

Special Meeting Minutes of the Florin Resource Conservation District Finance Committee Meeting

Monday, August 13, 2012

Attendance:

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

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
Ellen Carlson, Management Analyst

Consultants: Habib Isaac, Gregg Tobler, Willdan Financial Services; and Ann Siprelle and Kelly Salt, Best, Best, & Krieger, LLP

This was a posted meeting and it began at 5:00 PM.

Item 3 (Reserve and Capital Investment Fund Policy Implementation) was moved to item 2 of the agenda.

1. **Water Rate Study Update and Progress Report**

Habib Isaac, Willdan Services, updated the Board on the Community Advisory Committee Meeting. He stated that the Committee Advisory Committee (Committee) preferred a small incremental adjustment beginning in January.

Comments and inquiries include:

- Are the ratios arbitrary?
 - They are re-calibrated based on the fixed and variable costs.
- Does our model take into account what other agencies are doing with similarities to our District?
 - Yes
- Can we take the last five years of audits to determine trending of cost increases?
 - Yes, but the assumptions may not be representative of costs.
- Chairman Barrie Lightfoot requested that the language which is used in the study be kept consistent throughout the process.
- The Board requested that the study reflect a percentage split (fixed/variable) of other agencies.
- The District would have to abide by Proposition 218 again if the study indicates that the cost for service has changed.

- Director Tom Nelson stated that he would prefer that the District does not make any major changes or shifts in the methodology of rates.

The Board agreed that incremental adjustments would be best if it is necessary and would only be approved with supporting information.

2. Reserve and Capital Investment Fund Policy Implementation

Finance Manager Dennis Coleman reviewed the implementation of the Reserve and Capital Investment Fund Policy.

Staff recommended the following Reserve and Capital Investment Funds:

- 1) Operating Reserves
- 2) Capital Improvement Program (CIP) Reserves
 - a) Meter Retrofit Program
 - b) Supply/Distribution Improvements
 - c) Treatment Plant Improvements
 - d) Building Site Improvements
- 3) Capital Replacement Program (CRP) Reserves
 - a) Supply/Distribution Improvements
 - b) Treatment Plant Improvements
 - c) Building Site Improvements
- 4) Elections and Special Studies
- 5) Future Years Capital Improvement Reserve Fund
- 6) Future Years Capital Replacement Reserve Fund

The financial targets were proposed as follows:

- 1) Operating Reserves – 120 days of the Annual Operations and Maintenance Budget
- 2) Capital Improvement Program Reserves – Annual CIP Budget
- 3) Capital Replacement Program Reserves– Annual CRP Budget
- 4) Elections and Special Studies - \$120,000 in Fiscal Year 2012-2013, and \$70,000 annually thereafter.
- 5) Future Years Capital Improvement Reserve Fund – 75% of the balance of the Unrestricted Reserve Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections and Special Studies Reserve Fund upon the conclusion of the annual audit.
- 6) Future Years Capital Replacement Reserve Fund – 25% of the balance of the Unrestricted Reserve Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections and Special Studies Reserve Fund upon the conclusion of the annual audit.

The Board supported the staff recommendations and requested that the item be brought back to the August or September Board meeting for action.

3. Municipal Bond Review and Debt Refinancing Alternatives

Mr. Coleman presented the Board with the debt refinancing alternatives. Mr. Coleman reviewed the process of debt refinancing including the financing team, the rating agencies, and the funding alternatives (Matched Maturities and the Step Up).

A discussion occurred regarding debt refinancing costs. Staff informed the Board that the costs for the financing team would be built into the bond issuance. Mr. Madison reiterated that the allocated cost to the rating agency would be \$40,000 and that even if the District does not move forward with the bond issuance, that cost will still have to be paid.

Staff informed the Board that the Community Advisory Committee was in favor of the (The Step Up alternative) 2-year extension.

Three of the Board members were in favor of staff to continue looking into the debt refinancing.

Adjourn to the Regular Meeting: To be determined.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary