

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

**October 25, 2012  
At the Offices of the District**

**DIRECTORS PRESENT:**

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

**DIRECTORS ABSENT:**

Allen L. Wu  
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  
Jim Ciampa, Legal Counsel

The meeting was called to order at 4:07 p.m. with Vice President Hilden presiding.

Guests and others in attendance: Mr. James Linthicum of Three Valleys Municipal Water District

**Item 3: Public Comment – Vice President Hilden**

- ◆ There were no requests to make public comment.

**Item 4: Consider approval of Minutes of Special Board Meeting Held September 18, 2012 – Vice President Hilden**

- ◆ The Board was asked to consider approval of the minutes of the Special Board meeting held September 18, 2012. (Item 4)

**Motion No. 12-10-389:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (3-0), to receive, approve, and file the minutes of the Special Board meeting held September 18, 2012. (Item 4)*

**Item 5: Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2013, with all Proposed Adjustments within the Parameters of the Previously Approved Rate Structure**

- ◆ The Board was provided with a recap of the August and September 2012 Special Board meeting activities relating to the consideration of a water rate adjustment effective January 1, 2013. It was noted that at the conclusion of the September 18, 2012 meeting, staff was given direction to review the proposed rate scenarios with President Wu, as he was absent from the meeting, to solicit his input. Pursuant to discussions with President Wu, staff developed three additional rate scenarios for the Board's consideration.
- ◆ Mr. Teuber provided an analysis of each rate scenario. After which he indicated that factors such as the need for additional revenues to cover the MWD rate increase, reserve funding, potential long-term debt, and the financial impacts on the District's customers were taken into consideration.
- ◆ With this, the Board was asked to consider approval of the staff-recommended Scenario No. 3, as set forth on the table distributed to the Board and attached to these minutes. This scenario includes the increase purchased water costs based on MWD's January 1, 2013 rates, plus an additional \$1,200,000 in required revenue to cover debt service and/or reserve funding. The Board was again informed that the increase is significantly less than the amount projected in the approved 5-year rate plan adopted in 2010.

**Motion No. 12-10-390:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (3-0), to approve Scenario No. 3, as set forth on the table attached to these minutes, as the District's new water rate structure effective January 1, 2013. (Item 5)*

**Item 6: Discussion of Process to Develop New Rate Structure**

- ◆ The Board was informed that based on discussion held during previous Special Board meetings relating to rate structure/model development, staff developed a schematic (provided in the meeting packet) which split the structure/model development process into two phases.
- ◆ Phase 1 consists of the development and adoption of rate policy principles and evaluation of how various rate structures would achieve the goals of the District's rate policy.
- ◆ Phase 2 consists of the development of the rate model to be used for the subsequent five-year period.
- ◆ The Board was then asked to authorize the General Manager to solicit bids for qualified rate consultants to assist in development of a new rate structure.

**Motion No. 12-10-391:** *Upon consideration thereof, it was moved by Director Carrera, seconded by Director Ebenkamp and unanimously carried (3-0), to authorize the General Manager to solicit bids from qualified consultants to develop the District's new rate structure model, and to award a contract within the General Manager's designated authority. (Item 6)*

**Adjournment at 5:00 p.m.**