



**AGENDA ITEM III.1b**

Regular Board Meeting

Approved Minutes

October 8, 2007

**District Attendees**

Randy Marx	Board President
Barry Brown	Board Member
Daniel Gilliam	Board Member
Misha Sarkovich	Board Member
Tom R. Gray	General Manager
Michael Nisenboym	Operations Manager
Chi Ha-Ly	Sr. Financial Analyst

**Other Attendees**

Paul Cornwell	Visitor
Jeffrey Mitchell	Kronick, Moskovitz, Tiedemann & Girard

**Absent**

Timothy Healey	Board Vice President
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**AGENDA ITEMS**

**I. Call to Order**

President Marx called the meeting to order at 6:30 p.m.

**II. Public Comment**

None.

**III. Consent Calendar**

The following consent calendar items were considered and acted upon as follows:

1. Approval of Minutes:
  - a. Regular Board Meeting of September 10, 2007
2. Accept and file: Treasurer's report for the month of September, 2007
3. Accept and file: Investment report for the month of August, 2007
4. Accept and file: Monthly Financial Expenses for August, 2007
5. Approval of Warrants
6. Approval of Cal Card Statement

## 7. Approval of Monthly Board Expense Report for September, 2007

- Director Brown pulled Item III.1. He stated that there were comments made on the Grievance Policy under V.3 but it wasn't included in the Minutes.
- General Manager Gray stated that staff will update and bring this item back on the next meeting for approval.
- Director Gilliam inquired on the Fair Oaks Auto Repair missing receipts.
- General Manager Gray stated that often times, not all of the receipts were turned in by the time the statement arrived, therefore, it seems that this has not been updated to reflect the actual description. Staff will provide actual receipt at the next Board meeting.
- Director Gilliam inquired on Tire To Go expense.
- General Manager Gray stated that it was for large truck tires; for standard vehicles the District uses LesSchwab.
- Director Gilliam inquired on the use of United Rentals.
- General Manager Gray stated that the District rented a dump truck while a District unit was being repaired.
- Director Gilliam inquired about paint purchased for the Town Well.
- Mr. Nisenboym stated that the paint was for Town Well touch up.
- Director Gilliam inquired about the Aerial Digital Photo purchase.
- General Manager Gray stated that it was the Bluffs condominium project.
- President Marx stated that he and Director Brown should review the Vulnerability Assessment by the next Board meeting.
- General Manager Gray stated that he had report back information on the Vulnerability Assessment.

M/S/C Gilliam/Brown, to approve the consent calendar with the exception of item III.1a.

## **IV. Presentation & Correspondence**

### **1. Correspondence from Lorna Carter.**

- General Manager Gray stated that the District received a thank you note from Ms. Carter commending the District's recent public outreach activities.

## **V. Action Items: Old Business**

### **1. Discussion and possible action on a draft public relations services request for proposals.**

- General Manager Gray stated that Public Relations Committee met, discussed and reviewed the RFP for Public Relations services included in the Board Package. There were revisions based on comments from the Committee. Staff recommended authorizing the General Manager to finalize and execute the Request for Proposals to provide professional public relations services to the District.

- Director Brown stated originally, he was thinking of a bigger master plan in compared to the RFQ. However, through discussions, the Public Relations Committee and staff agreed that this RFQ has become the plan.
- General Manager Gray stated that at the April 9, 2007 regular meeting of the FOWD Board of Directors, staff made the following recommendation: “Continue the positive outreach program started by staff in the 2006 in accordance with the approved budget for 2007. Prepare a public outreach plan and request for competitive proposals to provide professional public outreach services for a five-year period beginning in 2008.” General Manager Gray stated that he would like consensus and clarity from the Board. Staff believes that the majority of the Board was satisfied with the Public Outreach in 2007. General Manager Gray asked that each Director comment on the current Public Outreach program, in order to help staff plan for the 2008 program.
- Director Sarkovich stated that he was very pleased with the Public Outreach activities in 2006 and in 2007; especially considering the amount of money invested. Now the District will go out for competitive bid for a five year term. He liked the amount of money being spent and the result.
- President Marx stated that part of the value of a consultant is to help develop a master plan. Therefore, he didn’t see the need to have a master plan prior to the RFP. President Marx stated that he was happy with the current program.
- Director Gilliam is happy with the current Public Outreach program.
- Director Brown would like a three year term vs. a five year term.
- Legal Counsel Mitchell stated that on 10.2 the “three year term with a possible two year extension” could be re-written as “approve up to five year with annual extensions.”

