



**District Attendees**

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

**Other Attendees**

Shauna Lorance	SJWD General Manager
Keith Durkin	SJWD Assistant General Manager
Jeffrey Mitchell	Kronick, Moskovitz, Tiedemann & Girard
Anthony Chacon	Visitor

**Absent**

Randy Marx	Board Member
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**AGENDA ITEMS**

**I. Call to Order**

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

**II. Public Comment**

- None.

President Underwood moved item IV.1 before the consent calendar.

General Manager Gray reported that Director Marx is absent because he is out of town and the Division III director seat is open.

President Underwood stated he received a letter from a customer inquiring on whether the District can include the number of gallons used on the bill.

General Manager Gray stated that the gallon unit is available; it is a matter of displaying it on the bill. Staff will attempt to do it but may need a consultant to help with it. General Manager Gray stated he can respond to the customer.

### **III. Consent Calendar**

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

1. Approval of minutes
  - a. Regular Board Meeting of June 13, 2016
  - b. Personnel Committee Meeting of June 23, 2016
2. Accept and file Treasurer's Report for the month of June, 2016
3. Accept and file Investment Report for the month of May, 2016
4. Accept and file Financial Expense Report for the month of June, 2016
5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of June, 2016
7. Approval of Monthly Board Expense Report for the month of June, 2016

Director McRae moved to approve the consent calendar.

Vice President Sarkovich seconded the motion.

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

Absent: Director Marx

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

#### **1. Presentation by SJWD Staff on current activities and future planning (SJWD is a wholesale water supplier to FOWD)**

- SJWD Assistant General Manager Durkin presented the following:
  - A) Water Supply Reliability: Water Rights and Contracts 82,200 AFA
    - Pre-1914 33,000 AF Annually
      - Most secure water rights; direct diversion up to 75 cfs not to exceed 33,000; no storage
    - PCWA 25,000 AF Annually
      - Take or pay; subject to dry year cutback; cannot transfer water without an agreement from PCWA
    - CVP 24,200 AF Annually
      - Long term contract with the Federal Government; subject to shortages; not reliable in dry year; water cannot be transferred; cost may increase significantly due to OM&R (refurbishment).

SJWD Assistant General Manager Durkin stated the SJWD Family does not use all of its water rights entitlement partly due to meters and water conservation. SJWD would like to put the available water to use (i.e. a water transfer). He stated SJWD entered into an agreement with MWA for a Water Management Reliability Study. He stated MWA is looking at a number of strategies to manage our water supply better; to do groundwater recharge and water transfer; and expanding our service area.

#### B) Wholesale Capital Improvements (2016-2026)

- 59 Projects to be completed within the next 10 years totaling \$72M
- Projects needed to be completed within 5 years totaling \$35M including: Hinkle Reservoir of \$25M, Filter Basin Repair and Replacement of \$4.5M and Flocculation Basin Project of \$6.3M.
- Existing Capital Reserves is \$7M.

#### C) Staffing Needs

SJWD Assistant General Manager stated that SJWD's staffing is low compared to other agencies with similar treatment facility. He stated that SJWD needs to increase staffing in order to meet the regulatory compliance and allow staff to go on vacation.

#### D) Wholesale Water Rates

SJWD Assistant General Manager Durkin stated the current wholesale water rate is \$195/AF. The \$195/AF includes fixed cost, debt service and the commodity charge. The debt service charge is \$70/AF out of the \$195/AF. He stated the proposed financial plan includes 16% initial increase; with the five year wholesale rate increases totaling as much as 50%. He stated the proposed financial is a draft and the Board has yet to approve it. At the end of five years, the wholesale rate would be around \$300/AF. He stated despite the increase, SJWD wholesale rate is still the lowest in the State. He stated that over time, SJWD is trying to move toward having 60%-70% fixed cost to have a more stable revenue during drought.

- President Underwood inquired on how the funds from a water transfer will be allocated.
- SJWD General Manager Lorance stated that there were discussions on using a water transfer to pay off debt and putting it into capital projects enabling "pay as you go."
- SJWD Assistant General Manager Durkin stated that there was consensus from the Board that one time revenues such as a water transfer should not be used to fund operations.
- Director McRae stated FOWD would like to work with SJWD on the water transfer to obtain money to offset costs.

- SJWD General Manager Lorance stated General Manager Gray has been great at informing SJWD on the availability of FOWD's water. She stated due the State restriction, the water transfer cannot be done at this time.
- Vice President Sarkovich inquired on the FO-40 Phase II Payment Agreement and Groundwater Reimbursement Agreement.
- SJWD General Manager Lorance stated the FO-40 Phase II Payment Agreement has already been signed. She stated the Groundwater Reimbursement amounts have already been included in the proposed financial plan. Currently, they are working on the form of the agreement.
- President Underwood thanked SJWD Assistant General Manager Durkin and SJWD General Manager Lorance for presenting the information.
- SJWD Assistant General Manager thanked the Board for allowing him to do the presentation.

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

### **1. Update and discussion on FOWD water supply for the month of June, 2016**

- Operations Manager Nisenboym reported that the total 1,165 AC-FT of water demand in December was met from 87% (1,010 AC-FT) groundwater pumping and 13% (155 AC-FT) surface water provided by SJWD. The June 2016 total demand of 1,165 AC-FT represents a decrease of 19.2% from June 10-year average and 22.04% reduction from June 2013.

### **2. Update and discussion on the FOWD and FORPD Mutual Aid Agreement meeting**

- General Manager Gray recommended that the Board approve the following:
  1. Approve the attached proposed Mutual Aid Agreement between FOWD and FORPD.
  2. Approve removing current 50% reduction in fixed charges for water delivered to FORPD as of September 1, 2016.
  3. Approve a 25% reduction in the fixed charges for water delivered to FORPD as of September 1, 2016 – subject to annual renewal by the FOWD Board.
  4. Direct staff to prepare a draft Mutual Aid Agreement between FOWD and FOCD and discuss with FOCD staff – provide an update at the August Board meeting.

Vice President Sarkovich moved to approve staff recommendations of the items one to four above.

Director McRae seconded the motion.

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

Absent: Director Marx

### **3. Update and discussion on FOWD Meter Policy and Procurement**

- General Manager Gray stated staff has meter information to present to the Board and he would like to have a subcommittee meeting to go over this information.
- Vice President Sarkovich stated he would like to go over the meter information prior to the 2017 budget completion as the District included \$400k in the last year's budget.
- General Manager Gray stated he would like to discuss sole-sourcing on these meters as well.
- The Board directed staff to schedule a Technical Committee Meeting to discuss the Meter Policy and Procurement.
- General Manager Gray stated in accordance with recent direction, all subcommittee meetings will be agendaized except for the Personnel Committee which will be on a case by case basis.

### **4. Update and discussion on the FOWD Information Technology Upgrade Project planning**

- General Manager Gray stated Mr. Tom Tafoya provided FOWD with some information; however, he may not be able to meet. General Manager Gray would like to schedule a subcommittee meeting prior to the August Board meeting.
- Vice President Sarkovich suggested including the IT item along with the meter discussion for the Technical Committee meeting.

### **5. Update and discussion on the Groundwater Reimbursement Agreement with the San Juan Water District**

- Discussed earlier.

### **6. Update and discussion on the FO-40 Phase II Payment Agreement with the San Juan Water District**

- Discussed earlier.

### **7. Report back from the CSDA General Managers Leadership Summit**

- General Manager Gray provided a brief overview of the Leadership Summit and provided the Board with information related to running the Board meetings.

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

### **1. Discussion and possible action on FOWD Resolution No. 16-07: "A Resolution Declaring a Stage Two – Water Alert within the Fair Oaks Water District Service Area"**

- Customer Service Manager Huckaby provided an overview of the recent regulations relating to water conservation requirements. He recommended that the Board adopt a resolution declaring a 'Stage 2 – Water Alert' within the Fair

Oaks Water District Service Area – with a request for a voluntary 20% water use reduction compared to 2013.

- Customer Service Manager Huckaby recommended that the District update Water Conservation Policy 6060 to incorporate mandatory requirements for ‘Stage 2 – Water Alert’ as follows:
  - i. Irrigating of ornamental landscapes or turf shall be limited to a maximum of three (3) days per week based on an odd-even schedule.
  - ii. The application of potable water to outdoor landscapes during and within 48 hours after measurable rainfall is prohibited.
  - iii. The serving of drinking water other than upon request in eating or drinking establishments is prohibited.
  - iii. The irrigation with potable water of ornamental turf on public street medians is prohibited.
- General Manager Gray stated based on the information and assumptions identified on the May 9, 2016 Executive Order, the Fair Oaks Water District certified on June 22, 2016 a conservation standard of zero percent (0%) reduction requirement – with a requested 20% water conservation target, based on 2013 water demand, from all FOWD customers.
- Director McRae stated and the Board agreed to change the word esthetic to safety throughout the Conservation Policy document.

Vice President Sarkovich moved to approve the resolution 16-07: “A Resolution Declaring a Stage Two – Water Alert within the Fair Oaks Water District Service Area” as amended.

Director McRae seconded the motion.

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

Absent: Director Marx

## **2. Discussion and possible action on Policy No. 6060: “Water Conservation”**

Vice President Sarkovich moved to approve Policy No. 6060: “Water Conservation.”

Director McRae seconded the motion.

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

Absent: Director Marx

## **3. Discussion and possible action on the payment of the employer accrued unfunded liability for pension benefits**

- Finance Manager Ha-Ly stated based on the November 2015 CalPERS actuarial report, the Fair Oaks Water District’s unfunded accrued liability is projected at \$1,288,643 as of June 30, 2016. CalPERS invoiced FOWD for a portion of the

unfunded accrued liability starting July 2016. CalPERS billing consists of two components to the employer required contribution, an annual fixed amount of \$57,442 and the employer normal cost rate (8.377% of the payroll amount).

- Finance Manager Ha-Ly stated the Board approved 2016 budget included \$56,700 to cover this expense. She recommended that the Board authorize \$55,402 payment to CalPERS for the employer accrued unfunded liability for the fiscal year 2016-2017.

Vice President Sarkovich moved to approve the payment to CalPERS for the employer accrued unfunded liability for the fiscal year 2016-2017.

Director McRae seconded the motion.

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

Absent: Director Marx

**4. Discussion and possible action on scheduling a presentation by the California Special District Association for the August 2016 Regular Board Meeting**

- President Underwood directed staff to place this item on the September Board agenda.

**VII. Upcoming Events**

**1. Regional Water Authority 15-Year Anniversary Celebration / July 14, 2016 / Sacramento**

- Information only.

**2. Fair Oaks Chamber of Commerce Business Luncheon / July 21, 2016 / Fair Oaks Community Club House**

- Information only.

**3. Special District Leadership Conference / July 10-13, 2016 / Napa**

- Information only.

**VIII. Representative Reports**

**1. Sacramento Groundwater Authority (SGA)**

- General Manager Gray stated SGA passed a new rate structure and it is a double digit increase. He provided a brief overview of the Groundwater Management Act discussed at the SGA meeting.

**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*)**

- No report.

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

- No report.

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

- General Manager Gray provided an update on 10317 FOB. He stated the current budget is \$25k for 2016. Staff already committed \$14k for the building cleanup. He stated if cost to fix the property exceed \$25k, he will inform the full Board.
- Operations Manager Nisenboym stated the cleanup is complete and testing will be done tomorrow.
- The Board directed staff to fix the temporary drainage at 10317 FOB.

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

- Director McRae stated the Personnel Committee met and discussed the salary survey and is considering recommending outsourcing the salary survey. He stated that the Personnel Committee will meet with the consultant and report back to the Board.

**5. Public Relations Committee – (*Underwood*)**

- No report.

**6. Wholesale Water Communications Committee**

- President Underwood reported that there will be a special Board meeting in September at FOWD between the SJWD and FOWD. He stated he will be asking General Manager Gray and SJWD General Manager Lorange to provide a brief overview of the Wholesale Water Agreement; then have the attorneys provide similar discussions.

**7. Other**

- None.

**X. General Manager's Report**

**1. Monthly Maintenance Work Report**

- Report provided; no discussion.

## **2. Capital Projects Status Report**

- President Underwood stated that Gastman will be placed on the August Board meeting Agenda for discussion.
- Director McRae asked that staff agendize the walk-through on Gastman.

## **3. Authorizations of Additional Funding**

- General Manager Gray stated the annual Cathodic Protection survey required additional testing; therefore, staff needs \$800 from the contingency fund to cover the Cathodic Protection project.
- The Board is ok with the usage of the \$800 from the contingency fund.

## **4. Water Transfer Status Report**

- General Manager Gray stated RWA is doing a Water Reliability Study and the District needs to respond whether to participate in the study prior to the August meeting. He stated the Water Reliability Study provides opportunity for future grant funding. He would like to have an RWA representative provide a presentation to the Board.
- The Board directed staff to move IT to September and place RWA Water Reliability Study presentation on the Technical Committee agenda.

## **5. Claims Against District**

- Report provided; no discussion.

## **6. Employee Update**

- General Manager Gray provided a brief overview of the staff being out due to injuries, family emergencies and summer family vacations. He stated management met and was in consensus of in-house coverage rather than hiring temporary staff to fill in the gap.

## **7. Water Issues – Update on Regional Involvement**

- No report.

## **8. Other**

- None.

## **XI. Public Comment**

- None.

## **XII. Adjournment**

With no further business to come before the Board, President Underwood adjourned the meeting at 9:29 p.m.

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The Board approved the preceding minutes on August 8, 2016

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Tom R. Gray  
General Manager/Board Secretary

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Date