

**SPECIAL BOARD MINUTES
SOUTH PLACER MUNICIPAL UTILITY DISTRICT**

Meeting	Location	Date	Time
Special	Zoom Meeting SPMUD Boardroom	January 12, 2023	4:30 p.m.

I. CALL MEETING TO ORDER: The Special Meeting of the South Placer Municipal Utility District Board of Directors was called to order with President Mitchell presiding at 4:30 p.m.

II. ROLL CALL OF DIRECTORS:

Present: Director Jerry Mitchell, Director Christy Jewell, Director James Durfee, Director Will Dickinson, Director Jim Williams

Absent: None

Vacant: None

Staff: Adam Brown, Legal Counsel
Herb Niederberger, General Manager
Carie Huff, District Engineer
Eric Nielsen, Superintendent
Emilie Costan, Administrative Services Manager

III. PLEDGE OF ALLEGIANCE: President Mitchell led the Pledge of Allegiance.

IV. PUBLIC COMMENTS:

ASM Costan confirmed that no eComments were received. Hearing no other comments, the public comments session was closed.

ISSUANCE OF OATH OF OFFICE

President Mitchell requested that the Board hear Agenda Item 6.1 Issuance of the Oath of Office prior to the consent items. ASM Costan issued the Oath of Office for Director William Dickinson of Ward 2 and Director Christy Jewell of Ward 4.

V. CONSENT ITEMS:

1. MINUTES from the December 1, 2022 Regular Meeting.
2. ACCOUNTS PAYABLE in the amount of \$1,044,023 through December 26, 2022.
3. BILL OF SALE Acceptance of the Bill of Sale for onsite Sewer Improvements at Newcastle Fire Station #41 with an estimated value of \$309,685.
4. ACCEPTANCE OF THE PARTICIPATION CHARGE REPORT FOR FISCAL YEAR 21/22

5. RESOLUTION 23-01 AUTHORIZING THE GENERAL MANAGER TO SURPLUS PROPERTY AND/OR EQUIPMENT

Director Durfee made a motion to approve the consent items; a second was made by Director Dickinson; a roll call vote was taken, and the motion carried 5-0.

VI. BOARD BUSINESS

1. SELECTION OF OFFICERS AND APPOINTMENTS TO THE TEMPORARY ADVISORY COMMITTEES AND SPWA BOARD

President Mitchell dissolved the existing advisory committees.

President Mitchell nominated the current Vice President Jim Williams to succeed as the new President for 2023.

Director Dickinson made a motion to nominate Director Durfee to serve as Vice President, a second was made by Director Mitchell, a voice vote was taken, and the motion carried 5-0.

President Williams created temporary advisory committees and appointed Directors to serve as follows:

- Fee & Finance Committee: Director Dickinson & President Williams
- Personnel Advisory Committee: Director Durfee & Director Jewell
- Policy & Ordinance Advisory Committee: Director Jewell & Director Mitchell
- Infrastructure Advisory Committee: Director Dickinson & Director Durfee
- Loomis 2 x 2 Committee: Director Durfee & President Williams
- Rocklin 2 x 2 Committee: Director Dickinson & Director Mitchell

President Williams appointed himself as District representative to the South Placer Wastewater Authority Board of Directors with Director Jewell serving as alternate.

2. FISCAL YEAR 21/22 AUDIT REPORT ACCEPTANCE

Justin Williams with Munn, Urrutia & Nelson Certified Public Accountants LLP presented on the Fiscal Year 21/22 Audit Report. Mr. Williams shared that this year's audit found that the District maintained proper internal controls. The District received an Unmodified or "clean" Audit Opinion. There were no compliance exceptions, no material weaknesses, and no significant deficiencies. The audit resulted in two audit adjustments and no management letter comments.

Director Mitchell commented that there was a typo in the table on page 85 of the board packet. The first line of the table should be corrected to read Public Equity.

