

**Finance Committee Meeting Minutes**  
**San Juan Water District**  
**January 24, 2023**  
**4:00 p.m.**

**Committee Members:** Ted Costa, Director (Chair)  
Ken Miller, Director (Member)

**District Staff:** Paul Helliker, General Manager  
Donna Silva, Finance Director  
Tony Barela, Director of Operations  
Adam Larsen, Field Services Manager  
Greg Turner, Water Treatment Plant Manager  
Teri Grant, Board Secretary/Administrative Assistant

**Members of the Public:** Jennifer Farr, DavisFarr, Certified Public Accountants  
Mike Heasley, SJWD Employee  
Stephen Ehnat, SJWD Employee  
Kenny Jahn, SJWD Employee  
Jeff Johnson, SJWD Employee  
Mark Hargrove, SJWD Employee  
Mike  
User 1  
2 anonymous callers

**1. Presentation of Independent Audit Results by DavisFarr, Certified Public Accountants - Fiscal Year Ending June 30, 2022 (W & R)**

Ms. Silva introduced Jennifer Farr from DavisFarr, Certified Public Accountants, and explained that they conducted the independent audit of the District's financials for fiscal year ending June 30, 2022. Ms. Farr reviewed the timeline of the audit and informed the committee that next year the audit will be scheduled earlier. She reported that they issued an unmodified audit opinion on the financial statements and that there were no material weaknesses or significant deficiencies in internal controls. She explained that included in their opinion there is an emphasis of a matter for implementation of new lease accounting standard.

Ms. Farr reviewed the areas of focus for the audit, the new lease accounting standard, and the internal controls over key accounting cycles. She reviewed best practice recommendations concerning developer deposits and information systems. In addition, she informed the committee that there were no instances of noncompliance and that District staff were prepared for the audit and responsive to their inquiries.

**2. Wholesale Water Rate Fee Schedule Revision (W)**

Ms. Silva provided a staff report which will be attached to the meeting minutes. She reported that wholesale water rates have not increased since January 2021. She reported that the wholesale customer agencies were sent the required 150-day Notice of Proposed

Changes in Rates in August 2022, and no direct comments were received from them. She explained that the recommended action does not change the total fees, just the allocation of the quarterly service charges amongst the wholesale customers. This action simply updates the allocation of the fixed quarterly charge based on the rolling five-year average of water use for the five years ending June 30, 2022.

*The Finance Committee recommends approval of the revisions to the Wholesale Water Rate Fee Schedule, effective January 1, 2022, to adjust the allocation of the fixed quarterly service charge.*

**3. Review General Manager Reimbursements (W & R)**

The committee reviewed the credit card charges for the General Manager and found them to be in order and there was no reimbursement request from the General Manager.

**4. Review Check Register from December 2022 (W & R)**

The committee reviewed the December 2022 check register and found them to be in order.

**5. Cost of Living Adjustment (W & R)**

Ms. Silva informed the committee that the Board requested that the Finance Committee review the data regarding pay increases that each employee received since July 2020. She reviewed the table and explained the sorting and notes on page 2, and stated that the table consists of all active employees and is shown with position titles and employee numbers. In addition, she explained how employees receive pay increases and noted that the COLAs for each year are listed at the top of the table.

In response to Director Miller's comment regarding the list provided, Ms. Silva informed the committee that she provided Director Rich the table and he stated that it contained the information that he requested, which was for three years of salary increase information on each employee. Director Costa voiced concern regarding two 5% increases, the effect on future compensation studies, and the upward spiral of salaries. In addition, Director Costa mentioned that the Board's compensation policy of a market target for salary schedules to be 5% above median might need to be changed. In response to Director Costa's comment on unfunded pension liability, Ms. Silva informed the committee that she talked to the District's CalPERS actuary and was informed that increases to employee salaries above the CalPERS assumptions do not automatically cause an increase in the unfunded pension liability.

Mr. Barela commented that he feels the Board made the right decision to change the Board policy to 5% above median which helps maintain and attract employees. He commented that the COLA is given to maintain that position in the market. In response to Director Miller's comment on the rate of inflation, Mr. Barela stated that the COLA is always looking in the arrears and the District has to pick a moment in time to base the COLA on, which was selected as March over March in the Board policy. Ms. Silva informed the committee that, due to vacancies at the District, the 5.2% COLA that is being discussed now falls within the CalPERS assumptions and the budget for salaries at the District, even if made retroactive to July 1, 2022.

Director Costa opened the floor to the public for comments.

Mr. Adam Larsen addressed the committee and informed them that employee feedback shows that they are very appreciative of the changes that the Board has made. Mr. Barela informed the committee that there have been discussions with staff to keep them apprised of this agenda topic and that the employees selected representatives to attend this meeting. Mr. Mike Heasley agreed with Mr. Larsen and stated that the changes from the recent compensation study will help recruit and retain talented employees.

