

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

Wednesday, June 20, 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
Directors Absent:	Sophia Scherman, 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 Manager
Staff Absent:	None
Associate Directors Present:	Shahid Chaudhry
Associate Directors Absent:	Ken Strom
General Counsel Present:	Ren Nosky, Nosky Legal Group
Public Present:	Suzanne Pecci, Lynn Wheat

Public Comment

Suzanne Pecci, Sacramento Central Groundwater Authority's (SCGA) Agricultural-Residential representative commented she noticed the Elk Grove Water District (EGWD) is looking to contract with a new general counsel. She mentioned, with the rate study going on there should be a point made that the EGWD is a private corporation. Chairperson, Tom Nelson informed Ms. Pecci that the EGWD is not a private organization, that it is a subset of the Florin Resource Conservation District (FRCD), therefore making it a public agency. Mr. Madison followed, affirming that the EGWD is the FRCD, stating the District is a Resource Conservation District (RCD) formed under RCD laws. He mentioned that the EGWD is an enterprise of the FRCD, meaning it is a special function. There was much discussion on the topic.

Ms. Pecci submitted an article titled, "Ruling has environmentalists declaring victory over Stockton Water, Sewage".

Ratepayer, Lynn Wheat asked Mr. Madison to define enterprise. Mr. Madison responded that the EGWD is a function of the FRCD and runs the FRCD's activity of operating a water system, explaining that the money between the FRCD and EGWD is separate.

Ms. Pecci commented the accounts of the FRCD and EGWD were combined a couple months ago. Mr. Madison explained the decision made a few months ago to combine the FRCD and the EGWD only modified the activities of the FRCD to water related activities that benefit the EGWD ratepayers.

Mr. Madison advised Mr. Nelson that they not get into a debate on the subject because it is not an item on the agenda and are only accepting public comment at this time.

1. Proclamations and Announcements

Nothing to report.

2. Closed Session

No reportable action was taken.

3. Professional Services Agreement For Interim General Counsel Services Between The Florin Resource Conservation District and Nosky Legal Group

Mr. Madison provided background on the subject, mentioning that on June 13, 2018, the FRCD Board of Directors (Board) terminated the professional services agreement between the FRCD and Meyers Nave for General Counsel Services. In summary, it is imperative that the FRCD retain General Counsel at all times and so it was recommended that the Board retain an attorney to provide legal services, primarily as the interim General Counsel for the FRCD. By this action, if approved, the FRCD Board would authorize the General Manager to execute a professional services agreement with the Nosky Legal Group to provide interim General Counsel legal services for a term of six months.

Mr. Gray stated, the rates quoted are competitive and he sees no reason to oppose; he thinks the agreement is good. Director Lisa Medina agreed with Vice-chair Gray's comments and believes the rates are reasonable. Mr. Nelson commented he agreed with the other board members and asked for comment from the associate directors.

Associate Director, Shahid Chaudhry stated, he believes it is a reasonable agreement. He questioned if the District used Nosky Legal Group in the past and parted ways, why the District was going back. Mr. Madison responded the Nosky Legal Group was used in the past as more of a guide for the District, helping assess and review proposals to find a law firm that would meet the criteria the FRCD was looking for. He mentioned the duration and scope of services provided from Nosky Legal Group at that time was limited.

Ms. Pecci asked what the new scope of services were for the Nosky Legal Group. Mr. Nelson responded that the scope is to provide legal services in many areas.

MSC (Gray/Medina) to authorize the General Manager to execute a Professional Services Agreement, between the Florin Resource Conservation District and Nosky Legal Group, for Interim General Counsel Services to be provided to the Florin Resource Conservation District and Elk Grove Water District. 3/0: Ayes: Gray, Medina, and Nelson.

4. Consent Calendar

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

MSC (Medina/Gray) to approve FRCD Consent Calendar items a-i 3/0: Ayes: Gray, Medina, and Nelson.

5. Committee Meetings

Stefani Phillips, Board Secretary, presented the Committee Meetings to the Board. There were three (3) committee meetings held in the month of May. The Community Advisory Committee (CAC) and the Finance Committee (FC) held two (2) combined meetings on Wednesday, May 2, 2018 and May 23, 2018 to review the 2018-2022 Water Rate and Connection Fee Studies. On May 23, 2018, the FC met to review the Draft Fiscal Year 2018-2019 Elk Grove Water District Operating Budget.