Director Dickinson asked questions regarding why Table 7 Statement of Revenues, Expense, and Changes in Net Position and Table 8 Revenues do not match. ASM Costan shared that Table 7 includes unrealized gains/losses on District investments while Table 8 only includes realized gains/losses. She also shared that the way that items are grouped in Table 7 is different from the grouping in Table 8. Director Dickinson also asked about the increase in insurance premiums in the expenses section of the Management Discussion and Analysis. ASM Costan shared that the

District has had several retirements with some of them being retirements before the normal retirement age. This modifies previous actuarial projections and increases premiums as the District is paying for retiree health premiums and premiums for the active employees replacing the retirees. Finally, Director Dickinson asked that the last sentence of the expense section state that cost-of-living increases are tied to the US Department of Labor, Bureau of Labor Statistics Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W) for West – A.

Director Durfee congratulated staff on a positive audit.

Director Dickinson made a motion to receive and file the Fiscal Year 21/22 Audit Report; a second was made by Director Jewell; a voice vote was taken, and the motion carried 5-0.

3. RATE AND COST OF SERVICE PRESENTATION

Habib Isaac with IB Consulting presented the Rate and Cost of Service Study, sharing four proposed rate models for the District's long-term financial stability. He shared that the cost-of-service study was presented to the Fee and Finance Advisory Committee on November 16, 2022 and is being brought back to the full Board based on feedback from the Committee. Mr. Isaac shared that the financial plan considers the long-term capital needs and reserve requirements of the District.

President Williams shared that these rate models are for the monthly rate for customers and are not related to connection fees. Director Mitchell asked if the rate stabilization fund has an impact on the proposed rate models. GM Niederberger clarified that the South Placer Wastewater Authority (SPWA) rate stabilization fund is used for regional capital and debt expenses and is separate from the local rate stabilization reserve.

Director Dickinson commented that the option of lowering the reserve targets discussed at the Fee and Finance Advisory Committee does not appear to be reflected in this presentation. He shared that he does not see a need to have a rate stabilization reserve and would like to propose that the emergency reserve be lowered from \$3 Million to \$1 Million. GM Niederberger commented that IB Consulting has developed a dashboard for the District that allows these types of proposed changes to be entered and shown immediately in the District's rates and long-term reserves. GM Niederberger asked Mr. Isaac to show the impact of Director Dickinson's reserve change to the Board using the dashboard. Mr. Isaac showed that the fund balance did not change; however, the reserve targets would be reduced which would allow up to a 1% decrease in the proposed rates depending on the rate model.

President Williams shared that the District's low rates have always been a source of pride for the Board. He asked for Board Member discussion regarding any risks pertaining to Director Dickinson's proposed reserve scenario as a solution to keep rates as low as possible for customers.

GM Niederberger shared that a three-year rate increase with two attrition years ends up with the overall lowest rate after five years. He asked the Board if they would like to have that rate model revised to include two scenarios, one with the reduction in reserve requirements and one without. Director Dickinson shared additional comments, asking if the decrease in rates from lowering the

reserve would all be allocated to Fund 100 (Operating Fund) to stabilize rates. GM Niederberger shared that rates and interest income are the sole income sources for both Funds 100 and 400 (Capital Repair and Replacement Fund). Mr. Isaac shared that the elimination of the rate stabilization reserve would likely be allocated to Fund 100 and the reduction of the emergency reserve would likely be allocated to Fund 400.

Director Dickinson asked why growth was not factored into the revenue projections. Mr. Isaac shared that in financial planning it is important to be conservative. If growth is assumed but does not occur, the District cannot meet its revenue requirements. If the District does experience growth, then any surplus can be given back to ratepayers in the form of delayed or reduced rate increases. This process identifies the maximum amount to place in the noticed rates. The District cannot exceed these rates; however, they can delay or reduce the rates. Director Dickinson commented that he does not see a realistic scenario where there is no growth. Mr. Isaacs shared that the model allows for adjusting future increases based on actual growth, and he would be very hesitant to include growth in a financial plan.

President Williams commented that the District needs some flexibility in the rates. While everyone wants to keep rates low, it doesn't make sense to go through a Prop 2018 notice that uses assumptions that end up not being viable.

Director Mitchell commented that he would like to see the asset replacement schedule to determine whether there will be sufficient capital reserves to fund the replacement of the older sections of the District system. GM Niederberger commented that in the 2030s the dashboard starts to show a larger use of funds for capital replacement projects. DS Nielsen shared that staff has created a Nessie Curve that shows the capital replacement timeline. In the curve, there are two blips, the replacement of the original 1960s system in the 2030s and the replacement of the 90s boom development areas in the 2060s. The curve was shared with IB Consulting and is incorporated into the rate model.

Director Jewell asked about the public availability of the four scenarios. GM Niederberger shared the Prop 218 notice process, which has a 45-day comment and protest period and will be followed by two public hearings to adopt the proposed rate increase. Director Jewell commented that by the time of the public hearings, the Board will have already decided on a scenario. She shared that it would be useful for the public to understand the various scenarios and reasons why a specific scenario may be selected. President Williams shared that it was reported that the Fee and Finance Committee meet in November on this item and the agenda and materials including the presentations for tonight's meeting were posted to the public.

Director Durfee commented that the District has to adequately fund its needs. He shared that he believes in the concept of generational equity, where future generations are not funding current needs and current generations are not funding more than their fair share of future needs. He wants the model to contain conservative assumptions for costs, growth, and inflation.

President Williams asked for public comments. No comments from the public were received.

Director Dickinson shared that he worked in budgeting and has always had a conservative approach. He shared the opinion that adopting a rate model that is slightly less conservative will require the District to focus on controlling costs. The District currently has a sizeable reserve fund that invites proposals for uses outside of the District's mission. He wants to ensure that balance is achieved. He shared support for scenarios three and four. President Williams commented that the District has been able to prolong rate increases in the past and shared support for scenarios three and four. Director Jewell also shared agreement with scenarios three and four.

Director Jewell asked the consultant to explain the impact of debt issuance. The consultant shared that issuing \$20 Million in debt in 2033 would allow the District to have the funds available to pay for its infrastructure repair and replacement needs. This would lower rates that need to be collected now because this \$20 Million does not need to be collected by 2033; however, the repayment of the debt will include interest on the debt payments effectively doubling the cost to \$40 Million and future rates models will need to include the debt payments and interest. President Williams shared that the impact on the rates when including debt issuance was not large.

Director Mitchell asked that staff look at modifying the bill design to show the portion of the monthly rate that funds the collection system (District) and the portion of the rate that funds treatment (SPWA).

Director Durfee made a motion to (1) Conduct a workshop to receive board and public testimony and consider said testimony, (2) After consideration of the testimony, direct staff to return on February 2, 2023 with a Final Cost-of-Service and Five-Year Financial Plan eliminating the rate stabilization reserve, reducing the emergency reserve to \$1 Million, and using both proposed rate models three and four; a second was made by Director Dickinson; a voice vote was taken, and the motion carried 4-1 with Director Mitchell voting No.

5. PUBLIC HEARING: ADOPTION OF ORDINANCE 22-03 REVISING DISTRICT SEWER CODE CHAPTERS TWO AND THREE

GM Niederberger provided a summary of the timeline of the proposed Ordinance 22-03. He shared that the Board asked that staff reach out to the local Chambers of Commerce and the California Restaurant Association to receive comments and no comments were received.

The Public Hearing was opened to receive comments from the public on this item. No public comments were received.

Director Durfee made a motion to (1) Waive the second reading of the proposed Ordinance #22-03, (2) Adopt Ordinance No. 22-03 – An Ordinance Revising District Sewer Code Chapters 2 and 3 which will become effective on February 13, 2023; a second was made by Director Dickinson; a roll call vote was taken, and the motion carried 5-0.

6. RESOLUTION 23-02 AUTHORIZATION TO ENTER INTO A SEWER EASEMENT AND CONVEYANCE AGREEMENT WITH ROCKLIN SIERRA APARTMENTS II, LLC, AND BOARDWALK APARTMENTS 193, LLC

DE Huff gave a presentation on the agreement to quitclaim eighty feet of sewer pipe and one manhole to the Boardwalk Apartments and a portion of the District's sewer easement to Sierra Gateway for the construction of the Sierra Gateway Apartment Complex.

Director Mitchell asked if the project creates future maintenance issues for the District. GM Niederberger shared that the agreement absolves the District of responsibility for the portion of the system that is quitclaimed. District access is maintained to the manhole. GC Brown commented that indemnification language is included in the agreement.

Director Jewell made a motion to adopt Resolution 23-02 authorizing the General Manager to enter into a Sewer Easement and Conveyance Agreement with Rocklin Sierra Apartments 193 for the Sierra Gateway Apartment Complex Project; a second was made by Director Durfee; a roll call vote was taken, and the motion carried 5-0.

