

MINUTES OF THE FINANCE COMMITTEE MEETING OF THE FLORIN RESOURCE CONSERVATION DISTRICT BOARD OF DIRECTORS

Wednesday, January 10, 2018

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, Jeanne Sabin
Directors Absent: None
Staff Present: Mark J. Madison, General Manager; Bruce Kamilos, Assistant General Manager; Stefani Phillips, Board Secretary; Patrick Lee; Finance Supervisor; and Donella Murillo, Finance Supervisor
Associate Directors Present: Shahid Chaudhry, Kenneth Strom
General Counsel Present: Ruthann G. Ziegler, Meyers Nave
Consultants Present: Shawn Koorn, HDR

1. 2018-2022 Water Rate and Connection Fee Study

General Manager Mark Madison provided background on the Community Advisory Committee and introduced Shawn Koorn, HDR, Rate Study Consultant.

Mr. Koorn explained to the Board why we are doing a rate study.

Mr. Koorn discussed the challenges of working with Proposition 218, which defines that fees shall not exceed the reasonable cost of providing the service. Mr. Koorn also explained the process of setting cost-based rates.

Chairman Tom Nelson inquired if there was data regarding the assumption trends to help determine the potential increase in costs. Mr. Madison responded yes, and that data will have to be reviewed.

Director Lisa Medina inquired what assumptions are taken into consideration in the rate model. Mr. Koorn responded growth (customers), trends in consumption, operating and maintenance expenses.

Assistant General Manager Bruce Kamilos provided a handout from the previous rate study that listed the following assumptions:

- Growth Projections
- Inflation/Escalation Factors
 - Materials and Supplies
 - Treatment
 - Purchased Power
 - Salaries and Benefits
 - Pension Costs
 - Purchased Water
 - Other Production
 - Administration and General
 - Miscellaneous

- Capital Expenditure
- Capital Improvement Costs funded through Rates and Reserves

Mr. Koorn explained that the assumptions will need to be determined by February 2018.

The Board will need to have a future discussion regarding reserves.

A discussion occurred regarding increasing medical benefit costs.

Mr. Nelson commented that the District should probably check to see what other Districts are offering for medical benefits and relative caps.

Mr. Nelson commented that he would like the Board to revisit the methodology for the cap on medical premiums. Discussion continued.

Mr. Madison stated that everything will need to be completed by the middle of May 2018.

A discussion occurred regarding a meeting date the second week of February (possibly February 13, 2018) to determine assumptions, as well as having a meeting the last week of February to firm up assumptions. There was no particular date determined. The Board did agree it would be most cost effective to schedule the Community Advisory Committee Meetings on the same day as the Finance Committee Meetings.

A discussion occurred regarding the tier levels.

Mr. Koorn explained how important documentation will be in how the rates were established.

Mr. Madison commented while completing the 2018-2022 Water Rate and Connection Fee Study, keep in mind, "the least amount of change is better for the customers".

Director Bob Gray commented the District will be forced at some point in time to answer a question from a reporter regarding the percentage of the rate increase,

Mr. Madison presented rate comparisons from 1999-2018. He commented "if it's not broke don't fix it".

Mr. Madison stated that he would like to have conversations with each Board member separately regarding the following topics:

- Inactive account changes/standby fees
- Private fire services
- Assumptions
- Reserve balances

Mr. Koorn explained a tiered rate structure is going to be a necessary structure to have in the water rate model.

Director Jeanne Sabin inquired if the water rates could be mixed, for example could the fixed rates be increased during the summer and keep the tiered system in place. Mr. Koorn responded "you can, I have never done that and I do not know that I have ever seen that, but it can be done".

Continued discussions occurred regarding the tiered rate structure and the methodology behind it.

Director Sophia Scherman inquired if the District could establish a low income rates policy. Mr. Koorn responded that Proposition 218 does not allow the subsidization of rates. Mr. Madison explained that the only way to offer low income programs would be through a different revenue source, such as a grant.

Mr. Koorn replied Proposition 218 does not allow it (not through rates). The District would have to use another source of income to be able to subsidize rates.

A discussion followed.

Ms. Sabin inquired if the FRCD combined with the EGWD and brought combined funds, could that affect the study. Mr. Madison stated that he will discuss that topic with Mr. Koorn.

Adjourn to Regular Board Meeting on January 17, 2018.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Board Secretary