

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

**November 19, 2012
At the Offices of the District**

DIRECTORS PRESENT:

Allen L. Wu, President
Edwin M. Hilden
Barbara A. Carrera
Theodore L. Ebenkamp

DIRECTORS ABSENT:

Scarlett P. Kwong

STAFF PRESENT:

Mike Holmes, General Manager
Erik Hitchman, Assistant General Manager/Chief Engineer
Sandra Olson, Director of Administrative Services
Brian Teuber, Director of Finance
Gabriela Sanchez, Executive Secretary
Carmen Fleming, Executive Assistant
Tim Gosney, Legal Counsel

The meeting was called to order at 5:02 p.m. with President Wu presiding.

Guests and others in attendance: Ms. Debby Chu of Walnut Valley Water District; Mr. James Linthicum, Director Joe Ruzicka, and Director David De Jesus of Three Valleys Municipal Water District; Mr. Ed Chavez of the Water Quality Authority; Mr. Ken Al-Imam, C.P.A, of Mayer Hoffman McCann P.C.; Mr. Jayson Schmitt of Chandler Asset Management; Miss Sonia Park and family; representatives of Evergreen Elementary; Miss Lydia Lin and family; and representatives of Chaparral Middle School.

Item 3: Public Comment – President Wu

- ◆ There were no requests to make public comment.

Item 4: Additions to the Agenda – President Wu

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

Item 5: Reorder of Agenda –President Wu

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

Item 6: Introduction of New District Employee

- ◆ Ms. Sandra Olson introduced the District’s newest employee, Customer Service Representative I, Ms. Debby Chu, after which she provided a brief biographical sketch of Ms. Chu.

Item 7: MWD Calendar Contest Award Presentation

- ◆ The Board recognized two of the District’s poster contest winners whose artwork has been selected to appear in the MWD 2013 “Water is Life” calendar. The students, Miss Sonia Park from Evergreen Elementary and Miss Lydia Lin from Chaparral Middle School were presented with a framed copy of their artwork. Also present to honor them were their parents and school representatives.

Item 8: Public Hearing: Consideration of Adoption of District Claims Procedures Ordinance No. 09-12-08

- ◆ The Board was asked to conduct a public hearing to accept and respond to public comment regarding the proposed adoption of Ordinance No. 09-12-08, Adopting and Implementing District Claims Procedures, and pending discussion, consider approval of the ordinance.

Motion No. 12-11-392: *Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to open the Public Hearing to receive public comment regarding the Adoption of District Claims Procedures Ordinance No. 09-12-08, Adopting and Implementing District Claims Procedures. (Item 8-A)*

- ◆ Ms. Olson then reviewed the staff report included in the Board packet and noted Legal Counsel recommended the District adopt its own claims procedures under Government Code Section 935, which would as a result, require claims to be subject to the claim filing requirements, nullify exceptions under Section 905, and best protect the District against any later challenges. The Board was advised that no prior public comments had been received and that the District had met all publication requirements by publishing the Notice of Public Hearing twice in the San Gabriel Valley Tribune, on November 5 and November 12, along with posting at the District office. Inclusively, a summary of the ordinance would be posted in the San Gabriel Valley Tribune within fifteen days of its adoption date. (Item 8-B)
- ◆ The Board then moved to close the public hearing as no public comment was received.

Motion No. 12-11-393: *Upon consideration thereof, it was moved by Director Carrera, seconded by Director Ebenkamp and unanimously carried (4-0), to close the Public Hearing regarding the Adoption of District Claims Procedures Ordinance No. 09-12-08, Adopting and Implementing District Claims Procedures. (Item 8-D)*

- ◆ The Board was asked to approve Ordinance No. 09-12-08. Upon approval, the ordinance will replace the District's current claims procedure and shall take effect 30 days after its adoption. (Item 8-E)

Motion No. 12-11-394: *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Hilden and unanimously carried (4-0), to adopt Ordinance No. 09-12-08, Adopting and Implementing District Claims Procedures. (Item 8-E)*

Item 9: 2011-12 Audited Financial Statements Prepared by Mayer Hoffman McCann P.C.

- ◆ The Board received a presentation by Mr. Ken Al-Imam of Mayer Hoffman McCann P.C. on the District's 2011-12 audited financial statements. Following Mr. Al-Imam's review of the audited financial statements, the Board was asked to receive, approve, and file the 2011-12 Audited Financial Statements, the Summary of Audit Results 114 letter, the Government Auditing Standards letter, and the Recommendations Regarding Internal Control letter.

