



AGENDA ITEM III.1b

Regular Board Meeting

Approved Minutes

March 10, 2014

District Attendees

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

Other Attendees

Ted Costa	SJWD Board Member
Jeffrey Mitchell	Kronick, Moskovitz, Tiedemann & Girard
Marcia Fritz	Visitor
Dave Underwood	Visitor
Joseph Arch	JJACPA, Inc.
Brett Jones	JJACPA, Inc.

Absent

AGENDA ITEMS

I. Call to Order

President Gossett 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 February 10, 2014
2. Accept and file Treasurer's Report for the month of February, 2014

3. Accept and file Investment Report for the month of January, 2014
4. Accept and file Financial Expense Report for the month of February, 2014
5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of February, 2014
7. Approval of Monthly Board Expense Report for the month of February, 2014

Director Sarkovich moved to approve the consent calendar.

Director Marx seconded the motion.

Motion carried with the following votes: Gossett – aye, Marx – aye, McRae – aye, and Sarkovich – aye.

IV. Presentation & Correspondence

1. Presentation by JJACPA, Inc. on Fair Oaks Water District's Comprehensive Annual Financial Audit for the year ended December 31, 2013

- General Manager Gray introduced the auditors from JJACPA, Inc.
- Mr. Jones from JJACPA, Inc. provided an overview of the 2013 financial audit. He stated that the District receives a “clean opinion” for the 2013 year ended financial audit. He went over the communication letter with nothing material to note and stated the audit went smoothly.
- Mr. Arch provided an overview of the District's reserves. He stated that adequate reserves should be set aside for various legitimate purposes for short and long-term operations of the District including funding of operating, capital and debt obligation. He addressed the connection fees, capital, O&M operating and rate stabilization reserves. He suggested that when setting a threshold on these reserves, the District should look at the Capital Improvement Plan, Five-Year Financial & Rate Plan and other Board adopted actions.
- Director Sarkovich inquired if the reserve has an impact on interest rates debt borrowing.
- Mr. Arch stated that when issuing the debt, working capital is taken into consideration; generally a ratio of two to one is considered good. The reserves are helpful for short-term to overcome a catastrophic event.
- General Manager Gray stated that the District has in its policy to rotate out auditors every five years and this is the 5th year JJACPA, Inc. audited Fair Oaks Water District. He stated it was a pleasure working with JJACPA, Inc.

2. Correspondence dated January 10, 2014 from ACWA JPIA awarding FOWD with the “President's Special Recognition Award”

- General Manager Gray stated that the District received the President's Award for

the property program for achieving 20% or less loss ratio in claims.

3. Correspondence from ACWA JPIA Perspective January/February 2014 issue regarding: “Employment Litigation: Limited Liability Through Governance”

- General Manager Gray provided a brief overview of the publication related to the role and liability of the Board Members of the District.

V. Discussion and Action Items: Old Business

1. Update and discussion on FOWD Water Supply for the month of February, 2014

- General Manager Gray stated that FOWD placed conservation banners and had staff holding conservation signs rallying for water conservation at various locations in the District in February. He noted that there was a 17.6% reduction in water demand from February of this year compared to February of year 2013.
- Operations Manager Nisenboym reported that the total 352.85 AC-FT of water demand in February was met from 100% groundwater pumping; with 14.8 AC-FT delivered outside of the FOWD service area to the SJWD family. The District’s February 2014 overall consumption represents a 17.6% reduction from last year.

2. Update on discussion on the Drought and Water Supply Planning

- General Manager Gray provided a summary of the Board Presidents and General Managers meeting. The purpose of the meeting was to (1) improve the collective understanding of the roles and responsibilities of the member retail agencies and the San Juan Wholesale, (2) identify mechanisms to best work together to manage the current emergency, and (3) agree upon the need to improve communications and agreements following this crisis.
- General Manager Gray stated that a request was made of the SJWD Wholesale Board President to provide a written response to the following:
 1. SJWD Wholesale Board position on different levels of water service between the Member Agencies; after health and safety water is provided to all.
 2. SJWD Wholesale Board position on recognition that any surface water made available is to be considered as an asset to each Member Agency on a proportionate basis first; independent of how the water is actually used.
 3. SJWD Wholesale Board position on emergency water supply projects relative to payment/allocation of costs to Member Agencies; specifically using one of the planned new PCWA intertie projects as an example project.
- General Manager Gray stated that SJWD requested that Fair Oaks Water District reduce/cut groundwater pumping. General Manager Gray stated he needed more

clarification and requested an immediate meeting with the SJWD Member Agencies to discuss water supply planning. He proposed to the Board that FOWD continue to pump according to the FOWD's water supply plan provided to the San Juan Family until local and regional discussions have occurred.

3. Update and discussion on groundwater sampling with the Aerojet General Corporation

- General Manager Gray reported that Aerojet reimbursed the District for all remediation groundwater sampling costs incurred by the District.

4. Update and discussion on SJWD and SSWD joint meetings on water supply and possible merger

- General Manager Gray stated that, at the request of Director Costa at the February 10, 2014 FOWD Board Meeting, he worked with President Gossett to draft a letter summarizing the comments and discussions Fair Oaks had at the last FOWD Board Meeting relative to water rights.
- President Gossett stated that the letter discusses the water rights and the proposed merger of SJWD and SSWD.

4. Discussion and possible action on proposed Madison Well drilling alternatives and cost

- General Manager Gray provided an overview of two alternatives for drilling the Madison Well. The alternative one costs \$424,178 with life expectancy between 30 to 40 years. The alternative two costs \$486,268 with life expectancy between 70 to 100 years.
- Vice President McRae mentioned that staff communicated at the Technical Committee Meeting that the project is expected to exceed the budget with alternative two.
- General Manager Gray informed the Board that the overall cost for Madison Well will exceed the budgeted amount by 15%-20% if alternative two is selected.
- Based on the discussions, District staff will proceed with alternative two.

VI. Discussion and Action Items: New Business

1. Update and discussion on appointment to fill vacancy on the FOWD Board of Directors representing Division I

- The Board deliberated on the two candidates and voted as follows:
Director Marx: Dave Underwood
Director Gossett: Dave Underwood
Director McRae: Dave Underwood

Director Sarkovich: Marcia Fritz

Mr. Dave Underwood will be sworn in as the FOWD Director representing Division I at the April 2014 Board Meeting.

2. Discussion and possible action to accept and file the Fair Oaks Water District's Comprehensive Annual Financial Report, with Independent Auditor's Report, for the year ended December 31, 2013

Director Sarkovich moved to approve the 2013 Fair Oaks Water District's Comprehensive Annual Financial Report.

Director Marx seconded the motion.

Motion carried with the following votes: Gossett – aye, Marx – aye, McRae – aye, and Sarkovich – aye.

3. Discussion on regional emergency water supply funding opportunities

- General Manager Gray reported various FOWD's projects being included as 2014 Regional Drought Response Priority Projects. He noted that three of the FOWD's projects were included on the shortlist for funding: the re-drilling of New York Well, Carmichael Intertie and the Madison Well.
- General Manager Gray noted a letter from Representative Ami Bera's office stating they will help FOWD with obtaining funding for specific projects.

4. Discussion on SJWD Resolution No. 14-05

- General Manager Gray stated that SJWD passed Resolution No. 14-05 implementing a Stage 3-Water Warning and authorizing issuing a prop 218 rate change notice. He indicated both of these items only relate to SJWD Retail operations. However, embedded in the 14-05 resolution are multiple wholesale allocations references. FOWD did not believe that was right to include wholesale water supply language in a SJWD retail document and requested SJWD delay passing the resolution until SJWD Member Agencies had a chance to analyze it. He noted that Citrus Heights Water District also asked the item to be delayed or that SJWD remove the wholesale references from the resolution to be voted on later. SJWD passed the resolution without modifications by consensus.
- Vice President McRae stated that the SJWD Member Agencies could have better communication and should work as a family.

