Policy (PL - BOD 006)**
9. **Ethics Policy (PL – BOD 004)**
10. **Amending Regulations Nos. 1, 7 and 9 of the Regulations Governing Water Service**

Director Jones moved to approve the Consent Items; Director Locke seconded the motion.

Director Schild commented that he didn't have an opportunity to thoroughly review the Ethics Policy (agenda Item 9) and he requested to bring the Item back at the October 16, 2017 regular Board meeting as an Action Item.

Director Jones amended his motion to approve all Consent Items and bring agenda Item 9 back to the October 16, 2017 regular Board meeting as an Action Item; Director Locke seconded.

GM Roscoe requested that if any Directors had changes or edits to the Ethics Policy, to provide those comments to staff by October 2, 2017. The Board accepted his request.

The motion passed by unanimous vote.

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

**Items for Discussion and Action**

11. **A Day in the Life of Engineering**  
 President Wichert noted that Director Thomas could possibly benefit from the presentation, however he was absent. President Wichert requested tabling the presentation until the October 16, 2017 regular Board meeting when Director Thomas would be back.

William Eubanks (Mr. Eubanks) commented that due to the size of the District, management should consider either decreasing the Engineering staff and contract all of

the work, or hire more Engineers and do more of the work in-house to retain the institutional knowledge.

President Wichert noted that good practices and best practice indicated that the District make every effort ensure that the engineering is done properly.

President Wichert moved to table the Item until the October 16, 2017 regular Board meeting; Director Schild seconded. The motion passed by unanimous vote.

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

12. **McClellan Business Park Successor Agreement Update**

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

President Wichert recommended that additional information regarding this Item go before the Facilities and Operations Committee. Staff concurred.

13. **Resolution No. 17-11 Amending Policy PL – BOD 002, Rules for Proceedings of the Board of Directors - Changing the Regular Board Meeting Time to 6:00p.m.**

AGM York presented the staff report.

Director Schild commented that he received a letter from a customer supporting retaining the 6:30p.m. time. He further noted that he believed that an earlier time could inconvenience the ratepayers.

Director Schild moved to deny changing the time and leave the 6:30 p.m. start time.

The motion died for a lack of a second.

Director Locke moved to approve the time change; Director Jones seconded.

President Wichert noted that he had no preference with the exception that if approved, the change could be confusing for a while. He further noted that he preferred to table the Item until Director Thomas was present to vote.

Director Locke withdrew his motion and suggested to defer the Item to the October 16, 2017 regular Board meeting.

President Wichert requested for staff to bring back the policy that states the time and place for the January and February regular Board meetings, Rules for Proceeding.

Director Jones moved to table the Item until the October 16, 2017 meeting; President Wichert seconded. The motion passed by unanimous vote.

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

14. **Amended and Restated Agreement between San Juan Water District and Sacramento Suburban Water District Concerning Diversion, Treatment and Conveyance of Water**

Dan Bills (Mr. Bills) presented the staff report.

Director Schild asked for Keith Durkin (Mr. Durkin) to comment on the conveyance facilities.

Mr. Durkin commented on the conveyance facilities and noted what the Bureau of Reclamation owns at the facility and what is owned by San Juan Water District.

Discussion ensued regarding the Cooperative Transmission Pipeline and who owns it.

Director Schild commented that he was not very happy with the document.

Mr. Bills explained that the document was written in 1993 and that staff was only directed to negotiate the one change to the document.

Director Locke moved to approve the staff recommendation; Director Jones seconded.

President Wichert noted that the language in item 4 on the top of page 2 appeared incorrect; noting that it sounded like the District had an agreement to construct a pipeline with Citrus Heights Water District.

Mr. Bills reminded the Board that the document was not a full updated contract, as staff was not directed to update the entire contract.

President Wichert inquired if the language “with Citrus Heights Water District (CHWD)” could be removed.

Mr. Bills expressed that at the time the original contract was written, it was contemplated that an agreement might have occurred with CHWD. He further expressed that the outcome was that the District did not end up needing to contract with CHWD.

Director Locke commented that San Juan Water District already approved the contract and the focus on the CHWD language was not germane to the agreement.

President Wichert commented that staff did a great job of amending the contract.

The motion passed by a 3/1 vote. Director Schild opposed.

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

15. **Resolution No. 17-12 of the Board of Directors of the Sacramento Suburban Water District Affirming the Board of Directors' Authorization of Payment of Special Compensation in Accordance with the Public Employees' Retirement Law and Regulations**

Dan Bills presented the staff report.

President Wichert noted that he was surprised that this Item was not on the consent agenda.

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

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

15.5 **ACWA Committee Appointment Considerations for the 2018-19 Term**

Mr. Bills presented the staff report.

President Wichert moved to table the Item and bring it back at the September 26, 2017 Special Board Meeting; Director Jones seconded. The motion passed by a 3/1 vote. Director Schild opposed.

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

**Information Items**

16. **Chromium 6 Court Complaint Update**

AGM York provided a brief summary of the status of the Item.

President Wichert commented that the report was very good and very thorough.

17. **District Activity Report**

A written report was provided.

*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.

**18. Engineering Report**

A written report was provided.

John Valdes (Mr. Valdes) provided an update to the Parkland Estates project.

Director Jones inquired about well status, Mr. Valdes provided the updates.

*a. Major Capital Improvement Projects*  
A written report was provided.

*b. County and City Projects/Coordination*  
A written report was provided.

*c. Developer Projects*  
A written report was provided.

*d. Planning Studies*  
A written report was provided.

*e. Other*  
A written report was provided.

**19. Financial Report**

Mr. Bills provided a summary of the staff report.

*a. Financial Statements – August 2017*  
A written report was provided.

*b. Cash Expenditures – August 2017*  
A written report was provided.

*c. Credit Card Expenditures – August 2017*  
A written report was provided.

*d. District Reserve Balances – August 2017*  
A written report was provided.

*e. Information Required by Bond Agreement*  
A written report was provided.

20. **Letter of Credit Extension with Sumitomo Mitsui Bank Corporation**

Mr. Bills provided a summary of the staff report.

21. **Palm Well Project Update**

David Espinoza (Mr. Espinoza) provided a summary of the staff report.

President Wichert commented that he visited the property and recommended that staff attempted to keep the property cleaned up.

GM Roscoe noted that the particular property was not in the normal well run as it was still in the construction phase; therefore staff was not regularly visiting the site.

AGM York stated that staff would be visiting the property to clean it. He further noted that the majority of the garbage and debris was on the county side of the property and that they expressed that they were going to have it cleaned up as well.

AGM York further noted that there was no lighting at the property as SMUD removed the transformer.

Mr. Eubanks commented that he believed that a Director lobbying for individual ratepayers' properties was an inappropriate use of District/ratepayer funds.

President Wichert expressed that he was not lobbying but rather discussing the property and grounds at the site.

Director Jones inquired if it was possible to reduce the lot size or do a lot line adjustment and offer to sell excess portions to adjacent landowners.

President Wichert requested to have future updates regarding this Item.

22. **Water Rate Increase History of Surrounding Purveyors**

Mr. Bills provided a summary of the staff report.

Avery Wiseman (Mr. Wiseman) provided his comments about the Item noting that he didn't believe it was an accurate representation.

President Wichert requested to see all of the rates from the water purveyors that participated in the study at the October 16, 2017 regular Board meeting.

Mr. Bills expressed that the study covered the prior 10 years.

Mr. Wiseman commented on a separate issue that he had regarding a leaking water fountain at Mission Park a month prior; expressing his opinion that District staff was unable to remedy the situation in an appropriate timeframe.

AGM York expressed the circumstances regarding the incident and explained that the water fountain was the responsibility of the Park District and that District staff resolved the issue with the Park District once Park District staff became available.

Mr. Eubanks commented on the rate increase chart noting that it was very revealing with respect to the neighboring water purveyors. He further commented that over the past 10 years so much progress has been made with regard to infrastructure and that anyone trying to impede that progress was shortsighted. He concluded by noting that the small incremental rate increases was the way to go, noting that otherwise down the line there would be much larger rate increases all at once.

23. **Federal WaterSMART Water Marketing Strategy Grant**

A written report was provided.

24. **Meter Program Collaboration – Request for Proposal**

Matt Underwood provided a summary to the staff report.

25. **Unplanned Discharge – Parkland Estates Waterline Replacement Project Phase 2**

A written report was provided.

Director Jones inquired what staff was doing to prevent this from happening again in the future.

Dana Dean provided an explanation of the incident and explained that staff would work on responsive plans in an effort to prevent future occurrences.

26. **Proposed Water Supply and Water Quality Act of 2018**

A written report was provided.

27. **California WaterFix Update**

A written report was provided.

28. **Legislative and Regulatory Update**

A written report was provided.

29. **General Manager's Report**

A written report was provided.

a. *2018 Benefits Renewal Analysis for Vision and Dental Insurance Plans*

A written report was provided.

b. *City of Sacramento Wholesale Water Rates and 9,023 af of Area D Water*

A written report was provided.

c. *District's Security Company Sonitrol Update*

A written report was provided.

- d. *McClellan Business Park Water Quality Letter*  
A written report was provided.
- e. *MTU Bulk Purchase Discount*  
A written report was provided.
- f. *Long Term Warren Act Contract Update*  
A written report was provided.
- g. *Medical Clinic for Pre-Employment and DOT Examinations*  
A written report was provided.

**30. Upcoming Policy Review**

- a. Records Inspection, Retention and Disposal Policy (PL - Adm 002)  
A written report was provided. Directors' comments are due by October 2, 2017.
- b. Employee Performance Evaluation, Merit and COLA Policy (PL - HR 003)  
A written report was provided. Directors' comments are due by October 2, 2017.

**31. Upcoming Water Industry Events**

A written report was provided.

**Committee Reports**

- 32. a. Facilities and Operations Committee (Director Schild)  
No report.
- b. Finance and Audit Committee (Director Thomas)  
No report.
- c. Water Quality Committee (Director Wichert)  
No report.
- 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)**

- 33. a. Regional Water Authority (Director Thomas)  
The agenda for the September 14, 2017 Meeting was provided. Director Schild provided an oral report of the meeting.

Regional Water Authority Executive Committee (General Manager Roscoe)  
No report.

- b. Sacramento Groundwater Authority (Director Schild)  
No report.

- c. Water Caucus Meeting  
No report.

- d. Water Forum Successor Effort (General Manager Roscoe)  
The agenda for the September 14, 2017 Meeting was provided.

- e. Other Reports

Director Schild provided oral reports regarding the meetings that he attended at San Juan Water District on September 13, 2017, and the ACWA Groundwater meeting that he attended on August 31, 2017.

Director Locke provided oral reports regarding the San Juan Water District meeting that he attended on September 13, 2017, the SAWWA Tour and Presentation that he attended on August 17, 2017, the Water Balance Webinar that he participated in on August 23, 2017 and his meeting with the General Manager on August 24, 2017.

Dave Jones provided an oral report regarding the meeting that he attended at San Juan Water District on September 13, 2017

**Miscellaneous Correspondence and General Information**

- 34. **Certain correspondence received by the District was provided.**
- 35. **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 8:36 p.m. to discuss the following:

36. 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 9:16 p.m. There was no reportable action.

**Adjournment**

President Wichert adjourned the meeting at 9:17 p.m.

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

DRAFT

# ITEM 2

## Minutes

### Sacramento Suburban Water District Special Board Meeting Tuesday, September 26, 2017

#### Call to Order

President Wichert called the meeting to order at 12:35 p.m.

#### Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

#### Roll Call

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

Directors Absent: Craig Locke.

Staff Present: General Manager Robert Roscoe, Assistant General Manager Dan York and Heather Hernandez-Fort.

Public Present: None.

Other Present: Shellie Anderson, District Consultant

#### Announcements

General Manager Robert Roscoe (GM Roscoe) reported that Director Locke was expected to attend the meeting but was held up at work. Mr. Roscoe additionally recommended scheduling a follow up Board meeting to discuss the candidate selection.

President Wichert recommended discussing a follow up meeting once all Directors were present.

#### Public Comment

None.

#### Items for Discussion and Action

1. **ACWA Committee Appointment Considerations for the 2018-19 Term**

GM Roscoe announced that Director Locke requested to be on the Water Management Committee, the Local Government Committee and the Groundwater Committee.

GM Roscoe clarified to the Board what the process was for the ACWA Committee appointments.

President Wichert appointed the following Directors to the following Committees:

Director Locke: Water Management Committee, the Local Government Committee and the Groundwater Committee.

President Wichert: Water Quality Committee.  
Director Schild: Federal Affairs Committee and the Groundwater Committee.

Director Thomas: Energy Committee, the Communications Committee, and the Groundwater Committee.

Director Jones; Groundwater Committee, the Water Management Committee and the Water Quality Committee.

GM Roscoe announced that staff would submit the following appointments as well:

Ryan Bezerra for the Legal Affairs Committee;  
Adam Robin for Legislative Committee, and;  
John Woodling for the Groundwater Committee

Director Schild moved to approve the appointments; Director Thomas seconded. The motion passed by unanimous vote.

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

Director Locke joined the meeting at 12:52 p.m.

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

The Board convened in closed session at 12:53 p.m. to discuss the following:

1. 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 4:43 p.m. There was no reportable action.

**Adjournment**

President Wichert adjourned the meeting at 4:44 p.m.

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



# ITEM 3

## Minutes

Sacramento Suburban Water District  
**Special Board Meeting – Closed Session**  
Wednesday, September 27, 2017

### Call to Order

President Wichert called the meeting to order at 12:55 p.m.

### Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

### Roll Call

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

Directors Absent: Kevin Thomas.

Staff Present: General Manager Robert Roscoe and Heather Hernandez-Fort.

Public Present: None.

Other Present: Shellie Anderson, District Consultant

### Announcements

None.

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

The Board convened in closed session at 12:56 p.m. to discuss the following:

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

Director Thomas joined the meeting at 2:00 p.m.

### Return to Open Session

The Board convened in open session at 4:51 p.m.

President Wichert appointed himself the contract labor negotiator for the new General Manager's contract.

### Adjournment

President Wichert adjourned the meeting at 4:52 p.m.

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

# ITEM 4

## Minutes

### Sacramento Suburban Water District Special Board Workshop Monday, October 9, 2017

#### Call to Order

President Wichert called the meeting to order at 6:00 p.m.

#### 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, Amy Bullock, Dan Bills, James Arenz and Dana Dean.

Public Present: William Eubanks, Avery Wiseman, Brenda Davis and Ken Payne.

#### Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

#### Announcements

General Manager, Robert Roscoe (GM Roscoe) stated that the budget had been presented to the Finance and Audit Committee and staff was not expecting any action to be taken at this workshop. Instead, staff was only requesting Board comments to the Budget.

Director Schild noted that his attendance at the Monday, October 16, 2017 regular Board meeting may be limited due to scheduling conflicts.

#### Public Comment

William Eubanks (Mr. Eubanks) commented on the General Manager's recruitment stating that the large number of candidates interviewed was a waste of Director and staff's time.

Director Thomas stated that staff received a lot of qualified applicants and that the General Manager's position was a very important position therefore the Board wanted to ensure a thorough process.

President Wichert stated that he appreciated Mr. Eubanks comments and that the Directors decided to interview a large number of applicants to be fair to everyone who applied.

#### Items for Discussion and Action

##### 1. Second Draft 2018 Budget and 2019 Forecast and Reserve Policy (PL – Fin 004)

Avery Wiseman (Mr. Wiseman) provided a 2 page handout and commented that he believed that the Directors were the only ones that looked out for the ratepayers. He proposed that significant reductions could be made from the O&M budget.

Dan Bills (Mr. Bills) presented the PowerPoint presentation and summarized the staff report.

President Wichert asked for clarification on the 2017 and 2018 budget and how that budget carried into 2018 and 2019.

Mr. Bills stated that staff was going to request Board approval in the 2018 Budget for projects started in 2017 and to be completed in 2018 and noted there would be new projects started in 2018 that may not be completed until 2019.

Director Schild inquired if the reserve balance was still in excess of \$40 million dollars after 2018.

Mr. Bills stated that the reserve balance would actually be roughly \$45 million at the end of 2017, because \$3.7 million from two deferred projects in 2017 would be carried over into 2018. At the end of 2018 reserves are projected to be \$41 million.

President Wichert inquired that if the rate stabilization fund figures seemed to be growing, why staff would not be using it to stabilize the rates.

Mr. Bills stated that the Board could authorize staff to utilize the rate stabilization fund to stabilize the rates; however, he noted, the Board would need to change its Reserve Policy which has been set to roughly equal \$40 million. He noted that rate stabilization fund was roughly \$6 million and if used to defer future rate increases would not support stabilizing rates for long.

GM Roscoe stated that when the majority of the District was on a flat rate, staff could project revenues rather easily; however, now that the majority of the District was on a metered rate, it was harder to predict revenues. The rate stabilization fund was in place for that use as well.

President Wichert stated that staff did an excellent job at setting it's fixed vs. variable rates and it showed in the revenues that the District had, given the drought and reduced water use over the past few years.

President Wichert inquired what years groundwater was used solely.

Mr. Bills stated that 2014 and 2015 was when groundwater was used as the only water source.

GM Roscoe stated that because he had not met with the Board in closed session, his official retirement date has not been set, therefore, the salary projections for 2018 are based on having two overlapping General Manager's contracts for all of 2018.

Mr. Eubanks provided a handout and reviewed CPI information listed on the handout. He inquired why the U.S. Cities and Social Security Indexes were listed if they had no

influence and were unrelated to the District's Cost of Living Allowance (COLA). He further commented that the Del Paso Manor District (DPM) was depleting their reserve balance by using roughly \$20,000 a month, noting that they were not making necessary infrastructure improvements. Mr. Eubanks asked why SSWD is being compared to DPM at all?

President Wichert inquired on the cost of living increase for the District, and asked staff to validate the numbers on item page 8A of Mr. Eubank's handout and make a recommendation to the Board on the COLA Index.

Mr. Eubanks noted that the websites that he gathered the information for his handout were listed on his handout. He further noted that since staff was only projecting a 2.3% COLA increase, the District is coming in for too low based on the actual cost of living in California.

Mr. Wiseman stated that he disagreed with Mr. Eubanks statements.

Mr. Eubanks inquired if the Field staff in the District was represented by a Union.

GM Roscoe and President Wichert stated that the District's Field staff were not currently represented by a Union.

Mr. Eubanks stated that the District may need to entertain the Union option if the District continues to give out low cost of living raises especially given that the salary ranges were mediocre.

Director Locke commented on the State's step merit program.

Director Thomas inquired if staff came to any resolution on the Districts morale fund in regards to gifts, etc.

Mr. Bills stated that there were a lot of legal issues with the morale fund and that no resolution has come to fruition yet.

Director Schild inquired if LTD was through JPIA.

Mr. Bills stated that he was unsure if LTD was through JPIA, and that he would follow up individually with Director Schild on his question.

Director Thomas suggested for staff to evaluate the RWA annual fees due to the large increase over the last few years.

President Wichert inquired where staff believed they could make further cuts.

GM Roscoe reminded the Board that the Budget was cut by over \$1.5 million based on the direction from the F&A Committee. He further stated that staff might reevaluate the

O&M budget if water transfers became an option in 2018. He additionally commented that another option could be to purchase less surface water and push capital service projects out.

Mr. Wiseman stated that the District was driven by an asset management plan which could be slowed down.

Mr. Eubanks stated that the Directors were unnecessarily picking at very minor items on the Budget from staff's recommendations.

**Adjournment**

President Wichert adjourned the meeting at 8:30 p.m.

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

# ITEM 5

## Minutes

Sacramento Suburban Water District  
**Special Board Meeting – Closed Session**  
Tuesday, October 10, 2017

### Call to Order

President Wichert called the meeting to order at 4:32 p.m.

### Pledge of Allegiance

President Wichert led the Pledge of Allegiance.

### Roll Call

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

Director Absent: None.

Staff Present: General Manager Robert Roscoe and Heather Hernandez-Fort.

Public Present: None.

Other Present: Shellie Anderson, District Consultant

### Announcements

None.

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

The Board convened in closed session at 4:33 p.m. to discuss the following:

1. Public employee appointment involving the position of General Manager; Government Code sections 54954.5(e) and 54957(b)(1).
2. Conference to provide District's labor negotiator, Robert Wichert, with direction concerning changes to General Manager's compensation and benefits; Government Code sections 54954.5(f) and 54957.6.

### Return to Open Session

The Board convened in open session at 5:59 p.m. There was no reportable action.

### Adjournment

President Wichert adjourned the meeting at 6:00 p.m.

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



## Agenda Item: 6

**Date:** October 3, 2017

**Subject:** Records Inspection, Retention and Disposal Policy (PL – Adm 002)

**Staff Contact:** Dan York, Assistant General Manager

**Recommended Board Action:**

Approve proposed amendments to Records Inspection, Retention, and Disposal Policy (PL – Adm 002), as shown on Exhibit 2.

**Discussion:**

The Records Inspection, Retention and Disposal Policy (PL – Adm 002) was originally adopted by the Board in October 2003 and most recently revised in November December 2015.

Upon review by staff and ACWA/JPIA legal counsel, the following summarizes the recommended changes to the policy:

- Job applications and resumes (Page 9): Change to “1 year”.
- Drug & alcohol test records (Page 10): Change title to “Drug & Alcohol Program Records” since the District maintains records that include test results as well as other program records and information.
- Harassment Training Records (Page 10): Add this new title at the end of the Personnel Section (under “I9-Employment Eligibility”) with a Minimum Retention Period of 2 years.

Comments were received from Director Schild on October 2, 2017. The following summarizes the recommended changes by Director Schild to the policy:

- Exemptions (Page 2): At the end of the sentence add “related to groundwater well drilling/development”.

A redline version of the recommended changes is attached as Exhibit 1.

**Fiscal Impact:**

Approval of the changes to the policy has is no significant fiscal impact to the District.

**Strategic Plan Alignment:**

Water Supply 1.A – Protect public health and the environment through compliance with all applicable federal, state and local regulations. Implementing this policy aligns the District with all federal and state regulations related to records retention for a public agency.

This benefits District customers by ensuring District record keeping is fully compliant with all legal requirements, responses to requests for public records are completed swiftly and at the lowest cost, and District records are kept in electronic format where appropriate to assist in record recovery and lower storage costs.



EXHIBIT I

Sacramento Suburban Water District

**Records Inspection, Retention and Disposal Policy**

Adopted: October 20, 2003

Revised: January 23, 2006; January 28, 2008; August 17, 2009; November 21, 2011; October 21, 2013; December 16, 2013; December 21, 2015; October 16, 2017

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Field Code Changed

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**100.00 Purpose of the Policy**

This document describes the Sacramento Suburban Water District's policy concerning records inspection, retention, destruction, and storage.

**200.00 Inspection**

**200.10 Purpose and Scope**

This section provides criteria for the inspection of records.

**200.20 General**

Public records of the District are open to inspection during normal office hours and any person has a right to inspect these records.

**200.30 Definitions**

As used in this section:

- a. "Public Records" includes any writing containing information relating to the conduct of public business prepared, owned, used, or retained by the District regardless of physical form or characteristics and which is not otherwise exempt from disclosure in accordance with applicable laws.
- b. "Writing" means handwriting, typewriting, printing, photostating, photographing, and every other means of recording upon any form of communication or representation, including letters, words, pictures, sounds or symbols, or combinations thereof, and all papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums, or other documents. Writing does not include compilations of writings created outside the normal course of business.

## 200.40 Exemptions

Nothing in this section requires disclosure of the following records:

- a. Preliminary drafts, notes, or intra- or inter-agency memoranda not retained by the District in the ordinary course of business, if the public interest in withholding such records clearly outweighs the public interest in disclosure;
- b. Records pertaining to pending litigation in which the District is a party or to claims made pursuant to Division 3.6 (Commencing with Section 810) of Title 1 of the Government Code, until such litigation or claim has been finally adjudicated or otherwise settled;
- c. Personnel, medical or similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy or that is otherwise limited by law;
- d. Geological and geophysical data, plant production data, and similar information relating to utility systems development obtained in confidence from any source, related to groundwater well drilling/development;
- e. Test questions, scoring keys, and other examination data used to administer examinations for employment;
- f. The contents of real estate appraisals, engineering or feasibility estimates and evaluations made for or by the District relative to the acquisition of property, or to prospective supply and construction contracts, until such time as the property has been acquired or the contract agreement has been obtained. The law of eminent domain will not be affected by this provision;
- g. Records exempted or prohibited from disclosure pursuant to provisions of Federal or State Law, including, but not limited to, provisions of the Evidence Code relating to privilege;
- h. Data, plans, drawings, schematics, manuals and other documents related to the security and protection of the District's water supplies;
- i. Private information pertaining to any customer, director or employee that is explicitly exempt under Government Code sections 6254(c) and 6254.16 or that may be exempt because of personal safety and privacy concerns under Government Code section 6255, including, but not limited to, personal identifying information and private data such as social security numbers, home address, telephone number, credit history, water usage, and confidential personnel and financial records.

- j. Computer software developed by the District for internal use and not otherwise made available to the public except by selling, leasing, or licensing such software for commercial or non-commercial use. The District's proprietary computer software may include computer mapping systems, computer programs, and computer graphics systems.
- k. Information security, if disclosure of that information would reveal vulnerabilities of, or otherwise increase the potential for an attack on the District's information technology system. This exemption in no way limits the District's obligation to disclose otherwise public records stored within its information technology system; and
- l. Other records the disclosure of which is not required by law.

**200.50 Additional Public Records**

Notwithstanding the foregoing:

- a. Every employment contract between the District and a public official or public employee is a public record.
- b. An itemized statement of the total expenditures and disbursements of the District provided for in Article VI of the California Constitution will be open for inspection; and
- c. Documents concerning an open session item of a noticed public meeting that are provided to all or a majority of the Board or a committee less than 72 hours before that meeting are public records.

**200.60 Justification for Withholding of Records**

The District will justify withholding a record by demonstrating the record is exempt under the express provisions of Government Code sections 6254 and 6254.16 and any other applicable statute (including the records listed above in section 200.40) or by demonstrating that the public interest served by not making the record available clearly outweighs the public interest served by disclosing the record. Written notice of intent to withhold records stating the reasons for withholding the records, the person making such determination, and an estimated time for when disclosable documents will be furnished will be provided to the person requesting the record within ten days, or later if good cause requires, of the request for inspection as required by Government Code sections 6253, subdivision (c) and 6255, subdivision (b).

**200.70 Confidentiality of Certain Records**

While the District supports and implements the legal principles underlying the "government sunshine laws", including the Public Records Act and Brown Act, it also recognizes the equally important constitutional principles underlying its

customers', directors' and employees' rights to privacy in their personal information. Such information includes those items described in Section 200.40(i) of this Policy. The District will not disclose private information of any customer, director or employee unless compelled by a legally-authorized subpoena, court order or order of another government agency with the power to obtain such records or authorized by the customer, director or employee in writing. In cases where there is no clear exemption from disclosure, the District will attempt to contact the customer, director or employee whose private information is being requested, inform the customer, director or employee of the request, and provide that person or entity with the opportunity to object to the request and if desired, to seek a court order to protect the private information being requested from disclosure.

#### **200.80 Copies of Records**

- a. A person may obtain copies of identifiable records, by written request on the District's request form. Upon request, District staff will assist the requestor to identify records and complete the request form. The District Secretary is the custodian of the District's records and will provide the requestor with copies of all requested records unless a record is in electronic form or in a specialized format, in which case the District will provide the most accurate copy possible within the limits of available technology and the requestor's instructions and willingness to pay the appropriate costs to retrieve and reproduce copies of such non-standard records, if applicable. Officers, agents and employees of the District are not required to request records in compliance with this section when acting within the course and scope of employment or office holding. If the District is unable to provide requested copies within ten days of the request, it will advise the requestor in writing of the date when the record will be provided.
- b. The charge for plain paper standard black and white letter or legal size photocopies will be in accordance with the Regulation 3 of the District's Regulations Governing Water Service, which reflects the District's direct copying costs. Large format documents, maps, color copies and similar specialized documents will be charged at cost, which the District will determine and advise the requestor of and receive approval from the requestor before copying begins. Payment for all services is required at the time copies are provided, although the District may require a deposit as provided below in subdivision (c) before beginning copying and/or sending the job to an outside copy service, in which case the copy service's actual charges will be passed through to the requestor. No charge will be imposed for research.
- c. The District Secretary may require a person who desires to obtain a copy of a record to deposit an amount equal to the estimated fees for copying prior to receiving the record. The portion of the deposit not required will be refunded. If the deposit is insufficient, the District may require the requestor to pay any balance of copying charges due before any records are released.

#### **200.90 Public Counter Records**

- a. Except for writings exempt from public disclosure, the District Secretary will maintain a duplicate copy of the last approved Board meeting minutes and the agenda and written materials distributed to the Board for discussion or consideration at the next scheduled Board meeting. These records will be maintained at the public counter located in the District's administrative office. Public records discussed during a public meeting but not previously available will be made available before the commencement of discussion at such meeting or as soon thereafter as practicable.
- b. Public counter records also include those public meeting documents described in subdivision (c) of section 200.50 of this Policy.
- c. No charge will be imposed for the use or review of the records described in this section. The District will, however, impose a copy charge if a copy of a public counter record is requested.
- d. The District also posts on its website copies of all public counter records, archived Board meeting minutes and agendas, current Board policies, and other important District documents. Requestors are encouraged to view and obtain copies of available documents on the District's website by visiting: [www.sswd.org](http://www.sswd.org).

**200.95 Recording-Keeping**

The District Secretary will maintain a record of requests for inspection that are denied and the reasons for the denial.

**300.00 Retention, Disposal and Storage**

**300.10 Purpose and Scope**

This section provides criteria for the retention, destruction, and storage of records.

**300.20 Records Retention Schedule**

This is the District's Records Retention Schedule, which has been adopted by the Board of Directors by Resolution 06-01 in accordance with Government Code sections 12236 and 60201, subdivision (b)(2), and reviewed at least biennially. As provided by California law, the District will retain, store and dispose of its records in accordance with this schedule and the requirements and procedures set forth in this policy. In accordance with Government Code sections 60201 and 60203, the District may keep a copy of any record listed in the schedule below either in its original form or as an electronic record stored in the District's Records Management System, which is a trusted system within the meaning of Government Code section 60203(a).

**R = Legally required retention period.**

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Administration:</u></b>		
Correspondence	3 years	
Policy and Procedures	7 years after cancellation	
Formation/accreditation	Permanent	
Consumer confidence reports	10 years	R
Oaths of office/ballots/other official materials related to election or appointment of directors and officers	Term of Office + 7 years	R
Filings with Secretary of State	Permanent	R
Work Orders/ Time Sheets	3 years	
Form 700 Statements of Economic Interests	7 years after filing	R
Form 801 Gift to Agency	7 years after filing	R
Form 470 annual Financial Disclosure Statements	7 years after filing	R
<b><u>Board of Directors:</u></b>		
Agendas	3 years	
Meeting Notices	3 years	
Staff Reports	3 years	
Board and standing committee meeting minutes	Permanent	R
Ordinances and Resolutions	Permanent	R
Conflict of Interest Code	Current + 3 years	R
Board policies and procedures	Current + 3 years	R
Ethics Code	Current + 3 years	R
Proofs of Completion of Directors' and Designated Employees' Ethics Training	5 years	R
<b><u>Committees:</u></b>		
Agendas	3 years	
Meeting notices	3 years	
Minutes	Permanent	R
Staff Reports	3 years	

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Contracts:</u></b>		
Agreements and contracts	7 years following end of contract	R
Requests for proposal and request for qualifications	Contract Termination + 5 years	
Responses to requests for proposal and requests for qualifications	Contract Termination + 5 years 2 years for all unaccepted proposals	R
<b><u>Capital Improvements:</u></b>		
Capital improvement contracts	7 years following end of contract	R
Accepted bid documents	5 years	
As-built plans/ documents	7 years following end of contract	
Unaccepted construction bids and proposals	2 years	R
<b><u>Elections Materials:</u></b>		
General	3 years	
Special	3 years	
<b><u>Financial:</u></b>		
		Grant reimbursed expense must be kept until state DOF audit complete
<b><u>Accounts payable</u></b>		
	All categories below - Audit +	
	2 years	
Correspondence	3 years	
A/P ledger/distribution journal	3 years	
Cash disbursements	3 years	
Payroll/stipend payments	3 years	R
Petty cash reports	3 years	R
Expense reports	3 years	R
Invoices	3 years	R
Purchase orders	3 years	R
Warrants	3 years	R
<b><u>Accounts Receivable</u></b>		
A/R register	3 years	
Aged trial balance	3 years	
Invoices	3 years	

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Audit Reporting</u></b>		
Correspondence	3 years	
Reports	3 years	
State Controller's report	Permanent	R
Work papers	3 years	
<b><u>Banking</u></b>		
Correspondence	3 years	
Bank confirmations	3 years	
Bank reconciliations	3 years	
Bank statements	3 years	
Canceled and voided checks	3 years	
Deposit slips	3 years	
Signature authorization	3 years	
<b><u>Financial Reporting</u></b>		
Correspondence	7 years	
Reports and studies	7 years	
Charts of accounts	7 years	
Treasurer's reports	7 years	
Accountant reports	7 years	
<b><u>Ledgers</u></b>		
	All categories below - Audit + 2 years	
Account analysis		
Balance sheets		
General ledger		
Journal entries		
<b><u>Annual Budgets</u></b>		
	2 years	
<b><u>Issuance of Indebtedness</u></b>		
	All categories below – 4 years after repayment	R
<b><u>Bond Insurance</u></b>		
Trust indentures		R
Funds management agreement		R
Other permanent bond records		R
Canceled checks for bond interest payments/redemption	10 years	
<b><u>Securities</u></b>		
Acquisition of securities	3 years	
Broker/ bank receipts	3 years	
Periodic statements	3 years	
<b><u>Personal Property</u></b>		
Inventory	4 years	
Maintenance and inspection logs	4 years	



<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
Computer licenses and documentation	Until Expiration/obsolescence	
<b><u>Insurance:</u></b>		
Memoranda of coverage	Expiration + 5 years	
Insurance policies	Expiration + 5 years	
Endorsements	Expiration + 5 years	
Certificates of insurance	Expiration + 5 years	
Coverage opinions	Expiration + 5 years	
Surety/Fidelity Bonds	Expiration + 5 years	
Required to be maintained by insurer	10 years	
<b><u>Legal:</u></b>		
General correspondence	3 years	
Attorney correspondence	3 years	
Claims and claims records	2 years after close of claim	R
Minor's claims	2 years from age of 18	R
Litigation	2 years after litigation concludes	R
Opinions	7 years	R
<b><u>Membership:</u></b>		
Membership records	7 years	
Program participation agreements	10 years	
Appointment resolutions/letters	7 years	
<b><u>Personnel:</u></b>		
Personnel files	Permanent	R
Amount of compensation paid to Officers and Employees	7 years after date of payment	R
Reimbursements, advances and credit card payment records for Officer and Employee travel and other District-related expenses	7 years after date of payment	R
Job descriptions	Current + 2 years	R
Time sheets	Current + 4 years	
Call reports and logs	Current + 4 years	
Employment Agreements	Expiration/Termination + 4 years	
Job applications and resumes	12 years	R
Position advertisements	2 years	R
Employment testing results	2 years	R

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
OSHA logs and records	5 years	
Safety and training records	Employment + 4 years	
Drug & alcohol test program records	5 years	
DE 34-New Employee Report	4 years	
I9-Employment Eligibility	3 years after hire or 1 year after termination, whichever is later	
Harassment Training Records	2 years	

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**Real Property:**

Deeds and other documents related to real property interests	Permanent	R
Eminent domain	Permanent	R
Annexation and detachment	Permanent	R

**Tax-Related:**

Auditor's assessed valuation certificates	5 years	R
District tax collection information	5 years	R

**Miscellaneous:**

Other records Board determines to be of significant and lasting historical, administrative, financial, legal or research value	Permanent	R
Records not prepared or received nor required to be maintained pursuant to state or federal law	2 years	
Other records prepared or received pursuant to state or federal law, but not expressly required to be maintained	3 years	
Board meeting tape recordings	After approval of minutes by Board or 30 days, whichever is later, if District chooses to record	R

**300.30 Retention of Other Records**

- a. The District must retain the following records, regardless of any different destruction policy or schedule as to any identified record or records specified in the records retention schedule set forth in section 2.2 above:

- i. Any record of the District that is the subject of a pending request made under the California Public Records Act, Government Code sections 6250 through 6276.48, until the District has either (A) complied with the request or (B) waited at least two years after the record was withheld and written notice denying the request was provided to the requestor; **(R)**
  - ii. Documents related to pending public works not accepted by the District or to which a stop notice claim may be legally presented; **(R)**
  - iii. Documents related to any non-discharged District debt; and **(R)**
  - iv. Any document that has not yet fulfilled the administrative, fiscal, or legal purpose for which it was created or received by the District. **(R)**
- b. The District may dispose of the following records at any time, without maintenance of a copy:
- i. Duplicates, the original or a permanent photographic record of which is on file;
  - ii. Rough drafts, notes and working papers prepared or kept by any employee or accumulated in the preparation of a communication, study or other document, unless of a formal nature contributing significantly to the preparation of the document, including but not limited to meter books after the contents thereof have been transferred to other records;
  - iii. Cards, listings, non-permanent indices, other papers used for controlling work and transitory files including letters of transmittal, suspense letters, and tracer letters;
  - iv. Canceled coupon sheets from registered bonds; and
  - v. Shorthand notebooks, telephone messages and inter-departmental notes.

### **300.40 Records Storage**

All of the records referenced in this section will be maintained at the District's Administrative office located at 3701 Marconi Avenue, Suite 100, Sacramento, California 95821; District facilities at 5331 Walnut Avenue, Sacramento, California 95841; 7800 North Antelope Road, Antelope, California 95843; and/or such other repository that the District may designate from time to time. All records requests should be directed to the District's administrative office at 3701 Marconi Avenue, Suite 100, Sacramento, California 95821.

**300.50 Records Disposal**

The General Manager, or his or her designee, may destroy and discard, by any permanent method that protects the confidentiality of any privileged or confidential information contained therein, any District record after the expiration of the applicable retention period described in the above Records Retention Schedule.

**400.00 Policy Review**

This policy shall be reviewed at least biennially.

EXHIBIT 2

Sacramento Suburban Water District

**Records Inspection, Retention and Disposal Policy**

Adopted: October 20, 2003

Revised: January 23, 2006; January 28, 2008; August 17, 2009; November 21, 2011; October 21, 2013; December 16, 2013; December 21, 2015; October 16, 2017

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**100.00 Purpose of the Policy**

This document describes the Sacramento Suburban Water District's policy concerning records inspection, retention, destruction, and storage.

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**200.10 Purpose and Scope**

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- c. Personnel, medical or similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy or that is otherwise limited by law;
- d. Geological and geophysical data, plant production data, and similar information relating to utility systems development obtained in confidence from any source, related to groundwater well drilling/development;
- e. Test questions, scoring keys, and other examination data used to administer examinations for employment;
- f. The contents of real estate appraisals, engineering or feasibility estimates and evaluations made for or by the District relative to the acquisition of property, or to prospective supply and construction contracts, until such time as the property has been acquired or the contract agreement has been obtained. The law of eminent domain will not be affected by this provision;
- g. Records exempted or prohibited from disclosure pursuant to provisions of Federal or State Law, including, but not limited to, provisions of the Evidence Code relating to privilege;
- h. Data, plans, drawings, schematics, manuals and other documents related to the security and protection of the District's water supplies;
- i. Private information pertaining to any customer, director or employee that is explicitly exempt under Government Code sections 6254(c) and 6254.16 or that may be exempt because of personal safety and privacy concerns under Government Code section 6255, including, but not limited to, personal identifying information and private data such as social security numbers, home address, telephone number, credit history, water usage, and confidential personnel and financial records.
- j. Computer software developed by the District for internal use and not otherwise made available to the public except by selling, leasing, or licensing

such software for commercial or non-commercial use. The District's proprietary computer software may include computer mapping systems, computer programs, and computer graphics systems.

- k. Information security, if disclosure of that information would reveal vulnerabilities of, or otherwise increase the potential for an attack on the District's information technology system. This exemption in no way limits the District's obligation to disclose otherwise public records stored within its information technology system; and
- l. Other records the disclosure of which is not required by law.

#### **200.50 Additional Public Records**

Notwithstanding the foregoing:

- a. Every employment contract between the District and a public official or public employee is a public record.
- b. An itemized statement of the total expenditures and disbursements of the District provided for in Article VI of the California Constitution will be open for inspection; and
- c. Documents concerning an open session item of a noticed public meeting that are provided to all or a majority of the Board or a committee less than 72 hours before that meeting are public records.

#### **200.60 Justification for Withholding of Records**

The District will justify withholding a record by demonstrating the record is exempt under the express provisions of Government Code sections 6254 and 6254.16 and any other applicable statute (including the records listed above in section 200.40) or by demonstrating that the public interest served by not making the record available clearly outweighs the public interest served by disclosing the record. Written notice of intent to withhold records stating the reasons for withholding the records, the person making such determination, and an estimated time for when disclosable documents will be furnished will be provided to the person requesting the record within ten days, or later if good cause requires, of the request for inspection as required by Government Code sections 6253, subdivision (c) and 6255, subdivision (b).

#### **200.70 Confidentiality of Certain Records**

While the District supports and implements the legal principles underlying the "government sunshine laws", including the Public Records Act and Brown Act, it also recognizes the equally important constitutional principles underlying its customers', directors' and employees' rights to privacy in their personal information. Such information includes those items described in Section 200.40(i) of this Policy.

The District will not disclose private information of any customer, director or employee unless compelled by a legally-authorized subpoena, court order or order of another government agency with the power to obtain such records or authorized by the customer, director or employee in writing. In cases where there is no clear exemption from disclosure, the District will attempt to contact the customer, director or employee whose private information is being requested, inform the customer, director or employee of the request, and provide that person or entity with the opportunity to object to the request and if desired, to seek a court order to protect the private information being requested from disclosure.

## **200.80 Copies of Records**

- a. A person may obtain copies of identifiable records, by written request on the District's request form. Upon request, District staff will assist the requestor to identify records and complete the request form. The District Secretary is the custodian of the District's records and will provide the requestor with copies of all requested records unless a record is in electronic form or in a specialized format, in which case the District will provide the most accurate copy possible within the limits of available technology and the requestor's instructions and willingness to pay the appropriate costs to retrieve and reproduce copies of such non-standard records, if applicable. Officers, agents and employees of the District are not required to request records in compliance with this section when acting within the course and scope of employment or office holding. If the District is unable to provide requested copies within ten days of the request, it will advise the requestor in writing of the date when the record will be provided.
- b. The charge for plain paper standard black and white letter or legal size photocopies will be in accordance with the Regulation 3 of the District's Regulations Governing Water Service, which reflects the District's direct copying costs. Large format documents, maps, color copies and similar specialized documents will be charged at cost, which the District will determine and advise the requestor of and receive approval from the requestor before copying begins. Payment for all services is required at the time copies are provided, although the District may require a deposit as provided below in subdivision (c) before beginning copying and/or sending the job to an outside copy service, in which case the copy service's actual charges will be passed through to the requestor. No charge will be imposed for research.
- c. The District Secretary may require a person who desires to obtain a copy of a record to deposit an amount equal to the estimated fees for copying prior to receiving the record. The portion of the deposit not required will be refunded. If the deposit is insufficient, the District may require the requestor to pay any balance of copying charges due before any records are released.



## **200.90 Public Counter Records**

- a. Except for writings exempt from public disclosure, the District Secretary will maintain a duplicate copy of the last approved Board meeting minutes and the agenda and written materials distributed to the Board for discussion or consideration at the next scheduled Board meeting. These records will be maintained at the public counter located in the District's administrative office. Public records discussed during a public meeting but not previously available will be made available before the commencement of discussion at such meeting or as soon thereafter as practicable.
- b. Public counter records also include those public meeting documents described in subdivision (c) of section 200.50 of this Policy.
- c. No charge will be imposed for the use or review of the records described in this section. The District will, however, impose a copy charge if a copy of a public counter record is requested.
- d. The District also posts on its website copies of all public counter records, archived Board meeting minutes and agendas, current Board policies, and other important District documents. Requestors are encouraged to view and obtain copies of available documents on the District's website by visiting: [www.sswd.org](http://www.sswd.org).

## **200.95 Recording-Keeping**

The District Secretary will maintain a record of requests for inspection that are denied and the reasons for the denial.

## **300.00 Retention, Disposal and Storage**

### **300.10 Purpose and Scope**

This section provides criteria for the retention, destruction, and storage of records.

### **300.20 Records Retention Schedule**

This is the District's Records Retention Schedule, which has been adopted by the Board of Directors by Resolution 06-01 in accordance with Government Code sections 12236 and 60201, subdivision (b)(2), and reviewed at least biennially. As provided by California law, the District will retain, store and dispose of its records in accordance with this schedule and the requirements and procedures set forth in this policy. In accordance with Government Code sections 60201 and 60203, the District may keep a copy of any record listed in the schedule below either in its original form or as an electronic record stored in the District's Records Management System, which is a trusted system within the meaning of Government Code section 60203(a).

**R = Legally required retention period.**

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Administration:</u></b>		
Correspondence	3 years	
Policy and Procedures	7 years after cancellation	
Formation/accreditation	Permanent	
Consumer confidence reports	10 years	R
Oaths of office/ballots/other official materials related to election or appointment of directors and officers	Term of Office + 7 years	R
Filings with Secretary of State	Permanent	R
Work Orders/ Time Sheets	3 years	
Form 700 Statements of Economic Interests	7 years after filing	R
Form 801 Gift to Agency	7 years after filing	R
Form 470 annual Financial Disclosure Statements	7 years after filing	R
<b><u>Board of Directors:</u></b>		
Agendas	3 years	
Meeting Notices	3 years	
Staff Reports	3 years	
Board and standing committee meeting minutes	Permanent	R
Ordinances and Resolutions	Permanent	R
Conflict of Interest Code	Current + 3 years	R
Board policies and procedures	Current + 3 years	R
Ethics Code	Current + 3 years	R
Proofs of Completion of Directors' and Designated Employees' Ethics Training	5 years	R
<b><u>Committees:</u></b>		
Agendas	3 years	
Meeting notices	3 years	
Minutes	Permanent	R
Staff Reports	3 years	

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Contracts:</u></b>		
Agreements and contracts	7 years following end of contract	R
Requests for proposal and request for qualifications	Contract Termination + 5 years	
Responses to requests for proposal and requests for qualifications	Contract Termination + 5 years 2 years for all unaccepted proposals	R
<b><u>Capital Improvements:</u></b>		
Capital improvement contracts	7 years following end of contract	R
Accepted bid documents	5 years	
As-built plans/ documents	7 years following end of contract	
Unaccepted construction bids and proposals	2 years	R
<b><u>Elections Materials:</u></b>		
General	3 years	
Special	3 years	
<b><u>Financial:</u></b>		
		Grant reimbursed expense must be kept until state DOF audit complete
<b><u>Accounts payable</u></b>		
	All categories below - Audit +	
	2 years	
Correspondence	3 years	
A/P ledger/distribution journal	3 years	
Cash disbursements	3 years	
Payroll/stipend payments	3 years	R
Petty cash reports	3 years	R
Expense reports	3 years	R
Invoices	3 years	R
Purchase orders	3 years	R
Warrants	3 years	R
<b><u>Accounts Receivable</u></b>		
A/R register	3 years	
Aged trial balance	3 years	
Invoices	3 years	

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
<b><u>Audit Reporting</u></b>		
Correspondence	3 years	
Reports	3 years	
State Controller's report	Permanent	R
Work papers	3 years	
<b><u>Banking</u></b>		
Correspondence	3 years	
Bank confirmations	3 years	
Bank reconciliations	3 years	
Bank statements	3 years	
Canceled and voided checks	3 years	
Deposit slips	3 years	
Signature authorization	3 years	
<b><u>Financial Reporting</u></b>		
Correspondence	7 years	
Reports and studies	7 years	
Charts of accounts	7 years	
Treasurer's reports	7 years	
Accountant reports	7 years	
<b><u>Ledgers</u></b>		
	All categories below - Audit + 2 years	
Account analysis		
Balance sheets		
General ledger		
Journal entries		
<b><u>Annual Budgets</u></b>		
	2 years	
<b><u>Issuance of Indebtedness</u></b>		
	All categories below – 4 years after repayment	R
<b><u>Bond Insurance</u></b>		
Trust indentures		R
Funds management agreement		R
Other permanent bond records		R
Canceled checks for bond interest payments/redemption	10 years	
<b><u>Securities</u></b>		
Acquisition of securities	3 years	
Broker/ bank receipts	3 years	
Periodic statements	3 years	
<b><u>Personal Property</u></b>		
Inventory	4 years	
Maintenance and inspection logs	4 years	

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
Computer licenses and documentation	Until Expiration/obsolescence	
<b><u>Insurance:</u></b>		
Memoranda of coverage	Expiration + 5 years	
Insurance policies	Expiration + 5 years	
Endorsements	Expiration + 5 years	
Certificates of insurance	Expiration + 5 years	
Coverage opinions	Expiration + 5 years	
Surety/Fidelity Bonds	Expiration + 5 years	
Required to be maintained by insurer	10 years	
<b><u>Legal:</u></b>		
General correspondence	3 years	
Attorney correspondence	3 years	
Claims and claims records	2 years after close of claim	R
Minor's claims	2 years from age of 18	R
Litigation	2 years after litigation concludes	R
Opinions	7 years	R
<b><u>Membership:</u></b>		
Membership records	7 years	
Program participation agreements	10 years	
Appointment resolutions/letters	7 years	
<b><u>Personnel:</u></b>		
Personnel files	Permanent	R
Amount of compensation paid to Officers and Employees	7 years after date of payment	R
Reimbursements, advances and credit card payment records for Officer and Employee travel and other District-related expenses	7 years after date of payment	R
Job descriptions	Current + 2 years	R
Time sheets	Current + 4 years	
Call reports and logs	Current + 4 years	
Employment Agreements	Expiration/Termination + 4 years	
Job applications and resumes	1 year	R
Position advertisements	2 years	R
Employment testing results	2 years	R

<u>Title</u>	<u>Minimum Retention Period</u>	<u>Notes/Comments</u>
OSHA logs and records	5 years	
Safety and training records	Employment + 4 years	
Drug & alcohol program records	5 years	
DE 34-New Employee Report	4 years	
I9-Employment Eligibility	3 years after hire or 1 year after termination, whichever is later	
Harassment Training Records	2 years	
<b><u>Real Property:</u></b>		
Deeds and other documents related to real property interests	Permanent	R
Eminent domain	Permanent	R
Annexation and detachment	Permanent	R
<b><u>Tax-Related:</u></b>		
Auditor's assessed valuation certificates	5 years	R
District tax collection information	5 years	R
<b><u>Miscellaneous:</u></b>		
Other records Board determines to be of significant and lasting historical, administrative, financial, legal or research value	Permanent	R
Records not prepared or received nor required to be maintained pursuant to state or federal law	2 years	
Other records prepared or received pursuant to state or federal law, but not expressly required to be maintained	3 years	
Board meeting tape recordings	After approval of minutes by Board or 30 days, whichever is later, if District chooses to record	R

### **300.30 Retention of Other Records**

- a. The District must retain the following records, regardless of any different destruction policy or schedule as to any identified record or records specified in the records retention schedule set forth in section 2.2 above:
  - i. Any record of the District that is the subject of a pending request made under the California Public Records Act, Government Code sections 6250 through 6276.48, until the District has either (A) complied with the request or (B) waited at least two years after the record was withheld and written notice denying the request was provided to the requestor; **(R)**
  - ii. Documents related to pending public works not accepted by the District or to which a stop notice claim may be legally presented; **(R)**
  - iii. Documents related to any non-discharged District debt; and **(R)**
  - iv. Any document that has not yet fulfilled the administrative, fiscal, or legal purpose for which it was created or received by the District. **(R)**
- b. The District may dispose of the following records at any time, without maintenance of a copy:
  - i. Duplicates, the original or a permanent photographic record of which is on file;
  - ii. Rough drafts, notes and working papers prepared or kept by any employee or accumulated in the preparation of a communication, study or other document, unless of a formal nature contributing significantly to the preparation of the document, including but not limited to meter books after the contents thereof have been transferred to other records;
  - iii. Cards, listings, non-permanent indices, other papers used for controlling work and transitory files including letters of transmittal, suspense letters, and tracer letters;
  - iv. Canceled coupon sheets from registered bonds; and
  - v. Shorthand notebooks, telephone messages and inter-departmental notes.

### **300.40 Records Storage**

All of the records referenced in this section will be maintained at the District's Administrative office located at 3701 Marconi Avenue, Suite 100, Sacramento, California 95821; District facilities at 5331 Walnut Avenue, Sacramento, California

95841; 7800 North Antelope Road, Antelope, California 95843; and/or such other repository that the District may designate from time to time. All records requests should be directed to the District's administrative office at 3701 Marconi Avenue, Suite 100, Sacramento, California 95821.

### **300.50 Records Disposal**

The General Manager, or his or her designee, may destroy and discard, by any permanent method that protects the confidentiality of any privileged or confidential information contained therein, any District record after the expiration of the applicable retention period described in the above Records Retention Schedule.

### **400.00 Policy Review**

This policy shall be reviewed at least biennially.





## Agenda Item: 7

**Date:** October 3, 2017

**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 is the Employee Performance Evaluation, Merit and COLA Policy (PL – HR 003) for the Board’s final review. The policy was originally adopted by the Board in October 2003 and last revised in November 2015.

Staff is recommending the Board approve one change to confirm current and past practice that merit increases are determined by “using a merit-based system.” Otherwise, staff has no recommended changes.

The policy was submitted to the Board last month as an information item. Comments from Directors were requested by October 2, 2017; none were received. The policy was not submitted to legal counsel for review.

Staff has also reviewed the Employee Performance Evaluation, Merit and COLA Procedure (PR – HR 001) and will submit recommended changes for General Manager review and approval after the updated policy is approved by the Board.

### **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.

District customers benefit from having and maintaining a policy that uses a merit-based system for annual pay/salary increases based on satisfactory performance reviews.

## 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 16, 2015;  
October XX, 2017**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 using a merit-based system ~~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.



## Agenda Item: 8

**Date:** October 6, 2017

**Subject:** 2017 Audit Engagement Letter and Contract

**Staff Contact:** Daniel A. Bills, Finance Director

### Recommended Board Action:

As recommended by the Finance and Audit Committee (Committee), approve the 2017 Audit Engagement Letter and Contract with Richardson & Company, LLP at an anticipated cost of \$39,290 and authorize the Finance and Audit Committee Chair (Director Thomas) to execute the Engagement Letter and Contract.

### Discussion:

The District has received the “Engagement Letter” for the December 31, 2017 audit from Richardson & Company, LLP (see Exhibit 1.) The Engagement Letter is the scope of work for the audit and serves as the Exhibit to the contract agreement between the District and the auditors and is renewable annually. The District’s contract for the engagement is attached as Exhibit 2.

Staff has reviewed the Engagement Letter and confirmed it meets all the services requested by the Board in previous years, including the expanded expenditure testing that has requested for the past twelve years over and above that required for a standard public agency audit (see the second paragraph on page 2 of Exhibit 1, the Engagement Letter) and the Federal Grant Single Audit. As noted on page 9 of the Engagement Letter, the cost of the expanded testing will be \$3,870 (please note this amount is \$2,500 less than the Engagement Letter as the Committee directed Finance staff to perform some of this testing), while the cost for the Single Audit, if one is deemed necessary, will be \$4,250.

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, the Finance and Audit Committee will review audit results as the audit progresses. At the conclusion of the audit, the auditors will provide a report to the Finance and Audit Committee and the Board of Directors.

### Fiscal Impact:

\$38,790 for the audit, comprised of \$33,900 for the financial statement audit, \$1,020 for reviewing GASB No. 68 retirement disclosures and \$3,870 for the District requested additional procedures. An additional \$4,250 may be needed if the Federal Grant Single Audit is necessary.

### 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.



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July 12, 2017

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, 2017. 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
2. Schedule of Proportionate Share of the Net Pension Obligation
3. Schedule of Contributions to the Pension 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 Uniform Guidance 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 Uniform Guidance. 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 Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, 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 Uniform Guidance.

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 Uniform Guidance, 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 Uniform Guidance. 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 Uniform Guidance; (2) Management believes the schedule of expenditures of federal grants, including its form and content, is fairly presented in accordance with Uniform Guidance; (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 Uniform Guidance, 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 Uniform Guidance.

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 Uniform Guidance.

#### **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*.

Uniform Guidance 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 *Uniform Guidance 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 Uniform Guidance.

#### **Audit Administration and Other**

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, 2017 is as follows:

Financial Audit	\$ 33,900
Additional fee for auditing net pension liability and related disclosures	1,020
Single Audit, one major program	4,250
Additional Procedures	<u>6,370</u>
Total	<u>\$ 45,540</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.

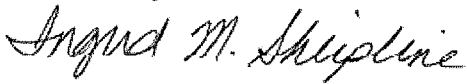
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Sacramento Suburban Water District  
July 12, 2017  
Page 10 of 11

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

July 15, 2015

To the Partners of  
**Richardson & Company, LLP**  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of **Richardson & Company, LLP** (the firm) in effect for the year ended March 31, 2015. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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](http://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, LLP** in effect for the year ended March 31, 2015, 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, LLP** has received a peer review rating of *pass*.

*Davis Kinard & Co, PC*

Certified Public Accountants

## EXHIBIT 2

### SACRAMENTO SUBURBAN WATER DISTRICT SERVICES AGREEMENT

THIS AGREEMENT is entered into as of the date last signed and dated below by and between Sacramento Suburban Water District, a local government agency ("District"), and Richardson & Company, LLP, a public accounting firm ("Contractor"), who agree as follows:

**1. Scope of Work.** Contractor shall perform the work and render the services described in the attached Exhibit A (the "Work"). Contractor shall provide all labor, services, equipment, tools, material and supplies required or necessary to properly, competently and completely perform the Work. Contractor shall determine the method, details and means of doing the Work.

**2. Payment.**

a. District shall pay to Contractor a fee based on:

The fee arrangement described on the attached Exhibit A.

The total fee for the Work shall not exceed \$38,790.00. There shall be no compensation for extra or additional work or services by Contractor unless approved in advance in writing by District. Contractor's fee includes all of Contractor's costs and expenses related to the Work.

b. At the end of each month, Contractor 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), payment due, 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.**

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. If Exhibit A includes a Work schedule or deadline, then Contractor must complete the Work in accordance with the specified schedule or deadline, which may be extended by District for good cause shown by Contractor. If Exhibit A does not include a Work schedule or deadline, then Contractor must 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 Contractor. In the event of such termination, Contractor 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



## EXHIBIT 2

lost profit associated with the expected completion of the Work or other such similar payments relating to Contractor's claimed benefit of the bargain.

**4. Professional Ability of Contractor.** Contractor 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 Contractor's training, experience, skill, ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Contractor shall be in accordance with applicable legal requirements and meet the standard of care and quality ordinarily to be expected of competent professionals in Contractor's field.

**5. Conflict of Interest.** Contractor (including principals, associates and professional employees) represents and acknowledges that (a) it does not now have and shall not acquire any direct or indirect investment, interest in real property or source of income that would be affected in any manner or degree by the performance of Contractor's services under this agreement, and (b) no person having any such interest shall perform any portion of the Work. The parties agree that Contractor is not a designated employee within the meaning of the Political Reform Act and District's conflict of interest code because Contractor will perform the Work independent of the control and direction of the District or of any District official, other than normal contract monitoring, and Contractor possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel.

### **6. Contractor Records.**

a. Contractor 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 invoice preparation and support for a minimum period of three years (or for any longer period required by law) from the date of final payment to Contractor 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 California State Auditor for three years following final payment under the Agreement.

**7. Ownership of Documents.** All works of authorship and every report, study, spreadsheet, worksheet, plan, design, blueprint, specification, drawing, map, photograph, computer model, computer disk, magnetic tape, CAD data file, computer software and any other document or thing prepared, developed or created by Contractor under this Agreement and provided to District ("Work Product") shall be the property of District, and District shall have the rights to use, modify, 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 Contractor or any other party. Contractor 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 Contractor shall not provide any Work Product to any third party without District's prior written approval,

## EXHIBIT 2

unless compelled to do so by legal process. If any Work Product is copyrightable, Contractor may copyright the same, except that, as to any Work Product that is copyrighted by Contractor, District reserves a royalty-free, nonexclusive 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 that intended by the scope of work under this Agreement, then District shall hold Contractor harmless against all claims, damages, losses and expenses arising from such reuse or modification. For any Work Product provided to District in paper format, upon request by District at any time (including, but not limited to, at expiration or termination of this Agreement), Contractor agrees to provide the Work Product to District in a readable, transferable and usable electronic format generally acknowledged as being an industry-standard format for information exchange between computers (e.g., Word file, Excel spreadsheet file, AutoCAD file).

### **8. Confidentiality of Information.**

a. Contractor shall keep in strict confidence all confidential, privileged, trade secret, and proprietary information, data and other materials in any format generated, used or obtained by the District or created by Contractor in connection with the performance of the Work under this Agreement (the "Confidential Material"). Contractor shall not use any Confidential Material for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by District. Contractor also shall not disclose any Confidential Material 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. If there is a question if Confidential Material is protected from disclosure or is a public record or in the public domain, the party considering disclosure of such materials shall consult with the other party concerning the proposed disclosure.

b. Contractor, and its officers, employees, agents, and subcontractors, shall at all times take all steps that are necessary to protect and preserve all Confidential Material. At no time shall Contractor, or its officers, employees, agents, or subcontractors in any manner, either directly or indirectly, use for personal benefit or divulge, disclose, or communicate in any manner, any Confidential Material to any person or entity unless specifically authorized in writing by the Agency or by order of a court or regulatory entity with jurisdiction over the matter. Contractor, and its officers, employees, agents, and subcontractors shall protect the Confidential Material and treat it as strictly confidential in accordance with applicable law, District policies and directives, and best industry security practices and standards.

c. If any person or entity, other than District or Contractor, requests or demands, by subpoena, discovery request, California Public Records Act request or otherwise, Confidential Material or its contents, the party to whom the request is made will immediately notify the other party, so that the parties may collectively consider appropriate steps to protect the disclosure of those materials. The parties agree to take all steps reasonably necessary to preserve the confidential and privileged nature of the Confidential Material and its content. In the event that the parties cannot agree whether to oppose or comply with a disclosure demand, the opposing party may oppose the demand at its sole cost and expense, in which event the party favoring disclosure will refrain from disclosing

## EXHIBIT 2

the demanded Confidential Material until such time as a final agreement regarding disclosure is reached or, if an agreement is not reached, a judicial determination is made concerning the demand.

d. Unless otherwise directed in writing by the District, upon contract completion or termination, Contractor must destroy all Confidential Materials (written, printed and/or electronic) and shall provide a written statement to the District that such materials have been destroyed.

### **9. Compliance with Laws.**

a. General. Contractor shall perform the Work in compliance with all applicable federal, state and local laws and regulations. Contractor shall possess, maintain and comply with all federal, state and local permits, licenses and certificates that may be required for it to perform the Work. Contractor shall comply with all federal, state and local air pollution control laws and regulations applicable to the Contractor and its Work (as required by California Code of Regulations title 13, section 2022.1). Contractor shall be responsible for the safety of its workers and Contractor shall comply with applicable federal and state worker safety-related laws and regulations.

#### b. Pre- and Post-Construction Related Work.

(1) Applicability. This subsection (b) applies if the Work includes labor performed during the design and pre-construction phases of construction, including, but not limited to, inspection and land surveying work, and labor performed during the post-construction phases of construction, including, but not limited to, cleanup work at the jobsite. (See California Labor Code section 1720(a).) If the Work includes some labor as described in the preceding sentence and other labor that is not, then this subsection (b) applies only to workers performing the pre-construction and post-construction work.

(2) Contractor shall comply with the California Labor Code provisions concerning payment of prevailing wage rates, penalties, employment of apprentices, hours of work and overtime, keeping and retention of payroll records, and other requirements applicable to public works as may be required by the Labor Code and applicable state regulations. (See California Labor Code division 2, part 7, chapter 1 (sections 1720-1861), which is incorporated in this Agreement by this reference.) The state-approved prevailing rates of per diem wages are available at <http://www.dir.ca.gov/oprl/DPreWageDetermination.htm>. Contractor also shall comply with Labor Code sections 1775 and 1813, including provisions that require Contractor to (a) forfeit as a penalty to District up to \$200 for each calendar day or portion thereof for each worker (whether employed by Contractor or any subcontractor) paid less than the applicable prevailing wage rates for any labor done under this Agreement in violation of the Labor Code, (b) pay to each worker the difference between the prevailing wage rate and the amount paid to each worker for each calendar day or portion thereof for which the worker was paid less than the prevailing wage, and (c) forfeit as a penalty to District the sum of \$25 for each worker (whether employed by Contractor or any subcontractor) for each calendar day during which the worker is required or permitted to work more than 8 hours in any one day and 40 hours in any one calendar week in violation of Labor Code sections 1810 through 1815.

## EXHIBIT 2

### c. Maintenance of Public Facility, Plant or Structure.

(1) **Applicability.** This subsection (c) applies if the Work includes “maintenance” work. “Maintenance” means (a) routine, recurring and usual work for the preservation, protection and keeping of any District facility, plant, building, structure, utility system or other property (“District Facility”) in a safe and continually usable condition, (b) carpentry, electrical, plumbing, glazing, touchup painting, and other craft work designed to preserve any District Facility in a safe, efficient and continuously usable condition, including repairs, cleaning and other operations on District machinery and equipment, and (c) landscape maintenance. “Maintenance” excludes (a) janitorial or custodial services of a routine, recurring or usual nature, and (b) security, guard or other protection-related services. (See California Labor Code section 1771 and 8 California Code of Regulations section 16000.) If the Work includes some “maintenance” work and other work that is not “maintenance,” then this subsection (c) applies only to workers performing the “maintenance” work.

(2) Contractor shall comply with the California Labor Code provisions concerning payment of prevailing wage rates, penalties, keeping and retention of payroll records, and other prevailing wage and related requirements as may be required by the Labor Code section 1771 and applicable state regulations. The state-approved prevailing rates of per diem wages are available at <http://www.dir.ca.gov/oprl/DPreWageDetermination.htm>. Contractor also shall comply with Labor Code section 1775, including provisions that require Contractor to (a) forfeit as a penalty to District up to \$200 for each calendar day or portion thereof for each worker (whether employed by Contractor or any subcontractor) paid less than the applicable prevailing wage rates for any Work done under this Agreement in violation of the Labor Code, and (b) pay to each worker the difference between the prevailing wage rate and the amount paid to each worker for each calendar day or portion thereof for which the worker was paid less than the prevailing wage.

**Indemnification.** Contractor shall indemnify, defend, protect, and hold harmless District, and its officers, employees and agents from and against any claims, liability, losses, damages and expenses (including attorney, expert witness and Contractor fees, and litigation costs) that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Contractor or its employees, agents or subcontractors. The duty to indemnify, including the duty and the cost to defend, is limited as provided in this section. However, this indemnity provision will not apply to any claims, liability, losses, damages and expenses arising from the sole negligence or willful misconduct of District or its employees or agents. Contractor’s obligations under this indemnification provision shall survive the termination of, or completion of Work under, this Agreement.

### 10. Insurance.

**Types & Limits.** Contractor at its sole cost and expense shall procure and maintain for the duration of this Agreement the following types and limits of insurance:

<i>Type</i>	<i>Limits</i>	<i>Scope</i>
Commercial general liability	\$1,000,000 per occurrence	at least as broad as ISO CG 0001
Automobile liability	\$1,000,000 per accident	at least as broad as ISO CA

EXHIBIT 2

		0001, code 1 (any auto)
Workers' compensation	Statutory limits	
Employers' liability	\$1,000,000 per accident	
Professional liability*	\$1,000,000 per claim	

\*Required only if Contractor is a licensed engineer, land surveyor, geologist, architect, doctor or attorney.

a. Other Requirements. The general and automobile liability policy(ies) shall be endorsed to name District, its officers, employees, volunteers and agents as additional insureds regarding liability arising out of the Work. Contractor's coverage shall 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. District's insurance or self-insurance, if any, shall be excess and shall not contribute with Contractor's insurance. Each insurance policy shall be endorsed to state that coverage shall not be canceled, except after 30 days (10 days for non-payment of premium) prior written notice to District. Insurance is to be placed with admitted insurers with a current A.M. Best's rating of A-VII or better unless otherwise acceptable to District. Workers' compensation insurance issued by the State Compensation Insurance Fund is acceptable. Contractor agrees to waive subrogation that any insurer may acquire from Contractor by virtue of the payment of any loss relating to the Work. Contractor agrees to obtain any endorsement that may be necessary to implement this subrogation waiver. The workers' compensation policy must be endorsed to contain a subrogation waiver in favor of District for the Work performed by Contractor.

b. Proof of Insurance. Upon request, Contractor shall provide to District the following proof of insurance: (a) certificate(s) of insurance evidencing this insurance; and (b) endorsement(s) on ISO Form CG 2010 (or insurer's equivalent), signed by a person authorized to bind coverage on behalf of the insurer(s), and certifying the additional insured coverage.

**11. Entire Agreement; Amendment.** The parties intend this writing to be the sole, final, complete, exclusive and integrated expression and statement of the terms of their contract concerning the Work. This Agreement supersedes all prior oral or written negotiations, representations, contracts or other documents that may be related to the Work, except those other documents (if any) that are expressly referenced in this Agreement. This Agreement may be amended only by a subsequent written contract approved and signed by both parties.

**12. Independent Contractor.** Contractor's relationship to District is that of an independent contractor. All persons hired by Contractor and performing the Work shall be Contractor's employees or agents. Contractor and its officers, employees and agents are not District employees, and they are not entitled to District employment salary, wages or benefits. Contractor shall pay, and District shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance, disability insurance, tax withholding, and benefits to and on behalf of Contractor's employees. Contractor shall, to the fullest extent permitted by law, indemnify District, and its officers, employees, volunteers and agents from and against any and all liability, penalties, expenses and costs

EXHIBIT 2

resulting from any adverse determination by the federal Internal Revenue Service, California Franchise Tax Board, other federal or state agency, or court concerning Contractor's independent contractor status or employment-related liability.

**13. Subcontractors.** No subcontract shall be awarded nor any subcontractor engaged by Contractor without District's prior written approval. Contractor shall be responsible for requiring and confirming that each approved subcontractor meets the minimum insurance requirements specified in Section 11 of this Agreement. Any approved 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. Assignment.** This Agreement and all rights and obligations under it are personal to the parties. The Agreement may not be transferred, assigned, delegated or subcontracted in whole or in part, whether by assignment, subcontract, merger, operation of law or otherwise, by either party without the prior written consent of the other party. Any transfer, assignment, delegation, or subcontract in violation of this provision is null and void and grounds for the other party to terminate the Agreement.

**15. No Waiver of Rights.** Any waiver at any time by either party 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 Contractor shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default.

**16. 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.

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

**18. Notice.** Any notice, demand, invoice or other communication required or permitted to be given under this Agreement must be in writing and delivered either (a) in person, (b) by prepaid, first class U.S. mail, (c) by a nationally-recognized commercial overnight courier service that guarantees next day delivery and provides a receipt, or (d) by email with confirmed receipt. Such notices, etc. shall be addressed as follows:

District:

Sacramento Suburban Water District  
Attn: Dan Bills  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5346  
E-mail: [dbills@sswd.org](mailto:dbills@sswd.org)

Contractor:

Richardson & Company, LLP  
Attn: Ingrid Sheipline  
550 Howe Avenue, Suite 210  
Sacramento, CA 95825  
E-mail: [isheipline@richardsoncpas.com](mailto:isheipline@richardsoncpas.com)

Notice given as above will be deemed given (a) when delivered in person, (b) three days after deposited in prepaid, first class U.S. mail, (c) on the date of delivery as shown on the overnight courier service receipt, or (d) upon the sender's receipt of an email from the other

EXHIBIT 2

party confirming the delivery of the notice, etc. Any party may change its contact information by notifying the other party of the change in the manner provided above.

**19. Signature Authority.** Each party warrants that the person signing this Agreement is authorized to act on behalf of the party for whom that person signs. The Parties may execute and deliver this Agreement and documents necessary to perform it, including task orders and amendments, in any number of original or facsimile counterparts. When each Party has signed and delivered at least one counterpart to the other Party, each counterpart shall be deemed an original and, taken together, the counterparts shall constitute one and the same document, which shall be binding and effective.

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SACRAMENTO SUBURBAN WATER DISTRICT:

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Kevin M. Thomas  
Chair, Finance and Audit Committee

RICHARDSON & COMPANY, LLP:

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Ingrid Sheipline  
Managing Partner



## Agenda Item: 9

**Date:** October 2, 2017

**Subject:** Resolution No. 17-15 Honoring John E. Valdes on His Retirement

**Staff Contact:** Robert S. Roscoe, P.E., General Manager

**Recommended Board Action:**

Adopt Resolution No. 17-15 Honoring John E. Valdes on His Retirement.

**Discussion:**

John E. Valdes was a valued employee of the Sacramento Suburban Water District for over 23 years, having been hired on May 9, 1994, by the predecessor Arcade Water District. His last day of work as the Engineering Manager for the District was on Monday, October 9, 2017, and his retirement was effective October 10, 2017. The resolution commemorates his service. Staff has prepared a ceremonial, framed version of the resolution for presentation to Mr. Valdes.

**Fiscal Impact:**

Negligible.

**Strategic Plan Alignment:**

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.

This resolution benefits District customers in that it recognizes staff who provided superior customer service during their years of service to the District and increases employee morale.



**Resolution No. 17-15**  
**A Resolution Honoring**  
**John E. Valdes**  
**On His Retirement**

Whereas, John E. Valdes completed 23 years of service with the Sacramento Suburban Water District, having been hired on May 9, 1994, by the former Arcade Water District; and

Whereas, John's dedication to public service and expertise in utility management made the Sacramento Suburban Water District a more efficient organization with improved customer service and increased water supply reliability; and

Whereas, John earned the admiration and respect of his fellow employees, District management staff, the Board of Directors and the public for his dedication, collegiality, enthusiasm, hard work and consummate professionalism; and

Whereas, John can now balance leisure, activity and nature by spending countless hours on the golf course; and

Whereas, John can now spend time traveling to watch the Oregon State Beavers (nature's engineer) football team and continue his quest to visit all 30 major league baseball parks (8 down, 22 to go); and

Whereas, John's last day of work was October 9, 2017, and his retirement from the Sacramento Suburban Water District was effective October 10, 2017.

Now therefore, be it resolved by the Board of Directors of the Sacramento Suburban Water District that:

The Board of Directors expresses its deep and sincere appreciation to John E. Valdes for his years of dedicated public service to the District.

The Board of Directors wishes John all the best for a healthy, happy and productive future.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 16th day of October 2017.

AYES:  
NOES:  
ABSENT

By: \_\_\_\_\_  
Robert P. Wichert  
President, Board of Directors  
Sacramento Suburban Water District

(SEAL)

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



## Agenda Item: 10

**Date:** October 11, 2017

**Subject:** Resolution No. 17-13 Authorizing the Extension of a Letter of Credit in Connection with its Outstanding 2009A Certificates of Participation, and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

**Staff Contact:** Daniel A. Bills, Finance Director

### Recommended Board Action:

1. As recommended by the Finance and Audit Committee, approve Resolution No. 17-13 (Exhibit 3) to provide credit and liquidity support for the Series 2009A Certificate of Participation (COP) between the District and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (SMBC), pursuant to the terms of Amendment Number 3 of the Reimbursement Agreement, dated November 1, 2017, subject to such changes, insertions and omissions as may be recommended by General Counsel or by the law firm of Stradling, Yocca, Carlson & Rauth, as Special Counsel (“Special Counsel”) and approved by the officers executing the same, said execution being conclusive evidence of such approval.
2. Authorize the Board President or General Manager to execute the contracts or agreements necessary to execute the above transaction.

### Discussion:

As authorized by the Board in July 2017, the District’s Financing Team has completed their review of the LOC Extension offer from SMBC and legal counsel has prepared the necessary legal documents in substantially final form (Exhibits 4 and 5). The options offered by SMBC and all legal documents were discussed, reviewed and recommended by the Finance and Audit Committee on October 2, 2017. As the Board will recall, SMBC offered the District three alternatives in extending the LOC – 1) a 3 year renewal at the current rate of 45 basis points (bps) per annum; 2) a 4 year renewal at the current rate of 45 bps per annum; and 3) a 5 year renewal at the rate of 48 bps per annum. Staff and the District’s Financial Advisor recommend the 5-year extension option. Recently, the offer was amended to have the new 5-year option begin at the end of current contract’s term of June 30, 2018. Therefore, the 5-year extension will be from July 1, 2018 to June 30, 2023.

In December 2004, the District issued \$42 million of variable-rate debt (Series 2009A) primarily for the purpose of constructing surface water infrastructure assets in the District’s South Service Area (SSA). In the municipal financial markets, variable-rate debt often trades poorly due to the limited number of potential investors and the liquidity concerns of such investors. Accordingly,

investors require that municipal debt be liquid (i.e., available/willing buyers) before they will purchase the securities. Variable-rate debt meets this test in two ways – 1) rates are reset and sale eligibility is executed weekly, and 2) when accompanied by a LOC, a willing buyer is always available.

The District currently has a LOC on its variable-rate debt (Series 2009A) with SMBC. The LOC’s term will expire on June 30, 2018. The District currently pays SMBC a Facility-Fee for the LOC of 45 bps per annum (plus an interest component) or roughly \$191,500 per year. After discussion, SMBC has offered to extend the term of the LOC an additional 3 to 5 years at very reasonable rates. Staff is pleased with such favorable offers and desires to bring the recommended offer before the Board for approval at the October regularly scheduled Board meeting. Please see Exhibit 2 for specific terms of the offer and the District’s Financial Advisor’s analysis and recommendation of the alternative proposals.