M/S/C Sarkovich/Gilliam, to authorize the General Manager to proceed with the Request for Proposal with the amendment of 10.2 based on the legal counsel’s suggestion.

## 2. Report Back Items:

### a. Discussion on Groundwater Supply Exercises and resulting Water Shortage Supply concept paper.

- General Manager Gray stated that the recommendation is for the Board to provide direction and comments on the attached draft document dated September 26, 2007 and titled “*San Juan Water District Family of Agencies Surface Water Shortage Conditions Concept Paper.*” He stated that this paper is the result of the Groundwater Supply Exercises. The intended outcome of the Groundwater Supply Exercises was to determine how much groundwater the Family Agencies can currently produce to directly offset surface water demand and therefore be prepared for possible water shortage conditions.
- General Manager Gray stated that based on historical data, it is anticipated that future surface water supply will be reduced below current water demands. The concept paper is a first attempt in addressing possible water supply shortage scenarios.

- General Manager Gray stated that goal number three of the San Juan Family of Water Agencies Annual Strategic Planning Workshop held on December 18, 2006 was to: *“Work on shortage and emergency water supply planning activities.”* The Groundwater Supply Exercises and resulting concept paper are a direct result of this goal.
- General Manager Gray stated that the intent and expectation of the parties that developed the concept paper, is that a consensus will be developed as to the best strategy for maximizing water supplies during times of shortage.
- General Manager Gray stated that included in this document is the background on water supply agreements. In order to address surface water supply reductions, the Family plans on developing groundwater supply in accordance with the 2006 San Juan Water District Wholesale Water Master Plan requirements. The master plan anticipates two scenario reductions:
  - Emergency reduction – unanticipated reduction due to disruptions in the water delivery or treatment facilities that results in partial or complete reduction in delivery of otherwise anticipated surface water supplies.
  - Non-emergency reduction – reduction in supply in accordance with the Water Forum Agreement or as a result of hydrologic or regulatory conditions.
- General Manager Gray stated that agreements that allow groundwater to directly or indirectly be a resource to another Family retail agency will contain three fundamental components:
  - a. A one-time capital investment fee; based on the current year value of the groundwater production system.
  - b. An annual standby charge for having the required groundwater available for use by the contracting agency.
    - The annual standby charge will be calculated to recover administrative costs, ongoing maintenance, and future capital replacement based on a fixed depreciation schedule.
  - c. A unit charge based on ccf pumped for benefit to the contracting agency.
    - The unit charge would be based on the cost of pumping water, including an administrative component.
- General Manager Gray stated that the following are assumptions:
  - 1) All San Juan Family agencies will rely on surface water as the primary supply.
  - 2) Individual joint benefit wells do not exist. Contracting agencies would be required to invest in a groundwater production and delivery system.
  - 3) Groundwater agreements would be handled like surface water agreements. All groundwater agreements would contain the same components regardless of the retail agency involved.
- General Manager Gray stated the background information and attached white paper were developed to stimulate conversation at Board level. Each retail agency will be presenting the white paper to its Board and a joint Board workshop has been scheduled for 10/30/07.

