

MINUTES OF THE REGULAR MEETING OF THE FLORIN RESOURCE CONSERVATION DISTRICT BOARD OF DIRECTORS

Wednesday, July 18, 2018

The regular meeting of the Florin Resource Conservation District Board of Directors was called to order at 6:30 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 Madison, General Manager; Bruce Kamilos, Assistant General Manager; Stefani Phillips, Board Secretary; Patrick Lee, Finance Manager; Donella Murillo, Finance Supervisor; and Sarah Jones, Program
Staff Absent: None
Associate Directors Present: Kenneth Strom, Shahid Chaudhry
General Counsel Present: Ren Nosky, Nosky Legal Group
Consultants Present: Shawn Koorn, HDR Consulting, Inc.
Public Present: Suzanne Pecci, Lynn Wheat, Cynthia Powers, Bob Turner, Linda Beattie, Eric Veerkamp, Scott Loregan, Michael Monasky, Robert Harris, Dwight Weathers, Dan Gougherty,

Public Comment

Ratepayer, Linda Beattie spoke regarding the poor quality of her water, stating there is too much calcium. Chairperson, Tom Nelson responded that the Elk Grove Water District (EGWD) ask that ratepayers get ahold of the District with a complaint or problem; he mentioned that the District is happy to send someone out to check on the issue. Staff took down Mrs. Beattie's information.

Suzanne Pecci provided her personal thoughts regarding public agencies and the Sacramento Groundwater Management Act (SGMA).

1. Proclamations and Announcements

Nothing to report.

2. Consent Calendar

- a. Regular Board Meeting Minutes of July 18, 2018
- b. FRCD Cash Flow Worksheet – July, 2018
- c. Warrants Paid – July, 2018
- d. Active Accounts – July, 2018
- e. Bond Covenant Status – July, 2018
- f. Revenues and Expenses – July, 2018
- g. Cash Accounts – July, 2018
- h. Consultants Expenses – July, 2018
- i. Major Capital Improvement Projects – July, 2018

MSC (Medina/Gray) to approve FRCD Consent Calendar items a-i 4/0: Ayes: Gray, Medina, Nelson, and Scherman.

3. Committee Meetings

There were no committee meetings held in the month of June.

4. Elk Grove Water District Operations Report – June 2018

General Manager, Mark Madison presented the Elk Grove Water District (EGWD) Operations Report – June 2018 to the Florin Resource Conservation District Board of Directors (Board).

Summary:

- Door tags and shutoffs (450 & 46, respectively) remain almost the same as May.
- There were three pressure complaints, all of which were unsubstantiated.
- There were four water quality complaints, three of which were unsubstantiated and one that was legitimate as sand was found in the water lines. The District's line in the street was subsequently flushed.
- 150 hydrants were checked. The District's hydrant maintenance target is set at 135 per month (ea. hydrant once per year).
- 166 valves were exercised. The District's valve exercising target is set at 120 per month (every valve once per 3 years).
- Wells 4D, 11D, 3, 8, 9 and 13 were the main sources of supply for Service Area 1.
- Production for Service Area 1 continued to increase significantly from the preceding month. 158 million gallons compared to 126 million gallons in May.
- Total customer usage for EGWD (SA1 and SA2) also rose by approximately 66 million gallons from May but remained down by 18% compared to May 2013.
- The Static and Pumping Water level charts have the same 2nd quarter date presented last month. The next set of measurements will occur this month.
- All required sampling was performed with no anomalies.
- All required regulatory reports were submitted on time and there were no excursions of any regulatory requirements. This includes the quarterly reports due in June.
- All preventative maintenance activities have been performed in compliance with our Standard Operating Procedures.
- Backflow prevention program. As of the end of June, we had 13 delinquent customers. They have until July 26 until they are shut off.
- We had 3 formal safety meetings and it has been 882 days since we have had a lost time injury.
- Service Line Replacements – 9 service lines were replaced in May as our Utility crew now back working on that project. We hope to complete the Service Line Replacement project by November.
- There were 3 service line leaks in May. All were from pinholes.
- Pressures in Service Area 1 remained stable in the 60 psi range. Pressures in Service Area 2 were also about the same.

5. Elk Grove Water District Fiscal Year 2017-18 Quarterly Operating Budget Status Report

Finance Manager, Patrick Lee presented information on the Elk Grove Water District Fiscal Year (FY) 2018-19 Quarterly Operating Budget Status.

Mr. Lee informed the Board, the revenues collected through the fourth quarter of FY 2017-18 total \$14,734,710 which is 103.08% of the approved \$14,294,096 FY 2017-18 annual budget that was adopted on June 21, 2017. The revenues are \$523,739 or 3.69% above the same quarter of the prior year. He went into detail of the budget, breaking it down into the different revenue categories.

6. Elk Grove Water District Fiscal Year 2017-18 Quarterly Capital Reserve Status Report

Mr. Lee presented the Elk Grove Water District FY 2017-18 Quarterly Capital Reserve Status.

Mr. Lee informed the Board, the total amount available for reserves at July 1, 2017 was \$12,871,285. In summary, based on Board policy adopted August 22, 2012, the reserves are allocated first to the Operating Reserve (120 days of budgeted operating and maintenance expenses), then to the Fiscal Year (FY) 2017-18 capital budget, followed by elections/special studies, with the balance allocated to future capital improvements and capital replacements in the ratio of 75:25, respectively. He mentioned, through the fourth quarter of FY 2017-18, the District expended \$1,352,900 for capital projects leaving a remaining total reserve balance at June 30, 2018 of \$11,518,385.

Cynthia Powers asked if there was a way the public could have access to reports provided in the quarterly capital reserve status report. Mr. Madison responded that all financial data is public information and all reports are available on the EGWD website. He asked her to contact him to help her find what she is looking for.

7. Elk Grove Water District Schedule of Charges, Rates, Fees and Deposits

Mr. Lee presented on the Elk Grove Water District Schedule of Charges, Rates, Fees and Deposits. He started by providing the information that Ordinance No. 07.18.18.01 will be amending, which is Exhibit A of Ordinance No. 12.14.16.01, as well as what it will be revising, which is the EGWD's schedule of charges, rates, fees and deposits.

Mr. Lee mentioned that Ordinance No. 07.18.18.01, is eliminating any wording related to Water Service Rates or Connection Fees from Exhibit A, as those topics will have their own ordinances. Mr. Madison explained further that the District felt the need to clean up the rates and fees structurally to make things more clear and transparent by having three (3) separate groups of rates and fees: 1) Water User Fees, 2) Connection Fees, and 3) Miscellaneous Fees (i.e. copier charges, shut off fees, etc.).

Associate Board Member, Shahid Chaudhry mentioned Exhibit A had good information, but it would be nice to have a comparison showing existing rates. Mr. Lee responded, the rates have not changed in Exhibit A, there has only been the removal of any references to Water Service Rates and Connection Fees. Director Sophia Scherman commented that the report is pretty clear, mentioning that it is not a change in the fees, just in the language.

Ratepayer, Michael Monasky wanted to speak about the increase in fees. Both Mr. Nelson and Mr. Madison informed him that Ordinance No. 07.18.18.01 did not have any changes in the fees, just the language. There was a discussion on the topic. Mr. Madison again made it clear that charges have not changed in Exhibit A of Ordinance No. 07.18.18.01, but language was removed regarding Water Rates and Connection Fees, as those will now have their own Ordinances.

Mr. Monasky stated the miscellaneous fees are punitive to half the ratepayer population and the language is bad.

MSC (Scherman/Medina) to adopt Ordinance No. 07.18.18.01, amending Ordinance No. 12.14.16.01, Exhibit A, in its entirety and revising the Elk Grove Water District's Schedule of Charges, Rates, Fees and Deposits. 4/0: Ayes: Gray, Medina, Nelson, and Scherman.

