

MINUTES OF THE REGULAR MEETING OF THE FRCD BOARD

Wednesday, October 22, 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; Hossein Golestan Interim Finance Manager; Jim Malberg, Finance Manager; Stefani Phillips, Board Secretary; Bruce Kamilos, Associate Civil Engineer; Donella Ouellette, Finance Supervisor; Ellen Carlson, Management Analyst; Cindy Robertson, Administrative Assistant II (Confidential); Jose Carrillo, Water Distribution Foreman
Associate Directors Present: Davies Ononiwu, Bob Gray, and Mike Schmitz
Consultants Present: Ann Siprelle, General Counsel; Jonathon Ash, Citigroup Global Markets; Ken Dieker, Del Rio Advisors, LLC; John Rottschaefter, Best Best & Krieger, LLP

Public Comment

No comments were made.

1. Proclamations and Announcements

Introduction of new staff members, Jim Malberg, Finance Manager and Cindy Robertson, Administrative Assistant II (Confidential).

Recognition of Stefani Phillips for fifteen years of service.

2. Consent Calendar

- a. Minutes of the Regular Board Meeting of September 22, 2014 and Special Board Meeting of October 17, 2014.
- b. FRCD Cash Flow Worksheet – September, 2014
- c. Warrants Paid – September, 2014
- d. Active Accounts – September, 2014
- e. Bond Covenant Status for FY 2014-15 – September, 2014
- f. Revenues and Expenses – Actual vs Budget FY 2014-15 – September, 2014
- g. Cash Accounts – September, 2014
- h. Consultants Expenses – September, 2014

MSC (Dawson/Mulberg) to approve FRCD Consent Calendar items a-d, and f-j, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

Item e was pulled for discussion by Director Tom Nelson to discuss whether the coverage ratio for the bond covenants would stay between 1.15 – 1.25% if we move forward to the new bonds.

Ken Dieker, Advisor with Del Rio Advisors, LLC stated “the current bond documents have a two prong task for the existing certificates. The bonds that are not refunded as the part of the proposed refunding programs would be maintained until some future date until the

bonds are refunded. The new bonds would hold a ratio between 1.15 – 1.25% depending on feedback between the rating agencies.”

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

3. Conservation Activities – September, 2014

Ellen Carlson, Management Analyst presented the Conservation Activities – September, 2014.

In summary, the Stone Lake National Wildlife Refuge is in crisis due to a severe illness of one of their key employees. The refuge is understaffed and the Friends group is identifying ways to assist. The refuge is considering of having Docent training and several members from the board of directors in the Friends group will be taking Docent training in the near future. This will help the refuge by offering assistance in escorting visitors on bird watching walks on the weekends so the staff can place their energies elsewhere. Chairman Barrie Lightfoot is interested in taking the Docent training. Director Elliott Mulberg commented on our participation on conversation efforts.

4. Operations Report – September 2014

Mark J. Madison, General Manager presented the highlights of the Operations Report – September, 2014:

- 4 low pressure complaints
- Door Hangers and Shut Offs were way up for the month of September
- Tracking Water Conservation service requests
- 5 Meters Installed by the Distribution Department – mostly commercial customers
- 70 USA's
- 93 Valve Exercising
- 8 Meters Installed by the Utility Department – All meters have been installed on Melrose Avenue
- Wells 4D and 11D – produced 97 million gallons of water – bulk of production of all of our wells
- Well 11D – ran very little
- Combined production, conservation by customers is evident
- Added trend data to static and pumping graphs (as recommended by Director Tom Nelson in the September Board Meeting)
- Static pumping
 - Wells 3, 8, and 9 have virtually not changed
- Sampling
 - Added collection description to better explain the samples that were taken throughout the month
- Regulatory reports submitted on time
- 68 Backflow Devices Outstanding – devices haven't passed or the customers haven't responded to our requests
- Meter Retrofit Program – 162 meters left to install
 - Residential side – 8 customers remaining
 - Multi-Family – 39 locations that will require meters
 - 22 will have 5 meters at each location (4-plex units) that has a separate have an irrigation line and a common water heater
 - This is will be charge at the residential rate and we are sending letters out to customer for notification
 - Locations are primary at Emerald Park and El Mirador

Chairman Barrie Lightfoot inquired who will pay for the charges of the 5th meter. Mr. Madison replied that the 4 services line meters will be charged the traditional fixed charge and the commodity charge. The 5th meter will only be charged the commodity charge and the HOA will be the owner of this charge.

- Commercial side – 37 customers remaining
- Bullhead Replacement not expected to take effect until January 2015
- EGWD Leaks
 - Main Line – 1 (sheer break – line actually shifted and broke)
 - Service Line - 5 (variety of reasons)
- Sample Station Area Maps – abbreviation has changed from Station Area (SA) to Sample Station Area (SSA)

Associate Director Davies Ononiwu inquired how the water will be distributed in the 4-plex units. Mr. Madison explained how the water will be distributed.

Associate Director Bob Gray stated he received a comment from a customer stating that their water pressure was bad when his neighbor turned on the water. This was due to the fact the customer was on a bullhead. Mr. Madison replied, that the District is trying to get those done as quickly as possible and suggested the customer call the office so he can further explain.

5. Elk Grove Water District FY 2014-15 Quarterly Operating Budget Status

Mark J. Madison, General Manager introduced the item and thanked Hossein Golestan, Interim Finance Manager/Treasurer for his outstanding work while filling in for the position.

Mr. Golestan presented a quarterly budget status report for the first quarter of FY' 2014-15. The report is to keep the Board and the public informed on the financial status of the Elk Grove Water District (EGWD). The information presented was as of September 30, 2014.

Mr. Golestan stated that there was an error on his report. The capital expenditure amount is supposed to be \$431,000 (including labor) vs. \$838,337 as stated in his report.

Director Elliott Mulberg inquired if there were any particular line items or areas where there was a potential in 6-9 months that might be abnormal.

Mr. Golestan responded that there is no real concern. Staff is monitoring revenues due to conservation efforts by our customers.

Director Chuck Dawson inquired if the decrease in revenue in the area of residential, commercial and fire service and was wondering what would account for this drastic change.

Mr. Golestan replied that this was due to the conservation efforts during the summer months, which caused significant variance but it will not be at the same level for the rest of the year.

Director Tom Nelson added that there was a drop in commercial revenues due to the re-allocation of our rates. Mr. Madison agreed and will look into the decrease in revenues.

Director Chuck Dawson recommended that staff look into the decrease in revenue for these areas.

The Board thanked Hossein Golestan for his work during this interim period.

6. Elk Grove Water District FY2014 – 15 First Quarter Capital Reserves Status Report

Mr. Golestan, Interim Finance Manager/Treasurer presented the Elk Grove Water District (EGWD) Fiscal Year 2014-15 First Quarter Capital Reserve Status Report.

In summary, the total amount available for reserves on June 30, 2014 was \$12M. Based on the Board Policy that was adopted on August 22, 2012, the reserves are allocated first to the Operating Reserve (120 days of expense), then to the 2014-15 capital budget and election/special studies, with the balance allocated to future capital improvements and capital replacement in the ratio of 75:25. The amount available will increase by \$0.97M once the rate equalization funds are released by the bond trustee. After this transfer the total available reserves will be slightly below the amount available at the start of this fiscal year.

Mr. Golestan stated that there was an error on his report. The capital expenditure amount is supposed to be \$431,000 vs. \$838,337 as stated in his report.

7. Refunding of Outstanding Water Revenue Certificates of Participation for Economic Savings

Mark J. Madison, General Manager introduced the item and team associated with the bond refinancing. The team is constructed as follows:

- Ken Dieker – Financial Advisor with Del Rio Advisors, LLC
- John Rottschafer – Bond Counsel with Best Best & Krieger, LLP
- Jonathan Ash – Underwriter with Citigroup Global Markets
- Jacquelynne Jennings – Disclosure Counsel with Lofting & Jennings (not present)

Ken Dieker presented the information to the Board of Directors stating “the refinancing of approximately \$29M in bonds would like occur in early December 2014. This refinancing could potentially save the District approximately \$168,000 per year. Mr. Dieker stated that it is important to note that the refinancing of these bonds, as proposed, will not increase the term or the amount of the bonds being refinanced. There will be no additional debt to be incurred and that the term will not be extended beyond the original date of September 2029. Based on best business practices, the Board of Directors have set parameters that the District must achieve a minimum amount of three percent savings in order for the bond issuance to move forward.”

Director Elliott Mulberg inquired if there will be a prepayment penalty on part of the bonds.

Mr. Dieker responded and said that there will not be a prepayment penalty. All bonds would be callable at par.

