

SAN JUAN WATER DISTRICT

Board of Director's Board Meeting Minutes

February 19, 2025 – 5:00 p.m.

BOARD OF DIRECTORS

Ted Costa	President (arrived late)
Mike McRae	Vice President
Dan Rich	Director
Pam Tobin	Director
Manuel Zamorano	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Paul Helliker	General Manager
Donna Silva	Director of Finance
Tony Barela	Director of Operations
Andrew Pierson	Director of Engineering
Adam Larsen	Field Services Manager
Devon Barrett	Customer Service Manager
Greg Turner	Water Treatment Manager
Greg Zlotnick	Water Resources Manager
Teri Grant	Board Secretary/Administrative Assistant
Ryan Jones	General Counsel
Elizabeth Ewens	Water Counsel

OTHER ATTENDEES

Anonymous	
Craig	
Cheryl Berkema	
Sandy Harris	
Meera Deshmane	
Vish Deshmane	
Bob N.	
Anthony Wong	
Edward Zertuche	
Al Johnson	Citrus Heights Water District
Ray Riehle	Citrus Heights Water District
Tom Gray	Fair Oaks Water District
Mark Hildebrand	Hildebrand Consulting
Kevin Thomas	Sacramento Suburban Water District
Mark Hargrove	SJWD Employee
Mike Spencer	SJWD Employee
Jed Thorne	SJWD Employee

AGENDA ITEMS

- I. Roll Call**
- II. Public Forum and Comments**

- III. Consent Calendar
- IV. Old Business
- V. Information Items
- VI. Directors' Reports
- VII. Future Agenda Items
- VIII. Committee Meetings
- IX. Upcoming Events
- X. Closed Session
- XI. Open Session
- XII. Adjourn

Vice President McRae called the meeting to order at 5:03 p.m. Since President Costa was arriving late, Vice President McRae proceeded with agenda items I, II, III, V-2, V-3 and V-4 – the minutes will remain in the original order.

I. ROLL CALL

The Board Secretary took a roll call of the Board. The following directors were present in the Boardroom: Ted Costa, Mike McRae, Dan Rich, Pam Tobin, and Manuel Zamorano (President Costa arrived at 5:15 pm).

II. PUBLIC FORUM

There were no public comments.

III. CONSENT CALENDAR

All items under the Consent Calendar are considered to be routine and are approved by one motion. There was no separate discussion of these items unless a member of the Board, audience, or staff requested a specific item removed. Consent Calendar item documents are available for review in the Board packet.

1. Minutes of the Board of Directors Meeting, January 15, 2025 (W & R)

Recommendation: Approve draft minutes

2. Minutes of the Board of Directors Workshop, February 4, 2025 (W & R)

Recommendation: Approve draft minutes

3. Finance Committee Charter Update (W & R)

Recommendation: Approve revision to the Finance Committee Charter

4. Board Compensation Policy (W & R)

Recommendation: Approve the out of state travel on January 28, 2025, for Director Zamorano

5. Treasurer's Report – Quarter Ending December 31, 2024 (W & R)

Recommendation: Receive and file

Director Rich moved to approve the Consent Calendar. Director Zamorano seconded the motion.

Vice President McRae recalled after reading the January 15 Board meeting minutes that the Wholesale Late Payment Fee was supposed to be on the February Board agenda. The Board Secretary informed the Board that Ms. Silva had commented that she would like to revisit the item when the User Fee Study is being conducted. Ms. Silva commented that the User Fee Study is kicking off the first week of March. In response to Vice President McRae, Ms. Silva stated that she will include the Wholesale Late Payment Fee for review by the Board when the Board reviews the User Fee Study in April/May.

The motion carried unanimously.

IV. OLD BUSINESS

1. Presentation on Draft Retail Financial Plan Update and Proposed 4-Year Rate Schedule (R)

President Costa requested that Ms. Meera Deshmane be given the floor for her presentation. Ms. Deshmane addressed the Board and conducted a presentation on her analysis of the retail water rates structure. A copy of her presentation was added to the Board packet. Ms. Deshmane voiced concern regarding the retail fixed rate charge and how the current rate structure burdens low-usage consumers. She reviewed her analysis and requested that the Board consider restructuring the retail rates to ensure that all customer groups pay fair and proportionate costs for only those services that directly benefit them and requested a motion to look into this.

