

MINUTES OF THE REGULAR MEETING OF THE FRCD BOARD

Wednesday, February 27, 2013

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, Tom Nelson, Elliot Mulberg, and Don Menasco
Directors Absent: None
Staff Present: Mark J. Madison, General Manager; Dennis Coleman, Finance Manager; Stefani Phillips, Secretary/Human Resource Specialist; Bruce Kamilos, Associate Civil Engineer; Ellen Carlson, Management Analyst; and Donella Ouellette, Finance Supervisor
Associate Directors Present: Davies Ononiwu
Consultants Present: Ann Sipelle, General Counsel, and Rick Robinson, Best, Best, & Krieger, LLP; and Brian Nash, Richardson and Company

Staff brought two recommended actions (5 and 6) that were inadvertently left off the agenda to the Boards attention. Staff requested the Board to make a motion to add the recommended actions for agenda items 5 and 6 to the agenda.

MSC (Mulberg/Dawson) to add recommended action for agenda item 5: "accept the Fiscal Year 2011-12 audited financial statements", and agenda item 6: "approve the revision of the Elk Grove Water District FY 2012-13 Capital Improvement Program and appropriating an additional \$458,400, from reserves, for projects carried over from Fiscal Year 2011-12", 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot.

1. Proclamations and Announcements

No comments were made.

2. Consent Calendar

- a. Minutes of the Regular Board Meeting of January 23, 2013
- b. FRCD Cash Flow Worksheet – January, 2013
- c. Warrants Paid – January, 2013
- d. Active Accounts – January, 2013
- e. Bond Covenant Status for FY 2012-2013 – January, 2013
- f. Revenues and Expenses – Actual vs Budget FY 2012-2013 – January, 2013
- g. Cash Accounts – January, 2013
- h. Consultants Expenses – January, 2013

Director Tom Nelson requested to pull Consent Calendar Item# c.

MSC (Dawson/Mulberg) to approve the Consent Calendar a, b, d, e, f, g, and h, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot.

Mr. Nelson questioned one of the warrants.

MSC (Nelson/Menasco) to approve the Consent Calendar (c), 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot.

3. USDA Activity Update

District Conservationist Dwane Coffey gave a short update to the FRCD Board of Directors on recent activities:

- Winter construction is going very well.
- Project applications –
 - 79 received for the tractor program (upgrading engines with less polluted engines)
 - 9 were selected that were not within the FRCD boundaries
- NRCS has a new State Conservationist – Carlos Suarez.

4. Operations Report – January 2013

General Manager Mark Madison reported to the Board that the District had received some customer complaints regarding yellow water, which is attributed to iron (a groundwater mineral). He stated that District employees researched the complaint and found an intertie by the Masonic Temple. The intertie was directly linked to Well 11D and was closed. The staff immediately began flushing and working diligently to eliminate the yellow water.

The Board requested staff to document the interties.

Mr. Madison stated that all regulatory agencies were notified. He stated that Well 11D will continue to be flushed until it is ready to go back on-line. Mr. Madison stated that the District will work with the County and the City to assure that the District has records of all inter-ties.

Mr. Madison presented the Operations Report – January 2013 and highlighted the following:

- Well 11D – has been rehabilitated
- Well 14D – producing well
- Well 3 – good producer
- Well 8 – meets demand
- Well 9 – produces exceedingly well
- Well 12 – pulled pump for rehabilitation
- No purchased water in January
- Total production down compared to last year
- Well 1D – pretty efficient
- Well 4D – good producer
- All samples were taken
- All regulatory requirements were submitted
- 7 backflow notices – all passed
- 130 meters were installed
- 6 service leaks
- No mainline leaks
- 121 valves exercised
- IT – Annual Security Audit Scan was performed
 - Two problems found
 - 1 was fixed
 - 1 was a false/positive

5. Florin Resource Conservation District FY 2011-12 Basic Audited Financial Statements

Finance Manager Dennis Coleman introduced the FRCD FY 2011-12 Basic Audited Financial Statements which would be presented by Brian Nash from Richardson and Company. The

presentation includes the key financial elements of the audit for FY 2011-12 and the Management Letter which discusses the Districts internal control issues with regard to the financial reporting.

Brian Nash, Richardson and Company stated that the auditors had a clean opinion. He stated that the introductory and statistical section of the Comprehensive Annual Report (CAFR) were not complete and should be presented at the March meeting.

Mr. Nash noted several issues that were found and responded to in the management letter.

Mr. Madison reported to the Board that each item will be dealt with case-by-case to see what is necessary to resolve each matter.

The Board requested that the items be placed on the agenda as a standing item to keep track of the progress.

Mr. Coleman addressed some of the issues.

The Board requested that repeat issues be brought to their attention.

Mr. Madison stated that staff will develop an action plan for each item.

MSC (Dawson/Nelson) accept the Fiscal Year 2011-12 audited financial statements, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot.

6. Elk Grove Water District FY 2012-13 Capital Improvement Program Report

Mr. Madison introduced the EGWD FY 2012-13 Capital Improvement Program Report.

Associate Civil Engineer Bruce Kamilos presented the proposed changes to the EGWD FY 2012-13 Capital Improvement Program Report. The proposed changes would necessitate appropriations of an additional \$458,400, from reserves, to cover carryover CIP costs from FY 2011-12.

The Board commented that it appeared that it would cost more to put off a project that had been designated in the CIP for FY 2012-13. Mr. Kamilos responded that he added an inflationary cost of 3% to the cost and that staff have applied for a Proposition 84 grant through Department of Water Resources for the expenses, which is currently in process.

The Board requested that the CIP include completed projects.

The Board inquired whether the FY' 2013-14 proposed projects are in this year's budget. Mr. Kamilos responded that the District will use carryovers and reserves for those projects.

The Board inquired why the District did not get all the projects done. Mr. Kamilos responded that staff was very busy and did very well, but did not get all the items completed. He stated that some of the projects from the previous fiscal year were impacted by a shifting of project priorities, and therefore, were carried over to this fiscal year.

MSC (Nelson/Dawson) approve the revision of the Elk Grove Water District FY 2012-13 Capital Improvement Program and appropriating an additional \$458,400, from reserves, for projects carried over from Fiscal Year 2011-12, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot.

7. Elk Grove Water District FY 2012-13 Operating Budget and Capital Reserve Report

Mr. Coleman presented the EGWD FY 2012-13 Operating Budget and Capital Reserve Report to the Board of Directors. Mr. Coleman highlighted the mid-year expenditures:

- Revenues – 53.26% of budget
- Salaries and Benefits – 43.77% of budget
- Seminars, Conventions and Travel – 30.08% of budget
- Office and Operational – 46.18% of budget
- Outside Services – 32.56% of budget
- Equipment Rent, Taxes, Utilities – 58.03% of budget
- Non-Operating Activity – 48.96% of budget
- Capital – 00% of budget

A question and answer period followed.

Mr. Coleman stated that there was \$12,187,544 in available Unrestricted Reserves as of June 30, 2012.

Capital Reserve buckets:

- Operations Reserves (120 Days) - \$4,563,580
- FY 2012-13 Capital Improvement Fund - \$1,621,000
- FY 2012-13 Capital Replacement Fund - \$606,000
- Elections and Special Studies - \$120,000
- Future Capital Improvements - \$3,957,723
- Future Capital Replacements - \$1,319,241

Mr. Coleman stated that staff will be looking closely at the reserve buckets during the budget process.

Mr. Madison discussed with the Board an organizational staffing need. He stated there were three vacancies in the field and proposed to swap one Water Distribution Operator I position for a newly developed Administrative Assistant II (Confidential) position. Mr. Madison identified three areas in which the position would be used:

1. Secretary to the Board (back-up)/Human Resource (back-up)
2. Administrative help to the field crew
3. Administrative help to the Customer Service Department

MSC (Dawson/Nelson) accept the Elk Grove Water District FY 2012-13 Operating Budget and Capital Reserve Report and the proposed organizational chart, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson and Lightfoot

8. Asset Management Program Report

Mr. Madison introduced the Asset Management Program Report as a long-term approach of asset management.

Mr. Kamilos presented the process of developing an Asset Management Program (AMP). Mr. Kamilos stated that staff has been working on a registry of EGWD assets. The program will contain two types of assets:

1. Assets valued at \$10,000 or more, and
2. Assets deemed to be “significantly critical”

The staff is in the process of assigning valuations to each asset on the list.

Chairman Barrie Lightfoot thanked Vice-Chairman Elliot Mulberg and Director Tom Nelson and staff for their participation and involvement in the Asset Management Program.

A discussion occurred regarding the assessment of risk based on criticality.

The Board stated that the computer server is a significant asset.

Director Chuck Dawson stated that an Asset Management Program is a key element to ensuring the future of the District.

Mr. Madison thanked Travis Small for his work.

Bob Gray, customer, stated that the Warf hydrants cannot provide adequate fire protection.

9. Legislative Update

Management Analyst Ellen Carlson presented the following highlights of the Legislative Update to the Board:

- Senator Rubio resigned (author of three bills)
- 1129 bills were introduced last week
- AB 145 (State Water Resources Control Board) – ACWA opposed this bill unless amended.

Chairman Barrie Lightfoot requested Ms. Carlson to email the ACWA opposition to AB 145 to all Board members.

Mr. Madison stated that the District has a good working relationship with the Department of Public Health. Mr. Madison stated that he is in agreement with ACWA's opposition and at this time, staff does not wish to propose a change.

A discussion was held regarding the California Environmental Quality Act (CEQA). Ms. Carlson stated that as of Friday, February 22, 2013, nine bills had been introduced intending to reform CEQA.

10. Committee Meeting(s) Update

Mr. Madison stated that an Infrastructure Committee Meeting had been held regarding Asset Management Program and Finance Committee meetings were held regarding the Water Rate Study.

11. Directors Comments and Information

Vice-Chairman Elliot Mulberg requested that an item be placed on the March Board meeting agenda to have a discussion about how the Elk Grove Water District fits with the Florin Resource Conservation District.

Secretary Stefani Phillips gave the Board of Directors the Form 700 and requested that the Board Members return them by April 1, 2013.

Mr. Madison shared with the Board of Directors that a troop of Girl Scouts from Elk Grove toured the EGWD Water Treatment and Storage Facility the week before.

12. Closed Session

a. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

(Subdivision (a) of Section 54956.9)

Name of case: J.B. Jones v. FRCD, EGWS, et al, Sacramento Superior Court Case No. 34- 2009-00046310

b. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Section 54957

Title: General Manager

No reportable action was taken.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary