

Finance Committee Meeting Minutes
San Juan Water District
March 14, 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
Devon Barrett, Customer Service Manager
Adam Larsen, Field Services Manager
Greg Zlotnick, Water Resources Manager
Teri Grant, Board Secretary/Administrative Assistant

Members of the Public: Attendee
Jodie Alby

1. Review General Manager Reimbursements (W & R)

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

2. Review Check Register from February 2023 (W & R)

The committee reviewed the February 2023 check register and found them to be in order.

3. Potential Rebate to Retail Customers (R)

GM Helliker provided a staff report which will be attached to the meeting minutes. He explained that Director Zamorano suggested at the last Board meeting that a rebate be given to retail customers. GM Helliker stated that the funds would come from revenue received from the water transfer and not from savings on the reduced COLA.

GM Helliker informed the committee, and Ms. Silva agreed, that staff is not recommending issuing a rebate since it would be confusing to customers who receive a rebate then receive a rate increase as projected in the retail financial plan.

Director Costa stated that should the Board approve a rebate, then he would hope that it would not use funds from the working capital but instead from the proceeds of the water transfer and that he would not want individual checks to be issued but instead a credit applied to the customer's account. Mr. Barrett confirmed that a credit could easily be applied.

Director Miller voiced concern that issuing a rebate could set a precedent that savings from projects or extra revenue would generate a customer rebate each time. Ms. Silva commented that every year there will be variances from the budget versus the actual expenditures and provided some examples. She stated that as long as there are

approved rate increases and planned debt issuances there are not surplus funds on hand. The committee requested that the Board be provided a list of the upcoming retail projects and debt at the March Board meeting.

4. Other Finance Matters (W & R)

Director Costa informed the committee that the Sacramento Area Sewer District spends about \$12 million per year on chlorine and is considering producing their own supply. He suggested that staff contact them to discuss possible opportunities.

Ms. Silva informed the committee that the District did not have any investments in the banks that recently failed.

5. Public Comment

There were no public comments.

The meeting was adjourned at 4:22 p.m.

STAFF REPORT

To: Finance Committee
From: Paul Helliker, General Manager
Date: March 14, 2023
Subject: Potential Rebate to Retail Customer Accounts

RECOMMENDED ACTION

Consider a rebate to retail customer accounts.

BACKGROUND

At the February 22 Board of Directors meeting, Director Zamorano requested that an item be added to the March 22 agenda for the Board to consider providing a rebate to retail customer accounts. Director Zamorano suggested that such a rebate could use savings in operating costs as the source of funds.

One of the goals of the retail financial plan adopted in 2022 was to minimize the amount of debt issued to pay for capital projects. When revenues are greater than anticipated, and/or expenses lower than anticipated, the unused financial balance is deposited in the District's reserve accounts, which can then be used to reduce future debt issuances. Providing a rebate to retail customers would impinge on this use of reserves to pay for capital projects. Providing rebates might also confuse customers, given the rate increases that have been implemented every year, the necessity for which was described in detail in the retail financial plan.

The mid-year budget analysis for retail operations indicates that revenues are expected to come in approximately \$183,000 greater than anticipated and expenses are estimated to be \$136,300 less than budgeted. A contributor to the additional revenues is the wholesale groundwater substitution transfer.

The protocol that the District established for managing the revenues from the transfer included modifying the normal procedure for the annual adjustment to the quarterly service charges that are assessed on each Wholesale Customer Agency, to allow for a reduction in the service charges for Fair Oaks Water District and Citrus Heights Water District. To avoid imposing those costs to Folsom, Orangevale and San Juan's Retail division, the District agreed to use some of the revenues from the transfer to reimburse these agencies for the expected shift in quarterly charges. This reimbursement to San Juan Retail could be used as a source of funds for any rebate that the Board might decide to provide to make to retail customer accounts. While this reimbursement to San Juan Retail has not yet been calculated, the projection is that it will be approximately \$100,000. This revenue was not included in the original retail operating budget, and thus is one of the reasons that revenues are expected to be greater than anticipated this year. Such a rebate has never been provided to retail accounts, and staff does not recommend that surplus revenues be used in such a manner, but as a one-time expense, it could be accommodated in the current fiscal year.