

Minutes of the Florin Resource Conservation District Finance Committee Meeting

Tuesday, June 12, 2012

Attendance:

Committee Members: Chuck Dawson – present
Barrie Lightfoot – present
Elliot Mulberg – present
Tom Nelson – present
Tony Perez – present

Associate Members: Don Menasco – present

Staff: Mark J. Madison, General Manager
Stefani Phillips, Board Secretary
Bruce Kamilos, Associate Civil Engineer
Dennis Coleman, Finance Manager
Donella Ouellette, Finance Supervisor

Consultants: Habib Isaac, Gregg Tobler, Willdan Financial Services; Ken Dieker, Del Rio Advisors, LLC

Public: Bob Gray, Roy Herburger, and Lenora Shoup

The meeting began at 6:30 p.m.

This was a posted meeting.

1. Review of the Proposed Elk Grove Water District FY 2012-13 Budget

Mark J. Madison, General Manager, led the meeting, stating that there have been eight meetings held with the Board of Directors to review the various budgets. Mr. Madison stated that the proposed operational budget is a balanced budget.

Dennis Coleman, Finance Manager, presented the Proposed Elk Grove Water District FY 2012-13 Budget. Mr. Coleman stated that two budget worksheets were provided to the Board one with a 3% water rate increase to take effect in January 2013, and one with no predicted increase.

Highlights include:

- Two positions are proposed to be frozen – Operations Manager and a Water Distribution Operator.
- A 2% Cost-of-Living Adjustment will be offset by the employees increasing their contributions, by a like amount, for their retirement benefit with Public Employment Retirement System.
- Total Salaries and Benefit costs will increase by \$87,835 (2.53%).
- Total Office and Operational costs will decrease by \$249,660 (-5.97%).
- Outside Services for the proposed budget are being reduced by \$279,259 (-26.69%).
- Equipment Rent, Taxes and Utility costs are being reduced by \$32,900 (-7.1%).
- Capitalized Expenses are being reduced by \$482,000 (-83.80%) with most projects being shifted to the Capital Improvement Program (CIP) Budget.
- Bond retirement, related interest expenses, and reduction of interest earning, and reimbursements will increase the Non-Operating (Income) budget by \$219,057 (4.13%).

- \$503,064 is anticipated to be capitalized for salaries, benefits and material costs toward the Meter Retrofit project in the CIP.
- The recommended budget will meet both bond covenant requirements.
- The Board will adopt a Five-Year CIP which will only appropriate funding for the CIP projects in FY 12-13.

Comments and inquiries include:

- Did we receive a water rate increase for purchased water from Sacramento County?
 - The District will have to research the question.
- Does the District maintain a list of assets for depreciation/amortization?
 - Yes, but the list needs to be reviewed.

A discussion was held by the Board regarding the methodology for depreciation/amortization. Mr. Coleman explained that the assets are being expensed against the revenue. Mr. Madison explained that fundamentally depreciation is an amount of money that is set aside to be used in the future to restore and repair your assets as they deteriorate.

Habib Isaac, Willdan Financial Services, presented step I of the water rate study (dashboard) to the Board of Directors to show the water rate options based on different assumptions.

Comments and inquiries include:

- Input from the Community Advisory Committee is crucial.
- The outcome of the water rate study is key to potential future water rate increases.
- When will the water rate study be completed?
 - August or September, 2012.
- Are the factors for the 20x2020 being accounted for in the water rate model?
 - Yes, it will be considered in step II of the water rate study.
- Can the rate increases be averaged out through the years?
 - Yes, it is possible, but it may impact later years at a higher rate.

Ken Dieker, Del Rio Advisors, LLC, presented four alternatives for debt restructuring.

Mr. Madison stated of the alternatives presented, the staff liked option one with no extension of years, and three with only two extended years.

The Board inquired what it would cost to refinance. Mr. Dieker stated \$1.1 million, which would be paid at closing. No out of pocket expense.

Mr. Madison requested the Board to give their preference on whether or not they wanted the Budget to be presented with or without the prediction of a water rate increase.

The Board concurred to present the budget without a water rate increase. The Board commented that they are doing their due diligence and would like to see the outcome of the water rate study.

Adjourn to the Regular Meeting: Wednesday, June 27, 2012.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary