

Special Meeting Minutes of the Florin Resource Conservation District

Wednesday, May 14, 2014

Attendance:

Committee Members: Chuck Dawson – present
Barrie Lightfoot – present
Tom Nelson – present
Don Menasco – present
Elliot Mullberg - present

Associate Members: Not present

Staff: General Manager Mark J. Madison; Finance Manager Dennis Coleman; Finance Supervisor Donella Ouellette; Management Analyst Ellen Carlson; Water Distribution Foreman Jose Carrillo; Water Distribution Foreman Richard Salas; and Water Treatment Foreman Steve Shaw

Consultants: Ann Siprelle, General Counsel, BBK; Ken Dieker, Del Rio Advisors, LLC; and Jonathon Ash, Citigroup Global Market, Inc.

This was a posted meeting and it began at 2:00 PM.

Roll call was taken and pledge of allegiance was performed.

1. CLOSED SESSION

- a. Conference with Real Property Negotiators (Gov't. Code Section 54956.8)
Property: 2450 Florin Rd., Sacramento, California
Agency negotiator: Mark J. Madison
Negotiating parties: Florin Resource Conservation District and Sacramento County
Under negotiation: Price and terms of payment
- b. Conference with Labor Negotiators (Gov't. Code Section 54957.6)
Agency designated representatives: Mark J. Madison, Stefani Phillips and Dennis Coleman
Unrepresented employees: All Employees

No reportable action was taken.

Open session began at approximately 3:50PM.

2. Potential Partial Refunding of the Elk Grove Water District's Outstanding Debt

Finance Manager Dennis Coleman made introductions of Ken Dieker, Del Rio Advisors, LLC, and Jonathon Ash, Citigroup Global Market, Inc. who gave a presentation to the FRCD Board regarding the potential partial refunding of the Elk Grove Water Districts outstanding debt while the market is favorable. This would generate an annual debt service savings of approximately \$160,000 per year. Mr. Dieker stated that the Board will be asked to approve a resolution to begin the partial refunding.

He stated that the Board will be able to set minimum parameters for the savings in the resolution and if the savings fall below the set parameters then the process will stop.

A brief question and answer period followed.
Questions and answers include:

General Manager Mark Madison inquired how long the process would take.

- Approximately a three month process.

General Manager Mark Madison inquired if we proceed and the market changes and becomes unfavorable to continue with the process, what non-refundable cost we would incur.

- Mr. Dieker responded stating there is the rating fee in the amount of \$25,000-\$30,000 that is non-refundable.

Chairman Barrie Lightfoot verified with Mr. Dieker that refunding the debt would not add one day to the existing date of payoff or one more dollar to the existing debt. Mr. Dieker responded that is right!

General Manager Mark Madison stated that the item was brought to the Board as an information item only and asked if the Board would like staff to bring back proposals and contracts at the May 28, 2014 Regular Board Meeting to initiate the partial refunding of the Elk Grove Water Districts outstanding debt.

Director Chuck Dawson stated that he was in favor of refunding the debt if it reduces the water rates.

A discussion occurred regarding reducing the water rates through the partial refunding of EGWD outstanding debt.

The Board was in agreement to bring back proposals and contracts to initiate the partial refunding of the Elk Grove Water Districts outstanding debt.

3. Review of Draft 2014-15 Elk Grove Water District Operating Budget

General Manager Mark Madison made introductions of staff to the Board of Directors.

Finance Manager Dennis Coleman provided highlights of the Draft FY 2014-15 EGWD Operating Budget:

Salaries and Benefits

- Cost of living Adjustment of 2.4% based on the San Francisco Metropolitan Service Area; February to February (2013-2014). April to April (2013-2014) will be published on May 15, 2014
- Executive, Exempt, and Non-Exempt had the following deducted and reflected in the following categories:
 - Holiday pay \$112,529
 - Vacation pay \$106,790 (also includes \$58,000 for cash outs)
 - Personal Time Off pay \$91,654 (also includes \$40,000 for cash outs)
- Medical benefits reduced due to reduced proposed increased
 - Last FY 2013-14 – we expected a proposed 12% increase in medical benefits and it came in at 4.9%

