

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

**June 20, 2006
At the Offices of the District**

A reception honoring the Diamond Bar, Diamond Ranch, and Santana High School Solar Cup Teams was held prior to the Board meeting at 3:00 P.M. Attending were Monica Principe, Principal, Diamond Ranch High School; Jeff Holt, Teacher, Santana High School; Doug Bell; a parent; and a number of students from each of the teams. President Nettles presented plaques to those in attendance, thanked the schools and students for their participation, and specifically congratulated Diamond Bar High School for their first-place finish in the annual event.

DIRECTORS PRESENT:

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

OTHERS PRESENT:

Timothy J. Gosney, 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 regular Board meeting was called to order at 3:30 P.M. with President Nettles presiding. Guests in attendance were David De Jesus, Dan Horan, and Joe Ruzicka, Board Members, TVMWD; Gary L. Neely representing Assemblyman Bob Huff; and Beatrice Medina and Gladys Medina representing MuniFinancial, both of whom left the meeting following closure of the public hearing under Item 7.

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 additions at this time.

Item 6: Reorder of Agenda – President Nettles

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

Item 7: Public Hearing

- ◆ The Board scheduled this public hearing to receive comments with regard to the Water Standby Charge Report prepared by MuniFinancial and consideration of a resolution establishing water standby charges for submittal to the Los Angeles County Auditor Controller. There being no questions of the MuniFinancial representatives, the Board was asked to receive and file the report.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Hilden and unanimously carried, to receive and file the Water Standby Charge Report prepared by MuniFinancial. (Item 17-B)

It was then moved by Director Flores, seconded by Director Hilden and unanimously carried, to open the public hearing to discuss water standby charges for FY 2006-07. (Item 17-C)

The Board being advised that no prior public comments had been received and that the District had met all publication requirements with regard to the report or adoption of the Standby Charge resolution, the public hearing was closed.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to adopt Resolution No. 6-06-518, attached to these Minutes as Exhibit A, establishing water standby charges for FY 2006-07 for submittal to the Los Angeles County Auditor Controller. (Item 7-E)

Item 8: Consent Calendar – President Nettles

- ◆ The Board was asked to approve the Consent Calendar, including the Minutes of the Regular Board Meeting held May 16, 2006, the May 2006 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 Flores and unanimously carried, to approve the Consent Calendar consisting of the minutes of the Board Meeting held May 16, 2006, the May 2006 Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status report. (Items 8-A-1,2,3,4&5)

Item 9: Treasurer's Report – Shawna Whallon – Financial reports were presented in accordance with Government Code Sections 5922 and 53601.

- ◆ Review of Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Net Assets for both the General District and Recycled Water System as of May 31, 2006.
- ◆ A review of the General District's Financial Position and Investment Portfolio as of May 31, 2006, was presented.

Upon consideration of the Treasurer's report, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to receive and file the General District and Recycled Water System Statement of Revenues, Expenses, and 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. (Items 9-A-1,2,3,4&5)

Committee Chair Reports**Item 10: Engineering & Special Projects Committee – Director Wu**

- ◆ The Board is asked to accept the work as installed and authorize the filing of a Notice of Completion for the Grand Crossing Phase III project. At the request of Director Wu, Mr. Hitchman provided background information on the 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 Grand Crossing Phase III project, Work Order 00-2599. (Item 10-A)

- ◆ The Board is asked to approve two Joint Resolutions between the County of Los Angeles and the District and Improvement District No. 5 for the annexation of territory known as Petition No. 16-206 to CLMD 1687, which is due the Board of Supervisors by June 27, 2006. Again, at the request of Director Wu, Mr. Hitchman provided information on this item, including a brief history of the development of the District's five improvement districts.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to approve two Joint Resolutions between the County of Los Angeles and the District and Improvement District No. 5 for the annexation of territory known as Petition No. 16-206 to CLMD 1687. (Item 10-B)

Item 11: Personnel Committee – Director Hilden

- ◆ The Board is asked to make a determination regarding authorization of payment of per diem for Director Committee meeting attendance.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Wu and unanimously carried, that authorization for payment of per diem within the approved guidelines be formalized for Director attendance at committee meetings as follows: committee chair, member, alternate, and for new Directors at all committee meetings during their first year in office. (Item 11-A)

- ◆ Regarding the General Manager's interim performance evaluation, Director Hilden advised he has received forms from four of the Directors and is expecting one more, after which an evaluation will be made at the July Personnel Committee meeting prior to discussion during Closed Session at the July 18 Board meeting.

