

MINUTES OF THE MEETING
OF THE
BOARD OF DIRECTORS FISCAL COMMITTEE
OF THE
SAN ANTONIO RIVER AUTHORITY
MARCH 10, 2008

The Fiscal Committee of the SAN ANTONIO RIVER AUTHORITY Board of Directors was called to order by Mr. Gaylon Oehlke, Chairman, at 12:08 p.m., Monday March 10, 2008, in the Boardroom of the San Antonio River Authority, 100 E. Guenther, Bexar County, Texas.

Mr. A.D. Kollodziej, Jr. called the roll and certified a quorum for the Fiscal Committee Meeting as follows:

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|----------------------|---------|
| Terry Baiamonte | Absent |
| A.D. Kollodziej, Jr. | Present |
| Hector Morales | Present |
| Gaylon J. Oehlke | Present |
| H.B. Ruckman III | Present |

Staff members present were:

Suzanne B. Scott, General Manager
Steve Graham, Assistant General Manager
Steve Raabe, Director of Technical Services
Susan Eason, Director of Internal Resources
Sharon McCoy, Finance Manager
Karen Bishop, Communications Program Developer

Others present were:

David Ross, Legal Counsel

Regarding **Agenda Item 5: Approval of the Minutes of the Fiscal Committee Meeting Held on December 10, 2007.** Mr. Oehlke so moved and seconded by Mr. Ruckman, Motion carried unanimously.

Regarding **Agenda Item 6:** Mr. Oehlke called on Karen Bishop for **Introduction of Visitors:** Ms. Bishop announced the voidance of visitors.

Regarding **Agenda Item 7:** Mr. Oehlke asked if there were any **Citizens to be Heard.** Ms. Bishop reported there were none.

Mr. Oehlke called on Sharon McCoy-Huber for **Agenda Item 8: Presentation, Discussion, and Appropriate Action Regarding Audit Firm for Fiscal Year 2007/2008 Audit.**

Explanation by Sharon McCoy-Huber:

Thompson, Williams, Biediger, Kastor & Young, L.C. has submitted an engagement letter to the San Antonio River Authority (River Authority) to conduct the audit for the current fiscal year. Fiscal year 2006/07 was the fourth year that this firm was engaged to do the audit.

Recommendation:

Staff recommended to the committee that the River Authority retain Thompson, Williams, Biediger, Kastor & Young, and L.C., to conduct the financial audit for the fiscal year ending June 30, 2008.

Mr. Oehlke called for said Motion. Mr. Ruckman so moved and seconded by Mr. A.D. Kollodziej, Motion carried unanimously.

Mr. Oehlke then called on Sharon McCoy-Huber for **Agenda Item 9: Presentation and Discussion Regarding the Operating Budget for Fiscal Year 2008/2009.**

Explanation by Sharon McCoy-Huber:

As background material for preparation of the Fiscal Year 2008/09 operating budget, staff discussed the status of the current fiscal year 2007/08 operating budget. Ms. McCoy-Huber presented the projected fund balances of the major operating funds including General Fund, SARA Wastewater Funds, and the Park Services Funds.

Mr. Oehlke called on Suzanne Scott for **Agenda Item 10: Executive Session pursuant to Texas Government Code Section 551.074, for Deliberation Regarding Personnel Matters Including the Evaluation of the General Manager.**

After appropriate disclosure in accordance with Chapter 551 of the Texas Government Code, The Open Meetings Act, Section 551.074, Mr. Oehlke then recessed to meet in Executive Session at 12:22 p.m. for deliberation regarding personnel matters including the evaluation of the General Manager.

The Executive Session having concluded, the meeting of the Fiscal Committee resumed into Open Session at 1:20 p.m.

Mr. Oehlke called on Suzanne Scott for **Agenda Item 11: Presentation, Discussion, and Appropriate Action Regarding the Salary Adjustments of the General Manager.**

Explanation by Suzanne Scott and Gaylon Oehlke:

Each budget year, the Fiscal Committee approves a recommendation for the General Manager's salary to be included in the upcoming fiscal year operating budget. The recommendation is based on the Executive Survey, current economic factors, the ability to retain consistent leadership and the current accomplishments of the General Manager.

EXECUTIVE SURVEY

The Executive Survey of the General Manager's compensation was completed in February 2008. The General Manager's salary falls 74% below the median of the entities surveyed. It should be noted that the survey respondents have different fiscal years which skews the comparison of the General Manager's salary to the other entities' executive salaries. Expectations are that the other entities surveyed will receive an increase within three months.

HISTORY

The General Manager was appointed effective September 1, 2007.

| | |
|----------------|------------|
| September 2007 | \$150,000. |
|----------------|------------|

Mr. Oehlke called for a Motion to include a 6% salary increase in the Fiscal Year 2008/2009 budget for the General Manger. Mr. Ruckman so moved and seconded by Mr. Morales, Motion carried unanimously.

Mr. Oehlke called on Suzanne Scott and Susan Eason for **Agenda Item 12: Presentation, Discussion, and Appropriate Action regarding Merit/Performance Incentive Program for Fiscal Year 2008/2009 Compensation Adjustments.**

Explanation by Suzanne Scott and Susan Eason:

Each budget year the San Antonio River Authority staff makes a recommendation for employee compensation adjustments to support the Merit/Performance Incentive Program.

The compensation system used today is based on grades and salary ranges for each grade. Each position description is analyzed and placed into one of these grades.

Increases for each employee are based on performance. Performance Objectives are developed for the entire organization, each department, and every individual. The Performance Objectives are the measurement tool used to determine the

success of the organization, the success of the department and the success of the individual employee.

Prior to the end of the fiscal year, the General Manager recommends an annual adjustment (formulated by using the cost of living and other pertinent factors along with a merit increase factor) to the Fiscal Committee. Once the Fiscal Committee approves the percentage of the annual adjustment increase, the General Manager will allocate each department's percentage of increase based on the effectiveness of that department in meeting the established Performance Objectives. The annual adjustment that is approved by the Fiscal Committee is used in calculating the next fiscal year budget that is approved by the Board of Directors in June.

Each department manager and supervisor will determine the amount of individual increase based on the individual employee's performance.

Increases are awarded annually on or around the beginning of the fiscal year. Any individual with a performance rating of "Below Expectations" or "Unsatisfactory" may not receive any annual increase.

The basis for the staff recommendation is founded on consideration of a combination of factors which include the Consumer Price Index, Employment Cost Index, Salary & Benefit Surveys, Social Security increase and Federal Employee increase.

COST OF LIVING AND THE EMPLOYMENT COST INDICATOR

Prices paid by consumers rose faster in November 2007, lifted by a spike in the price of gasoline, as the government's key inflation measure came in higher than Wall Street forecasts.

The Consumer Price Index, the key measure of inflation on the retail level, rose 0.8 percent in November 2007, up from the 0.3% rise in October 2007. Economists surveyed by Briefing.com had forecast a 0.6% rise in overall prices.

It was the biggest jump in prices since September 2005, when gasoline prices surged higher in the wake of Hurricane Katrina. There was a similar impact of higher gasoline prices this time.

The report showed overall energy prices up 5.7%, with gasoline up 9.3%. In addition food prices, another recent driver of inflation, were up 0.3% in November 2007.

The core consumer price index, which excludes food and energy costs is expected to rise 2.3% in both 2007 and 2008. Core prices rose 4.1% in 2007.

An article from late December 2007 in Economy and Government indicates that we should look at more than the Consumer Price Index for true inflation. This article cites that dairy prices are up 13%, meat prices up 6% and bakery products up 4.6%.

The Employment Cost Indicator remained the same in 2007. The fourth quarter of 2007 index was 3.3% for Civilian Workers and 4.1% for State and Local Governments. This index measures the change in the cost of labor, free from the influence of employment shifts among occupations and industries. The Employment Cost Index includes increases in education, health care costs, and other areas not covered in the Consumer Price Index. This increase can be explained by the increasing costs of health care. Benefit costs alone increased 6.1% at the end of 2007.

Information on the Consumer Price and Employment Cost Indicators is obtained from the Bureau of Labor Statistics (www.bls.gov) and Bloomberg (www.bloomberg.com), Mercer Consulting (www.mercer.com) and www.CNNMoney.com.

UNEMPLOYMENT

Unemployment rates increased during 2007. The National annual average unemployment rate for 2007 was 4.6%. Texas as a whole ended 2007 with an unemployment rate of 4.5%. Texas is gradually catching up with the national unemployment figures. The San Antonio Metropolitan Statistical Area rate for 2006 was 4.4% compared to 2007 at 4.0%. Not as many jobs are being added compared to this period last year. An estimated 18,600 new jobs are estimated in 2008 as opposed to 150,000 estimated for 2007.

Broken out by County the Unemployment rates as of December 31, 2007 are:

| | | |
|--------|------|-------------|
| Bexar | 4.0% | (4.7%-2006) |
| Goliad | 3.5% | (4.2%-2006) |
| Karnes | 5.4% | (6.4%-2006) |
| Wilson | 3.9% | (4.2%-2006) |

Unemployment figures were obtained from www.bls.gov and Texas Labor Market Information www.tracer2.com.

