



District Attendees

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

Other Attendees

Shauna Lorange	SJWD General Manager
Jeffrey Mitchell	Kronick, Moskovitz, Tiedemann & Girard
John Gospodnetich	Staff
Dustin Nelson	Staff
Chris Ames	Staff

Absent

Dave Underwood	Board Vice President
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AGENDA ITEMS

I. Call to Order

- President McRae called the meeting to order at 6:29 p.m.

II. Public Comment

None.

President McRae stated that one Board member could not attend the meeting and one will be late.

President McRae moved item IV.1: “Presentation by SJWD staff on wholesale water supply activities and options to work together on a potential 2016 water transfer” to follow the public comment.

III. Consent Calendar

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

1. Approval of minutes
 - a. No report
2. Accept and file Treasurer's Report for the month of November, 2015
3. Accept and file Investment Report for the month of October, 2015
4. Accept and file Financial Expense Report for the month of November, 2015
5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of November, 2015
7. Approval of Monthly Board Expense Report for the month of November, 2015

Director Marx moved to approve the consent calendar without the minutes.

Director Sarkovich seconded the motion.

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

Absent: Director Underwood

IV. Presentation & Correspondence

1. Presentation by SJWD staff on wholesale water supply activities and options to work together on a potential 2016 water transfer

- SJWD General Manager Lorange provided an overview of current water supply, the drought, and long-term planning. She stated that Folsom Lake has recently increased in volume from 136,000 AF to 143,000 AF. She stated that the Governor has ordered for continued similar drought restrictions until October if it is still dry in January. She stated the State Water Resource Control Board (SWRCB) is currently figuring out whether they are going to make modification to the current drought restrictions. She stated they do not anticipate much of a modification/reduction because most of the people at SWRCB believe that if they reduce one person's requirement, somebody else's has to go up. She stated SJWD's Board is actively involved and are looking at both the long-term and short-term discussions. She stated that SJWD focuses most of their efforts on the SWRCB because of the long term conservation. She stated there was a strong push to set a gallon per person of water use in the service area. She stated that they have been focusing on the water-fix and eco-fix (Bay Delta Conservation Plan) and discussed the operation of the Central Valley Project. She stated currently any water that is used north of the Delta, called "in basin", is assigned 75% to the CVP and 25% to the State Water Project. SJWD General Manager Lorange stated that SJWD is looking at initiating its Five-Year Financial Plan for wholesale. She stated that on the wholesale side, most of the additional costs have been associated with the activities that had to do with the USBR to make sure there is adequate water supply. She stated SJWD is still the least expensive

wholesale water in California that she is aware of and provided an overview of the rates. She stated that SJWD will have a study this year on the cost to replace the reservoir cover. The costs will be in the millions to potentially make this replacement five years from now. She stated that SJWD will be working with the general managers to move forward with the Five-Year Financial Plan. SJWD General Manager Lorance stated that SJWD is looking to increase staff level as they move forward to meet regulatory requirements for the treatment plant.

- SJWD General Manager Lorance stated that last year SJWD tried to do a conserved water transfer. She stated the State has a white paper for groundwater substitution transfers and has the requirements on how to do the transfers. She stated SJWD has been working with Santa Clara Valley Water District on groundwater transfers which could potentially give SJWD revenues between \$3M to \$6M. She stated that the success rate will depend on the Folsom Lake water level. She stated that the transfer needs to be approved by the USBR and DWR. She stated that Vice President Underwood inquired if FOWD can do a groundwater substitution transfer, in which she replied “absolutely.” SJWD General Manager Lorance addressed the opportunity of FOWD doing a transfer by conducting a study on groundwater wells and obtaining the certification through DWR. She stated that everybody would get a benefit with a 50/50 split. She stated that SJWD was able to negotiate and get Santa Clara Valley Water District to pay \$665 per AF. She stated that it takes Board approval for this transfer and that she started the transfer to try to cover the costs of the reservoir cover replacement. She urged FOWD to start the process right away so that she can begin the discussion to start the transfer process.
- President McRae inquired on the timing.
- SJWD General Manager Lorance stated February would be the latest.
- Director Sarkovich inquired on the surcharge for the capital facility project for the FO-40. He stated FOWD staff advised that SJWD will invoice the District for the capital facility charge. He stated that SJWD is changing the condition of the agreement and that this was a unilateral decision.
- SJWD General Manager Lorance stated that FOWD requested previously to have the costs spread out. The capital facility cost for the FO-40 is for two years in advance and two years in arrears of project construction.
- SJWD General Manager Lorance addressed the Groundwater reimbursement. She stated that she is working with Orangevale and the City of Folsom on the costs. She indicated that because this is five years of billing, there was uncomfortableness. She stated they seem to agree on the water usage but the fixed cost is something to be discussed.
- General Manager Gray stated that SJWD Board approved and had an independent consultant look at the final cost. He stated he was told directly by the City of Folsom that they agreed to it. He stated that the amount related to the City of Folsom is not significant; yet was held up. He stated Orangevale was more, but

still not a major amount. He suggested that SJWD Board move forward with the agreement.

- SJWD General Manager Lorance stated that she will communicate with her Board. She stated they are not disagreeing on paying for the water that was pumped; but rather what water was pumped during the other years and the operation and maintenance; how much that differs from the amount that was pumped during 2014.
- General Manager Gray stated that he notified SJWD on three separate occasions that he was including the reimbursement in the financials/budget and each time he was not told not to include it. He stated currently the reimbursement is included in the 2015 Budget.
- SJWD General Manager Lorance stated that she will check into that. She will go back and look at the water cost portion from the total bill and she will need to discuss with SJWD Board and see what she can do.
- SJWD General Manager Lorance stated that if FOWD Board ever needs an update on wholesale activity, please don't hesitate to inform her.

(Director Marx arrived at the meeting during this item discussion prior to the consent calendar approval).

2. Correspondence dated November 24, 2015 from Regional Water Authority to Felicia Marcus, Chair of the State Water Resources Control Board

- General Manager Gray stated the attached letter is for information relating to the drought.

3. Correspondence dated December 1, 2015 from the County of Sacramento Voter Registration and Elections Department regarding possible changes in fees charged

- General Manager Gray stated the County of Sacramento Voter Registration will have a rate hearing December 15, 2015 at 1:00 p.m. regarding the fees to be charged.

V. Discussion and Action Items: Old Business

1. Update and discussion on FOWD Water Supply for the month of November, 2015

- Operations Manager Nisenboym reported that the total 429.45 AC-FT of water demand in November was met from 15.2% (65.37 AC-FT) groundwater pumping and 84.8% (364.08 AC-FT) surface water provided by SJWD. The District's overall consumption was 27.7% below the 10-year average with a 46.5% reduction from November 2013. The total consumption for the period of June through November of 2015 is 5,137.48 AC-FT which is a reduction of 36.25% from the same period of 2013.

2. Discussion and possible action on the proposed 2016 FOWD Annual Budget

- General Manager Gray stated that staff met with the Budget Committee and the following were discussed:
 - Add a \$200,000 contingency line to be deducted from reserves. Staff may use that line item to cover expenses or projects as needed. Staff will bring to the full Board a detailed listing of expenses being paid from the contingency line item.
 - A vehicle replacement was removed from the Budget and will be discussed separately.
 - Staff will not bring to the Board, a formal master plan, and will not develop one unless directed by the full Board. The Board of Directors allocates no money to complete master planning.
 - Staff will not bring to the Board a formal financial plan unless directed by the full Board. The Board of Directors allocates no money to complete financial planning.
- General Manager Gray will defer to the Budget Committee for the report.
- Director Sarkovich stated that staff reduced the operating budget to \$5.8M as requested. He stated that this is a clean budget; better than the original proposal. He noted that on page 8 of the budget, the footnote (1) needs to change from 32 approved FTE to 30 approved FTE. He stated the Finance Committee recommended that the Board approve the attached 2016 Proposed Budget.

Director Sarkovich moved to adopt the 2016 Annual Budget.

Director Marx seconded the motion.

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

Absent: Director Underwood

- President McRae stated that he really liked the direction the District is headed with the budget. President McRae stated he sees the advantage of having the \$200,000 contingency; however, he would like to see the detail of the items being spent using that fund.
- Director Sarkovich stated the Budget Committee discussed that staff will provide explanation of the expenses.
- President McRae inquired if the expenses will show the projects they go to.
- Director Sarkovich responded yes.
- Director Marx stated that he would like to have a master plan.
- Director Sarkovich stated that Vice President Underwood conveyed at the Budget Committee meeting that he would like to see the master plan of the needed future

capital improvement projects. Director Sarkovich stated that it could be from one year to the next where certain capital improvement projects are looked at.

- Director Marx stated he wants to make sure the District is looking at these projects; it doesn't have to be a formal document.

3. Update on the Water Conservation Program

- General Manager Gray stated that FOWD's 46% demand reduction in November is attributed partly to staff monitoring at night. The District paid staff overtime for the monitoring. Staff noted customers not adhering to policy and placed door hanger notices the next business day.

4. Update and discussion on the Madison Well Project

- General Manager Gray stated the design is 99% complete and staff is working on the bid package for equipping the well.

5. Update and discussion on the Hazel Avenue Main Replacement Project

- Operations Manager Nisenboym reported that Sacramento County is requesting a pre-construction meeting. The impact on FOWD is the inspection/time of our staff and overtime may occur.

VI. Discussion and Action Items: New Business

1. Discussion and possible action on request to revise Policies 6210: "Discontinuance and Restoration of Service" and 6220: "Rendering and Payment of Bills"

- General Manager Gray stated that these two policies were revised based on President McRae's suggestion to allow tenants to pay and have water service without the consent of the owner.
- Director Marx inquired on the ramification of not having the consent of the owner.
- Legal Counsel Mitchell stated that as he recalled, FOWD may not be able to lien. He would need to confirm and get back to the District.
- The Board asked to have legal look into the liability of the District on this matter.

Director Sarkovich moved to approve the updated Policies 6210: "Discontinuance and Restoration of Service" and 6220: "Rendering and Payment of Bills".

Director Marx seconded the motion.

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

Absent: Director Underwood

2. Discussion and possible action on Resolution No. 15-03: “Resolution to Amend CalPERS Employer Paid Member Contribution (EMPC) Contract”

Director Sarkovich moved to approve the Resolution No. 15-03: “Resolution to Amend CalPERS Employer Paid Member Contribution (EMPC) Contract”

Director Tafoya seconded the motion.

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

Absent: Director Underwood

*******The Board amended the motion later on to include correction*******

Ms. Ha-Ly stated that the Resolution No. 15-03 included incorrect percentages of the required payments for the employee/employer. The employee’s share of payment should have been 1.5% rather than 2% and the employer’s share of payment should be 5.5% rather than 5%.

The Board amended the motion as follows:

Director Sarkovich moved to approve the Resolution No. 15-03: “Resolution to Amend CalPERS Employer Paid Member Contribution (EMPC) Contract” with the revision to include 1.5% for the employee’s share and 5.5% for the employer’s share.

Director Marx seconded the motion.

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

Absent: Director Underwood

3. Discussion and possible action on appointments on selection of Board President and Vice President for 2016

Director Marx moved to nominate Vice President Underwood to be Board President and Director Sarkovich to be Board Vice President.

Director McRae seconded the motion.

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

Absent: Director Underwood

4. Consider appointments to serve as District representatives to various organizations and committees

Item deferred.

5. Discussion and possible action on auditor renewal for 2015 year-end financial audit

Director Sarkovich recommended to renew the contract with Richardson and Company, LLP to perform the 2015 year-end audit.

Director Tafoya seconded the motion.

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

Absent: Director Underwood

6. Discussion and possible action on additional funding for projects

- General Manager Gray stated that the District has two projects that went over the budget and in the past, the District uses a budget transfer to provide additional funds from another project. He would like direction from the Board as to whether he should process a budget transfer or have the Board approve money from reserves.
- The Board directed staff to process the budget transfer for 2015.

VII. Upcoming Events

1. Fair Oaks Chamber of Commerce Business Luncheon / January 21, 2016 / Fair Oaks Community Club House

- Information only.

VIII. Representative Reports

1. Sacramento Groundwater Authority (SGA)

- No report.

2. Regional Water Authority (RWA)

- No report.

3. San Juan Family of Agencies Executive Committee

- No report.

4. Other

- None.

IX. Directors' Reports & Comments

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

- Director Sarkovich stated the Budget Committee met and discussed the 2016 Budget.

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

- No report.

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

- No report.

- 4. Personnel Committee – (Tafoya, McRae)**
 - President McRae stated that the Committee met and will discuss in closed session.
- 5. Public Relations Committee – (Underwood, Tafoya)**
 - No report.
- 6. Wholesale Water Communications Committee**
 - No report.
- 7. Other**
 - None.

X. General Manager’s Report

- 1. Monthly Maintenance Work Report**
 - General Manager Gray stated that the average 2015 residential per capita water use is at 156 gallons compared to approx. 256 gallons being recorded previously by the State for FOWD.
- 2. Capital Projects Status Report**
 - Report provided.
- 3. Safety Issues Update**
 - No report.
- 4. Financial Issues Update**
 - None.
- 5. Employee Update**
 - General Manager Gray mentioned to the Board that FOWD does not have a conservation coordinator position.
- 6. Delta Issues – Update on Regional Involvement**
 - No report.
- 7. Other**
 - General Manager Gray stated that the FO Cemetery District is urging one of the Board members from FOWD be represented on the LAFCO Advisory Committee to protect FO community interests.
 - General Manager Gray reported that SJWD had competitive bidding process for completing an Urban Water Management Plan and the approved cost was \$62,694.

XI. Public Comment

- None.

President McRae closed the open session meeting at 8:27 p.m.

President McRae called the closed session meeting to order at 8:42 p.m.

XII. Closed Session Pursuant to Government Code Section 54954.5

1. Public Employee Performance Evaluation – General Manager’s performance evaluation and conference involving compensation

President McRae reopened the meeting to the public at 10:30 p.m.

XIII. Report from Closed Session

- None.

XIV. Public Comment

- None.

XV. Adjournment

With no further business to come before the Board, President McRae adjourned the meeting at 10:30 p.m.

The Board approved the preceding minutes on February 8, 2016

Tom R. Gray
General Manager/Board Secretary

Date