



District Attendees

Misha Sarkovich	Board President
Randy Marx	Board Vice President
Michael McRae	Board Member
Gary Page	Board Member
Shawn Huckaby	Operations Manager
Chi Ha-Ly	Finance Manager
Paul Siebensohn	Technical Services Manager

Other Attendees

George Babcock	Visitor
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Absent

AGENDA ITEMS

I. CALL TO ORDER

- Board President Sarkovich called the meeting to order at 4:20 p.m.

II. PUBLIC COMMENT

- None.

III. DISCUSSION AND ACTION ITEMS: OLD BUSINESS

1. Public workshop related to development of FOWD's 2022 Annual Budget

- General Manager Gray stated the 2022 Proposed Budget and Financial Plan is a comprehensive plan for effectively funding the mission of the Fair Oaks Water District in accordance with specific Board direction. The primary purpose of the document is to provide the Board with an accurate picture of the total available resources, to set spending and program priorities, and to account for and allocate cash flows. The non-GAAP format of portions of the proposed budget accomplishes these objectives more clearly than would strict adherence to traditional accounting principles.

- He stated the annual budget process involves a detailed look at the District's strategic objectives, standards of service policies, and their relationships over a five-year forecast period. The budget process ensures that trends, which affect revenues and expenses, are identified and reconciled as early as possible.
- General Manager Gray stated that based on Board's direction, staff prepared the Budget as follows:
 1. Includes the Board's commitment to developing groundwater supply.
 2. Addresses the cost impact of the Board approved Corporation Yard Redevelopment Project and Transmission Main Replacement Project.
 3. Addresses emergency water supply requirements of the District.
 4. Includes an analysis of the preliminary budget with no rate adjustment in 2022.
 5. Does not include borrowing money in 2022.
 6. Complies with current District reserve policy.
- General Manager Gray stated that the water rate structures for 2021 estimated and 2022 Projected are 77% fixed service charge and 23% commodity charge.
- General Manager Gray stated that from 2013-2022, the Board approved one rate adjustment totaling a 10% increase in revenues from customers.
- General Manager Gray provided a summary of the 2021 estimated results and 2022 Proposed Budget including projected operating expenses, revenue, capital improvement projects and reserves.
- General Manager Gray stated that FOWD has estimated ending 2021 with a decrease in net cash of (\$2,326,100), with \$9,194,800 in revenues and \$11,520,900 in expenses.
- General Manager Gray stated that FOWD has projected revenue of \$9,538,900, an operating expense of \$7,638,700 (net income of \$1,900,200) and capital projects of \$7M for 2022. He stated only two capital projects in the 2022 Proposed Budget are staff recommended. The remaining capital projects are Board Mandate, County Mandate or Board Approved.
- General Manager Gray stated that related to water demand and water supply, staff projected a decrease of 1.5% in customer water demand in 2022 and projected an increase in 8% surface water purchased for 2022. He noted that the 2022 Proposed Budget included 70% surface water and 30% groundwater.

- General Manager Gray stated that the Five-Year Financial Summary is provided in accordance with Board direction.
- General Manager Gray noted that FOWD will be operating below the reserve requirement based on the current 2022 Proposed Budget; with FOWD projected 2022 reserves of \$1.7M and the minimum required reserves of \$2.5M.
- President Sarkovich stated that FOWD will be fine operating under reserve for this year. He believes that FOWD will end the year with more than projected reserves because not all projects in the 2022 Proposed Budget will be completed by 2022.
- Director Page agreed. He stated that with current resources, it would be unlikely that staff is able to complete all the capital projects in the 2022 Proposed Budget.
- General Manager Gray stated that staff will try their best to complete all projects in 2022.
- President Sarkovich stated that FOWD could raise rates by 20% and issue debt in 2023.
- General Manager Gray suggested doing a 25% rate increase instead of 20%. In addition, he suggested scaling back the Corporate Yard Project.
- Director Page is fine with 20%.
- Vice President Marx stated that FOWD should have adjusted rates based on inflation index and perhaps raise 2% a year rather than skipping years.
- President Sarkovich stated that he does not want to put FOWD on auto pilot. He would only increase rates as needed.
- General Manager Gray suggested issuing debt earlier to take advantage of the low interest rate.
- General Manager Gray suggested that the Board raise rate 10% in 2022 and 10% in 2023 rather than raising rates 20% in 2023.
- Director McRae stated he doesn't like to spend down the reserves like this; he likes to have a good reserve level. He stated spending \$7M in capital is a lot. He is more comfortable with cutting back some capital projects. He would only approve 2022 Proposed Budget if the Board agrees and commits to raising rates and borrow money in 2023.
- Mr. Babcock stated he would be shocked with a 20% rate increase; and it would be difficult with a 25% rate increase. He likes the idea of borrowing less money. He stated the Corp. Yard has been delayed long enough and he doesn't want to see that project being delayed any longer.

- The Board is fine with the 2022 Proposed Budget as presented and directed staff to bring it forward to the November Regular Board Meeting for approval.
- The Board thanked General Manager Gray and staff for the 2022 Proposed Budget.

IV. PUBLIC COMMENT

- None.

V. ADJOURNMENT

With no further business to come before the Board, President Sarkovich adjourned the meeting at 5:27 p.m.

The Board approved the preceding minutes on November 8, 2021

Tom R. Gray
General Manager/Board Secretary

Date