



District Attendees

Randy Marx	Board President
Michael McRae	Board Vice President
Gary Page	Board Member
Dave Underwood	Board Member
Tom R. Gray	General Manager
Michael Nisenboym	Operations Manager
Chi Ha-Ly	Finance Manager
Shawn Huckaby	Customer Service Manager
Ben Voight	Operations Superintendent

Other Attendees

Ingrid Shepline, CPA	Richardson & Company, LLP
Tom Cuquet	ACWA JPIA Executive Committee Vice President
David deBernardi, CPA	ACWA JPIA Director of Finance
Tim Menezes	Visitor

Absent

Misha Sarkovich	Board Member
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AGENDA ITEMS

I. Call to Order

- President Marx called the meeting to order at 6:32 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 (no report)
2. Accept and file Treasurer's Report for the month of February 2018
3. Accept and file Investment Report for the month of January 2018

4. Accept and file Financial Expense Reports for:
 - a. December 2017.
 - i. General Manager Gray noted FOWD closed 2017 almost 8% under budget.
 - b. February 2018
5. Approval of Warrants
6. Approval of Cal-Card Statements for the month of February 2018
7. Approval of Monthly Board Expense Report for the month of February 2018

Director Underwood moved to approve the consent calendar.

Vice President McRae seconded the motion.

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

Absent: Director Sarkovich

IV. Presentation & Correspondence

1. Presentation of refund from ACWA-JPIA for low claims relative to insurance coverage of the FOWD

- ACWA JPIA Executive Committee Vice President Tom Cuquet and ACWA JPIA Finance Director deBernardi presented a plaque and noted FOWD safety and claims record resulted in a refund of \$40,241. He noted the above average actions from the Board, General Manager Gray and training of the FOWD staff to keep claims low.
- General Manager Gray praised program participation by FOWD staff, particularly on Loss Prevention from Customer Service Manager Shawn Huckaby and the Human Resources Committee from HR Administrator Stacy Miller.

2. Presentation by Richardson & Company, LLP on Fair Oaks Water District's Draft Comprehensive Annual Financial Audit for the year ended December 31, 2017

- Ms. Shepline from Richardson & Company, LLP presented results of the 2017 audit. Highlights of reports were presented for:
 1. Opinion on Financial Statements;
 2. Internal Control and Compliance Report;
 3. Required Communications Letter; and
 4. Management Letter.
- Ms. Shepline stated Richardson & Company, LLP issued an unmodified/clean opinion on the FOWD's 2017 financial statements.
- Ms. Shepline stated the District's water sales increased by \$1,271,000 (including groundwater reimbursement), operating expenses increased by \$699,000, revenues exceeded expenses by \$533,000 (excluding capital revenue). The District has no new debt and ending reserves of \$7.4 million (after pension liability). Ms. Shepline provided detailed information on each item mentioned.

- Ms. Sheipline stated the District's net pension liability increased by \$429,000. She stated part of the increase was because the District belongs the CalPERS pool and part of it is the District's proportionate share.
- Vice President McRae asked Ms. Sheipline to provide a recommendation on the handling of the pension liability.
- Ms. Sheipline stated she has seen agencies issue bond to pay the liability and some pay the lump sum to reduce the interest amount. She stated not too many agencies are paying off the liability. She indicated that paying the balance does not necessarily mean paying off the total liability as the amount changes.
- Ms. Sheipline provided an overview of the equity section of the balance sheet. She stated the District has \$585,000 in 2017 in restricted money from connection fees available to spend on projects that increase capacity. She stated the District had a zero balance in restricted amount in 2016 because the District used 100% of the connection fees money for the Madison Well. She noted the District used approximately \$200,000 of the connection fees in 2017 for the Madison Well.
- Ms. Sheipline stated related to the *Report on Internal Controls and Compliance*: FOWD has (1) a good system of internal control; (2) no weaknesses in internal control; and (3) no instances of noncompliance.
- Ms. Sheipline stated there were no audit adjustments.
- Ms. Sheipline stated related to the *Management Letter*, there are no material weaknesses; however, she recommended the District develop procedures for valuing donated infrastructure and documenting the calculations and methodology used.

V. Discussion and Action Items: Old Business

1. Update and discussion on Regional Water Authority (RWA) Lobbying Subscription Program activities

- General Manager Gray restated Board approval of the RWA Lobbying Subscription Program and presented recent topics addressed by the program.

2. Update and discussion on the community of Fair Oaks Monument Project planned for the village triangle area

- General Manager Gray presented an update that the Founders Monument is being redesigned and water service relocation costs are estimated to cost about \$5,000. He stated it is information only at this time.

3. Report back and discussion on SJWD reimbursement for groundwater provided by FOWD in prior years

- General Manager Gray stated that to date the prior FOWD groundwater transfers agreement has had repayments from SJWD of about \$400,000, with \$520,000 in receivables being paid quarterly at about \$58,000 per quarter.
- Vice President McRae asked when the agreement was signed.

- General Manager Gray stated the agreement was signed January 12, 2017.

4. Report back and discussion on FOWD's use of social media

- General Manager Gray reported back to the Board with an overview of social media use pros and cons for FOWD. Staff recommends a social media policy be developed.
- President Marx recommended this be reviewed by the Public Relations Committee.
- Vice President McRae expressed concern to appropriately use social media to increase communication.

5. Update and discussion on FOWD participation in potential 2018 Water Transfer Projects

- General Manager Gray provided an informal update with more details in closed session on a potential viable 2018 water transfer.

VI. Discussion and Action Items: New Business

1. Discussion and possible action to accept and file the Fair Oaks Water District's Comprehensive Annual Financial Report (CAFR), with Independent Auditor's Report, for the year ended December 31, 2017

- General Manager Gray delivered the draft of the proposed Comprehensive Annual Financial Report with Independent Auditor's Report to the Board.

Director Underwood moved to accept and file the Fair Oaks Water District's Comprehensive Annual Financial Report (CAFR), with Independent Auditor's Report, for the year ended December 31, 2017

Director Page seconded the motion.

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

Absent: Director Sarkovich

2. Update and discussion on FOWD water supply for the month of February 2018

- Operations Manager Nisenboym reported that the FOWD total system demand from all sources for the month of February was recorded at 391.56 AC-FT. The wholesale connections provided 211.11 AC-FT (53.92%) and groundwater wells produced 180.45 AC-FT (46.08%) of the total water demand. The February 2018 total demand of 391.56 AC-FT represents a decrease of 5.77% from February 10-year average and 8.57% reduction from February 2013.

3. Update and discussion on the upcoming vacant seat for the FOWD Board of Directors representing Division 1

- General Manager Gray provided an overview of the Public Notice related to the upcoming Board seat vacancy.

- President Marx suggested including more detail on the process (i.e. who to contact) in the Public Notice.
- President Marx directed staff to schedule a Public Relations Committee meeting to discuss the Public Notice.

4. Discussion and possible action on adding property annexed into the FOWD service area into a FOWD division for Board representation

- General Manager Gray requested Board direction on the annexation of Gum Ranch as part of a Service Area Division and presented the overall layout of Divisions in the District.

Director Underwood moved to approve FOWD Service Area Divisions including Gum Ranch in Division III.

Vice President McRae seconded the motion.

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

Absent: Director Sarkovich

- Vice President McRae requested a review of the overall Divisions. General Manager Gray will instruct staff to research and present more information to the Board, noting action may have to be taken after the November 2018 General Election due to timeline notifications required prior to the election.

5. Discussion and possible action on FOWD hosting a Vote Center or Vote by Mail Ballot Drop Box Location for the November 2018 General Election

- General Manager Gray stated staff proposed a vote by mail drop box for customers who come in to pay their water bills.
- The Board gave direction to offer the drop box option as an initial action and add notice to the water bill of this added service.

6. Discussion and possible action on the appointment of FOWD representatives to the Sacramento Groundwater Authority (SGA)

- General Manager Gray noted the Board needs to consider SGA representation with the upcoming departure of Director Underwood as alternate to President Marx.
- Vice President McRae will become the alternate for SGA.

VII. Upcoming Events

1. Symposium on “Making Safe, Clean, Affordable and Accessible Water a Reality” / March 15, 2018 / Sacramento

- Information only.

2. Fair Oaks Chamber of Commerce Business Luncheon / March 15, 2018 / Fair Oaks Community Club House

- Information only.

3. San Juan Water District Board Meeting / March 28, 2018 / SJWD Administration Building

- Information only.

4. 2018 ACWA Spring Conference / May 8-11, 2018 / Sacramento

- General Manager Gray will share a copy of the agenda when it becomes available and noted this is a good conference for Board members education on issues.

VIII. Representative Reports

1. Sacramento Groundwater Authority (SGA)

- No report.

2. Regional Water Authority (RWA)

- General Manager Gray reported that RWA passed a budget with 4% increase and with progression to include the lobbyist program to core programs by 2020.
- General Manager Gray brought up issue of restructuring of dues from SJWD wholesale agencies and FOWD, which will be looked at in 2019 by SJWD and RWA.
- General Manager Gray reported that RWA took an action to assign their unfunded PERS liability to the member agencies. FOWD's estimated share is approximately \$47,000 for 2019.

3. Sacramento Water Forum

- None.

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*)

- No report.

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

- Director Underwood stated the Personnel Committee met and will have discussion in closed session.

5. Public Relations Committee – (*Underwood*)

- No report.

6. Wholesale Water Communications Committee – (*Underwood, Marx*)

- President Marx stated the Committee met with some of SJWD Board members and discussed water transfers, the Wholesale Water Supply Agreement and a need for revision, a Water Shortage Agreement, and options for groundwater.
- General Manager Gray read off items Director Sarkovich asked to be noted from the meeting, which included three major issues:
 - a. SJWD rate increase discussion on the impact of fixed costs and no advantage to FOWD if groundwater usage is used.
 - b. SJWD Wholesale rate structure noting there are codes and laws on what can be charged.
 - c. Cost differences per AF between surface water and groundwater and that there is no recognition in the financial plan for the value of groundwater, which needs to be discussed in a future meeting.

7. Interagency Ad-Hoc Committee – (*Sarkovich, Marx*)

- General Manager Gray stated he talked to the Carmichael General Manager that there may be future discussions with the Board regarding water transfers.

8. Other

- President Marx recognized Director Underwood for his years of services at FOWD.

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

- Report provided; no discussion.

4. Water Transfer Status Report

- No report.

5. Claims Against District

- Report provided; no discussion.

6. Employee Update

- General Manager Gray introduced Operations Superintendent Voight and asked him to share his thoughts on this year’s staff evaluations; being his first time going through this process.

- Operations Superintendent Voight praised FOWD on the high quality of the staff evaluation process.

7. Water Issues – Update on Regional Involvement

- No report.

8. Other

- None.

XI. Public Comment

- None

President Marx closed the open session meeting at 8:23 p.m.

President Marx called the closed session meeting to order at 8:53 p.m.

XII. Closed Session Pursuant to Government Code Sections 54954.5 and 54956

1. Public Employee Performance Evaluation – General Manager’s performance evaluation and conference involving compensation.
2. Conference on Anticipated Litigation (Subdivision (d) of Section 54956.9) – one case.

President Marx reopened the meeting to the public at 10:14 p.m.

XIII. Report from Closed Session

The Fair Oaks Water District Board of Directors acknowledged that the District is currently operating in accordance with the “2017 Water Management Flexibility and Preparedness Evaluation” dated June 2017 and therefore has returned to a baseline groundwater pumping goal of meeting 10% of customer water demand. This action is in anticipation of maximizing groundwater use in the near future for use in a 2018 water transfer.

XIV. Public Comment

- None.

XV. Adjournment

With no further business to come before the Board, President Marx adjourned the meeting at 10:14 p.m.

The Board approved the preceding minutes on April 9, 2018

Tom R. Gray
General Manager/Board Secretary

Date