

MINUTES OF THE FRCD/EDC/EGWS BOARD MEETING

Wednesday, April 23, 2008

The regular meeting of the Board of Directors of the Florin Resource Conservation District/Economic Development Corporation/Elk Grove Water Service was called to order at 6:30 P.M. by Chair Russell at 8820 Elk Grove Blvd., Elk Grove, CA.

Call to Order; Roll Call

The United States Flag was not present to do the Pledge of Allegiance.

Directors Present: Barrie Lightfoot, Tony Perez, Harry Riebe and Sandi Russell

Directors Absent: Tom Nelson

Staff Present: Leo D. Havener, Jr., General Manager; Ann Siprelle, General Counsel; Rick Robinson, General Counsel Associate; Tom Bartlett, Treasurer; Stefani Phillips, Secretary; and Scott Myers, District Engineer.

District Conservationist:

Consultants Present: Richard Wilson

Public Present: Chuck Dawson, Associate Director; Roy Herburger, Elk Grove Citizen; Bob Gray, rate payer; Bill Dinkins, rate payer; Dave Engle, member of the public; and Dennis Luke, member of the public

Public Comment

Bob Gray, rate payer, inquired about the District's Public Record's Policy. He stated that he had come into the District office to obtain a copy of the proposed FY' 08-09 Budget and was not offered to take it off the premises. Barrie Lightfoot, Director, stated that the proposed budget had not been discussed by the full Board only by the budget committee. Leo D. Havener, Jr., General Manager, stated that Mr. Gray had come to the office requesting the budget and he was offered to review the budget in the library. Mr. Havener stated in addition he offered to answer any questions he may have. Ann Siprelle, General Counsel, stated the Public Records Act requires that the records be made available during normal working hours. Public records can be requested for a fee. Sandi Russell, Chair, apologized for the misunderstanding and stated that from now on public records will be made available to purchase. The Board concurred.

ELK GROVE WATER SERVICE (EGWS)

1. Presentations/Announcements

Leo D. Havener, Jr., General Manager, presented a certificate of appreciation given to EGWS by the Elk Grove Unified School District for partnering with Calvine High School on the intern program. Mr. Havener stated that in March 2008 the District had a record low of shut-offs (123) in the history of EGWS. Ms. Russell inquired as to why the record low. Mr. Havener replied it could be because the District went to monthly billing which makes it easier for customers to manage their budgets. Mr. Havener stated customer service works diligently with the customers on payment arrangements. Mr. Havener reported that operations are operating under budget.

Ms. Russell pointed out that the corrected minutes from the March meeting had been included in the Board packet. Tony Perez, Vice-Chair, inquired if the statement read by Ms. Russell in March had been obtained. Stefani Phillips, Secretary, stated any statement that is read into the record must be kept on file with the Board packet as a public record.

Consent Calendar

- a. Regular & Special meeting minutes for March, 2008
- b. Warrants paid – March, 2008
- c. Miscellaneous Revenues- March, 2008
- d. Revenues vs. Expense Graphs FY 07-08
- e. Revenues vs. Expenses – Actual to Budget
- f. Revision of Employee Manual

¹Motion, Second, Carried.

Mr. Perez inquired whether the Board would be receiving a report regarding the property at 8999 Elk Grove-Florin Rd. Mr. Havener replied that the three RCD's would be meeting on Thursday, May 1, 2008 to discuss options for the property. Mr. Havener stated that staff would report back at the May Board meeting.

Mr. Perez inquired if the staff had any reports regarding the meter retrofit. Mr. Havener stated staff is still gathering information.

Mr. Perez inquired as to the status of the School St. well site property split. Mr. Havener stated no action will be taken until the well site has been completely developed. Mr. Perez inquired the estimated time frame for completion. Mr. Havener replied August 2008. Scott Myers, District Engineer, replied the drilling of the well is estimated for August, but the completion for the building and equipment is estimated for the summer of 2009.

Ms. Russell made a couple of inquiries regarding the payables. She inquired what the three new vehicles were. Mr. Havener replied a dump truck and two Ford Escape hybrids. She inquired who they were for. Mr. Havener replied the dump truck was for the field crew and the hybrids were for conservation and the finance department.

MSC (Lightfoot/Perez) to approve the EGWS Consent Calendar by a unanimous vote.

Mr. Havener presented the Revenues vs Expenses for FY' 07-08 and reported that the District is at 80% of the 15 month budget. The revenues are at 99% of what was projected and the total expenses are at 76% including the bond payments and water purchases. The Bond Covenant is at 130% and the requirement is 115%.

