

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

**October 27, 2009
At the Offices of the District**

DIRECTORS PRESENT:

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

STAFF PRESENT:

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

The meeting was called to order at 6:00 p.m. with President Hilden presiding.

Guests and others in attendance: Mrs. Barbara Carrera, Director-elect, Division III; Mr. Jayson Schmidt, Chandler Asset Management

Item 3: Public Comment – President Hilden

- ◆ There were no requests to make public comment

Item 4: Additions to Agenda – President Hilden

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

Item 5: Reorder of Agenda –President Hilden

- ◆ There were no requests for reorder of the agenda.

Item 6: Consent Calendar

- ◆ The Board was asked to approve the Consent Calendar, including the minutes of the Adjourned Regular Board Meeting held September 22, 2009; the October 2009 check register; the Community Relations/Website Activities Report; the Operations Report; and the Engineering Project Status Report.

Upon consideration thereof, it was moved by Director Kwong, seconded by Director Wu and unanimously carried, to receive, approve, and file the Consent Calendar consisting of the minutes of the Adjourned Regular Board Meeting held September 22, 2009; the October 2009 Check Register; the Community Relations/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 was 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.

Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Chang and unanimously carried, to receive, approve, and file the Board member expense reports for meeting attendance. (Item 7)

Item 8: Treasurer's Report – Brian Teuber

- ◆ Mr. Teuber noted that the year-end audit was now complete and presented the District Statement of Revenue, Expenses, and Change in Net Assets and the District Statement of Net Assets as of June 30, 2009. He then presented the District Statement of Revenue, Expenses and Change in Net Assets and the District Statement of Net Assets as of September 30, 2009. Also provided for the Board's review and consideration was the Summary of Cash and Investments September 30, 2009.

Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Chang and unanimously carried, to receive and file the Treasurer's Report, consisting of the District Statement of Revenue, Expenses, and Change in Net Assets as of June 30, 2009, and September 30, 2009; the District Statement of Net Assets as of June 30, 2009, and September 30, 2009; and the Summary of Cash and Investments as of September 30, 2009. (Item 8-1, 2, &3)

Committee Chair Reports

Item 9: Engineering & Special Projects Committee – Director Wu

- ◆ The Board was asked to approve an amendment to the District's Eastgate Reservoir communications site lease with TowerCo with an increased rent of \$500 per month for the current lease year and subject to the time frame and all other terms of the existing lease, including the annual CPI-U adjustment. As a part of the agreement, TowerCo is leasing the site back to Sprint/Nextel to add additional equipment in order to provide high-speed wireless internet service to the surrounding community. It was noted that the Sprint/Nextel original annual lease amount of \$30,000 will increase to \$35,833 for the current lease year.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Chang, and unanimously carried, to approve an amendment to the District's Eastgate Reservoir communications site lease with TowerCo with an increased rent of \$500 per month for the current lease year and subject to the time frame and all other terms of the existing lease including the annual CPI-U adjustment. (Item 9-A)

- ◆ The Board was asked to authorize awarding a contract for \$25,820 to Lewellyn Technology to perform an "arc flash hazard" analysis on all District high voltage electrical equipment. With the inclusion of 10% for contingencies, 5% for District overhead, and the purchase of personal protective equipment and insulated tools, the total estimated cost for this project is \$32,822. The Board was also asked to authorize the appropriation of \$17,000 from the General Fund to utilize, only if needed, to purchase additional information from Southern California Edison (SCE) to complete the analysis.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried, to authorize staff to award a contract for \$25,820 to Lewellyn Technology to perform an "arc flash hazard" analysis on all District high voltage electrical equipment and to authorize the appropriation of \$17,000 from the General Fund to utilize, only if needed, to purchase additional information from SCE to complete the analysis. (Item 9-B)

Item 10: Personnel Committee – Director Hilden

- ◆ The Board was asked to approve modifications, which were reviewed by District Legal Counsel, to the District's Records Retention Schedule to more effectively address the maintenance of District records. Once approved, staff will finalize the preparation of their departmental lists of documents to be purged in compliance with the Records Management Program.

Upon consideration thereof, it was moved by Director Hilden, seconded by Director Chang and unanimously carried, to approve modifications to the District's Records Retention Schedule as presented. (Item 10)

Item 11: Finance Committee – Director Kwong

- ◆ Mr. Jayson Schmidt of Chandler Asset Management reviewed the District's quarterly investment activity report for the period ending September 30, 2009, and Mr. Teuber addressed the investment activity report for the month of September 2009 that was included in the Board packet. It was noted that Mr. Schmidt would attend Board meetings on a quarterly basis, or more often at the Board's pleasure, to review District investment activities.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to receive, approve, and file both the quarterly and the monthly Investment Transactions Report for September 2009. (Item 11-A)

- ◆ The Board was asked to receive, approve, and file the Audit Committee Letter, the Management Letter, the 2008-09 District Audited Financial Statements, the 2008-09 District Computation of Net Revenue and Revenue Coverage Requirements Report, and the 2008-09 Building Corporation Audited Financial Statements.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Kwong and unanimously carried, to receive, approve, and file the Audit Committee Letter, the Management Letter, the 2008-09 District Audited Financial Statements, the 2008-09 District Computation of Net Revenue and Revenue Coverage Requirements Report, and the 2008-09 Building Corporation Audited Financial Statements. (Item 11-B)

- ◆ Mr. Teuber followed up the review of the audited financial statements with a report regarding corrective measures taken by staff in response to issues related to the internal control structure of the District.
- ◆ Next, Mr. Holmes presented an "Independent Accountants' Report on Applying Agreed-Upon Procedures" that was prepared by Diehl, Evans & Company at the request of the District following the retirement of Ms. Whallon. He stressed that her integrity was never in question, that the review followed strict compliance criteria and was intended only to assist in evaluating the accountability for cash and investments to ensure a smooth transition of duties.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Hilden and unanimously carried, to receive, accept, and file the "Independent Accountants' Report on Applying Agreed-Upon Procedures" as prepared by Diehl, Evans & Company. (Item 11-D)

Item 12: Public Information/Community Relations/Legislative Action – Director Chang

- ◆ The Board was asked to approve a one-year agreement with the National Theatre for Children to provide the "Aqua League in The Drought Dilemma" performances in for 2010 at a cost of \$1,014 per school. The agreement is based on performances at six schools; however, should there be less than six schools participating in the program, the District would be refunded \$1,014 for each school under the six for which the District contracted.

Upon consideration thereof, it was moved by Director Chang, seconded by Director Ebenkamp and unanimously carried, to approve a one-year agreement with National Theatre for Children for 2010 performances. (Item 12-A)

- ◆ Mr. Holmes provided an update on the Delta water legislation currently under development. He noted that one of the elements is an aggressive new goal for a 20 percent reduction in per capita water use statewide by 2020. Currently under consideration is a broad and comprehensive water use efficiency legislative package. Mr. Holmes then asked for authorization to respond to this legislation once the details are known. He noted several points to consider when addressing concerns, which are, 1) arbitrarily requiring agencies that have already reduced or met the defined efficiency standards would unfairly penalize customers, 2) previously proposed legislation does not link efficiencies with “hardened” customer demands, 3) efficiency standards must be set in such a way that once a standard is met and maintained, an agency is deemed in compliance, and 4) it is important that legislation avoid regional or wholesale compliance proposals that do not hold individual agencies accountable. In considering the points covered, the Board concurred that authorization for staff to write or call regarding this legislation when deemed appropriate to relate the District’s concerns.

Other Items

Item 13: TVMWD/MWD – President Hilden

- ◆ President Hilden referred to the Action Line Reports of TVMWD’s September 23, October 5, and October 21, 2009, Board meeting activities that were included in the Board packet. He noted there would be a special Board meeting on November 4 to interview candidates to fill the vacant seat.

Item 14: The P-W-R Joint Water Line Commission – Director Ebenkamp

- ◆ President Hilden noted the production history, Miramar water utilization, and water use reports included in the Board packet.

Item 15: Puente Basin Water Agency – Directors Ebenkamp/Chang

- ◆ Director Ebenkamp reviewed minutes from the October 1, 2009, special meeting that were included in the Board packet. He noted that the Agency had approved an amended Joint Powers Agreement at that meeting.

Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Chang and unanimously carried, to receive and file the Minutes of the October 1, 2009, Puente Basin Water Agency meeting.

- ◆ Next, the Board was asked to approve the “Amended, Restated, and Renewed Joint Powers Agreement Creating Puente Basin Water Agency,” as approved by the Puente Basin Water Agency commissioners at their meeting on October 1, 2009.

Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Chang and unanimously carried, to approve the “Amended, Restated, and Renewed Joint Powers Agreement Creating Puente Basin Water Agency,” as presented. (Item 15-B)

Item 16: General Manager Report – Mike Holmes

- ◆ The Board was provided with information regarding the Calendar Year 2009 Purchased Water Estimate and an update on water supply allocation projections.

Item 17: Directors’ Oral Reports

(NOTE: Board meeting Minutes provide written reports of Board meeting activities and committee meeting reports are given during the course of regular Board meeting activities)

- ◆ Director Wu reported on his inspection tour of the District’s Accounting/Customer Service System; his inspection tour of the District’s Inventory Control System; and his attendance at the ACWA Legal Workshop. He also noted his attendance at the District’s September Finance Committee, Engineering Committee, and Board meetings.
- ◆ Director Ebenkamp noted he had previously reported on the IMC Executive Quarterly meeting and the District’s Special Legislative Committee meetings he attended in September. He also noted his attendance at the Public Information/Legislative Action Committee, Personnel Committee, and Board meetings in September, as well as the TVMWD Board meeting. He included in his report several meetings he had attended in October: the Diamond Bar Chinese Association Moon Festival, a building industry conference at MWD, the ACWA Region 8, 9, and 10 meeting; the TVMWD Leadership Breakfast; and the Special District Institute Finance Seminar and workshops. He noted the District had purchased for its library a book entitled, “*Unquenchable*” that was written by Robert Glennon, the speaker at the TVMWD breakfast meeting.
- ◆ Director Hilden reported on his attendance at the CSDA Annual Conference
- ◆ Director Kwong had attended no meetings reportable under the Brown Act
- ◆ Director Chang noted her attendance at the District’s Public Information/Legislative Action Committee and Board meetings in September

Item 18: Board of Directors Business

- ◆ The Board was advised that the District had received the National Water Resources Association California Caucus Ballot, a copy of which was included in the Board packet along with background information on each nominee. Agencies are asked to vote for five of the candidates listed on the ballot. The top three finishers will be full board members and the fourth and fifth will be alternates. The sixth position will be filled by the ACWA Federal Affairs Committee Chair.

Upon consideration thereof, the Board cast its five votes for Wayne A. Clark, Municipal Water District of Orange County; E.G. "Jerry" Gladbach, Castaic Lake Water Agency; Lawrence M. Libeu, Rancho California Water District; Adrienne "Ann" J. Mathews, Kern County Water Agency; and Larry L. Russell, Marin Municipal Water District. (Item 18-A)

- ◆ The Board then received a quarterly update of the General Manager's 2009-2010 Work Plan for review and consideration.

Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried to receive and file the General Manager's 2009-2010 Work Plan as presented. (Item 18-B)

- ◆ As a matter of information, the Board was provided with the ACWA Region election results. It was noted that the Nominating Committee's recommended slate for Region 8, for which the District voted, had been elected.
- ◆ President Hilden reported on Rate Ad Hoc Committee activities and noted they would be meeting again on October 28.

Item 19: Legal Reports

- ◆ Mr. Senecal had no report regarding legal matters; however, he said there would be a brief closed session following the regular meeting.

Item 20: Activities Calendar Review – Mike Holmes

- ◆ Director Kwong requested that the November Finance Committee meeting be moved to sometime during the week of November 2nd.

Item 21: Items for Future Discussion

- ◆ There were no requests for items for future discussion.

Item 22: Adjourn to Closed Session – 7:50 P.M.

- ◆ President Hilden thanked Ms. Carrera for attending and adjourned to Closed Session.

Item 23: Closed Session – 8:02 P.M.

- ◆ The Board met in closed session in accordance with Government Code §54956.9[b] to discuss one matter pertaining to potential litigation.

Item 24: Reconvene in Open Session/Report of Action Taken in Closed Session – 8:04 P.M.

- ◆ The Board met in closed session pursuant to Government Code §54956.9[b] to discuss one matter pertaining to potential litigation. The Board was briefed on the current circumstances. No action reportable under the Brown Act was taken.

Adjournment at 8:05 P.M.