Staff and the District’s Financial Advisor both recommend the 5-year extension offer. This recommendation is based on an analysis of the 4-year extension option versus the 5-year option. In comparing these two offers, the following analysis is instructive:

**LOC Analysis Table / Scenarios Summary**

<b>Alternatives Summary</b>		<b>LOC Fee 1</b>	<b>LOC Fee 2</b>	<b>Annual LOC Costs<sup>1</sup></b>	<b>Scenario Total Upfront Costs<sup>2</sup></b>	<b>Total LOC and Upfront Costs (5 year period)</b>	<b>NPV Cost Difference v. Alternative #1</b>
#1	5 Year Extension at 48 bps	0.48%	NA	\$204,353	\$35,000	\$1,056,763	NA
#2	4 Year at 45 bps + Extension (no change)	0.45%	0.45%	\$191,581	\$55,000	\$1,012,903	\$42,564
#3	4 Year at 45 bps + Extension (breakeven)	0.45%	0.53%	\$200,539	\$55,000	\$1,057,694	(\$0)
#4	4 Year at 45 bps + Extension (Best Case)	0.45%	0.50%	\$196,902	\$55,000	\$1,039,511	\$17,279
#5	4 Year at 45 bps + Extension (Worst Case)	0.45%	0.60%	\$207,546	\$55,000	\$1,092,728	(\$33,292)

**Notes**  
 1 5 year period average. Does not include upfront fees.  
 2 Scenarios #2 thru #5 included a concept of pro-rating the \$35,000 total upfront costs on the LOC Extension in Year 4.

The Table above shows the 5-year option costs as Alternative #1. The other alternatives (#2 - #5) show what LOC fees may possibly be 4 years from now. In essence these alternatives demonstrate, if the LOC fee 4 years from now is expected to be 53 bps or more, it makes sense to go with the 5-year alternative. Conversely, if the District believes the renewal fee in 4 years will be less than 53 bps then the 4-year option makes sense. While there is no way to predict such future fees, staff and the Financial Advisors would point to the following empirical evidence – 1) no banks are currently cutting their LOC fees, which may indicate a low in pricing, 2) SMBC is expecting fees to rise in the future as evidence by the 48 bps offer for the 5 year option versus the 3- and 4-year offers of 45 bps, 3) SMBC is still scarce in the money markets and is better able to be held in investor portfolios than more common issuers, and 4) the District continues to trade through the government bond curves (SIFMA).

By accepting the 5 year offer, the District expects the following:

1. LOC Term Expiration – June 30, 2023.
2. LOC Facility-Fee – 48 bps per annum or roughly \$204,400 per year.
3. Term Cost Increase – \$42,564 (compared to 4 Year Offer of 45 bps and assuming renewal rate in 4 years is also 45 bps).
4. No early termination/penalty fees.
5. Risk to the District – Financial viability of SMBC and Wells Fargo
  - a. SMBC’s and Wells Fargo’s Current Credit Ratings are:

	SMBC		Wells Fargo	
	Long-term	Short-term	Long-term	Short-term
<b>Moody's</b>	A1	P-1	Aa2	P-1
<b>Standard &amp; Poor's</b>	A	A-1	AA-	A-1+
<b>Fitch Ratings</b>	A	F1	AA	F1+

Attached to this staff report are a series of explanatory PowerPoint slides (Exhibit 1), a letter of recommendation from the District’s Financial Advisor - Fieldman, Rolapp & Associates (Exhibit 2), Resolution 17-13, that will adopt the LOC Agreement and terms (Exhibit 3), a draft of Amendment No. 1 to the Fee Letter Agreement (Exhibit 4), and a draft of Amendment No. 3 to the Reimbursement Agreement (Exhibit 5).

**Fiscal Impact:**

Upfront costs are estimated at \$35,000. Estimated cost increase of roughly \$13,000 per year.

**Strategic Plan Alignment:**

Finance - 4.F. Monitor the District’s debt portfolio to manage debt risk and minimize District costs.



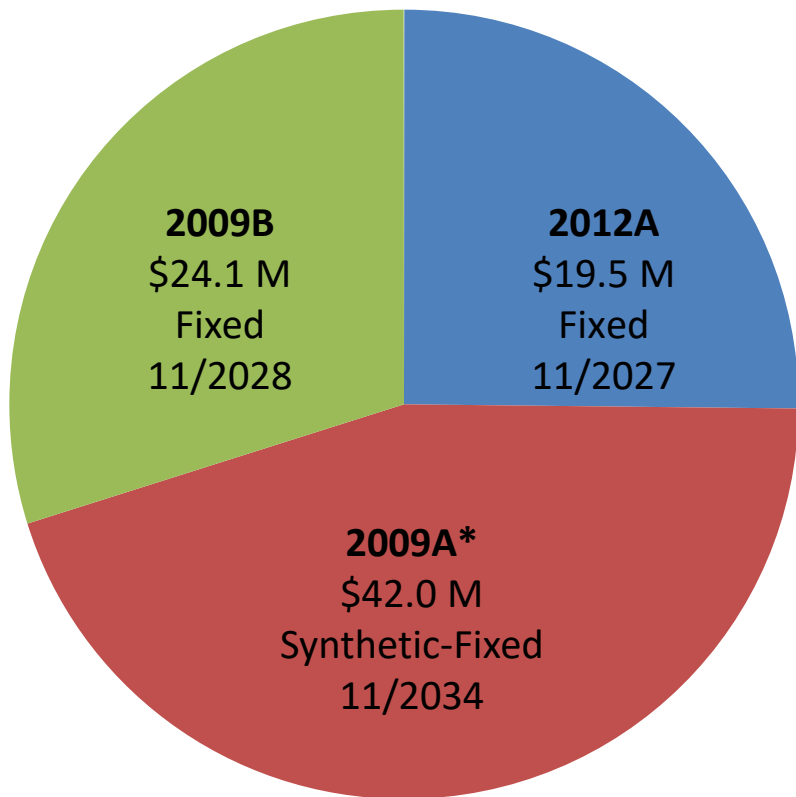
**EXHIBIT 1**  
**Proposed LOC Extension**

**Board Meeting**

October 16, 2017

# DISTRICT DEBT TODAY

Total Debt - \$85.6 M



## \* Interest Rate Swap

- Notional: \$33.3 M
- Termination: 11/2034
- Market Value: **\$6.7 M**
- **Current LOC Terms:**
  - Expires 06/30/18
  - Fee 45 bps/annum
  - \$191,500/year

# SWAP

## **WHAT:**

In a typical swap, two parties agree to exchange different forms of interest rates for a defined period

Typically, one party pays fixed and the other pays floating

## **WHY:**

Savings: Provide substantially better economic results than those available in the conventional bond market

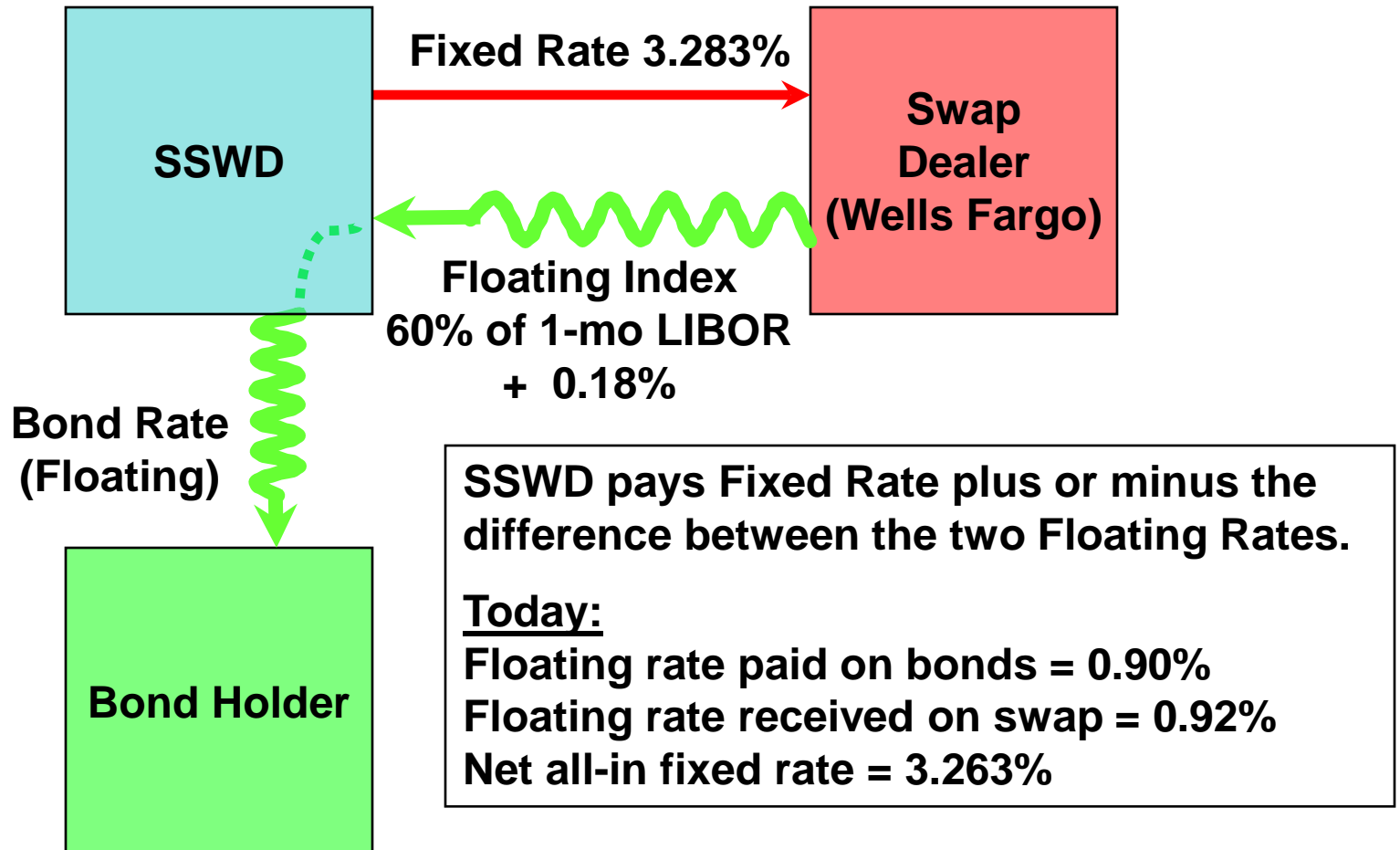
Hedging: Convert floating rate exposure, with unknown cost, to fixed rate exposure

Speed: Take advantage of market opportunities more swiftly than in public bond markets

## **SSWD EXECUTED ORIGINAL SWAP (April 2005) DUE TO:**

- Fixed rate bond rate (all-in): 4.30%
- Swap rate: 3.283% (+/- floating rate differential)

# SSWD's SWAP





# LETTER OF CREDIT (LOC)

## **WHAT:**

Credit and Liquidity support from a bank guaranteeing a buyer for the security

## **WHY:**

Fixed rate municipal bonds often trade poorly as they are relatively illiquid and the investor base is small

# LOC EXTENSION TERMS

- **Current Terms:**
  - Provider: Sumitomo Mitsui Banking Corporation (SMBC)
  - Expiration: June 30, 2018
  - Current Fee: 45 bps or \$191,500 annually
- **Extension Offer:**
  - Provider: SMBC
  - Expiration: June 30, 2023
  - Proposed Fee: 48 bps or \$204,400 annually
- **SMBC’ - “Scarcity Factor”**

# LOC EXTENSION TERMS (cont)

- **Transaction Details:**

- Issuance Costs ~ \$35,000 (legal, financial advisors, etc.)
- Net Cost Increase over 5 years ~ \$42,564
  - (Assumes rate on June 30, 2018 is still 45 bps)

- **Alternative:**

- 3 or 4 Years
  - 45 bps or \$191,500 annually
  - If fee is >53 bps in 4 years, better to take 5 year offer

# LOC EXTENSION TERMS (cont)

- **Current Credit Ratings:**

For Comparative  
Purposes

	SMBC		Wells Fargo	
	Long-term	Short-term	Long-term	Short-term
Moody's	A1	P-1	Aa2	P-1
Standard & Poor's	A	A-1	AA-	A-1+
Fitch Ratings	A	F1	AA	F1+

# RECOMMENDATION

- As recommended by the Finance and Audit Committee, approve Resolution No. 17-13 (see Exhibit 3) to provide credit and liquidity support for the Series 2009A Certificate of Participation (COP) between the District and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (SMBC), pursuant to the terms of Amendment Number 3 of the Reimbursement Agreement, dated November 1, 2017, subject to such changes, insertions and omissions as may be recommended by General Counsel or by the law firm of Stradling, Yocca, Carlson & Rauth, as Special Counsel (“Special Counsel”) and approved by the officers executing the same, said execution being conclusive evidence of such approval.
- Authorize the Board President or General Manager to execute the contracts or agreements necessary to execute the above transaction.

**[EXHIBIT 2]**

To: Sacramento Suburban Water District

From: Robert Porr, Senior Vice President and Paul Pender, Vice President  
Fieldman, Rolapp & Associates (Municipal Advisor)

**Re: Letter of Credit Supporting District's 2009A Certificates**

Date: September 25, 2017

---

The District has \$42 million of 2009A Certificates of Participation (COPs) outstanding, which pay a variable rate of interest (reset weekly). To facilitate this structure, the COPs must have a letter of credit (LOC) facility in place to provide investors a source of liquidity and assurance interest will be paid timely. The District currently has such a facility in place from Sumitomo Mitsui Banking Corporation, which is scheduled to expire on June 30, 2018. The District intends to address the upcoming expiration in 2017.

The Sumitomo facility currently costs approximately \$191,500 in annual fees per year, or 45 basis points of the outstanding COPs (plus an interest component). Since the Sumitomo facility was extended at this price in 2015, the pricing for such facilities has been stable but has increased slightly overall. Several banks are no longer seeking new such business or are opting not to extend existing facilities, reducing the supply of providers. New bank regulations as well as uncertainty over additional future regulations are cited as reasons pricing is under pressure and may increase in the future.

The District has been provided two term and price options from Sumitomo to extend the LOC: a 4-year term at a cost of 45 basis points and a 5-year term at a cost of 48 basis points. Either extension option would also require upfront costs estimated at \$35,000.

**Analysis of 4 and 5-year term Options**

Fundamentally, the District faces a choice paying a higher fee level to gain an extra year of LOC pricing certainty. The 4-year option offers a lower price for the next 4 years, but involves taking risk on where pricing will be in 4 years. The 5-year option provides an extra year of price certainty, and the benefit of deferring out by one year the next required action and related upfront fees and staff time.

To assist the District in comparing the 4-year and 5-year options, we have run several scenarios to gauge the potential benefits and risks. The analysis considers the 5-year option as the base case, since its costs are locked in for 5 years. The analysis then calculates the benefit or cost of going with the 4-year option under different scenarios of where LOC pricing will be in 4 years. The table on the next page shows the scenarios and results.

## LOC Analysis Table / Scenarios Summary

Alternatives Summary		LOC Fee 1	LOC Fee 2	Annual LOC Costs <sup>1</sup>	Scenario Total Upfront Costs <sup>2</sup>	Total LOC and Upfront Costs (5 year period)	4 Year LOC NPV Benefit or (Cost) v. 5 Year LOC
#1	5 Year Extension at 48 bps	0.48%	NA	\$204,353	\$35,000	\$1,056,763	NA
#2	4 Year at 45 bps + Extension (no change)	0.45%	0.45%	\$191,581	\$55,000	\$1,012,903	\$42,564
#3	4 Year at 45 bps + Extension (breakeven)	0.45%	0.53%	\$200,539	\$55,000	\$1,057,694	(\$0)
#4	4 Year at 45 bps + Extension (Best Case)	0.45%	0.50%	\$196,902	\$55,000	\$1,039,511	\$17,279
#5	4 Year at 45 bps + Extension (Worst Case)	0.45%	0.60%	\$207,546	\$55,000	\$1,092,728	(\$33,292)

**Notes**

- 1 5 year period average. Does not include upfront fees.
- 2 Scenarios #2 thru #5 included a concept of pro-rating the \$35,000 total upfront costs on the LOC Extension in Year 4.

Scenario #2 indicates the hypothetical maximum upside of \$42,500 if the District opts for the 4-year term and LOC pricing remains flat at 45 basis points 4 years from now. In our view, this scenario is not probable given trends and pressures in bank pricing, but is provided for illustrative purposes.

Scenario #4 reflects our view of a probable “best case” upside for the District, which is that LOC fees increase to 0.50% 4 years from now. Under this scenario, the higher fees reduce the potential total District savings to \$17,200 (which amounts to \$3,400 per year). As shown in Scenario #3, the District would “breakeven” with no savings if rates increase to no more than 53 basis points.

A hypothetical “worse case” is Scenario #5, which assumes LOC fees increase to 60 basis points 4 years from now. We view this scenario as unlikely but more plausible than “no change.” Under this scenario, the District would have been better off opting for the 5-year term, and would lose \$33,300 (\$6,600 per year) by going with the 4-year option. Though seemingly a large price increase, this level is close where pricing was just 2-3 years ago (the District paid 57.5 basis points prior to 2015).

We believe the most probable range of savings the District could expect by opting for the 4-year LOC is \$0 - \$3,400 in savings per year (Scenarios #3 or #4). However, we would not rule out the potential for LOC costs increasing beyond the breakeven of 53 basis points 4 years from now, given recent trends in bank pricing and participation in this market. In our view, the 4-year term offers relatively limited savings upside given the risk / reward trade-offs shown in the analysis. We are therefore recommending the District pursue the 5-year extension with Sumitomo to lock in costs for an additional year.

### Other Alternatives Considered – Alternate Bank Substitution

Alternately, the District could conduct a solicitation requesting bids for pricing from other banks. A substitute provider may be able to offer an annual price on the facility lower than 45-48 basis points. However, implementing a new facility requires a new bond offering document and related legal, rating agency, and other advisory and bank fees. We estimate these upfront costs to be approximately \$200,000, as opposed to \$35,000 to implement an extension with Sumitomo. With only 4-5 years to realize annual savings from an alternate bank facility, this upfront cost is significant. Our analysis indicates that a substitute facility would need to be priced at 30-32 basis points or lower

# MEMORANDUM

to “breakeven” with the proposed Sumitomo pricing. Given we estimate the market for such facilities currently ranges from 40-55 basis points, we see no reason to pursue alternate bank proposals.



**RESOLUTION NO. 17-13**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SACRAMENTO SUBURBAN WATER DISTRICT  
AUTHORIZING THE EXTENSION OF A LETTER OF  
CREDIT IN CONNECTION WITH ITS OUTSTANDING 2009A  
CERTIFICATES OF PARTICIPATION, AND APPROVING  
THE EXECUTION AND DELIVERY OF CERTAIN  
DOCUMENTS IN CONNECTION THEREWITH AND  
CERTAIN OTHER MATTERS**

WHEREAS, the Sacramento Suburban Water District (the "District"), is a county water district duly organized and existing under and pursuant to the Constitution and laws of the State of California;

WHEREAS, the Board of Directors of the District (the "Board") has previously caused the Sacramento Suburban Water District Adjustable Rate Refunding Revenue Certificates of Participation, Series 2009A (the "COPs") to be executed and delivered to refinance certain capital improvements of the District;

WHEREAS, to provide credit and liquidity support for the COPs, the District currently has a letter of credit facility (the "Credit Facility") in place from Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC"), pursuant to the terms of a Reimbursement Agreement, dated as of March 1, 2009, as amended by an Amendment No. 1 to Reimbursement Agreement, dated April 19, 2012, and an Amendment No. 2 to Reimbursement Agreement, dated April 15, 2015, each by and between the District and SMBC (as so amended, the "Existing Reimbursement Agreement"), and a Fee Letter Agreement, dated April 15, 2015, by and between the District and SMBC (the "Original Fee Letter"), which Credit Facility expires on June 30, 2018; and

WHEREAS, the Board has determined that it is in the best interest of the District to seek an extension of the Credit Facility (the "Credit Facility Extension"), to amend the Existing Reimbursement Agreement, and to amend the Original Fee Letter.

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

1. The Credit Facility Extension is hereby approved. The Amendment No. 3 to Reimbursement Agreement, in substantially the form attached hereto as Exhibit A, upon execution as authorized below, is hereby approved. The President of the Board or the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Amendment No. 3 to Reimbursement Agreement with such changes, insertions and omissions as may be recommended by General Counsel or by the law firm of Stradling Yocca Carlson & Rauth, as Special Counsel ("Special Counsel") and approved by the officers executing the same, said execution being conclusive evidence of such approval.

2. The Amendment No. 1 to Fee Letter Agreement, in substantially the form attached hereto as Exhibit B, upon execution as authorized below, is hereby approved. The President of the

Board or the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Amendment No. 1 to Fee Letter Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Special Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

3. The President of the Board or the General Manager or the designee thereof and any other proper officer of the District, acting singly, is each hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the aforementioned Credit Facility Extension, Amendment No. 3 to Reimbursement Agreement, Amendment No. 1 to Fee Letter Agreement, and this Resolution.

4. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on October 16, 2017 by the following vote:

AYES:  
NOES:  
ABSENT:

By: \_\_\_\_\_  
Robert P. Wichert  
President, Board of Directors  
Sacramento Suburban Water District

\*\*\*\*\*

I certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of the Sacramento Suburban Water District at a regular meeting thereof held on the 16th day of October, 2017.

(SEAL) By: \_\_\_\_\_  
Robert S. Roscoe  
General Manager/Secretary  
Sacramento Suburban Water District

**EXHIBIT A**  
**FORM OF AMENDMENT NO. 3 TO REIMBURSEMENT AGREEMENT**

**EXHIBIT B**  
**FORM OF AMENDMENT NO. 1 TO FEE LETTER AGREEMENT**

EXHIBIT 4

**AMENDMENT NO. 1 TO FEE LETTER AGREEMENT**

November 1, 2017

\$42,000,000  
original aggregate principal amount of  
Sacramento Suburban Water District  
Adjustable Rate Refunding Revenue Certificates of Participation,  
Series 2009A

Reference is hereby made to that certain Reimbursement Agreement, dated as of March 1, 2009 (the "Original Reimbursement Agreement"), between the Sacramento Suburban Water District (the "Applicant") and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "Bank"), as amended by that certain Amendment No. 1 to Reimbursement Agreement, dated April 19, 2012 (the "Reimbursement Agreement Amendment No. 1"), by and between the Applicant and the Bank and that certain Amendment No. 2 to Reimbursement Agreement, dated April 15, 2015 (the "Reimbursement Agreement Amendment No. 2"), by and between the Applicant and the Bank. The Original Reimbursement Agreement, as amended by the Reimbursement Agreement Amendment No. 1 and the Reimbursement Agreement Amendment No. 2, is hereinafter referred to as the "Second Amended Reimbursement Agreement" and the Second Amended Reimbursement Agreement, as amended by that certain Amendment No. 3 to Reimbursement Agreement, dated November 1, 2017 (the "Reimbursement Agreement Amendment No. 3"), between the Applicant and the Bank and as it may be further amended and supplemented from time to time, is hereinafter referred to as the "Reimbursement Agreement." This Amendment No. 1 to Fee Letter Agreement (this "Amendment No. 1") amends that certain Fee Letter Agreement, dated April 15, 2015 (the "Original Fee Letter"), between the Applicant and the Bank. Terms used herein without definition shall have the meanings assigned in the Reimbursement Agreement.

Section 1. Authority and Definitions.

- (a) This Amendment No. 1 is entered into in compliance with the provisions of the Original Fee Letter.
- (b) This Amendment No. 1 amends the Original Fee Letter.
- (c) Capitalized terms used herein without definition shall have the meanings set forth in the Original Fee Letter.

(d) This Amendment No. 1 shall become effective upon the execution and delivery of this Amendment No. 1 by the Applicant and the Bank on November 1, 2017 (the “Second Extension Closing Date”).

(e) The provisions of this Amendment No. 1 shall supersede and prevail over any conflicting provisions of the Original Fee Letter. If there is any conflict between the terms, conditions and provisions of this Amendment No. 1 and those of any of the Related Documents, the terms, conditions and provisions of this Amendment No. 1, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the Original Fee Letter continue in full force and effect and are applicable to the provisions of this Amendment No. 1 and the obligations of the parties hereunder. Reference to this specific Amendment No. 1 need not be made in any note, document, agreement, letter, certificate, the Fee Letter or any communication issued or made subsequent to, or with respect to, the Fee Letter, it being hereby agreed that any reference to the Fee Letter shall be sufficient to refer to the Original Fee Letter as hereby amended. The parties hereto expressly agree that this Amendment No. 1 shall constitute a modification of the Original Fee Letter and does not constitute a novation or substitution with respect to the Original Fee Letter.

Section 2. Amendment of the Original Fee Letter.

(a) The first full paragraph and the chart following of Paragraph (a)(i) of the Original Fee Letter are hereby deleted in their entirety and the following substituted therefor:

(i) Facility Fees.

(x) *Facility Fees Prior to November 1, 2017.* The Applicant agreed to pay to the Bank, for the period commencing on the Closing Date and ending on April 18, 2012, a non-refundable fee as set forth in the Original Reimbursement Agreement. The Applicant agreed to pay to the Bank, for the period commencing on April 19, 2012 and ending on April 14, 2015, a non-refundable fee as set forth in the First Amended Reimbursement Agreement. The Applicant agreed to pay to the Bank, for the period commencing on April 15, 2015 and ending on October 31, 2017, a non-refundable fee as set forth in the Fee Letter Agreement, dated April 15, 2015, between the Applicant and the Bank, with such non-refundable fee for the period commencing on October 2, 2017 and ending on October 31, 2017, payable to the Bank in arrears on January 2, 2018.

(y) *Facility Fees November 1, 2017 Through June 29, 2018.* The Applicant agrees to pay to the Bank, in arrears on January 2, 2018 for the period commencing on November 1, 2017 and ending on January 1, 2018, in arrears on April 2, 2018 for the period commencing on January 2, 2018 and ending on April 1, 2018, and in arrears on July 2, 2018 for the period commencing on April 2, 2018 and ending on June 29, 2018, a non-refundable fee in an amount equal to the rate per annum associated with the Rating as specified below on the Gross Available Amount of the Letter of Credit for each day during each related period.

Level	S&P Rating	Moody's Rating	Fitch Rating	Facility Fee Rate
Level 1	A+ or above	A1 or above	A+ or above	0.45%
Level 2	A	A2	A	0.80%
Level 3	A-	A3	A-	0.95%
Level 4	BBB+	Baa1	BBB+	1.25%
Level 5	BBB	Baa2	BBB	1.50%
Level 6	BBB-	Baa3	BBB-	1.75%
Level 7	Below BBB-	Below Baa3	Below BBB-	3.00%

(z) *Facility Fees From and After June 30, 2018.* The Applicant agrees to pay to the Bank, in arrears on July 2, 2018 for the period commencing on June 30, 2018 and ending on July 1, 2018 and on the first Business Day of each April, July, October and January thereafter to the Termination Date, commencing October 1, 2018 (each, a “Quarterly Payment Date”) for the period from and including the immediately preceding Quarterly Payment Date to but not including such Quarterly Payment Date, and on the Termination Date, for the period from and including the immediately preceding Quarterly Payment Date to and including the Termination Date, a non-refundable fee in an amount equal to the rate per annum associated with the Rating as specified below (the “Facility Fee Rate”) on the Gross Available Amount of the Letter of Credit (the “Facility Fees”) for each day during each related period.

Level	S&P Rating	Moody's Rating	Fitch Rating	Facility Fee Rate
Level 1	A+ or above	A1 or above	A+ or above	0.48%
Level 2	A	A2	A	0.83%
Level 3	A-	A3	A-	0.98%
Level 4	BBB+	Baa1	BBB+	1.28%
Level 5	BBB	Baa2	BBB	1.53%
Level 6	BBB-	Baa3	BBB-	1.78%
Level 7	Below BBB-	Below Baa3	Below BBB-	3.03%

Section 6. Miscellaneous.

(a) No Waiver. The Applicant acknowledges and agrees that, if and to the extent that the Bank has not heretofore required strict compliance with the performance by the Applicant of the covenants, agreements and obligations of the Applicant under the Reimbursement Agreement or the Related Documents, such action or inaction shall not constitute a waiver of, or otherwise affect in any manner, the Bank’s rights and remedies under the Reimbursement Agreement or the Related Documents, as amended hereby, including the right to require performance of such covenants, agreements and obligations strictly in accordance with the terms and provisions thereof.

(b) Severability. In case any one or more of the provisions contained in this Amendment No. 1 should be invalid, illegal or unenforceable in any respect, the validity, legality

and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(c) Governing Law. This Amendment No. 1 shall be governed by, and construed in accordance with, the laws of the State of New York.

(c) Headings. The captions in this Amendment No. 1 are for convenience of reference only and shall not define or limit the provisions hereof.

(d) Counterparts. This Amendment No. 1 may be executed in counterparts, each of which shall constitute an original but all taken together to constitute one instrument.

(e) Entire Agreement. This Amendment No. 1 constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. This Amendment No. 1 and the Original Fee Letter shall be construed as one agreement between the Applicant and the Bank and shall be governed by the provisions of the Original Fee Letter.

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IN WITNESS WHEREOF, the Applicant and the Bank have caused this Amendment No. 1 to Fee Letter Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SACRAMENTO SUBURBAN WATER  
DISTRICT

By: \_\_\_\_\_  
Name: Robert S. Roscoe  
Title: General Manager

SUMITOMO MITSUI BANKING  
CORPORATION, acting through its New York  
Branch

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT 5

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AMENDMENT NO. 3 TO REIMBURSEMENT AGREEMENT

DATED November 1, 2017

BETWEEN

SACRAMENTO SUBURBAN WATER DISTRICT

AND

SUMITOMO MITSUI BANKING CORPORATION,  
ACTING THROUGH ITS NEW YORK BRANCH

RELATING TO

\$42,000,000  
original aggregate principal amount of  
Sacramento Suburban Water District  
Adjustable Rate Refunding Revenue Certificates of Participation,  
Series 2009A

Amending that certain Reimbursement Agreement, dated as of March 1, 2009, as amended by that certain Amendment No. 1 to Reimbursement Agreement, dated April 19, 2012, and that certain Amendment No. 2 to Reimbursement Agreement, dated April 15, 2015, each between Sacramento Suburban Water District and Sumitomo Mitsui Banking Corporation, acting through its New York Branch

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AMENDMENT No. 3 TO REIMBURSEMENT AGREEMENT

THIS AMENDMENT NO. 3 TO REIMBURSEMENT AGREEMENT is dated November 1, 2017 (this "Amendment No. 3"), by and between SACRAMENTO SUBURBAN WATER DISTRICT (the "Applicant") and SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch (the "Bank"), amending that certain Reimbursement Agreement, dated as of March 1, 2009 (the "Original Reimbursement Agreement"), by and between the Applicant and the Bank, as amended by that certain Amendment No. 1 to Reimbursement Agreement, dated April 19, 2012 (the "Amendment No. 1"), by and between the Applicant and the Bank and that certain Amendment No. 2 to Reimbursement Agreement, dated April 15, 2015 (the "Amendment No. 2"), by and between the Applicant and the Bank. The Original Reimbursement Agreement, as amended by the Amendment No. 1 and the Amendment No. 2, is hereinafter referred to as the "Second Amended Reimbursement Agreement" and the Second Amended Reimbursement Agreement, as amended by this Amendment No. 3 and as it may be further amended and supplemented from time to time, is hereinafter referred to as the "Reimbursement Agreement."

WITNESSETH:

WHEREAS, pursuant to a Trust Agreement by and among MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.), as trustee (together with its successors and permitted assigns, the "Trustee"), Sacramento Suburban Water District Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation") and the Applicant, dated as of March 1, 2009 (as more particularly defined in the Second Amended Reimbursement Agreement, the "Trust Agreement"), the Applicant has authorized the issuance of the Sacramento Suburban Water District Adjustable Rate Refunding Revenue Certificates of Participation, Series 2009A (the "Certificates");

WHEREAS, the Certificates are payable from installment payments made by the Applicant to the Corporation pursuant to an Installment Purchase Agreement by and between the Applicant and the Corporation, dated as of March 1, 2009 (as more particularly defined in the Second Amended Reimbursement Agreement, the "Installment Purchase Agreement");

WHEREAS, the Applicant requested and the Bank issued an irrevocable transferable letter of credit (as more particularly defined in the Second Amended Reimbursement Agreement, the "Letter of Credit") for the payment by the Trustee, when and as due, of the principal of, the purchase price and interest on the Certificates, and to provide a liquidity facility in respect of certain drawings under the Letter of Credit;

WHEREAS, the Applicant has applied to the Bank for the extension by the Bank of the Stated Expiration Date of the Letter of Credit to June 30, 2023, and the Bank has agreed to extend the Stated Expiration Date of the Letter of Credit to June 30, 2023 on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the undertakings herein set forth and intending to be legally bound, the Applicant and the Bank hereby agree as follows:

Section 1. Authority and Definitions.

(a) This Amendment No. 3 is entered into pursuant to Section 7.7 of the Second Amended Reimbursement Agreement.

(b) This Amendment No. 3 amends the Second Amended Reimbursement Agreement.

(c) Capitalized terms used herein without definition shall have the meanings set forth in the Second Amended Reimbursement Agreement.

(d) Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, this Amendment No. 3 shall become effective, the Amendment No. 1 to Fee Letter Agreement, dated November 1, 2017, between the Applicant and the Bank (the "Fee Letter Amendment No. 1") shall become effective, and a letter of credit amendment substantially in the form of Exhibit A attached hereto (the "Letter of Credit Amendment No. 3") shall be delivered to the Trustee by the Bank, upon the execution and delivery of this Amendment No. 3 and the Fee Letter Amendment No. 1 by the Applicant and the Bank on November 1, 2017 (the "Second Extension Closing Date").

(e) The provisions of this Amendment No. 3 shall supersede and prevail over any conflicting provisions of the Second Amended Reimbursement Agreement. If there is any conflict between the terms, conditions and provisions of this Amendment No. 3 and those of any of the Related Documents, the terms, conditions and provisions of this Amendment No. 3, as applicable, shall prevail. Save and except as expressly amended hereby, all of the terms and provisions of the Second Amended Reimbursement Agreement continue in full force and effect and are applicable to the provisions of this Amendment No. 3 and the obligations of the parties hereunder. Reference to this specific Amendment No. 3 need not be made in any note, document, agreement, letter, certificate, the Reimbursement Agreement or any communication issued or made subsequent to, or with respect to, the Reimbursement Agreement, it being hereby agreed that any reference to the Reimbursement Agreement shall be sufficient to refer to the Second Amended Reimbursement Agreement as hereby amended. The parties hereto expressly agree that this Amendment No. 3 shall constitute a modification of the Second Amended Reimbursement Agreement and does not constitute a novation or substitution with respect to the Second Amended Reimbursement Agreement.

Section 2. Amendment of the Second Amended Reimbursement Agreement.

(a) Section 1.01 of the Second Amended Reimbursement Agreement is hereby amended by deleting the following definitions and substituting the following therefor:

"Fee Letter" – means the Fee Letter Agreement, dated April 15, 2015, by and between the Applicant and the Bank, as amended by the Amendment No. 1 to Fee Letter Agreement, dated November 1, 2017, by and between the Applicant and the Bank, and as the same may be further amended, modified or supplemented from time to time by written instrument executed by the parties thereto.

“LIBOR Index Rate” means, for any day, a rate per annum (rounded upwards, if necessary to the nearest 1/1000 of 1%) for deposits in United States Dollars for a period equal to one month, which appears on Reuters LIBOR01 Page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time) as of 11:00 a.m. (London, England time) on such date (or, if such day is not a Business Day, on the immediately preceding Business Day); provided, that if such rate does not appear on such page on such date, the LIBOR Index Rate shall be determined by an alternate method that is designed to produce a rate as similar as possible to the LIBOR Index Rate which alternate method shall be reasonably selected by the Bank; and provided, further, that if the LIBOR Index Rate shall become temporarily unavailable or shall cease to exist, the LIBOR Index Rate shall be a successor interest rate index reasonably selected by the Bank and not reasonably objected to by the Applicant.

(b) Any references in the Second Amended Reimbursement Agreement to the purchase of Bank Certificates by the Bank shall be deemed to be modified to refer to the purchase of Certificates by the Trustee with the proceeds of a Liquidity Drawing.

Section 3. Conditions Precedent to Issuance of the Letter of Credit Amendment No. 3. The obligation of the Bank to issue the Letter of Credit Amendment No. 3 shall be subject to the fulfillment of the following conditions precedent on or before the Second Extension Closing Date, in a manner satisfactory to the Bank and its counsel:

(a) the Bank shall have received on or before the Second Extension Closing Date true and complete original executed counterparts of this Amendment No. 3 and the Fee Letter Amendment No. 1;

(b) the Bank shall have received a copy of the resolution of the governing body of the Applicant approving this Amendment No. 3 and the Fee Letter Amendment No. 1 and the other matters contemplated hereby, certified as of the Second Extension Closing Date by a duly authorized officer of the Applicant;

(c) the Bank shall have received a certificate of a duly authorized officer of the Applicant certifying the names and true signatures of the officers of the Applicant authorized to sign this Amendment No. 3 and the Fee Letter Amendment No. 1 and the other documents to be delivered by it hereunder or thereunder and certifying that the Applicant has delivered to the Bank true, correct and complete copies of the Related Documents delivered prior to the Second Extension Closing Date;

(d) the Bank shall have received a written opinion or opinions of counsel to the Applicant, in form and substance satisfactory to the Bank and its counsel and dated the Second Extension Closing Date, covering such matters incident to the transactions contemplated by this Amendment No. 3, the Fee Letter Amendment No. 1 and the Letter of Credit Amendment No. 3 as the Bank may reasonably request, including without limitation, the enforceability of the Reimbursement Agreement and the Fee Letter;

(e) (i) The representations and warranties of the Applicant contained in Article Four of the Second Amended Reimbursement Agreement are correct on and as of the Second Extension Closing Date as though made on and as of such date; (ii) no Event of Default or Potential Default has occurred and is continuing, or would result from the issuance of the Letter of Credit Amendment No. 3 or the execution, delivery or performance of this Amendment No. 3 or the Fee Letter Amendment No. 1; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the Applicant is in compliance with the terms and conditions of the Second Amended Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Second Extension Closing Date; (v) this Amendment No. 3 and the Fee Letter Amendment No. 1 have been duly authorized, executed and delivered by the Applicant; (vi) the Applicant has delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Second Extension Closing Date; and (vii) all information, documents, statements and certificates provided to the Bank by or on behalf of the Applicant in connection with the transactions contemplated by this Amendment No. 3 and the Fee Letter Amendment No. 1 are true and correct as of the date thereof and were provided in expectation of the Bank's reliance thereon in executing this Amendment No. 3 and the Fee Letter Amendment No. 1;

(f) the Bank shall have received a certificate signed by duly authorized officers of the Applicant, dated the Second Extension Closing Date, to the same effect as Section 3(e) hereof and covering such other matters incident to the transactions contemplated by this Amendment No. 3, the Fee Letter Amendment No. 1 and the Letter of Credit Amendment No. 3 as the Bank may reasonably request; and

(g) all other legal matters pertaining to the execution and delivery of this Amendment No. 3 and the Fee Letter Amendment No. 1 and the issuance of the Letter of Credit Amendment No. 3 shall be reasonably satisfactory to the Bank and its counsel.

Section 4. Representations and Warranties. The Applicant hereby represents and warrants as of the Second Extension Closing Date that: (i) the representations and warranties of the Applicant contained in Article Four of the Second Amended Reimbursement Agreement are correct on and as of the Second Extension Closing Date as though made on and as of such date; (ii) no Event of Default or Potential Default has occurred and is continuing, or would result from the issuance of the Letter of Credit Amendment No. 3 or the execution, delivery or performance of this Amendment No. 3 or the Fee Letter Amendment No. 1; (iii) no default has occurred and is continuing under any of the Related Documents; (iv) the Applicant is in compliance with the terms and conditions of the Second Amended Reimbursement Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant to the Reimbursement Agreement on or prior to the Second Extension Closing Date; (v) this Amendment No. 3 and the Fee Letter Amendment No. 1 have been duly authorized, executed and delivered by the Applicant; (vi) the Applicant has delivered to the Bank true, correct and complete copies of the Related Documents and such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Second Extension Closing Date; and (vii) all information, documents, statements and certificates provided to the Bank by or on behalf of the Applicant in

connection with the transactions contemplated by this Amendment No. 3 and the Fee Letter Amendment No. 1 are true and correct as of the date thereof and were provided in expectation of the Bank's reliance thereon in executing this Amendment No. 3 and the Fee Letter Amendment No. 1.

Section 5. Costs and Expenses. The Applicant has previously agreed pursuant to Section 7.13 of the Original Agreement to pay to the Bank all reasonable costs and expenses, if any, in connection with this Amendment No. 3, the Fee Letter Amendment No. 1 and the Letter of Credit Amendment No. 3, including the reasonable fees and disbursements of counsel to the Bank. The Applicant hereby agrees that such costs and expenses are included as obligations under the Second Amended Reimbursement Agreement.

Section 6. Miscellaneous.

(a) No Waiver. The Applicant acknowledges and agrees that, if and to the extent that the Bank has not heretofore required strict compliance with the performance by the Applicant of the covenants, agreements and obligations of the Applicant under the Reimbursement Agreement or the Related Documents, such action or inaction shall not constitute a waiver of, or otherwise affect in any manner, the Bank's rights and remedies under the Reimbursement Agreement or the Related Documents, as amended hereby, including the right to require performance of such covenants, agreements and obligations strictly in accordance with the terms and provisions thereof.

(b) Severability. In case any one or more of the provisions contained in this Amendment No. 3 should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(c) Governing Law. This Amendment No. 3 shall be governed by, and construed in accordance with, the laws of the State of New York.

(d) Headings. The captions in this Amendment No. 3 are for convenience of reference only and shall not define or limit the provisions hereof.

(e) Counterparts. This Amendment No. 3 may be executed in counterparts, each of which shall constitute an original but all taken together to constitute one instrument.

(f) Entire Agreement. This Amendment No. 3 constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. This Amendment No. 3 and the Second Amended Reimbursement Agreement shall be construed as one agreement between the Applicant and the Bank and shall be governed by the provisions of the Second Amended Reimbursement Agreement.

[The Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SACRAMENTO SUBURBAN WATER DISTRICT

By: \_\_\_\_\_  
Name: Robert S. Roscoe  
Title: General Manager

SUMITOMO MITSUI BANKING CORPORATION,  
acting through its New York Branch

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



Exhibit A

Form of Letter of Credit Amendment No. 3

EXHIBIT J  
TO  
LETTER OF CREDIT

No. LG/MIS/NY-027284

NOTICE OF EXTENSION

November 1, 2017

Letter of Credit Amendment No. 3

MUFG Union Bank, N.A.  
(formerly known as Union Bank, N.A.), as Trustee  
350 California Street, 11th Floor  
San Francisco, California 94104  
Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. LG/MIS/NY-027284 dated June 30, 2009 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that the Stated Expiration Date (as defined in the Letter of Credit) has been extended to June 30, 2023.

All other terms and conditions remain unchanged.

This letter should be attached to the Letter of Credit and made a part thereof.

SUMITOMO MITSUI BANKING CORPORATION,  
acting through its New York Branch

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



## Agenda Item: 11

**Date:** October 10, 2017

**Subject:** 2018 Budget and 2019 Forecast - Third Draft & Reserve Policy (PL – Fin 004)

**Staff Contact:** Daniel A. Bills, Finance Director

### **Recommended Board Action:**

Adopt the current draft 2018 Budget and 2019 Budget/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 for 2018 as per Exhibit A or as amended by the Board.
  - b. Authorize the General Manager spending and delegation authority up to the total O&M budgeted amount.
  - c. Authorize the General Manager to adjust and/or reallocate various line item costs as necessary within the total O&M Budget amount.
  - d. Approve either:
    - i. A direct labor budget of \$5.444 million (\$8.599 million with benefits and taxes) and the 2018 Salary Band Schedule with a 2.9% COLA s as shown in Exhibit B; or
    - ii. A direct labor budget of \$5.417 million (\$8.564 million with benefits and taxes) and the 2018 Salary Band Schedule with a 2.3% COLA s as shown in Exhibit B.
  - e. Approve the Other Post-Employment Benefits (OPEB) portion of the O&M budget (\$560,000), 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 for 2018 and 2019 inaugural budget as per Exhibit A or as amended by the Board.
  - b. Approve each project and project category as listed for 2018 and 2019 as per Exhibit A.
  - c. Authorize the General Manager spending and delegation 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 for 2018 as per Exhibit A or as amended by the Board.
  - b. Approve each project and project category as listed for 2018 and 2019 as per Exhibit A.
  - 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.
6. Approve the Reserve Policy (PL – Fin 004) as per Exhibit C (no changes).

**Discussion:**

Answers and Findings to the two Questions asked by the Board at the Special Board Workshop on October 9, 2017 are provided in Exhibit E. Based on the findings, staff is recommending a change to the CPI Index used historically by the District (Western Small Cities-B/C Index) to the Western Large Cities-A Index due to the population size of the County and greater Sacramento area. As the Western Cities-A Index is currently 2.9% and the Western Cities-B/C Index is 2.3%, such a change will entail a Budget increase of \$35,000. As opposed to recommending a change to the Budget at this time, staff proposes to address this change simultaneous with potential changes to the 2018 Budget for the 2 General Manager positions.

As required by the District's Budget Policy (PL Fin-012), the proposed 2018 Budget is balanced (revenues equaling expenses) when the \$3.69 million carryover of the two delayed 2017 projects, scheduled for completion in 2018, is taken into account. As directed by the Board in July 2017, the scheduled 2018 4% rate increase is also included in the proposed Budget.

Discussions on the Budget to-date have included presentations to the Finance and Audit Committee on October 2<sup>nd</sup> and to the full Board on October 9<sup>th</sup>. Direction and requests received from Directors have been incorporated into this third draft, which at the Board's request is being presented for adoption.

The 2018 Budget includes \$21.9 million for O&M expenses (to be adjusted for the 2.9% COLA change and the 2 GM positions). The O&M Budget presumes water production of 33,000 Acre-Feet, 2,000 of which is to be wholesaled to a neighboring water purveyor. Total water production estimates also presume the purchase of 12,150 acre-feet of water in the North Service Area and 1,000 acre-feet in the South Service Area. Staffing levels remain unchanged in 2018 and 2019, however the 2018 Budget includes 2 General Manager (GM) positions as one GM is under contract through 2018 and a new GM salary is expected shortly. Other Post-Employment

Benefits of \$0.56 million are based on a new actuarial report as of July 1, 2017 and is budgeted and to be funded in 2018. See Exhibit D, slides 15 – 32 for more detail.

The 2018 Budget includes \$19.4 million for CIP projects. Major projects are listed on Exhibit B and Exhibit D, slides 33 – 47.

The 2018 Budget includes \$1.3 million for OCB projects. OCB projects comprise fleet purchases, computer hardware/software purchases, building maintenance and operating equipment purchases. All OCB projects are listed on Exhibit B and Exhibit D, slides 48 – 54.

District debt service payments are forecast to be \$7.7 million in 2018. See Exhibit D, slide 56.

The 2018 Budget and 2019 Forecast materials are presented in the following order in the attached PowerPoint presentation (Exhibit D):

1. District Goals and Budget Process
2. 2018 and 2019 Key Assumptions
3. Total Revenue, Expense and Reserve Balance Analysis
4. Operation & Maintenance (O&M) Budget
5. Capital Improvement Program (CIP) Budget
6. Operating Capital Budget (OCB)
7. Debt Service Forecast
8. Reserve Policy (Exhibit C)

**Fiscal Impact:**

If adopted as presented, the 2018 O&M budget would be \$21.9 million, including funding other post-employment benefits of \$0.56 million and changing the COLA to the Western Cities-A Index (Note: COLA change will increase budget by \$35,000. Budget amendment to be considered at time of possible changes to GM contract.); the 2018 CIP budget would be \$19.4 million; the 2018 OCB budget would be \$1.3 million, and the 2018 debt service forecast would be \$7.7 million. The total of all four budgets would be \$50.2 million. Revenues are projected to be \$46.5 million resulting in a planned drawdown of reserves of \$3.7 million. The reserve planned drawdown is the result of \$3.7 million of delayed 2017 CIP projects, consisting of the Parkland Estates Phase 2 distribution main project and the Palm well. Projected reserve level at the end of 2018 is expected to be \$41.2 million.

**Strategic Plan Alignment:**

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

District customers benefit by ensuring the planned expenditure of ratepayer funds is open, transparent, and responsive to customer needs.

**EXHIBIT A**

**2018/19 Budget**

<b>Operations and Maintenance Budget</b>	<b>2018 Budget; w/2.9% COLA</b>	<b>2018 Budget; w/2.3% COLA</b>
Water Costs	\$5,832,000	\$5,832,000
Salaries	5,444,000	5,417,000
Employee Benefits	2,647,000	2,641,000
Employer Taxes and Insurance	508,000	506,000
OPEB	560,000	560,000
Engineering and Construction Services	2,667,000	2,667,000
Public Outreach & Conservation	549,000	549,000
Other	3,679,000	3,679,000
<b>Total</b>	<b>\$21,886,000</b>	<b>\$21,851,000</b>

<b>Capital Improvement Program Budget</b>	<b>2018 Proposed Budget</b>	
Production (Source of Supply)	\$4,650,000	
Transmission	50,000	
Storage	200,000	
Distribution	14,210,000	
Special Projects	250,000	
<b>Total</b>	<b>\$19,360,000</b>	

<b>Operating Capital Budget</b>	<b>2018 Proposed Budget</b>	
Information Technology	\$318,500	
Maintenance	255,000	
Operations	402,500	
Vehicles and Fleet	263,000	
Office Furniture and Equipment	25,000	
<b>Total</b>	<b>\$1,264,000</b>	

<b>Total 2018 Budget</b>	<b>\$42,475,000</b>	
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<b>Capital Improvement Program Budget</b>	<b>2019 Inaugural Budget</b>	
Production (Source of Supply)	\$500,000	
Distribution	1,500,000	
<b>Total 2019 CIP Inaugural Budget</b>	<b>\$2,000,000</b>	

## EXHIBIT A (continued)

<b>Capital Improvement Program (CIP) Projects for 2018 &amp; 2019</b>
Parkland Estates Phase 2 Distribution Main Project
Edison Meadows Distribution Main Project
Jonas – Albatross Distribution Main Project
Well 78, 69A, N6A and N36A – Treatment, Drilling and Pump Stations
Meter Retrofit Program – 1,290 meters in 2018 and 1,230 meters in 2019
Special Projects – Buy Parcels for Future Well Sites; Easement Acquisitions
<b>CIP Projects Based on Recurring Maintenance, Failures or Improvements</b>
Production Projects – Well Rehabilitation; SCADA Terminals/RTUs; Electrical Improvements; and Engine Generator Compliance Projects
Transmission Projects – Corrosion Control; Pipeline Connections
Storage Projects– Tank/Well Corrosion Control; Tank Inspection/Repairs
Distribution Projects – Small Projects – e.g., Utility Conflicts; McClellan Line Replacements; Lowering/Raising Valve Boxes; Meter Replacement/Repair
Special Projects – Purchase parcel for future well site; Easement Acquisitions
<b>Operating Capital Projects for 2018 and 2019</b>
<b>2018</b>
Various Well Site Asphalt & Sealing
Fence Replacement – 4 Well Sites
Peristaltic Chemical Dosing Pumps
UCMR 4 Monitoring
Ditch Witch FX65 Vacuum Excavation System
Compact Mini Excavator
Foreman Furniture
Trailer Replacement #168 and #169
Meter Vault Lid Retrofit
Folding Tables and Chairs
Vehicle Replacement/Right Size - Truck #2, 11, 14, 47 and 48
Rekey All Facilities
Walnut Facility Window Covering Replacement
Antelope Facility Improvements
Walnut Facility Improvements Exterior Seal and Office Remodel
Well Site and Building Structures Maintenance
Computer Hardware Refresh Program Purchases
Software Enhancements/Modules
Server Room
<b>2019</b>
Folding Tables and Chairs
Environmental Compliance Furniture
Meter Vault Lid Retrofit
Antelope Facility Improvements
Computer Hardware Refresh Program Purchases
Software Enhancements

EXHIBIT B

10/10/2017

Pay/Salary Band Position List

<u>Pay/Salary Band Number</u>	<u>Position</u>	<u>Number of Employees</u>
240/280	Customer Service Representative I/II 5 Flex Position	5 Flex Position
260/300	Administrative Assistant I/II	2 Flex Position
	Distribution Operator I/II	17 Flex Position
	Water Conservation Technician I/II	1 Flex Position
270/310	Production Operator I/II	7 Flex Position
280	Engineering Drafter	1
310	Facilities and Fleet Specialist	1
	Purchasing Specialist	1
320	Accountant	1
	Cross Connection Control Specialist	1
	Environmental Compliance Technician	1
	Field Operations Coordinator	1
330	Engineering Project Coordinator	1
	GIS/IT Technician	1
	Senior Inspector	1
340	Distribution Foreman	3
350	Electrical & Instrumentation Technician	1
	Production Foreman	1
360	GIS Coordinator	1
370	Assistant Engineer	1
650	Environmental Compliance Supervisor	1
	Executive Assistant to the GM	1
	Financial Analyst	1
	Human Resources Coordinator	1
	Water Conservation Supervisor	1
660	Administrative Services Manager	1
	Superintendent (Dist, Field Serv, Prod)	3
670	Information Technology Manager	1
680	Associate Engineer	1
700	Senior Project Manager	1
710	Senior Engineer	1
720	Operations Manager	1
730	Engineering Manager	1
740	Finance Director	1
760	Assistant General Manager	1
	General Manager	1
	Total Positions	<u>67</u>

**2018 Salary Bands with 2.9% COLA Applied**



SSWD SALARY MATRIX			COLA Factor	1.0290	
10/10/2017			COLA Award	2.90%	
NON-EXEMPT	(+/-10%)	HOURLY PAY			
BAND #	Minimum	Mid Point	Maximum	Annual Range	

230	16.84	18.72	20.59	35,027.20	42,827.20
240	17.72	19.69	21.66	36,857.60	45,052.80
250	18.61	20.68	22.74	38,708.80	47,299.20
260	19.54	21.71	23.87	40,643.20	49,649.60
270	20.51	22.79	25.07	42,660.80	52,145.60
280	21.53	23.92	26.31	44,782.40	54,724.80
290	22.59	25.11	27.62	46,987.20	57,449.60
300	23.75	26.39	29.02	49,400.00	60,361.60
310	24.91	27.69	30.46	51,812.80	63,356.80
320	26.15	29.06	31.96	54,392.00	66,476.80
330	27.46	30.52	33.57	57,116.80	69,825.60
340	28.83	32.04	35.24	59,966.40	73,299.20
350	30.27	33.63	36.98	62,961.60	76,918.40
360	31.80	35.34	38.88	66,144.00	80,870.40
370	33.40	37.11	40.82	69,472.00	84,905.60
380	35.06	38.96	42.86	72,924.80	89,148.80
390	36.85	40.93	45.00	76,648.00	93,600.00
400	38.69	42.99	47.29	80,475.20	98,363.20

EXEMPT BAND #	(+/-15%) Minimum	HOURLY PAY			Annual Range	
		Mid Point	Maximum			
630	4,953.87 28.58 5,206.93	5,829.20 33.63 6,125.60	6,702.80 38.67 7,044.27		59,446.40	80,433.60
640	30.04 5,468.67	35.34 6,434.13	40.64 7,397.87		62,483.20	84,531.20
650	31.55 5,740.80	37.12 6,754.80	42.68 7,768.80		65,624.00	88,774.40
660	33.12 6,030.27	38.97 7,094.53	44.82 8,158.80		68,889.60	93,225.60
670	34.79 6,335.33	40.93 7,453.33	47.07 8,569.60		72,363.20	97,905.60
680	36.55 6,647.33	43.00 7,820.80	49.44 8,994.27		76,024.00	102,835.20
690	38.35 6,981.87	45.12 8,216.00	51.89 9,448.40		79,768.00	107,931.20
700	40.28 7,328.53	47.40 8,621.60	54.51 9,914.67		83,782.40	113,380.80
710	42.28 7,697.73	49.74 9,054.93	57.20 10,412.13		87,942.40	118,976.00
720	44.41 8,079.07	52.24 9,507.33	60.07 10,935.60		92,372.80	124,945.60
730	46.61 8,488.13	54.85 9,985.73	63.09 11,483.33		96,948.80	131,227.20
740	48.97 8,918.00	57.61 10,490.13	66.25 12,062.27		101,857.60	137,800.00
750	51.45 9,361.73	60.52 11,013.60	69.59 12,665.47		107,016.00	144,747.20
760	54.01	63.54	73.07		112,340.80	151,985.60

General Manager - Contract Employee \*

16,972.00

203,664.00

\* Per contract dated March 27, 2017

**2018 Salary Bands with 2.3% COLA Applied**

<b>SSWD SALARY MATRIX</b>			<b>COLA Factor</b>	<b>1.0230</b>
10/10/2017			<b>COLA Award</b>	<b>2.30%</b>

<b>NON-EXEMPT</b>	<b>(+/-10%)</b>	<b>HOURLY PAY</b>			
<b>BAND #</b>	<b>Minimum</b>	<b>Mid Point</b>	<b>Maximum</b>	<b>Annual Range</b>	

230	16.75	18.61	20.47	34,840.00	42,577.60
240	17.62	19.58	21.53	36,649.60	44,782.40
250	18.51	20.56	22.61	38,500.80	47,028.80
260	19.43	21.58	23.73	40,414.40	49,358.40
270	20.39	22.66	24.92	42,411.20	51,833.60
280	21.40	23.78	26.16	44,512.00	54,412.80
290	22.45	24.96	27.46	46,696.00	57,116.80
300	23.61	26.23	28.85	49,108.80	60,008.00
310	24.77	27.53	30.28	51,521.60	62,982.40
320	25.99	28.88	31.77	54,059.20	66,081.60
330	27.30	30.34	33.37	56,784.00	69,409.60
340	28.66	31.85	35.04	59,612.80	72,883.20
350	30.10	33.44	36.77	62,608.00	76,481.60
360	31.61	35.13	38.65	65,748.80	80,392.00
370	33.21	36.90	40.58	69,076.80	84,406.40
380	34.85	38.73	42.61	72,488.00	88,628.80
390	36.63	40.69	44.74	76,190.40	93,059.20
400	38.46	42.74	47.02	79,996.80	97,801.60

EXEMPT BAND #	(+/-15%) Minimum	HOURLY PAY			Annual Range	
		Mid Point	Maximum			
	4,924.40	5,794.53	6,662.93			
630	28.41	33.43	38.44	59,092.80	79,955.20	
	5,175.73	6,089.20	7,002.67			
640	29.86	35.13	40.40	62,108.80	84,032.00	
	5,437.47	6,396.00	7,354.53			
650	31.37	36.90	42.43	65,249.60	88,254.40	
	5,707.87	6,716.67	7,723.73			
660	32.93	38.75	44.56	68,494.40	92,684.80	
	5,995.60	7,052.93	8,110.27			
670	34.59	40.69	46.79	71,947.20	97,323.20	
	6,298.93	7,410.00	8,521.07			
680	36.34	42.75	49.16	75,587.20	102,252.80	
	6,609.20	7,775.73	8,942.27			
690	38.13	44.86	51.59	79,310.40	107,307.20	
	6,940.27	8,167.47	9,392.93			
700	40.04	47.12	54.19	83,283.20	112,715.20	
	7,286.93	8,573.07	9,857.47			
710	42.04	49.46	56.87	87,443.20	118,289.60	
	7,652.67	9,002.93	10,351.47			
720	44.15	51.94	59.72	91,832.00	124,217.60	
	8,032.27	9,451.87	10,871.47			
730	46.34	54.53	62.72	96,387.20	130,457.60	
	8,437.87	9,926.80	11,415.73			
740	48.68	57.27	65.86	101,254.40	136,988.80	
	8,866.00	10,429.47	11,992.93			
750	51.15	60.17	69.19	106,392.00	143,915.20	
	9,308.00	10,949.47	12,590.93			
760	53.70	63.17	72.64	111,696.00	151,091.20	

General Manager - Contract Employee \*

16,972.00

203,664.00

\* Per contract dated March 27, 2017

## Sacramento Suburban Water District

**Reserve Policy**

Adopted: August 18, 2003

Revised: September 20, 2004; August 21, 2006; August 18, 2008, November 19, 2012,  
January 27, 2014; November 16, 2015, October 17, 2016; April 17, 2017; October 16, 2017**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 (FDC) 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 Target Funding Level**

A summary of reserve fund classifications and funding levels is shown below:

<b>Fund Classification</b>	<b>Funding Level</b>
Debt Service Reserve Fund	Determined upon bond issuance.
Facilities Reimbursement Fund	20% of FDC charges collected annually less developer payouts.
Emergency/Contingency Fund	25% of annual revenues.
Operating Fund	25% of annual operating and debt service expenditures.
Rate Stabilization Fund	50% of water consumption revenues.
Interest Rate Risk Management Fund	Accumulated earnings on short-term investments above 3.283% on the unhedged portion of variable-rate debt.
Grant Fund	Sufficient to pay for “local cost share” on all outstanding and applied-for grants.

Capital Asset Fund	Sufficient to fund CIP projects above the amount CIP funding amount anticipated at rate setting or budget preparation time.
Facilities Development Charge Fund	Remaining amounts of FDC Charges after amounts used by Facilities Reimbursement Fund expended. For new infrastructure.
<b>Minimum Reserve Funding Target</b>	<b>\$40 million</b>

**500.00 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.

**600.00 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.

**700.00 Policy Review**

This Policy will be reviewed annually as part of the budget adoption process.

2018 Budget  
2019 Forecast  
Third Draft

Board Meeting  
October 16, 2017

# Mission Statement

- *To deliver a high quality, reliable supply of water and superior customer service at the lowest responsible 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 embracing sustainable practices to provide reliable delivery of high quality water.
- **Customer Service:**
  - Assure superior and reliable 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 impact the customers.

# 2018/19 Budget Development Process

- Staff Development of Budgets
- Finance and Audit Committee – 07/10/17, 3:00 pm
  - Budget Assumptions; Provide Direction to Staff
- September Board Meeting – 09/18/17
  - Status Report; Provide Direction to Staff
- Finance and Audit Committee – 10/02/17, 3:00 pm
  - First Draft; Provide Direction to Staff
- Board Workshop – 10/09/17, 6:00 pm
  - Second Draft; Provide Direction to Staff
- October Board Meeting – 10/16/17
  - As Directed at Board Workshop – Budget Approval
- November Board Meeting – 11/20/17
  - Budget Approval or Additional Direction to Staff

# 2018/19 Budget Process

- Two Year Planning Process
  - Revenue and Expenses Projected over a 2 Year Horizon
- O&M and OCB Budget
  - Budget Adopted for First Year
  - Forecast Provided for Second Year
- CIP Projects and Budget
  - Budget Adopted through Project Completion (2018 and into 2019)
  - Projects Approved for 2 Year Period

# 2018/19 Budget Assumptions

Key Assumptions	2016		2017		2018		2019	
1 Rate Increase	4.00% \$1,600,000		4.00% \$1,700,000		4.00% \$1,800,000			
2 No Change in SSWD Service Boundaries								
3 New Service Connections (Growth)	Increase	0.43%	Increase	0.52%	Increase	0.52%	Increase	0.52%
4 Water Production: (A)	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>	<u>Cost/AF</u>	<u>AF</u>
a. Water Supply Forecast Based on 5 Year Average								
b. SSA Surface Water (City)	\$ 428.80	550 AF	\$ 450.24	1,000 AF	\$ 463.75	1,000 AF	\$ 477.66	1,000 AF
c. SSA Groundwater (Variable costs)	\$ 118.39	10,550 AF	\$ 123.12	15,000 AF	\$ 128.72	13,000 AF	\$ 133.86	13,000 AF
d. NSA Surface Water (PCWA – Raw Water)	\$ 48.05	12,000 AF	\$ 50.45	12,000 AF	\$ 35.00	12,000 AF	\$ 35.00	12,000 AF
e. NSA Surface Water (Bureau - Wheeling)	\$ 27.04	12,000 AF	\$ 28.39	12,000 AF	\$ 32.21	12,000 AF	\$ 33.82	12,000 AF
f. NSA Surface Water (SJWD - Treatment)	\$ 135.34	12,000 AF	\$ 161.92	12,150 AF	\$ 176.49	12,150 AF	\$ 192.37	12,150 AF
g. NSA Groundwater (Variable costs)	\$ 106.81	8,900 AF	\$ 111.08	6,850 AF	\$ 117.00	6,850 AF	\$ 121.68	6,850 AF
h. NSA Bureau 215 Water	\$ 72.80	0 AF	\$ 76.44	150 AF	\$ 80.26	150 AF	\$ 84.28	150 AF
i. NSA Wheel Water to Cal-AM, RLEVWD (Revenue)	\$ (196.48)	2,500 AF	\$ (337.05)	2,500 AF	\$ (356.14)	2,500 AF	\$ (373.95)	2,500 AF
5 Anticipated Outside Water Sales, Net	None		None		None		None	
6 Investment Yield	1.75%		2.00%		2.00%		2.00%	
7 Variable Debt Interest Rate	3.86%		3.86%		3.86%		3.86%	
8 Electrical Cost Increase	2.50%		2.50%		2.50%		2.50%	
9 COLA (As of July 31)	0.30%		0.70%		2.90%		2.90%	
10 Merit Program	4.00%		3.00%		3.00%		3.00%	
11 Construction Inflation (B)	3.00%		2.80%		3.00%		3.00%	
12 Health Care Cost (C)	2.60%		-2.00%		2.33%		3.00%	
13 Tier 1 Pension Cost (% of Salaries)	\$317,000	21.70%	\$ 373,000	21.50%	\$ 470,000	22.37%	\$ 582,000	23.00%
14 Tier 2 Pension Cost (% of Salaries)	\$ 5,000	16.20%	\$ 7,500	16.10%	\$ 12,500	16.64%	\$ 18,000	17.10%
15 Tier 3 Pension Cost (% of Salaries)		6.73%	\$ 200	6.90%	\$ 500	7.30%	\$ 900	7.30%
16 New Hires		1		4		2		-
17 Funding of Post Retirement Benefits	\$ 459,600		\$ 472,200		\$ 560,000		\$ 575,000	
<b>Footnotes:</b>								
(A) SSA = South Service Area; NSA = North Service Area								
(B) 20 Cities CCI Index, Source: ENR								
(C) From UnitedHealthcare to HealthNet Smart Care HMO								



# 2017 Projected Actual and Highlights

	<b>Amended 2017 Budget \$ Millions</b>	<b>Projected 2017 Actual \$ Millions</b>
Operations & Maintenance Budget	\$21.3	\$19.5
Capital Improvement Program Budget	17.0	13.3
Operating Capital Program Budget	1.1	1.2
Debt Service Budget	<u>7.8</u>	<u>7.5</u>
Total	<u>\$47.2</u>	<u>\$41.5</u>

## 2017 Projected Results:

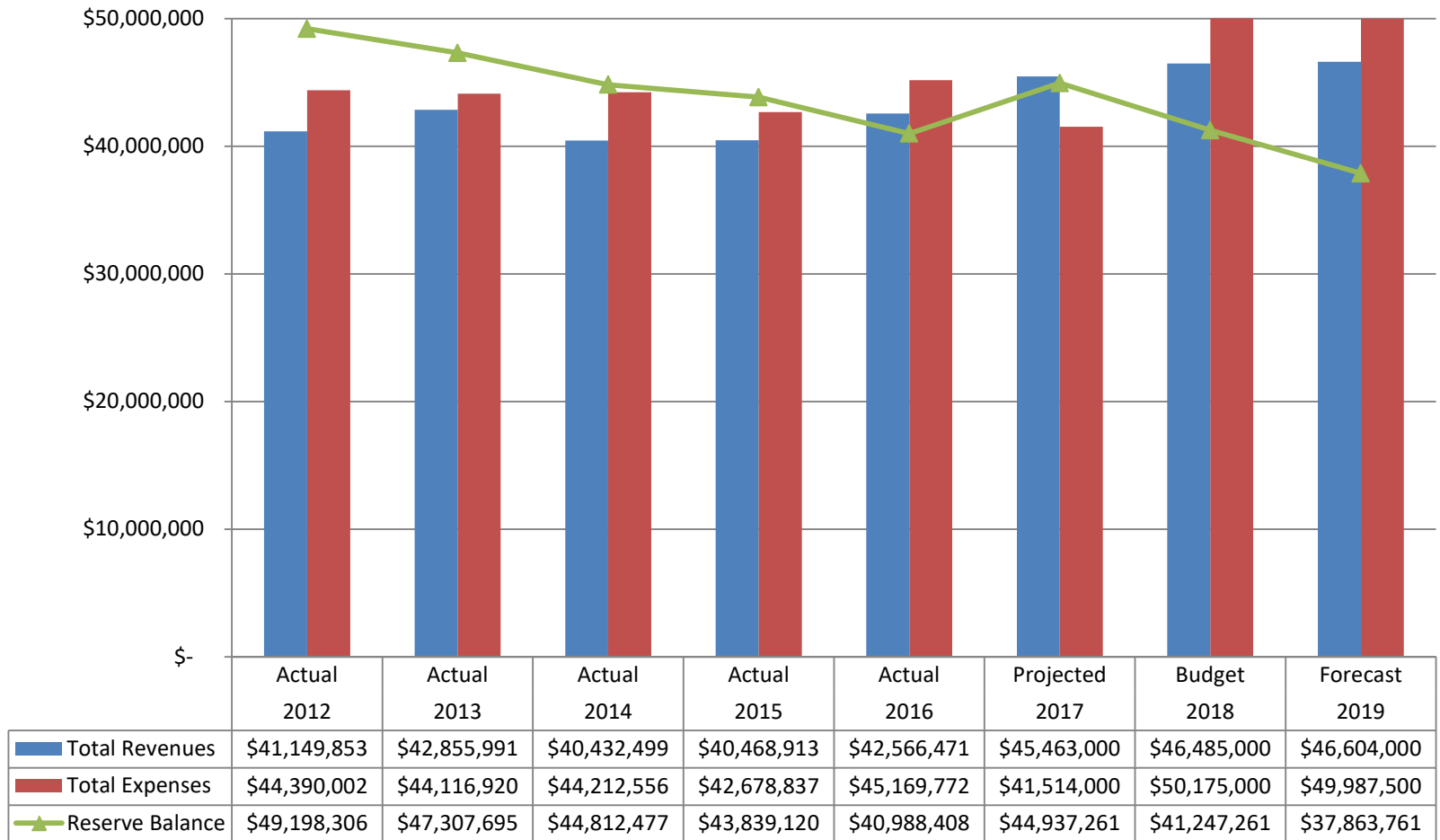
- Water Deliveries of 34,100 AF
  - Comprised of 32,300 AF to Customers and Wheeled Water Deliveries of 1,800 AF
- Follow modified asset management plans for replacing water infrastructure assets, to include:
  - For 2017 expect to replace 5.3 miles of Distribution Main Lines, including 180 Meters
  - Install an Additional 1,298 Water Meter Retrofits – (1,283 Meter Retrofit Program, 15 Voluntary)
  - Continue work on Palm Avenue Well – Site Work and Pumping Facilities
  - Began Permitting and Design of Manganese Treatment Facility at Verner Well
  - Began Multi-Year Process to Acquire Future Well Sites
  - 2017 Projects Deferred to 2018 – Palm Well \$1.45 million; Parkland Estates \$2.24 million

# 2018 Budget and 2019 Forecast

	<u>2016 Actual</u>	<u>2016 Amended Budget</u>	<u>Actual As Of 8/31/17</u>	<u>2017 Projected</u>	<u>2017 Amended Budget</u>	<u>2018 Proposed Budget</u>	<u>2019 Forecast</u>
Water Sales Charge	\$ 11,053,442	\$ 10,850,000	\$ 7,893,131	\$ 11,949,000	\$ 11,952,000	\$ 12,489,000	\$ 12,554,000
Water Service Charge	6,348,507	7,000,000	4,221,807	6,460,000	7,146,000	6,752,000	6,787,000
Capital Facilities/Debt Repayment	22,574,500	22,000,000	15,369,030	23,495,000	22,977,000	24,557,000	24,685,000
Wheeling Water Charge	167,337	560,000	165,788	168,000	633,000	175,000	175,000
Other Charges for Services	939,242	1,000,000	671,721	982,000	1,018,000	1,047,000	1,047,000
Income From Customers	41,083,028	41,410,000	28,321,477	43,054,000	43,726,000	45,020,000	45,250,000
Water Transfers	-	-	-	-	1,992,000	-	-
Interest Income	557,770	680,000	595,367	893,000	820,000	899,000	780,000
Other Income (Leases, Cells, Etc.)	262,861	300,000	322,693	409,000	250,000	266,000	274,000
Facility Development Charges	264,209	500,000	91,097	137,000	500,000	300,000	300,000
Grant Income	398,603	1,425,000	32,882	970,000	210,000	-	-
Total Other Income	1,483,443	2,905,000	1,042,039	2,409,000	3,772,000	1,465,000	1,354,000
Total Revenue	<u>\$ 42,566,471</u>	<u>\$ 44,315,000</u>	<u>\$ 29,363,516</u>	<u>\$ 45,463,000</u>	<u>\$ 47,498,000</u>	<u>\$ 46,485,000</u>	<u>\$ 46,604,000</u>
<b>Budgets:</b>							
Operations and Maintenance	19,680,747	17,895,000	12,199,230	19,545,148	21,311,000	<b>21,851,000</b>	22,427,000
Capital Improvement Program	17,179,377	18,796,000	6,335,378	13,285,000	16,975,000	<b>19,360,000</b>	18,550,000
Operating Capital Program	722,684	974,000	571,122	1,141,000	1,166,000	<b>1,264,000</b>	1,290,500
Debt Service (Forecast)	7,505,697	7,605,000	2,322,001	7,543,000	7,770,000	<b>7,700,000</b>	7,720,000
Total Costs	45,088,505	45,270,000	21,427,731	41,514,148	47,222,000	<b>50,175,000</b>	49,987,500
Change in Reserve Balance	(2,522,034)	(955,000)	7,935,785	3,948,853	276,000	(3,690,000)	(3,383,500)
Reserve (Cash) Balance	<u>\$ 40,988,408</u>	<u>\$ 40,033,408</u>	<u>\$ 48,370,727</u>	<u>\$ 44,937,261</u>	<u>\$ 41,264,408</u>	<u>\$ 41,247,261</u>	<u>\$ 37,863,761</u>

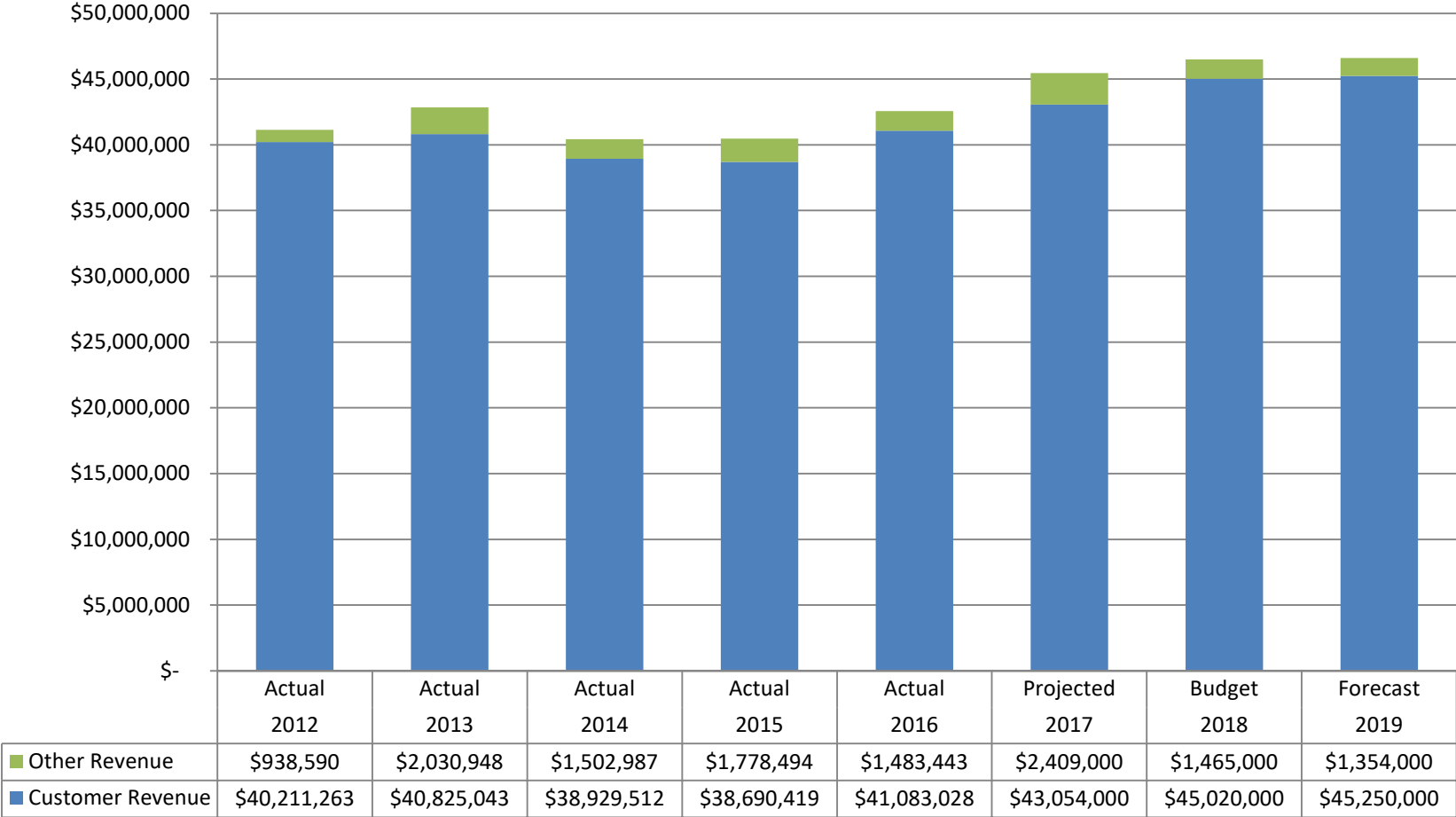
Note: Bolded lines are the Budgets – O&M, CIP, OCB, and Debt Service Forecast

# Total Revenues Vs Total Expenditures 2012 to 2019



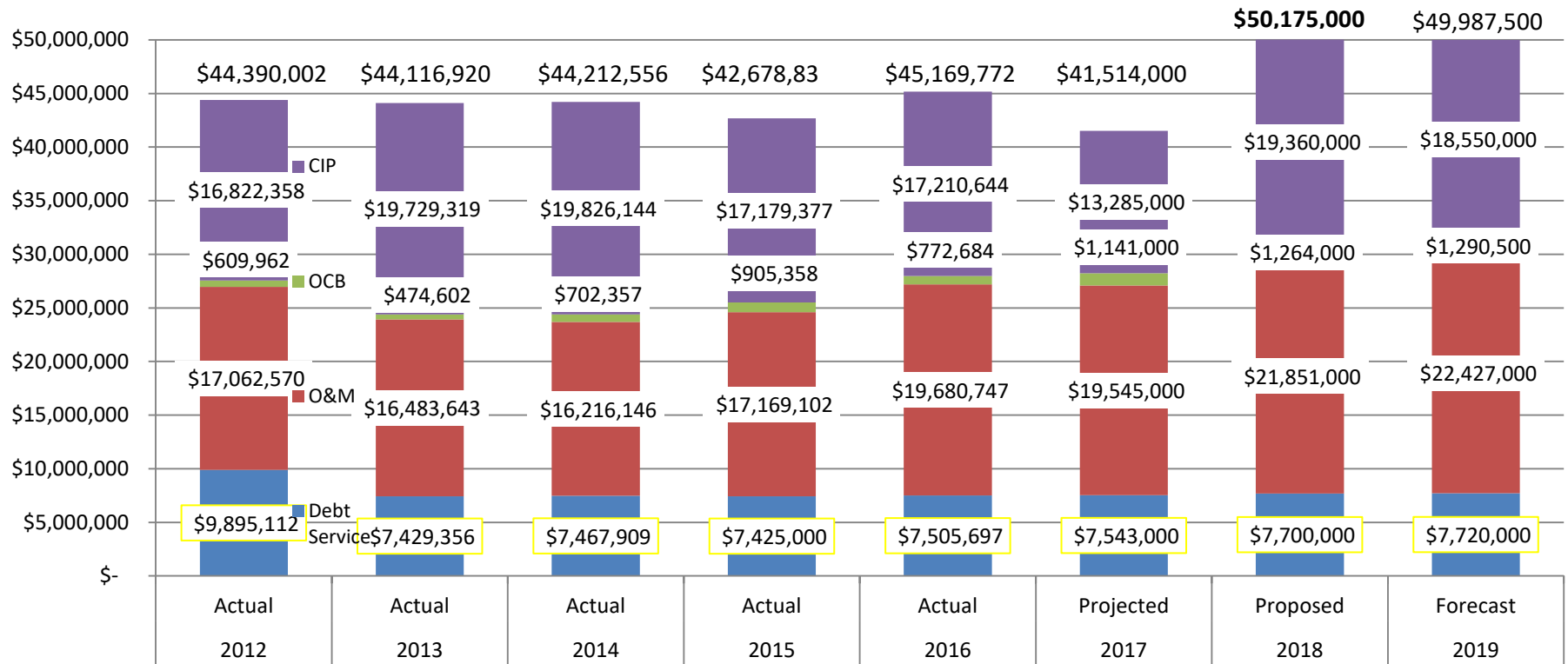
Per Section 200.00, Part A of the District's Budget Policy (PL – Fin 012) the proposed 2018 Budget is balanced (revenues equal expenses) when the \$3.69 million in deferred 2017 CIP Projects is included.