- Medical benefits were proposed for a family for each of the two vacancies and of the two individuals hired one has a family and one is single, which reduced the cost. Additionally, the District had a vacancy for over half of the year
- Retirement Benefits reflect an increase in the PERS rate of 9% and COLA and merit increases
- Dental/Vision/Life Insurance reflects 20 life insurance increased costs
- Workers Compensation reflects a 10% across the board rate increase and an increase to our Experience Modification Factor (EMOD) reflecting the Districts loss history of 13%
- Employee training reflects an increase for new software upgrades and continuing training as required for the Operations field personnel
- Seminars, Conferences and Hotels are increased due to the need for more employees to attend conferences to take advantage of the training opportunities

Office and Operational

- Association Dues are up due to Regional Water Authority new governmental relations person (\$9,619) and the Powerhouse Science Center
- Insurance was budgeted at \$10,000 higher but waiting for actual premiums from SDRMA
- Licenses, certifications and fees are up due to attendance at the OCT Academy for operators continuing education units and for Notary
- Repair and Maintenance – Equipment major increase due to Backwash Manganese removal \$25,000 as well increase repair costs experienced in the current fiscal year
- Materials reduced approximately \$35,000 due to current year experience
- Permits increased due to increased annual encroachment permit, SWRCB and the addition for miscellaneous permits that may be needed
- Safety Equipment increase due to the continued implementation of the Districts Safety Program
- Telephone costs up due to seven addition cell phones for the Operations field personnel (to avoid the use of personal equipment)
- Tool costs are increasing as more tools need to be replaced
- Purchased Water up to reflect the increases from the County in base charges (\$1.50 and consumption charges \$0.05 per CCF)
- Outside services increased for one time Asset Management Plan (\$75,000) and Emergency Response Plan (\$75,000)

Equipment Rent, Taxes and Utilities

- Decreases overall due to reduced equipment rental costs as boring machine rental charged to CIP and reduced electricity used based on current year usage

Capital Expenses

- Slight increases due to capitalizing the ARC-GIS upgrade, software upgrades for SCADA on other systems and purchase of surveying equipment

Other Expenses

- Election Costs for the water district are \$110,000

A discussion was held regarding the CPI methodology.

General Manager Mark Madison stated that in years past the District generally used the CPI–W San Francisco. He explained that the CPI- W San Francisco is not actually a measure of the cost of living for the San Francisco area, but rather a measure of the rate of change for the cost of living for that area. Mr. Madison stated that the District has three choices of indexes to use: 1) CPI–W, San Francisco; 2) Urban Wage Earners–CPW; and 3) Pacific Cities under 1,000,000 in population.

Director Don Menasco suggested staff look at Core Logic.

The Board directed staff to get the history of the CPI-U and CPI-W. They stated that they would like to pick one and stick with it. They asked staff to bring it back to the Finance Committee Meeting.

Director Elliot Mulberg inquired if the District has benefited by being a member of Regional Water Authority (RWA).

- o Ms. Carlson responded, yes, we have received \$300,000 in grants.

A discussion occurred regarding the election costs and alternative processes to the election.

Director Don Menasco inquired if the District had to go through the County of Sacramento for the election process or if it was possible to hold the election through mail ballots instead. General Counsel Ann Siprelle replied that she will research and provide the Board with a response. General Manager Mark Madison asked the Board to give it some further consideration and to discuss it at the June 4, Finance Committee Meeting.

General Manager Mark Madison stated that the figures for the debt service will not reflect any savings because the partial refunding will not occur until August or September.

General Manager Mark Madison stated that the District is considering paying off the note for the Administration Building (9257 Elk Grove Blvd.) from the stabilization fund. Mr. Madison said that he will bring that item to the Regular Board Meeting on May 28, 2014 for consideration.

Roy Herburger, Elk Grove Citizen, inquired about what would happen to the revenues if everyone conserved their 20%. General Manager Mark Madison replied that the District might have to come back at the mid-year point and trim the budget accordingly.

Director Don Menasco inquired about a figure of \$118,000 showing in Other Expenditures/Income. Finance Manager Dennis Coleman replied that staff will review it and bring it back to the June 4th Finance Committee Meeting.

Director Chuck Dawson inquired about a figure of \$538,000 in Capitalized Expenditures that showed in FY 2013-14 as well as FY 2014-15. Finance Manager Dennis Coleman stated that it is a placeholder and that the figure would be reviewed and brought back to the June 4th Finance Committee Meeting with a more precise figure.

General Manager Mark Madison reminded the Board of Directors that the second review of the budget would be held on June 4, 2014 at the Finance Committee Meeting.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary