



AGENDA ITEM III.1b

Regular Board Meeting

Approved Minutes

December 10, 2007

District Attendees

Randy Marx	Board President
Timothy Healey	Board Vice 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

Mike Kozlowski Anova Architects

Absent

AGENDA ITEMS

I. Call to Order

Vice President Healey 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 November 13, 2007
2. Accept and file: Treasurer's report for the month of November, 2007
3. Accept and file: Investment report for the month of October, 2007
4. Accept and file: Monthly Financial Expenses for October, 2007
5. Approval of Warrants
6. Approval of Cal Card Statement

7. Approval of Monthly Board Expense Report for November, 2007

- General Manager Gray requested to defer the minutes from the consent calendar until the next Board meeting.
- General Manager Gray mentioned that the Fair Oaks Water District will be on Good Day Sacramento demonstrating meter installation on December 12, 2007 at 6:30 AM.

M/S/C Gilliam/Sarkovich, to approve the consent calendar as amended.

(President Marx was not present for the consent calendar motion)

- Director Sarkovich inquired on the GM Construction Warrant payment on the check register.
- General Manager Gray stated that it was addressed at the last Board meeting; it was for contracted services for the meter installation at the Hawaiian Tract.
- Director Sarkovich inquired if the District went out to bid for the Hawaiian Tract.
- General Manager Gray stated yes.
- Director Gilliam inquired on the cost of the contractor installed versus the District's in-house meter installed.
- Mr. Nisenboym stated that it cost approximately \$2,500-\$2,700 without materials for the Contractor to install the meters. He emphasized that the District's cost is \$2,100 with materials.
- Director Gilliam inquired whether the District included overhead cost.
- General Manager Gray stated that he would report back on the total cost including overhead on the MIP. He stated that our employees provide higher quality service to our customers.
- Director Brown inquired on the number of bids the District received for the Hawaiian Tract.
- Mr. Nisenboym stated that the District sent out to five contractors and three contractors responded.

IV. Presentation & Correspondence

1. FOWD new building projects update.

- General Manager Gray introduced Mr. Kozlowski who will provide an overview on the status of the new administrative building and an initial conceptual vision of the phase II project of the corporation yard.
- Mr. Kozlowski stated that a preliminary presentation of the building project was made to the Fair Oaks Community Board. Plans for phase I have been submitted to the County for approval. Conceptual planning has begun on Phase II. Mr. Kozlowski stated that the County process for getting approval for the site plan and building, depending on the CEQA report, will be held around April or May. Mr. Kozlowski suggested that the District bids the work as soon as possible within this spring for better pricing/competitive bidding.

- General Manager Gray stated that the CEQA process is happening concurrently with detailed design.
- General Manager Gray stated that the District is taking the lead on the CEQA process and will bring the CEQA document to the Board for approval.
- Director Sarkovich inquired on the timeframe for the construction of the administrative building.
- Mr. Kozlowski stated that once the County approves the plan, the District can go out to bid; with an estimated construction start date of mid summer 2008.
- General Manager Gray suggested that he provides an updated project schedule with the dates.
- Mr. Kozlowski stated that the phase II project will require the existing building to be razed and replaced. He stated that early on they went through the process of cataloging the space needed for the District's operations. Previously it was thought that the District could modify the existing building. However, further analysis showed that it would be better to replace it.
- Director Gilliam and General Manager Gray outlined the following for Phase II: the District needs a place to park vehicles, repair parts, store soil and enough circulation to take delivery of large trucks and also take into consideration that FOWD is located in the village.
- Mr. Kozlowski stated that the District would want to create effective screening and make the site more attractive. He stated that the revised plan will include a new building placed perpendicular to the existing building. The plan includes covered storage sheds. All vehicles will be moved far back. The existing storage building will be re-outfitted and extended.
- Mr. Kozlowski stated that the main building will be a regular metal building. The offices will have A/C. The space for welding, storage will have no A/C but good ventilation.
- General Manager Gray stated that in the evening, all of the equipment will be covered or in storage and it will decrease employee's prep time in the morning. He indicated that this is a very inexpensive structure.
- Director Sarkovich inquired on the timing of the phase II.
- Mr. Kozlowski stated that at the time of the admin building construction, the District can start submitting the plans to the County for Phase II.
- General Manager Gray stated that currently the Direction given to the Architects are to get through phase II master planning conceptual process and get the Capital Committee buy-in on the concept. The concept and budget estimate for the detailed design and construction would then be presented to the full Board for review and direction.
- Director Brown inquired where the fueling station would be in the new plan.
- Mr. Kozlowski stated that it would be in approximately the same location, except it will be rotated about 45 degree toward the street.

V. Action Items: Old Business

1. Discussion and possible action on a draft 2008 FOWD Annual Budget.

- General Manager Gray recommended that the Board review the 2008 FOWD Draft annual budget. Any modifications will be made and presented on the 1/14/08 Board meeting for adoption.
- Director Gilliam inquired whether it would be possible to adopt the 2008 Budget tonight if there are no changes made.
- Director Sarkovich agreed that the Board should pass the 2008 Budget tonight if there are no major modifications. He stated that although the General Manager would like the full Board review/discuss and approve on January 14, 2008, he felt that it would be crucial for the District to have a Budget by January 1, 2008. He stated that if there are little modifications required, the Board can instruct staff to make the changes and make it effective 1/1/08.
- General Manager Gray appreciated that recommendation. He emphasized that staff and the Budget Committee did not want to bypass the full Board review and input.
- General Manager Gray stated that the current 2008 District reserve requirement is \$3.09M. The District's projected 2008 year-end reserve is \$3.54M; which results in a \$0.45M of reserve surplus. General Manager Gray stated that future planning indicate a deficit given the rate stabilization reserve requirement. In 2011, the District is required to have a minimum reserve of \$4.3M.
- Vice President Healey stated that the District needs to look at the rate stabilization reserve and plan for it in the coming years and not ignore it.
- General Manager Gray stated that the District will be looking at the rate stabilization reserve in 2009 and the need to fully fund it by 2011.
- Director Sarkovich stated that the Budget Committee worked with staff to come up with a very conservative and balanced budget. He indicated that the 2008 Budget will have no rate increase and no new debt. He stated that the operating revenue remained the same with the exception of the increase in non-operating income of \$1.7M and that is mainly due to \$1.2M in payments by others. The departmental operating expense is projected at \$4.8M. There was about 14 percent increase between the estimated 2007 versus the 2008 Budgeted operating expenses. The increases are due to the 2008 projected increase in SJWD wholesale water rates, increase in water conservation, increase in professional services and benefits and insurance.
- Director Sarkovich indicated that the District may need to look into the benefits later in 2009 because there was a dramatic increase over the past five years. He also indicated the District will pay-off the 1993 COP's in 2011 and the 1999 COP's in 2013. Therefore, he indicated that in 2011, the District should see a dramatic drop in debt service and by 2013, if the District doesn't obtain new debt; the debt service should be zero.
- Director Sarkovich stated that the 2007 operating budget vs. 2008 operating budget are the same, \$5.8M.

- General Manager Gray stated that the District had uncontrollable expenses, but the District was able to offset expenses in other areas. He emphasized that the District does not spend to budget but only spends as needed.
- Director Sarkovich stated that the District spent less every year when comparing budget versus actual. He indicated that the 2007 budget compared to 2007 estimated resulted in \$600k savings. The current 2008 budget has net income of \$3.8M available for capital projects/infrastructure. The District budgeted in 2008 to spend \$7.2M capital improvements. The District budgeted approximately \$2.6M of meter installation program which ends in 2010.
- General Manager Gray stated that there would be a small amount planned in 2011 for the MIP program.
- General Manager Gray indicated that this budget was a compromise position that staff felt comfortable bringing forward. The actual master plan include \$1.7M more in capital improvements, but these were deferred based on financial needs of the District.
- Director Sarkovich stated that one of the projects being deferred is Hazel Avenue. He believes that the project will more likely not take place in 2008.
- Vice President Healey stated that these projects needed to be completed for some time. Therefore, they can be deferred a little bit longer until the District finds the funding for them.
- Director Sarkovich stated that the District did include other capital projects costing \$1.5M such as the Hawaiian Tract for Phase III and IV and also it included \$2.8M for the new building. He did not think that the District will spend \$2.8M in building expense in 2008 and therefore, will more likely end up with a higher reserve ending balance for 2008.
- President Marx inquired whether the \$1.2M payments by others is certain.
- General Manager Gray stated that it is in the execution phase.
- Director Brown stated that the 2008 Budget should have been presented by General Manager Gray, not the Budget Committee, and that he would like to have a meeting prior to adoption of the 2008 budget.
- General Manager Gray stated that he had intended to provide a formal presentation on January 14, 2008. However, he endorsed what the Budget Committee had presented.
- Director Sarkovich indicated the Budget Committee did look at a special board meeting for approval; however, since there seems to be no major questions, he was looking to adopt the budget tonight.
- President Marx inquired if there was an impact on the adopted master plan based on the 2008 budget.
- General Manager Gray stated that there were some projects that got deferred.

M/S Gilliam/Sarkovich, to approve the 2008 Budget.
 Ayes: Gilliam, Healey, Marx, Sarkovich
 Noes: Brown

2. Discussion and possible action on scheduling a FOWD 2008 goal setting workshop for December 17, 2007.

- General Manager Gray recommended that the full Board have a meeting to go over the FOWD goal setting on December 17, 2007.
- Director Sarkovich indicated that since the District completed the five year master plan and the budget, he didn't think there needs to be a meeting for goal setting.
- President Marx stated that General Manager Gray needs direction.
- Vice President Healey suggested that General Manager Gray put a list together and place it on the agenda for the next meeting.
- Director Brown stated that there are a lot of items to go over such as the policy needing updating.
- General Manager Gray indicated that he needs to have realistic priority from the Board majority.
- Director Sarkovich suggested a special Board meeting.
- President Marx asked that General Manager Gray provide a list of items to be discussed at the special Board meeting.
- General Manager Gray requested that each Board member provide their top five items in order of priority. He stated that the priority items can be placed under the General Manager's report and he can update them monthly.
- Director Brown stated the he would prefer to have a face to face meeting. He stated that it would be a more effective approach and would be more constructive.
- General Manager Gray requested that each Board member obtain a Board majority on an item he is advocating then prior to requesting action by the General Manager.
- President Marx requested each Board member to provide a list of five goals to the General Manager prior to the next Board meeting.

VI. Action Items: New Business

1. Discussion and possible action on a Standard Specifications Manual Update.

- General Manager Gray recommended that the Board approve the Standard Specifications Manual and approve posting on the FOWD website.
- Director Brown inquired on the reason for posting on the website.
- General Manager Gray stated that it is for full public disclosure and for consultants and other agencies that require the information.
- Director Sarkovich agreed and indicated that it will be a PDF file.
- Director Brown inquired whether there were any changes to the policy referenced.
- General Manager Gray stated that he will report back.

M/S/C Gilliam/Sarkovich, to approve the Standard Specifications Manual.

2. Discussion and possible action on FOWD Resolution No. 0706; A Resolution Approving the Negative Declaration for the Increased Production Capacity of the Town Groundwater Well.

- General Manager Gray recommended that the Board approve resolution 0706, a resolution approving the negative declaration for the increased in production capacity of the Town Groundwater Well and direct staff to process as required for regulatory approvals. He stated that the reason for the additional permitting was due to Town groundwater facility producing more water than the original design.
- Legal Counsel Mitchell noted that there was an error in the resolution 0706. The review period should start October 3rd instead of October 10th.

M/S/C Gilliam/Sarkovich, to approve the resolution No. 0706 as amended.

3. Discussion and possible action on Amendment No. 2: “Wholesale Water Agreement between FOWD and SJWD.”

- General Manager Gray recommended that the Board authorize the General Manager to seek legal review of the proposed Amendment No. 2 to the FOWD and SJWD Wholesale Water Agreement and execute in accordance with comments from legal council.
- General Manager Gray stated that the current agreement between FOWD and SJWD expires on 12/31/07. The Amendment No. 2 would extend the agreement to 3/31/08. The intent is to provide staff time to develop a water shortage provision that includes groundwater for incorporation into a new long term agreement between FOWD and SJWD.

M/S/C Gilliam/Brown, to approve the Amendment No. 2 to extend the wholesale Water Agreement between FOWD and SJWD to 3/31/08.

4. Discussion and possible action on the proposed sale of the Chicago well site.

- General Manager Gray recommended that the Board authorize the General Manager to complete real property negotiations and execute the required real estate documents for transfer of the Chicago Well site based on pending groundwater remediation actions.
- General Manager Gray stated it has been determined by groundwater modeling that the elimination of the continued pumping of groundwater from the District Chicago Well for drinking purposes could benefit the remediation effort within the community of Fair Oaks. The fiscal impact would be adding a significant revenue increase for capital improvements.
- Director Brown inquired on the section 5.1 under additional covenant. The seller and buyer costs on the brokerage and finders fees seem to contradict what was agreed upon by the District previously.
- General Manager Gray stated that there are handwritten notes that will be included in the body of the agreement that address this issue.

M/S/C Marx/Brown, to approve the proposed sale of the Chicago well site subject to final legal review and handwritten changes.

VII. Upcoming Events

- 1. San Juan Family Annual Planning Workshop / December 17, 2007 at 8:00 AM / Folsom**
 - Item placed for info only.
- 2. Proposed FOWD 2008 Goal Planning Workshop / December 17, 2007 at 12:30 PM / Folsom**
 - Item placed for info only.

