

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, August 19, 2019

Call to Order

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

Pledge of Allegiance

President Jones led the Pledge of Allegiance.

Roll Call

Directors Present: Dave Jones, Craig Locke, Kathleen McPherson, Kevin Thomas, and Robert Wichert.

Directors Absent: None.

Staff Present: General Manager Dan York, Assistant General Manager Mike Huot, Director of Finance and Administration Dan Bills, Heather Hernandez-Fort, Cassie Crittenden, Matt Underwood, David Armand, Tommy Moulton, Mitchell McCarthy, David Espinoza and Dana Dean.

Public Present: William Eubanks, Alan Driscoll, Gene Benneke, Debbie Sedwick and Paul Olmsted.

Announcements

General Manager Dan York (GM York) announced:

- The Executive Team has been relocated to the dais.
- The Verizon Cell Tower Lease was signed on August 14, 2019.
- The ACWA Region 4 Boat Tour Event is on September 17, 2019.
- Director of Finance and Administration, Dan Bills, announced his retirement effective January 17, 2020.

Public Comment

None.

Consent Items

1. **Minutes of the July 15, 2019 Regular Board Meeting**
2. **Workplace Dishonesty Policy (PL – Adm 006)**
3. **Engagement of Auditor Policy (PL - Fin 001) and Extending Audit Services with Richardson & Company, LLP**

4. **2019 Audit Engagement Letter and Contract**

5. **ACWA Region 4 Board Election**

President Jones requested to pull Item 4 for discussion.

Director Locke moved to approve Items 1, 2, 3, and 5, Director Thomas seconded. The motion passed by unanimous vote.

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

Public Hearing

6. **2019 Triennial Public Health Goal Report**

President Jones opened the public hearing on the 2019 Triennial Public Health Goal Report.

David Armand (Mr. Armand) presented the PowerPoint presentation and answered several clarifying questions.

William Eubanks (Mr. Eubanks) inquired how Mr. Armand knew that surface water was not hard water.

Mr. Armand explained that they tested for hardness which is shown in the Consumer Confidence Report.

President Jones closed the Public Hearing.

Public Comment

David Espinoza (Mr. Espinoza) spoke on behalf of Gene Benneke (Mr. Benneke) per Mr. Benneke’s request. Mr. Espinoza related that Mr. Benneke attended the meeting to show his appreciation for the Jonas Main Replacement Project, noting that he was very impressed with the staff and consultants professionalism.

Mr. Benneke spoke to emphasize his appreciation for staff on the Jonas Main Replacement Project.

Consent Items

Regarding Item 4, Mr. Eubanks inquired what the recommendation was from the Finance and Audit Committee, explaining that Director Wichert commented that changing the policy to comply with the law weakened the District’s position.

Director Wichert expressed that the current policy stated that the Finance and Audit Committee would seek proposals from potential auditors no greater than every 5 years, and he explained that 6 years made it a weaker policy.

Mr. Eubanks inquired why Director Wichert was willing to support the staff recommendation and renew the contract with the current audit firm, Richardson and Company, given his concern that such a change would weaken the policy.

Director Wichert expressed that after much discussion at the Finance and Audit Committee meeting, he felt that even though it was a weaker position, it was acceptable.

Director Thomas moved to approve Item 4; Director Locke seconded. The motion passed by unanimous vote.

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

Items for Discussion and/or Action

- 7. **Memorandum of Understanding for Water Supply Opportunities Investigation Between Sacramento Suburban Water District and Carmichael Water District**
Assistant General Manager Mike Huot (AGM Huot) presented the staff report.

GM York provided additional information and answered clarifying questions.

Director Thomas inquired why the sense of urgency with the project, as opposed to other water supply opportunities with other local purveyors.

GM York answered that it was an opportunity to enhance the District’s water portfolio, expressing that it would not interfere with any other future opportunities.

Director Thomas noted that there was also currently an agreement between the District and San Juan Water District, further noting that if a drought did occur, we would be diminishing the District’s groundwater basin.

GM York expressed that any agreements would be contingent on ensuring the operations of the District was first priority.

Director Thomas noted he was in favor of sharing a well with Carmichael, but not completely convinced to approve an agreement for surface water.

GM York answered additional clarifying questions.

Director Wichert moved to approve the staff recommendation.

Paul Olmsted (Mr. Olmsted), a retired SMUD employee, expressed his strong support for the Memorandum of Understanding, stating that it was a part of the water reliability plan for the region.

Director Locke seconded. The motion passed by 4/1 vote. Director Thomas opposed.

