

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

August 28, 2006

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

DIRECTORS PRESENT:

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

DIRECTORS ABSENT:

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 Administrative Services
Denis Hernandez, Deputy 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 and Directors Flores and Chang in attendance. Director Wu arrived at 5:40 P.M.

Guests and others in attendance: Rick Hansen, General Manager, and Joe Ruzicka, Board Member, TVMWD.

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 July 18th and the Board Workshop held July 21st, the August Check Register, the Community Relations/Conservation/Website Activities Report, the Operations Report, and the Engineering Project Status Report. Director Chang corrected the July 18th Board minutes noting she did not receive a letter from Mayor Herrera of Diamond Bar, but a telephone call regarding the changing of the Board meeting time to 5:00 P.M.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to approve the Consent Calendar consisting of the minutes of the Board Meeting held July 18, 2006, as corrected, the Board Workshop held July 21, 2006, the August 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&6)

Item 8: Director Expense Reports

- ◆ The Board is asked to approve, receive, and file the Board member expense reports indicating per diem requests for July meeting attendance and to review the individual reports of additional expenses incurred by the District on behalf of each Director during the month of July. Mr. Holmes explained that the Monthly Expense Detail report was a first attempt and invited the Directors to offer any suggestions they might have for improvement. There being none, Mr. Holmes requested the individual Board members sign the submitted reports once they've been approved.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to approve, receive, and file the Board member expense reports for July 2006 meeting attendance. (Item 8)

Item 9: Treasurer's Report – Shawna Whallon – Financial reports were presented in accordance with Government Code Sections 5922 and 53601. Due to the year-end audit, District Statements of Net Assets are not available.

- ◆ Review of Preliminary Statement of Revenues, Expenses, and Changes in Net Assets for both the General District and Recycled Water System as of July 31, 2006.
- ◆ Review of the General District's Financial Position and Investment Portfolio as of July 31, 2006.
- ◆ Review of the Cash Balance Analysis as of July 31, 2006, which was included for this Board meeting only as it was not available at the July Finance Committee Meeting.

Upon consideration of the Treasurer's report, it was moved by Director Chang, seconded by Director Flores and unanimously carried, to approve, receive, and file the Preliminary Statement of Revenues, Expenses, and Changes in Net Assets for both the General District and Recycled Water Systems, to approve the activity that had occurred in the current month's investments portfolio, which were previously reviewed by the Finance Committee, and the Cash Balance Analysis that had not been available for review by the Finance Committee. (Item 9)

Committee Chair Reports

Item 10: Engineering & Special Projects Committee – President Nettles

- ◆ The Board is asked to award the contract in the amount of \$361,800 to Fleming Environmental, Inc. to furnish labor and materials for the Colima Booster Pump Station Refurbishment.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to award the contract in the amount of \$361,800 to Fleming Environmental, Inc. to furnish labor and materials for the Colima Booster Pump Station Refurbishment project, Work Order 04-2882. (Item 10-A)

- ◆ The Board is asked to approve the District's revised Bidding and Contracting Procedures, which have been reviewed by legal counsel.

Upon consideration thereof, it was moved by Director Chang, seconded by Director Flores and unanimously carried, to approve the revised Bidding and Contracting Procedures. (Item 10-B)

Item 11: Personnel Committee – Director Flores

- ◆ The Board is asked to authorize staff to file the 2006 Biennial Review Certification form indicating "No Amendment is Required" to the District's Conflict of Interest Code.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to file the District's Conflict of Interest Code 2006 Biennial Review Certification form indicating "No Amendment is Required." (Item 11-A)

