

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

**January 22, 2008
6:00 P.M. at the Offices of the District**

DIRECTORS PRESENT:

Allen L. Wu, President
Theodore L. Ebenkamp
Edwin M. Hilden
Scarlett P. Kwong

DIRECTORS ABSENT:

Ling Ling Chang

STAFF PRESENT:

H. Jess Senecal, Legal Counsel
Michael Holmes, General Manager
Erik Hitchman, Assistant General Manager/Chief Engineer
Shawna Whallon, Director of Finance
Brian Teuber, Deputy Director of Finance
Sandra Olson, Director of Administrative Services
Jo Ann Angelico, Assistant Secretary

The meeting was called to order at 6:00 P.M. by President Wu.

Guests and others in attendance: Directors David DeJesus and Joe Ruzicka, General Manager Richard W. Hansen, and Assistant General Manager Kirk Howie of Three Valleys Municipal Water District; and Diamond Bar residents Ted and Barbara Carrera.

Item 3: Communications to the Board – President Wu

- ◆ **Written** – Written communications received at the District were duly noted by the General Manager.
- ◆ **Public Comment** – Mr. Carrera advised that Steve Anderson, Vice Chair of the Metropolitan Water District and Councilman for the City of La Habra, had passed away. He said that Mr. Anderson had been instrumental in promoting recycled water use and asked that the District adjourn its meeting in his memory.

Item 4: Additions to Agenda – President Wu

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

Item 5: Reorder of Agenda – President Wu

- ◆ There were no requests to reorder the agenda.

Item 6: Consent Calendar – President Wu

- ◆ The Board was asked to approve the Consent Calendar, including the minutes of the Regular Board Meeting held December 18, the December Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status Report.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to receive, approve, and file the Consent Calendar consisting of the minutes of the Regular Board Meeting held December 18, the December Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status Report. (Items 6-1, 2, 3, 4, & 5)

Item 7: Director Expense Reports

- ◆ The Board is asked to receive, approve, and file the Board member expense reports indicating per diem requests for meeting attendance and the individual reports of additional expenses incurred by the District on behalf of each Director. Director Kwong noted some inconsistencies in marking the “AB 1234 Reportable” section of the Meeting and Expense Reimbursement Form, and the General Manager assured Board members that staff would mark the reports in the future to indicate which events require Directors to report back on their attendance.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to receive, approve, and file the Board member expense reports for meeting attendance. (Item 8-A)

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

- ◆ Review of District Statement of Revenues, Expenses, and Change in Net Assets for December 2007
- ◆ Review of District Statement of Net Assets for December 2007
- ◆ Review of the Financial Position and Investment Portfolio for the District

Upon consideration of the Treasurer's report, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to receive and file the District Statement of Revenues, Expenses, and Change in Net Assets and the District Statement of Net Assets for December 2007 and the Financial Position and Investment Portfolio for the District. (Items 8-1, 2, & 3)

Committee Chair Reports

Item 9: Engineering & Special Projects Committee – Director Hilden

- ◆ The Board is asked to award a contract to supply and install the emergency generator at Sylvan Glen Pump Plant to Pacific Industrial for the sum of \$108,905.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to award a contract to supply and install the emergency generator at Sylvan Glen Pump Plant to Pacific Industrial for the sum of \$108,905. (Item 9-A)

- ◆ The Board is asked to authorize additional compensation of \$57,648 to LEE & RO, Inc. for the Arbor Ridge Reservoir and Pump Station Improvement Project for increased construction oversight services, largely due to materials testing (concrete) for the foundations, more frequent specialized inspection, additional shop drawing review, and information clarifications. Director Hilden passed around an artist's rendering of the final design for the project.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to authorize additional compensation of \$57,648 to LEE & RO, Inc. for increased construction services for the Arbor Ridge Reservoir and Pump Station Improvement Project, resulting in a revised not-to-exceed limit of \$274,089. (Item 9-B)

- ◆ Mr. Hitchman provided an update on the Tier I and Tier II water purchases by the District for the calendar year 2007. Mr. Hitchman noted that even though this was the driest year on record, the District went into Tier II water shortly before the end of the year, with an incremental cost of approximately \$3,500. (Item 9-C)

Item 10: Personnel Committee – Director Hilden

- ◆ The Board is asked to accept the proposal from Prudential Financial for the renewal of the District's Short-Term Disability, Long-Term Disability, and Life Insurance coverages for a two-year rate guarantee, beginning February 1, 2008. The proposal provides for coverage at the existing level for District employees with no increase in the disability premiums and a reduction in the life insurance premium, resulting in a savings to the District of approximately \$1,600 annually. Director Hilden commended staff.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to accept the proposal from Prudential Financial for renewal of the District's Short-Term Disability, Long-Term Disability, and Life Insurance coverages for a two-year rate guarantee, beginning February 1, 2008. (Item 10-A)

- ◆ The Board is asked to review, amend as deemed appropriate, and adopt the proposed Computer Use Policy as amended to incorporate language from the District's 1998 E-Mail Policy and to add language to allow for the deletion of e-mail after 120 days to help free up storage space on the District's e-mail servers.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to adopt the revised Computer Use Policy as amended to incorporate language from the District's 1998 E-Mail Policy and to add language to allow for the deletion of e-mail after 120 days. (Item 10-B)

- ◆ The Board is asked to consider adopting concurring resolutions for the incumbent candidates for the ACWA/JPIA Office of President and Executive Committee positions, which must be received by the JPIA not later than 4:30 p.m. on Friday, March 21, 2008. Candidates must receive five concurring resolutions in order to be included on the ballot for the election being held on May 5, 2008, during the ACWA Spring Conference in Monterey.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to adopt a concurring resolution for Mary Gibson of Mission Springs Water District, incumbent candidate for ACWA/JPIA Executive Committee; W.D. "Bill" Knutson of Yuima Municipal Water District, incumbent candidate for ACWA/JPIA Executive Committee; and Wes Bannister of Orange County Water District, incumbent candidate for the ACWA/JPIA Office of President. (Item 10-C-1, 2, & 3)

- ◆ The Board is asked to authorize the preparation of District tiles and to adopt resolutions for former Directors E. Fred Flores and Donald L. Nettles in recognition of their service as members of the District's Board of Directors, as well as for Frank Caplan in recognition of his service as a member of the Walnut Valley Building Corporation's Board of Directors. The General Manager noted that, since none of the individuals were going to be able to attend the District Awards Banquet where these items would normally be presented, with the Board's approval, they would be invited to a future Board meeting to receive this recognition.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried, to authorize the preparation of District tiles and to adopt resolutions for former District Directors E. Fred Flores and Donald L. Nettles and for former Walnut Valley Building Corporation Director Frank Caplan in recognition of their service for presentation at a future Board meeting. (Item 10-D-1, 2, & 3)

Item 11: Finance Committee – President Wu

- ◆ Mr. Teuber briefly reviewed the actuarial valuation report prepared for the District by Epler Company that measures the District's liability for retiree benefits (other than pension). He said, although implementation is a year away, the early preparation of this report will better position the District to comply with the requirements of the Government Accounting Standards Board (GASB) approved statement number 45 and will also allow for an opportunity to explore options for funding and managing other post-employment benefits (OPEB). Mr. Teuber mentioned that, rather than accounting for these benefits on a "pay-as-you-go" basis, GASB 45 requires the accounting to be done on an accrual basis. He further noted that although we are required to report the liability every year, the actuarial valuation report is required to be prepared every three years.

Upon consideration thereof, it was moved by President Wu, seconded by Director Hilden and unanimously carried, to receive and file the District's actuarial valuation report as prepared by Epler Company to comply with GASB 45. (Item 11-A)

- ◆ After Ms. Whallon provided a brief review, the Board was asked to receive, approve, and file the December 2007 monthly Investment Transactions Report.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried, to receive, approve, and file the monthly Investment Transactions Report for December 2007. (Item 11-B)

- ◆ Ms. Whallon then presented the District's quarterly Portfolio Holdings Report as of December 31, 2007.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried, to receive, approve, and file the District's quarterly Portfolio Holdings Report as of December 31, 2007. (Item 11-C)

- ◆ The Board is asked to declare fully-depreciated computer and office equipment as surplus property to be disposed of in accordance with District policy, which includes the option to donate it to a public or non-profit agency. Mr. Holmes advised that, upon approval, the surplus property would first be offered to local schools and cities in our service area, then employees, and remaining surplus items would be handled as set forth in the District's Surplus Property Policy. Unwanted items would be hauled away by a firm specializing in e-waste disposal.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried, to declare the fully-depreciated computer and office equipment as surplus and authorize that it be disposed of in accordance with District policy. (Item 11-D)

- ◆ The Board is asked to authorize the General Manager to execute a one-year agreement with Diehl, Evans & Company to perform auditing services for the District and Walnut Valley Building Corporation for the fiscal year ending June 30, 2008, for an amount not to exceed

\$20,640. Mr. Teuber explained that, although it was staff's intention to request proposals for the Fiscal Year 2007-2008 audit, because of their unique experience and knowledge of the District, contracting with Diehl, Evans & Company to perform this year's audit would enable staff to devote the time needed to allow for a smooth transition to the new utility billing and financial accounting system. A request for proposals would then be released for the following year's audit cycle.

Upon consideration thereof, it was moved by President Wu, seconded by Director Hilden and unanimously carried, to authorize the General Manager to execute a one-year agreement with Diehl, Evans & Company to perform auditing services for the District and the Walnut Valley Building Corporation for the fiscal year ending June 30, 2008, for an amount not to exceed \$20,640. (Item 11-E)

- ◆ The Board is asked to terminate the agreement with Client First Consulting for project management services related to the implementation of the Accounting and Utility Billing System. Mr. Teuber explained that over the course of the last several months, much of this work has been handled internally. Therefore, due to the increasing ability of staff to coordinate the majority of the project management duties, staff believes it would be to the District's benefit to terminate the agreement. He further noted that the District maintains a professional relationship with Client First and, recognizing they have a certain level of expertise, would reserve the option to utilize their services in the future on a fixed scope-of-work basis.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried to terminate the agreement with Client First Consulting for project management services related to the implementation of the Accounting and Utility Billing System. (Item 11-F)

- ◆ Mr. Hitchman explained that the District is required to perform an annual analysis of the overall policy and reserve balances to identify funds that are greater or less than the 10% approved limits and prescribe a course of action. The Board is, therefore, asked to review the District's existing Cash Reserve Policy and, if no changes are deemed necessary, receive and file as presented. The Board is further asked to authorize the transfer of \$334,767 from the Capital Improvement Reserve fund to the Replacement Reserve fund. Additional fund transfer requests will be addressed during the review of the Source and Application of Funds, part two of this agenda item.

Upon consideration thereof, it was moved by President Wu, seconded by Director Hilden and unanimously carried to receive and file the District's Cash Reserve Policy as presented and to authorize the transfer of \$334,767 from the Capital Improvement Reserve Fund to the Replacement Reserve Fund. (Item 11-G-1)

- ◆ The Board is asked to approve the Final 2007-2008 Source and Application of Funds report, which includes the transfer of \$1,871,239, which is 50% of the District's annual depreciation, from the General Fund to the Reserve for Replacement Fund and the transfer of \$2,406,750 from the General Fund to the Rate Stabilization Fund. The purpose of these transfers is to fund various reserve accounts as required either through the District's Reserve Policy or at the Direction of the Board. The requested transfer of funds to the Rate Stabilization Fund is in anticipation of future funding needs for MWD "allocation" penalties and water rate increases, OPEB funding, and building replacement.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried, to approve the Final 2007-2008 Source and Application of Funds report, which includes the transfer of \$1,871,239 (50% of the District's annual depreciation) from the General Fund to the Reserve for Replacement Fund and the transfer of \$2,406,750 from the General Fund to the Rate Stabilization Fund. (Item 11-G-2)

- ◆ The Board is asked to approve an adjustment to the District's Wholesale Potable Water Rate for water delivered through the Badillo-Grand Transmission Main, setting the rate at \$558 per acre-foot for Tier I water and \$656 per acre-foot for Tier II water, effective January 1, 2008 to June 30, 2008. This recommended rate adjustment is based on the Three Valleys rate structure, including Three Valleys' approved \$7 per acre-foot reduction in its surcharge, and direct pass-through of MWD's two-tiered rates and charges, as well as the Badillo-Grand Operation & Maintenance Budget.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried, to approve an adjustment to the District's Wholesale Potable Water Rate for water delivered through the Badillo-Grand Transmission Main, setting the rate at \$558 per acre-foot

for Tier I water and \$656 per acre-foot for Tier II water, effective January 1, 2008 to June 30, 2008. (Item 11-H)

- ◆ The proposed 2008-2009 Budget Meeting Schedule was provided as an information item. Mr. Holmes advised that staff would do its best to adhere to the schedule as presented, noting that the schedule of meetings would be properly noticed as meetings of the full Board.

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

- ◆ The Board is asked to authorize a contribution of \$800 to the 2008 California Water Awareness Campaign (CWAC). Ms. Olson provided background history of the District's association with the CWAC and reviewed some of the organization's educational programs and the services it provides. She said that, although the CWAC is asking for a \$1,464 contribution, staff is recommending the District maintain its present support level at \$800 in light of the fact that both Metropolitan Water District and Three Valleys Municipal Water District also donate to the campaign.

Upon consideration thereof, it was moved by Director Kwong, seconded by Director Ebenkamp and unanimously carried, to authorize a contribution of \$800 to the 2008 California Water Awareness Campaign. (Item 12-A)

Item 13: Legislative Action Committee – Director Hilden

- ◆ Mr. Holmes provided a brief update on the Governor's Declaration of a Fiscal Emergency to address a projected \$14.5 billion deficit. He noted that declaring a "fiscal emergency" could trigger the "borrowing" provisions under Proposition 1A, which could impact a portion of the District's property tax revenues.

Other Items

Item 14: TVMWD/MWD – Director Hilden

- ◆ Director Hilden reviewed the TVMWD Action Line reports of December 19, 2007, and January 16, 2008, Board meeting activities, and invited Mr. Hansen to comment on the upcoming Leadership Breakfast. Mr. Hansen advised that the speaker would address GASB 45. (Item 14-A)
- ◆ Mr. Hansen then provided an update regarding the 2009 MWD water rates and supply allocation plan, reviewing MWD Water Supply Allocation Plan and rate-related documents he provided as hand-outs. Mr. Hansen offered to return for next month's Board meeting to answer any questions that might occur to the Board members after they had a chance to review the materials he had given them. (Item 14-B-1 & 2)

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

- ◆ Director Hilden noted the items included in the Board packet, specifically the Water Usage Report for the month of December.

Item 16: Puente Basin Water Agency – Director Wu

- ◆ There was no meeting to report on at this time.

Item 17: General Manager Oral Report – Mike Holmes

- ◆ Mr. Holmes reported on former Director Nettles' condition following his recent surgery. He also advised that the Building Ad Hoc Committee had met, would be meeting monthly, and that updates would be provided on a regular basis at the monthly Board meetings.

Item 18: Directors' Oral Reports

- ◆ Director Hilden expanded his December report on his attendance at the ACWA/JPIA Fall Conference in November, passing along some of the materials he had received.
- ◆ Director Kwong reported on her tour of the District's facilities on December 28 and a Diamond Bar Health Festival she had attended on December 19.
- ◆ Director Ebenkamp reported on his attendance at a TVMWD Ethics Training class. Mr. Hansen followed up with an invitation to the Board to attend Workplace Harassment class in February following the TVMWD Board meeting.
- ◆ Director Wu reported on his attendance at the MWD Student Art Recognition event on December 5, his meeting with the General Manager on December 7 regarding a 2008 water issue, his attendance at a Phil-Am Community of Walnut Event on December 8, and his attendance at the December 19 TVMWD Board meeting.

Item 19: Board of Directors Business

- ◆ The Board considered the request for Local Agency Formation Commission (LAFCO) Special District Representative nominations and asked Mr. Ruzicka if intended to run. Mr. Ruzicka advised that he would only seek that nomination if the incumbent decided not to pursue re-election, in which case he would appreciate the District's support. There was no action taken at this time on this item. (Item 19-A)
- ◆ The Board is asked to review the quarterly update of the General Manager's Work Plan for Fiscal Year 2007-08 and advise of any suggestions for revisions or additions to the Plan.

Upon consideration thereof, it was moved by President Wu, seconded by Director Ebenkamp and unanimously carried to receive and file the second quarter update of the General Manager's Work Plan for Fiscal Year 2007-08 as presented. (Item 19-B)

- ◆ President Wu assigned Commission/Agency/Ad Hoc Committee positions as follows:

Joint Water Line:	Edwin M. Hilden, Commissioner Scarlett P. Kwong, Alternate
Puente Basin Water Agency:	Theodore L. Ebenkamp, Representative Ling Ling Chang, Representative Scarlett P. Kwong, Alternate
Three Valleys Municipal Water District:	Edwin M. Hilden, Representative Theodore L. Ebenkamp, Alternate
Joint Powers Insurance Authority:	Allen L. Wu, Board Member Edwin M. Hilden, Alternate
Association of California Water Agencies: (ACWA)	Scarlett P. Kwong, Voting Delegate Edwin M. Hilden, Alternate
ACWA Region 8:	Theodore L. Ebenkamp, Delegate Ling Ling Chang, Alternate
Building Ad Hoc Committee:	Allen L. Wu, Chair Theodore L. Ebenkamp, Member

Upon consideration thereof, it was moved by President Wu, seconded by Director Hilden and unanimously carried, that the Commission/Agency/Ad Hoc Committee assignments be approved as presented. (Item 19-B)

Item 20: Legal Reports

- ◆ Mr. Senecal advised that after February 5 some water bond and eminent domain initiatives/measures that would be of concern to the water industry may be forthcoming. He said his office would be providing guidelines to assist the District in responding to these issues as there are certain things you can and can't do. He then advised that, after 36 years, he has stepped down as Chairman of the ACWA Legislative Committee and that he had persuaded Mr. Gosney to succeed him in that capacity.

Item 21: Activities Calendar Review – Mike Holmes

- ◆ Mr. Holmes noted the January, February, and March 2008 calendars as previously provided.

Item 22: Subjects for Future Meetings

- ◆ Director Kwong asked about Director Chang's request to review the present makeup of the District's committee structure, and Mr. Holmes advised that Director Chang had asked that the discussion be postponed until she could be present.
- ◆ Director Wu asked that the meeting time for Engineering Committee be set at either 4:00 or 4:30 p.m. to facilitate Director attendance. He also requested that a sign be placed at the recorder advising attendees that the meeting is being recorded.

Item 23: Adjournment to Closed Session at 7:45 P.M.

- ◆ President Wu adjourned the meeting in memory of Steve Anderson, Vice Chair of the Metropolitan Water District and Councilman for the City of La Habra. The Board then entered into closed session in accordance with Government Code Section 54956.9[a] to discuss one case of pending litigation, Karen Powers v. Walnut Valley Water District and Does 1-25, Case No. KC052479R; and in accordance with Government Code Section 54956.8 to discuss one real estate matter with its negotiator Michael Holmes regarding negotiations with the San Diego County Water Authority concerning the price and terms for acquisition of water rights.

Item 26: Report of Action in Closed Session at 8:38 P.M.

- ◆ Upon reconvening in open session, Mr. Senecal reported that the Board met in closed session in accordance with Government Code Section 54956.9[a] and Government Code Section 54956.8. The Board was briefed on status of litigation by General Counsel and discussion was held regarding negotiations with the San Diego County Water Authority pertaining to water rights. No action reportable under the Brown Act was taken.

Adjournment at 8:40 P.M.