Motion No. 12-11-395: *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to receive, approve, and file the 2011-12 Audited Financial Statements, the Summary of Audit Results (SAS) 114 letter, the Government Auditing Standards letter, and the Recommendations Regarding Internal Control letter. (Items 9-A, B, C, D)*

Item 10: Consent Calendar

- ◆ The Board was asked to approve the Consent Calendar, including the minutes of the Regular Board meeting held October 15, 2012 and Special Board meeting held October 25, 2012; the November 2012 Check Register; the Community Relations/Website Activities Report; the Operations Report; the Engineering Project Status Report; the Quarterly Water Loss Analysis report; and Tax Exchange resolutions.

Motion No. 12-11-396: *Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to receive, approve, and file the Consent Calendar, including the minutes of the Regular Board meeting held October 15, 2012 and the Special Board meeting held October 25, 2012; the November 2012 Check Register; the Community Relations/Website Activities Report; the Operations Report; the Engineering Project Status Report; the Quarterly Water Loss Analysis; and Tax Exchange Resolutions. (Items 10-1, 2, 3, 4, 5, 6, 7, 8)*

Item 11: 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.

Motion No. 12-11-397: *Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to receive, approve, and file the Board member expense reports for meeting attendance during the month of October 2012. (Item 11)*

Item 12: Treasurer's Report

- ◆ Mr. Teuber reviewed the District Statement of Revenues, Expenses, and Change in Net Assets as of Fiscal Year-End June 30, 2012; the Statement of Net Assets as of Fiscal Year-End June 30, 2012; the Summary of Cash and Investments as of Fiscal Year-End June 30, 2012; the District Statement of Revenues, Expenses, and Change in Net Assets as of October 31, 2012; the Statement of Net Assets as of October 31, 2012; and the Summary of Cash and Investments as of October 31, 2012. (Items 12-1, 2, 3, 4, 5, 6)

Motion No. 12-11-398: *Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to receive and file the District Statement of Revenues, Expenses, and Change in Net Assets as of Fiscal Year-End June 30, 2012; the Statement of Net Assets as of Fiscal Year-End June 30, 2012; the Summary of Cash and Investments as of Fiscal Year-End June 30, 2012; the District Statement of Revenues, Expenses, and Change in Net Assets as of October 31, 2012; the Statement of Net Assets as of October 31, 2012; and the Summary of Cash and Investments as of October 31, 2012. (Items 12-1, 2, 3, 4, 5, 6)*

Committee Chair Reports

Item 13: Engineering & Special Projects Committee –President Wu

- ◆ The Board was asked to authorize the General Manager to execute a contract in the amount of \$179,914 to Fleming Environmental Inc. for the installation of the Recycled Water Booster Pump Station project (W.O. 07-3035) and \$45,892.50 to Barrett Engineered Pumps for a three pump variable speed packaged pump system, to find the project is exempt pursuant to Categorical Exemption Section 15303, and authorize the filing of a Notice of Exemption with the Office of the Los Angeles Registrar-Recorder/County Clerk.

Motion No. 12-11-399: *Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to authorize the General Manager to execute a contract in the amount of \$179,914 to Fleming Environmental Inc. for the installation of the Recycled*

Water Booster Pump Station project (W.O. 07-3035) and \$45,892.50 to Barrett Engineered Pumps for a three pump variable speed packaged pump system; to find the project is exempt pursuant to Categorical Exemption Section 15303; and authorize the filing of a Notice of Exemption with the Office of the Los Angeles Registrar-Recorder/County Clerk. (Item No. 9-A)

- ◆ The Board was asked to authorize the appropriation of \$4,000 from the Reserve for Replacement for additional funds to purchase a Badger Meter Orion Meter Reading Laptop computer upgrade. Mr. Hitchman informed the Board that the Badger upgrade program consists of trading in the District's original laptop meter reading kit in exchange for a new upgraded laptop reading kit loaded with the current version of the Badger Orion Reading Software, mapping software, accessories, and a one-year service plan at a reduced cost. (Item 9-B)

Motion No. 12-11-400: Upon consideration thereof, it was moved by Director Hilden, seconded by Director Carrera and unanimously carried (4-0), to authorize the appropriation of \$4,000 from the Reserve for Replacement for additional funds to purchase a new Badger Meter – Orion Meter Reading Laptop Computer. (Item 9-B)

- ◆ The Board was asked to authorize the appropriation of \$5,000 from the General Fund for the District's Geoviewer Online Project. (Item 9-C)

Motion No. 12-11-401: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to authorize the appropriation of \$5,000 from the General Fund for the Geoviewer Online Project. (Item 9-C)

