



## AGENDA ITEM III.1a

Regular Board Meeting

Approved Minutes

October 14, 2013

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### **District Attendees**

|                   |                           |
|-------------------|---------------------------|
| Misha Sarkovich   | Board President           |
| Lonny Gossett     | Board Vice President      |
| Randy Marx        | Board Member              |
| Tom R. Gray       | General Manager           |
| Michael Nisenboym | Operations Manager        |
| Chi Ha-Ly         | Finance Manager           |
| Shawn Huckaby     | Operations Superintendent |

### **Other Attendees**

|                  |  |
|------------------|--|
| Ted Costa        | SJWD Board Member                        |
| Jeffrey Mitchell | Kronick, Moskovitz, Tiedemann & Girard   |
| Alan Avakian     | Visitor                                  |
| Rink Sanford     | North Ridge Country Club General Manager |
| Michael Stafford | Visitor                                  |

### **Absent**

|                |              |
|----------------|--------------|
| Michael McRae  | Board Member |
| Timothy Healey | Board Member |

## AGENDA ITEMS

### **I. Call to Order**

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

General Manager Gray stated that Directors McRae and Healey both provided notification of their absence.

### **II. Public Comment**

- Mr. Stafford requested that the District reimburse him approximately \$300 for the repairs to the water pipeline on Watkins Avenue. He also requested that the District solve the water issues where the neighbor's irrigation is feeding off of his line.
- General Manager Gray stated that the District owns up to the meter only; therefore, property owners need to work amongst themselves for issues related to private property.

- The Board requested Mr. Stafford to work with District staff on the repair costs. The Board stated that Fair Oaks Water District will not intervene with the irrigation line connected to Mr. Stafford's private water line.
- Mr. Avakian stated that he was informed by District staff that he could downsize the meter from 1.5-inch to 1-inch. Mr. Avakian stated he bought the property after the free downsize expired and was not given the opportunity to take advantage of the free downsize provided by the District. He requested that the Board waive the downsize fee of \$250.
- The Board waived the \$250 downsizing fee.

### **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 9, 2013
2. Accept and file Treasurer's Report for the month of September, 2013
3. Accept and file Investment Report for the month of August, 2013
4. Accept and file Monthly Financial Expenses for the month of September, 2013
5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of September, 2013
7. Approval of Monthly Board Expense Report for the month of September, 2013

M/S/C Marx/Gossett, to approve the consent calendar.

Absent: Directors McRae and Healey

General Manager Gray requested that the Board move item V.1 "Discussion and possible action on agreement to serve North Ridge Country Club" to follow the consent calendar.

The Board approved moving item V.1 "Discussion and possible action on agreement to serve North Ridge Country Club" to follow the consent calendar.

### **IV. Presentation & Correspondence**

1. **Correspondence dated September 13, 2013 from ACWA JPIA regarding Traffic Control and Flagger Training held at FOWD on September 4, 2013**
  - General Manager Gray stated that ACWA JPIA thanked the District for hosting their Traffic Control and Flagger training.

**2. Correspondence dated October 1, 2013 from customer at Sheraton Drive & Biltmore Way**

- General Manager Gray reported that the customer complimented District staff for working round the clock to complete the leak repairs at Sheraton Drive & Biltmore Way. She stated that she was graciously accommodated; her property was well respected, and the street was kept as clean as possible. She mentioned that she likes the service but not the cost of water.

**3. Correspondence dated October 8, 2013 from FOVEC**

- General Manager Gray stated the Fair Oaks Village Enhancement Committee is seeking donations from the Fair Oaks Water District to help fund a professional marketing study of the Fair Oaks Village.
- The Board stated that this is unrelated to water and decided not to provide a donation for a marketing study.

**V. Discussion and Action Items: Old Business**

**1. Discussion and possible action on agreement to serve North Ridge Country Club**

- General Manager Gray recommended that the Board approve the attached agreement to provide water supply to North Ridge Country Club.
- North Ridge Country Club General Manager Sanford stated that North Ridge Country Club is satisfied with the terms in the agreement.

M/S/C Marx/Gossett, moved to approve the agreement to provide water to North Ridge Country Club.

Absent: Directors McRae and Healey

**2. Discussion and possible action on agreement to serve Bluff City, Inc.**

- General Manager Gray presented an executed agreement to serve Bluff City, Inc. to the Board.

**3. Update and discussion on the 2014 Proposed Budget and Financial Plan**

- General Manager Gray provided an overview of the 2014 Budget with the following tasks:
  1. Review budgeted vs. estimated 2013 expenditures to identify significant variances.
    - ✓ General Manager Gray stated that the 2013 estimated net loss is (\$797,500) compared to the 2013 Budgeted net loss of (\$1,717,100).

The savings of \$919,600 came primarily from reduced operating expenses.

2. Review deferred projects and needed capital improvements to determine priorities. Estimate money required to fund the capital projects selected for 2014.
  - ✓ General Manager Gray stated that the 2014 proposed capital projects totaled \$2,860,000 – which is 30% of the total 2014 proposed expense budget.
3. Review status of reserve funds. Analyze balances relative to designated purpose for each fund and make recommendations. (Consider timing of need.)
  - ✓ General Manager Gray expressed concern regarding the District not being in compliance with the reserve policy and not having enough revenues for future capital improvement projects. General Manager Gray emphasized that the District has been operating at a deficit and has been using money from reserves to cover the net loss.
  - ✓ General Manager Gray stated that the reserve target is \$3.5M. General Manager Gray stated that with the proposed “no rate adjustment” in the 2014 Proposed Budget, the District projected \$3.3M in year-end reserves. This \$3.3M does not meet the projected FOWD’s reserve policy requirement of \$3.5M.
  - ✓ General Manager Gray stated that the District would meet the reserve target if the District follows the Five-Year Financial & Water Rate Development Plan dated November 14, 2011. The Five-Year Financial & Water Rate Development Plan included a rate adjustment for a 1-inch Meter with a \$59.57 Fixed Charge and a Commodity Rate of \$0.64 per CCF in 2013; however, the Board approved a no rate adjustment in 2013. General Manager Gray stated that the attached summary included the analysis of the 1-inch Meter with a \$59.57 Fixed Charge and a Commodity Rate of \$0.64 per CCF; resulting in the projected year-end reserves of \$3.8M.
  - ✓ President Sarkovich stated that FOWD has been operating around 15% under budget for many years. Therefore, he does not see the need for the rate adjustment and he believes that FOWD will be able to meet the reserves requirement for 2014.
  - ✓ General Manager Gray cautioned the Board that for the past couple of years, FOWD was able to have more reserves on hand from obtaining other sources of income and operating budget reductions. However, FOWD will not always be able to operate under budget and obtain other sources of income.

4. Analyze FOWD labor trends and recommend required staff for 2014 operations.
  - ✓ General Manager Gray stated that the District can effectively operate in 2014 with the current number of Board approved staff. He stated that the average total annual salary adjustment from 2008-2013 was 2.28%. He stated that the 2014 Proposed Budget includes a 4% lump sum merit increase for 2014.
- General Manager Gray stated that the Budget and Technical Committees met and went over the 2014 Proposed Budget and Financial Plan. The Budget Committee directed staff to include the following in the 2014 proposed Budget.
  - i. No rate adjustment in 2014 keeping 1-Inch Meter Fixed Charge at \$65.10 and Commodity Rate at \$0.45 per CCF.
  - ii. Direct the General Manager to maintain the same annual salary budget from 2013 for 2014 with no increase; while allowing the General Manager to make salary adjustments based on merit in a total amount not exceeding the Board approved annual salary budget for the District.
  - iii. Direct staff to complete an updated 5-year master plan in 2014.
    - ✓ Director Gossett inquired on the status of the Fair Oaks 40-Inch Pipeline rehabilitation; he would like to know the cost for the next phase and how the District plans to pay for it.
    - ✓ SJWD Director Costa stated that SJWD is moving forward with the phase II of the Fair Oaks 40-Inch Pipeline rehabilitation with the cost of approximately \$1.2M.
    - ✓ General Manager Gray stated that if the District has to pay for the Fair Oaks 40-Inch Pipeline rehabilitation, and with no rate adjustment for the 2014 Proposed Budget, the District would have to defer some of the current proposed capital projects and may need to use reserves to fund the project.
    - ✓ Director Marx stated he would like staff to incorporate the Five-Year Financial & Water Rate Development Plan in the Summary discussion for the November 4, 2013 Regular Board Meeting.
    - ✓ Director Marx stated that he would like to see the Financial Plan Summary for the 1% water sales increase. Staff may send information via email to Director Marx.
    - ✓ The Board directed staff to bring the 2014 Proposed Budget and Financial Plan with no rate adjustment to the next regularly scheduled Board meeting for final approval.

**4. Update and discussion on FOWD Water Supply for the month of September, 2013**

- Operations Manager Nisenboym reported the District's overall consumption was 23% below the 10-year average for the month of September. Wholesale connections provided approximately 1,096 AC-FT of water supply and groundwater wells produced approximately 174 AC-FT of water supply for the month.

**VI. Discussion and Action Items: New Business**

**1. Discussion and possible on the following FOWD Resolutions**

- a. Resolution No. 13-02: "A Resolution to Amend CalPERS Employer Paid Member Contributions (EPMC) Contract"

- General Manager Gray recommended that the Board approve Resolution No. 13-02. He stated that Resolution No. 13-02 addresses the new requirements of the Public Employees' Pension Reform Act (PEPRA). Based on this resolution and current practice, FOWD requires all new employees hired on or after January 1, 2013, whether "new" or "classic" members, to pay their CalPERS member contribution.

M/S/C Marx/Gossett, to approve Resolution No. 13-02.  
Absent: Directors McRae and Healey

- b. Resolution No. 13-03: "A Resolution for Safe Deposit Signing Authorization"

- c. Resolution No. 13-04: "A Resolution for Check Signing Authorization"

- General Manager Gray stated that Resolutions 13-03 and 13-04 have been updated to reflect proper titles and positions authorized to perform the functions.

The Board approved Resolution No. 13-03 and Resolution No. 13-04 in one motion.

M/S/C Gossett/Marx, to approve Resolutions 13-03 and 13-04.  
Absent: Directors McRae and Healey

**2. Discussion and possible action on Selection of Special District Commissioner and Selection of Alternate Special District Commissioner**

M/S/C Gossett/Marx, to vote for Gay Jones from the Sacramento Metropolitan Fire District for Special District Commissioner – Office No. 7.

Absent: Directors McRae and Healey

**3. Discussion and possible action to approve additional funds to complete distribution system repairs at Sheraton Drive and Biltmore Way**

- General Manager Gray provided a presentation on the emergency repairs of the 8-inch water main at Sheraton Drive and Biltmore Way. He stated that the repair is expected to cost \$64,000 and staff is requesting the Board to approve the additional funding. Copies of the presentation were distributed to the Board and made available to the public.

M/S/C Gossett/Marx, to approve the \$64,000 additional funds for the distribution system repairs at Sheraton Drive and Biltmore Way.

Absent: Directors McRae and Healey

**4. Discussion and possible action on a letter to San Juan Water District regarding wholesale water supply agreements**

- General Manager Gray stated the attached letter to SJWD proposes that SJWD include a “take or pay” alternative in the wholesale water supply agreements. He also stated that the letter requests that SJWD place a higher priority on the agreement update process.

M/S/C Marx/Gossett, to approve the attached letter to be sent to SJWD.

Absent: Directors McRae and Healey

**5. Discussion and possible action on a letter in support of the State Water Action Plan**

- General Manager Gray stated the attached letter is addressed to Governor Jerry Brown on the Statewide Water Action Plan – Region’s Support of ACWA’s Proposal.

M/S/C Gossett/Marx, to approve the letter in support of the State Water Action Plan.

Absent: Directors McRae and Healey

**6. Update and discussion on the SGA Basin Management Report Update 2013**

- General Manager Gray provided an overview of the report.

**VII. Upcoming Events**

**1. SJWD & SSWD Joint Board Meeting / October 15, 2013 / SSWD**

- Information only.

2. **Supervisor Susan Peters Community Meeting / October 16, 2013 / FOWD**
  - Information only.
3. **Fair Oaks Chamber Luncheon / October 17, 2013 / FORPD Clubhouse**
  - Information only.
4. **Delta Bay Conservation Forum / October 21, 2013 / KVIE Community Room**
  - Information only.
5. **ACWA Fall Conference / December 3-6, 2013 / Los Angeles**
  - Information only.

## **VIII. Representative Reports**

1. **Sacramento Groundwater Authority (SGA)**
  - Director Marx reported that they had a discussion on chromium standard and that FOWD is currently not impacted.
2. **Regional Water Authority (RWA)**
  - No meeting.
3. **San Juan Family of Agencies Executive Committee**
  - General Manager Gray stated that the SJWD Executive Committee agenda was included in the Board Packet. Topics discussed include: 2 x 2 meeting between SJWD and SSWD, chromium standard, For the Sake of the Lake, and public outreach.
4. **Other**
  - None.

## **IX. Directors' Reports & Comments**

1. **Budget Committee – (Sarkovich, Healey)**
  - The Budget Committee met on September 16, 2013 and discussed the 2014 Proposed Budget and Financial Plan.
2. **Technical Advisory Committee – (Marx, McRae)**
  - The Technical Committee met on September 11, 2013 and discussed capital projects to be included in the 2014 Proposed Budget and Financial Plan.
3. **Capital Improvement Committee – (McRae, Sarkovich)**
  - No meeting.

**4. Personnel Committee – (Gossett, McRae)**

- No meeting.

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

- No meeting.

**6. Other**

- None.

**X. General Manager’s Report**

**1. Monthly Maintenance Work Report.**

- No report.

**2. Capital Projects Status Report**

- No report.

**3. Safety Issues Update**

- No report.

**4. Financial Issues Update**

- General Manager Gray stated that for September 2013 YTD, the District’s operating expenses are 15% under budget.

**5. Delta Issues – Update on Regional Involvement**

- Discussed earlier.

**6. Other**

- General Manager Gray reported that Town Well’s motor burned up and will need to be rebuilt. The cost for the repair is approximately \$15k-\$20k. Town Well is expected to be back in operation by the end of November 2013.

**XI. Public Comment**

- None.

President Sarkovich closed the open session meeting at 8:38 p.m.

President Sarkovich called the closed session meeting to order at 8:45 p.m.

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

1. Existing Litigation (Subdivision (a) of Section 54956.9) Name of case: Powell vs. Fair Oaks Water District et al. Sacramento County Superior Court Case No. 34-2013-00142894

President Sarkovich reopened the meeting to the public at 8:57 p.m.

**XIII. Report from closed session**

- A settlement agreement was approved on the referenced case.

**XIV. Public Comment**

- None.

**XV. Adjournment**

With no further business to come before the Board, President Sarkovich adjourned the meeting at 8:57 p.m.

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The Board approved the preceding minutes on November 4, 2013

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Tom R. Gray  
General Manager/Board Secretary

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Date