

# MINUTES OF THE REGULAR MEETING OF THE FRCD BOARD

Wednesday, May 28, 2014

The regular meeting of the Board of Directors of the Florin Resource Conservation District was called to order at 6:30 p.m. by Barrie Lightfoot, Chair, at 8820 Elk Grove Blvd, Elk Grove CA.

## Call to Order, Roll Call, and Pledge of Allegiance.

Directors Present: Barrie Lightfoot, Chuck Dawson, Don Menasco, Elliot Mulberg and Tom Nelson  
Directors Absent: None  
Staff Present: Mark J. Madison, General Manager; Dennis Coleman, Finance Manager; Bruce Kamilos, Associate Civil Engineer; Donella Ouellette, Finance Supervisor; Ellen Carlson, Management Analyst  
Associate Directors Present: Mike Schmitz  
Consultants Present: Ann Siprelle, General Counsel; and Ken Dieker, Del Rio Advisors, LLC

## Public Comment

None

### 1. Overview of the Solano Resource Conservation District

The presenter of this item Chris Rose, Executive Director, Solano Resource Conservation District was unable to attend and will address the FRCD Board of Directors at the July Regular Board Meeting.

### 2. Consent Calendar

- a. Minutes of the Regular Board Meeting of March 26, 2014 and Minutes of the Special Meeting of the Board from May 14, 2014.
- b. FRCD Cash Flow Worksheet – March, 2014
- c. FRCD Cash Flow Worksheet – April, 2014
- d. Warrants Paid – March, 2014
- e. Warrants Paid – April, 2014
- f. Active Accounts – March, 2014
- g. Active Accounts – April, 2014
- h. Bond Covenant Status for FY 2013-2014 – March, 2014
- i. Bond Covenant Status for FY 2013-2014 – April, 2014
- j. Revenues and Expenses – Actual vs Budget FY 2013-2014 – March, 2014
- k. Revenues and Expenses – Actual vs Budget FY 2013-2014 – April, 2014
- l. Cash Accounts – March, 2014
- m. Cash Accounts – April, 2014
- n. Consultants Expenses – March, 2014
- o. Consultants Expenses – April, 2014
- p. Conservation Activities – March, 2014
- q. Conservation Activities – April, 2014

Director Tom Nelson pulled Consent Calendar item b, c, d, p, and q for discussion.

MSC (Mulberg/Nelson) to approve Consent Calendar items a, e-o, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

Director Tom Nelson inquired what the payments to BBK were for on the FRCD Cash Flow and if there was other sources for payment allocations. Finance Manager Dennis Coleman replied that it was for legal assistance with the sale of the 8999 Elk Grove-Florin Rd. property and the annexation process for the Susie Gaines-Mitchell Building. He stated that the annexation costs can be allocated from other funds of the FRCD (Bonds).

General Counsel Ann Siprelle mentioned that the Sloughhouse and Lower Cosumnes RCD's will pay their portion of legal costs for the sale of the 8999 Elk Grove-Florin Rd. property.

Director Tom Nelson inquired about an item on the Warrants "State Water Pollution Cleanup" (permit fines).

General Manager Mark Madison explained the State Water Pollution Cleanup permit fines. He stated that the District has been rehabilitating various wells and when the water is pumped out of the wells they need to be discharged. He stated there are defined requirements for discharging and the (6) fines were assessed because the chlorine levels were slightly higher than the maximum that is allowed. Mr. Madison stated the District had objections to the violations and appealed them, but they were denied. He said the District did not feel that they had infractions, but rather sampling errors. He stated the samples were not taken at the point of discharge. Mr. Madison stated the District has a sampling protocol problem that has been evaluated and revised.

Management Analyst Ellen Carlson provided a brief summarization of Conservation Activities for the month of March and April, 2014.

Director Elliot Mulberg inquired what the acronym ALS (Agricultural Land Stewardship) stood for in the March activities report.