Item 14: Personnel Committee – Director Hilden

- ◆ The Board conducted its annual review of the “Policies for Ethical Conduct Regarding Board of Directors Compensation and Expenses” and the exhibits associated with the policy which are designated for annual review as well: Exhibit A – Meeting and Expense report Form; Exhibit C - Guidelines for Board Compensated Meetings and Activities; Exhibit D – Advance Payment to Directors for Attendance at Community Events; and Exhibit F – Meal Expense Reimbursement Schedule/Guidelines. Upon completion of review, the Board indicated no recommendations for revisions were needed. (Item 14-A)

Motion No. 12-11-402: Upon consideration thereof, it was moved by Director Hilden, seconded by Director Ebenkamp and unanimously carried (4-0), to maintain the current “Policies for Ethical Conduct Regarding Board of Directors Compensation and Expenses” and the exhibits to the policy, which are: Exhibit A - Meeting and Expense Report Form; Exhibit C - Guidelines for Board Compensated Meetings and Activities; Exhibit D - Advance Payment to Directors for Attendance at Community Events; and Exhibit F - Meal Expense Reimbursement Schedule/Guidelines. (Item 14-A)

Item 15: Finance Committee – Director Wu

- ◆ The Board received a presentation by Mr. Jayson Schmitt of Chandler Asset Management on current economic conditions and the District's portfolio holding report as of October 31, 2012. (Item 15-A)
The Board was asked to receive, accept, and file the District's Investment Transactions Report for the month ending October 31, 2012. (Item 15-B)

Motion No. 12-11-403: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to receive, accept, and file the District's Investment Transactions Report for the month ending October 31, 2012. (Item 15-B)

- ◆ The Board was asked to accept staff's recommendation for the FY 2011-12 Source and Application of Funds to transfer from the General Operating Reserve \$954,000 to the Reserve for Replacement, \$750,000 to the Employee Liabilities Reserve related to the Employer OPEB liability, \$254,282 to the Capital Improvement Reserve, and \$600,000 to the Rate Stabilization Reserve. (Item 15-C)

Motion No. 12-11-404: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to transfer from the General Operating Reserve \$954,000 to the Reserve for Replacement, \$750,000 to the Employee Liabilities Reserve related to the Employer OPEB liability, \$254,282 to the Capital Improvement Reserve, and \$600,000 to the Rate Stabilization Reserve. (Item 15-C)

- ◆ The Board was asked to receive, approve, and file the annual Acreage Supply and Reservoir Capacity Charges (Capital Improvement Fees) report. The Board was further informed that the report would be made available for public review upon request. (Item 15-D)

Motion No. 12-11-405: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to receive, approve, and file the annual Acreage Supply and Reservoir Capacity charges report. (Item 15-D)

Item 16: Public Information/Community Relations/Legislative Action Committee – Director Ebenkamp

- ◆ The General Manager briefed the Board on District activities in preparation for the MWD Weymouth Plan shutdown scheduled for February 2013. (Item 16-A)
- ◆ Ms. Olson noted the ribbon cutting ceremony for the new Parker Canyon Recycled Water Reservoir is scheduled for Wednesday, November 28, at 10:00 a.m. (Item 16-B)

Other Items

Item 17: TVMWD/MWD – Director Hilden

- ◆ Director Hilden reviewed the Action Line Reports for the Three Valleys Municipal Water District Board meeting held on October 17 and November 7, 2012.

Item 18: The P-W-R Joint Water Line Commission – Director Carrera

- ◆ Director Carrera reviewed the October 2012 water use report included in the Board packet.

Item 19: Puente Basin Water Agency – Director Ebenkamp

- ◆ Director Carrera advised the Board of the adoption of a PBWA resolution, conducted during the November 1, 2012 meeting, authorizing the issuance of water bonds via the Puente Basin Water Agency (PBWA), which will be funded by Rowland Water District for various PBWA and other projects.

Item 20: General Manager Report – Mike Holmes

- ◆ The General Manager presented the Board with a follow-up report on previous Board actions. (Item 20-A)
- ◆ The General Manager reviewed the District's activities calendars for November, December and January. (Item 20-B)

Item 21: 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. Directors include reports of their participation in non-expense/per diem paid community events as a matter of information.)

- ◆ In addition to the District Board and committee meetings, and the PBWA meetings previously reported, Director Carrera noted her attendance at a Board-sponsored barbecue, a Rowland Heights Coordinating Council meeting, and a legislative briefing with Senator Bob Huff.
- ◆ In addition to the District Board and committee meetings, and the PBWA meeting previously reported, Director Ebenkamp noted his attendance at TVMWD Board meetings, a WVWD Long Term Debt Financing Ad hoc Committee meeting, and a SCWUA luncheon.
- ◆ In addition to the District Board and committee meeting previously reported, Director Hilden noted his attendance at TVMWD Board meetings and the Chinese Institute of Engineering Annual Banquet where a District Certificate of Recognition was presented to Dr. Tony Torng.
- ◆ Although Director Kwong was not in attendance at the Board meeting, her Expense Report noted her attendance at District committee, Board, and Special Board meetings.
- ◆ In addition to the District Board meeting previously reported, Director Wu noted his attendance at the Walnut Family Festival Parade. Additionally, Director Wu noted performance of Board President's Duty on October 18, 2012.

Item 22: Legal Reports

- ◆ Mr. Gosney reported on an article from *The Christian Science Monitor* relating to water consumption. He then noted there would be a closed session following the regular business meeting.

Item 23: Items for Future Discussion

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

Item 24: Board of Directors Business

- ◆ There was no Board of Directors Business to come before the Board at this time.

Item 25: Public Comment on Closed Session

- ◆ There were no requests to comment on either open or closed session items at this time.

Item 26: Adjourn to Closed Session – 6:35 p.m.

Item 27: Closed Session – 7:00 p.m.

- A. The Board met in closed session in accordance with Government Code §54956.9(a) to discuss one existing litigation matter concerning Michelle Lin, Esther Hong, D.H. Hwang and Isabella Hwang for decedent Jessica Hwang vs. Dachan Kim, Kyung Lee Kim, City of Industry, Walnut Valley Water District, County of Los Angeles, Doty Bros. Construction Co., and DOES 1 through 25, Inclusive, Case No. BC433130, and
- B. In accordance with Government Code §54956.8 to discuss one real property matter pertaining to the acquisition of Central Basin and Main San Gabriel Basin water rights. The negotiators are Michael Holmes and Erik Hitchman. The negotiating parties are various water rights holders. Under negotiation are the price and terms of payment.

- C. In accordance with Government Code §54956.9(b) to discuss one potential litigation matter.
- D. In accordance with Government Code §54957 to conduct a performance evaluation for the General Manager.

Item 28: Reconvene in Open Session/Report of Action Taken in Closed Session – 7:21 p.m.

- A. It was reported that the Board met in closed session in accordance with Government Code §54956.9(a) to discuss one litigation matter concerning Michelle Lin; Esther Hong; D.H. Hwang and Isabella Hwang for decedent Jessica Hwang vs. Dachan Kim; Kyung Lee Kim; City of Industry; Walnut Valley Water District; County of Los Angeles; Doty Bros. Construction Co.; and DOES 1 through 25, Inclusive, Case No. BC433130. The Board was briefed on the status of the case; no action reportable under the Brown Act was taken.

The Board also met in closed session in accordance with Government Code §54956.8 to discuss one real property matter pertaining to the acquisition of Central Basin and Main San Gabriel Basin water rights. The negotiators are Michael Holmes and Erik Hitchman. The negotiating parties are various water rights holders. Under negotiation are the price and terms of payment. The Board was briefed on the status of this matter; no action reportable under the Brown Act was taken.

The Board also met in closed session in accordance with Government Code §54956.9(b) to discuss one potential litigation matter; no action reportable under the Brown Act was taken on this item.

The Board also met in closed session in accordance with Government Code §54957 to conduct a performance evaluation for the General Manager. No action reportable under the Brown Act was taken on this item.

(Item 28-A)

- B. Pursuant to discussion and completion of the General Manager's evaluation process, the Board was asked to consider a 3.375% salary adjustment for the General Manager, effective January 1, 2013, which is inclusive of any COLA awarded District employees. Ms. Olson added that the General Manger's contract allows him to join the other employees with the Cost of Living Adjustments (COLA). Pursuant to the Terms and Conditions of Employment, a 3.375% COLA will take effect for all District employees on January 1, 2013, less one percent for spousal medical buyback. The Board also approved an auto allowance increase for the General Manager in the amount of \$25 per month. (Item 28-B)

Motion No. 12-11-406: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (4-0), to approve a 3.375% merit increase for the General Manager, which is inclusive of the 3.375% Cost of Living Adjustment effective January 1, 2013, less one percent spousal medical buyback, effective January 1, 2013; and an auto allowance increase of \$25 per month. (Item 28-B)

Adjournment at 7:30 p.m.

Motion No. 12-11-407: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Hilden and unanimously carried (4-0), to adjourn the meeting.