

## MINUTES OF THE SPECIAL MEETING OF THE FLORIN RESOURCE CONSERVATION DISTRICT BOARD OF DIRECTORS

**Wednesday, May 3, 2017**

The regular meeting of the Florin Resource Conservation District Board of Directors was called to order at 6:00 p.m. by Tom Nelson, Chairperson, at 9257 Elk Grove Blvd., Elk Grove, CA.

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

Directors Present:	Bob Gray, Lisa Medina, Tom Nelson, Sophia Scherman
Directors Absent:	Jeanne Sabin
Staff Present:	Mark J. Madison, General Manager; Bruce Kamilos, Assistant General Manager; Jim Malberg, Finance Manager
Associate Directors Present:	None
General Counsel Present:	None
Consultants Present:	None

### **Public Comment**

No comments were made.

Before Closed Session began, it was agreed to change the order of the items on the agenda. Item no. 3, Draft Fiscal Year 2017-18 Florin Resource Conservation District Budget, was placed before item no. 2, Draft Fiscal Year 2017-18 Elk Grove Water District Operating Budget.

Chairperson Tom Nelson adjourned from Open Session to Closed Session.

### **1. Closed Session**

- a. PUBLIC EMPLOYEE PERFORMANCE APPOINTMENT (Section 54957)  
Title: General Counsel
- b. CONFERENCE WITH LABOR NEGOTIATORS (Section 54957.6)  
Agency designated representatives: Mark Madison and Stefani Phillips  
Unrepresented employee: Customer Service Representative

Chairperson Nelson adjourned from Closed Session to Open Session.

There was nothing to report out of closed session.

### **3. Draft Fiscal Year 2017-18 Florin Resource Conservation District Budget**

Jim Malberg, Finance Manager, presented the Draft Fiscal Year 2017-18 Florin Resource Conservation District Budget to the Board. In summary, the draft budget presented includes the grant revenues awarded from the California Department of Conservation 2017 Resource Conservation District Financial Assistance Program.

Director Sophia Scherman inquired what the time frame is for the proposed budget. Mr. Malberg responded stating that this is an annual budget. Director Scherman inquired why the District doesn't propose a two-year budget. Mark Madison, General Manager, responded stating the District's practice is to go over the budget annually.

Mr. Malberg presented the proposed Fiscal Year (FY) 2017-18 expenditures to the Board.

Vice-Chairperson Bob Gray inquired what the bank charges are. Mr. Malberg responded stating it is a monthly account fee.

## 2. Draft Fiscal Year 2017-18 Elk Grove Water District Operating Budget

Mr. Malberg kicked off the Draft Fiscal Year 2017-18 Elk Grove Water District Operating Budget to the Board.

Chairperson Tom Nelson inquired what the different colors mean on the Draft FY 2017-18 Elk Grove Water District (EGWD) Operating Budget. Mr. Madison responded stating that each color represents a department.

The legend below explains the color scheme in the Draft FY 2017-18 EGWD Operating Budget:

- Pink = Operations
- Lavender = Technical Services
- Light Blue = General Manager
- Yellow = Human Resources
- Green = Program Manager
- Dark Blue = Finance
- Orange = Admin

Mr. Madison provided background on the compilation of the Draft FY 2017-18 EGWD Operating Budget to the Board.

Summary highlights and comments include:

- Operating Revenues is expected to increase \$580,632 (4.32%)
- Gross Operating Expenses is expected to increase \$7,739 (0.11%)
- Net Operating Expenses is expected to decrease \$23,791 (0.35%)
- Net Operating Revenue is expected to increase \$604,423 (2.42%)
- Total Expenditures (which include debt services) is expected to increase \$495,324 (4.14%)
- Revenues in excess of Expenditures is projected to be \$77,241

Chairperson Nelson commented that he would like to find out how the EGWD Operating Budget affects Reserves. Mr. Malberg responded stating that after he reviews the Draft FY 2017-18 EGWD Operating Budget with the Board, he would go through the EGWD Rate Model to explain the affects.

Highlights on the Revenue category:

- Revenue projection includes a 3.0% revenue adjustment on January 1, 2018 (fixed and variable)
- Water consumption is based on FY 2015-16 actual levels and was increase by 5% (both on revenue and purchase water)

Highlights and comments on the Salaries & Benefits category include:

- The annual Cost of Living Adjustment (COLA) is based off of the United States Department of Labor – Bureau of Labor Statistics using the average of three different indices from an April to April timeframe. The indices used are as follows:
  1. National Average
  2. Western Region (population less than 1.5 million and below)
  3. San Francisco Bay Area
- Based off the numbers released in February 2017, the COLA is estimated to be at 2.50%
- The Associate Civil Engineer position is vacant and unfunded
- The Customer Service Specialist I position is vacant and fully funded

- Medical Insurance premiums are estimated to increase by 10%, which is subject to the District's medical cap
- Dental, Vision, and Life Insurance premiums are estimated to increase on average by 5%
- CalPERS employer retirement contribution rate is estimated to increase at 2%
- Other Post Employment Benefits (OPEB) is estimated to increase \$1,119 (1.19%)

Chairperson Nelson provided some background on how the COLA is derived from year to year.

Mr. Malberg explained to the Board as employees are pushing up against the medical cap, the tendency will be to choose a high deductible plan, which the employees can participate in Health Savings Accounts (HSA's). He then stated that the District provides a fixed amount to the employees depending on their situation (employee, employee plus one, and employee plus family) for participating in the High Deductible Plan. Mr. Malberg stated that he will add \$15,000 to the EGWD Contribution to HSA (account no. 5201) as it was missed in the proposed draft operating budget.

Director Scherman commented that she noticed there are no funds allocated for an internship program (account no. 5180) and inquired if there could be a discussion on the topic. Chairperson Nelson responded stating that the District used to pay their interns and that is why there is a line item for an internship program.

Director Scherman stated that this would be a non-paid internship program. Chairperson Nelson then commented stating that a lot of discussion would need to take place prior to kicking off another internship program.

Mr. Madison commented that he could set aside \$15,000 as a placeholder so that a discussion on the internship program could be scheduled for a later date. The Board agreed to a discussion of an internship program for a later date; and tentatively bring back the item at the July Regular Board Meeting.

Highlights and comments on the Seminars, Conventions and Travel category:

- Overall this category is to increase \$1,938 (5.19%)

Mr. Madison commented that he could set aside more monies to this category if other Board members are interested in attending future ACWA conferences.

Highlights and comments on the Office & Operational category include:

- Overall this category was decreased
- Advertising decreased \$30,500
- Automotive repairs & maintenance increased \$18,500
- Material expense increased \$60,000
- Chemical expense decreased \$65,000
- Permit expense decreased \$17,200 – this will increase by \$14,600 due to the State Water Resources Control Board (SWRCB). In previous years, it was \$26,600 and the actual came in as \$34,600
- The District will be re-classifying Postage & Printing into one. The net difference from the previous year is an increase of \$3,350. This will include two (2) mailings of the Water Drop (two (2) as bill inserts and two (2) as mailings)
  - Postage increased to \$12,908

- Printing decreased \$9,558
- Safety Equipment decreased \$16,000
- Supplies decreased \$16,000
- Water conservation materials decreased \$20,000

Vice-Chairperson Gray inquired what the cost per bill is to the District. Mr. Malberg responded stating postage is paid at the bulk rate of 39 cents. The actual cost of the bill is 14.5 cents with an additional 2 cent charge for a search feature. Mr. Malberg commented he negotiated the cost of the actual bill and the search feature with the vendor and the cost is now down to 11 cents and there is no charge for a search feature.

Director Lisa Medina inquired if there is an option for the District to go paperless. Mr. Malberg responded stating that he is working on that now and it would drop the cost of the actual bill down to \$0.06.

Mr. Madison stated that staff will brief the Board on the electronic billing feature, before the District goes live. He then commented that this will mostly likely be brought to the June or July Regular Board Meeting.

Vice-Chairperson Gray stated he is concerned about the cost of the actual bill for electronic billing. Staff will look into this.

Highlights on the Purchased Water category include:

- Purchased water increased \$70,267 (2.91%)
  - Last year Sacramento County Water Authority (SCWA) rate increased 18% - Staff has not received rate information for FY 2017-18
  - Staff has relayed their concerns to SCWA regarding the 18% increase and submitted a public records request
  - Staff hired an auditor, who is presently auditing SCWA billing method and verifying if the billing method has been consistent over the past five years, with what is contained in the first amended and restated master agreement between the SCWA and EGWD

Highlights and comments on the Outside Services category include:

- Overall Outside Services increased \$17,318
- Bank charges increased \$38,000
  - Credit card processing fees \$110,000
  - Lockbox processing fees \$24,000
- Contracted services decreased \$85,280 (IT Security Audit was built into last year's budget)
- Water conservation decreased \$32,500 – this is due because the District is no longer paying Airborne for water patrolling services
- Engineering increased \$25,000
- Financial Consultants increased \$75,000 – this is a placeholder for the upcoming Water Rate Study

Vice-Chairperson Gray inquired if the District has made any progress with electronic payments versus a check payment through bill pay services. Mr. Malberg responded stating no, but he has contacted two different vendors that offer this service.

Mr. Madison provided some background on putting the placeholder in the operating budget for the Water Rate Study.

Mr. Malberg suggested if the Water Rate Study is approved by the Board, then the District should state one of the conditions in the RFP is to build a 5-year rate plan based on a 10-year financial plan.

Highlights on the Non-Operating Revenue/Expenses category include:

- Overall Non-Operating Revenue/Expenses increased \$519,115
- Debt Service Principal increased \$75,449
- Debt Service Principal increased \$550,000

Mr. Madison spoke to the Water Rate Model and Mr. Malberg walked through the Model with the Board.

Much discussion occurred during the walk through of the Water Rate Model.

Adjourn to regular meeting on May 17, 2017 at 6:30 p.m.

Respectfully submitted,

*Stefani Phillips*

Stefani Phillips, Board Secretary

SP/CR