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

8. **Distribution Main Asset Management Plan**

President Jones expressed that he was uncomfortable with the condition assessment, noting that it was very difficult to get an accurate condition assessment without taking several samples of pipeline. He further expressed that taking several samples could not only further damage the pipeline, but would be a greater cost to the District. He stated that the engineering staff should rely on the criteria in the Asset Management Plan, such as leak history, location of the pipeline, risk assessment, and the age and material of the pipeline. He noted that the criteria has proven to work well in the past and recommended to continue to use the Asset Management Plan with the caveat that the condition assessment would be used based upon the recommendation of the District Engineer and approved by the General Manager.

Director Wichert was unsure why President Jones was uncomfortable with what the staff was recommending, expressing that staff was comfortable with it.

Dana Dean (Mr. Dean) expressed that it would be more complex and cost more, however, he expressed that the idea was to save money by replacing pipeline when it was ready, not just when it was scheduled to be replaced.

President Jones noted that the condition assessment would prevent staff from being able to inform customers when their area was due for pipeline replacement.

Director Locke expressed the condition assessment was just ranking the worst of the worst.

AGM Huot expressed that it was becoming more of an industry standard to do condition assessments and further noted there were additional options to explore such as inspection with a camera, in order to avoid puncturing the actual pipelines.

President Jones clarified he felt the engineering staff should use the condition assessment as an additional tool, and not make it a mandatory requirement for each main replacement project, if it was not needed.

Mr. Dean expressed that the intent was to use the condition assessment as an additional tool.

Director Thomas moved to approve the staff recommendation with the addition that the condition assessment would be used upon the recommendation of the District Engineer and approved by the General Manager; Director McPherson seconded. The motion passed by unanimous vote.

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

9. **Resolution No. 19-11 Fixing the Employer Contribution Under Section 22893 of the Public Employees’ Medical and Hospital Care Act**

Cassie Crittenden (Ms. Crittenden) presented the staff report.

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

Director Wichert expressed he was still in favor of the formation of an Ad Hoc Benefits Committee. Director’s Thomas and McPherson agreed.

President Jones expressed he wanted to wait until the first of the year to form the new committee.

The motion passed by unanimous vote.

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

10. **2020 Budget Assumptions**

Mr. Bills presented the staff report.

Director Wichert inquired why the budget assumptions were not being presented to the Finance and Audit Committee and additionally inquired if the actuarial estimates from the OPEB were included in the rate study.

Mr. Bills expressed that he was asked to bring the item to the full Board and additionally stated he would look up if the actuarial estimates from the OPEB included in the rate study were the same as those in the budget assumptions.

Director Locke noted that there was still an outstanding liability and he was not in favor of deferring it.

Director Wichert inquired how much the unfunded liability currently was.

Mr. Bills expressed that he would report back on that figure.

Director McPherson expressed that she was still in favor of forming an Ad Hoc Benefits Committee to review the legal liability for employee benefits, and stated that it was unfair to discuss funding OPEB and employee benefits without collecting all of the information.

Director Wichert expressed that he was in favor of buying down the unfunded liability and noted that he was ok with paying the unpaid balance from 2019.

Director McPherson stated she believed the cost would require an additional rate increase.

Director Locke noted that the rate increase figures were based primarily off deferring some CIP projects. He further expressed that he believed the 2020 budget assumptions presented by staff were valid.

Director Wichert noted that he was comfortable with the assumptions if they were consistent with the proposed rate increases.

Mr. Eubanks encouraged the Board to purchase surface water from the City of Sacramento if their rate becomes \$120 per acre foot. He additionally inquired if there was a Director Division map which also included the North and South Service Areas.

Mr. Bills reported back to the board that the figures were not incorporated in the proposed rate increase.

Director Wichert recommended the amount that was in the rate increase analysis and suggested that staff come back with a recommendation on how to pay off the unfunded liability.

Director Wichert moved to use the assumptions provided for the rate increase, and if the budget needed to be increased, they would discuss that as a second step; Director Thomas seconded. The motion passed by unanimous vote.

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

General Manager's Report

11. General Manager's Report

GM York presented the staff report.

- a. *2019 Northern California Water Tour*
GM York presented the staff report.
- b. *Del Paso Manor Water District Update*
GM York presented the staff report.
- c. *City of Sacramento Wholesale Water Rate Analysis Update and Area D Map*
GM York presented the staff report.
- d. *McClellan Business Park – Sacramento County Agreement*
GM York presented the staff report.
- e. *Grant of Easement and Right of Way at 1440 Fulton Avenue and 2626 Marigold Lane in Sacramento, California.*
GM York presented the staff report.

