

**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
WALNUT VALLEY WATER DISTRICT**

July 18, 2006

5:00 P.M. at the Offices of the District

DIRECTORS PRESENT:

Donald L. Nettles, President
Allen L. Wu
E. Fred Flores
Ling Ling Chang
Edwin M. Hilden

OTHERS PRESENT:

H. Jess Senecal, Legal Counsel
Michael Holmes, General Manager
Erik Hitchman, Assistant General Manager/Chief Engineer
Shawna Whallon, Director of Finance
Brian Teuber, Accounting Manager
Cregg Zimmerman, Director of Operations
Sandra Olson, Director of Human Resources/Risk Mgmt.
Denis Hernandez, Director of Administrative Services
Jo Ann Angelico, Assistant Secretary
Karen Miller, Recording Secretary

The meeting was called to order at 5:00 P.M. with President Nettles presiding.

Guests and others in attendance: David De Jesus and Dan Horan, Board Members, TVMWD; and Henry Eagar and Michael Duran of Citizens Business Bank.

Item 4: Communications to the Board

- ◆ **Written** – The written communications were duly noted by President Nettles.
- ◆ **Public Comment** – There was no public comment at this time.

Item 5: Additions to Agenda – President Nettles

- ◆ There were no requests for additions to the agenda.

Item 6: Reorder of Agenda – President Nettles

- ◆ The Board received no requests to reorder the agenda.

Item 7: Consent Calendar – President Nettles

- ◆ The Board was asked to approve the Consent Calendar, including the Minutes of the Regular Board Meeting held June 20, 2006, the June/July Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status Report. At the request of Director Wu, Mr. Hernandez briefly discussed the ULFT program information as previously provided and additionally reported on the current status of contract negotiations with MWD for both the individual and multi-family ULFT programs. Director Wu also requested that Mr. Zimmerman provide a historical spreadsheet of the District's average water use for upcoming meetings.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Wu and unanimously carried, to approve the Consent Calendar consisting of the minutes of the Board Meeting held June 20, 2006, the June/July 2006 Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status report. (Items 7-A-1,2,3,4&5)

Item 8: Treasurer's Report – Shawna Whallon – Financial reports were presented in accordance with Government Code Sections 5922 and 53601.

- ◆ Review of Preliminary Statement of Revenues, Expenses, and Changes in Net Assets and Preliminary Statement of Net Assets for both the General District and Recycled Water System as of June 30, 2006.
- ◆ A review of the General District's Financial Position and Investment Portfolio as of June 30, 2006, was presented.

Upon consideration of the Treasurer's report, it was moved by Director Wu, seconded by Director Flores and unanimously carried, to approve, receive and file the Preliminary General District and Recycled Water System Statement of Revenues, Expenses, and Preliminary Changes in Net Assets and Statement of Net Assets, and to approve the activity that had occurred in the current month's investments portfolio, which were previously reviewed by the Finance Committee. (Item 8)

Committee Chair Reports

Item 9: Engineering & Special Projects Committee – Director Wu

- ◆ The Board is asked to authorize the General Manager to execute a Mutual General Release and Settlement Agreement with CB&I Constructors, Inc. for the Ridgecrest Reservoir project. At Director Wu's request, Mr. Hitchman provided background information as previously provided in the staff report. Subsequent discussion was held regarding some minor changes needed to the agreement, with legal counsel suggesting that it be approved subject to inclusion of their modifications.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to authorize the General Manager to execute a Mutual General Release and Settlement Agreement with CB&I Constructors, Inc., subject to inclusion of legal counsel's modifications, for the Ridgecrest Reservoir project, Work Order 01-2662. (Item 9-A)

- ◆ The Board is asked to approve Change Order No. 1 for the ACE Brea Canyon Road Grade Separation project at a cost of \$34,650.36. Mr. Hitchman was again requested to provide background information on this project, which he did. Staff was also directed to seek reimbursement from ACE for a portion of this change order.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to approve Change Order No. 1 for the ACE Brea Canyon Road Grade Separation project, Work Order 02-2726, at a cost of \$34,650.36. (Item 9-B)

- ◆ The Board is asked to accept the work as installed and authorize the filing of a Notice of Completion for the Morning Sun Water Main Relocation project.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to accept the work as installed and authorize the filing of a Notice of Completion for the Morning Sun Water Main Relocation project, Work Order 05-2901. (Item 9-C-1&2)

Item 10: Personnel Committee – Director Hilden

- ◆ The Board is asked to make a determination regarding the inclusion of the monthly Directors' Meeting and Expense Report forms in the Board meeting packet each month. Mr. Holmes noted that the Committee also discussed and recommended that executive staff reports not be included under this item for Board consideration.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Chang and unanimously carried, to include the monthly Directors' Meeting and Expense Report forms in the Board meeting packet each month. (Item 10-A)

- ◆ Mrs. Olson provided the Board with historical information on the District's High School Internship Program and the positive effect it has had over the years both on the District and within the local community. She additionally noted the District had three full-time employees currently on staff that were past participants in the program.

Item 11: Finance Committee – Director Wu

- ◆ The Board is asked to receive and file the District's June 2006 monthly Investment Transactions Report and the Quarterly Report for Investment Portfolios as of June 30, 2006.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Chang and unanimously carried, to receive and file the District's June 2006 monthly Investment Transactions Report and the Quarterly Report for Investment Portfolios as of June 30, 2006. (Items 11-A&B)

- ◆ The Board is asked to roll over the balance of advance deposits on dues with ACWA in the amount of \$36,125 for an additional five year term, earning an interest rate of 6% with a 4% return of principal.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to roll over the balance of advance deposits on dues with ACWA in the amount of \$36,125 for an additional five year term, earning an interest rate of 6% with a 4% return of principal. (Item 11-C)

Item 12: Public Information and Community Relations Committee – Director Chang

- ◆ There were no matters from this committee to come before the Board at this time. Mrs. Olson provided information on the annual District barbeque to be held on June 21, to which state and local legislators and fire and sheriff department personnel have been invited.

Item 13: Legislative Action Committee – Director Hilden

- ◆ There were no matters from this committee to come before the Board at this time.

Other Items**Item 14: MWD/TVMWD – Director Hilden**

- ◆ Director Hilden reported on the TVMWD Action Line as previously provided, after which Mr. Holmes advised he and Director Hilden are looking forward to attending the TVMWD Board meeting the morning of June 19 and working with them on rate structure issues.

Item 15: The P-W-R Joint Water Line Commission – Director Hilden

- ◆ Director Hilden noted the items as included in the Board packet, after which Mr. Hitchman provided an update on the Commission's efforts and the issues involved in revising its Joint Powers Agreement.

Item 16: Puente Basin Water Agency – President Nettles

- ◆ President Nettles advised there was nothing to report at this time.

Item 17: General Manager Oral Report – Mike Holmes

- ◆ Mr. Holmes reported on the potluck barbeque held to honor both Field and Customer Service employees who had participated in the District's recently completed Radio Read Program and Mr. Hernandez for his work in the annual MWD-sponsored Solar Cup Program. He also reminded the Board of the workshop scheduled for June 21 at 1:30 PM.

Item 18: Directors' Oral Reports

- ◆ Director Chang advised she received a telephone call from Mayor Herrera of Diamond Bar congratulating the District on moving the Board meetings to a 5:00 P.M. start time. She also reported on her attendance at the May 2006 TVMWD Leadership Breakfast, the ACE Brea Canyon Road project groundbreaking ceremony, the AWWA Conference in San Antonio, Texas, and on how much she enjoyed the barbecue honoring District employees.
- ◆ Director Flores reported on his visit with a family who live on Morning Sun Ave. and how pleased they were with the recent work that had been done to repair the pipeline.
- ◆ Director Hilden thanked the General Manager and staff for their excellence in taking care of the District.
- ◆ Director Wu reported on his attendance at the AWWA Conference in San Antonio, Texas, and the June 21 Public Policy Lecture in Los Angeles. He also thanked Customer Service staff for assisting a customer in his Division and thanked staff for their efforts on behalf of a customer who lives near the District's Arbor Ridge Reservoir site.
- ◆ President Nettles reported on his attendance at the Legislative Update held by Assemblyman Bob Huff and at the barbeque honoring District employees.

Item 19: Board of Directors Business – President Nettles

- ◆ There were no items to be discussed by the Board at this time.

Item 20: Legal Reports

- ◆ Legal counsel advised he had no legislative report to present to the Board.

Item 21: Activities Calendar Review – Mike Holmes

- ◆ Mr. Holmes noted the calendars for July, August, and September 2006 that were previously provided.

Item 22: Subjects for Future Meetings

- ◆ Director Chang requested the Board discuss the issue of the number of Directors permitted to attend conferences, which will be brought to Personnel Committee in August.

Item 23: Adjourn to Closed Session at 6:05 P.M.

- ◆ The Board adjourned to Closed Session in accordance with Government Code Section 54956.9[b] to discuss two matters regarding potential litigation and in accordance with Government Code Section 54957 for a public employee performance evaluation.

Item 24: Reconvene in Open Session at 7:10 P.M.

- ◆ The Board met in closed session in accordance with Government Code Section 54956[b] to discuss two matters regarding potential litigation. Direction was given to staff on how to proceed. No action reportable under the Brown Act was taken.
- ◆ The Board also met in closed session in accordance with Government Code Section 54957 to evaluate the performance of the General Manager during his first six months of employment. By unanimous decision the Board elected to continue the services of Michael Holmes as General Manager of the District.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden, and unanimously carried with a 5 to 0 vote, to authorize a 3% salary increase for the General Manager, effective August 1, 2006. (Item 24)

Item 25: Adjournment at 7:15 P.M.