Director Tobin so moved. Director Zamorano seconded the motion.

President Costa opened the floor for discussion.

Director Rich thanked Ms. Deshmane for her explanation of water rates and the challenges that agencies have due to constraints on water rates. He stated that the District used to have tiered water rates which was changed due to litigation in the state that challenged tiered water rates. The Board discussed Ms. Deshmane's analysis and Vice President McRae suggested that the Finance Committee provide the Board with a roadmap guideline to get to a solution. President Costa suggested that the Engineering Committee review this first then the Finance Committee.

Director Tobin moved to amend her motion to read what Vice President McRae presented which is to allow the Finance Committee to work with staff and Legal Counsel to develop a report/roadmap to bring back to the full Board for adoption a report that includes the following:

- ***Summarizes the problems as identified in this meeting***
- ***Revisit the rate structure that has and is going to be proposed by staff with respect to these problems identified tonight***
- ***To identify all legal and regulatory options that are available to San Juan Water District to accurately charge the cost of service to the customer base***

- ***To suggest a starting framework for a new rate study that can resolve the stated issues***
- ***Suggest an implementation plan for the new rates***
- ***Bring to the full Board for adoption***

Director Zamorano seconded the motion.

Director Rich voiced concern that further analysis will delay the schedule for the financial plan and Prop. 218 process. President Costa commented that this will not delay the process and will be worked on for several months aside from the financial plan and Prop. 218 process. Director Rich commented that the District needs to find a nexus between the higher costs and higher users in order to change the rate structure which is fundamentally an engineering exercise.

GM Helliker commented that there are multiple ways to establish the District's rate structure such as budget-based rates or rates based on capacity to serve based on meter size, such as we have now. He stated that staff need to assess the cost of service and apportion the cost of service in a legal, reasonable and fair manner, which the District currently does. Mr. Mark Hildebrand commented that the assumption is the use of water drives costs which is not correct. Mr. Hildebrand commented that the majority of costs are simply the availability of being able to turn on the faucet and have water - just that cost alone is the majority of the District's costs to provide service and has no bearing on how much water customers use. Mr. Hildebrand commented that he understands the desire to impose higher fees on customers who use more water, but the reality is that the cost to provide service is almost entirely driven by infrastructure and it doesn't matter how much water is flowing through the system. GM Helliker commented that staff is willing to do the analysis, try to figure out how to incentivize water conservation, and look at budget-based rates and other options.

Vice President McRae pointed out that this issue is more than just water consumption and the District needs to look at other options such as gravity-fed vs pressure zones for surcharges. He suggested that the Finance Committee return to the Board with a plan that looks at all of the items.

The motion carried with 4 Aye votes and 1 No vote (Rich).

President Costa asked Director Rich how to make it satisfactory for an Aye vote from Director Rich. Director Rich asked for re-assurance that this will not delay the financial plan and Prop. 218 process. In addition, Director Rich commented that the District has very low variable costs, like most water districts, and the customer base is divided up with high and low water users who are not all in the same area in order to tie a certain cost to. President Costa assured Director Rich that looking in the rate structure will not delay the financial plan or Prop. 218 process. Director Rich stated that if this is a cost of service study then he would like to change his vote. GM Helliker added that should be considered a cost of service and rate structure analysis.

Ms. Cheryl Berkema addressed the Board and voiced concern that a Prop. 218 notice that increases the high user rate might be problematic and reminded the Board that the lot sizes in the Granite Bay area are larger than most districts, and customers want to preserve the rural quality of life. Ms. Sandy Harris addressed the Board and noted that the Granite Bay Community Plan has larger lot zoning and encourages a rural living environment.

Mr. Tom Gray addressed the Board and suggested that the District start presenting customer bills/rates in a billing cycle and not per day so that it is easier to compare rates with other agencies. Mr. Edward Zertuche addressed the Board and stated that Ms. Deshmane's presentation was not about taking money away from projects but rather a re-distribution of costs and he feels that he is paying more for a privilege that someone else has such as having large lots with wildlife.

President Costa informed the Board that he was calling for the vote on the amended motion again, since he bypassed public comment.

The motion carried unanimously.

Ms. Silva reviewed the staff report which was included in the Board packet. She explained that at the February 11th Finance Committee meeting, staff was directed to add three additional scenarios to the financial forecast. Staff included those extra scenarios in the presentation and staff's recommendation is Scenario C which includes 3% rate increases for the next 4 years.

Mr. Hildebrand conducted a presentation and reviewed the scenarios for the financial plan. The updated presentation will be added to the Board packet. He informed the Board that the assumed inflation outpaces the proposed rate increases over the next four years. GM Helliker reiterated staff's recommendation of Scenario C which is to complete the full CIP within the 10-year window with a combination of debt financing and use of cash/reserves with rate increases at or below inflation at 3%.

Director Rich moved to approve staff's recommendation of Scenario C with the proposed rate increases. The motion failed with no second.

GM Helliker pointed out that staff need direction from the Board via a motion to allow staff to issue the Prop. 218 notice which would list the maximum rate increase. He explained that the rate increase would be brought back to the Board for approval after the public notice period and hearing. He informed the Board that the rate increase could be lowered to one of the other scenarios should the Board choose a different scenario.

Director Zamorano suggested that they meet to work this out then have direction to staff at the March Board meeting. In response to President Costa's question on how much debt would be paid down over the 10-year period, Ms. Silva informed the Board that she would have to look at the amortization schedules which she did not have but could provide; however, the loans would be 30-year loans so there would be a

little over two-thirds of the debt remaining. In addition, Ms. Silva informed the Board that the Finance Committee did not make a recommendation and instead requested that three different scenarios be added to the presentation to the Board.

Vice President McRae voiced his concern that the rates are being killed by completing all of the projects and he is in favor of cutting projects. In addition, he is concerned about the Condition Assessment for the pipelines and what the outcome of that will be, and feels that there are lower priority projects that the District does not have to complete. Director Rich pointed out that at the last Board meeting, the CIP list was reviewed in detail and nobody mentioned a desire to cut projects after he posed that question. Vice President McRae agreed with Director Zamorano's suggestion to meet with staff to return with a recommendation.

Director Tobin moved to approve Scenario D1 with the proposed rate increases. The motion failed with no second.

President Costa commented that he thought that the Finance Committee was going to prioritize the CIP list, so that the funding could be determined and the projects on the list would be completed as the District had the funding with the caveat that would give staff the flexibility to move projects around as needed.

Director Zamorano moved to have the Finance Committee work with staff to work out the details on the rate schedule for the March Board meeting. Director Tobin seconded the motion.

Director Rich requested that the motion be amended to commit to meeting and in the meantime direct staff to start the Prop. 218 process with Scenario C's 3% rate increases. Director Zamorano commented that he was informed that it was okay to wait until the March Board meeting to give direction to staff on the Prop. 218 notice so he did not agree to amend his motion. GM Helliker commented that staff is looking to implement the program on July 1, 2025, so direction for the Prop. 218 notice will be needed at the March Board meeting. Director Rich advocated for the 3% rate increases on the Prop. 218 notice which could then be lowered later and did not feel that customers would have issue with those percentages in the notice.

The motion carried unanimously.

2. District's 457 Deferred Compensation Plan (W & R)

Ms. Silva reviewed a staff report which was included in the Board packet. She explained that the Board has been contemplating providing an employer match to the District's deferred compensation plan and directed staff to return with a resolution for providing a matching contribution. In addition, she explained that some Board members expressed interest in providing a 2% matching contribution for all employees while others were interested in providing a larger contribution to PEPPRA employees than to Classic employees to help balance the retirement benefits offered through the pension system. She reviewed four options which are listed in the staff report.

The Board discussed the four options, the pension system and the need for more information regarding employee compensation.

Director Zamorano moved to approve a 2% matching contribution for all employees.