8. Public Hearing and Consideration of the 2018 Water Rate Study and Adoption of New Water Service Rates and Private Fire Protection Service Rates

Mr. Nelson started by explaining the public hearing process before turning it over to Mr. Madison.

Mr. Madison introduced the item by giving background on the process of the 2018 Water Rate Fee Study. He then introduced Shawn Koorn, HDR Consulting, Inc. to present the Water Rate Fee Study.

Mr. Koorn explained the 2018 Water Rate Fee Study and results to the Board and the public.

Mr. Madison asked Mr. Koorn if, in his professional opinion, the results from the District's water rate study satisfies the requirement that stem from the San Juan Capistrano case. Mr. Koorn responded absolutely, explaining the primary issue San Juan Capistrano had was not having a method for establishing their tier pricing, specifically tier 4. He then explained how HDR Consulting, Inc. established EGWD tier rates by appropriately allocating costs.

Stefani Phillips, Board Secretary explained how the protest notices worked, as well as how many protest notices were received.

Chairperson, Tom Nelson called for Board of Director and Associate Director comments:

Mr. Chaudhry commented, the process HDR Consulting, Inc. used to determine rates was fair and the rate structure for the next five (5) years is good. He mentioned there were many meetings and the consultants made sure to take feedback and comments from the Community Advisory Committee (CAC) along the way.

Associate Director, Ken Strom stated, the credibility of the study is pretty obvious in that the County is raising its rates immediately to over 3%, where the District is not raising rates for two (2) years.

CAC member, Dwight Weathers commented, he went to every meeting, mentioning it was available to the public. He stated the rates are fair and that some ratepayer's bills will actually go down. He gave his appreciation to the Board and staff.

An unidentified speaker commented, with Proposition 218, the community has the authority to a ballot box to appeal the water rates. Mr. Madison informed the customer, there is no ballot process for Proposition 218 in relation to Water Rates. He mentioned the process is a protest proceeding in which notices are sent out and the public has a chance to submit a formal protest.

Public comments and questions include:

Eric Veerkamp, read his protest letter to the Board.

Cynthia Powers questioned whether rate adjustments could be made if less water is used than the study projected. Mr. Madison responded yes, due to the philosophy of "if we don't need it, we don't ask for it".

Mrs. Powers commented that the District may want to develop a measure of security for customers as a remedy when someone steals their water. She commented her concern for rate increases when the Operation Report stated water usage is down 18% from 2013.

Lynn Wheat voiced her concern on rate increases with a Board who has elected to receive health benefits. She was informed that a policy has not yet been adopted for Board Health Benefits.

Mrs. Wheat inquired if the Board had the right to raise EGWD rates when they don't live in the boundaries. It was brought to her attention that four (4) out of the five (5) Board members live within the EGWD boundaries.

Mrs. Beattie commented her concern that that Elk Grove will have brown lawns due to rate increases. She commented that the District should have discounts for low income, seniors, disabled, and veterans. She was informed it is against Proposition 218 to provide a subsidy.

Scott Loregan commented his appreciation for Mr. Koorn explaining the study and Proposition 218. He commented that under Proposition 218, the tiered rates cannot be based on conservation, to which Mr. Koorn responded that he was correct and the rates in the 2018 Water Rate Fee Study were not based on conservation. Mr. Loregan questioned the doubling of Tier 2 from Tier 1, inquiring if it costs double for the District to deliver the next gallon of water after Tier 1. Mr. Koorn responded yes. Discussion continued.

Mr. Monasky commented that the commercial rates should be the highest of all the customer classes. He commented the District and Elk Grove need to have a change in mentality.

Suzanne Pecci inquired what the fixed costs in the study are. She was directed to look in the study results located on the EGWD website.

Robert Harris commented his understanding of the proposed rates, mentioning less water usage means more cost for the District. He asked if the District is reducing rates because he noticed the fixed charge is going down. It was expressed to him that the fixed charge will be going down and the consumption charge is going up. Mr. Harris inquired who would get the money if the EGWD was sold. Mr. Nelson mentioned the water district will not be sold.

It was requested that the protest letters be read. The public was informed the letters are not public documents. Discussion ensued.

Bob Turner questioned if EGWD will have enough water in 20 years for all the ratepayers.

Dan Gougherty inquired if the protest letters sent out stated they were a letter or a vote. He was informed it was a written protest.

An unidentified speaker mentioned, while she did not write a protest letter, she would most certainly not want it posted for everyone to see.

The public hearing was closed.

MSC (Gray/Medina) to adopt Ordinance No. 07.18.18.02, approving the 2018 Water Rates Study Report and adopt new water service rates and private fire protection service rates. 4/0: Ayes: Gray, Medina, Nelson, and Scherman.

9. Outside Agency Meeting Report

Mr. Madison and Program Manager, Sarah Jones spoke regarding the Outside Agency Meetings Report.

Ms. Jones presented on the American Water Works Association (AWWA) Government Affairs Committee meeting that took place on June 22, 2018. She mentioned the meeting discussed legislative matters of the state, as well as some Federal matters.

Ms. Jones presented on the Regional Water Authority (RWA) Public Outreach Committee Meeting that took place on June 26, 2018. She mentioned the committee discussed strategies for public outreach on conservation.

Mr. Madison spoke regarding the SCGA Special Board Meeting that took place on June 27, 2018. He reminded the Board earlier in the month the SCGA's proposed budget for FY 2018-

19 was unapproved. In summary, the special meeting was created to re-vote on the SCGA's proposed budget for FY 2018-19. The budget was approved the second time around, although Mr. Madison mentioned that he voted No.

Ms. Jones spoke about the RWA Legislative Committee Meeting that took place on June 28, 2018. She mentioned the meeting consisted of discussion related to the new meter accuracy laws, the new water tax law, and the water shut off bill.

Mr. Madison presented on the Elk Grove City Council Meeting that took place on July 11, 2018. He stated there was an item on the agenda at this meeting to formally appoint himself, Assistant General Manager, Bruce Kamilos, and Director Jeanne Sabin as representatives on the SCGA. Mr. Madison also mentioned that he led the Pledge of Allegiance per the Mayor's request.

Mr. Madison spoke on the RWA Meeting that took place on July 12, 2018. He mentioned this meeting was mainly to talk about amending and refreshing the region's Integrated Regional Water Management Plan, which the District, especially Mr. Kamilos plays a strong roll in. Mr. Madison commented, during Directors Comments, per Mr. Nelson, that next time the Urban Water Management Plan is updated, they include a regional climate change evaluation. He stated that climate change will not just be optional come 2020.

10. Legislative Report

Ms. Jones presented the legislative report. She informed the Board the California Legislature is currently on recess.

Ms. Jones commented on Proposition 68, The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act, mentioning it was approved by voters in June, which authorized \$4.1 billion in general obligation bonds.

Ms. Jones also mentioned Proposition 3, the Water Supply and Water Quality Act of 2018 will be on the November ballot. In summary, if approved by voters this water bond would allocate 8.9 billion dollars for water related projects. Grant funding through Proposition 68 and Proposition 3 (if passed) may be available for various projects throughout the state.

Mr. Madison informed the Board that Proposition 3 is for water conservation activities and could potentially be used for Automated Metering Instrumentation (AMI). He provided background on AMI and mentioned it would be a good topic for a different night.

11. Directors Comments

Mrs. Scherman commented, the CAC worked very hard to help the rate study move forward and they were the best committee she has ever worked with.

Mr. Nelson and the Board thanked Mr. Koorn, the staff, and the public.

Mr. Gray suggested that the public go online and download the board packet.

Adjourn to regular meeting on August 15, 2018 at 6:30 p.m.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Board Secretary
AK/SP