7. RESOLUTION 23-03 AUTHORIZING THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT FOR HUMAN RESOURCES ADMINISTRATION

GM Niederberger presented the resolution to award an agreement for Human Resources Support and Administration to CPS HR Consulting. The District received six proposals which were individually evaluated by two staff members and a member of the Personnel Advisory Committee.

Director Jewell inquired as to the scope of services and who is currently performing these services. GM Niederberger shared that the ASM currently performs the majority of these duties. He shared that the scope of service includes managing employee relations, investigations of employee complaints, review of counseling actions of employees, legal compliance, staff training, and other related duties. President Williams shared that the reason for hiring a consultant is because of challenges performing all of these services within our current staffing.

Director Dickinson asked if the consultant would be responsible for upcoming labor negotiations. GM Niederberger shared that the District can use the consultant for that purpose. Director Mitchell asked where the consultant is located and if they would be able to perform on-site services. President Williams shared that their main office is in Sacramento off Del Paso Boulevard. He commented that CPS HR Consulting is very familiar with government agencies and is a reputable firm with other Special Districts.

Director Durfee made a motion to adopt Resolution 23-03 authorizing the General Manager to award the attached contract for professional services with CPS HR Consulting; a second was made by Director Dickinson; a roll call vote was taken, and the motion carried 5-0.

8. RESOLUTION 23-04 AUTHORIZING THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT FOR A COMPENSATION AND CLASSIFICATION STUDY

GM Niederberger presented the resolution to award an agreement for a Compensation and Classification Study to Ralph Anderson and Associates. The District received six proposals which

were individually evaluated by two staff members and a member of the Personnel Advisory Committee.

Director Dickinson asked if all positions, including management positions, will be reviewed in the classification study. GM Niederberger shared that all positions with the exception of the General Manager position will be included in the study.

Director Dickinson made a motion to adopt Resolution 23-04 authorizing the General Manager to award the attached contract for professional services with Ralph Anderson and Associates; a second was made by Director Jewell; a roll call vote was taken, and the motion carried 5-0.

9. GENERAL MANAGER GOALS FOR 2023

GM Niederberger shared that there are issues with the timeline and specialized staffing requirements that may impact the Urban Forestry Plan with the Town of Loomis. He shared that he is meeting with staff from the Town of Loomis to discuss these issues next week.

The Board did not have any revisions to the General Manager's 2023 Goals:

Director Dickinson asked that two additional goals be added to the General Managers Goals for 2023, a review of the District's investment options and a minimum of two Rocklin 2x2 Committee meetings.

Director Dickinson made a motion to approve the General Manager goals for calendar year 2023 as amended; a second was made by Director Durfee; a voice vote was taken, and the motion carried 5-0.

VII. REPORTS

1. District General Counsel (A. Brown):

General Counsel Brown had no report for this meeting.

2. General Manager (H. Niederberger):

A. ASD, FSD & TSD Reports:

GM Niederberger shared that Board Member pictures will be taken on February 2, 2023 before the board meeting.

Director Mitchell asked about two food service establishments that are currently struggling to comply with the District's Fats, Oils, and Grease (FOG) requirements. DE Huff shared that two warnings of non-compliance have been issued. Staff is working with the establishments to reinspect the facilities based on the newly adopted sewer code updates.

B. Information Items: No additional items.

3. Director's Comments:

Director Durfee congratulated staff on the timeliness of the building construction project.

Director Jewell thanked her fellow Board Members, General Counsel, and staff that took the time to individually meet with her before her first meeting and welcome her to a great working team.

Director Dickinson congratulated staff for their work on an outstanding audit.

President Williams thanked everyone for enduring a long first meeting of the year and welcomed Director Jewell to the Board.

VIII. CLOSED SESSION READOUT

The Board met in Closed Session at 6:36 p.m. to discuss the General Manager's performance evaluation. No action was taken.

The Board adjourned the closed session at 7:00 p.m.

IX. ADJOURNMENT

The President adjourned the meeting at 7:01 p.m. to the next regular meeting to be held on February 2, 2023, at 4:30 p.m.



Emilie Costan, Board Secretary