3. Elk Grove Florin Road Water Main Improvements

Mr. Myers presented the recommendation to award a contract for the Elk Grove Florin Road Water Main Improvements to Lund Construction in the amount of \$674,993. He gave some history of the bid process for this particular project. He stated that 4,000 lf of 12 inch diameter water main improvements will be installed along Elk Grove Florin Road, south of Elk Grove Blvd. The improvements will help deliver treated water from the Railroad WTSF to the southwest portion of the water district during high peak demand periods.

MSC (Lightfoot/Riebe) to approve the contract for Lund Construction for the Elk Grove Florin Road Water Main Improvements in the amount of \$674,993 by a unanimous vote.

Mr. Perez inquired what the estimated completion date for the project. Mr. Myers replied the project has two segments. The northern segment from Elk Grove Blvd. to Elk Grove High School on Elk Grove Florin Rd. and there is a 60 day calendar construction period with an additional 30 days for the southern segment between Castle Park to Caramel Valley with a \$2500 liquidated damages per day every day after each time period.

4. Name and Logo Change for EGWS

Mr. Havener presented the name and logo recommendations for EGWS to the Board. He stated that the Board had requested staff to bring back costs associated with a name and logo change. Mr. Havener stated the costs associated with the name and logo change amount to \$2975.79.

Ms. Russell inquired if the price for uniforms had been accounted for. Mr. Havener replied the name and logo change would not take effect until July 1st and with the FY' 08-09 Budget there is an allowance for clothing.

Harry Riebe, Director, stated he was absent at the last meeting when the name and logo change was initially brought to the Board for action. He stated if he had been he would have voted against it. He stated he did not personally feel that the District should expend the cost. Additionally, EGWS is not a district. There are certain other districts that are entitled to use the term district, but EGWS is not one of them. The FRCD is a district. He stated he is voting against it.

Barrie Lightfoot, Director, inquired if there was a legal definition for district. Ann Siprelle,

¹Motion, Second, Carried.

General Counsel replied there are different kinds of water districts. There is a county water district, and a California water district. Since EGWS is only a department of the FRCD, it is not a district under title 9.

Mr. Gray commented that he did a biased survey in his neighborhood to determine how his neighbors felt about the name and logo change proposed by the District. He stated the survey did not find one person that supported the proposed name and logo change, nor were they interested in spending rate payer money to do so.

Bill Dinkins, rate payer, commented that he has been unhappy with the EGWS and the water rates. He inquired what the District was doing to minimize the impact on the community for the water service. He stated that he has a background in operations and treatment and has observed ways to minimize operating costs of the District.

Ms. Russell invited Mr. Dinkins to run for a seat on the Board in November.

Mr. Perez inquired how the Mr. Dinkins felt the district could minimize costs. Mr. Dinkins replied there is a lot of water being left on, the pumps run when they do not necessarily need to. Soft starts can be put on equipment and electronic equipment could be installed with timers. Mr. Dinkins stated he would be glad to talk to the Board members at any time to give cost saving suggestions. Mr. Riebe suggested bringing Mr. Dinkins back at the May Board meeting to present his suggestions. Ms. Russell asked Ms. Phillips to bring it back in May.

MSC (Riebe/Russell) disapproving the name and logo change by a unanimous vote.

5. EGWS FY' 08-09 Budget

Mr. Havener presented the Budget with a new layout. He noted several key points contained in the budget: water payment revenue increase of 20%, private fire protection rates based on 20% of metered rates, bond payments will increase by \$215,000, water purchases from Sacramento County will increase by \$600,000, general counsel expenses are increasing to \$370,000, meter-retrofit program was added to the budget and will cost \$950,000, a depreciation and amortization was added to the sum of \$1,200,000, and capital expenses decreased by \$690,000.

Barrie Lightfoot, Director, stated he was on the sub-committee when the budget was presented in draft form. He stated the new layout of the budget has more detailed information and is much easier to follow. Mr. Lightfoot stated that the depreciation and amortization will help get the District to the point where they are not struggling to make the bond payments. The cost of the legal fees is rising because of poor management by other Boards and the District is suffering because of it. Mr. Lightfoot stated the Board is extremely concerned about saving money and making sure that they are responsible to the rate payers for every penny we are spending. He stated it is a hard process, but from what there was to work with, the Board has done a good job in the last three years.

Mr. Perez commented he requested a rate study two or three times before it was finally approved by the Board and now the District is finally billing according to cost of service.

Mr. Riebe requested Mr. Havener to explain the 20% rate increase. Mr. Havener replied the rate increase will take effect on July 1, 2008. The rate increase was approved by the Board on April 18, 2007. The rate increase is part of the five year master plan and is tied to the meter-retrofit program, in addition to the study for the infrastructure replacement for FY'09-10. The costs for steel and other metals are going up in addition to rising meter costs. He stated he understands this is a concern, but the District has to meet their obligations. He stated the budget is a zero budget and meets the five year financial plan that the Board unanimously approved. Withholding a rate increase could be far more damaging in a year or two. He stated this is how the previous Board got into trouble. He recommended that the Board approve the budget.

Ms. Russell inquired what percentage of the 20% is for the meter-retrofit program. Mr. Havener replied \$950,000 of the entire budget.

Ms. Russell read a prepared statement on her concerns regarding the rate increase for the meter-

¹Motion, Second, Carried.

retrofit program. She stated that more information needs to be provided regarding the meter costs, and costs associated with the meter-retrofit program. She stated the committee needs all of the facts before they can make an educated decision, because that is their job. Mr. Havener replied staff is not recommending the rate increase; it was already approved by the Board. The meter-retrofit committee is meeting to establish the most cost effective and efficient way to carry out the program.

Ms. Siprelle reminded the Board that through the rate study that Bartle Wells Associates produced came the 20% for the meter-retrofit program.

Rick Wilson, Sentium, gave some key factors for the 20% rate increase: mandatory meter-retrofit program which is a 7 year program, an increase of water from the County of Sacramento and a step up in bond payments, and the first phase of infrastructure replacement.

Chuck Dawson, Associate Director, commented that he sat on the Community Advisory Committee and he stated that Ms. Russell gave a very good speech when she approved the rates for the five year plan. He quoted her stating "that the Board needed to do this; we need to bite the bullet."

Mr. Perez stated the District is saving millions of dollars by acting today not later. The infrastructure had not been reinvested in and now the rate payers are paying for it.

Mr. Riebe inquired what the water rate increase increments would be. Mr. Havener replied 20% July 1, 2008, 15% July 1, 2009, 3% July 1, 2010 and 3% July 1, 2011.

Mr. Perez asked Mr. Havener to explain when the District would get relief from the purchased water from the County of Sacramento. Mr. Havener stated there would be a cost savings of \$250,000 to \$300,000 when a portion of the purchased water for the Camden area is turned off.

Mr. Perez asked Mr. Havener to explain how the capital expense decrease came about. Mr. Havener stated that there was \$1,050,000 for capital expenses to purchase equipment. Not all of the equipment has been purchased yet. In the years following there is \$150,000 to replace all of the equipment. Mr. Perez inquired does it mean that the District is saving \$690,000. Mr. Havener replied, it means that the capital outlay for equipment is going to be reduced by \$690,000 compared to last year.

MSC (Lightfoot/Perez) to approve the EGWS FY' 08-09 Budget as presented, 3/1; ayes: Lightfoot, Perez, and Riebe; opposed: Russell.

6. Ordinance 04-23-08-01 Reducing Private Fire Protection Rate

Mr. Havener presented the Ordinance 04-23-08-01 Reducing Private Fire Protection Rate, stating that the budget that was just approved reduces the fire protection service rate to 20% of the fixed meter cost from 50%.

MSC (Lightfoot/Perez) to adopt Ordinance 04-23-08-01 reducing private fire protection rate by a unanimous vote.

7. Directors Comments/Suggestions & Subjects for Future Board Meetings

No comments

8. Closed Session

a. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Subdivision (a) of Section 54956.9

Name of case: In re Methyl Tertiary Butyl Ether ("MTBE") Products Liability Litigation, Master File No. 1:00-1898, MDL 1358 (SAS), M21-88 (S.D.N.Y.)

No action taken

b. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

(Subdivision (a) of Section 54956.9)

¹Motion, Second, Carried.

Name of case: Florin Resource Conservation District v. JBK Finance, LLC, et al, Sacramento Superior Court Case No.07AS04514

No action taken

c. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Section 54956.8:

Property: 2450 Florin Rd.

Agency Negotiator: Leo D. Havener, Jr., General Manager

Negotiating parties: Florin Resource Conservation District and County of Sacramento

Under negotiations: Price and Terms of payment

No action taken

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary