



District Attendees

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
Shawn Huckaby	Customer Service Manager

Other Attendees

Pete Shroeder	Visitor
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Absent

AGENDA ITEMS

I. Call to Order

The meeting was called to order at 5:34 p.m.

II. Public Comment

None.

III. Discussion

1. Review and discussion of Fair Oaks Water District's 2017 Proposed Annual Budget

- General Manager Gray stated staff began the budget process by looking at the 2016 projections and comparing that to the cash balance as of August 31, 2016. He stated that the cash as of August is approximately \$8M. The attached reconciliation shows the remaining expenses and revenues that have yet to hit the books. Staff still needs to provide details on an approximately \$700k difference between cash on current bank statements and 2017 budget projections; this could increase the current projected reserves.
- Finance Manager Ha-Ly stated that the budget has been completed. Expenses are being accrued when incurred and revenues when earned for most expenses. She stated this would provide better trending analysis from year to year especially for

water sales and water purchases. Depreciation and amortization are not included in the budget and capital outlays are shown as expenses. It is a hybrid approach.

- General Manager Gray stated the Fair Oaks Water District Board of Directors provided the following direction to staff for development of a proposed budget to operate FOWD in 2017:
 - ✓ No increase in rates
 - ✓ No new debt
 - ✓ Revise reserve policy to four months of operating budget
 - ✓ Limit operating expense to \$5.8M
 - ✓ Focus capital budget on the completion of: Hazel Avenue Project, FO-40 Project, Madison Well
 - ✓ Propose 2017 budget adoption at October 2017 Board meeting
 - ✓ Do not complete formal master planning
 - ✓ Do not complete formal financial planning

2017 Proposed Budget Summary:

- ✓ No rate increase
 - ✓ Zero District debt
 - ✓ 52% of estimated water sales revenue invested back into capital
 - ✓ 3.3% decrease in total salary and wage budget
 - ✓ 2017 estimated year ending cash of \$2,727,219
 - ✓ 2017 reserve target per policy of \$2,085,200
- General Manager Gray stated the 2017 Proposed Annual Budget projected reserves does not include SJWD groundwater reimbursement nor the potential \$700+k.
 - Vice President Sarkovich stated he likes the proposed budget. He stated that although the operating expenses total is \$6,255,500, the increase is due to uncontrollable increases in operating expense.
 - It was suggested that the 2x2 members should try to get an idea of when the District might get groundwater reimbursement from SJWD and incorporate that number into the budget.
 - General Manager Gray provided the Budget Committee with the five-year projection.
 - Director Marx suggested completing a two to three year master plan in-house. It was decided that the Technical Advisory Committee will meet to discuss potential master plan guidelines.
 - The Budget Committee directed staff to bring forward the 2017 Proposed Budget as presented incorporating the \$700+k and groundwater reimbursement as applicable.

- The Budget Committee directed staff not to bring forth the five year projection to the next regular Board meeting as it is for internal use only.
- The Budget Committee directed staff to provide a comprehensive plan to the Board on water supply: including the groundwater cost to pump the wells vs. surface water, options for conjunctive use and the possible return on revenues etc. Staff also needs to provide the cost of water wells.
- Vice President Sarkovich asked that General Manager Gray contact the consultant to check on the status of the salary survey.

IV. Adjournment

With no further business to come before the Board, President Underwood adjourned the meeting at 7:59 p.m.

The Board approved the preceding minutes on October 10, 2016

Tom R. Gray
General Manager/Board Secretary

Date