VII. Upcoming Events

1. Supervisor Susan Peters Community Meeting / March 19, 2014 / FOWD Board Room

- Information only.

2. Fair Oaks Chamber of Commerce Business Luncheon / March 20, 2014 / Fair Oaks Community Club House

- Information only.

3. Other

- General Manager Gray stated he had been asked to attend the Fair Oaks Cemetery District Board Meeting next week and Fair Oaks Parks and Recreation District the week after to discuss water supply.

VIII. Representative Reports

1. Sacramento Groundwater Authority (SGA)

- General Manager Gray provided the SGA Meeting Agenda for February 13, 2014 at 9 a.m.

2. Regional Water Authority (RWA)

- General Manager Gray stated the next Regular RWA Board Meeting is this coming Thursday March 13, 2014 at 9 a.m. He provided the agenda to the Board of Directors.

3. San Juan Family of Agencies Executive Committee

- General Manager Gray provided the agendas for the upcoming SJWD meetings. He stated the Finance Committee meeting on March 11, 2014 will include action item on the 2015 Budget Assumptions and Timeline. The SJWD Regular Board Meeting is on March 12, 2014 at 7 p.m.
- General Manager Gray reported that the SJWD weekly report showed FOWD pumped over 24 AF (2/17/14-2/23/14) of water out of FOWD's service area to benefit others.

4. Other

- None.

IX. Directors' Reports & Comments

1. Budget Committee – (Sarkovich, Vacant)

- No meeting.

2. Technical Advisory Committee – (Marx, McRae)

- Discussed earlier.

3. Capital Improvement Committee – (McRae, Sarkovich)

- No meeting.

4. Personnel Committee – (Gossett, McRae)

- No meeting.

5. Public Relations Committee – (Vacant, Gossett)

- No meeting.

6. Other

- None.

X. General Manager’s Report

1. Monthly Maintenance Work Report

- General Manager Gray stated that the monthly maintenance work report provides detailed information of work completed; including addresses for the work.

2. Capital Projects Status Report

- General Manager Gray provided a brief overview of the project status report.
- Vice President McRae would like to see a column displaying the percentage of completion for the projects.
- General Manager Gray stated that the Technical Committee reviewed a recent FOWD staff completed bid package and he would like the Directors to comment on the review.
- Director Marx stated he was impressed staff put together such a complex bid packet.
- Vice President McRae stated it was clean with all the drawings done and even included a pre-approved permit from Sacramento County.
- General Manager Gray stated the credit goes to FOWD’s Operations Manager and Engineering Technician.

3. Safety Issues Update

- General Manager Gray stated FOWD hosted the USA Underground Service Alert training for ACWA JPIA.

4. Financial Issues Update

- General Manager Gray stated the 2013 draft final reconciliation is around 14%-15% under budget; the final will be completed soon.

5. Delta Issues – Update on Regional Involvement

- No report.

6. Other

- General Manager Gray stated as part of our conservation outreach, one of our Meter Technicians thought of the idea of door hanger notices. Staff worked on the door hanger and printed in-house. The door hanger included the District’s conservation policy along with the notice.

XI. Public Comment

- Mr. Underwood thanked the Board.

President Gossett closed the open session meeting at 8:50 p.m.

President Gossett called the closed session meeting to order at 8:55 p.m.

XII. Closed Session Pursuant to Government Code Section 54956

1. Conference with Legal Counsel on Anticipated Litigation (Subdivision (d) of Section 54956.9) – one case

President Gossett reopened the meeting to the public at 9:50 p.m.

XIII. Report from Closed Session

None.

XIV. Public Comment

None.

XV. Adjournment

With no further business to come before the Board, President Gossett adjourned the meeting at 9:50 p.m.

The Board approved the preceding minutes on April 14, 2014

Tom R. Gray
General Manager/Board Secretary

Date