While the employment situation at the end of 2007 was encouraging, predictions are not positive for 2008. January 2008 national unemployment rate jumped to 5%, the highest since November 2005. All industries saw a decline in jobs, many based upon the declining housing market and the writer's strike, and increases in the fuel costs.

SOCIAL SECURITY, GOVERNMENT AND STATE PAY INCREASES

The Social Security increase for 2008 is 2.3%.

Information on State of Texas employee increases was not available.

The President signed an executive order that Federal Government employees will receive a 3.5% increase.

Social Security information was obtained from www.ssa.gov. State information was obtained from the State of Texas web site and federal information was obtained from www.opm.gov.

MARKET SURVEY OF MERIT INCREASES – OTHER ENTITIES & LOCAL AND NATIONAL SURVEY INFORMATION

This year, we chose to use a local consultant to prepare the data for our market survey report. Werling and Associates prepared the results from fifteen participants. We asked them to survey our Executive Staff along with twenty-six other positions. We will utilize the results of the other twenty-six positions to make any necessary market adjustments in our grades and salary ranges.

The results of the wage increase survey indicated that the average 2007 increase was 3.94%, and the anticipated increase for 2008 is 3.55%.

Mercer HR and Hewitt Associates suggest that the average base pay increase for 2008 will be 3.8%. (www.compensationforce.com)

SUMMARY

- The Consumer Price Index increased by 4.1% from December 2006 to December 2007. This index has historically been used as the cost of living component of the annual salary adjustments. The impact of the grocery and energy increases should be taken into consideration.
- Hourly wages increased 3.3% from December 2006 to December 2007 based on the Employment Cost Indicator.
- Federal employees were granted a 3.5% increase and Social Security Cost of Living increased 2.3%.
- The average base annual increase from our survey and national surveys is 3.75%.
- Historically, in addition to the basic Cost of Living, the River Authority has included an additional 1.0% to 1.5% for merit.

Recommendation:

Staff recommended an annual merit adjustment of 5.25% of total salaries to be included in the 2008/09 Fiscal Year budget.

Mr. Oehlke called for a Motion to include an annual merit adjustment of 5% of the total salaries to be included in the 2008/2009 Fiscal Budget. Mr. Ruckman so moved and seconded by Mr. Morales, Motion carried unanimously.

Mr. Oehlke called on Sharon McCoy-Huber for **Agenda Item 13: Presentation and Discussion Regarding Items for Future Consideration by the Fiscal Committee.**

Explanation by Sharon McCoy-Huber:

The following items will need to be presented to the Fiscal Committee.

April 2008 Committee Items

April 7, 2008 - Presentation, discussion and action regarding the fiscal year 2008/09 preliminary budget.

May 2008 Committee Items

Special Board Meeting – Service & Organization Goals Workshop, Monday, May 12, 2008

June 2008 Committee Items

Special Board Meeting – Budget Workshop, Wednesday, June 4, 2008

June 18, 2008 – Regular Board Meeting – Adopt 2008/09 Operating Budget

August 2008 Committee Items

August 11, 2008 – Discuss Tax Rate

Special Board Meeting – Public Hearing and Adopt Tax Rate, Thursday, August 28, 2008

September 2008 Committee Items

September 8, 2008 – Optional, if needed.

October 2008 Committee Items

October 6, 2008 – Draft Audit. The Fiscal Committee will be presented the draft audited financial statements. This is when staff would like to schedule a workshop on how to read and understand the audited financial statements.

October 15, 2008 – Regular Board Meeting – Audit. The board will take action accepting the fiscal 2007/08 audited financial statements based on recommendation from the Fiscal Committee.

Mr. Oehlke called on Suzanne Scott for **Agenda Item 14: General Managers Report**. There being nothing to report, Mr. Oehlke called on Suzanne Scott for **Agenda Item 15: Next Meeting Date**.

Ms. Scott reported that the next Fiscal Meeting is to be scheduled for Monday, April 7, 2008.

There being no further business, the meeting was adjourned by Mr. Oehlke, Chairman, at 1:57 p.m.

PREPARED AND RECOMMENDED FOR APPROVAL BY THE MANAGER.

SUZANNE B. SCOTT, General Manager

APPROVED BY THE OPERATIONS COMMITTEE AT THE MEETING HELD ON APRIL 7, 2008.

GAYLON J. OEHLKE, Chairman

ATTEST:

STEPHEN T. GRAHAM, Assistant Secretary