VIII. Representative Reports

- 1. Sacramento Groundwater Authority (SGA)**
 - No report.
- 2. Regional Water Authority (RWA)**
 - General Manager Gray stated that RWA had a holiday social. FOWD had the privilege of awarding and providing a speech for the states person of the year to Steve Nugent of the Carmichael Water District.
- 3. San Juan Family of Agencies Executive Committee**
 - No report.
- 4. Other**
 - President Marx stated that he and Director Brown attended the ACWA Conference.
 - Director Brown stated that the water crisis was discussed at the ACWA Conference and there were three main items: The decision on the Delta pumping, record dry conditions, and climate change. He stated that ACWA initiated a very vigorous campaign for public awareness of the issues and the campaign was very successful. The reason for its success was because ACWA received a huge contribution from its members. Some Districts donating up to \$100,000. He would like to see the District make a contribution of some amount to the program.
 - Director Brown stated other topics discussed were:
 - There was a program on retiring baby boomers. There was a problem with finding replacements for the retired positions. There was mention of providing math skills and public speaking skills and various internship programs in high school to develop these skills.
 - They emphasize self-financing is political suicide.
 - There was discussion on long-term strategic planning. One speaker suggested doing a 25-year infrastructure replacement.
 - Variable rate debt out performed fixed rate significantly for public Districts.
 - Water conservation: BMP 3 will expect some changes, targeting behavior changes, and expects to have all BMPs reviewed in 2008.

- Fire in Southern CA that triggered plans for evacuation and medical needs.

IX. Director's Reports & Comments

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

- Discussed earlier.

2. Technical Advisory Committee – (*Brown, Marx*)

- No report.

3. Capital Improvement Committee – (*Gilliam, Sarkovich*)

- Discussed earlier.

4. Personnel Committee – (*Marx, Brown*)

- President Marx stated he and Director Brown met relative to evaluating the General Manager and will discuss the result in the closed session.
- Director Gilliam commented that the personnel manual has not been updated since 1992. He stated that the sick leave benefit is terrible because it doesn't have any incentive for the employee to come to work versus calling in sick. He would like the District to look into the sick leave benefit.
- General Manager Gray stated that the personnel manual was updated in 2004.
- Director Sarkovich stated that the District should look at all benefits.

5. Public Relations Committee – (*Brown, Healey*)

- No report.

6. Other

X. General Manager's Reports

1. Monthly Work Performance Report

- General Manager Gray reported that in November, the District installed 85 meters which brings the District to 1,128 meters. The District's target for the entire year is 1,140 and the District will exceed the targeted number and he is proud of the staff.

2. New Building Status

- Discussed earlier.

3. Update on FOWD/Aerojet MOU

- Discussed earlier.

4. Update on SJWD report on Fair Oaks 40" Main Pipeline

- General Manager Gray stated that there is no new data.

5. Update on San Juan Family Water Storage Plan

- Discussed earlier.

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

- No Discussion.

7. Public Outreach Program

- No Discussion.

8. Other

- General Manager Gray stated he would like to show the completed draft of the emergency response plan and also a quick reference sheet.
- Director Brown inquired on the public outreach RFQ for a consultant.
- General Manager Gray stated that he did not send the RFQ out yet.
- Director Brown inquired on the Fall Newsletter.
- General Manager Gray stated that it has not been sent out yet.
- Legal Counsel Mitchell reminded the Board members to obtain two hours of ethic training in 2008.

XI. Public Comment

- None.

President Marx closed the open session of the meeting at 8:46 p.m.

President Marx called the closed session meeting to order 8:50 p.m.

XII. Closed Session Pursuant to Government Code Sections 54954, 54956.8, 54956.9 and 54957

- Existing Litigation (*Subdivision (a) of Section 54956.9*) Name of case: *Fair Oaks Water District vs. Richard Plecker et al. Sacramento County Superior Court Case No. 05AS0545.*
- Existing Litigation (*Subdivision (a) of Section 54956.9*) Name of case: *Diane Grass vs. Fair Oaks Water District et al. Sacramento County Superior Court Case No. 07AS03478*
- General Manager's performance evaluation and conference involving compensation of General Manager

President Marx closed the closed session at 9:58 pm.

President Marx reopened the open session of the meeting at 10:01 p.m.

President Marx reported that based on 2007 performance the annual salary of the General Manager will increase by eight percent effective January 1, 2008. The position of General Manager

will receive a one-time two percent match of annual salary into the District's 457 Deferred Compensation Plan effective January 1, 2008.

The General Manager is directed to work with the Board President on an update to the General Manager's existing employment agreement for 2008 to reflect these changes and required procedural revisions.

M/S Gilliam/Marx

Ayes: Gilliam, Healey, Marx, Sarkovich

Noes: Brown

XII. Adjournment

With no further business to come before the Board, President Marx adjourned the meeting at 10:05 p.m.

The Board approved the preceding minutes on January 14, 2008

Tom R. Gray
General Manager/Board Secretary

Date