Mr. Stephen Ehnat addressed the committee and shared his personal position with the committee, stating that he did not receive, as well as most employees, an automatic 5% raise based on the compensation study – the 5% over median moved the bar for potential pay increases in the future. He stated that evaluations are happening now and he might be eligible to receive a merit increase, but it is not guaranteed. He explained that the COLA in July 2022 was the first one he received since 2018. He stated that these two items are totally different. Director Miller commented that providing a COLA increases the salary range, which affects the compensation studies and potentially places employees out of range of the other agencies.

Director Costa stated that the Board will discuss this matter at the January 25, 2023, meeting.

**6. Other Finance Matters (W & R)**

There were no other matters discussed.

**7. Public Comment**

There were no public comments.

The meeting was adjourned at 4:59 p.m.

# STAFF REPORT

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To: Finance Committee

From: Donna Silva, Director of Finance

Date: January 24, 2023

Subject: Wholesale Water Rate Fee Schedule Revision

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## RECOMMENDED ACTION

Recommend revisions to the Wholesale Water Rate Fee Schedule, effective January 1, 2023, to change the allocation of the fixed service charge.

## BACKGROUND

On December 11, 2019, at the request of the wholesale customer agencies, the Board approved a change in the methodology of allocating the fixed quarterly service charge. The approved changes were as follows:

- Combined the quarterly service charge with the debt services charges;
- Allocate the quarterly service charge annual to reflect a rolling five-year average of water deliveries to the wholesale agency customers;
  - Groundwater pumped in lieu of purchasing surface water is counted as surface water when the pumping agency is compensated for the incremental cost of pumping by SJWD.
  - 2019 Debt Charge remains a separate, but unassessed charge so that the District can delay assessment of the charge until the amount and terms of the debt are known. Once known, it will roll into the quarterly service charge and be subject to the rolling five-year adjustment.
- District to provide 150-day notice of proposed change in rates annually once rolling average five-year water deliveries can be calculated;
- Board to approve allocation of quarterly service charge annually based on the updated rolling average.

## CURRENT STATUS

The San Juan Water District (District) implemented the final rate increase in year five of a five-year rate plan last January 1, 2021. There is no net rate increase scheduled at this time. This action simply updates the allocation of the fixed quarterly charge based on the rolling five-year average of water use for the five years ending June 30, 2022. This recommended action does not change the total fees, just the allocation of the quarterly service charges amongst the wholesale customers.

## STAFF REPORT

*Wholesale Water Rate Fee Schedule Revision  
Donna Silva, Director of Finance*

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The 150-day Notice of Proposed Changes in Rates was sent to the wholesale customer agencies on July 15, 2022. The calculation of the updated rolling five-year average and the impact per agency, as provided in the 150-day notice is attached, as is the resulting proposed wholesale rate schedule for calendar year 2023.

The District has not received any communication from the Wholesale Customer Agencies in direct response to the 150-Day notice.

### **Attachments:**

150-Day Notice of Proposed Changes in Water Rates and Charges



July 15, 2022

Joe Duran, General Manager  
Orange Vale Water Company

Tom Gray, General Manager  
Fair Oaks Water District

Hilary Straus, General Manager  
Citrus Heights Water District

Marcus Yasutake, Environmental and Water Resources Director  
City of Folsom

**Subject: 150-Day Advance Written Notice of Proposed Changes in Water Rates and Charges**

Gentlemen:

This letter is sent in accordance with Section 11 of the Wholesale Water Supply Agreements between the San Juan Water District and your agencies, to advise of a proposed change in the allocation of the fixed quarterly charge for calendar year 2023.

In December 2019, at the request of the Wholesale Customer Agencies, the San Juan Water District's Board of Directors approved a change in the allocation of the fixed service charge. Prior to the change, the fixed service charge was allocated to each agency based upon a blend of their average water deliveries during calendar years 2012-2016 and the relative number of customer accounts. In December 2019, the Board approved a new methodology wherein the service charge is allocated each calendar year based upon the rolling 5-year average of water deliveries. Under this new methodology, the total amount of revenue to be collected via the service charge remains as set by the Financial Plan, but the allocation changes each January based upon the past five years of water deliveries per agency.

The Financial Plan set rates for a five year period, with the final rate increase applied January 1, 2021. The District intends to conduct the next Wholesale Financial Plan and Rate Study after the completion of the Wholesale Master Plan, which should be soon. As such, the total quarterly service charge for calendar year 2023 will remain the same as the current year. However, the allocation between the customer agency will change based upon the updated rolling 5-year average of water deliveries. However, the District

Directors

Edward J. "Ted" Costa

Marty Hanneman

Kenneth H. Miller

Dan Rich

Pamela Tobin

General Manager

Paul Helliker

may issue another 150-Day Notice of Proposed Changes in Rates, based upon the recommendations from the upcoming Wholesale Financial Plan.

The calculation of the proposed rate change, as well as the effect upon each agency, and the proposed rate schedule is included as an attachment to this letter. The 150-day comment period provided in Section 11 of the Wholesale Water Supply Agreements will end on December 12, 2022. The District's Board of Directors will consider adopting the revised rates at the December 14, 2022 Board Meeting.

If you have any questions or need further information, please feel free to contact Finance Director Donna Silva, or myself.

Sincerely,



Paul Helliker, General Manager  
San Juan Water District  
Attachments (2)



**San Juan Water District  
Proposed Wholesale Rate Schedule  
Calendar Year 2023**

Calendar Year	2023	
<b>San Juan Water District - Retail</b>		
Water Usage Rate (\$/AF)	\$	81.14
Quarterly Fixed Charge	\$	578,808.35
2019 Debt Charge (1)	\$	133,920.00
<b>Citrus Heights Water District</b>		
Water Usage Rate (\$/AF)	\$	81.14
Quarterly Fixed Charge	\$	533,570.81
2019 Debt Charge (1)	\$	125,550.00
<b>Fair Oaks Water District</b>		
Water Usage Rate (\$/AF)	\$	81.14
Quarterly Fixed Charge	\$	366,991.51
2019 Debt Charge (1)	\$	96,255.00
<b>Orange Vale Water Company</b>		
Water Usage Rate (\$/AF)	\$	81.14
Quarterly Fixed Charge	\$	189,735.60
2019 Debt Charge (1)	\$	46,035.00
<b>City of Folsom</b>		
Water Usage Rate (\$/AF)	\$	81.14
Hinkle Pump Station Surcharge (\$/AF) (2)	\$	102.00
Quarterly Fixed Charge	\$	56,139.74
2019 Debt Charge (1)	\$	12,555.00
Direct Portion of 2012 Debt (2)	\$	18,476.96
<b>Sacramento Suburban Water District</b>		
Treat and Wheel Rate (\$/AF) (3)	\$	220.16

**Notes:**

- (1) Anticipated Debt for the Hinkle Reservoir Rehabilitation Project. Charge will not be assessed until debt is issued and repayment schedule is finalized. The 2019 Debt Charge will be removed and the Quarterly Fixed Charge will increase accordingly.
- (2) Unique charges to City of Folsom and revenue to the San Juan Retail water system. Reduced in 2023 to reflect refinancing with 2022 loan.
- (3) Per negotiated agreement based on financial plan. No change proposed.





## CY 2023 Allocation Base - Past Five Years Water Use (In Acre Feet per Fiscal Year)

	<b>CY 2023</b>
Fixed Rates to be Collected	\$ 6,900,984
<b>Quarterly Charge to Allocate</b>	<b>\$ 1,725,246</b>

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Five Year Total	Allocation	CY 2023 Quarterly Charge
San Juan Water District	11,520.25	10,863.93	11,828.99	13,689.99	12,142.87	47,903.16	33.55%	578,808.35
Citrus Heights Water District	11,201.75	11,189.47	11,407.19	10,360.81	7,852.21	44,159.22	30.93%	533,570.81
Fair Oaks Water District	6,399.68	7,991.04	7,779.93	8,202.19	6,722.68	30,372.84	21.27%	366,991.51
Orange Vale Water Company	3,949.80	3,822.14	3,789.75	4,141.15	3,882.70	15,702.84	11.00%	189,735.60
City of Folsom	1,132.42	1,080.37	1,194.05	1,239.38	1,092.49	4,646.22	3.25%	56,139.74
<b>Totals</b>	<b>34,203.90</b>	<b>34,946.95</b>	<b>35,999.91</b>	<b>37,633.52</b>	<b>31,692.95</b>	<b>142,784.28</b>	<b>100%</b>	<b>1,725,246</b>

<b>Impact Per Agency on Proposed Change in Allocation of Quarterly Charges</b>			
	Current CY 2022	Proposed CY 2023	
	Quarterly Charge	Quarterly Charge	Difference
San Juan Water District	577,817	578,808.35	991.38
Citrus Heights Water District	531,304	533,570.81	2,267.07
Fair Oaks Water District	370,994	366,991.51	(4,002.80)
Orange Vale Water Company	188,903	189,735.60	833.08
City of Folsom	56,228	56,139.74	(88.73)
	<b>\$ 1,725,246</b>	<b>\$ 1,725,246</b>	<b>\$ 0.00</b>