

A SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF MANCHESTER WATER DISTRICT

October 17, 2009

SPECIAL MEETING - Chairman Kyle Galpin called the Special Meeting of the Board of Commissioners to order at 9:00 a.m. Present were Chairman Galpin, Secretary Jim Strode, and Commissioner Steve Pedersen. Staff present included Alan Fletcher, General Manager, and Dennis O'Connell, Operations Manager. The Special Meeting was held at the District office.

The purpose of the special meeting was for the Board of Commissioners to work with staff in the development of plans, strategies, and priorities for District activities over time and to identify projects and initiatives for Fiscal Year 2010 (FY-10) budget year. The Chair noted that one action item is anticipated. The Board reviewed its decision making model, identifying basic criteria for arriving at good solutions, including, balancing community, financial, facility, and staff needs. The Board agreed that the more the District looks to community-wide benefits, the more the community would care for the District by supporting its objectives.

The Board and staff discussed various activities including a review of 2008-2009 goals and lessons learned, emerging trends, and FY-10 budget projections and goals. Further discussion ensued on industry and local trends, as follows:

2008-2009 Accomplishments

Organization

- . Enhance Website (on-line Bill Pay put on hold)
- . Adjust Water Rates per CWSP
- . Continuing public education of long-term infrastructure needs.
- . Adjust GFC and LFC (connection charges).
- . Increase Board Training Opportunities
- . Research new/expanded facilities.
- . Continue Automated Meter Reading conversion program.
- . Evaluate Street Light Utility

Operations

- . Forty-one AMR Conversions.
- . Office Improvements: new floor, painting, entryway (security).
- . Clear & mark California to Southworth water main easement.
- . Upgrade surge tank at Sedgwick site
- . Install new surge suppression at Well-4
- . Setup new Gen-Set for meeting emergency backup power needs

Emerging Trends

Industry-Wide

- . Water Industry Regulation
 - o Cap & Trade
 - o Ground Water Rule
- . Managing the balance between cost and revenues
- . Infrastructure replacement
- . Expanding and protecting water resources

Locally

- . Service District approach for providing community services (sewer, port, park, water, lights).
- . Facility Planning.
- . Tracking community and volunteer projects.
- . Capital Improvement Program.
- . Rates & Charges

The group discussed various policy issues and service delivery, including forming a community services district, leak adjustments, rates, fees and charges, insurance pooling, rebate programs, and employee works guidelines, wages, and benefits. The Board emphasized balancing community interests with revenues, coupled with common sense approaches in developing policies and conducting District business. The Board agreed to no changes in policies at this time.

Insurance Services

Staff presented information regarding insurance services, describing the financial "track" records for Enduris and Water Sewer Risk Management Pool (WSRMP). Shown was financial information from completed audits for the past 5-years that indicating that WSRMP had a decrease of 2.5% in total assets and an averaged \$125,000 per year loss in net income. Enduris experienced a 50% increase in total assets and average \$600,000 per year net income. Staff pointed out that both pools were financially viable, have excellent customer service, enjoy over 90% confidence ratings, and would serve the District well. Commissioner Galpin was comfortable with WSRMP, noting they are a smaller pool focused solely on water and sewer districts, so the potential exposures are well known. Commissioner Strode indicated he leans towards Enduris for long-term viability and for having adequate surplus revenues to meet catastrophic losses and to better weather market fluctuations; also, that the decrease in assets shows that the pool may be subsidizing premiums from retained earnings, even with favorable market conditions. Commissioner Pedersen noted both pools provide excellent service; however, he is looking at long-term pool health. Staff explained that they were comfortable with both pools, however, that unless WSRMP changes retained earnings policies, it could see spikes in the future, leaving Enduris currently the stronger choice. Commissioner Pedersen moved to approve Resolution No. 2009-06, authorizing membership with Enduris for providing liability and property insurance. Commissioner Strode seconded. **Commissioners Strode and Pedersen voted yes, Commissioner Galpin voted no. Resolution No. 2009-06 is approved.**

The Board continued to discuss general topics while eating lunch. Following lunch, a general tour was provided that included Banner Tank site, Garfield Wells & Pump station, and the new Daniels Loop commercial space.

Budget

Upon return, the Board reviewed the projected FY-10 budget Revenues & Expenditures and discussed water rate adjustments. The Board agreed to no water rate increase for 2010. Board members discussed losing traction on capital improvements by not staying with a planned 7% increase. They noted the flat inflation rate as well as overall economic factors and felt that increasing rates in the current server recession was unwise.

The Board reviewed the Salary Administration Program and progress in offering competitive wage and benefits. There was discussion on employee benefit levels, including sick leave, vacation, and stand-by pay, with no changes being proposed in accruals or the basic plan. Staff briefed the Board on health care and the change in underwriting criteria for the Public Employees Board plans. In order to save money, the Legislature directed the Health Care Authority to reduce employer premium costs, resulting in all of the plans annual deductibles and co-pays increasing significantly.

Recognizing the enormity of the cost shift, staff recommended an initial budget of \$875, per-employee, / per-month, towards health care, with any overage being eligible for placement into a Flexible Spending Account (FSA). The Board asked questions regarding the plans and asked that staff consider a Voluntary Employee Benefit Association (VEBA) plan, which allows employees to carry forward fund balance money from year to year. An FSA plan is a use-it or lose-it plan. Staff recommended that there be no increase in the wage schedule, as the CPI-W index was flat, however, that some employees are eligible for step/merit increases, pending satisfactory performance reviews.


The Board reviewed the proposed Capital Outlays for FY-09, discussing the facility planning and moving Administrative functions to recently purchased commercial space. Planning included ADA compliance, reduced vehicle trips on residential streets (safety, good neighbor), improved customer access, ability to help manage other community programs, expanding operations footprint for laboratories, locker room, and general maintenance. The Board accepted the proposed Capital Plan that shows purchases of a service truck and excavator.

Proposed Capital Improvement Plans were reviewed and the Board acknowledged the small number of projects. The group discussed potential funding for CIP, noting that the Public Works Trust Fund is defunct and low interest loans are not currently available. In addition, that the capital markets for bonds are very expensive and that bond insurance is not attainable. This noted, the Board would continue to reserve monies for projects in future years.


District-wide and Operational specific goals were discussed and agreed on for inclusion into the budget. Objectives included completing facility projects, developing emergency operations center at Spring Street, continuing Port and community services, and researching an assistance fund to help with customers facing catastrophic events.

The Board took action on one item during the Special Meeting, stating that the other items, projects, and issues discussed during the planning session would be brought back to the Board for further consideration, public input, and any formal action.

There being no further business to discuss, the meeting adjourned at 4:00 p.m.



Kyle D. Galpin,
Chair



James E. Strode,
Secretary



Steve Pedersen,
Commissioner