- Director Brown would like clarification on the interim agreement in 2004. The agreement changed the 15,000 AF amount to the actual usage. There is no similar detail from interim agreement to the long-term agreement.
- General Manager Gray stated that he did not include the interim agreement but focused on the final agreement.
- Director Brown stated that the interim agreement has a major departure from the long-term agreement.
- General Manager Gray stated that he can provide the Directors information from the last long-term agreement.
- Director Brown inquired the relationship between District's standby charge and the San Juan's standby charge and whether it was necessary to have it.
- General Manager Gray stated that ultimately the elements of groundwater and surface water agreements should be the same; including standby charge.
- Director Brown would like staff to provide the differences between surface water agreements and what was proposed on the groundwater agreements.
- Director Gilliam inquired as to what other Agencies provide groundwater?
- General Manager Gray stated that mainly Citrus Heights.
- Director Gilliam inquired on the total agencies within the Family.
- General Manager Gray stated that five retail Agencies make up the San Juan Family including: Fair Oaks Water District, Citrus Heights Water District, City of Folsom-Ashland, San Juan Water District and Orangevale Water Company.
- Director Gilliam inquired whether standby charge will be applied to all agencies including those who do not have wells.
- General Manager Gray stated that based on the information outlined in the concept paper all agencies would pay standby charges if applicable.
- Director Gilliam inquired how much groundwater the District produces.
- General Manager Gray stated that FOWD has approximately 6,500 gpm and Citrus Heights has 3,200-3,400 gpm. The District has the ability to produce more.
- General Manager Gray stated that the District should include a standby charge.
- Legal Counsel Mitchell stated that the concept of the standby charge is in the concept paper.
- General Manager Gray stated that the detail will come if or when the individual Board approve the general concepts direction provided in the document presented.
- Director Sarkovich stated that if the District can sell this concept to the other water agencies, it would be great.
- General Manager Gray suggested that FOWD Technical Committee might want to meet with Citrus Heights Technical Committee.
- General Manager Gray stated that FOWD's interim agreement will expire at the end of the year. The District will be asked whether to continue with the with another three more month extension to define and work on agreement or rush and complete this by the end of year.
- Director Brown stated that the District should not rush but do it properly.

**b. Update on the FOWD 5-Year Financial Plan**

- Staff requests direction from the Board on the completion of a 5-Year Financial Plan for FOWD. The goal was to complete the plan by October 2007; with the intent of using the plan to develop the 2008 budget. Recent discussions with the Budget Committee members have provided alternative direction relative to this task.
- Director Sarkovich stated that he and Vice President Healey discussed with General Manager Gray the 2008 budget process. Given the timeline, staff should complete the 2008 budget and then develop the Five Year Financial Plan. The most difficult year would be 2011 when the District converts to metered billing. The long term financial plan should be developed by staff and Budget Committee to bring to the Board.
- Director Sarkovich stated he and Vice President Healey were reluctant to hire a consultant to develop a Five Year Financial Plan. He stated that a plan was developed back in 2003 before General Manager Gray's time by outside consultant, Nicole Krotoski, that anticipated the District may run out of money by 2006 and that the District needed to borrow \$5.1M. The financial results of the District were dramatically different than the consultants projections through 2006.
- Director Gilliam indicated that the District can have a consultant review the plan after staff completed it.
- Director Sarkovich stated that he is fine with having a consultant provide a peer review.
- General Manager Gray stated that the reason for the difference through 2006 was because many planned capital projects were completed. If they were completed, the plan would have been on target.
- Director Brown felt that the District needs outside consultant to complete the plan. This couple of years, the District has been borrowing from reserves deferring a lot projects. The District has been going on a year to year basis and not factoring long-term considerations.
- Director Gilliam stated that the District is not borrowing from reserves but are spending what has been over reserved.
- General Manager Gray would like clarification what the District is deferring.
- Director Sarkovich stated that the District is not deferring anything because the MIP is being completed and the capital projects are being completed.
- Director Sarkovich indicated that the Budget Committee and staff can work on the five year financial plan and if the Board feels the need to hire outside consultant at a later date; then the District can hire an outside consultant then.

M/S Gilliam/Sarkovich, to allow the Budget Committee to work with staff to develop a five year financial plan first draft to be completed by March 1, 2008; the recently developed RFQ to hire a consultant and the past Board direction to hire a consultant will be deferred.

Yes: Gilliam, Marx, Sarkovich  
Opposed: Brown

**c. Update on the Groundwater Remediation Plan**

- General Manager Gray stated that the MOU between Aerojet and FOWD continues to be closer to agreement. Aerojet has agreed to fund public outreach once the MOU is executed.

**VI. Action Items: New Business**

**1. Discussion and possible action on FOWD Board of Directors setting of goals for 2008; possible workshop**

- General Manager Gray recommended that the Board of Directors of the Fair Oaks Water District schedule a workshop to develop policy level goals to be achieved by the District in 2008. He believes that the District's customers and employees would directly benefit from the Board setting clear policy level objectives for 2008. The workshop would provide an opportunity for individual Board members to advocate and obtain consensus for specific goals at the Board level, prior to providing direction to staff. Staff would then propose a plan and schedule for achieving the specific goals.
- Director Brown suggested having the workshop prior to the December San Juan meeting.
- General Manager Gray stated that this workshop would be beneficial to the 2008 budget.
- General Manager Gray stated that the 2008 budget should be easier this year because the District's Master Plan lists proposed capital projects for 2008.
- Director Sarkovich would like staff to start on the 2008 budget in November and not to wait for the workshop.
- The Board decided to schedule a Board workshop on November 19, 2007.
- Director Brown suggested that each Director provides a list of items he would like discussed along with the General Manager's list.
- President Marx asked that General Manager Gray provides five to ten policy type items he would like direction from the Board.
- General Manager Gray stated that he would like to see some deliverables for 2008 and also the Personnel Committee can possibly use some of the items for the General Manager's goals for 2008.
- Director Sarkovich would like to schedule a Budget Committee meeting as soon as possible, Tuesday, Thursday or Friday after 7 p.m.

**2. Discussion on recent Government Financial Officers Association staff training**

- General Manager Gray stated that District staff received training on "Financial Planning and Multi-Year Budgeting," "Accounting for Capital Assets" and "GASB Pronouncements: A Comprehensive Survey" from the Government Financial Officers Association (GFOA).
- General Manager Gray stated that GFOA recommended multi-year budgeting. The prudent reserve in the District's current policy is in line with their recommendations from the training.

- General Manager Gray stated that there was an excellent GFOA informational pamphlets series titled “The Elected Official Series and Sets.” These small guides give very concise information at Board level such as guides to auditing, fund balance and net assets, and financial reporting.
- The Board indicated that it is interested in receiving the pamphlets.
- General Manager stated that he would research and purchase a set for each Board member.

## **VII. Upcoming Events**

### **1. October 22-26 / AWWA Fall Conference (Sacramento)**

Item placed for information only.

### **2. November 27-30 / ACWA Fall Conference (Indian Wells)**

Item placed for information only.

## **VIII. Representative Reports**

### **1. Sacramento Groundwater Authority (SGA)**

- General Manager Gray stated that a meeting has been scheduled for Thursday, October 11, 2007.

### **2. Regional Water Authority (RWA)**

- General Manager Gray stated that there was a meeting on September 13, 2007. Highlights of the meeting include: 1) SAFCO applied for Associate Membership; 2) A revised 2007 Salary schedule was adopted for staff based on a consultant salary survey; 3) There was a presentation by ACWA on “Time is Now.” It conveyed the message of the drought is coming and that we need to be prepared; 4) Water Supply for the Folsom Annexation and essentially they are trying to determine how to supply water for a proposed annexation south of Highway 50.

### **3. San Juan Family of Agencies Executive Committee**

- Director Brown stated there was a presentation by a Grad Student from Chico to determine if San Juan Water District can drill a well and produce groundwater in the San Juan Water District.
- Director Brown stated that there was discussion on the BMP which was undergoing negotiations regarding to leak detection.

### **4. Other**

- None.

## **IX. Director’s Reports & Comments**

### **1. Budget Committee – (Sarkovich, Healey)**

- Director Sarkovich stated that he would like to schedule a meeting for the 2008 budget.
2. **Technical Advisory Committee – (*Brown, Marx*)**
    - Director Brown stated that the Committee has been working on the Aerojet MOU and the Emergency Operations Plan is scheduled for November.
  3. **Capital Improvement Committee – (*Gilliam, Sarkovich*)**
    - Director Gilliam stated that he has been meeting with the Architects and staff regarding the Building on Tuesday afternoons. There was nothing new to report at this time. A sign was placed to inform the public of the Admin Building coming in 2009.
    - President Marx inquired on who paid for the sign.
    - General Manager Gray stated that the District paid \$800 for the sign.
  4. **Personnel Committee – (*Marx, Brown*)**
    - President Marx stated that the Committee met and he is working on some items.
    - Director Brown stated that the Committee is working on a possible new evaluation form for the General Manager.
  5. **Public Relations Committee – (*Brown, Healey*)**
    - None.
  6. **Other**
    - None.

## **X. General Manager's Reports**

1. **Monthly Work Performance Report.**
  - General Manager Gray reported that there were 111 meters installed in September. The YTD total is 854 and the District is on tract to meet its goal.
2. **New Building Status**
  - General Manager Gray stated that a sign was installed. Related topic, there was a law firm out of Florida that sent us a threat of litigation stating that the District is not ADA compliant for customers accessing the District's lobby area. The District sent rebuttal on several occasions. The District hired an independent inspector to report on the building ADA compliance and it cost the District \$800.
  - Director Sarkovich inquired on the result of the report.
  - General Manager Gray stated that the report is currently being drafted.
  - Director Gilliam inquired if there was any complaint in the past.
  - General Manager Gray stated that there have not been any complaints in the past.

**3. Update on FOWD/Aerojet MOU**

- Discussed earlier.

**4. Update on Town and Heather Well Projects**

- General Manager Gray stated that the projects have been completed. He stated that the District just received \$163k from Regional Water Authority for the grant funding which brings a total grant collected to approximately \$1.3M. The District has yet to collect the retention amount.
- General Manager Gray would like to schedule a tour for the two wells.

**5. Update on San Juan Family Water Shortage Plan/Water Supply Agreements**

- Discussed earlier.

**6. FOWD Five-Year Financial Plan (2008-2012)**

- Discussed earlier.

**7. Public Outreach Program**

- Discussed earlier.

**8. 2007 Water Conservation Program**

- General Manager stated that the FOWD in conjunction with RWA completed a large landscape audit of the Cemetery District. There were specific improvements suggested. The District will receive Prop 13 grant money to complete the proposed water saving improvements.
- Director Brown inquired on the amount of grant the District will receive.
- General Manager Gray stated that he will report back on this item.

**9. 2007 Emergency Response Plan**

- General Manager stated that the Plan is comprehensive and concise. It will be completed on time. He stated that FOWD will become one of the most prepared Districts in the local area.

**10. Other**

- There was a significant overage of small equipment repairs and maintenance. The overage was almost 80% which is about \$10,000. This was due to the accelerated MIP program.
- General Manager Gray handed out information pertaining to the three items on the last Board package and two from this Board package related to damages paid to customers. He stated that every one of these claims will be 100% reimbursed by our insurance and the District will receive \$100 for handling the claims.
- Director Brown inquired on the 12% overage on small tools.
- General Manager Gray stated that it is due to the MIP program.
- General Manager Gray handed information regarding Vulnerability Assessment in 1999. He highlighted the 8 items proposed in the 1999 Vulnerability

Assessment for implementation including what was completed between 1999 to 2004 and compared to 2005 to present.

**XI. Public Comment**

None.

**XII. Adjournment**

With no further business to come before the Board, President Marx adjourned the meeting at 8:25 p.m.

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The Board approved the preceding minutes on November 13, 2007

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Tom R. Gray  
General Manager/Board Secretary

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Date