Item 12: Finance Committee – Director Wu

- ◆ The Board is asked to approve, receive and file the District's May 2006 monthly Investment Transactions Report.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Flores and unanimously carried, to approve, receive and file the District's May 2006 monthly Investment Transactions Report. (Item 12-A)

- ◆ Mr. Holmes discussed staff's recommendation that the Board defer discussion of rates for FY 2006-07 pending the review and approval of the District's Reserve Policy, approval of the Source and Application of Funds, and projection of more accurate FY 2005-06 closing numbers at the August Board meeting according to the timetable previously provided in the accompanying staff report. Director Wu questioned whether or not staff's recommendation to use the timetable should be re-evaluated by the Committee because the scope significantly changed from that which was originally presented. After extensive discussion, it was determined that staff had proceeded as directed by the Committee and a conclusion was reached to accept staff's recommendations and proposed schedule.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Hilden and unanimously carried, to accept staff's recommendations to defer review of the District's rates pending review and approval of the District's Reserve Policy, approval of the Source and Application of Funds, and the projection of more accurate closing numbers for FY 2006-07 as detailed in the staff report. (Item 12-B)

- ◆ The Board is asked to deny a claim for damages received from Diamond Bar resident, Mr. Sid Sarnobat, for damages he incurred to his vehicle on January 2, 2006. At the request of Director Wu, Mr. Hitchman provided background information on the incident. Discussion was held with District legal counsel regarding notification parameters and the District's provision of information to Mr. Sarnobat.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to deny the claim for damages from Sid Sarnobat, 1697 S. Diamond Bar Blvd., Diamond Bar, and direct legal counsel to notify Mr. Sarnobat of the decision. (Item 12-C)

Item 13: Public Information and Community Relations Committee – Director Chang

- ◆ There were no matters from this Committee to be brought before the Board at this time. Mr. Holmes noted that the Solar Cup participants commended Mr. Hernandez for his assistance to each school.

Item 14: Legislative Action Committee – Director Hilden

- ◆ The Board is asked to adopt a legislative policy, which was originally discussed at the May Board meeting and then brought back to the Committee after review by the District's legal counsel. Mr. Holmes provided a brief review of the changes.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Flores and unanimously carried, to adopt the District's Legislative Policy Principles as presented. (Item 14-A)

Other Items

Item 15: MWD/TVMWD – Director Hilden

- ◆ At the request of Director Hilden, Mr. De Jesus discussed TVMWD's water conservation efforts with Pilgrim Place, a senior living facility in its service area. Thank-you's were then exchanged relative to the TVMWD Special Board Meeting held at the District to discuss TVMWD's proposed standby charge.

Item 16: The P-W-R Joint Water Line Commission – Director Hilden

- ◆ Director Hilden noted the items as included in the Board packet. He then thanked Mr. Hitchman and legal counsel for their efforts in revising the Commission's Joint Powers Agreement, after which Mr. Hitchman advised a draft had been distributed to the representative for each JWL member for comments that will hopefully be received back by the end of June; and then for transmittal to each agency for formal review as the Commission is moving forward for possible execution of the Agreement at the October 2006 meeting.

Item 17: Puente Basin Water Agency – President Nettles

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

Item 18: General Manager Oral Report – Mike Holmes

- ◆ Mr. Holmes discussed MWD's annual shutdown schedule that includes a five-day Weymouth shutdown in the October 2006 to April 2007 timeframe and a ten-day shutdown to be

scheduled in 2009, both of which will be brought to Engineering Committee for review. At Mr. Holmes request, Mr. Zimmerman provided information on the preparation for, execution of, and follow-up to the District's earthquake drill that was held Wednesday, June 7

Item 19: Directors' Oral Reports

- ◆ Director Flores provided a written report on his attendance at the AWWA Annual Conference in San Antonio, Texas.
- ◆ Director Chang also discussed her attendance at the AWWA Conference. She then commented that she had seen a District employee and noticed how friendly he was with customers he passed on the street, which is a great reflection on the District.
- ◆ In addition to also reporting on his attendance at the AWWA Conference, Director Wu commented on the excellent job Mr. Holmes is doing as the new General Manager and how important staff's support has been to the Board.
- ◆ Director Hilden reported on his attendance at both the SDI Administration Workshop in San Diego and the AWWA Conference.
- ◆ President Nettles discussed his attendance at the AWWA Conference.

Item 20: Board of Directors Business – President Nettles

- ◆ The Board is asked to provide direction to staff for responding to two ACWA Outreach Program requests for letters of opposition for AB 2641 and AB 2397. Mr. Holmes noted that Senator Calderon has since pulled AB 2397 from the June 21st calendar and letters are not needed at this time. However, even though the June 20 Senate Natural Resources and Water Committee Hearing date on AB 2641 has passed, it would still be timely to send a letter as it moves to the next committee for review.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and carried by a 4 to 0 vote, with Director Wu abstaining, to oppose AB 2641 and AB 2397 as requested by ACWA, to send the letter of opposition for AB 2641, but to hold the response to AB 2397 pending future activity. (Item 20-A)

- ◆ The Board is asked to schedule a special Board workshop to discuss District reserves on July 21 at 1:30 P.M., and to set the August Committee and Board meeting dates at this time in order to accommodate Board members and staff who have planned vacations. The Board was also asked to note on their calendars that, effective with the July 18 Board meeting, regularly scheduled Board meetings will begin at 5:00 P.M. After discussion as to Directors availability for a suggested August 28 Board meeting date and the complexities inherent with rescheduling the date, it was determined that the meeting would be held on August 28 with four of the Directors in attendance.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Flores and unanimously carried, to approve scheduling a Board workshop for July 21, 2006, at 1:30 P.M., and to schedule August Committee and Board meeting dates as recommended by staff. (Items 20-B-1,2&3)

- ◆ The Board is asked to provide direction or follow-up to staff regarding the concept of a "paperless office." Discussion was held regarding the report as prepared by staff comparing the paperless concept to that the District's current practice, which combines the use of paper alongside electronic or digital information systems. Mr. Holmes noted that staff, in preparing the report, had been able to formulate new ways to streamline its everyday activities, which will be integrated for even more efficiency.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Chang and unanimously carried, to receive and file staff's report regarding the concept of a "paperless office." (Item 20-C)

- ◆ Regarding the General Manager's Draft FY 2006-07 Work Plan, the Board is asked to review, make recommendations and/or revisions, and approve the Plan for implementation with quarterly Committee/Board review.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Chang and unanimously carried, to approve, receive and file the General Manager's work plan for FY 2006-07. (Item 20-D)

Item 21: Legal Reports

- ◆ Mr. Gosney had no legal report at this time.

Item 22: Activities Calendar Review – Mike Holmes

- ◆ Mr. Holmes noted the calendars for June, July, and August 2006 that were provided for the Board's planning purposes.

Item 23: Subjects for Future Meetings

- ◆ Director Chang requested that:
 1. Expense reports for Board members and Executive staff who attend conferences on behalf of the District be included in future Board meeting materials. This item will be reviewed by the Personnel Committee.
 2. The District's Committee/Board meeting structure be reviewed. This item will be discussed at the July 21 Special Board Workshop meeting.
 3. A commission made up of District customers be considered to disseminate information to the public and encourage community involvement. This will be discussed at the next Public Information and Community Relations Committee meeting.
- ◆ Director Wu requested that the Building Ad Hoc Committee provide an update at the July 2006 Board meeting.

Item 24: Adjourn to Closed Session at 5:10 P.M.

- ◆ After a brief recess, the Board adjourned to Closed Session in accordance with Government Code Section 54956.9(B) to discuss one matter pertaining to potential litigation.

Item 25: Reconvene in Open Session at 6:40 P.M.

- ◆ Upon reconvening in Open Session, it was reported by Mr. Gosney, District legal counsel, that the Board met in Closed Session in accordance with Government Code Section 54956.9(B) to conference with legal counsel regarding one potential litigation case. The Board was briefed and no action was taken under the Brown Act.

Item 26: Adjournment at 6:41 P.M.