Mr. Tom Gray addressed the Board and informed them that Fair Oaks Water District looked at this at one time and decided to provide a lump sum matching contribution of \$2,000, which provides a higher percentage contribution to lower paid employees.

Director Tobin seconded the motion and it failed with 2 Aye votes and 3 No votes (Costa, McRae and Rich).

The Board discussed contributing a fixed amount versus a percentage for PEPRA employees. Director Tobin asked about the Classic employees and President Costa commented that a salary survey is being conducted next year, and their consideration can be done then.

Director Zamorano moved to adopt Resolution 25-02 [which will be revised], authorizing an employer matching contribution of up to \$2,000 to the District's Deferred Compensation plans for PEPRA employees. Director Tobin seconded the motion, and it carried with 4 Aye votes and 1 No vote (Rich).

3. Conjunctive Use and Groundwater Banking Activities Update (W & R)

GM Helliker reviewed a graphic on Groundwater Banking Partnership Capabilities and Agreements which was included in the Board packet. He explained that the District has great water supply agreements and pipelines throughout the District for delivering water. He explained that San Juan Retail does not have a backup supply of water such as the wholesale customer agencies have with wells, but we do have interties with Roseville and PCWA. He reported that staff have been working to develop an agreement to provide water supply in drought years with SSWD, but can also look into agreements with the other wholesale customer agencies. In addition, he informed the Board that the District does have an agreement in place for the delivery capacity of water through the Antelope Pump Back Station, but there is no guaranteed supply.

Mr. Ray Riehle, Citrus Heights Water District Director, addressed the Board and noted that the CHWD Board of Directors are very serious about working with the District on groundwater banking as a solution for the region. He mentioned that the CHWD Board of Directors voted to equip the Highland Well as an ASR well. He thanked Fair Oaks Water District (the GM was in attendance) for the letter that they sent and look forward to conversations with the District and FOWD.

3.1 Potential Letter to FOWD Board from SJWD Board re: Joint Board Meeting (W & R)

President Costa reported that he received a letter from FOWD and interpreted the letter as stating that they did not want to meet. Vice President McRae interpreted the letter as saying that FOWD didn't want to negotiate outside the litigation. In response to Director Rich's question, GM Helliker explained that all the reservoirs in the Sacramento Valley are in flood control mode, and he is not sure if there will be a transfer window this year. GM Helliker stated that there are other issues that were presented to FOWD to discuss. President Costa stated that the District will continue to proceed as they are and after the lawsuit then the agencies can discuss this further.

Mr. Gray addressed the Board and stated that he didn't believe that the letter that FOWD sent said that FOWD didn't want to work together but rather work out the financials via the forum as laid out in the second paragraph. Mr. Riehle added that they want to work with FOWD and the District to work out the financial issues. In response to Director Rich's question, Mr. Gray confirmed that they want to meet as part of the legal proceedings.

4. 2025 Hydrology and Operations Update (W & R)

GM Helliker reported that the region is above normal on rainfall and Folsom Reservoir is in the flood control stage.

V. INFORMATION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 General Manager's Monthly Report (W & R)

GM Helliker provided the Board with a written report for January which was included in the Board packet.

1.2 Miscellaneous District Issues and Correspondence

No report.

2. DIRECTOR OF FINANCE AND HUMAN RESOURCES' REPORT

2.1 Miscellaneous District Issues and Correspondence

Ms. Silva reported that the sale of the investment in the California-Oregon Transmission Pipeline was completed and the transaction closed at the offer amount of \$150,000.

3. DIRECTOR OF OPERATIONS' REPORT

3.1 Miscellaneous District Issues and Correspondence

No report.

4. DIRECTOR OF ENGINEERING SERVICES' REPORT

4.1 Miscellaneous District Issues and Correspondence

Mr. Pierson reported that the WTP Backwash Hood Project is being worked on and sampling of the existing coating revealed trace amounts of lead. Therefore, he expects to present a change order to remediate the lead once the sampling is completed.

5. LEGAL COUNSEL'S REPORT

5.1 Legal Matters

No report.

VI. DIRECTORS' REPORTS

1. SACRAMENTO GROUNDWATER AUTHORITY (SGA)

President Costa reported that he attended the SGA meeting. In response to his question, Mr. Barela confirmed that he will be attending the FBI meeting on Friday regarding how to identify risks to infrastructure and how to mitigate them. President Costa encouraged Mr. Barela to bring other staff to the meeting as well, such as the Water Treatment Plant Manager or Chief.

2. REGIONAL WATER AUTHORITY (RWA)

No report.

3. ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA)

3.1 ACWA - Pam Tobin

Director Tobin reviewed a written report which will added to the Board packet. She reported that Marwin Khalifa is the Interim Executive Director at ACWA since Dave Eggerton resigned.

3.2 Joint Powers Insurance Authority (JPIA) - Pam Tobin

Director Tobin reported that ACWA JPIA is soliciting for open positions on their board.

4. CVP WATER USERS ASSOCIATION

President Costa reported that he attended the CVP Water Users Association meeting on January 28, 2025. He reported that he did not run for re-election and therefore this standing agenda item can be removed from future Board meeting agendas.

5. OTHER REPORTS, CORRESPONDENCE, COMMENTS, IDEAS AND SUGGESTIONS

President Costa commented that he heard that Director Tobin sent an email to have the censure item placed on this agenda and she confirmed that she had, and that GM Helliker informed her that it could not be on the agenda. In response to President Costa's question, Legal Counsel Jones explained that the Board can reconsider their action on the censure item; however, there are parliamentary procedures to follow which requires a motion for a waiver of the Board Rules, which requires a 4/5 majority

vote. In addition, Legal Counsel Jones confirmed that the Board policy allows a member of the Board to request an item be added to the agenda. In response to President Costa's question about putting the censure item on the agenda, Director Tobin stated that she would like the item on the agenda. GM Helliker clarified that at the last Board meeting, the Board's action was to table the censure item until June and the Board could place an item on the agenda to reconsider the item, but there would need to be a waiver of the Board Rules first, as Legal Counsel Jones had mentioned. GM Helliker inquired if President Costa was asking to put the waiver on the next agenda and President Costa said no that he was wanting to confirm that if someone wanted to place something on the agenda that they are able to do so. GM Helliker informed the Board that he never received a request for a motion to waive the Board Rules to be placed on the agenda.

VII. FUTURE AGENDA ITEMS

1. Requests by Board Members for Agenda Items

GM Helliker informed the Board that this is a new standing agenda item so that the Board can discuss what they want on the agenda for future Board meetings. He reported that the Retail Rate item will be on the March meeting agenda.

2. Meeting Date Changes and Board Attendance

Director Tobin requested that the May and June Board meeting dates be changed. GM Helliker commented that Ms. Silva also has a conflict with the June meeting date, as does Director Rich. In addition, GM Helliker mentioned that there will need to be two meetings in June in order to hold a rate hearing, prior to the final adoption of the rates at a separate meeting. He suggested that the June meetings be held on June 11th and 25th. Director Tobin confirmed that the May 21st meeting date does not need to be changed. The June meeting dates will be confirmed at the next Board meeting.

VIII. COMMITTEE MEETINGS

1. Finance Committee – February 11, 2025

The committee meeting minutes were included in the Board packet.

IX. UPCOMING EVENTS

1. ACWA DC2025 Conference

February 25-27, 2025
Washington, DC

2. 2025 ACWA Legislative Symposium

March 26, 2025
Sacramento

3. 2025 ACWA Spring Conference

May 13-15, 2025
Monterey, CA

At 8:04 p.m., President Costa announced that the Board was adjourning to Closed Session.

X. CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to California Government Code Section 54956.9(d)(2) (one case)

2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Section 54956.9)

Citrus Heights Water District, et al. vs. San Juan Water District, Case Number: 23WM000064, Sacramento County Superior Court

XI. OPEN SESSION

There was no reportable action.

XII. ADJOURN

The meeting was adjourned at 8:30 p.m.

EDWARD J. "TED" COSTA, President
Board of Directors
San Juan Water District

ATTEST: _____
TERI GRANT, Board Secretary