- ◆ The Board is asked to authorize the General Manager to re-title the position of Information Technology Administrator to Deputy Director of Administrative Services/Information Technology Officer and to concur with staff's recommendation and approve the revised job descriptions for this position and that of the Director of Administrative Services, reflecting the revisions in job duties for these two positions. Director Flores provided a synopsis of the District's Organizational Assessment prepared by CPS Human Resources Service, after which Mrs. Olson updated the Board on the recruitment for the positions of a Mandarin-speaking Consumer Service Representative and a Management Analyst.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to authorize the General Manager to re-title the position of Information Technology Administrator to Deputy Director of Administrative Services/Information Technology Officer and to approve the revised job descriptions for this position and that of the Director of Administrative Services, reflecting the changes in job duties for these two positions. (Item 11-B)

Item 12: Finance Committee – President Nettles

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

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

- ◆ The Board is asked to adopt the final Revenue Budget, O&M (Expense) Budget, and the Capital Investment Program Budget for fiscal year 2006-07. Mrs. Whallon advised that the items being presented had been previously approved by the Board in their preliminary state and no changes have been made since that time, but did reflect the final unaudited figures from fiscal year 2005-06.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to adopt the Final Revenue Budget, Final O&M (Expense) Budget, and the Final Capital Investment Program Budget for fiscal year 2006-07. (Item 12-B-1,2&3)

- ◆ The Board is asked to approve staff's recommendation to transfer \$1,027,600 for the approved 2006-07 CIP Program from the Reserve for Replacement Fund and \$535,000 for the 2006-07 CIP Program from the General Fund to the Capital Improvement Reserve Fund A, and to approve the Final 2006-07 Source and Application of Funds. Mr. Holmes advised that staff is proposing to obtain approval for the Reserve for Replacement fund at a tentatively scheduled reserve workshop in September. This fund is used for the purpose of accumulating funds through depreciation for the future replacement of District assets

Upon consideration thereof, it was moved by Director Chang, seconded by Director Flores and unanimously carried, to approve the transfer of \$1,027,600 for the approved 2006-07 CIP Program from the Reserve for Replacement Fund and \$535,000 for the 2006-07 CIP Program from the General Fund to the Capital Improvement Reserve Fund A, and to approve the Final 2006-07 Source and Application of Funds. (Item 12-C)

- ◆ The Board is asked to adopt Resolution No. 8-06-519, attached hereto as Exhibit "A," the Annual Statement of the District's Investment Policy, replacing Resolution No. 6-05-495. It was noted the policy is sufficient and meets current investment regulations established by the State of California. Mrs. Whallon advised that there were no changes from the previous document and it is an internal document not forwarded to the State; however, it must be reviewed and adopted annually.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Chang and unanimously carried, to adopt Resolution No. 8-06-519, attached hereto as Exhibit "A," the Annual Statement of the District's Investment Policy. (Item 12-D)

- ◆ The Board is asked to approve adjustments to the District's Wholesale Potable Water Rate for water delivered through the Badillo Grand Transmission Main. At the request of Mr. Holmes, Mr. Hitchman provided information on the rate adjustments, including the fact that the proposed adjustments would reduce Suburban Water Company's overall cost of water delivered to them by the District through the Badillo Grand Line.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Flores and unanimously carried, to approve changes to the District's Wholesale Potable Water Rate for water delivered through the Badillo Grand Transmission Main as follows: reduce the monthly base rate for a 20-inch meter to \$12,809; and make downward adjustments to the Potable Water Wholesale Commodity Rate for Tier I water to \$506/af and Tier II water to \$602/af for the period July 1 through December 31, 2006, and Tier I water to \$531/af and Tier II water to \$627/af for the period January 1 through June 30, 2007. (Item 12-E)

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

- ◆ The Board is asked to authorize the General Manager to execute the bi-annual agreement for water education services between the District and National Theatre for Children for fiscal years 2006-07 and 2007-08. The total amount of the contract is \$10,272 for six schools each year over the two-year period. Mrs. Olson noted that this would commit the District beyond current budgeting authority into fiscal year 2007-08.

Upon consideration thereof, it was moved by Director Chang, seconded by Director Wu and unanimously carried, to authorize the General Manager to execute the bi-annual agreement between the District and the National Theatre for Children for fiscal years 2006-07 and 2007-08. (Item 13)

Item 14: Legislative Action Committee – President Nettles

- ◆ There were no matters from this committee to come before the Board at this time. Mr. Holmes provided an update on legislative matters, including Proposition 84, which will be placed on the September committee agenda for discussion and recommendation regarding support.

Other Items

Item 15: MWD/TVMWD – President Nettles

- ◆ President Nettles noted the TVMWD Action Lines as previously provided.

Item 16: The P-W-R Joint Water Line Commission – President Nettles

- ◆ President Nettles noted the items as included in the Board packet, after which Mr. Zimmerman called the Board's attention to the fact that PWR is taking approximately 27% of the water produced by the Miramar Treatment Plant.

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 assured those members of the Board receiving non-compliance letters that the Form 700 letters forwarded on their behalf had been delivered via Certified Mail to the Los Angeles County Board of Supervisors in a timely manner. Additional discussion was held regarding the Board-sponsored barbeque scheduled for September 22nd.

Item 19: Directors' Oral Reports

- ◆ Director Chang reported on her attendance at the AB 1234 ethics training class.
- ◆ Director Flores reported on his participation, along with Director Hilden and Director Nettles, in the Region 8 tour at the West Basin MWD recycled water facility in El Segundo.
- ◆ Director Wu reported on his attendance at the Regional Chamber Installation of Officers, at which both Directors Chang and Hilden also were in attendance.
- ◆ Mr. Ruzicka interjected at this time and thanked the Board for Director Chang's attendance at the monthly meeting of the Governmental Affairs Committee of the combined Regional Chamber.
- ◆ President Nettles reported on his participation in the Region 8 tour at West Basin MWD and the WEF Sierra Watershed Tour.

Item 20: Board of Directors Business – President Nettles

- ◆ The Board is asked to schedule a Board Workshop to discuss District reserves. As Director Chang will not be available on the original suggested date of September 22nd, it was decided to schedule the meeting for Friday, September 15th, at 1:00 P.M.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Flores and unanimously carried, to schedule a Board Workshop for 1:00 P.M. on Friday, September 15, 2006, to discuss District reserves. (Item 20-A)

- ◆ The Board is asked to provide direction regarding casting the District's vote for election of the California Special Districts Association Director in Region 5 and direct the General Manager to sign and forward the ballot. After discussion and upon recommendation of legal counsel, the Board decided to cast the District's vote for the incumbent, John R. (Jack) Curtis.

Upon consideration thereof, it was moved by Director Flores, seconded by Director Wu and unanimously carried, to cast the District's vote for John R. (Jack) Curtis as the California Special District's Association Director in Region 8 and direct the General Manager to sign and file the ballot. (Item 20-B)

Item 21: Legal Reports

- ◆ Legal counsel provided a report on one legislative matter of interest to the District.

Item 22: Activities Calendar Review – Mike Holmes

- ◆ Mr. Holmes noted the calendars for August, September, and October 2006 that were previously provided. At the request of Mr. Holmes, Mr. Hernandez provided information on the Protector del Agua Classes sponsored by MWD for District customers, which are scheduled at the District on September 30th, October 21st, and November 4th and 8th.

Item 23: Subjects for Future Meetings

- ◆ There were no items requested for discussion at a future meeting.

Item 24: Adjourn to Closed Session at 6:25 P.M.

- ◆ The Board adjourned to closed session in accordance with Government Code Section 54956.9[b] to discuss one matter regarding significant exposure to litigation

Item 25: Reconvene in Open Session at 8:00 P.M.

- ◆ The Board met in closed session in accordance with Government Code Section 54956[b] to discuss one matter regarding significant exposure to litigation. No action reportable under the Brown Act was taken.

Item 26: Adjournment at 8:05 P.M.