



District Attendees

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| Dave Underwood | Board President |
| Misha Sarkovich | Board Vice President |
| Michael McRae | Board Member |
| Tom R. Gray | General Manager |
| Michael Nisenboym | Operations Manager |
| Chi Ha-Ly | Finance Manager |

Other Attendees

Absent

AGENDA ITEMS

I. Call to Order

The meeting was called to order at 5:33 p.m.

II. Public Comment

None.

III. Discussion

1. Review and discussion of Fair Oaks Water District's "Procurement and Payment Policy 5110"

- Vice President Sarkovich provided an overview of the changes he made and stated that the revisions are primarily for more transparency.
- President Underwood stated he also made some changes; he provided revised document at the meeting.
- Staff agreed that the District should be as transparent as possible.
- General Manager Gray stated he would like to go over some items that he believes are important.
 - i. On section 5.2.1.1 remove "over \$10,000" as the District requires a purchase authorization for all purchases except where noted.

- ii. On section 5.7.4 he would like to add “Emergency purchase as defined in section 5.5.”
- iii. Keep Preferred Vendors section.
- Operations Manager Nisenboym provided an overview of the District’s need for preferred vendors. He suggested that Contract or Agreements made with Preferred Vendors shall be approved by the Board.
- After much discussion, the Budget Committee stated that there should be a list of Preferred Vendors posted on the District’s website to be more transparent and there should be guidelines on how the vendors can be on the Preferred Vendor list.
- Director McRae inquired whether the Procurement and Payment Policy replaced all of the section 5000.
- Finance Manager Ha-Ly stated that the Procurement and Payment Policy replaced some of the 5000 and 2000 Policies; the General Manager or she will provide to the Budget Committee a list of the policies being replaced.
- The Budget Committee directed staff to forward the Procurement and Payment Policy to legal for review.
- Vice President Sarkovich stated that if the policy looks good, he does not believe that the legal counsel needs to be present at the June Board meeting.

2. Discussion on the 2017 FOWD Budget Planning

- Vice President Sarkovich provided the following guidelines for the 2017 Budget.
 - i. No rate increase
 - ii. No new debt
 - iii. Maintain Operating Expenses at \$5.8M
 - iv. Keep reserve at \$3.2M
 - v. Contingency Fund of \$200,000
- President Underwood stated he would like to see a five-year projection, folding in the Hazel Avenue and Fair Oaks 40 projects with holding to the same constraints. He would like to see the reserve level with these capital projects.
- General Manager Gray emphasized that this is the request of the Budget Committee; that staff is only doing projections based on the Budget Committee’s instructions.
- The Budget Committee stated that staff will only do the projections and will not be making any rate change or financing suggestions based on the pro-forma.
- Director McRae asked that staff identify the capital projects that are discretionary on the five-year projections.

3. Update and discussion on the FO-40 Invoicing Agreement with SJWD

- General Manager Gray stated FOWD agreed to have some kind of agreement to pay back a capital improvement facility charge. FOWD Board pushed back and asked for an alternate plan. Vice President Sarkovich attended SJWD’s legal affairs meeting on behalf of the Board and asked for FOWD to pay the charge based on actual. FOWD worked with SJWD and the agreement is on the table.

- Vice President Sarkovich stated this is the agreement he is looking for where FOWD would pay based on actual invoicing and it is pretty much pay as you go.
- General Manager Gray noted that the agreement includes:
 - i. The first invoice is for design and engineering; post-bid, pre-construction.
 - ii. The second invoice is to cover 50% of the construction cost based on the bids.

FOWD would be prefunding the project; receiving the final invoice on the reconciliation. He stated the only thing that is different from this and the capital facility charge is FOWD would pay based on the engineer's estimate versus actual bid, and the District gets free financing and pays over time.

- Vice President Sarkovich stated his objections to SJWD are more philosophical. He does not like to pre-pay. He believes this is a compromise. He stated the project could start later than what SJWD anticipates and that FOWD would have already prefunded the project.
- General Manager Gray stated why not just take the advantage of borrowing money for free.
- General Manager Gray inquired whether the Budget Committee wants him to send the agreement to legal for review.
- Vice President Sarkovich stated General Manager Gray can send it over to legal but don't have him change the wording so much that SJWD would state it is a new agreement and reject it.
- Vice President Underwood stated it is true that FOWD can take advantage of the payment plan/free financing; however, with Vice President Sarkovich's point of view, if the project does not start until later on, FOWD is prefunding the project.
- Vice President Sarkovich stated SJWD will not charge an administrative fee.
- Vice President Sarkovich stated he believes that the agreement is good; staff can send it to legal for review. He asked that unless there is a legal issue with the document; he would like to approve the agreement as is.
- General Manager Gray stated that once he gets comments back from legal counsel, he will run it by the Committee/Shaina first.
- Director McRae stated FOWD should approve the agreement.
- President Underwood stated he agrees that FOWD should approve this prior to FOWD having to pay for another quarter of the facility charge.
- General Manager Gray stated that he will ask SJWD to approve this agreement on 6/22 rather than 6/8 so that FOWD Board can review the agreement on 6/13 first. He will run it by the Budget Committee prior to sending the summary to SJWD.

4. Update and discussion on the Groundwater Reimbursement Agreement with SJWD

- General Manager Gray stated he edited the agreement in accordance with District legal counsel's comment. General Manager Gray provided an overview of the contract to the Budget Committee members.
- The Budget Committee members were fine with the presented groundwater reimbursement agreement.

IV. Adjournment

With no further business to come before the Board, President Underwood adjourned the meeting at 7:45 p.m.

The Board approved the preceding minutes on June 13, 2016

Tom R. Gray
General Manager/Board Secretary

Date