



District Attendees

Dave Underwood	Board President
Misha Sarkovich	Board Vice President
Randy Marx	Board Member
Michael McRae	Board Member
Chi Ha-Ly	Finance Manager
Shawn Huckaby	Customer Service Manager

Other Attendees

Jeffrey Mitchell	Kronick, Moskovitz, Tiedemann & Girard
Anthony Chacon	Visitor

Absent

AGENDA ITEMS

I. Call to Order

- President Underwood called the meeting to order at 6:31 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 May 9, 2016
 - b. Budget Committee Meeting of May 3, 2016
 - c. Budget Committee Meeting of May 31, 2016
2. Accept and file Treasurer's Report for the month of May, 2016
3. Accept and file Investment Report for the month of April, 2016
4. Accept and file Financial Expense Report for the month of May, 2016

5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of May, 2016
7. Approval of Monthly Board Expense Report for the month of May, 2016

Director Marx moved to approve the consent calendar.

Vice President Sarkovich seconded the motion.

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

IV. Presentation & Correspondence

1. Correspondence dated May 18, 2016 from ACWA regarding “State Water Board Emergency Conservation Regulation; Local Supply-Based Assessment to replace State-Imposed Standards”

- Finance Manager Ha-Ly stated the State Water Board’s new regulation requires water conservation self-certification; that the wholesale water supplier (SJWD) deadline to submit the information is on June 15, 2016 and retail water supplier (FOWD) is on June 22, 2016.
- Vice President Sarkovich stated he would like staff to follow other water agencies and change the water conservation stage 4 to water conservation stage 2 or whatever staff should propose in the July Board meeting.
- Finance Manager Ha-Ly stated staff will recommend the water conservation stage based on the water conservation self-certification information and analysis.

2. Correspondence dated April 26, 2016 from County of Sacramento Department of Transportation regarding “Approve the Proposed Revisions and Incorporate these revisions, by Addendum, into the current County Standard Construction Specifications”

- Finance Manager Ha-Ly stated the County of Sacramento Department of Transportation has proposed changing the trench restoration requirements from three tiers to two tiers.
- Customer Service Manager Huckaby stated that the current trench restoration requirement and the proposed are in the document for Board review. He stated the two tiers are roads with pavement less than three years and roads with pavement greater than three years with the most significant impact being on roads with pavement less than three years.

V. Discussion and Action Items: Old Business

1. Update and discussion on FOWD water supply for the month of May, 2016

- Finance Manager Ha-Ly reported that the total 810 AC-FT of water demand in December was met from 90% (728 AC-FT) groundwater pumping and 10% (82

AC-FT) surface water provided by SJWD. The May 2016 total demand of 810 AC-FT represents a decrease of 28.5% from May 10-year average and 39.52% reduction from May 2013.

2. Update and discussion on request for funding the “Fair Oaks Founders Monument”

- Finance Manager Ha-Ly stated additional information related to the Fair Oaks Founders Monument was provided in the packet from Barry Brown.

3. 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, 2015

- Finance Manager Ha-Ly stated that at the March 14, 2016 Regular Board Meeting, Richardson and Company LLP provided a presentation on the FOWD’s Draft 2015 audited financial statements; pending the 2015 pension liability information report from CalPERS. Attached is the updated 2015 annual comprehensive financial report that includes the 2015 pension information for Board adoption.

Vice President Sarkovich moved to approve the 2015 FOWD Annual Comprehensive Financial Report, with independent Auditor’s Report.

Director Marx seconded the motion.

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

4. Discussion and possible action on Resolution No. 16-06: “A Resolution Adopting the 2015 Urban Water Management Plan”

- Finance Manager Ha-Ly stated that at the May 9, 2016 Regular Board Meeting, Peterson Brustad, Inc. provided a presentation on the 2015 Urban Water Management Plan (UWMP). DWR requires that the UWMP be adopted by the Board prior to submittal. Thus, staff recommends that the Board adopt the attached resolution No. 16-06.

Director Marx moved to adopt the Resolution No. 16-06: “A Resolution Adopting the 2015 Urban Water Management Plan.”

Vice President Sarkovich seconded the motion.

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

5. Discussion and possible action on FOWD Policy No. 5110: “Procurement and Payment Policy”

- Finance Manager Ha-Ly recommended that the Board adopt the Procurement Policy No. 5110 and eliminate policy numbers: 2060 (Expenses Incurred for Approved District Activities), 2070 (Attendance at Educational & Training

Functions), 5020 (Authorization of Expenditures), 5060 (Check Signing Authority), and 5120 (Accounts Payable Payment Policy).

- Finance Manager Ha-Ly stated the Budget Committee and staff met on May 31, 2016 to discuss Procurement and Payment Policy No. 5110. The Procurement and Payment Policy No. 5110 was then forwarded to District legal counsel for review.
- Finance Manager Ha-Ly stated a copy of the Procurement and Payment Policy No. 5110 with Legal Counsel's comments has been distributed to the Board. She stated she agrees with Legal Counsel's comments on the requirements for public notice and would like to make the following changes.

