

MEETING REPORT
WATER COMMITTEE
WEDNESDAY, JULY 1, 2009
2:30 P.M.

Directors: Ralph Retherford Public: Ron Ringen
 Barbara Balen (alternate)

Staff: Pete Kampa Leonard Mauro
 John Barnhart Tom Scesa
 Sheri Barnett Casey Prunchak

Self introductions started the meeting.

Review First Draft of the 2009/2010 FY Budget

District staff and the Committee member reviewed in detail the 2009/2010 FY budget documents.

John Barnhart reported that during the process of summarizing the wastewater fund proposed budget for 2009/10, District staff accidentally omitted two lines which outlined the total non labor sewer operations expenses and the total allocation expenses and benefits (from Internal Services). Mr. Barnhart apologized to the Committee members and the public for the oversight, noting that it was certainly done unintentionally.

Director Retherford suggested the following:

- Opposed the merit increases and longevity pay increases. (Freeze unless mandated by MOU).
- Opposed to the General Manager being involved in the Union negotiates. (Believes it is a conflict of interest).
- Employee benefits are excessive and should be rolled back, District cannot continue to offer the employees the current fringe benefits.
- Requested that the General Manager address ways that the District can reduce costs and expenses, including cutting employees from the work force.
- Stop hiring a temporary crew for the annual PG&E ditch outage to perform ditch maintenance.
- Opposed to pre-funding the unfunded liability for retirees' medical benefit liability.
- Quit doing business as usual – all budget comparisons between 08/09 and 09/10 should be decreased.
- Place on a future Water Committee agenda to review the possibility of a water treatment plant consolidation into a regional water treatment facility and discussion of the Water Master Plan (Water Superintendent to be in attendance).
- Projects listed in the budget schedule in excess of \$15,000 needs Board approval prior to moving forward. (Board has lost control of expenses).
- Leonard Mauro to update the Board on what District staff deleted from the proposed project budget, showing how the District is tightening their belts and not doing business as usual.

Director Balen recommended the following:

- Reduce overtime hours.
- Requested that District staff review the possibility of contracting with PG&E to perform ditch maintenance.
- Priority to implement the Water Master Plan.
- Projects in excess of \$15,000 coming to the Board for prior approval is an extreme waste of time.

Consensus of the Committee members:

- Move forward immediately with Union negotiations for 2010/2011 and reconsider all aspects and benefits (dental and vision) of the MOU.
- Freeze all merit increases and longevity pay increases in the 2010/2011 MOU.
- Continue to use Baseline and Conservation crews as much as possible for ongoing ditch maintenance.
- Leave the budget amount at \$60,000 for the water resources consulting services for John Mills and delete line items 13 and 14 for the Urban Water Management Plan (UWMP) and the updated water conservation regulatory compliance program.

Ron Ringen indicated that he believes that TUD employee benefits are outages and should be reviewed for cuts.

John Barnhart reported that the employer contribution rate for CalPERS retirement will decrease from 18.458% to 18.249%, noting that the impact is about a \$10,000 decrease in employer contributions. Mr. Barnhart explained that the estimated unfunded PERS pension liability as of June 30, 2009 is \$2,251,389 and is being amortized at the current rate over the next ten years. The estimated annual cost of this amortization is \$281,045, which we pay in our premiums directly into PERS.

Sheri Barnett explained that workers' compensation rates will decrease about 25% for the 2009/2010 fiscal year, indicating that the District's insurance carrier, SDRMA announced a 15% discount in rates, and District staff earned incentives credits based on participation in various administration, governance and risk management tracks.

John Barnhart reported that employers currently have the option to pre-fund retirees' medical benefit liability using a third party trustee, explaining that pre-funding minimizes future cost impacts, since agencies that pre-fund use higher discount rates (basically receiving the benefit of interest earned on the account). Mr. Barnhart indicated that if the Board approved the pre-funding and the District pre-funds the cost avoidance (savings) would be \$505,293 for the first year, and is estimated to be a total cost avoidance of \$5,368,000.

John Barnhart reviewed the consolidated water funds projections for 2009/2010 FY budget, indicating that District staff will be proposing a rate increase next year to cover the District's cash flow deficit.

District staff responded to questions from the Committee members and the public.

John Barnhart reviewed the consolidated wastewater funds projections for 2009/2010 budget.

Director Retherford indicated that after reviewing the worksheet from the previously discussed five year plan, he noticed that the totals didn't add up.

John Barnhart reminded the Board that at the beginning of the meeting he stated that during the process of summarizing the wastewater fund proposed budget for 2009/10, District staff accidentally omitted two lines which outlined the total non labor sewer operations expenses and the total allocation expenses and benefits (from Internal Services). Mr. Barnhart assured the Board that the bottom line is correct; however the details in the two line items were unintentionally omitted.

Director Retherford strongly stated that omissions in the budget summaries are unacceptable and believes that District staff omitted the lines in question intentionally, noting that it is the responsibility of the General Manager to assure the information is correct. Director Retherford expressed his concern that the Board cannot understand and figure out the budget when District staff omits critical information. Director Retherford requested that the Board receive the entire FY 2009/2010 budget for the water fund and the wastewater fund. District staff concurred.

Director Retherford requested that District staff compare the 2008/2009 and 2009/2010 March 17, 2009 revised wastewater budget projections against the entire wastewater funds proposed for 2009-2010 with a detail explanation.

John Barnhart reviewed the proposed major projects scheduled for the 2009/2010 FY budget, indicating that District staff will show why each individual project needs to be completed in this budget year.

Pete Kampa reported that he proposes that the Board approve the water resources consulting services of John Mills for \$60,000, and have Mr. Mills implement the Urban Water Management Plan (UWMP) and the updated water conservation regulatory compliance program immediately under the same contract.

Discussion ensued on the water resources consulting services and the out of compliance UWMP and the updated water conservation program.

Director Retherford inquired on what amount of rate increase can be expected to fund the water and wastewater budget for next year?

Pete Kampa responded that in the proposed budget for 2009/2010 there is a \$1,827,172.35 operating cash flow deficit that will need to be addressed over the next year.

Committee recommendation: Move forward immediately with Union negotiations for 2010/2011 and reconsider all aspects and benefits (dental and vision) of the MOU; freeze all merit increases and longevity pay increases in the 2010/2011 MOU; continue to use Baseline and Conservation crews as much as possible for ongoing ditch maintenance; leave the budget amount at \$60,000 for the water resources consulting services for John Mills and delete line items 13 and 14 for the Urban Water Management Plan (UWMP) and the updated water conservation regulatory compliance program; and for District staff to proceed with the budget process for Board review and consideration at the July 14, 2009 Board meeting.

Review the 2009/2010 Consulting Services Scope of Work for John Mills

The 2009/2010 consulting services scope of work for John Mills was discussed during the above budget review.