

**FINANCE COMMITTEE MEETING MINUTES
OF THE FLORIN RESOURCE CONSERVATION DISTRICT/
ELK GROVE WATER DISTRICT**

Thursday, February 15, 2018

The Finance Committee 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 Manager; Donella Murillo, Finance Supervisor; and Sarah Jones, Program Manager
Consultants Present: Shawn Koorn, HDR and Kevin Lorentzen, HDR

1. 2018-2022 Water Rate and Connection Fee Study

Shawn Koorn, HDR explained to the Board of Directors the purpose of the meeting was to review assumptions and drivers of the development of the rate study. He stated that he would share the overall feeling relayed by the Community Advisory Committee (CAC) who met prior.

Chairperson Tom Nelson commented he is concerned how the increased cost in construction and materials affect the Capital Improvement Program. Mr. Koorn replied that the Engineering News Record construction cost index is spiking at a 7-15% range. Construction costs will have to be evaluated accordingly.

General Manager Mark Madison stated that the District will have to allocate \$75,000 annually in additional funding to the Elections and Special Studies Reserve Fund because of increased election costs. He also mentioned if the FRCD and EGWD merge, 100% of the election cost will be burdened by the EGWD.

A brief discussion on spending down the reserves occurred. Vice-Chairperson Bob Gray expressed he feels strongly about not spending the reserve funds on anything that would not be a direct benefit to the rate-payers.

Mr. Madison mentioned that the Districts bond rating was reduced to B status because of the insureds status, unrelated to the District.

Mr. Koorn stated the CAC talked in great detail about potential District growth.

A discussion regarding growth and potential growth outside of the EGWD boundaries occurred. The analysis was performed using the Urban Water Management Plan (UWMP).

Mr. Madison explained that the UWMP was produced using information received from the City of Elk Grove Planning Department.

Mr. Lorentzen discussed the expenses that go into the assumptions.

A discussion on the volatile rate of growth in expenses between 2015 and 2017 occurred. Mr. Koorn explained that it could have to do with consultant costs and the fact that labor costs were capitalized. Mr. Nelson mentioned that in 2012, the District was using outside engineering services.

Mr. Gray mentioned the District can call Sacramento Municipal Utility District (SMUD) for future rate increases to help determine the increased costs for future years.

Mr. Madison explained the cap on Medical benefits as it relates to future costs. Mr. Nelson stated the Board needs to discuss the medical cap during the rate study.

Mr. Koorn discussed the Rate Study Assumptions. Mr. Nelson inquired if the Workers Compensation predictions were realistic. Staff will look into various costs as mentioned by the CAC. The CAC would like the consultants and staff to review labor, retirement, medical benefits, dental & Vision, Worker's Compensation, and OPEB.

Mr. Madison stated he was very concerned with retirement costs. HDR and staff will be reviewing the OPEB trend. Finance Manager Patrick Lee stated the OPEB should be 5% for the 2018 Rate Study, according to Nicolay Consulting's analysis.

Mr. Koorn stated he will be discussing Private Fire Service charges with General Counsel Ruthann Ziegler tomorrow to determine what is more defensible, continuing with Private Fire Service charges or having no Private Fire Service charge.

A discussion occurred regarding Private Fire Service. Mr. Madison explained how private fire service is for the commercial buildings and described how the connection of service is in relation to the main. Assistant General Manager Bruce Kamilos stated he will provide a drawing to demonstrate how the fire service connection works.

Mr. Madison informed the Board the CAC was in alignment to charge for Private Fire Service.

A discussion occurred regarding the use of hydrants as it relates to Private Fire Service.

Mr. Nelson commented if the District charges a fee, we should be able to defend the fee. Mr. Koorn stated there are several factors that go into the Private Fire Service fee that need to be considered, pipes, storage and capacity, pumps, hydrants and sprinklers. Approximately 5 to 15% of the infrastructure. Mr. Nelson commented that another thing to consider is the insurance rates for commercial buildings would be reduced due to the sprinkler systems.

Director Lisa Medina commented that maybe it would be a good idea to check with other water districts to see how they are charging for Private Fire Service.

Staff will bring back more information regarding Private Fire Service.

Mr. Madison discussed private wells. A discussion followed regarding charging for readily available water service. It was also discussed whether or not it is reasonable to assess a separate charge for public fire protection service.

Mr. Koorn stated he will pose the following question to legal counsel, “do we have a legal ground for charging a standby charge if the home is not connected. Also, what if the customer was once connected and then they disconnected”.

Mr. Madison commented there would possibly be three (3) meetings in the month of March. Special Meeting on March 7, the Regular Meeting on March 21, and a third Finance Committee Meeting, date to be determined.

Mr. Madison stated at the next Finance Committee Meeting, the following topics will be covered:

- Fixed/Variable split
- Surplus Reserve monies
- First look at the Water Rate Model
- Private Fire Service charges
- Final recommendation on charges to customers having readily available water service

Director Jeanne Sabin inquired if there was language in the ordinance for Private Fire Service that would prevent the customers from disconnecting or to prevent them from not paying the charges. Mr. Madison replied that staff will have to look at the language, but it would also compete with disconnection during shut-offs. Mr. Koorn commented “these are all legal questions.”

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Board Secretary

Adjourn to next Finance Committee Meeting: date to be determined.