# Total Revenues 2012 to 2019



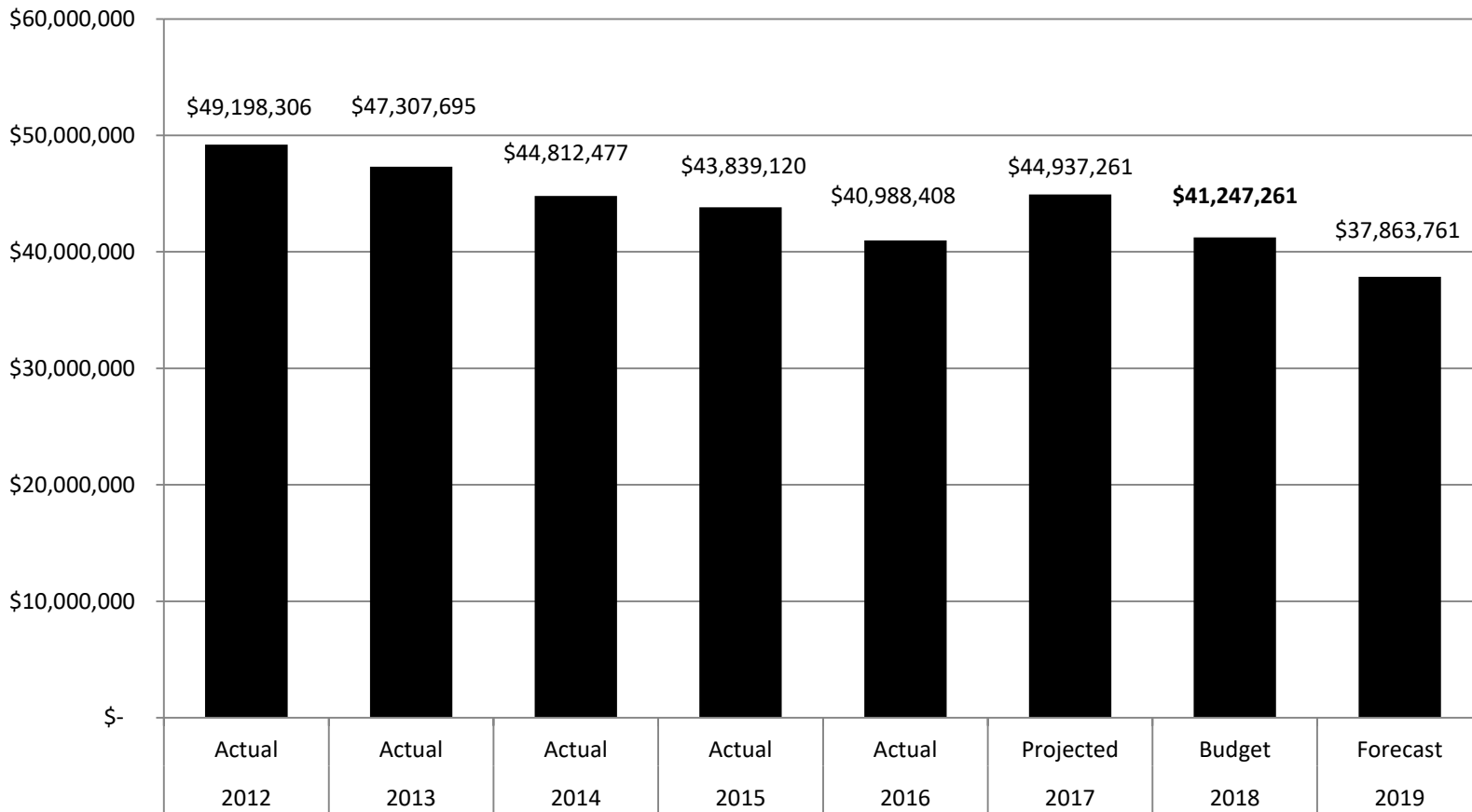
Customer revenue is expected to increase \$1.8 million in 2018 due to the 4.0% per annum rate increase approved in 2013. No rate increases have been approved for 2019.

# Total Expenditures 2012 to 2019



The increase in 2018 is due primarily to two 2017 deferred CIP Projects - \$3.69 million - being completed in 2018.

# Reserve Balance 2012 to 2019



From a high of \$57.7 million at the end of 2009, the Board has strategically lowered the reserve balance to roughly \$40 million.

# Reserve Balance Detail

## 2012 to 2019

	Actual	Actual	Actual	Actual	Actual	Projected	Budget	Forecast
	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
Debt Service Reserve	\$ 3,532,012	\$ 3,520,472	\$ 3,540,082	\$ 3,523,427	\$ 3,540,038	\$ 3,561,255	\$ <b>3,517,500</b>	\$ 3,517,500
Facilities Reimbursement	76,051	42,968	21,873	21,873	-	-	-	-
Emergency/Contingency	10,660,000	10,317,750	10,758,000	10,758,000	10,387,000	10,931,500	<b>11,255,000</b>	11,312,500
Operating	6,183,575	6,466,000	6,468,857	6,468,857	6,490,750	7,270,250	<b>7,403,750</b>	7,553,000
Rate Stabilization	5,470,000	5,525,000	5,870,000	5,870,000	5,630,000	5,976,000	<b>6,244,500</b>	6,277,000
Interest Rate Risk	-	-	-	-	-	-	-	-
Grant	7,696,000	3,832,000	654,000	654,000	1,068,000	210,000	-	-
Capital Asset	15,580,668	17,603,505	17,499,665	16,542,963	13,872,620	15,317,567	<b>12,826,511</b>	9,203,761
<b>TOTAL</b>	<u>\$ 49,198,306</u>	<u>\$ 47,307,695</u>	<u>\$ 44,812,477</u>	<u>\$ 43,839,120</u>	<u>\$ 40,988,408</u>	<u>\$ 43,266,572</u>	<u>\$ <b>41,247,261</b></u>	<u>\$ 37,863,761</u>

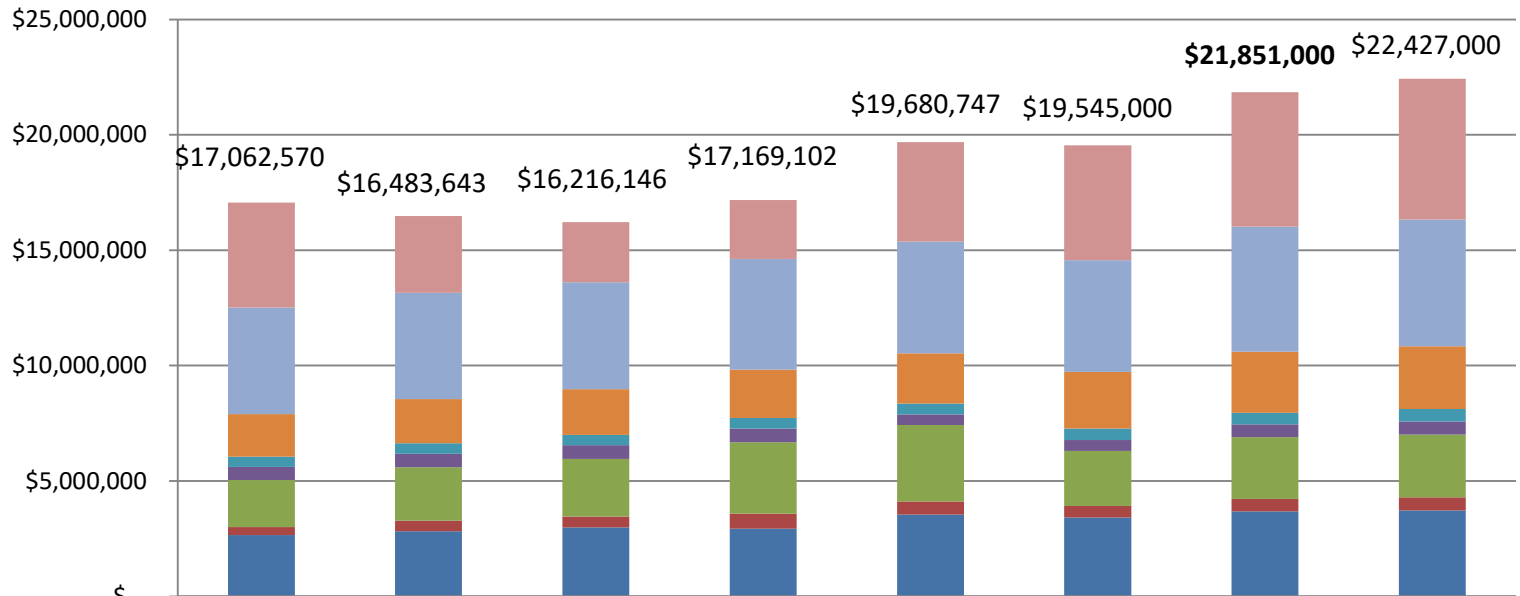
Individual reserve account changes based on proposed 2018 budget.

Actual fluctuations (2012 to 2017) are due to changes in CIP costs and/or Consumption Revenues.

# O&M Budget



# O&M Expenses 2012 to 2019



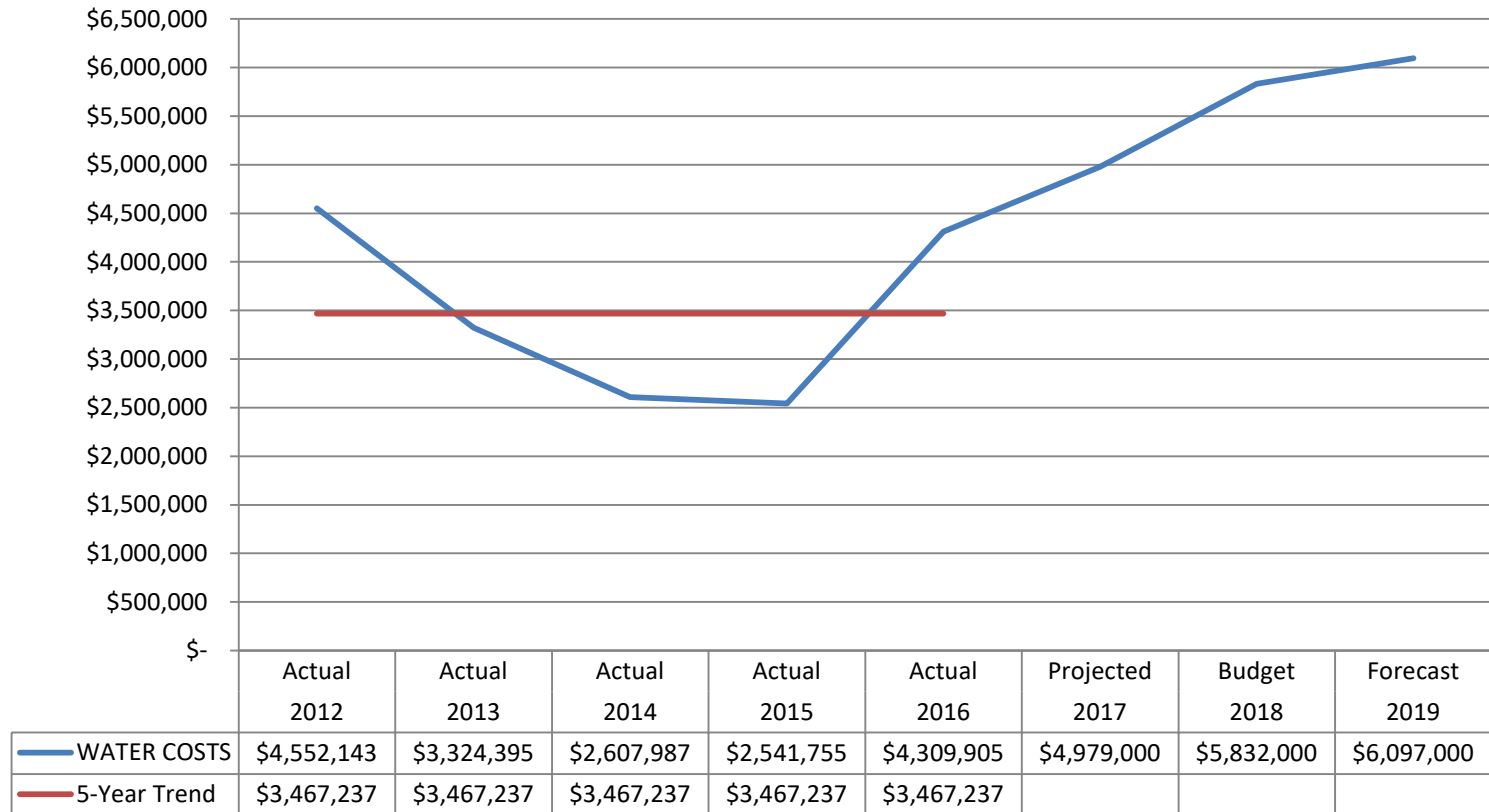
	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Projected 2017	Budget 2018	Forecast 2019
WATER COSTS	\$4,552,143	\$3,324,395	\$2,607,987	\$2,541,755	\$4,309,905	\$4,979,000	\$5,832,000	\$6,097,000
SALARIES	\$4,607,863	\$4,610,564	\$4,633,287	\$4,794,117	\$4,833,627	\$4,834,000	\$5,417,000	\$5,494,000
EMPLOYEE BENEFITS	\$1,843,785	\$1,915,889	\$1,980,390	\$2,096,685	\$2,187,134	\$2,459,000	\$2,641,000	\$2,720,000
EMPLOYER TAXES & INSURANCE	\$451,568	\$457,888	\$439,159	\$460,746	\$458,614	\$501,000	\$506,000	\$533,000
OPEB	\$558,200	\$576,300	\$592,700	\$591,000	\$470,000	\$472,200	\$560,000	\$575,000
ENGINEERING & CONSTRUCTION SERVICES	\$2,046,857	\$2,323,246	\$2,501,575	\$3,102,132	\$3,314,420	\$2,375,000	\$2,667,000	\$2,720,000
PUBLIC OUTREACH & CONSERVATION	\$342,356	\$452,250	\$469,571	\$641,111	\$565,157	\$511,390	\$549,000	\$560,000
OTHER	\$2,659,798	\$2,823,111	\$2,991,477	\$2,941,556	\$3,541,890	\$3,413,410	\$3,679,000	\$3,728,000

Discussion of individual line items variances appear on subsequent pages.

# O&M Expense Detail

## Water Costs

— WATER COSTS — 5-Year Trend



Water costs fluctuate based on hydrological conditions. Due to the conditions in 2013 - 2015, SW was largely unavailable. 2018 and 2019 assume the purchase of 13,150 AF of SW (SSA - 1,000 AF and NSA 12,150 AF).

# O&M Expense Detail

## 2017/18 Farmer's Almanac

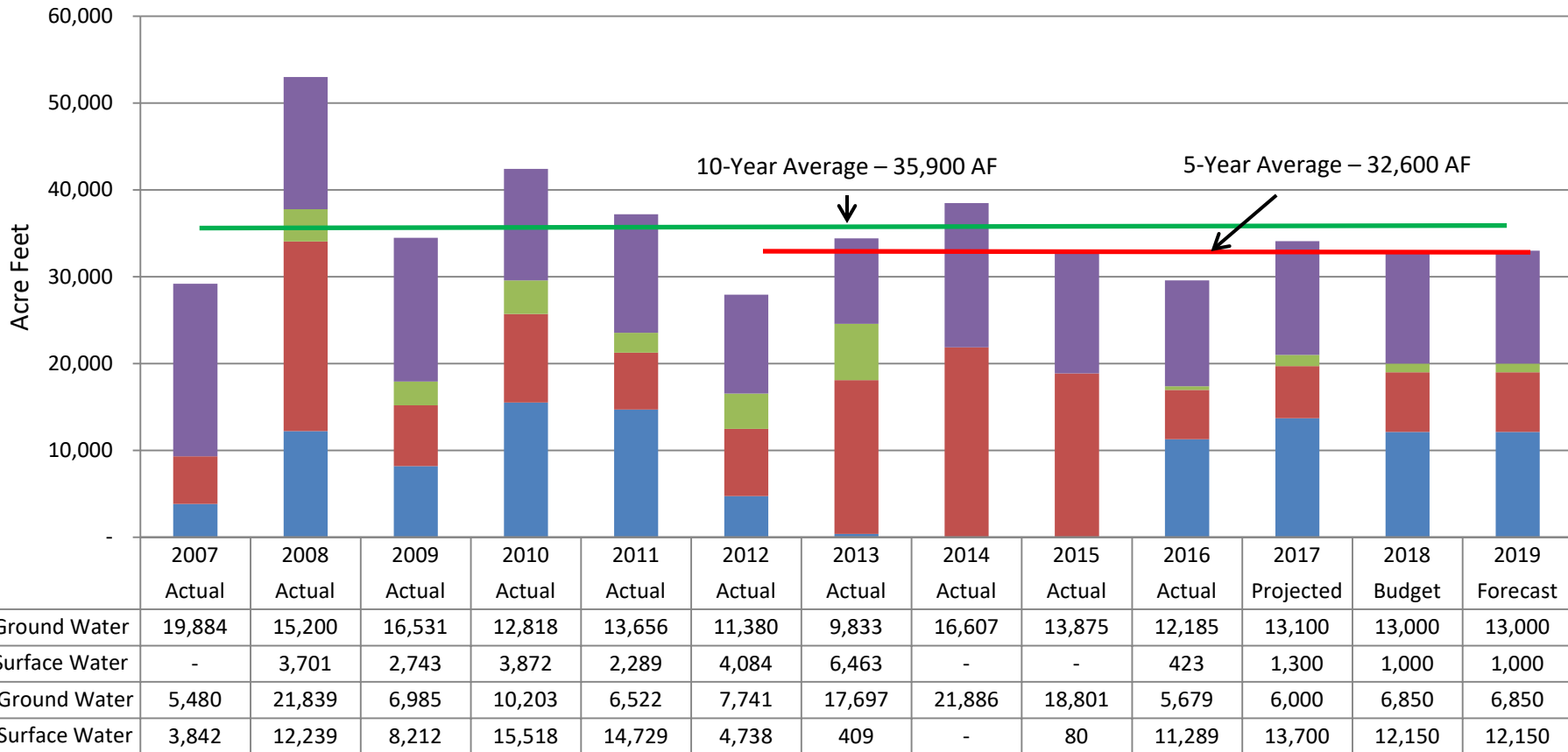


Winter will be cooler than normal, with rainfall above normal in the north and near normal in the south. The coldest periods will occur from late November into early December and in early February. Mountain snows will be above normal, with the stormiest periods in early to mid-November and early and late January. April and May will be slightly drier than normal. Temperatures will be below normal near the coast and above normal inland. Summer will be cooler than normal, with near-normal rainfall. The hottest periods will be from late May into early June and in mid-June and mid-July. September and October will have near-normal temperatures, with rainfall above normal in the north and below normal in the south.

# O&M Expense Detail

## Water Production

■ NSA Surface Water   ■ NSA Ground Water   ■ SSA Surface Water   ■ SSA Ground Water

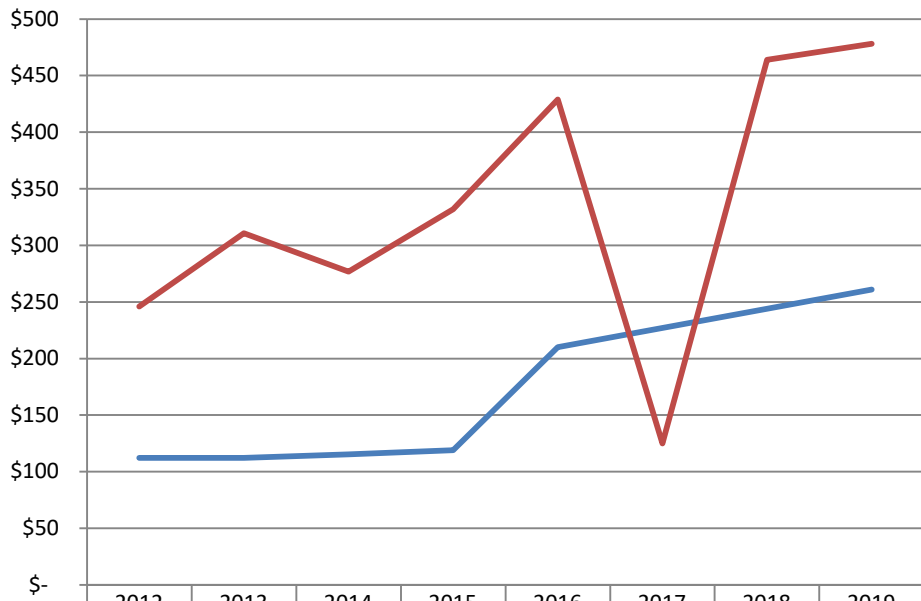


2018 production amounts/alternatives discussed with the Finance and Audit Committee and Board in July.

# Surface Water vs Ground Water Costs

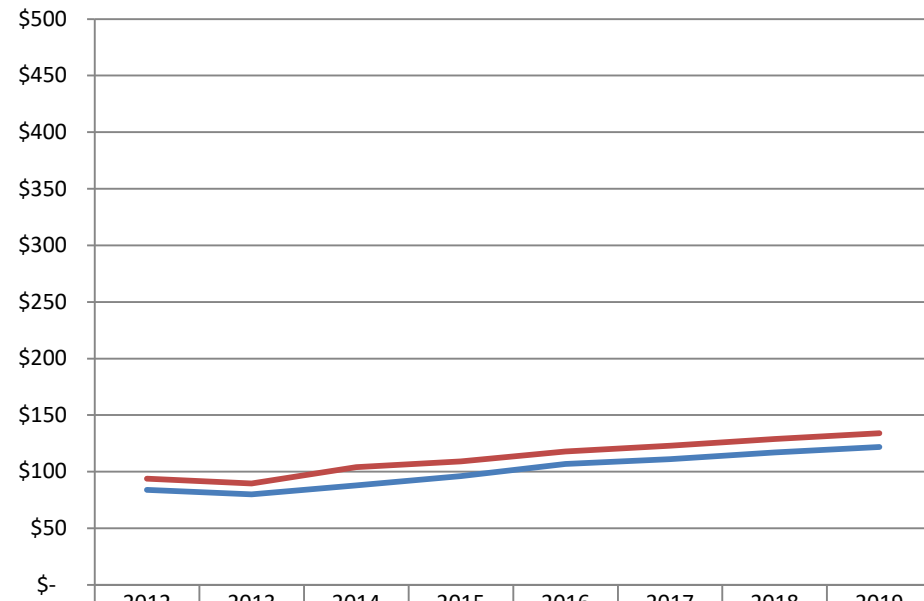
## Variable Surface Water Costs

— NSA — SSA



## Variable Ground Water Costs

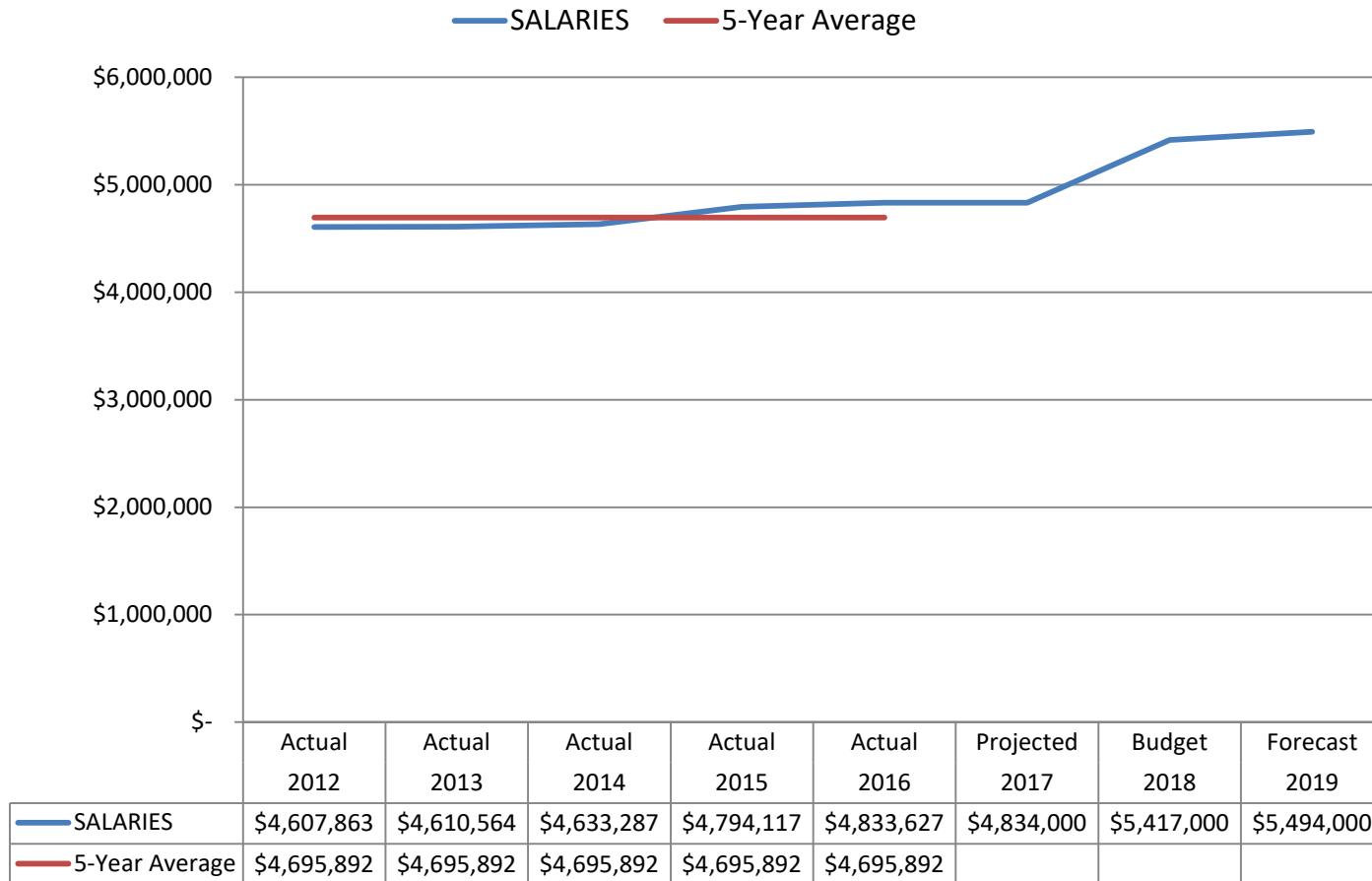
— NSA — SSA



SSA - SW cost was uniquely low in 2017 due to testing on the City's new filtration system; sold at treatment cost.  
 NSA - SW cost for 2018 and 2019 expected to be \$244/AF and \$261/AF, respectively, compared to \$227/AF in 2017.  
 SSA/NSA - GW costs increasing due to - 1.0% electricity, 3.0% chemical and 8.5% SGA fees.

# O&M Expense Detail

## Salaries

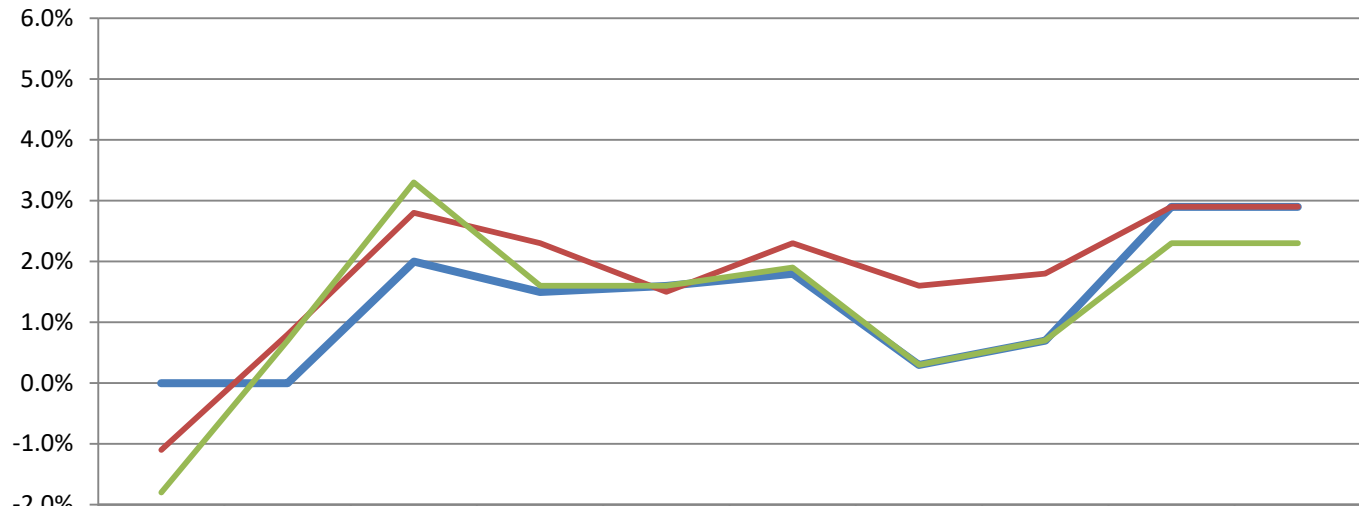


2018 Base Salary - \$4.95 million. 2018 increase due to budgeting for 2 General Manager positions (\$180,000), Merit and COLA increase of 5.3% (\$238,000) and 2017 unfilled positions being filled in 2018 (\$110,000). Other 2018 Salary costs include \$190,000 in Overtime and \$44,000 Stand-By pay.

# O&M Expense Detail

## COLA

SSWD Western Cities - A Western Cities - B/C



	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Forecast*
SSWD	0.0%	0.0%	2.0%	1.5%	1.6%	1.8%	0.3%	0.7%	2.9%	2.9%
Western Cities - A	-1.1%	0.8%	2.8%	2.3%	1.5%	2.3%	1.6%	1.8%	2.9%	2.9%
Western Cities - B/C	-1.8%	0.7%	3.3%	1.6%	1.6%	1.9%	0.3%	0.7%	2.3%	2.3%

SSWD COLA is proposed to be equal to the Western Cities – A Index as published by the US Bureau of Labor Statistics. Previously the Western Cities – B/C Index had been used. The change is recommended based on the size of the population in the County and Greater Sacramento Area. (Note: excludes both GM positions in 2018.)

\* 2019 estimated by staff as no change from 2018.

# O&M Expense Detail

## COLA – 10 Year Average

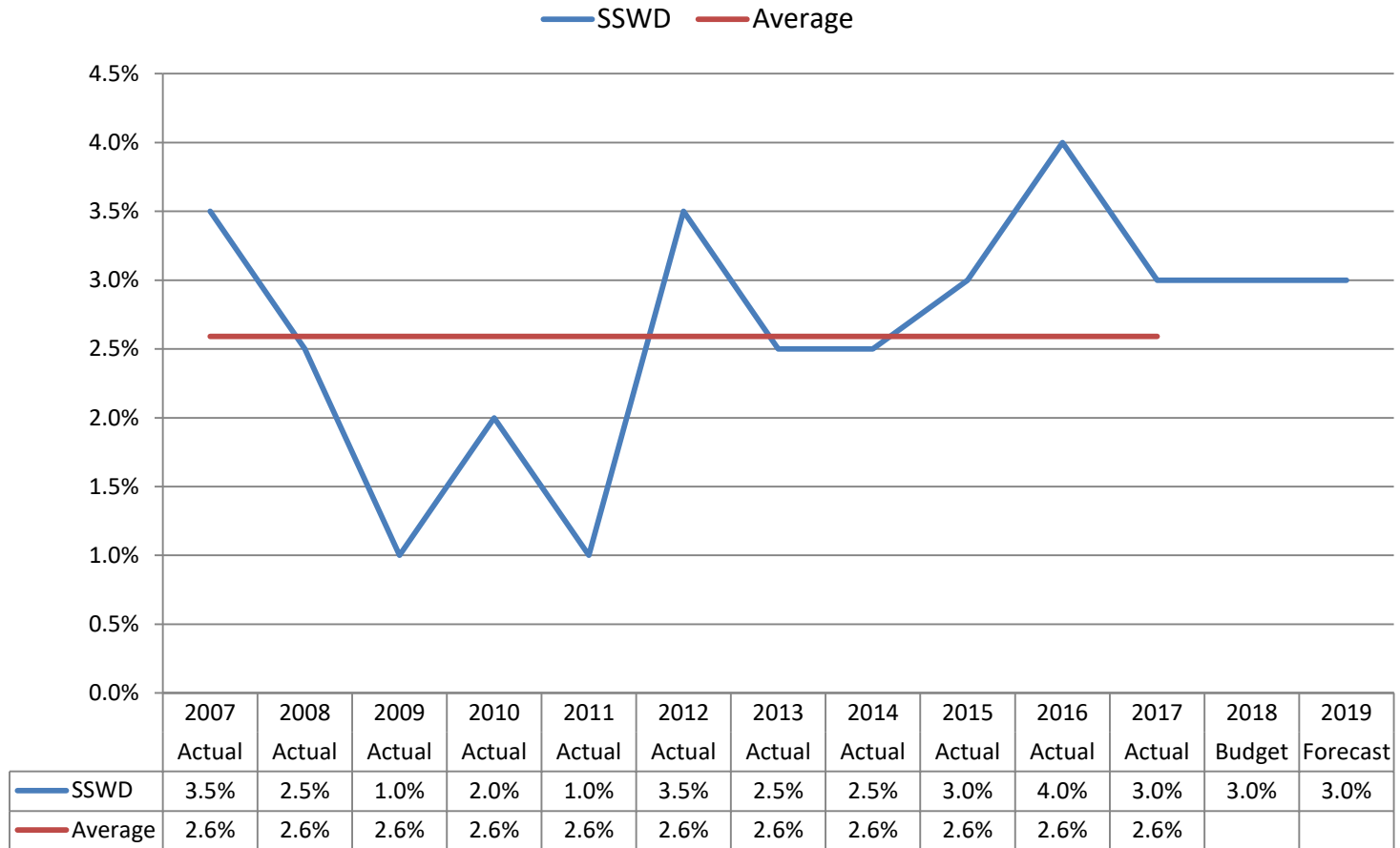
Index	Average	SSWD Average	SSWD Award%
Social Security	2.0%	1.5%	75%
U.S. Cities	2.2%	1.5%	67%
Western Cities	2.0%	1.5%	75%
Total	2.1%	1.5%	72%

SSWD Average COLA Increase over the past 10 years has been 72% of the average Western Cities, Social Security and US Cities COLAs.



# O&M Expense Detail

## Merit



Discussion of how merit is administered appears on the two following slides.  
 (Note: excludes both GM positions in 2018).