1. On section 5.9.1.2, remove the California Public Contract Code Section 20471 and the sentence should read: "The FOWD shall advertise for construction projects as required by laws and regulations."

- The Board inquired Legal Counsel Mitchell if the change in the language is ok.
- Legal Counsel Mitchell stated that the suggested change is fine. He added the Public Contracts Code requires bidding only for construction projects funded by bond proceeds or the proceeds of a "limited assessment."
- Finance Manager Ha-Ly inquired if the Board would like retain the verbiage for an advertisement once each week for two successive weeks in the newspaper even though the District is not required to advertise at this time.
- The Board responded that the District should be transparent and it would like to retain that advertisement language in the Procurement and Payment Policy.
- Finance Manager Ha-Ly stated she would like follow Legal Counsel Mitchell's suggestion of removing the verbiage under section 5.13.1.2 "Some of the reasons are that there is a strong preference for the product or service offered by a particular vendor, the product or service needed is proprietary, unique, or exclusive in nature, the individual amount per transaction may be very low, etc."
- The Board approved Finance Ha-Ly's suggestion of the removal on section 5.13.1.2.

Vice President Sarkovich moved to approve the Procurement Policy No. 5110 as amended and eliminate policy numbers: 2060, 2070, 5020, 5060 and 5120.

Vice President Sarkovich seconded the motion.

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

President Underwood thanked Vice President Sarkovich and staff for working on the Procurement and Payment Policy.

- Vice President Sarkovich stated he would like staff to work on the Personnel section 4000 series. If possible, he would like to have a Personnel Committee Meeting, to be agendaized so that all Board members can attend prior to the July 2016 Board meeting.
- Legal Counsel Jeffrey Mitchell stated FOWD has the employee handbook which covers the Personnel.
- Finance Manager Ha-Ly stated the District's employee handbook is very comprehensive; she stated FOWD Human Resources Administrator, Stacy Miller, would be working on these policies and she is uncertain of the time required to complete the task at this time.
- Vice President Sarkovich also mentioned that he would like to revisit the 6300 policy series. He stated the District spent a lot of money on meter replacement and he does not believe that the District should replace meters because of the policy but only when needed.
- Customer Service Manager Huckaby stated District staff provided a presentation in 2015 on the meter program. FOWD's current policy was developed around AWWA standards.
- Director Marx inquired whether there were any warranties.
- Customer Service Manager Huckaby stated there are warranties up to ten years.
- Director McRae stated he recalled the presentation in 2015 and there was mention of testing in-house being quite expensive. He suggested having the testing in the field.
- Customer Service Manager Huckaby stated staff can do bucket testing out in the field but it does not meet industry standards for testing.
- The Board suggested having the Technical Committee look at the meter replacement program.

6. Update and discussion on the Groundwater Reimbursement Agreement with the San Juan Water District.

- Finance Manager Ha-Ly noted that on page 2 of 4 it should read \$43,249 rather than \$43.249.
- The Board is in full agreement with the proposed Groundwater Reimbursement Agreement.

7. Discussion and possible action on the FO-40 Phase II Project Payment Agreement

- Vice President Sarkovich stated the Budget Committee met and discussed this agreement; there were three Board members present. He stated the attached proposed agreement is close to pay as you go.

Vice President Sarkovich moved to direct the General Manager to contact San Juan Water District and inform them that the Fair Oaks Water District Board of Directors approves and agrees to sign the attached draft agreement for the funding of the FO-40 Phase II Pipeline Project.

Director Marx seconded the motion.

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

8. Discussion and possible action to approve transferring funds for the Madison Well Project

- Finance Manager Ha-Ly recommended that the Board authorize the General Manager to transfer \$550,000 from reserves to the Madison Well Project. She stated the District budgeted \$1.1M in 2015 and only spent \$118,933. The remaining funds went back into the reserves. The District budgeted \$550,000 in 2016 and the contract issued to Kennedy Jenks was \$147,469 and to T & S Construction Co. was \$1,004,171. She asked that Board approve the fund transfer for the District to complete the Madison Well Project.
- President Underwood stated that the total Madison Well Project is over \$1.1M.
- Finance Manager Ha-Ly stated that it would be \$1.1M plus the \$118,933.

Vice President Sarkovich moved to approve the fund transfer of \$550,000 from reserves to the Madison Well Project.

Director Marx seconded the motion.

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

9. Discussion and possible action on a Mutual Aid Agreement between FOWD and FORPD (verbal)

- Finance Manager Ha-Ly stated FOWD is hosting a 2 x 2 Board member meeting with FORPD, which includes staff on June 28, 2016 at 5:30 PM. The purpose of this meeting is to discuss development of a current Mutual Aid Agreement between FOWD and FORPD.

VI. Discussion and Action Items: New Business

1. Discussion and possible action on providing staff direction for the development of the 2017 District budget

Finance Manager Ha-Ly stated the Budget Committee of the Fair Oaks Water District met on May 31, 2016. This public meeting resulted in the following general guidelines for the development of a detailed 2017 District budget:

1. Revenue
 - i. No rate increase
 - ii. No new debt
 2. Expense
 - i. Maintain operating expenses at \$5.8M
 3. Reserves
 - i. Minimum 2017 year-end total cash reserve estimated at approximately \$3.2M.
 4. Contingency Fund
 - i. Include \$200,000 of Contingency Fund.
 5. Other
 - i. Include a five year projection including the Hazel Avenue and FO-40 Phase II projects; showing the reserves ending with these projects while holding the same constraints.
 - ii. Identify capital expenses that are discretionary.
 - iii. Staff is directed not to recommend rate increase or other financing based on the five year projection; the five year projection is for Board's review only.
- Vice President Sarkovich stated he would like the reserve to be around \$3.2M although the policy only requires \$2M because of the Hazel and FO-40 Phase II project.
 - President Underwood stated he would like to see all the capital projects that need to be in the five-year projection, including the Madison Avenue project and not just Hazel Avenue and FO-40 Phase II. He suggested staff look at the FOWD master plan. He stated he would like staff to identify the discretionary versus nondiscretionary capital expenses.

Vice President Sarkovich moved to approve the general concepts listed above as staff direction for the development of a 2017 budget.

Director Marx seconded the motion.

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

2. Discussion and possible action on the purchase of a replacement pickup truck in accordance with the 2016 budget

- Finance Manager Ha-Ly provided an overview of the bid process, specifications, and bids received. She stated that staff budgeted \$35,000 for the purchase of the truck and the bid results came in higher than the available budget. She requests that the Board approve a purchase of a Silverado 2500 HD pickup truck from J.L. Sullivan Chevrolet for \$37,897 with a \$3,000 transfer from the contingency fund to cover the purchase.

Vice President Sarkovich moved to authorize the General Manager to purchase a Silverado 2500 HD pickup truck from the J.L. Sullivan Chevrolet for \$37,897 and transfer \$3,000 from the contingency fund to cover the purchase.

Director McRae seconded the motion.

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

VII. Upcoming Events

1. Fair Oaks Chamber of Commerce Business Luncheon / June 16, 2016 / Fair Oaks Community Club House

- Information only.

2. Concerts In The Park Sponsored by FOWD & FORPD / June 16, 2016 / Fair Oaks Village Park

- Information only.

3. ACWA Presentation on the Sustainable Groundwater Management Act / June 21, 2016 / Sacramento

- Information only.

4. Special District Leadership Conference / July 10-13 / Napa

- Information only.

VIII. Representative Reports

1. Sacramento Groundwater Authority (SGA)

- Director Marx stated there were graphs presented on groundwater and that the groundwater level is increasing. He mentioned that SJWD General Manager Lorange would like to pass on to FOWD Board, her appreciation to General Manager Gray.
- Vice President Sarkovich agreed that General Manager Gray has a better relationship with SJWD now.

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)

- Discussed earlier.

2. Technical Advisory Committee – (Marx, McRae)

- No report.

3. Capital Improvement Committee – (McRae, Sarkovich)

- No report.

4. Personnel Committee – (Tafoya, McRae)

- Director McRae stated the Personnel Committee met and staff provided an update of the employees at the District. He stated staff discussed the 10317 FOB building with items to be fixed. He stated the Committee directed staff to remedy the situation at hand and then have the Capital Improvement Committee look at it. He recommended the Board to tour 10317 FOB and view the condition of the building.
- President Underwood stated staff brought up salary. He stated the Board should take a look at a salary survey. He does not know how the Board wants to approach this; whether to hire a consultant or conduct in-house.
- Director McRae stated staff is very supportive in whichever direction the Board takes.
- President Underwood would like to compare apple to apple.
- Vice President Sarkovich suggested comparing to CHWD, Orange Vale Water Company and Carmichael Water District.
- The Board decided to do the salary survey in-house and President Underwood would contact FOWD Human Resources to complete the salary survey.

5. Public Relations Committee – (Underwood)

- No report.

6. Wholesale Water Communications Committee

- Director Marx reported that the Committee is developing an agenda and is planning to have a workshop in September.

7. Other

- None.

X. General Manager’s Report

1. Monthly Maintenance Work Report

- Report provided; no discussion.

2. Capital Projects Status Report

- Report provided; no discussion.

3. Authorizations of Additional Funding

- Finance Manager Ha-Ly informed the Board that staff needs to transfer \$15,000 from the contingency fund to fund a 6” meter replacement on the Fair Oaks Blvd. project.

4. Water Transfer Status Report

- No report.

5. Claims Against District

- Report provided; no discussion.

6. Employee Update

- No report.

7. Water Issues – Update on Regional Involvement

- No report.

8. Other

- The Board toured the 10317 FOB Building on following the last item on the agenda.

XI. Public Comment

- None.

XII. Adjournment

With no further business to come before the Board, President Underwood adjourned the meeting at 8:18 p.m.

The Board approved the preceding minutes on July 11, 2016

Tom R. Gray
General Manager/Board Secretary

Date