Mr. Dieker highlighted a timeline to the Board of Directors if the bond refinancing was approved:

- November 5th – Meet with Standard and Poor’s
- November 19th – Board to consider the acceptance of the audit
- November 20th – Printing of the official statement
- 1st week of December – Pricing
- December 18th – Close

Director Elliott Mulberg inquired how long it would take for the bonds to be sold once they are on the market.

Mr. Dieker responded and said it could be as early as the week of December 1st.

Chairman Barry Lightfoot inquired if there would be three covenants – two existing and one new.

Mr. Dieker agreed with Mr. Lightfoot's inquiry.

Director Elliott Mulberg inquired if only part of the bonds were funded while maintaining a certain ratio, will the ratio be calculated differently since it is only part of the debt.

Mr. Dieker responded stating that the ratios and covenant will not change. It will just be applied to the bonds are remaining in that category. This will apply as long as those bonds remain outstanding.

Director Elliott Mulberg inquired if the preliminary official statement (POS) is a draft of what we will be using.

Mr. Dieker responded stating that the POS is deemed final for purposes of approvals. There will be some adjustments, which include: typos, fixes, minor changes in proforma, spaces left blank until the bonds can be sold.

Director Elliott Mulberg inquired on some references to other organizations in the POS.

Mr. Madison responded and said those references are typos and are being fixed.

Director Chuck Dawson complimented the team on not extending the time of debt and cost. Mr. Dawson also stated to the current and future board members that when making these types of decisions, we want to make sure that this will benefit the rate payers.

Chairman Barrie Lightfoot inquired that if it does not work to our advantage we can back out immediately.

Mr. Dieker responded that if the minimum savings threshold of 3% net present value savings is not met then we are not permitted to move forward.

MSC (Nelson/Dawson) to approve the adoption of Resolution No. 10.22.14.01, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

8. Disclosure Compliance Policies and Procedures

Ken Dieker presented the Disclosure Compliance Policies and Procedures Update to the Board of Directors. The Florin Resource Conservation District (FRCD) has not historically complied with all of its continuing disclosures obligations in connection with bonds and certificates of participation previously issued by the district. Disclosure documents generally prepared by the district include the POS, final official statement (OS) and continuing disclosure certificates. This will enact policies and procedure to ensure the District complies with all applicable disclosure requirements and obligations, Disclosure Compliance Policies and Procedures have been established to memorialize the District's future procedure and practices.

MSC (Nelson/Dawson) to approve the adoption of Resolution No. 10.22.14.02, 5/0: Ayes: Dawson, Menasco, Mulberg, Nelson, and Lightfoot.

9. Legislative Update

Ellen Carlson, Management Analyst gave the Legislative Update to the Board of Directors. The State Assembly and Senate have adjourned until December 1st. Governor Brown has until the end of September to sign or veto bills presented to him.

Mrs. Carlson highlight bills that have passed or have been vetoed since the last meeting:

- AB 194 – bill was vetoed
- SB 1281 – was signed by Governor Brown

Mrs. Carlson stated that AB 1420 will be tough for all water districts since it will require water districts to quantify and report on system distribution loss.

10. Committee Meeting(s) Update

No meetings occurred since the last Regular Board Meeting.

11. Directors Comments and Information

Director Tom Nelson proposed how to spend the money that the District is saving from the bond refinancing, by putting it into synthetic turf to cut back on water. Mr. Nelson would like to propose giving some type of rebate to customers who have cut back.

Director Elliott Mulberg proposed that staff look at our Capital Improvement Plan to see if there is any real pressing projects that might compete with trying to provide a rebate program.

Director Chuck Dawson proposed that the District needs to look into the long term effects of having artificial turf.

Mark Madison, General Manager inquired what timeline they would like this to be presented.

The Board suggested staff look into this in the Spring time.

Chairman Barrie Lightfoot stated that there is an RCD Convention in Ventura, CA and some sessions will go into detail regarding conservation efforts.

Director Elliott Mulberg and Director Tom Nelson will be attending the conference.

Chairman Barrie Lightfoot thanked staff and other Board Members for their help and service.

The Board of Directors thanked Mr. Lightfoot for his leadership and his time served at the District.

Mark Madison, General Manager stated, "We are not done with you yet. Your leadership has been remarkable and is much appreciated."

Next Regular Board Meeting will be on November 19, 2014 at 6:30PM at Elk Grove Water District.

12. Closed Session

CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Gov't Code Section 54956.8)

Property: 2450 Florin Rd., Sacramento, CA

Agency negotiators: Mark Madison

Negotiating parties: FRCD and Sacramento County

Under negotiation: Terms of payment

No reportable action taken.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Secretary