# O&M Expense Detail

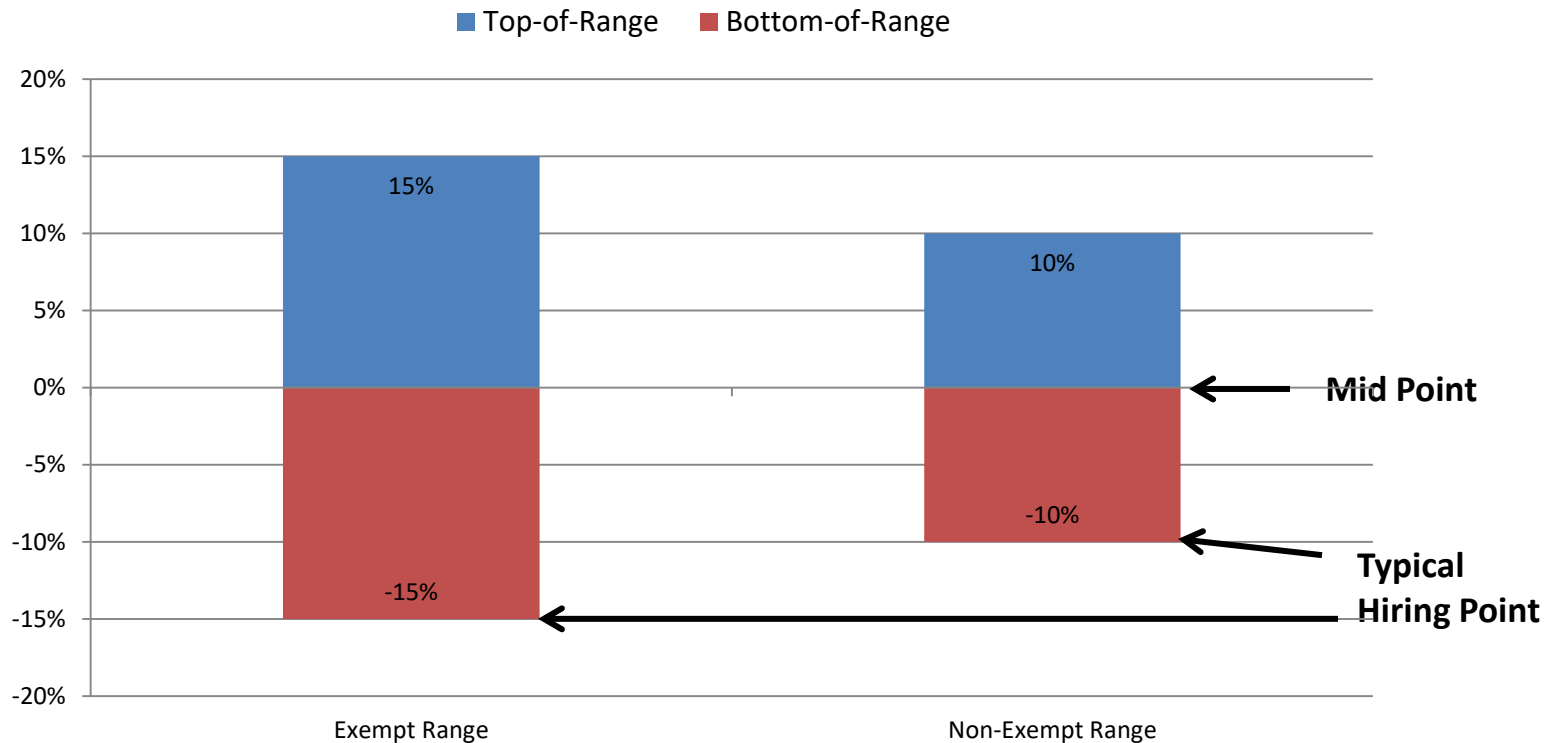
## Salary Band Data

	<u>No. of Employees</u>	<u>At Salary Cap</u>	<u>Percentage</u>
Exempt	17	9	53%
Non-Exempt	50	22	44%
Total Employees	67	31	46%

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

# O&M Expense Detail

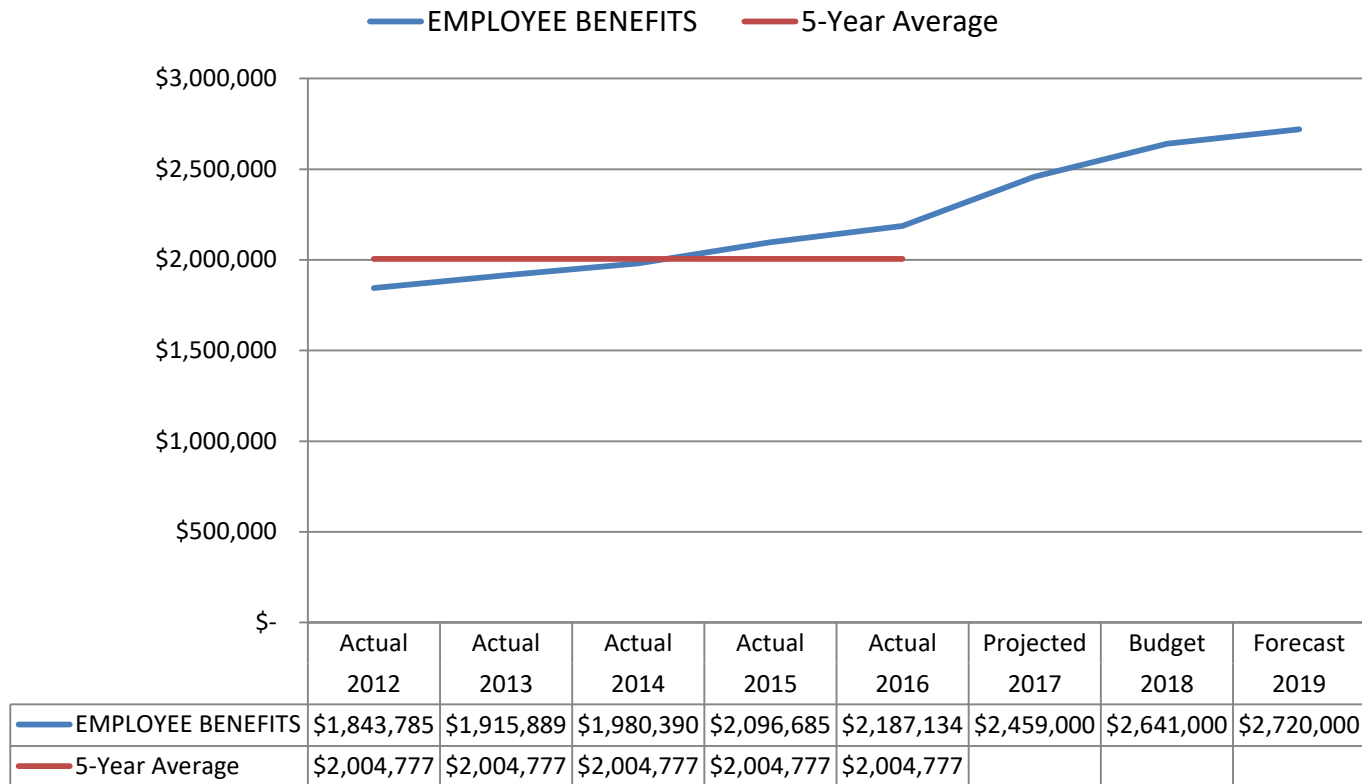
## Salary Bands



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



2018 increase due to increase in pension costs, health care costs and 2<sup>nd</sup> General Manager position (\$81,000). 2019 excludes the additional General Manager position.

# O&M Expense Detail

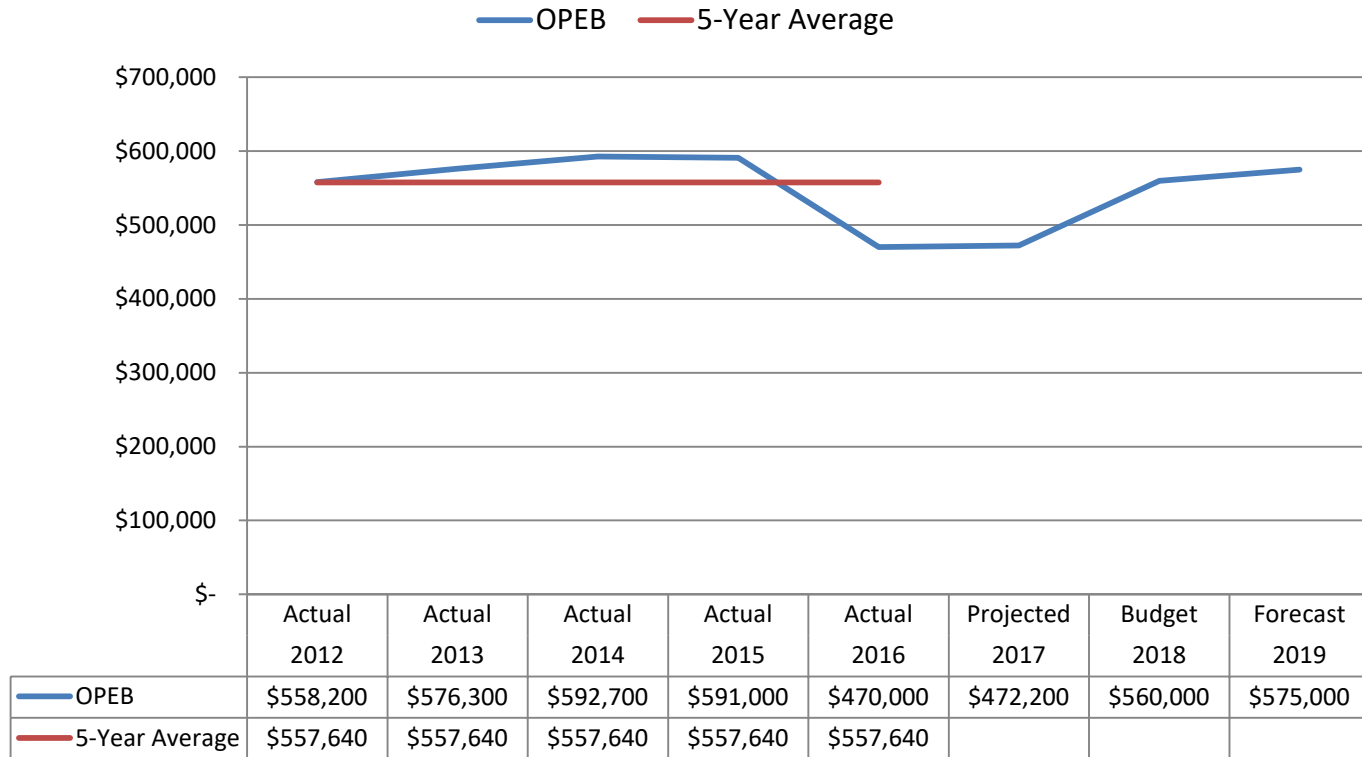
## Employee Benefits

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget	2019 Forecast
<b>EMPLOYEE BENEFITS</b>	\$ 1,843,785	\$ 1,915,889	\$ 1,980,390	\$ 2,096,685	\$ 2,187,134	\$ 2,459,000	\$ 2,641,000	\$ 2,720,000
Medical Insurance	\$ 741,126	\$ 797,192	\$ 846,251	\$ 905,832	\$ 922,772	\$ 1,006,000	\$ 1,095,000	\$ 1,128,000
Dental Insurance	81,593	82,640	96,894	102,555	94,682	107,000	120,000	124,000
Vision Insurance	16,419	16,304	15,065	13,845	14,083	18,000	16,000	16,000
Life Insurance	16,732	16,648	17,090	17,731	17,708	22,000	22,000	23,000
LTD Insurance	23,075	23,147	22,050	22,966	22,970	30,000	30,000	31,000
CalPERS Pension	924,410	940,005	944,510	1,007,417	1,081,615	1,220,000	1,297,000	1,336,000
Miscellaneous *	40,430	39,953	38,530	26,339	33,304	56,000	61,000	63,000
<b>Total Employee Benefits</b>	<u>\$ 1,843,785</u>	<u>\$ 1,915,889</u>	<u>\$ 1,980,390</u>	<u>\$ 2,096,685</u>	<u>\$ 2,187,134</u>	<u>\$ 2,459,000</u>	<u>\$ 2,641,000</u>	<u>\$ 2,720,000</u>

\* Miscellaneous includes - Unemployment costs (\$15k), CalPERS Admin Fees (\$5k), LT Care for Former GM/Spouse (\$11k), EAP Program (\$2k), Education Assistance (\$6k), OT Meals (\$3k), Etc.

# O&M Expense Detail

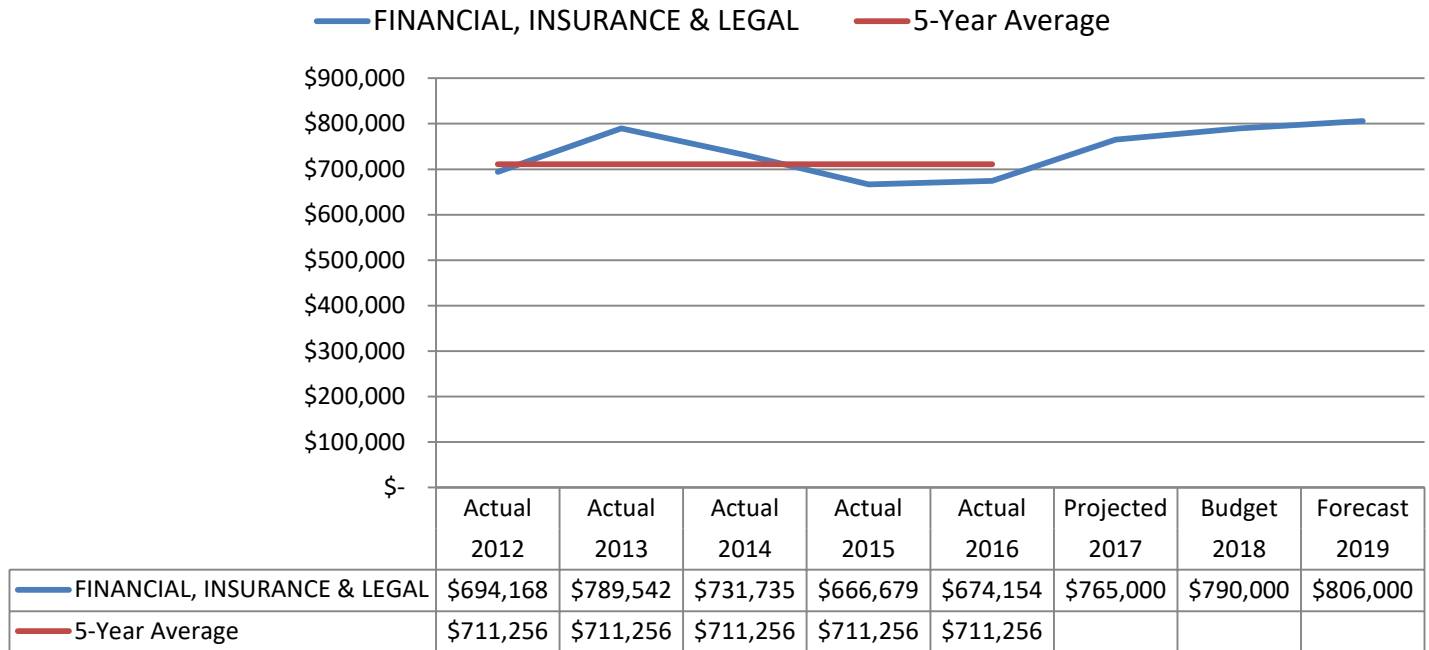
## OPEB



2016 - 2017 reduction due to a combination of – reduced projected liability and higher earnings inception-to-date; offset by a reduced UAAL amortization from 22 years down to 10 years. 2018 and 2019 increase due to a reduced discount rate (7.0% in 2015, 6.5% in 2017); increased health care costs; increased participants, and a change in demographic assumptions.

# O&M Expense Detail

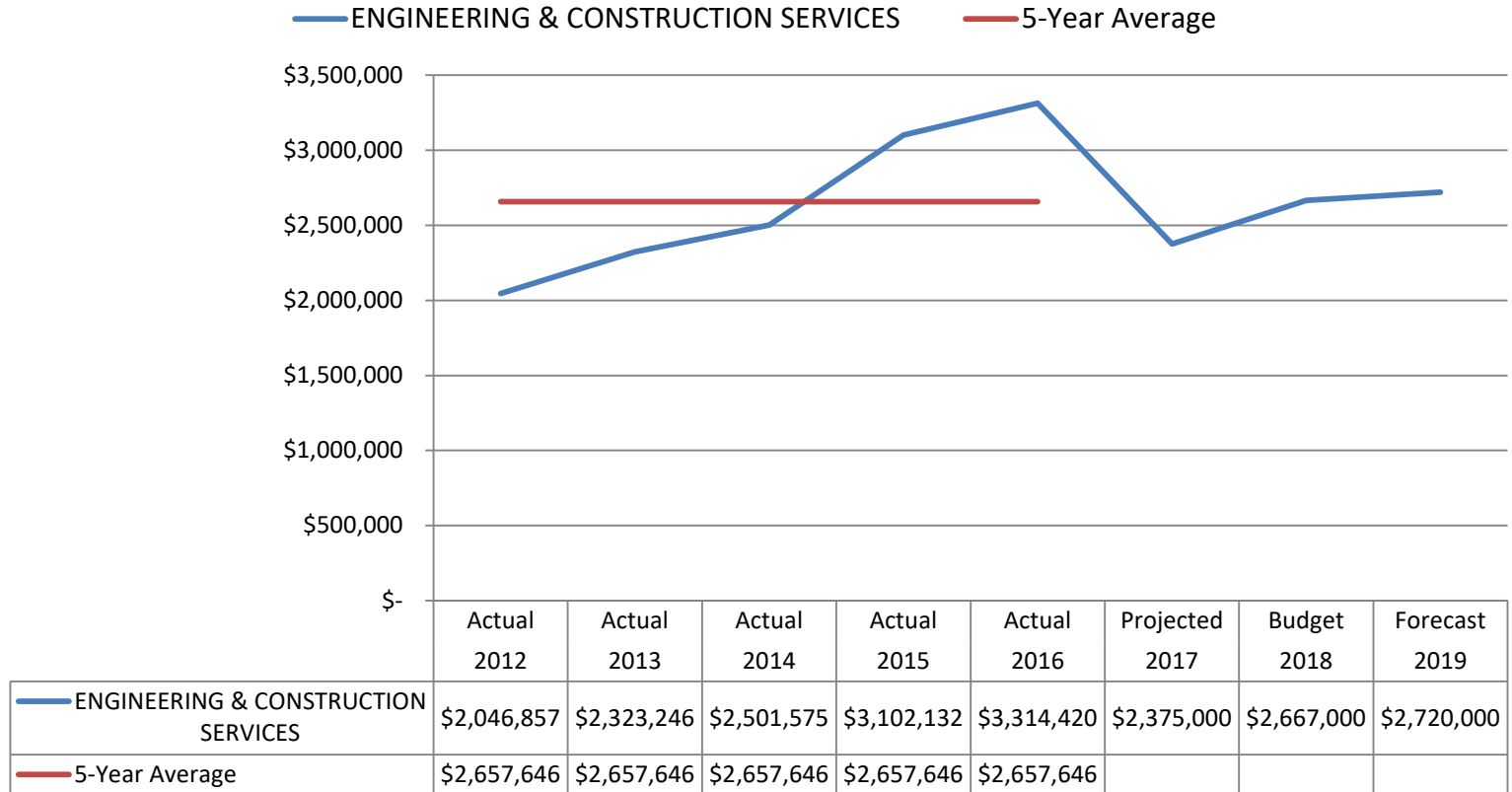
## Financial, Insurance & Legal



2017 – 2019 cost increases primarily due to legal and consulting costs; 2018 Major Legal Costs - \$76,000 Cal Water Fix and \$30,000 Chrome 6. 2018 Major Consulting Costs – Jt. Defense Agreement \$160,000 and Long-Term Warren Act Agreement - \$70,000. Audit costs reduced by \$4,000 by having finance staff perform some of the auditor expanded testing procedures.

# O&M Expense Detail

## Engineering, Construction & Consulting

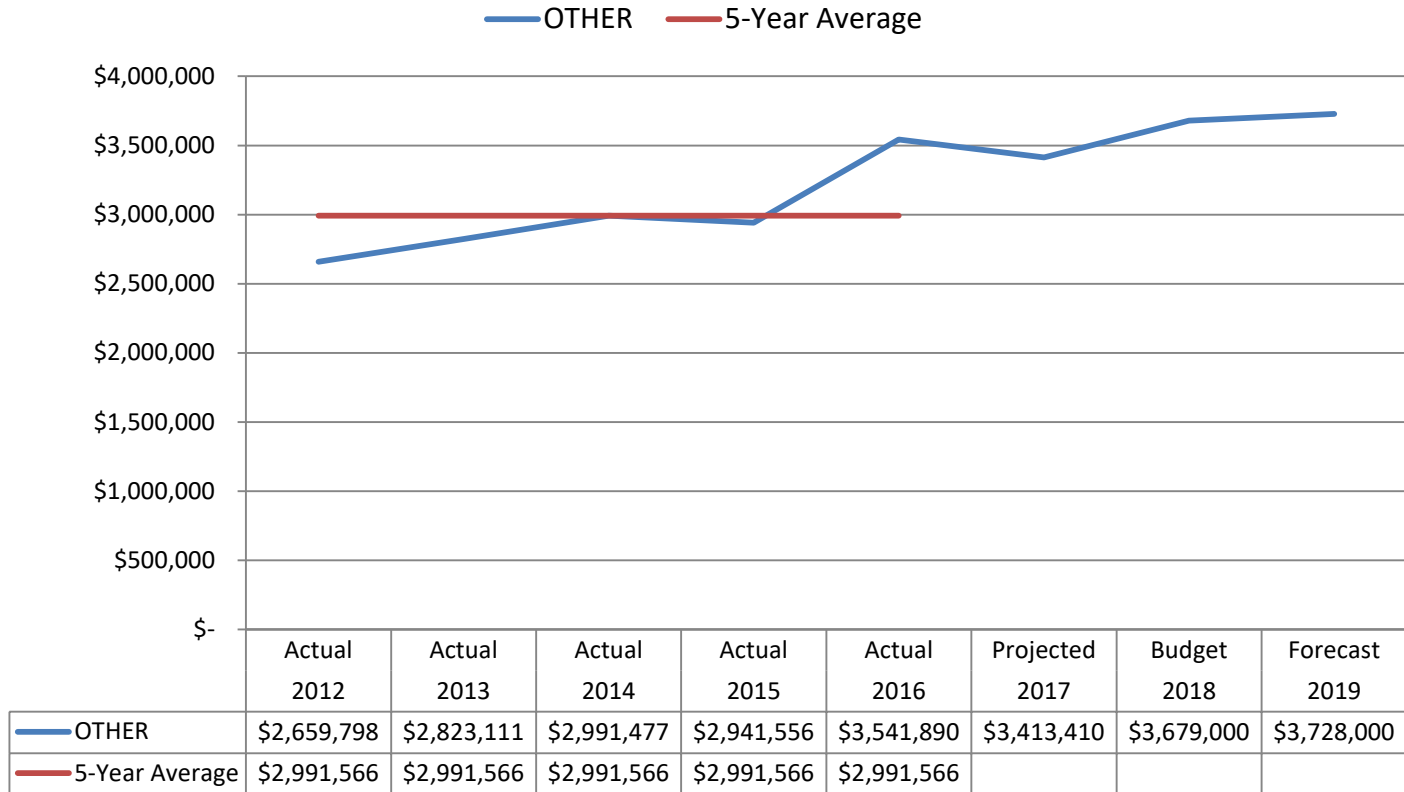


2018 includes \$75,000 for consulting costs on SCADA Control System Integration



# O&M Expense Detail

## OTHER EXPENSES

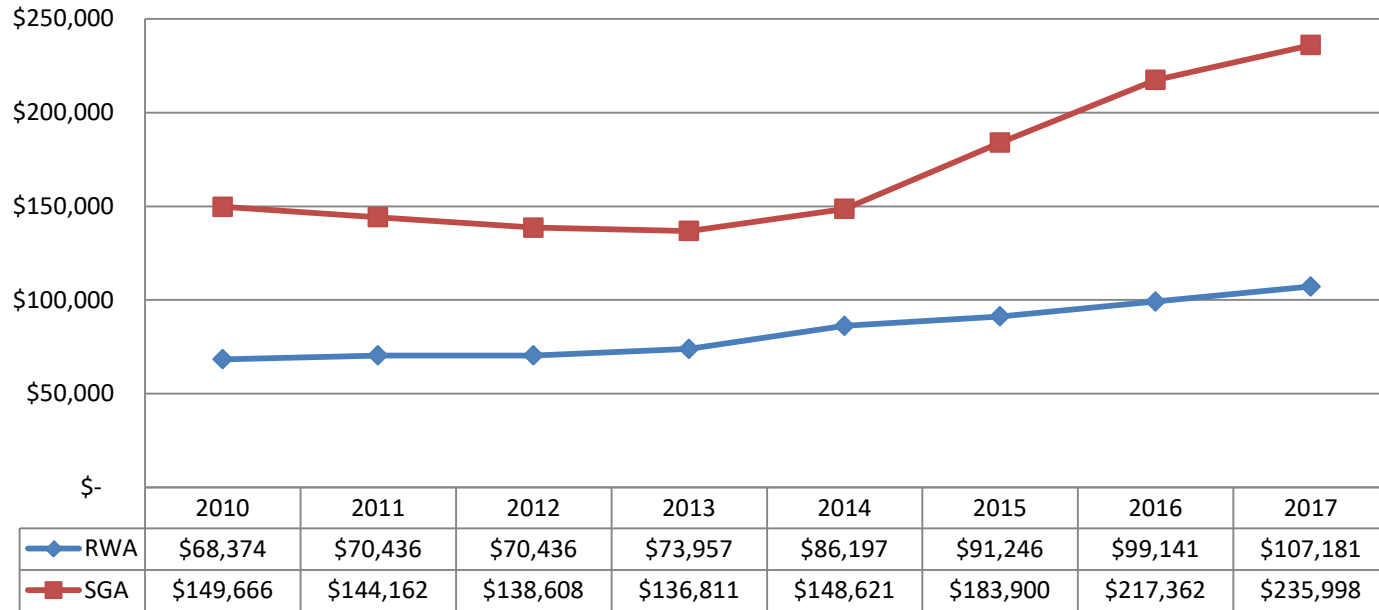


2018 -2019 increase due primarily to – 1) Election cost \$25,000; 2) Licenses – Software and DDW permitting \$82,000; 3) Memberships - RWA and ACWA \$107,000; 4) Rate Study \$60,000; 5) Printing \$21,000 – increased costs for flyers and envelopes; and 6) Operating Supplies – \$190,000.

# O&M Expense Detail

## RWA/SGA ANNUAL FEES

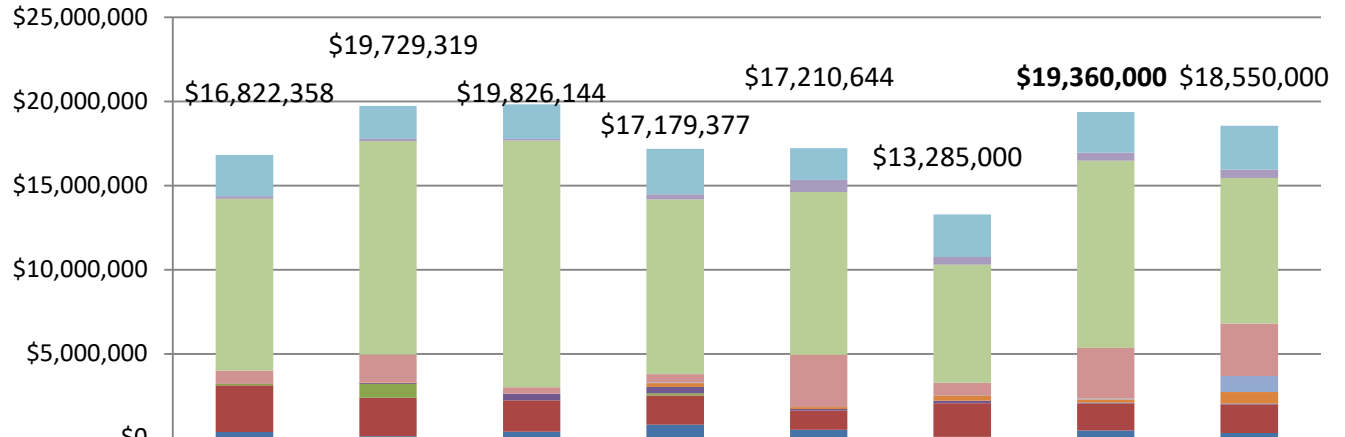
**Annual Fees**



Since 2010 Annual Fees have Increased by: RWA – 57%; SGA – 58%

# CIP Budget

# CIP Project Costs 2012 to 2019

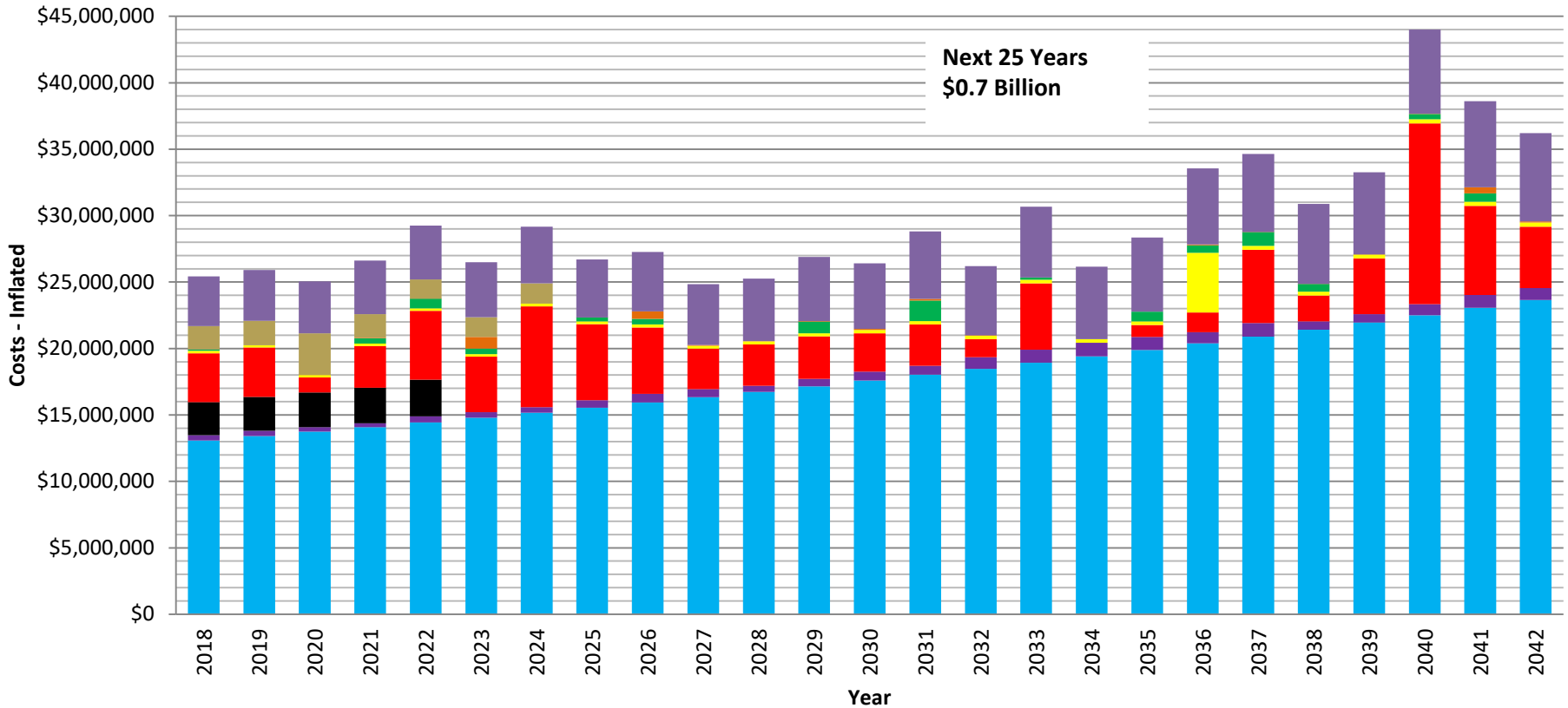


	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Projected	2018 Budget	2019 Budget
■ Meter Retrofit AMP	2,462,887	1,961,709	2,060,561	2,691,361	1,880,514	2,540,000	2,400,000	2,600,000
■ Meter Replacement & Repair AMP	152,219	132,922	80,975	307,870	715,337	450,000	490,000	490,000
■ Dist. Main Replacement AMP	10,212,546	12,674,933	14,672,460	10,381,851	9,674,096	7,020,000	11,120,000	8,655,000
■ Well Replacement AMP	744,091	1,655,646	377,974	507,393	3,099,875	750,000	3,000,000	3,125,000
■ Transmission Main AMP	-	-	-	31,866	-	5,000	50,000	950,000
■ Reservoir and Booster P.S. AMP	21,040	36,373	-	221,300	116,901	310,000	200,000	680,000
■ Buildings and Structures AMP	-	-	-	-	-	-	-	-
■ SCADA AMP	2,341	54,245	404,802	378,687	94,243	140,000	60,000	60,000
■ From 2009 Water System Master Plan	102,571	833,148	-	133,676	-	-	-	-
■ Other Re-Occurring Annual Capital Costs	2,774,657	2,274,474	1,859,724	1,745,028	1,149,924	2,009,000	1,590,000	1,690,000
■ Other Capitalized Projects	350,006	105,869	369,648	780,345	479,754	61,000	450,000	300,000

Updated for 2017 Water System Master Plan. Discussion of individual line items appears on subsequent pages.

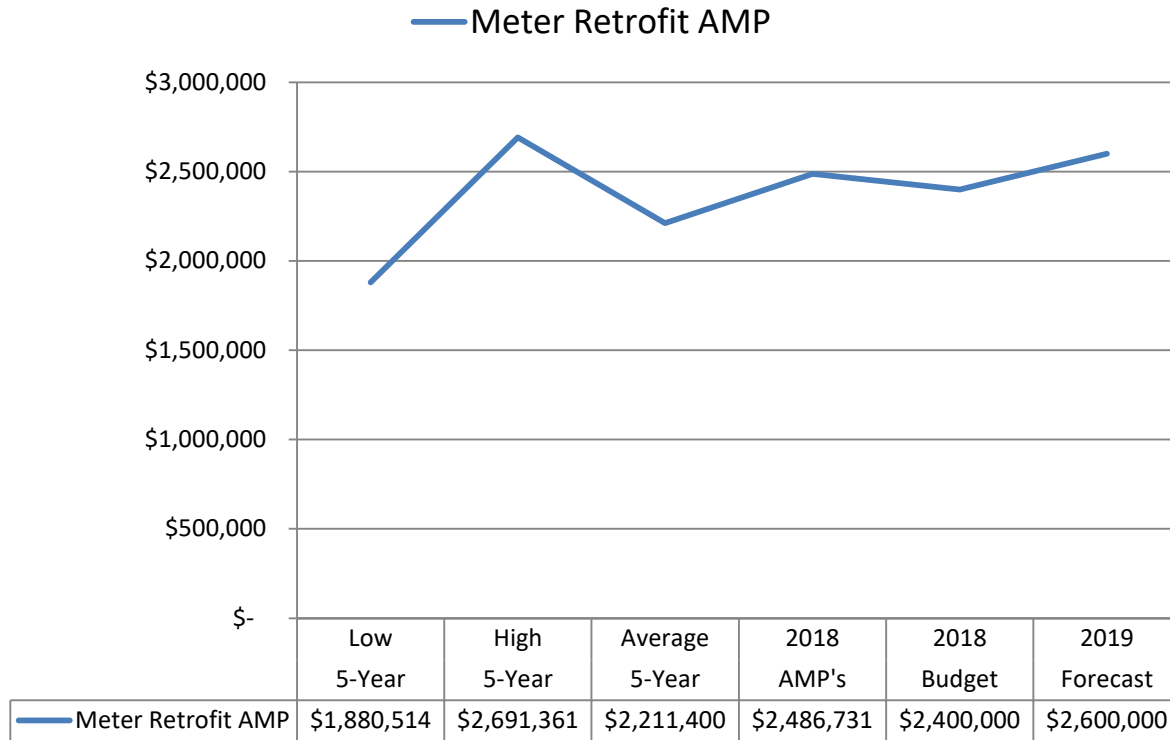
# Capital Costs Next 25 Years

- Distribution Main Replacements
- Meter Retrofit Program
- Transmission Main Asset Management Plan
- Buildings and Structures Asset Management Plan
- Other Re-Occurring Annual Capital Costs (Not Included in Asset Management Plans)
- Meter Replacement and Repair Program
- Groundwater Well Replacement
- Reservoir and Booster P.S. Asset Management Plan
- Other Capital Needs from 2009 Water System Master Plan1
- SCADA Master Plan



Over the Next 25 Years, Capital Costs Continue to be Underfunded.  
Funding Level Assumes Board Approved Rate Increases occur as Scheduled.

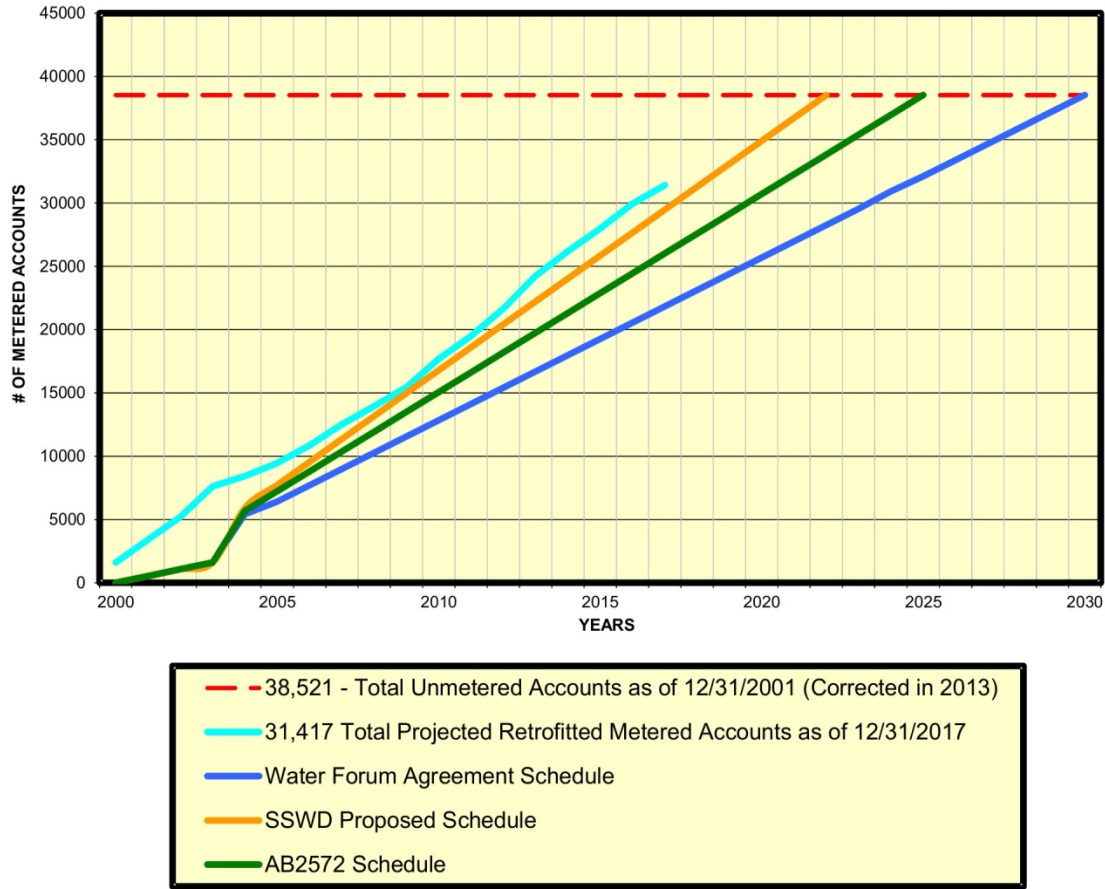
# Water Meter Retrofit Program



Meters expected to be installed per Meter Retrofit Plan in 2017, 2018 and 2019 is 1,283, 1290 and 1230. Voluntary Meter installations in 2017, 2018 and 2019 are expected to be 15 each year.

# Water Meter Retrofit Program

## SSWD 30 YEAR METERING PLAN (RESIDENTIAL)



Meters added in 2017 – 1,478; comprised of - 1,283 per meter retrofit project, 15 voluntary and 180 through distribution main projects.

# CIP Project Detail

## Meter Replacement & Repair Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 80,975	\$ 715,337	\$ 277,900	\$ 393,512	\$ <b>490,000</b>	\$ 490,000

### 2018/19 Projects

Replace obsolete large meters (>3")	<b>140,000</b>	140,000
Replace/repair meters that have outlived their useful life	<b>350,000</b>	350,000
	<b>\$ 490,000</b>	<b>\$ 490,000</b>

Per Water Meter Asset Management Plan, beginning in 2016 a new program to replace water meters installed in the 1990's began.



# CIP Project Detail

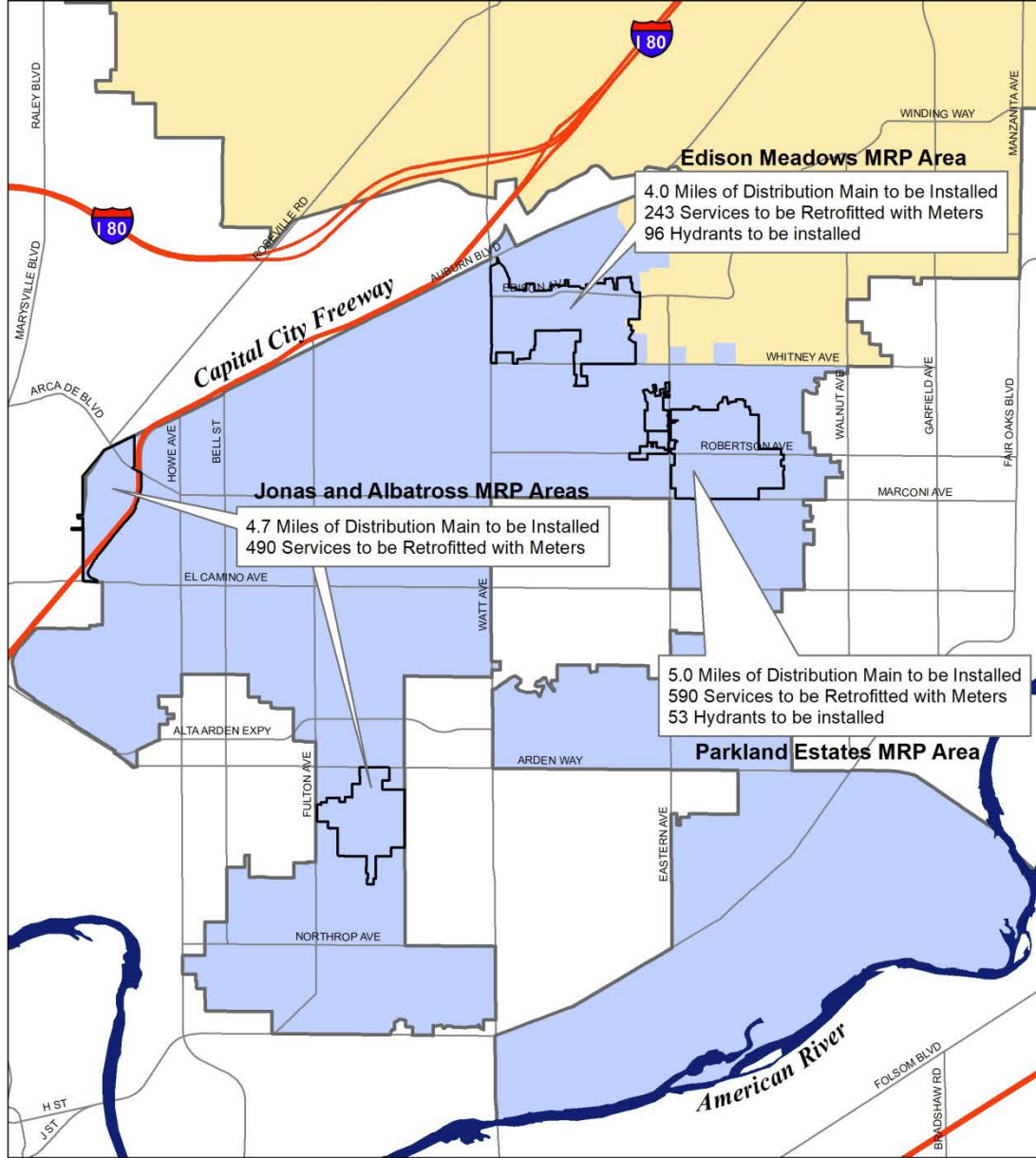
## Distribution Main Replacement Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 9,674,096	\$ 14,672,460	\$ 11,523,200	\$ 13,075,543	\$ <b>11,120,000</b>	\$ 8,655,000

### 2018/19 Projects

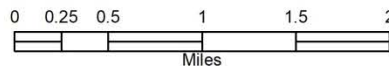
Parkland Estates Phase 2 (2017 Carryover = \$2.24 million)	\$ <b>3,270,000</b>	\$ -
Edison Meadows	<b>6,700,000</b>	
Jonas - Albatross	<b>500,000</b>	7,305,000
Design for 2020 Projects		700,000
Various small main replacement projects	<b>600,000</b>	600,000
McClellan line replacements	<b>50,000</b>	50,000
	<b>\$ 11,120,000</b>	<b>\$ 8,655,000</b>

See next slide for further details



**Legend**

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



**Proposed 2018-2019  
 Distribution Main Projects**

Base Data: Sacramento County Gis Base Map  
 Projection: CA State Plane 2, NAD83  
 Scale: No Scale  
 Prepared by: JWS, SSWD  
 Sacramento, CA - September 27, 2017  
 Main Replacements-2018-2019.mxd

# CIP Project Detail

## Well Replacement Costs

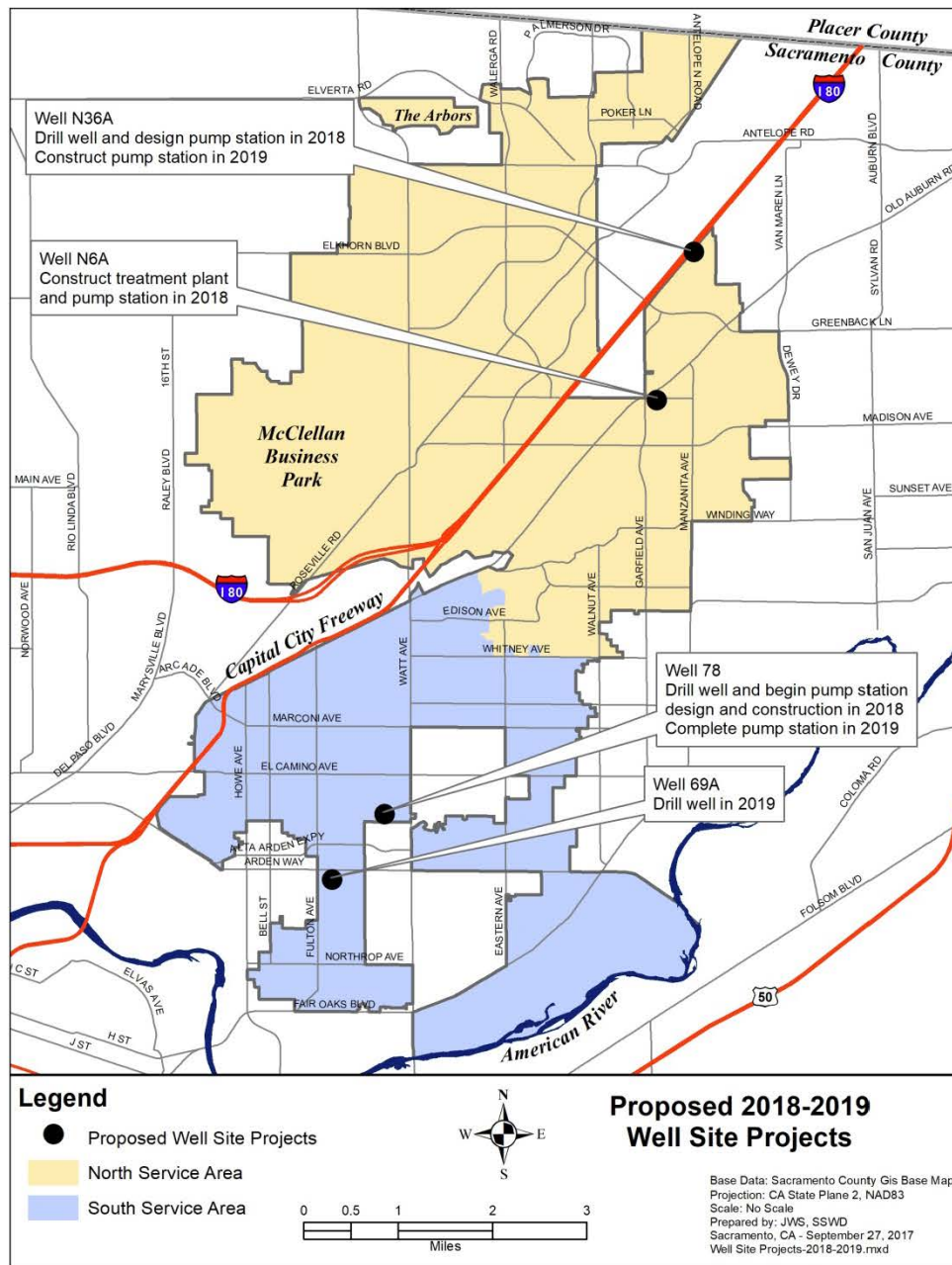
5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ 377,974	\$ 3,099,875	\$ 1,277,000	\$ 3,684,926	\$ 3,000,000	\$ 3,125,000

### 2018/19 Projects

Well #78 - Butano/Cottage	\$ 1,140,000	\$ 950,000
Well #N6A - Palm (2017 Carryover = \$1.45 million)	<b>1,450,000</b>	
Well #N36A - Verner	<b>410,000</b>	1,655,000
Well #69A - Hilldale/Cooper	-	520,000
	<b>\$ 3,000,000</b>	<b>\$ 3,125,000</b>

Asset Management Plan assumed replacing four wells at various stages of planning, design and construction.

See next slide for further details



Well N6A is scheduled for completion in 2018, Well 78 and N36A are scheduled to start construction in 2018 and be finished in 2019. Well 69A is scheduled for 2019.

# CIP Project Detail

## Transmission Main Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ -	\$ 31,866	\$ 6,400	\$ 178,303	\$ <b>50,000</b>	\$ 950,000

### 2018/19 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)

\$ **50,000**    \$ 450,000

Improve and complete the transmission network in the NSA that is weak and not currently connected in many parts.

	-	500,000
	<b>50,000</b>	<b>950,000</b>

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	AMP 2018	Budget 2018	Forecast 2019
\$ 2,341	\$ 404,802	\$ 186,900	\$ -	\$ 60,000	\$ 60,000

### 2018/19 Projects

Complete SCADA at well 12 and N20 Arbors PRV	\$ 60,000	\$ 60,000
	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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

## Reservoir and Booster P.S. Costs

5-Year Low	5-Year High	5-Year Average	AMP 2018	Budget 2018	Forecast 2019
\$ -	\$ 221,300	\$ 79,100	\$ 118,869	\$ <b>200,000</b>	\$ 680,000

### 2018/19 Projects

Tank Inspections and Repairs - Walnut Elevated tank and Watt/Elkhorn Reservoir and demolition of Tank #769	\$	<b>100,000</b>	\$	30,000
Spot Painting & Repairs various District's above ground storage reservoirs and miscellaneous well sites	\$	<b>100,000</b>	\$	650,000
	<b>\$</b>	<b>200,000</b>	<b>\$</b>	<b>680,000</b>

# CIP Project Detail

## Other Re-Occurring Capital Costs

5-Year Low	5-Year High	5-Year Average	Estimate 2018	Budget 2018	Forecast 2019
\$ 1,149,924	\$ 2,774,657	\$ 1,960,800	\$ 3,732,473	\$ 1,590,000	\$ 1,690,000

### 2018/19 Projects

Well Rehabilitation - investigate and/or rehab various well sites and improve/modify existing entertie with the City of Sacramento	\$ 1,000,000	\$ 1,000,000
Wellhead Treatment - replace/repair existing wellhead treatment or chemical feed systems	150,000	250,000
Engine Generator Compliance	240,000	240,000
Lowering/Raising Valve Boxes	200,000	200,000
	<b>\$ 1,590,000</b>	<b>\$ 1,690,000</b>



# CIP Project Detail

## Other Capitalized Project Costs

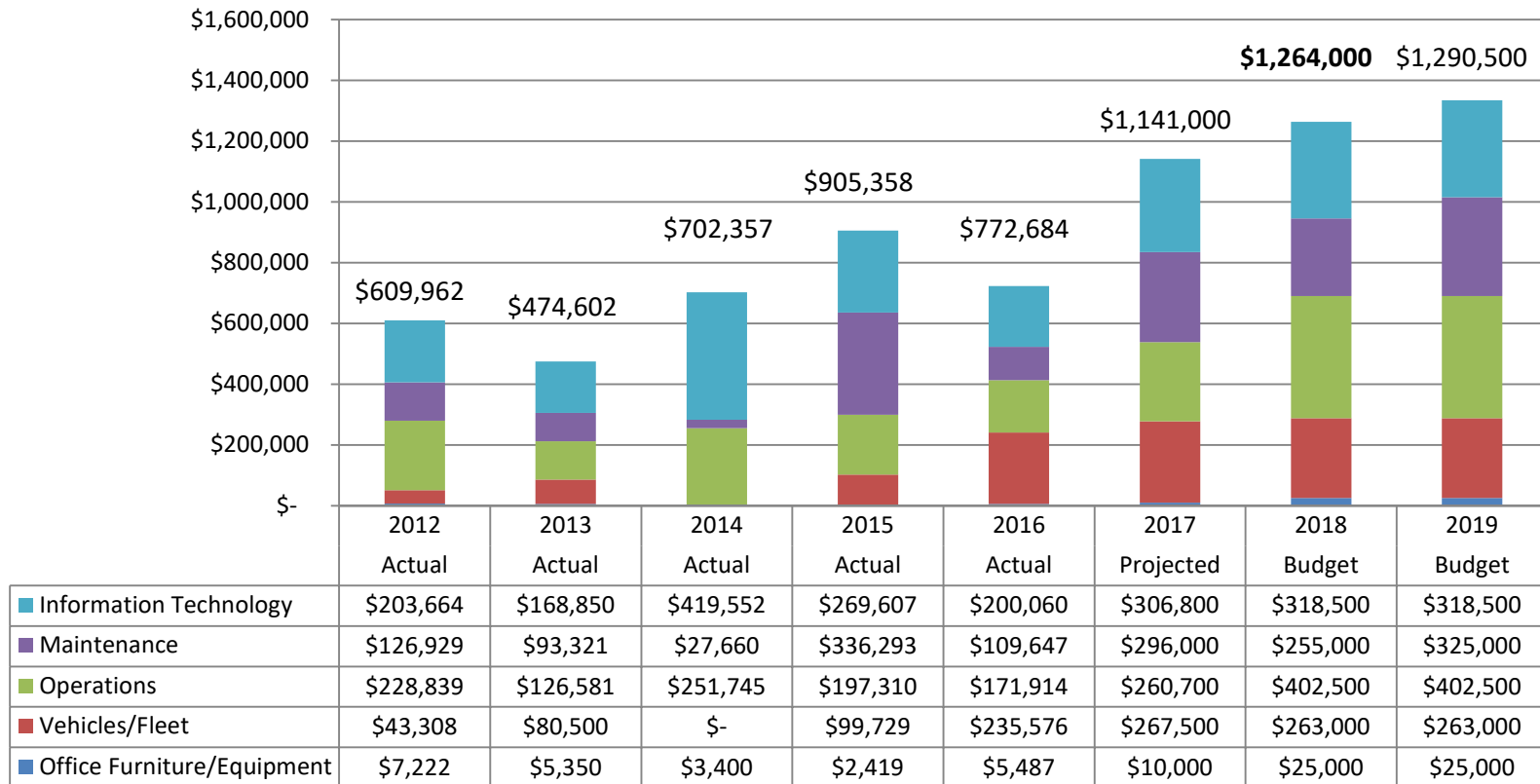
5-Year Low	5-Year High	5-Year Average	Original Estimate 2018	Budget 2018	Forecast 2019
\$ 105,869	\$ 780,345	\$ 417,100	\$ -	\$ 450,000	\$ 300,000

### 2018/19 Projects

Electrical Improvements at Various Facilities	\$ 200,000	\$ 50,000
Right of way/easement acquisitions	50,000	50,000
Land for Future Well Sites	200,000	200,000
	<b>\$ 450,000</b>	<b>\$ 300,000</b>

# OCB Budget

# OCB Project Costs 2012 to 2019



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 2018	Forecast 2019
\$ 168,850	\$ 419,552	\$ 252,300	\$ <b>318,500</b>	\$ 275,000

### 2018/19 Projects

Hardware Refresh Program	\$ <b>108,500</b>	\$ 115,000
Software Enhancements/Modules	<b>160,000</b>	160,000
Server Room	<b>50,000</b>	
	<b>\$ 318,500</b>	<b>\$ 275,000</b>

2017 budget was \$306,800

# OCB Project Detail Maintenance

5-Year Low	5-Year High	5-Year Average	<b>Budget 2018</b>	Forecast 2019
\$ 27,660	\$ 336,293	\$ 138,800	\$ <b>255,000</b>	\$ 325,000

## 2018/19 Projects

Well Site and Building Structures Maintenance	\$ <b>195,000</b>	\$ 325,000
Walnut Facility - Exterior Seal South Wall Shop	<b>12,000</b>	
Walnut Facility - Distribution Foreman & Environmental Compliance Remodel	<b>31,000</b>	
Walnut Facility - Window Covering Replacement	<b>5,000</b>	
Rekey all Facilities	<b>12,000</b>	
	<b>\$ 255,000</b>	\$ 325,000

2017 Budget was \$296,000.

# OCB Project Detail

## Operations Project Costs

5-Year Low	5-Year High	5-Year Average	<b>Budget 2018</b>	Forecast 2019
\$ 126,581	\$ 251,745	\$ 195,300	\$ <b>402,500</b>	\$ 402,500

### 2018/19 Projects

Asphalt Repair/Replacement/Sealing - Various Well Sites	\$ <b>30,000</b>	\$ 30,000
Fence Replacement - 4 Well Sites	<b>28,000</b>	28,000
Peristaltic Chemical Dosing Pumps	<b>27,500</b>	27,500
UCMR 4 Monitoring	<b>120,000</b>	120,000
Ditch Witch FX65 Vacuum Excavation System	<b>103,000</b>	103,000
Compact Mini Excavator	<b>62,000</b>	62,000
Meter Vault Lid Replacement	<b>32,000</b>	32,000
	<b>\$ 402,500</b>	\$ 402,500

2017 budget was \$260,700

# OCB Project Detail

## Vehicles/Fleet

5-Year Low	5-Year High	5-Year Average	Budget 2018	Forecast 2019
\$ -	\$ 235,576	\$ 91,800	\$ <b>263,000</b>	\$ 263,000

### 2018/19 Projects

Trailer Replacement/Trailer # 168 & 169	\$ <b>20,000</b>	\$ 20,000
Vehicle Replacement/Right Size - Truck #2	<b>75,000</b>	75,000
Vehicle Replacement/Right Size - Truck # 11	<b>33,000</b>	33,000
Vehicle Replacement/Right Size - Truck # 14	<b>45,000</b>	45,000
Vehicle Replacement/Right Size - Truck # 47	<b>45,000</b>	45,000
Vehicle Replacement/Right Size - Truck #48	<b>45,000</b>	45,000
	<b>\$ 263,000</b>	<b>\$ 263,000</b>

2017 budget was \$267,500 – Replaced three Trucks and purchased one new truck for the new production operator position. Annual Maintenance costs on the new vehicles will be comprised of oil changes, batteries and tires for the first 5 years.

# OCB Project Detail

## Office Furniture & Equipment

5-Year Low	5-Year High	5-Year Average	Budget 2018	Forecast 2019
\$ 2,419	\$ 7,222	\$ 4,800	\$ 25,000	\$ 25,000

### 2018/19 Projects

3 Foremen Furniture/Workstations	\$ 12,000	
Env Compliance Furniture/Workstations		\$ 15,000
Folding Tables & Chairs	<b>13,000</b>	10,000
	<b>\$ 25,000</b>	<b>\$ 25,000</b>

2017 budget was \$10,000 – For Walnut Facility remodel.



# Debt Service Forecast

# Debt Service Forecast

5-Year	5-Year	5-Year	Budget	Forecast
Low	High	Average	2018	2019
\$ 7,425,000	\$ 9,895,112	\$ 7,944,615	\$ <b>7,700,000</b>	\$ 7,720,000

	2012	2013	2014	2015	2016	2017	2018	2019
Principal	\$ 5,994,000	\$ 3,580,000	\$ 3,675,000	\$ 3,795,000	\$ 3,945,000	\$ 4,060,000	\$ 4,240,000	\$ 4,390,000
Interest	3,901,112	3,849,356	3,792,909	3,630,000	3,560,697	3,483,002	3,460,000	3,330,000
Total Debt Service	<u>\$ 9,895,112</u>	<u>\$ 7,429,356</u>	<u>\$ 7,467,909</u>	<u>\$ 7,425,000</u>	<u>\$ 7,505,697</u>	<u>\$ 7,543,002</u>	<u>\$ 7,700,000</u>	<u>\$ 7,720,000</u>

2018/19 forecast assumes a variable interest rate of 3.86%. Average interest rate for total debt portfolio is 4.35%.

# 2018 Budget and 2019 Forecast Summary

	<u>2016 Actual</u>	<u>2016 Amended Budget</u>	<u>Actual As Of 8/31/17</u>	<u>2017 Projected</u>	<u>2017 Amended Budget</u>	<u>2018 Proposed Budget</u>	<u>2019 Forecast</u>
Income From Customers	\$ 41,083,028	\$ 41,410,000	\$ 28,321,477	\$ 43,054,000	\$ 43,726,000	\$ 45,020,000	\$ 45,250,000
Water Transfers	-	-	-	-	1,992,000	-	-
Total Other Income	1,483,443	2,905,000	1,042,039	2,409,000	1,780,000	1,465,000	1,354,000
<b>Total Revenue</b>	<b><u>\$ 42,566,471</u></b>	<b><u>\$ 44,315,000</u></b>	<b><u>\$ 29,363,516</u></b>	<b><u>\$ 45,463,000</u></b>	<b><u>\$ 47,498,000</u></b>	<b><u>\$ 46,485,000</u></b>	<b><u>\$ 46,604,000</u></b>
<b>Budgets:</b>							
<b>Operations and Maintenance</b>	19,680,747	17,895,000	12,199,230	19,545,148	21,311,000	<b>21,851,000</b>	22,427,000
<b>Capital Improvement Program</b>	17,179,377	18,796,000	6,335,378	13,285,000	16,975,000	<b>19,360,000</b>	18,550,000
<b>Operating Capital Program</b>	722,684	974,000	571,122	1,141,000	1,166,000	<b>1,264,000</b>	1,290,500
<b>Debt Service (Forecast)</b>	7,505,697	7,605,000	2,322,001	7,543,000	7,770,000	<b>7,700,000</b>	7,720,000
<b>Total Costs</b>	45,088,505	45,270,000	21,427,731	41,514,148	47,222,000	<b>50,175,000</b>	49,987,500
Change in Reserve Balance	(2,522,034)	(955,000)	7,935,785	3,948,853	276,000	(3,690,000)	(3,383,500)
Reserve (Cash) Balance	<u>\$ 40,988,408</u>	<u>\$ 40,033,408</u>	<u>\$ 48,370,727</u>	<u>\$ 44,937,261</u>	<u>\$ 41,264,408</u>	<u>\$ 41,247,261</u>	<u>\$ 37,863,761</u>

# QUESTIONS

# 2018 Budget Responses To Special Board Workshop ?'s

Board Meeting  
October 16, 2017

# QUESTIONS

- 1. Validate CPI Comments from Public.  
Recommend Changes as Appropriate*
- 2. Further Possible Budget Cuts To Roughly  
Equal 2018 Scheduled Rate Increase*

# CPI FINDINGS

- *While not the latest amounts, the public comments received at the Budget Workshop relative to CPI cost increases are correct.*
- *The CPI is not without flaws, nevertheless staff recommends continued use of US BLS West – CPI-U Index, but changing to the Western Large Cities-A Index instead of the Small Cities-B/C Index as the County and Greater Sacramento Area Populations exceed 1.5 million people.*
- *Reasons follow on the next 3 slides.*

## CPI FINDINGS

# *Is CPI Best Measure of Inflation?*

“Various indexes have been devised to measure different aspects of inflation. The CPI measures inflation as experienced by consumers in their day-to-day living expenses.”



## CPI FINDINGS

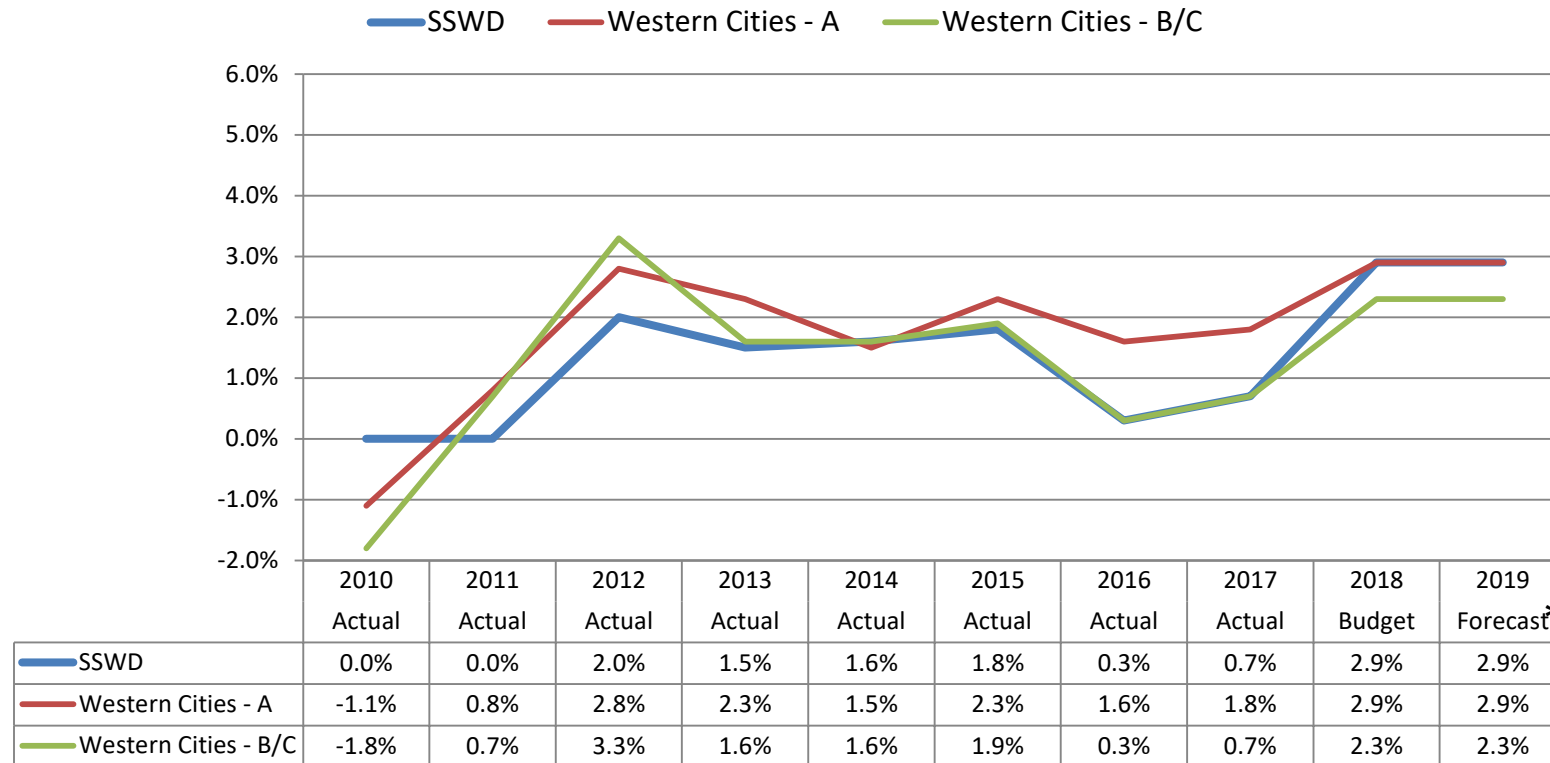
# *What Does CPI-U Measure?*

“In 1978, several improvements were made to the CPI. As part of the 1978 revision, BLS planned to introduce a broader target population, covering all urban consumers (the CPI-U). The all urban consumer group represents about 88 percent of the total U.S. population. It is based on the expenditures of almost all residents of urban or metropolitan areas, including professionals, the self-employed, the poor, the unemployed, and retired people, as well as urban wage earners and clerical workers.”

# CPI FINDING - CONCLUSIONS

- *While not Ideal, the CPI-U Is the Best Available Measure of Inflation Affecting Both Customers and Staff.*
- *Staff recommends continued use of an Independent Published CPI, that is in Prevalent use in the Greater Sacramento Area.*
- *Staff Recommends the BLS West A – CPI Index. (Budget Increase of \$35,000 in 2018.)*

# PROPOSED COLA INDEX



SSWD COLA is proposed to be equal to the Western Cities – A Index as published by the US Bureau of Labor Statistics. Previously the Western Cities – B/C Index had been used. The change is recommended based on the size of the population in the County and Greater Sacramento Area. (Note: excludes both GM positions in 2018.)

\* 2019 estimated by staff as no change from 2018.

# POSSIBLE BUDGET REDUCTIONS \*

1. Staff has Delivered to the Board a Budget that meets All Board Policies and Direction To-Date:
  1. Per the District's Budget Policy (PL Fin 012), Section 200.00, Part A the proposed 2018 Budget is balanced (revenues equal expenses) when the \$3.69 million in deferred 2017 CIP Projects is included.
  2. As Directed by the Board in July – Include the Scheduled 4% Rate Increase in 2018.
2. With the Exception of Budgeting for 2 GM Salaries and Benefits in 2018; Further Cuts to the Proposed Budget would be Programmatic or Require Policy Changes, such as:

# POSSIBLE BUDGET REDUCTIONS \*

## 1. O&M:

1. Substitute Ground Water for Surface Water
2. Reduce Staff – By Various Means, Most of which will have an impact beyond 2018

## 2. OCB

1. Defer the Purchase of the Vacuum Excavation System and Mini Excavator

## 3. CIP

1. Continue Deferring Distribution or Well Replacement Projects

## 4. RESERVES

1. Lower the required reserve level

# CONCLUSIONS

- 1. Recommend Using Western Cities – A CPI Index for 2018 and Beyond*
- 2. Adopt the Budget As it Stands with the Above Amendment for the CPI Index.*



## Agenda Item: 12

**Date:** October 9, 2017

**Subject:** A Day in the Life of Engineering

**Staff Contact:** Dana Dean, Acting Engineering Manager  
David Espinoza, Senior Engineer

Sacramento Suburban Water District's Engineering Department is responsible for providing professional and technical expertise to plan for the future and helps the Operations Department to meet its mission of providing reliable water service to District customers. To fulfill this goal, the Engineering Department continually devises plans and designs to ensure that the complex system of wells, pumps, pipelines, and related facilities work together smoothly as an integrated system.

The Engineering Department provides project management, water resources planning, facilities planning and design, and construction management and inspection. These functions fall under the category of "project delivery." Additionally, the Department manages a comprehensive capital improvement program and oversees numerous construction projects each year including:

- Water main replacement
- Water meter installation and retrofits
- New groundwater production wells with pump stations
- Well rehabilitation and pump station improvements
- Well demolition and destruction
- Reservoir/storage tank improvements
- Water main extensions and improvements

The Engineering Department also maintains and updates technical records for the physical system, easements, District property and installed improvements, and provides technical information to District customers and staff. Other duties include reviewing plans for new development, processing requests for new water service, checking and inspecting developer-funded projects, performing fire flow tests and coordinating with other utility companies.

To provide insight into the day-to-day functions of the Engineering Department, a Power Point presentation will be presented at the October 2017 Board Meeting. A copy of the Power Point presentation is attached as Exhibit 1.



# Engineering Department

## “What We Do”

Board Meeting

October 16, 2017



# Engineering Staff



- **John Valdes, P.E.** – Retired Engineering Manager (36 Years Total Experience)



- **Jim Arenz** – Senior Project Manager (Formerly Operations Manager) (24 Years Total Experience)



- **David Espinoza, P.E.** – Senior Engineer (17 Years Total Experience)



- **Dana Dean, P.E.** – Acting Engineering Manager (22 Years Total Experience)

# Engineering Staff (Cont.)



- **Mitchell McCarthy** – Assistant Engineer  
(1 Year Total Experience)



- **Song Dang** – Senior Construction Inspector  
(34 Years Total Experience)



- **Rachel Middlestead** – Engineering Project Coordinator  
(20 Years Total Experience)

# Other Part-Time Staff



- **Tommy Moulton – Engineering Intern**  
Entering Senior Year in Civil Engineering  
at Sacramento State University



- **Nate Kibret – Engineering Intern**  
Entering Senior Year in Civil Engineering  
at Sacramento State University



- **Theresa Mall – Engineering Intern**  
Entering Junior Year in Civil Engineering  
at U.C. Davis

# What We Do

- Support Operations Department to meet its mission of providing reliable water service to District customers.
- Planning, design, and construction of water system improvements.
- Provide professional and technical expertise in planning for the future.
- Devise plans and designs to ensure that a complex system of wells, pumps, pipelines, and related facilities work together smoothly as an integrated system.



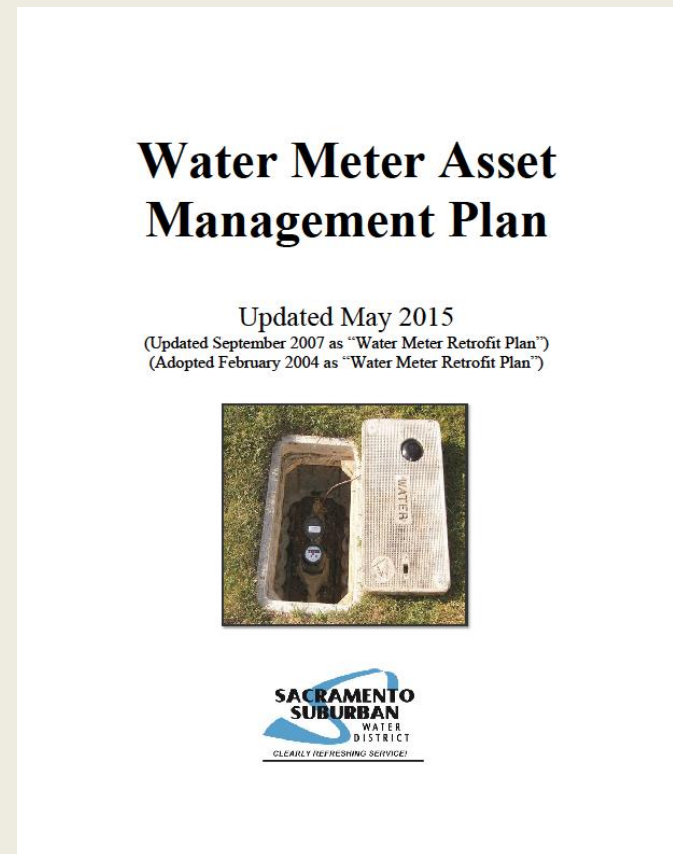
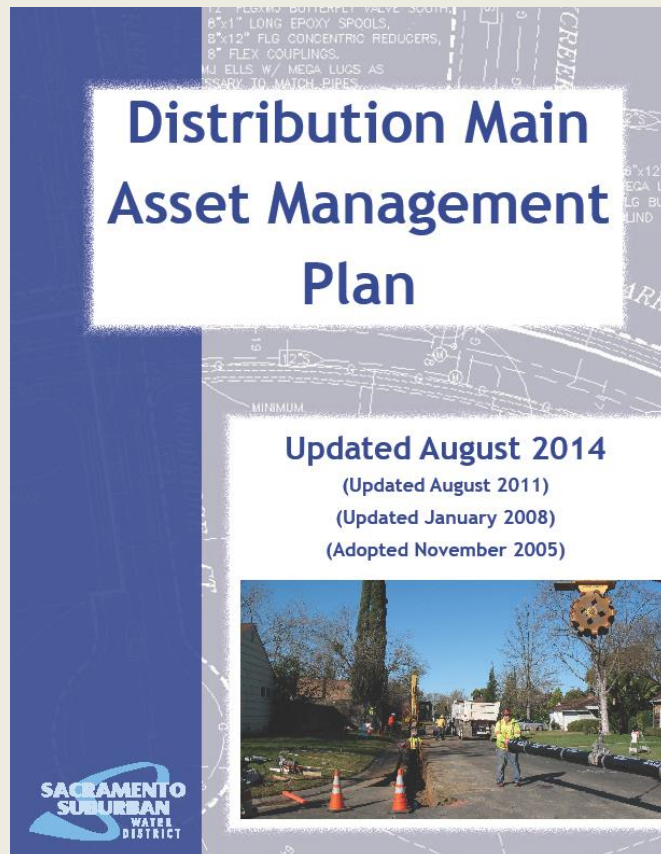
**If we do  
our job  
right...**



**field  
operations  
doesn't  
have to  
worry  
about this.**

# Asset Management Planning

Examples of asset management plans prepared in house by staff.