MSC (Gray/Medina) to accept the minutes of the combined Community Advisory Committee and Finance Committee Meetings held on Wednesday, May 2, 2018 and May 23, 2018; and the Special Finance Committee Meeting held on Wednesday, May 23, 2018. 3/0: Ayes: Gray, Medina, and Nelson.

6. Elk Grove Water District Operations Report – May 2018

Mr. Madison presented the Elk Grove Water District (EGWD) Operations Report – May 2018 to the Board.

Summary:

- Door tags and shutoffs (468 & 67, respectively) remain a little higher than what is expected but not too much different than April.
- There were three pressure complaint, two were unsubstantiated but one was legitimate due to an operational problem with our shallow wells. This operational problem has now been corrected and we are also going to pilot test some new pressure monitoring equipment that may provide us with real time pressure data in our distribution system.
- There were five water quality complaints, two of which were unsubstantiated but three were legitimate. These three stemmed from an operational malfunction at the Hampton Water Treatment Plant which has now been corrected. Be advised that this was an aesthetic problem only and there was no significant impairment to water quality.
- 150 hydrants were checked. The District's hydrant maintenance target is set at 135 per month (ea. hydrant once per year).
- 159 valves were exercised. The District's valve exercising target is set at 120 per month (every valve once per 3 years).
- Wells 11D, 14D, 3, and 13 were the main sources of supply for Service Area 1.
- The refurbishment of Well 8 was completed and that well was placed back online at the end of the month.
- Production for Service Area 1 increased a lot compared to last month. 126 million gallons compared to 76 million gallons in April.
- Total customer usage for EGWD (SA1 and SA2) also rose by approximately 69 million gallons from April but remained down by 31.41% 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 in July.
- 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.
- All preventative maintenance activities have been performed in compliance with our Standard Operating Procedures.
- Backflow prevention program. As of the end of February, we had 13 delinquent customers. All but one of these have been resolved as of this time.
- We had 3 formal safety meetings and it has been 854 days since we have had a lost time injury.
- Service Line Replacements – 21 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 4 service line leaks in May. 3 were from pinholes and was an old saddle.
- Pressures in Service Area 1 remained stable in the 60 psi range. Pressures in Service Area 2 were also about the same.

7. Elk Grove Water District Fiscal Year 2019-23 Capital Improvement Program

Assistant General Manager, Bruce Kamilos presented the Fiscal Year (FY) 2019-23 Capital Improvement Program (CIP) to the Board. He provided a brief background, mentioning each

year staff and the Infrastructure Committee (IC) get together to thoroughly review each project in the CIP.

Mr. Kamilos highlighted the chlorine tank project has been eliminated from the CIP report and will reduce the CIP budget by \$80,000. He stated the CIP presented for approval is for \$6.7 million dollars in project costs over the next five (5) year window.

Mr. Kamilos mentioned that California Environmental Quality Act (CEQA) does not apply to the adoption of the CIP resolution. He stated that CEQA will be addressed on a project-by-project basis.

Mr. Gray mentioned it was the first time staff and the IC were able to agree on the CIP in one (1) meeting.

Mr. Madison complimented Bruce and his team for the development of the CIP and for maintaining cost control on the CIP.

Mr. Chaudhry asked if any of the projects are considered CEQA. Mr. Kamilos stated, by in large all the District's projects have categorical exemptions.

MSC (Nelson/Medina) to adopt Resolution No. 06.20.18.01, approving the Elk grove Water District Fiscal Year 2018-23 Capital Improvement Program and approving an appropriation of \$1,314,000 from designated reserve funds to the Fiscal Year 2018-19 Capital Improvement Program budget. 3/0: Ayes: Gray, Medina, and Nelson.

8. Elk Grove Water District Fiscal Year 2018-19 Operating Budget

Finance Manager, Patrick Lee presented the EGWD FY 2018-19 Operating Budget, providing background to the Board. In summary, the proposed EGWD FY 2018-19 Operating Budget reflects no revenue adjustment as recommended by the 2018 Water Rate Study. He mentioned the proposed EGWD FY 2018-19 Operating Budget contains revenues of approximately \$14,821,253 and projected expenditures of approximately \$14,812,816, including deposits into the Repair and Replacement and Long-Term Capital Improvement Reserves of approximately \$1,445,400. The projected revenues in excess of expenditures are approximately \$8,436, which will be added to operating reserves for future use.

Mr. Gray commented that it is a nice, balanced budget.

Mr. Madison stated the budget is based on an assumption that the rate study, which is pending based on the Proposition 218 protesting period, will stay essentially the same as when presented to the Board at the Regular FRCD Board Meeting on May 16, 2018. The budget will be based off the water rate adjustments in the study.

Mr. Madison complimented Mr. Lee for his work on the budget, which qualifies the District for a distinction award from the Government Finance Officers Association (GFOA).

MSC (Nelson/Medina) to adopt Resolution No. 06.20.18.02, approving the Elk Grove Water Districts Fiscal Year 2018-19 Operating Budget. 3/0: Ayes: Gray, Medina, and Nelson.

9. Investment Policy Guidelines Fiscal Year 2018-19

Mr. Lee presented the Investment Policy Guidelines for FY 2018-19. He explained which California Government Codes establish the investment policy guidelines. He also mentioned the guidelines have to be adopted every year.

Mr. Nelson mentioned the District may look at this policy later in the year.

Mr. Chaudhry asked if there were any changes made to the investment policy guidelines. Mr. Lee responded there were no changes, it was on the agenda as a formality to adopt the policy.

MSC (Medina/Nelson) to adopt Resolution No. 06.20.18.03, approving the Fiscal Year 2018-19 Investment Policy Guidelines of the Florin Resource Conservation District. 3/0: Ayes: Gray, Medina, and Nelson.

10. Revised Elk Grove Water District Reserve and Capital Investment Policy

Mr. Lee presented the revised EGWD Reserve and Capital Investment Policy to the Board, explaining that it was last updated in August 2012. In summary, since 2012, staff have done financial analysis reviews on the reserve funds to insure financial stability. Due to the increase in elections, staff is proposing a revised reserve and capital investment policy specifically for the elections and special studies reserve fund. Currently the reserve fund is \$120,000 and the staff is recommending it be changed to \$150,000. The other five (5) reserve funds would remain unchanged.

Mr. Nelson clarified that the District will maintain \$150,000 each year, not add \$150,000 each year.

Mr. Gray suggested to consider an additional reserve bucket for a new administrative building. Mr. Nelson commented that would be a good discussion for a future board meeting.

Mr. Madison mentioned a goal of his is to have an expanded feasibility study on the administrative building. He mentioned that after there is a better understanding of what is needed and/or wanted, the Board can discuss an additional reserve bucket; part of the study would include how to appropriate funds and the use of funds and availability.

MSC (Gray/Medina) to adopt Resolution No. 06.20.18.04, approving a revised Elk Grove Water District Reserve and Capital Investment Policy. 3/0: Ayes: Gray, Medina, and Nelson.

11. Sacramento Central Groundwater Authority Proposed Budget Update

Mr. Madison presented the Sacramento Central Groundwater Authority (SCGA) proposed budget update to the Board. He started by providing the FRCD/EGWD's stance on past proposed SCGA budgets.

Mr. Madison mentioned the fundamental issue of the SCGA budget for FY 2018-19 is how the contributions have been calculated and assessed to the different parties. He explained he voted no at the last SCGA board meeting and that on May 13, 2018 he wrote a letter to Darrell Eck, Executive Officer of SCGA stating the concerns the District has. The four (4) basic problems the FRCD/EGWD has with the proposed budget are: 1. it is not equitable, 2. there is room for escapement, 3. the Zone 13 collections, and 4. the way the SCGA derives contributions are outside of the Joint Powers Agreement (JPA).

Ms. Medina asked if legal counsel looked into the agreement. Mr. Madison responded purportedly, yes. He mentioned SCGA's legal counsel verbally stated it was legal, but there was nothing in writing.

Mr. Madison mentioned that the first voting session resulted in a no, but there will be a revote at a special meeting dedicated to re-entertain the matter.

Ms. Medina asked if Mr. Madison has heard a response to the letter he sent to Mr. Eck. He mentions he has not heard back, but his requests were clear. He explained there are two (2) problems: 1. The SCGA is dragging their feet on a rate study and 2. Now the SCGA is not proposing adoption of new rate study for another 2 years.

Mr. Madison wants to make sure the District is not complicit so he recommends the FRCD only change its vote from no to yes on two (2) conditions: 1. Get clear reaffirmation from SCGA's legal that this does not violate JPA and 2. Get Board and staff to provide a firm commitment that they will move forward diligently on a rate study with intent to adopt before the start of the next fiscal year.

Ms. Medina asked if there has been a previous formal commitment from the Board to perform a rate study. Mr. Madison responded no.

Ms. Medina also asked how much the District is supposed to contribute. Mr. Madison responded, as of three (3) to four (4) years ago the contribution was \$0 due to an exemption of those who pumped less than 5,000 acre feet a year, which has now been waived. Now the District is being requested to pay \$46,000.

Ms. Medina asked if there is any way to determine how much of the contributions are for the Agriculture (Ag) sector from Zone 13. Mr. Madison responded that Zone 13 contributions collect \$2.2 million, with \$120,000 earmarked for the SCGA. In summary, the SCGA's budget is \$860,000. It is estimated that yearly, Ag pumps 60%, Agriculture-Residential (Ag-Res) pumps 12%, and urban contributors pump 28% of the groundwater pumped in the SCGA service area. If looking at Ag alone, even if the Zone 13 money only went towards Ag, it does not cover 60% of the SCGA's budget. When looking at determining contributions based on how much water is pumped, Ag and Ag-Res are not paying their fair share.

Ms. Medina mentioned she wants the District to be protected. Discussion continued.

Ren Nosky, Nosky Legal Group provided clarity on the JPA, stating the budget itself only needs a majority vote including the five (5) signatories, but changes in the financial contributions of all the members needs a super majority. He mentioned, it seems that over time, some of the financial contributions in the SCGA budget that would otherwise require a super majority vote have been lumped into the budget to be passed with a majority vote.

Mr. Gray asked if there is a possibility of getting written commitment for the SCGA to perform a rate study and have it completed within one (1) year. Mr. Madison responded, it is not likely. There was much discussion on the topic.

Mr. Madison mentioned that Ag-Res also voted no. Ms. Pecci, the Ag-Res alternate board member, commented that she did not understand why Ag-Res voted no.

Mr. Madison asked if the Board would like him to change his vote from no to yes, and if so, should he add conditions with it. Ms. Medina mentioned she is hesitant to change the vote and does not understand why the SCGA will not answer the District's questions.

Mr. Chaudhry stated, all the factors Mr. Madison mentioned are very logical and reasonable. He mentioned that changing the vote from No to Yes without getting assurances from the SCGA is probably not a good idea, because the district would be giving up without getting anything in return; there should be give and take. He believes unless the District gets assurance in writing that a rate study will be done in the near future and a legal opinion in writing that they are in compliance with the JPA, the District should not change their vote.

Mr. Gray mentioned to change the vote to yes only if the SCGA gets a written legal opinion and they commit to complete a rate study by next year. He mentions that if not, the District will not pay next year. Mr. Madison commented that he likes Mr. Gray's idea because the District is telling the SCGA what they want to happen and if it does not happen, they do not get the District's money. In summary, this will be what Mr. Madison brings up at the SCGA Special Board Meeting.

12. Legislative Report

Program Manager, Sarah Jones presented the legislative report.

Mrs. Jones reported that water conservation bills AB 1668 and SB 606 were signed into law May 31, 2018. In summary, although the Regional Water Authority's (RWA) and the Association of California Water Agency's (ACWA) position was opposed unless amended, several key amendments were made late in the process that both agencies consider as a major improvement from the initial draft legislation.

Mrs. Jones also mentioned Proposition 68 was approved by voters. In summary, it will provide \$1.6 billion for water-related projects.

Mrs. Jones stated the proposed "water tax," language based on SB 623 that was included in the state's draft budget as a trailer bill was terminated in budget negotiations.

Other bills discussed include SB 998, which outlines a regulatory process for water shut-offs and AB 3206, which proposes regulations regarding meter accuracy testing by water agencies.

13. Directors Comments

Mr. Nelson thanked Ms. Phillips for the meeting minutes.

Adjourn to regular meeting on July 18, 2018 at 6:30 p.m.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Board Secretary
AK/SP