Assistant General Manager's Report

12. Assistant General Manager's Report

AGM Huot presented the staff report.

- a. *Strategic Plan - Implementation Plan*
AGM Huot presented the staff report.
- b. *Jonas Main Replacement Open House*
AGM Huot presented the staff report.

Department/Staff Reports

13. Financial Report

A written report was provided.

- a. *Financial Highlights – July 2019*
A written report was provided.
- b. *Financial Statements – July 2019*
A written report was provided.
- c. *Investments Outstanding and Activity – July 2019*
A written report was provided.

- d. *Cash Expenditures – July 2019*
A written report was provided.
- e. *Credit Card Expenditures – July 2019*
A written report was provided.
- f. *District Reserve Balances – July 2019*
A written report was provided.
- g. *Information Required by LOC Agreement*
A written report was provided.
- h. *Financial Markets Report – July 2019*
A written report was provided.

14. **District Activity Report**
A written report was provided.

15. **Engineering Report**
A written report was provided.

Mr. Eubanks inquired if the new well at Butano was going to be equipped with well head treatment and inquired if well 32A or well 26 were scheduled to be abandoned.

Mr. Dean answered that the Butano well would not have well head treatment, and that there was no plan to abandon either well 32A or 26.

- a. *Major Capital Improvement Program (CIP) Projects*
A written report was provided.
- b. *Planning Documents*
A written report was provided.
- c. *Other*
A written report was provided.

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

16. a. Regional Water Authority (President Jones)
None.

Regional Water Authority Executive Committee (General Manager York)
The agenda for the July 24, 2019 meeting was provided.

b. Sacramento Groundwater Authority (Director Thomas)
The agenda for the August 8, 2019 meeting was provided.

- c. Water Caucus Meeting (General Manager York)
None.
- d. Water Forum Successor Effort (General Manager York)
None.
- e. Other Reports – AB 1234

President Jones provided an oral report on the following meetings he attended:

- July 7-10, 2019 CSDA Leadership Training Conference.
- July 11, 2019 RWA Board meeting.
- July 12, 2019 Ethics Training.
- July 16, 2019 Sexual Harassment Training.
- July 18, 2019 SAWWA Tour of Woodland facilities.

Director Thomas provided oral reports on the following meetings he attended:

- July 5, 2019 meeting with the General Manager.
- July 10, 2019 Aero Jet CAG meeting.
- July 16, 2019 meeting with the Director of Finance and Administration.
- July 18, 2019 Jonas Main Replacement Open House.
- July 22, 2019 meeting with the General Manager.
- July 24, 2019 Delta Conservancy meeting.
- July 31, 2019 meeting with Ted Costa of SJWD.
- August 2, 2019 Auburn Dam Counsel meeting.
- August 8, 2019 meeting with the General Manager.

Committee Reports

- 17. a. Facilities and Operations Committee (Director Jones)
None.
- b. Finance and Audit Committee (Director Wichert)
Draft Minutes of the August 5, 2019 and August 12, 2019 meetings were provided.
- c. San Juan Water District/Sacramento Suburban Water District Water Management/Re-Organization Committee (Director Jones)
The agenda for the August 22, 2019 meeting was provided.

Information Items

- 18. **Antelope Transmission Pipeline Damage**
A written report was provided.

Matt Underwood (Mr. Underwood) presented a video of the damage as well as provided additional information.

19. **ACWA/JPIA Liability, Property and Workers' Compensation Risk Assessment**
A written report was provided.
20. **Senate Bill 998 – Water Shutoff Protection Act**
A written report was provided.
21. **2019 Water Rate Study Public Outreach**
A written report was provided.
22. **ACWA Committee Appointment Considerations for the 2020-21 Term**
A written report was provided.
23. **Legislative and Regulatory Update**
A written report was provided.
24. **Upcoming Water Industry Events**
A written report was provided.
25. **Upcoming Policy Review**
A written report was provided.
 - a. Water Banking and Transfer Policy (PL – BOD 006)
A written report was provided.
 - b. Directors' Compensation and Expense Reimbursement Policy (PL – BOD 003)
A written report was provided.

Director's Comments/Staff Statements and Requests

None.

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

The Board convened in Closed Session at 8:30 p.m. to discuss the following:

26. **Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.**

Return to Open Session

The Board convened in open session at 8:44 p.m.

President Jones made additional committee appointments.

Employee Benefits Ad Hoc Committee, Director Wichert and Director Locke. Director Locke was appointed Chair.

Ad Hoc General Manager Performance Review Committee, President Jones and Director Thomas. President Jones was appointed Chair.

Adjournment

President Jones adjourned the meeting at 8:52 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District