Director Elliot Mulberg requested that staff define all acronyms and provide more detail in the monthly conservation activities update.

Vice-Chairman Chuck Dawson stated that he and Director Don Menasco attended a science Fair with conservation themed projects. He stated it was very enjoyable to judge the students projects on a level play field.

Chairman Barrie Lightfoot requested that all acronyms be spelled out in future staff reports.

MSC (Mulberg/Dawson) to approve Consent Calendar items b, c, d, p, and q, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

### **3. Operations Report – March and April 2014**

General Manager Mark Madison highlighted the following activities:

- Door hangers
  - March – 409, both months are low
  - April - 346
- Meters – Distribution Department
  - March – 24 meters installed by Distribution (23 were commercial customers)
  - April 14 – 5 meters (3 commercial)
- Valve exercising
  - March - 160
  - April – 116

- Year to date is 984 and the benchmark was 930
- Meters Retrofit –Utility Department
  - March - 53
  - April – 56 (almost done)
- Meter installations – Utility Department
  - 85 meters – Diamante (new sub-division)
- Well 1D – last well on, first well off
  - March – low production
  - April – low production
- Well 4D
  - March – High production
  - April – low production
- Well 11D
  - March – low production
  - April – fair production (lead status for a while)
- Well 14D
  - March – hardly ran
  - April – ran some (#2 well currently)
- Well 3 Marvell –
  - March – little production
  - April – Fair amount of production
  - Air in transmission problem – still working on it
- Well 8 Williamson – Noise enclosure installed (very quiet)
  - March – fair amount of production
  - April – some production
- Well 9 Polhemus
  - March – off-line
  - April - some production
- No additional water purchased from Sacramento County
- Combined total production down from last year – seem to be due to conservation/awareness.
- Static pumping levels – are up
- All samples were regular and submitted on time.
- Backflow notifications – tracking very closely
- Meter Retrofit – the map indicates what is left for completion.
  - Melrose – District crews will be performing the work (between July and September)
- EGWD leaks – 6 service line leaks (saddles)
- Pressures
  - Service area 1 – are fine
  - Service area 2 – are high

#### **4. Approval of Agreements for the Municipal Bond Financing**

Finance Manager Dennis Coleman provided background of the need for approval of agreements for the Municipal Bond Financing. Mr. Coleman stated that the District staff has been working on strategies to assist the Elk Grove Water District in achieving financial stability. Staff is recommending the proposal of the agreements with the following firms: Del Rio Advisors, LLC, Best Best & Krieger, LLP and Schiff Hardin, LLP and accept the fee proposal from Citigroup Global Markets, for a proposed bond refunding, to achieve annual debt service payment savings to the District.

Mr. Coleman informed the Board of Directors that a change in regulation had occurred and the Securities and Exchange Commission (SEC) is now requiring an audit on disclosures which would cost approximately \$2500 to complete.

A question and answer period include:

Vice-Chairman Chuck Dawson asked for clarity, if the bonds do not go through, the District does not pay any fees.

- Mr. Coleman responded, yes, that is correct except for the rating fee.

Chairman Barrie Lightfoot verified with Ken Dieker, Del Rio Advisors, LLC 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 stated that is correct.

Mr. Dieker explained to the Board the process of refunding bonds.

Director Tom Nelson inquired if action is required of the Board in 45 days, would the Board need to hold a Special Board Meeting.

- General Manager Mark Madison responded, it is too early to know.

Director Elliot Mulberg inquired when the rate would be locked in.

- Mr. Dieker responded that the rate would be locked in on the day that we lock in the bonds, probably middle of August.

Director Don Menasco commented that we have some flexibility.

Bob Gray commented that it concerns him that the proposed bond refunding is a little costly. He inquired about the savings that will take place by refunding the debt, and over what period of time will the savings be seen?

Mr. Dieker responded that maturity of the bonds that are being refunded is 2030. He stated that including all the fees of the transaction, the District will be saving \$2.6 million between now and the year 2030.

