

STEGE SANITARY DISTRICT  
LONG RANGE PLANNING WORKSHOP  
SATURDAY, MARCH 8, 2008

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\*\*\*\*\*MINUTES\*\*\*\*\*

- I. Call to Order:** Vice President Merrill opened the meeting at 8:38 A.M.
- II. Roll Call:** Present: Brand, James, Merrill, Miller, O’Keefe (arrived at 10:53 A.M.)  
Others Present: Michelle Murphy, Facilitator  
Douglas Humphrey, District Manager  
Rex Delizo, Sr. Engineer/Deputy District Manager  
(arrived at 9:15 A.M., left about 4:01 P.M.)

Agenda Items: Directors did not announce any conflicts of interest posed by items on the agenda.

- III. Public Comment** – There was no public comment.

**IV. Long-Range Planning (LRP) Workshop - 2008**

The Board and Manager discussed the items on the agenda below. Details of proposed actions included in an action plan that will be considered and approved at Board meetings in March or April 2008.

1. Introduction, Schedule, Ground Rules, etc.  
Ms. Murphy gave a brief summary of the history of recent LRP workshops at Stege. She emphasized that her job was to keep the workshop on track and focused on the issues, and that she was pleased to be serving as facilitator for this Board workshop for the 8<sup>th</sup> consecutive year.
2. Discussion of Agenda
  - a. Brief Review of 2007/08 Action Plan. Humphrey provided a summary of last year’s plan and the status of items on the plan.
3. Strategic Plan Review  
Humphrey provided a brief summary of the Board’s work last year on a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis and identification of the Board’s top three “burning issues”. He said that these issues were used as a guideline to develop this year’s LRP agenda and he thinks this is a major step forward towards a planning workshop that will be very focused on what are truly long-range issues. The setting of goals and a schedule to make a real strategic plan have not yet been accomplished, and the action plan from this workshop will be very helpful in accomplishing that.
4. Other Post-Employment Benefits (OPEB) Funding
  - a. OPEB Pre-Funding  
Humphrey introduced the topic and explained the purpose was to determine whether to pre-fund the OPEB obligation and, if so, how much and what mechanism to use. This topic related to the Board’s concern about rising total compensation expenses. He said that he and Rex had both attended recent workshops presented by the Public Employees Retirement System (PERS)

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trust established for OPEB benefits, called the California Employees Retirement Benefit trust (CERBT). He said that the advantage of the PERS trust is that a 7.75% rate of return can be used by the actuaries in determination of contribution rates. The disadvantage is that funds placed into a trust can only be used for the retiree health benefits. Humphrey and Delizo said another disadvantage is that they have learned that actuarial valuations will have to be performed every two years (instead of three) for PERS trust fund participants.

There was discussion about this issue, and Miller offered the opinion that the Board had decided to provide retiree health benefits and that doing anything less than committing funds in a trust to cover the benefit is a message to employees that the Board may want the funds for some other purpose in the future. James said this is one of a few nationwide health care policy issues that are problematic and are subject to change, and that it may be a good idea to hold tight for the short term. Merrill expressed concern that the trust funds would become invisible. Humphrey said he believes the trust amount would be shown in notes to the financial statements, so it would not be invisible, but he would need to investigate exactly how it would appear on financial statements. Miller said he was uncomfortable making a final decision without O'Keefe present. The Directors generally agreed that they do want to pre-fund the retiree health benefits, the best way to pre-fund for the next one to two years would be setting funds aside in a reserve "fund", and the Board will follow up in future meetings and next year's LRP. Brand also asked Humphrey to clarify the accounting and financial reporting aspects of this action. Humphrey said he would include items in next year's budget to accomplish the Board's direction.

b. General Investment Policy

Humphrey said this issue had been raised by Merrill, who asked that it be included in the LRP. Merrill said that Florida's version of Local Agency Investment Fund (LAIF) had experienced a problem recently, such that agencies had problems withdrawing funds for a few weeks. Merrill consequently thought it might be a good idea to consider investing a small portion of the District's investments into something other than LAIF. This could provide a dual purpose of providing a better return as well as providing a diversification and liquidity of funds to cover District obligations if there were ever a similar "Florida" problem with LAIF. He said the current District investment policy allows for investment of up to 20% of total reserves into mutual funds, and something like an index fund may be appropriate for our purposes. Humphrey said the investment policy could be reviewed in the next two to three months, since its annual review is due soon, and the Board can revise if it thinks it is needed. He said that he can also research some possibilities to provide what Merrill is suggesting and present this to the Board soon after the policy review.

5. Total Compensation

a. Salaries

Humphrey referred the Board to the materials supplied as part of the LRP binder regarding total compensation. This topic relates to the Board's concern about rising total compensation expenses. He said that the draft "policy" in the binder had never been adopted, since it was more like a procedure than a policy and the actual policy was much briefer and less specific. There was a general discussion about salaries and James again offered his opinion that the Manager should be able to set salaries at an even greater amount over the top of the range, as much as 20%. This generated much discussion and the outcome was that there would be no change to the existing policy. Humphrey also explained the sheet that displays the characteristics of the agencies that the District uses for comparison of salaries and benefits, or the "comparison agencies". He said that Brand had asked about this in late 2007 and he thought it was a good idea to put something together. He said that the salary surveys are conducted every three to four years, and the one last fall had not yet been implemented.

Miller said he thinks that the advantages of being employed at Stege and working for a small, proactive agency like Stege is one of the benefits for employees. Merrill stated that we have a fairly stable workforce and that is one indication that our compensation is competitive. O'Keefe said her concern about increasing the potential salary amount over the top of the range as James suggests concerns her, because the salaries need to be transparent.

The Board asked Humphrey to try to get salary information from two private companies, Veolia Water, through either them or the City of Richmond who contracts their services, and Rodding-Cleaning Services.

b. Benefits

Humphrey said this topic related to the Board's concern about rising total compensation expenses. He said that the benefits the District provides to employees are very similar to those provided by the comparison agencies, with the exception of the flexible benefits plan, determination of "final" salary for PERS retirement benefits, and dental plan. The flex plan and dental benefits are better than the comparison agencies' and the final salary is a lesser benefit than all but two of the comparison agencies. Stege bases retirement benefits on the average salary of the employees' final three years, most agencies use the final year. Humphrey said the one year basis can be implemented through a contract amendment with PERS, as an optional benefit, and the Board briefly reviewed the material from PERS regarding optional benefits. It appears that the cost of this benefit is less than 1% of total salary. O'Keefe said she supported providing the final year as the basis for retirement compensation, but asked if this was the final year or the highest 12 consecutive months. Humphrey said he thinks it is the highest 12 consecutive months, but he will ask PERS. The Board discussed this and generally agreed

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that Humphrey should pursue this optional benefit with PERS since it is in accord with the total compensation policy to provide this to employees. Humphrey said he will follow up and bring this back to the Board later this year.

There were other requests of Humphrey to provide information to the Board regarding the educational/tuition reimbursement policy and a history of its use, and whether long-term disability insurance is optional for employees and if those premiums can be included in the flex plan.

6. Health Care, Dental, & Flex Plan Contributions

a. Flex Plan/Medical Benefits

Humphrey said that this issue was included on the LRP agenda once again at the request of the Board. He reminded the Board that James had asked to set the cash limit to flex plan contribution amount ratio at a set amount, so that future cash increases would be the same percentage increase as the flex plan contribution increase. Humphrey also said he had spoken to Stege staff and that the employees overwhelmingly like the flex plan and want it to continue. Delizo reinforced this comment and said employees that do not have health coverage through Stege can sometimes end up purchasing services or items they would not normally purchase, just to get reimbursed for that part of the flex plan they can not receive as cash.

There was a lengthy philosophical discussion about the flex plan. Merrill said he supports the use of a flex plan and that we should also provide health care for employees. He would like to see a smaller contribution to the flex plan in tandem with providing health care for employees, and that we lose flexibility when we tie the flex plan to health care. The difference of costs not expended on health care could be split with the employees. James disagreed and said the flex plan would be less flexible under this type of arrangement. James said he sees the flex plan as a portion of employees' compensation. O'Keefe also said she wants to provide health care to employees, and sees the cash limit as a way to deal with the philosophical differences of opinion among Board members. She said she thinks the Board has actually reached a form of modified consensus on the issue. Miller agreed with James that the flex plan is a form of compensation. Brand said he generally agrees with James' position and said he supports higher or no cash out limits. There was no consensus about setting a ratio or percentage of cash limit to flex plan contribution and the Board asked Humphrey to schedule the flex plan contribution rate for discussion annually in October and November, after PERS health care premium rates are announced.

b. Dental Benefits

Humphrey said that Stege joined a pool of California Association of Sanitation Agencies (CASA) agencies in the 1990s to secure dental benefits and Stege has continued with that pool. He said that staff had investigated the benefits provided or coverage and premium costs of the Stege pool as well

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some other local agencies, and has determined that the Stege coverage is extensive and the consequent expenses are relatively high. He showed the Board the history of dental premiums, which changed from a flat rate three years ago and increased dramatically. Humphrey suggested that staff should consider a quote recently received for a Delta Dental plan, as well as obtain other quotes. There was a discussion about how to proceed and several suggestions were made. Merrill asked Humphrey to obtain details about the existing pool, like how many agencies remain, and look into joining other local agencies in their coverage if it appears beneficial to Stege. Humphrey said he and staff would follow up with other local agencies and our insurance broker, explore different coverage possibilities, and agreed to bring this back to the Board in six months.

7. Flow Monitoring/Wet Weather Facilities

a. East Bay Municipal Utility District (EBMUD) Study/meters & Flow Reduction

Humphrey said that he believes it is clear that, given the status and development of the EBMUD wet weather facility permit work and studies, that it will be very important that Stege develops the ability to monitor its flow. Flow reduction will no doubt be the primary goal for all EBMUD satellite agencies, including Stege. The data from individual subbasins as well as the total flow is important, because it may help in the determination of the priority of capital improvements, assessments, and rates. He explained that EBMUD is currently conducting an extensive study of flow meters and they have indicated they will have preliminary results available in May, after the study concludes by April. He said this will provide Stege with detailed analysis on the types and brands of meters that may be most effective and efficient for its particular metering locations, possibly before the budget for next year is approved. Humphrey stated he plans to budget for three meters this next year, based on a priority of allowing for metering the total flow first, then moving upstream to isolate subbasins. Meters will be in operation by next wet weather season, December 2008.

The Board discussed the issue and agreed that Humphrey should include meters in next year's budget and that staff should also prepare a plan to implement flow metering for the entire District. The ultimate goal of metering is flow reduction, and there is a need to develop a strategy or plan for this as data is acquired. The Board also expressed its desire that flow data analysis should be accomplished by District staff, so the plan should include the measures required to provide staff this capability. Humphrey said he believed he could meet the Board's direction to provide this plan by fall 2008.

8. Laterals/Lower Laterals

Humphrey said this item was added to the LRP at Brand's request, since there has been no closure on the subject. Humphrey said he had followed up with some of the alternative financing possibilities, but has not had success in getting any banks or individuals to show serious interest. He mentioned that the Board had

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previously discussed some of the possible ways to accelerate the replacement of laterals, such as forming a special assessment district or alternative financing, but no further actions have been taken. He said he agreed that there had been no closure on the issue of District taking more responsibility for lower laterals, but it had seemed clear to him that a majority of the Board was not in favor of a change at this time. He suggested that a follow up study session on laterals this summer could be helpful. The Board agreed this was a good idea. James again expressed his thought that a pressurized system option might be viable, since it would essentially eliminate I/I in the private lateral section of the system.

9. Building Project/Financial

Humphrey briefly explained the summary sheet on project costs that he had prepared and said that the project architect will present an updated cost estimate at a meeting later this month.

10. Wrap-Up

a. Open Forum – Other Issues.

No other issues were raised.

b. Review Action Items

Murphy summarized the action items detailed during the discussions of LRP issues. The Board and Humphrey clarified these as Murphy rewrote the items on separate display sheets.

c. Next Steps – Action Plan

Murphy commented that what usually occurs after the LRP is that Humphrey takes the information from the LRP and prepares a draft action plan for the Board's consideration. An action plan is then approved after any revisions by the Board.

**V. Adjournment**

The meeting was adjourned at approximately 4:27 P.M.

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Douglas Humphrey  
STEGE SANITARY DISTRICT  
Secretary