# Project Delivery

- The Engineering Department provides or contracts for these services:
  - Program management
  - Project management
  - Water resources planning
  - Asset management planning
  - Facilities planning and design
  - Construction management and inspection



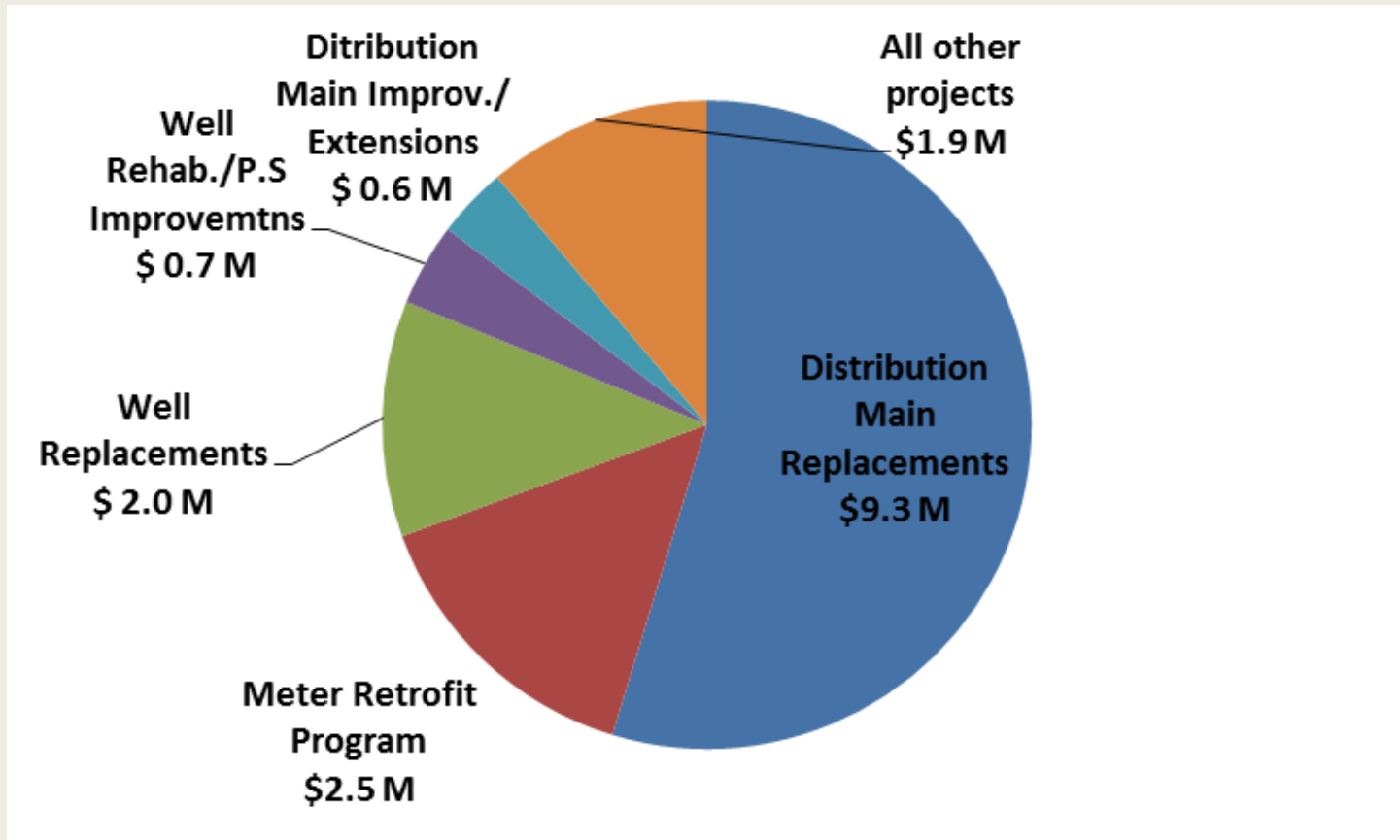
# Project Delivery (Cont.)

- The Department manages a comprehensive capital improvement program (CIP) and oversees numerous design and construction projects each year including:
  - Water main replacement
  - Water meter installation and retrofits
  - New groundwater production wells with pump stations
  - Well rehabilitation and pump station improvements
  - Well demolition and destruction
  - Reservoir/storage tank improvements
  - Water main extensions and improvements
  - Etc.





# Capital Improvement Program: \$17.0 Million (CIP) Budget in 2017



# The design and engineering of a project is often the “easy” part.

- Land/easement acquisition
- Environmental review and mitigation
- Coordination with other utilities and public agencies
- Regulations
- Permitting
- Public Outreach
- Financing (rate increases, etc.)

# Example Recent Projects: El Prado Well (#2A) Pump Station Modifications





# Parkland Estates Phase 2 Main Replacement Project





# Rutland Well (#N39) and Pumping Plant





# Water Meter Retrofit Project



Before Construction



After Construction



During Construction

# Oakdale Well (#N17) Rehabilitation





# Watt/Elkhorn Well (#31A) Rehabilitation





# Other Dept. Responsibilities

- ✓ Maintain and update technical records for the physical system, easements, District property and installed improvements.
- ✓ Provide technical information to our customers and other District staff.
- ✓ Processing requests for new water service.



# Other Dept. Responsibilities (Cont.)

- ✓ Review plans for new development.
- ✓ Checking and inspecting developer-funded projects.
- ✓ Performing fire flow tests.
- ✓ Coordinating with other utility companies.
- ✓ Special studies and reports (Water Master Plan, Urban Water Management Plan, Etc.).



**Questions?**



## Agenda Item: 13

**Date:** October 9, 2017

**Subject:** Rules for Proceeding of the Board of Directors

- a. Resolution No. 17-11 Amending Policy PL – BOD 002, Rules for Proceedings of the Board of Directors – Changing the Regular Board Meeting Time to 6:00 p.m.
- b. Rules for Proceeding of the Board of Directors Policy (PL – BOD 002)

**Staff Contact:** Robert Roscoe, General Manager

### Recommended Board Action:

Consider the following:

1. Change the time of the Sacramento Suburban Water District's regular Board meeting from 6:30 p.m. to 6:00 p.m. by approving Resolution No. 17-XX and amending the Rules for Proceeding of the Board of Directors Policy (PL – BOD 002) to reflect the new time. Staff recommends that if approved, the time change would take effect beginning January 2018 to allow for sufficient customer outreach and notification of the change.
2. Do nothing and leave the time for holding the District's regular monthly Board meeting at 6:30 p.m.
3. Review the Rules for Proceeding of the Board of Directors Policy (PL – BOD 002) and suggest changes as necessary.

### Discussion:

As previously reported, during the August 21, 2017 regular Board meetings, a Director expressed an interest in moving the start time of the District's regular Board meetings from 6:30 p.m. to 6:00 p.m. to help alleviate late adjournments. A motion was approved by the Board to bring back a Resolution to the September 2017 regular Board meeting, attached as Resolution No. 17-11 (see Exhibit 1) to change the start time of regular Board meetings.

The Item was agendized for the September 18, 2017 regular Board meeting; however, not all Directors were present, so the Board moved to table the Item until the October 16, 2017 meeting, where all Directors would have an opportunity to vote.

The location, times and dates of the regular Board meetings are embedded in Rule 3 of the Policy PL-BOD 002, Rules for Proceedings of the Board of Directors. In order to make changes to that section of the policy, an adopted Resolution by the Board of Directors is required. The Rules for Proceeding of the Board of Directors Policy (PL – BOD 002) is attached as Exhibit 2.

If the Board adopts Resolution No. 17-11, staff will begin communicating the change to District customers through bill inserts, website posting and newsletter in anticipation of a January 2018 implementation.

**Fiscal Impact:**

None.

**Strategic Plan Alignment:**

Customer Service - 3.A. Operate in an open manner including public information to the Board of Directors.

Changing the District's regular Board meeting time could benefit District customers by reducing the number of late hours for District customers who may attend regular monthly meetings of the Board of Directors.

**Exhibit 1**

**RESOLUTION NO. 17-11**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SACRAMENTO SUBURBAN WATER DISTRICT  
CHANGING THE TIME OF THE SACRAMENTO SUBURBAN WATER DISTRICT  
BOARD MEETING**

WHEREAS, pursuant to Water Code section 30521 and Government Code section 54954, the District Board of Directors has fixed the time and place of its regular meeting as 6:30 p.m. on the third Monday of each month; and

WHEREAS, the Board has determined that the 6:30 p.m. starting time for its regular Board meetings should be changed to an earlier time.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SACRAMENTO SUBURBAN WATER DISTRICT AS FOLLOWS:

1. Regular Board meetings of the District Board of Directors will be held on the third Monday of each month beginning at 6:00 p.m. in the Board Room of the District office located at 3701 Marconi Avenue, Suite 100, Sacramento, California. The January regular Board meeting will be held on the fourth Monday of that month due to the Martin Luther King, Jr. Holiday and the February meeting will be held on the Monday following President's Day Holiday.
2. This resolution will be effective beginning with the regular January 2018 Board Meeting.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 16th day of October 2017 by the following vote:

AYES:  
NOES:  
ABSENT:

By: \_\_\_\_\_  
Robert P. Wichert  
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 16<sup>th</sup> day of October 2017.

(SEAL)

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

## Exhibit 2

## Sacramento Suburban Water District

**Rules for Proceedings of the  
Board of Directors**

Adopted: February 20, 2002

Revised: November 12, 2007; September 15, 2008; September 20, 2010; December 19, 2011;  
December 16, 2013; January 25, 2016

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**Introduction**

These are the rules for proceedings of the Board of Directors of Sacramento Suburban Water District. (See Water Code section 30530.) The purposes of these rules are to facilitate public participation during meetings of the Board, protect the rights of all Directors and to provide a process for conducting Board meetings in an orderly and efficient manner. The provisions of the County Water District Law (see Water Code sections 30000, *et seq.*), Brown Act (Government Code section 54950, *et seq.*) and any other applicable law will control over any inconsistent provision contained in these rules.

**Rule 1 – Selection of Officers**

The President and Vice-President of the Board will be elected by the members of the Board for a one year term. The election will be held at the first regular meeting in December of each year or at any earlier special meeting called for the purpose of swearing in new members and organizing the Board. (See Water Code section 30520 and Elections Code section 10554.) The remaining provisions of this paragraph will be considered discretionary guidelines for the Board to follow in selecting its President and Vice-President, and will not be binding on the Board. The Board will normally follow a rotation for the election of President and Vice-President under which the Vice President will normally be elected President at the conclusion of the President's one year term. If the membership on the Board of the President is terminated before the expiration of his or her one year term of office, the Vice-President will automatically become the President for the balance of that term.

In the event of a contested election, the following is the recommended procedure for nominating and selecting the Board President or Vice President: (1) the then-presiding President should open nominations and ask if there are there any nominations for the contested office; (2) any Director then may make a nomination -- e.g., "I nominate Director X" -- no second is required for a nomination, although sometimes one or more Directors will second a nomination to indicate endorsement (a Director may nominate himself or herself, but nominations cannot be accepted from members of the public); (3) a Director may decline a nomination; (4) when it appears that no one else wishes to make a nomination, the President should ask if there are additional nominations -- if there is no response, the President then should declare that the



nominations for the office are closed and state the names of the nominees (it is unnecessary to have a motion to close the nominations); (5) after nominations have been closed, nominations may be reopened only by a motion, second and majority vote to reopen them; (6) after nominations have been closed and before the vote, the public should be provided an opportunity to comment on the agenda item; (7) the President then should call for votes on the nominees by a roll call vote on each nominee, and each Director should cast his or her yea or nay vote on each nominee, e.g., “For the first nominee for President, Director X, please state your vote by yea or nay;” (8) nominees should be voted on in the order in which they are nominated and the process should continue until there is a majority approval of one of the nominees; and (9) as soon as one of the nominees receives a majority vote, the President should declare that person elected to the office and no vote is taken on any remaining nominees.

The Board will by majority vote appoint a Secretary and Treasurer, who will serve at the pleasure of the Board. (See Water Code sections 30540-30543.)

## **Rule 2 – Duties of President of Board**

The President of the Board of Directors will be its presiding officer. (See Water Code section 30520.) The President's duties will include, but not be limited to, the following: acting as the liaison between the General Manager and the Board, calling special meetings of the Board, presiding over meetings of the Board, establishing and appointing committees of the Board, and appointing representatives of the District to associations of which the District is a member or in which it has a significant interest. The Board will appoint representatives of the District to joint powers authorities of which the District is a member. In the President's absence, the Vice-President of the Board will perform such duties. If both the President and Vice-President are absent from a noticed public meeting, the remaining three Board members will choose one of their number to preside.

## **Rule 3 – Time and Place for Regular Meetings**

The regular monthly meeting of the Board of Directors will be held in the Boardroom at the District's administrative office (3701 Marconi Avenue, Suite 100, Sacramento, California) on the third Monday of each month, commencing at 6:30 p.m., except that the January regular Board meeting will be held on the fourth Monday of that month due to the Martin Luther King, Jr. Holiday and the February meeting will be held on the Monday following President's Day Holiday. The location, day and time for holding regular meetings may be changed by the Board of Directors from time to time by resolution. If a regular meeting falls on a different holiday (as listed in Government Code section 6700), the meeting will be held on the day designated by the Board by minute order. (See Government Code section 54954(a).)

## **Rule 4 – Quorum Requirements**

The Board of Directors consists of five members. Three members of the Board will constitute a quorum for the transaction of business. (See Water Code section 30524 and Resolution 04-09, adopted April 19, 2004).

## **Rule 5 – Majority Vote**

Three members of the Board will be required to approve any ordinance, resolution or motion, unless a different voting requirement to approve a particular action is specified under State law. (See Water Code section 30525.)

## **Rule 6 – What Constitutes an Affirmative Vote**

Unless a Director is not voting because of a conflict of interest, a Director who is present for a vote on a matter before the Board will be deemed to have voted in the affirmative on a matter unless the Director votes against the measure by casting a "no" vote. An "abstain" vote will constitute an "aye" vote. (See *Dry Creek Valley Association, Inc. v. Board of Supervisors* (1977) 67 Cal.App.3d 839.) When calling for the vote on a motion, the President of the Board may (a) call for "aye" and "no" votes, or (b) ask if there are any "no" votes, since the remaining Directors present will be deemed to have voted in the affirmative unless they are not voting due to a conflict of interest.

## **Rule 7 – Conflicts of Interest**

A member of the Board may not make, participate in making or in anyway attempt to use his or her official position to influence a decision of the Board of Directors in which he or she knows or has reason to know that he or she has a financial interest. (Government Code section 87100.) Generally, a Director has a financial interest in a matter if it is reasonably foreseeable that the Board decision would have a material financial effect (as defined by the Fair Political Practices Commission's ["FPPC"] regulations) that is distinguishable from the effect on the public generally, involving dollar amount set by FPPC regulations from time to time, on (a) a business entity in which the Director has a direct or indirect investment in the amount specified in FPPC regulations, (b) real property in which the Director has a direct or indirect investment interest, with a worth in the amount specified in FPPC regulations, (c) a source of income of the Director, in the amount specified in FPPC regulations, within twelve months before the Board decision, (d) a source of gifts to the Director, in the amount specified in FPPC regulations, within twelve months before the Board decision, or (e) a business entity in which the Director holds a position as a director, trustee, officer, partner, manager or employee. An "indirect interest" means any investment or interest owned by the spouse or dependent child of the Director, by an agent on behalf of the Director, or by a business entity or trust in which the Director, or the Director's spouse, dependent child or agent owns directly, indirectly or beneficially a ten percent interest or greater. (Government Code section 87103.)

If a member of the Board believes he or she may be disqualified from participation in the discussion, deliberations or vote on a particular matter due to a conflict of interest, the following procedure will be used: (a) if the Director becomes aware of the potential conflict of interest before the Board meeting at which the matter will be discussed or acted on, the Director will notify the General Manager of the potential conflict of interest, so that a determination can be made whether it is a disqualifying conflict of interest; (b) if it is not possible for the Director to discuss the potential conflict with the General Manager before the meeting, or if the Director does not become aware of the potential conflict until during the meeting, the Director will

immediately disclose the potential conflict during the Board meeting, so that there can be a determination whether it is a disqualifying conflict of interest; and (c) upon a determination that there is a disqualifying conflict of interest, the Director (1) will not participate in the discussion, deliberation or vote on the matter for which a conflict of interest exists, and (2) leave the Board room until after the discussion, vote and any other disposition of the matter has been concluded, unless the matter has been placed on the consent agenda, except that the Director may speak on the matter during the time that the general public speaks on the matter. In such a case, the Board minutes will state: "Due to a potential conflict of interest, Director \_\_\_\_\_ did not participate in the discussion, deliberation or vote on this matter."

A Board member also is prohibited from having a financial interest in a contract with the District, or be purchaser at a sale by the District or a vendor at a purchase made by the District, unless the Board member's participation is authorized under Government Code section 1090, 1091 or 1091.5, or other provisions of law. Any Director who has a prohibited interest in a contract proposed to be made by the District should declare the conflict as soon as it becomes known and the Board will not consider or take any further action in regard to such contract.

### **Rule 8 – Motions**

The three steps for bringing a motion before the Board are: (a) a Director makes a motion, (b) another Director seconds the motion, and (c) the President states the motion. Once the motion has been stated by the President, it is open to formal discussion. While only one motion can be considered at a time, and a motion must be disposed of before any other question is considered, (a) a motion may be amended before it is voted on, either by the consent of the Directors who moved and seconded, or by a new motion and second, which is then approved by the Board, or (b) a motion may be tabled before it is voted on by motion made to table, which is then seconded and approved by the Board, or (c) a motion may be rejected without further discussion of or action on the motion by a motion of "objection to consideration," which is then seconded and approved by the Board, or (d) further discussion of a motion can be terminated by a motion "to call the question," which is then seconded and approved by the Board. Any Director, including the President, may make or second a motion.

### **Rule 9 – Protection of Rights of Directors**

One of the primary purposes for these rules of procedure is to protect the rights of all Directors. The President will allow each Director a reasonable opportunity to discuss a motion, after it has been made and seconded, and before it has been voted on. The President can set reasonable time limits for discussion of a motion. A Director can object to a procedural ruling by the President by stating: "Mister/Madam President, I rise to a point of order." The President must then ask the Director to state the point of order. The President will then rule on the point of order. The President's ruling on a point of order may be appealed by a motion made and seconded to appeal the decision, which is then voted on by the Board.

### **Rule 10 – Record of Vote**

Except where action is taken by the unanimous vote of all Board members present and

voting, the ayes and noes taken upon the passage of all ordinances, resolutions or motions will be entered upon the minutes. (See Water Code section 30526.)

### **Rule 11 – Ordinances**

The enacting clause of all ordinances passed by the Board will be: "Be it ordained by the Board of Directors of Sacramento Suburban Water District as follows:" (See Water Code section 30527.) All ordinances will be signed by the President and attested by the Secretary. (See Water Code section 30528.)

### **Rule 12 – Agenda and Agenda Materials**

In consultation with the Board President, the General Manager will be responsible for preparing the agenda for regular Board meetings and meetings of standing and *ad hoc* committees (see Government Code section 54952 and Rule 22), and having the agenda for regular Board meetings and standing committee meetings posted at the District office in a location freely accessible to the public no later than seventy-two hours before a regular meeting and on the District's website. The agenda will specify the time and location of the meeting and contain a brief, general description of each item of business to be transacted or discussed at the meeting, including closed session items. (See Government Code section 54954.2.) Any member of the Board may request the General Manager to place an item for discussion or action on the agenda. In order to allow sufficient time to prepare the agenda and back-up materials, the deadline for adding items to the agenda for a regular meeting will be at 4 p.m., seven working days before the meeting. Any member of the public may make a request to the Board at any regular meeting to place an item for discussion on a future agenda, but such a request will be honored only if a majority of the Board approves by motion or consensus.

An agenda for a regular or special Board meeting will contain the following statements: (a) "The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item." (See Government Code section 54954.3(a).); (b) "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." (See Government Code section 54957.5(b)(2).); and (c) "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 [insert the name and telephone number of the person designated by the General Manager]. Requests must be made as early as possible, and at least one-full business day before the start of the meeting." (See Government Code section 54954.2(a).).

### **Rule 13 – Requests for Copies of Agendas and Agenda Materials**

Any person may request the District to mail or electronically mail him or her a copy of the agenda or agenda packet for any meeting of the Board. When the District receives such a request, the General Manager or his/her designee will distribute copies of the requested materials (except for documents that are exempt from disclosure under the Public Records Act) to the requesting party at the time that the agenda is posted or when the agenda packets are distributed

to a majority of the Board members, whichever occurs first. Any request for copies of agendas or agenda packets for all Board meetings in a given year will be valid for the calendar year in which the request is submitted, and the request must be renewed after January 1 of each year in which it is to remain in effect. (Government Code section 54954.1.)

Documents that are distributed to all or a majority of the members of the Board by any person in connection with a matter subject to discussion or consideration at a regular or special meeting of the Board will be disclosable public records under the California Public Records Act (commencing with Government Code section 6250), and will be made available upon request by a member of public without delay, except as to documents that are exempt from disclosure under the Public Records Act. Any public documents related to an open session agenda item that are distributed to all or a majority of Board members by staff or any third party less than 72 hours before a regular Board meeting will be made available for public inspection at the same time. Such documents will be available for public inspection in the customer service area of the District's Administrative Office. Documents that are distributed during a regular or special Board meeting that are subject to disclosure under the Public Records Act will be made available for public inspection at the meeting, if prepared by the District or a member of the Board, or after the meeting, if prepared by some other person. The District may charge a fee for responding to requests for copies of agendas, agenda packets or other documents, which fee will be limited to the District's copying and postage costs as provided in the District's Records Inspection, Retention, Disposal, and Storage Policy (PL - Adm 002). (See Government Code section 54957.5(a) and (b).)

Upon request, the agenda and other documents referred to in this rule will be made available in an appropriate alternative format to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. section 12132) and the federal rules and regulations adopted in implementation thereof. (See Government Code sections 54954.1, 54954.2(a) and 54957.5(b).) The District will not charge a special surcharge to provide documents requested in an alternative format by a person with a disability in accordance with the Americans with Disabilities Act and its implementing regulations. (See Government Code section 54957.5(c).)

If the District records the meeting, it will retain the recording for at least thirty days following the meeting, after which it may be erased or destroyed. The public may inspect the recording on a computer made available by the District, without charge. (See Government Code section 54953.5(b).)

#### **Rule 14 – Authority to Act on Matters Not on the Agenda**

The Board will not take action on or discuss any item not appearing on the posted agenda, except under the following conditions, in which cases the item will be publicly identified before discussion begins: (a) upon a determination by a majority of the Board that an emergency situation exists, as further described in Rule 25 hereof; (b) upon a determination by a two-thirds vote of the Board members present at the meeting, or, if less than two-thirds of the members of the Board are present, a unanimous vote of those members present, that the need to take immediate action became apparent after the agenda was posted; or (c) the item was posted for a

prior meeting of the Board occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken. (See Government Code sections 54954.2 and 54956.5.)

### **Rule 15 – Consent Agenda**

The General Manager may list on the agenda a “consent agenda,” which will consist of routine matters on which there is generally no opposition or need for discussion. Examples of consent agenda items might include approval of minutes, financial reports and routine resolutions. Any matter may be removed from the consent agenda and placed on the regular agenda at the request of any member of the Board. The entire consent agenda may be approved by a single motion made, seconded and approved by the Board.

### **Rule 16 – Oral Informational Reports**

Any member of the Board may make an oral report at a regular meeting for the purpose of informing the Board of any matter of interest to the District. Regular meeting agendas will include specific items for Directors’ reports and comments. The Board also may call on the General Manager, District staff or District legal counsel for oral informational reports on matters not on the agenda. Unless the Board makes the determinations required under Rule 14, there will be no more than limited discussion, and no action, on matters covered in such oral reports. (See Government Code section 54954.2(a).)

### **Rule 17 – Public Forum and Comment**

Every agenda for a regular meeting will provide an opportunity for members of the public to directly address the Board on items of interest that are within the subject matter jurisdiction of the Board and that do not appear on the agenda. This agenda item will be described substantially as follows: “Opportunity for public comment on non-agenda items within the Board’s jurisdiction.” During the Public Forum, the Board may, at its discretion, not respond, briefly respond to statements made or questions posed by the public, or ask District staff for clarification, refer the matter to District staff or ask District staff to report back at a future meeting. (See Government Code sections 54954.2 and 54954.3.) The Board will not take action on any matter raised during the Public Forum, unless the Board first makes the determinations set forth in Rule 14. In order to facilitate public participation during the Public Forum session of the meeting, the Board may limit the total amount of time allocated for public comment on a particular issue (ten minutes or less normally will be standard), and may limit the time allocated for public comment by an individual speaker (three minutes or less normally will be standard). The President may declare any comment as out of order, irrelevant, repetitious or disruptive. (See Government Code section 54954.3.)

It is the general policy of the Board to refer to the General Manager for resolution complaints received from members of the public. If the complaint cannot be resolved, the General Manager will place it on a future meeting agenda for consideration by the Board.

The public may address the Board concerning an agenda item during a regular or special

Board meeting, including commenting on the closed session agenda prior to the Board adjourning into closed session, either before or during the Board's consideration of that agenda item. (See Government Code section 54954.3(a).)

These rules are not intended to prohibit public criticism of policies, procedures, programs or services of the District, or of the acts or omissions of the Board. (See Government Code section 54954.3(c).)

In the event that any meeting is willfully interrupted by a group or groups of persons so as to render the orderly conduct of such meeting infeasible, and order cannot be restored by the removal of individuals who are willfully interrupting the meeting, the Board may order the meeting room cleared and continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those participating in the disturbance, will be allowed to attend any session held pursuant to this section. Nothing in this section will prohibit the Board from readmitting an individual or individuals not responsible for disturbing the orderly conduct of the meeting. (See Government Code section 54957.9.)

### **Rule 18 – Public Hearings**

The procedure for conducting public hearings during a meeting of the Board will be as follows: (a) no earlier than the time set for the public hearing, the President of the Board will declare the public hearing open; (b) the President will ask the General Manager whether notice of the public hearing has been given in the manner required by law; (c) the President will ask the General Manager whether written comments on the subject matter of the public hearing have been received; (d) the President will ask whether any member of the public wishes to present written or oral comments on the subject of the public hearing; (e) in its discretion, the Board may set time limits on the amount of time an individual speaker is allowed to comment orally during the public hearing; and (f) following the close of presentation of comments and before any Board discussion and action on the subject matter, the President will declare the public hearing closed. The Board may continue a public hearing from time to time. A public hearing may be continued in accordance with the procedures described in Rule 19. (See Government Code section 54955.1.)

### **Rule 19 – Adjournment**

A meeting of the Board will be adjourned by (a) loss of a quorum, (b) by declaration of the President that the meeting is adjourned when the agenda has been completed and there is no further business to come before the Board, or (c) by motion made, seconded and approved to adjourn the meeting. A regular or special meeting of the Board may also be adjourned for the purpose of continuing it to a specific day and time (a) by motion made, seconded and approved by a majority of the Board, (b) by approval of less than a quorum if a quorum is not present, or (c) by the Secretary of the Board if all members are absent from any regular or adjourned regular meeting. A copy of the order or notice of adjournment to continue a meeting to another date will be conspicuously posted on or near the door of the District office where the meeting was held within twenty-four hours after the time of adjournment. (See Government Code section 54955.)

## **Rule 20 – Special Meetings**

A special meeting may be called at any time by the President or by a majority of the members of the Board, by delivering personally or by any other means, including mail, facsimile and electronic mail, written notice to each member and to each newspaper, radio or television station requesting notice in writing. Such notice must be received at least twenty-four hours before the time of such meeting as specified in the notice to constitute notice of the special meeting (except as to emergency meetings, in which case, the notice requirements specified in Rule 25 will be followed). Electronic mail will constitute notice of a special meeting only if the recipient confirms receipt, and it will be deemed to be received at the time of such confirmation. The call and notice for a special meeting must specify the time and place of the special meeting and the business to be transacted, and must include the statements specified in Rule 12. No other business will be considered at such meeting. The written notice may be dispensed with as to any member who at or prior to the time the meeting convenes files with the District Secretary a written waiver of notice. Waiver may be given in person or by mail, facsimile, electronic mail or telegram. Such written notice may also be dispensed with as to any member who was actually present at the meeting at the time it convenes. Notice of a special meeting must also be posted at least twenty-four hours before the meeting in a location freely accessible to the public and on the District's website. (See Government Code sections 54954.3(a) and 54956.)

## **Rule 21 – Board Workshop Meetings**

From time to time, the Board may set a regular or special meeting to be conducted as a “workshop meeting,” during which the Board would have the opportunity to receive presentations on and discuss matters identified on the agenda, but the Board would not normally take action on those items. Nothing in this rule is intended to prevent the Board from taking action on a matter during a workshop session if it is identified as an item for possible action on the agenda for that meeting.

## **Rule 22 – Board Committees**

Board committees will be composed of less than three Directors, and may be either standing committees or *ad hoc* advisory committees. A Board standing committee has continuing subject matter jurisdiction. (See Government Code section 54952.) In accordance with Rule 12, standing committee meetings will be open to the public (except for authorized closed sessions), and the agenda for those meetings will be posted in the same manner as the agenda for regular Board meetings. In addition, the President may from time to time establish, and appoint the members of, *ad hoc* advisory committees to serve a limited or single purpose, which committees are to be dissolved once their specific task is completed. The meetings of an *ad hoc* advisory committee are not required to be open to the public, and notice of such meetings is not required to be posted. (See Government Code sections 54951 and 54952.)

Directors who are not members of a standing committee may attend a standing committee meeting only as observers, and they may not participate in the committee meeting, ask questions



or sit with the committee members at the Board table. (See subsection (c)(6) of Government Code section 54952.2.) Directors who are not members of an *ad hoc* committee may not attend an *ad hoc* committee meeting.

### Rule 23 – Closed Sessions

A closed session may be held on any subject authorized under the Brown Act. The agenda for a regular or special meeting will contain a brief, general description of the purpose of a closed session, in substantially the following form:

a. Conference with legal counsel--existing litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(1); \_\_\_\_\_ v. \_\_\_\_\_ [insert name of case, e.g., *Jones v. District*].

b. Conference with legal counsel--existing litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(1); case name unspecified because \_\_\_\_\_ [insert either "disclosure would jeopardize service of process" or "disclosure would jeopardize existing settlement negotiations"].

c. Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(2) and (3); significant exposure to litigation involving \_\_\_\_\_ [describe].

d. Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(4); consideration of initiation of litigation involving \_\_\_\_\_ [describe or specify only number of cases if confidentiality is required or deemed necessary].

e. Public employee appointment involving \_\_\_\_\_ [insert position(s) to be filled]; Government Code sections 54954.5(e) and 54957(b)(1).

f. Public employee performance evaluation involving \_\_\_\_\_ [insert position(s) being reviewed]; Government Code sections 54954.5(e) and 54957(b)(1).

g. Public employee discipline/dismissal/release; Government Code sections 54954.5(e) and 54957(b). [No additional information required.]

h. Conference with labor negotiator involving \_\_\_\_\_ [insert name of District negotiator] and \_\_\_\_\_ [insert name of employee organization involved in negotiation]; Government Code sections 54954.5(f) and 54957.6.

i. Conference with labor negotiator involving \_\_\_\_\_ [insert name of District negotiator] and unrepresented employee(s) in position(s) of \_\_\_\_\_ [insert position(s) of unrepresented employee(s) involved in negotiation]; Government Code sections 54954.5(f) and 54957.6.

j. Conference with real property negotiator involving the purchase, sale, lease or exchange of \_\_\_\_\_ [insert street address or other description of property],

\_\_\_\_\_ and \_\_\_\_ [insert name of District negotiator(s)], District negotiator(s), will negotiate with \_\_\_\_\_ [insert name of other party(ies)]. Instructions to the negotiator(s) may include price, terms of payment, or both. (See Government Code sections 54954.5(b) and 54956.8.)

k. Closed session consultation [insert the name, if applicable, of a law enforcement agency, and the title of the officer, or the name of an applicable agency representative (legal counsel or security officer) and title] concerning a threat to public services or facilities, or for the assessment of the security vulnerability of public facilities. (See Government Code sections 54954.5(e) and 54957(a).)

The Board will not keep minutes of its closed sessions. (See Government Code section 54957.2.) In the closed session, the Board will consider only those matters covered in its statement of reasons for holding the closed session. (See Government Code section 54957.7.)

Before holding a closed session to consider complaints or charges against a particular employee (as distinguished from evaluation of performance unrelated to any specific complaint or charge), the District will provide twenty-four hours' advance written notice to the employee of his or her right to have the matter heard in open session. If the employee requests, the complaint or charges must be heard in open session. (See Government Code section 54957(b)(2).)

A closed session may be held to meet with the District's negotiator regarding the salary and benefits of District officers and employees, but not including elected officials, but the District's available funds, funding priorities or budget will not be discussed during the closed session except to the extent necessary to permit the Board to provide instructions to its designated labor negotiator(s). (See Government Code section 54957.6.)

Following every closed session, the Board will reconvene to open session and publicly report any action and vote during the closed session in accordance with the following guidelines:

a. For action concerning final approval of a real property purchase, sale or exchange agreement or lease, report in open session at the same meeting the action taken (including the substance of the agreement) and vote, except that, if final approval rests with another party, the report may be deferred until the other party's approval. (See Government Code section 54957.1(a)(1).)

b. Approval given to legal counsel to defend or initiate a lawsuit, or seek appellate review will be reported in open session at the public meeting during which the closed session was held. (See Government Code section 54957.1(a)(2).)

c. Approval given to legal counsel to settle pending litigation or action taken to dispose of a claim will be reported in open session as soon as the settlement or claim disposition becomes final. (See Government Code section 54957.1(a)(3) and (4).)

d. For action to appoint, employ or dismiss, accept the resignation of, or otherwise affect the employment status of an employee, the Board will report in open session at the same

meeting the action taken (including identity of employee or position and any change in compensation) and vote, except that, for any dismissal or non-renewal of a contract, the report back may be deferred until the first meeting after the exhaustion of administrative remedies. (See Government Code section 54957.1(a)(5).)

e. For action concerning a labor MOU, after the MOU has been approved by both parties, the Board will report in open session the action taken and vote. (See Government Code section 54957.1(a)(6).)

The District will make available after a closed session to anyone who has requested them in advance, agreements or other documents approved in closed session, unless the document needs to be revised, in which case it will be provided as soon as possible. After the closed session, changes to the agreement will be orally summarized if anyone present so requests. (See Government Code section 54957.1(b).)

A Director is not authorized, without prior approval of the Board of Directors, to disclose information that qualifies as confidential information under applicable provisions of law to a person not authorized to receive it, that (1) has been received for, or during, a closed session meeting of the Board, (2) is protected from disclosure under the attorney/client or other evidentiary privilege, or (3) is not required or authorized to be disclosed under the California Public Records Act.

A Director is not prohibited from taking the following actions in regard to a closed session of the Board: (1) making a confidential inquiry or complaint to a district attorney or grand jury concerning a perceived violation of law, including disclosing facts to a district attorney or grand jury that are necessary to establish the alleged illegality of an action taken by the Board, (2) expressing an opinion concerning the propriety or legality of actions taken by the Board in closed session, including disclosure of the nature and extent of the allegedly illegal action, or (3) disclosing information acquired by being present in a closed session that is not confidential information. Prior to disclosing confidential information pursuant to (1) or (2), above, however, a Board member will first bring the matter to the attention of either the President of the Board or the full Board, to provide the Board an opportunity to cure an alleged violation.

A Director's violation of the duty to protect closed session confidences may be remedied as provided in Government Code section 54963(c). A Director who willfully and knowingly discloses for pecuniary gain confidential information received by him or her in the course of his or her official duties may be guilty of a misdemeanor under Government Code section 1098.

(See Government Code section 54963, and 76 Ops.Cal.Atty.Gen. 289, 290 (1993) and 80 Ops.Cal.Atty.Gen. 231 (1997).)

## **Rule 24 – Meetings by Teleconference**

The Board may hold meetings by teleconference. (See Government Code section 54953(b).) For purposes of this rule, "meetings by teleconference" include meetings at which one or more Board member attends and participates in the meeting by telephone, video

conferencing or any other electronic means using live audio or video, or both. For any meeting by teleconference conducted by the Board, the following requirements will apply:

a. At least a quorum of the Board must participate in the teleconference meeting from locations within the District's boundaries and each teleconference location (i.e., the location from which one or more Board members attends and participates in a meeting by teleconference) will be accessible to the public.

b. When meetings by teleconference are held by telephone, speaker phones that allow all persons attending the meeting to hear and be heard will be used at the main meeting location and at any teleconference location where there are members of the public in attendance.

c. All votes taken at a meeting by teleconference will be by roll call.

d. The Board will conduct the meeting by teleconference in a manner that protects the statutory and constitutional rights of parties and the public to attend and participate in the meeting.

e. Each teleconference location will be identified in the regular meeting agenda or special meeting notice, and the agenda or notice will state that members of the public will have the opportunity to address the Board from any teleconference location.

f. Notice of any meeting by teleconference will be included in the meeting agenda or special meeting notice in substantially the following form:

“All or portions of this meeting will be conducted by teleconference in accordance with Government Code section 54953(b). The teleconference location(s) for the meeting are as follows: \_\_\_\_\_.  
Each teleconference location is accessible to the public, and members of the public may address the Board of Directors from any teleconference location.”

g. In addition to the usual notice and agenda requirements, the regular meeting agenda or special meeting notice will be posted at all teleconference locations at least seventy-two hours before regular meetings or twenty-four hours before special meetings.

### **Rule 25 – Emergency Meetings**

Under Government Code section 54956.5, a meeting to address an emergency may be held if a majority of the Board determines that a situation exists which involves matters upon which prompt action is necessary. An emergency situation is defined as: (1) a work stoppage, crippling activity, or other activity that severely impairs public health, safety, or both; or (2) a dire emergency, which shall be defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist activity that poses peril so immediate and significant that requiring the Board to provide one-hour notice before holding an emergency meeting may endanger the public health, safety, or both.

As a condition of holding an emergency meeting, the Board President or his/her designee shall provide notice of the meeting by telephone to each local newspaper of general circulation, radio station and television station that has requested notice of special meetings. For a meeting for a “non-dire emergency” (Definition 1, above), the telephone notice must be provided at least one hour prior to the emergency meeting. In the case of a meeting for a “dire emergency” (Definition 2, above), the telephone notice must be provided to the media at or near the same time as notice is given to the members of the Board. In the event that telephone services are not functioning, the notice requirements of this section shall be deemed waived, and the legislative body, or designee of the legislative body, shall notify those newspapers, radio stations, or television stations of the fact of the holding of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible.

The Board may meet in closed session upon approval by a two-thirds vote of the Board (or the unanimous vote of the Board if less than two-thirds are present) to discuss security or employment matters related to the emergency situation. (See Government Code sections 54956.5(c) and 54957.)

With the exception of the 24-hour notice and posting requirements and any other exceptions provided in herein, all special meeting requirements described in Rule 20 shall be applicable to an emergency meeting called pursuant to this Rule.

The draft minutes of an emergency meeting called under this Rule must be posted in a public place for a minimum of 10 days as soon after the meeting as possible, and include a list of persons who the Board President or his/her designee notified or attempted to notify of the meeting, if applicable, any actions taken at the meeting, and a recording of any votes taken by roll call. (See Government Code section 54956.5(e).)

### **Rule 26 – Amendment of Rules**

By motion made, seconded and approved, the Board in its discretion may at any meeting (a) temporarily suspend these rules in whole or in part, (b) amend these rules in whole or in part, or (c) both, as long as any amendment or suspension is otherwise consistent with the Brown Act and other applicable laws. Unless amended earlier, District staff will review these Rules for Proceedings biennially and recommend changes for Board consideration and action.