Mr. Gray inquired if the District is hoping to sell the bonds at a premium.

Mr. Dieker replied yes, because the market is demanding higher coupons for interest rate protection, which is what the investors want in potential rising interest rate environment.

MSC (Mulberg/Dawson) to authorize the General Manager to sign agreements with Del Rio Advisors, LLC, Best Best & Krieger, LLP and Schiff Hardin, LLP and accept the fee proposal from Citigroup Global Markets, for services to be rendered with the proposed Elk Grove Water District, 2014 Series A Refunding Bond Issue, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

## **5. Fiscal Year 2013-14 Elk Grove Water District Third Quarter Budget Status Report**

Finance Manager Dennis Coleman presented the third quarter budget status report in summary:

	<b>9/12=75.00%</b>			
	<b>YTD</b>	<b>Annual</b>		
	<b>Activity</b>	<b>Budget</b>	<b>Var</b>	<b>%</b>
<b>Revenues</b>	<b>10,501,454</b>	<b>14,008,117</b>	<b>-3,506,663</b>	<b>74.97%</b>
<b>Salaries &amp; Benefits (1)</b>	<b>2,329,293</b>	<b>3,689,748</b>	<b>-1,360,455</b>	<b>63.13%</b>
<b>Seminars, Conventions and Travel</b>	<b>11,158</b>	<b>32,610</b>	<b>-21,452</b>	<b>34.22%</b>
<b>Office &amp; Operational (2)</b>	<b>2,705,543</b>	<b>4,003,070</b>	<b>-1,297,527</b>	<b>67.59%</b>
<b>Outside Services</b>	<b>359,433</b>	<b>632,476</b>	<b>-273,043</b>	<b>56.83%</b>
<b>Equipment Rent, Taxes, Utilities</b>	<b>309,655</b>	<b>497,229</b>	<b>-187,574</b>	<b>62.28%</b>
<b>Total Operational Expenses</b>	<b>5,715,082</b>	<b>8,855,133</b>	<b>-3,140,051</b>	<b>64.54%</b>
<b>Net Operations</b>	<b>4,786,372</b>			
<b>Non-Operating Activity</b>				
<b>Depreciation &amp; Amortization</b>	<b>1,448,865</b>	<b>1,931,820</b>	<b>-482,955</b>	<b>75.00%</b>
<b>Bond Interest Accrued</b>	<b>1,946,988</b>	<b>2,595,984</b>	<b>-648,996</b>	<b>75.00%</b>
<b>Interest Expense</b>	<b>41,737</b>	<b>55,649</b>	<b>-13,912</b>	<b>75.00%</b>
<b>Interest Earned</b>	<b>7,652</b>	<b>0</b>	<b>-7,652</b>	
<b>Other</b>	<b>108,333</b>	<b>0</b>	<b>-108,333</b>	
<b>Revenues in Excess of Expenditures</b>	<b>1,464,767</b>			
<b>Capital Expenses/Equipment</b>	<b>895,970</b>			
<b>Bond/Note Retirement</b>	<b>925,753</b>			
<b>Net Cash Position after Capital and Debt Retirement Expenditures</b>	<b><u>(356,956)</u></b>			

Director Elliot Mulberg inquired about projections to use approximately \$258,000 of reserves and wondered if it was for capital improvements.

Mr. Coleman replied that when preparing the budget, staff allocated \$257,000 in reserves from an operational standpoint including depreciation and amortization. The District should not need to dip in to the reserves for operational purposes.

## **6. Elk Grove Water District Fiscal Year 2013-14 Third Quarter Reserve Status Report**

Finance Manager Dennis Coleman presented the third quarter reserve status report highlighting the following:

With the appropriation of \$241,800 for the well destruction project approved on October 23, 2013 EGWD has appropriated Reserve Funds for FY 2013-14 as follows:

• Operations Reserves (120 days)	\$4,756,295
• FY 2013/14 Capital Improvement Fund	\$2,645,000
• FY 2013/14 Capital Replacement Fund	\$ 708,000
• Elections and Special Studies	\$ 120,000
• Future Capital Improvements	\$3,829,679
• Future Capital Replacements	\$1,276,559

EGWD has expended \$884,787 for capital expenditures through March 31, 2014 as follows:

• Capital Improvement Fund	
o Hampton WTP Refurbishment	\$ 47,535
o SCADA Improvements	\$ 10,300
o Admin Building Improvements	\$ 75,421
o RRWTF Parking Lot	\$130,086
o Meters	\$304,408
o Hydrants	\$182,293

TOTAL \$750,043

• Capital Replacement Fund	
o Hampton WTP Refurbishment Repairs	\$44,587
o Well Destructions	\$11,971
o Well Rehabilitations	\$70,715
o RRWTF Site Improvements	\$ 733
o Hydropneumatic Tank Refurbish.	\$ 6,738

TOTAL \$134,744

The EGWD remaining reserve fund balances as of March 31, 2014 are as follows:

• Operations Reserves (120 days)	\$4,756,295
• FY 2013/14 Capital Improvement Fund	\$1,894,957
• FY 2013/14 Capital Replacement Fund	\$ 574,056
• Elections and Special Studies	\$ 120,000
• Future Capital Improvements	\$3,829,679
• Future Capital Replacements	\$1,276,559

## 7. Approval of Prepayment of the Secured Promissory Note for the Purchase of the Administration Building

Finance Manager Dennis Coleman presented the background of the agenda item. "in February, 2009, the District entered into an agreement with the Kaiser Family Trust to purchase the building and property at 9257 Elk Grove Boulevard, Elk Grove, CA (Attachment 1). The building and property serves as the administration building and storage for the Elk Grove Water District. The purchase was secured by a promissory note.

The purchase price of the building was \$1.1 million with monthly scheduled payments of \$9,582.18 starting on March 1, 2009. The District has been making debt service payment since that date.

The promissory note contains provisions for prepayment amounts which declined from five percent (5%) for prepayment of the note on or before the first anniversary of the closing date (February 11, 2009) to zero after the fifth anniversary of the closing date.

The remaining principal balance as of May 2, 2014 is \$828,773.37. Interest due as of June 1, 2014 is \$4,489.19. A payment of \$833,262.56 would pay the interest due and remaining balance as of May 2014.

The payment of \$833,262.56 would save the District \$287,852.67 in future interest payments on the balance of the principal that is scheduled to be paid through February 2024. This will also eliminate \$114,986 in annual payments from the District's budget for the next nine years, and \$67,075.26 in the tenth year.

Staff is in the process of liquidating the Rate Stabilization Funds from the Series 2002 A/B and the 2005 Series A Bonds totaling \$971,782 This will indirectly offset the cost of prepaying the note. The District cannot use the funds directly to pay for the purchase of the building but can use them to pay debt service next fiscal year. The net effect will be using \$971,782 bond funds to pay debt service and replenishing our unrestricted cash reserves by a like amount."

MSC (Nelson/Dawson) to approve the prepayment of the secured promissory note between the Florin Resource Conservation District and the Kiaser Family Living Trust, securing the purchase of the property at 9257 Elk Grove Boulevard, Elk Grove, California, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

## 8. Legislative Update

Management Analyst Ellen Carlson presented the Legislative Update to the FRCD Board of Directors.

Ms. Carlson stated that Friday, May 23, was the last day for fiscal committees to meet and that many bills were passed through appropriations.

Ms. Carlson presented the following highlights:

- HR 3080 (Water Resources Development Act of 2013) was presented to the President for his signature.
- S 2198 (Emergency Drought Relief Act of 2014) is being held.
- AB 194 (Brown Act amendment) dead bill.
- AB 1445 (California Water Infrastructure Act of 2014) dead bill.
- AB 1636 (Water Code Amendment: Water conservation) dead bill.
- AB 1739 (Groundwater basin management: sustainability) passed appropriations.
- AB 1874 (Integrated regional water management plans: funding) held under submission and probably a dead bill.
- AB 2043 (Safe, Clean and Reliable Water Supply Act of 2014) dead bill.
- AB 2067 (Urban Water Management Plus) bill is moving forward.

Director Elliot Mulberg inquired what the difference was between S 2198 (Emergency Drought Relief Act of 2014) and S 2016 (California Emergency Drought Relief Act of 2014).

Ms. Carlson stated she was not sure and would have to read them side by side. Ms. Carlson stated she would send the Board an email with response.

General Manager Mark Madison stated that AB 1739 (Groundwater basin management: sustainability) has the potential for improving policies for managing groundwater in California.

Ms. Carlson stated “on April 25, Governor Brown issued an Executive Order to Redouble State Drought Actions. Included in this Order is a call to all California residents to prevent water waste by through these actions:

- A. Avoid using water to clean sidewalks, driveways, parking lots and other hardscapes.
- B. Turn off fountains and other decorative water features unless recycled or grey water is available.
- C. Limit vehicle washing at home by patronizing local carwashes that use recycled water.
- D. Limit outdoor watering of lawns and landscaping to no more than two times a week.”

Ms. Carlson also stated “the City of Elk Grove has already released a newsletter directing residents to reduce landscape irrigation to two times per week.”

A discussion followed regarding watering two days a week and how to meet the Governors Executive Order.

The Board agreed that staff should include a clear and simple message in the way of a bill insert, which would identify the Governors Executive Order and conservation tips/information.

A brief discussion occurred regarding landscape conservation audits.

Director Nelson asked if staff could put together statistics on how water audits have helped the customers, would it be useful to put that information in the Elk Grove Citizen.

Ms. Carlson stated that the Elk Grove Citizen posted conservation information previously regarding the water audits and she received a lot of requests for them.

MSC (Nelson/Dawson) to approve a motion urging our customers to reduce their landscape irrigation to two days a week in accordance with the Governors Executive Order, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot

## **9. Committee Meeting(s) Update**

No comments were made.

## **10. Directors Comments and Information**

Director Tom Nelson spoke about the ACWA/JPIA Spring Conference. He stated there was no mention of the Bay Delta Conservation Plan (the tunnels). Mr. Nelson stated that the major topics of discussion were the drought and the new groundwater policies advocated by ACWA.

Mr. Nelson stated there is a change coming for how we manage our water. Changes will be made for state wide standards for regulations and setting rates.

Chairman Barrie Lightfoot complimented Water Distribution Operator II Alan Aragon on his good public relations skills. General Manager Mark Madison complimented the staff for their work and a special thank you to Management Ellen Carlson for the duck race idea. Director Elliot Mulberg thanked the District for their participation at the Western Festival.



Director Tom Nelson stated that he would like the District to host a 2x2x2 Ad-hoc Committee Meeting to discuss 1) The proposed groundwater policies being promoted and advocated by the California Water Foundation, The Association of California Water Agencies (ACWA), and AB 1739 (Dickinson), and SB 1168 (Pavley).; and 2) A discussion led by our Boardmember (Tom Nelson) about jointly hosting a workshop on agricultural irrigation practices.

The Board requested staff place the topic of election versus appointment on the June 4<sup>th</sup> Special Board Meeting agenda.

#### **11. Closed Session**

CONFERENCE WITH LEGAL COUNSEL--EXISTING LITIGATION (Gov't. Code Section 54956.9(a))

United States, et al. ex rel John Hendrix v. J-M Manufacturing Company Inc. dba JM Eagle, et al.

Docket No: ED CV06-00055-GW

Court: United States District Court for the Central District of California

No reportable action was taken.

Respectfully submitted,

*Stefani Phillips*

Stefani Phillips, Secretary