

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

**November 18, 2013  
At the Offices of the District**

**DIRECTORS PRESENT:**

Barbara A. Carrera  
Theodore L. Ebenkamp  
Scarlett P. Kwong  
Allen L. Wu

**DIRECTORS ABSENT:**

Edwin Hilden

**STAFF PRESENT:**

Michael 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  
James Ciampa, Legal Counsel

The meeting was called to order at 5:04 p.m. with Vice President Carrera presiding.

Guests and others in attendance: Director Joe Ruzicka and Mr. James Linthicum of TVMWD; Miss Hailey Shi and family; representatives of Evergreen Elementary School; Miss Emily Hong and family; representatives of South Pointe Middle School; Dr. Bob Taylor, Superintendent, Walnut Unified School District; Mr. Jayson Schmitt of Chandler Asset Management; and Mr. Ken Al-Imam of Mayer Hoffman McCann

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

- ◆ There were no requests.

**Item 4: Additions to the Agenda – Vice President Carrera**

- ◆ There were no requests.

**Item 5: Reorder of Agenda – Vice President Carrera**

- ◆ There were no requests.

**Item 6: 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 2014 "Water is Life" calendar. The students, Miss Hailey Shi from Evergreen Elementary and Miss Emily Hong from South Pointe Middle School, were presented with a framed copy of their artwork. Also present to honor them were their parents and school representatives.

**Item 7: Audited Financial Statements Prepared and Presented by Mayer Hoffman McCann – Mr. Ken Al-Imam, C.P.A.**

- ◆ The Board received a presentation by Mr. Ken Al-Imam, C.P.A., of Mayer Hoffman McCann P.C. on the District's 2012-13 audited financial statements. Following Mr. Al-Imam's review of the audited financial statements, the Board was asked to receive, approve, and file the 2012-13 Audited Financial Statements, the Summary of Audit Results 114 letter, and the Report on Internal Control letter.

**Motion No. 13-11-550:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and unanimously carried (4-0), to receive, approve, and file the 2012-13 Audited Financial Statements, the Summary of Audit Results (SAS) 114 letter, and the Report on Internal Control. (Items 7-A, B, C)*

**Item 8: Consent Calendar**

- ◆ The Board was asked to approve the Consent Calendar, including the minutes of the Regular Board meeting held October 21, 2013 and Special Board meeting held October 24, 2013; the November 2013 Check Register; the Puente Basin Watermaster Annual Report for FY 2012-13; and the Operations Report.

**Motion No. 13-11-551:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Kwong and carried (4-0), to receive, approve, and file the Consent Calendar, including minutes of the Regular Board meeting held October 21, 2013 and Special Board meeting held October 24, 2013; the November 2013 Check Register; the Puente Basin Watermaster Annual Report for FY 2012-13; and the Operations Report. (Items 8-A -1, 2, 3)*

**Item 9: 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. 13-11-552:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and carried (4-0), to receive, approve, and file the Board member expense reports for meeting attendance during the month of October 2013. (Item 9)*

**Item 10: Treasurer's Report**

- ◆ Mr. Teuber reviewed the District Statement of Revenues, Expenses, and Change in Net Assets as of October 31, 2013; the District Statement of Net Assets as of October 31, 2013; and the Summary of Cash and Investments as of October 31, 2013.

**Motion No. 13-11-553:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and carried (4-0), to receive, approve, and file the District Statement of Revenues, Expenses, and Change in Net Assets as of October 31, 2013; the District Statement of Net Assets as of October 31, 2013; and the Summary of Cash and Investments as of October 31, 2013. (Items 10 A-1, 2, 3)*

**Committee Chair Reports****Item 11: Engineering & Special Projects Committee – Director Ebenkamp**

- ◆ There were no Engineering Committee matters to come before the Board at this time.

**Item 12: Personnel Committee – Director Carrera**

- ◆ 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: *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.*
- ◆ Proposed changes/revisions to the policy and exhibits were recommended by staff. Such changes include deletion of Exhibit D, *Advance Payment to Directors for Attendance at Community Events.* Relevant provisions of Exhibit D were added to the *Policies for Ethical Conduct Regarding Board of Directors Compensation and Expenses.* In addition, Exhibit F noted an increase to the Board of Director and employee breakfast expense reimbursement not-to-exceed \$25. Additional language clarification and re-formatting modifications were applied to the Policies for Ethical Conduct, and Exhibits “A”, “C”, and “D.”

**Motion No. 13-11-554:** *Upon consideration thereof, it was moved by Director Kwong, seconded by Director Wu and carried (4-0), to approve the proposed changes, as presented, to the “Policies for Ethical Conduct Regarding Board of Directors Compensation and Expenses” and the exhibits associated with 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/Guideline; and that these changes take effect January 1, 2014. (Item 12-A)*

- ◆ The Board conducted its annual review of the District’s Identity Theft “Red Flag” Program. In light of discussion held regarding prevention of potential identity theft, a Director request was made to agendaize further review of the District’s Identity Theft Program for January’s Personnel Committee meeting. (Item 12-B)

**Item 13: Finance Committee – Director Wu**

- ◆ Mr. Jayson Schmitt of Chandler Asset Management reviewed the current economic climate and provided an update on the firm’s investment activities on behalf of the District as of October 31, 2013. (Item 13-A)

**Motion No. 13-11-555:** *Upon consideration thereof, it was moved by Director Wu, seconded by Director Kwong and carried (4-0), to receive, approve, and file the Investment Report for the period ending October 31, 2013. (Item 13-A)*

- ◆ The Board was asked to receive, accept, and file the District’s Investment Transactions Report for the month ending October 31, 2013.

**Motion No. 13-11-556:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and carried (4-0), to receive, approve, and file the Investment Transactions Report for the month ending October 31, 2013. (Item 13-B)*

- ◆ The Board was asked to approve staff’s recommendation for the FY 2012-13 Source and Application of Funds to transfer from the General Operating Reserve \$2,653,000 to the Reserve for Replacement, \$750,000 to the Employee Liabilities Reserve related to Employer OPEB liability and authorize the transfer of these funds to the OPEB Trust, and \$500,000 to the Capital Improvement Reserve.

**Motion No. 13-11-557:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and carried (4-0), to approve staff’s recommendation for the FY 2012-13 Source and Application of Funds to transfer from the General Operating Reserve \$2,653,000 to the Reserve for Replacement; \$750,000 to the Employee Liabilities Reserve related to Employer OPEB liability and authorize the transfer of these funds to the OPEB Trust; and \$500,000 to the Capital Improvement Reserve. (Item 13-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.

**Motion No. 13-11-558:** *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Wu and unanimously carried (4-0), to receive, approve, and file the annual Acreage Supply and Reservoir Capacity charges report. (Item 13-D)*

- ◆ The Board was asked to approve adjustments to the District's wholesale potable water rate for water delivered through the Badillo-Grand transmission main.

**Motion No. 13-11-559:** *Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried (4-0), to set the Monthly Base Rate for a 20-inch meter at \$8,919, effective January 1, 2014 through December 31, 2014; and to set the Potable Water Wholesale Commodity Rate for Tier I at \$899 per acre-foot and for Tier II at \$1041 per acre-foot for water delivered through the Badillo-Grand Transmission Main, effective January 1, 2014 through December 31, 2014. (Item 13-E)*

- ◆ Mr. Teuber reviewed the Revenue Bonds Funds Held in Trust monthly report, after which, the Board was asked to receive and file the report.

**Motion No. 13-11-560:** *Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and carried (4-0), to receive and file the Revenue Bonds Held in Trust with Union Bank Investment Transactions monthly report. (Item 13-F)*

- ◆ The Board was asked to declare the fully depreciated vehicles and office equipment identified in the list included in the Board packet as surplus property and authorize disposal of such vehicles and field equipment in accordance with District policy.

**Motion No. 13-11-561:** *Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried (4-0), to declare the fully depreciated vehicles identified below and Office equipment identified in the list attached to these minutes as surplus property and authorize disposal of such surplus property in accordance with District policy:*

- ◆ *Vehicle 58 – 2003 Ford F-150 Pick-up*
- ◆ *Vehicle 60 – 2003 GMC Sonoma Pick-up*
- ◆ *Vehicle 86 – 1999 Ford F-150 Pick-up*

*(Item 13-G)*

**Item 14: Public Information/Community Relations/Legislative Action Committee – Director Ebenkamp**

- ◆ The Board received an update on H.R. 3080, Water Resources Reform and Development Act of 2013.
- ◆ The Board was asked to approve WVWD Resolution No. 11-13-604 in support of ACWA's Statewide Water Action Plan.

**Motion No. 13-11-562:** *Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried (4-0), to approve WVWD Resolution No. 11-13-604 in support of ACWA's statewide Water Action Plan. (Item 14-B)*

**Other Items**

**Item 15: TVMWD/MWD – Director Ebenkamp**

- ◆ The Board received the report on TVMWD Board meeting activities.

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

- ◆ The Board received the P-W-R Joint Water Line Commission Water Use Report for October 2013.

**Item 17: Puente Basin Water Agency –Director Carrera**

- ◆ The Board received an update on PBWA's November 14, 2013 Commission meeting activities.

**Item 18: General Manager Report**

- ◆ The General Manager presented a follow-up report on previous Board actions.
- ◆ The General Manager reviewed the District's activities calendars for November and December 2013, and January 2014.

**Item 19: 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 District Board and committee meetings, and the P-W-R JWL Commission meeting, Director Kwong noted her attendance at an ACWA Region 10 program. She also met with the General

Manager on October 18, 2013 to discuss meeting activities from the September 19, 2013 Special Board meeting.

- ◆ In addition to the District Board, committee, and PBWA meetings, Director Ebenkamp noted his attendance at Three Valleys MWD Board meetings and Leadership Breakfast, and a SGV Water Forum. In addition, he participated in an AWWA “Leak Detection” webinar and “Save Our Water” webinar.
- ◆ In addition to the District Board and committee meetings, Director Wu noted his attendance at a SGV Water Forum, the TVMWD Leadership Breakfast, the Walnut Family Festival, and Rowland Heights Buckboard Days Parade. He also participated in an AWWA “Leak Detection” webinar.
- ◆ Director Carrera noted her attendance at District Board and committee meetings, and a PBWA Commission meeting.
- ◆ Although Director Hilden was not present at the Board meeting, his Expense Report noted his attendance at District Board and committee meetings, Three Valleys MWD Board meetings and Leadership Breakfast, a SGV Water Forum, the LAFCO Independent Special Districts Election held in Glendale, and the Rowland Heights Buckboard Days events.

**Item 20: Legal Reports**

- ◆ Legal Counsel provided an update on the Stormwater Discharge From Municipal Separate Storm Sewer Systems (MS4s) and also on legislation of interest to the District.

**Item 21: Items for Future Discussion**

- ◆ Staff was given direction, as indicated previously, to further review the District’s Identity Theft Program.

**Item 22: Board of Directors Business**

- ◆ The Board received an update on the District’s public outreach activities in relation to the WVWD 2014 rates. (Item 22-A)
- ◆ Mr. Holmes advised of Director Hilden and Carrera’s reappointment into office effective December 6, 2013, 12:00 p.m. (Item 22-B)
- ◆ The Board was asked to authorize the General Manager to execute an agreement with Henry Woo Architects, based on the revised lump sum fee proposal for the completion of the construction drawings and specifications for the District Administrative Headquarters Facility Project (P.N. 08-3082) in the amount of \$548,937. (Item 22-C)

***Motion No. 13-11-563: Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Kwong and carried (4-0), to authorize the General Manager to execute an amended agreement with Henry Woo Architects, based on the revised lump sum fee proposal for the completion of the construction drawings and specifications for the District Administration Headquarters Facility Project (P.N. 08-3082) in the amount of \$548,937, and to include a revised scope-of-work and schedule in the amended agreement. (Item 22-C)***

- ◆ Board consensus was given to defer consideration of adoption of *Policy Objectives for Guiding Rate Design* to the November 21, 2013 Special Board meeting. (Item 22-D)
- ◆ The Board received a memorandum and supporting documents regarding the upcoming Association of California Water Agencies (ACWA) 2013 Fall Conference General Session Member Meeting - Election of Officers. (Item 22-E)
- ◆ The Board was asked to review the General Manager’s FY 2013-14 Work Plan template, provide any further revisions/comments and, at the Board’s discretion, direct staff to move forward with implementation. (Item 22-F)

***Motion No. 13-11-564: Upon consideration thereof, it was moved by Director Wu, seconded by Director Ebenkamp and unanimously carried (4-0), to approve the proposed revisions to the General Manager’s FY 2013-14 Work Plan, to receive, approve, and file the Work Plan as presented. (Item 22-F)***

**Item 23: Public Comment on Closed Session**

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

**Item 24: Adjourn to Closed Session – 7:14 p.m.**

**Item 25: Closed Session – 7:34 p.m.**

- ◆ It was reported that the Board met in closed session in accordance with Government Code [§54956.9(d)(1)] 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
- ◆ The Board also met in closed session in accordance with Government Code [§54956.8] to discuss real property negotiation matters pertaining to the acquisition and/or lease of water resources. The negotiating parties are Michael Holmes and Erik Hitchman; and

- ◆ The Board also met in closed session in accordance with Government Code Section [§54957] to conduct the annual performance evaluation for the General Manger.

**Item 26: Reconvene in Open Session/Report of Action Taken in Closed Session – 7:40 p.m.**

A. It was reported that the Board met in closed session in accordance with Government Code [§54956.9(d)(1)] 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. 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 real property negotiation matters pertaining to the acquisition and/or lease of water resources. The negotiating parties are Michael Holmes and Erik Hitchman. No reportable action 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. That evaluation occurred, and no action reportable under the Brown Act was taken on this item.

B. Pursuant to discussion and completion of the General Manager's evaluation process, the Board was asked to consider at its discretion and in Open Session a salary or other compensation adjustment for the General Manager, to be effective January 1, 2014. 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 3.875% COLA will take effect for all District employees on January 1, 2014, less one percent for spousal medical buyback.

Discussion was then held regarding the General Manager's request to extend his employment contract to December 31, 2016. Legal Counsel noted that consideration of and any possible action on extending the General Manager's contract needs to be delayed until it can be agendized for consideration and possible action at the Board's December meeting, as that issue was not agendized for this meeting.

**Motion No. 13-11-565: *Upon consideration thereof, it was moved by Director Carrera, seconded by Director Ebenkamp and unanimously carried (4-0), to approve a 7.875% merit increase for the General Manager, which is inclusive of the 3.875% Cost of Living Adjustment effective January 1, 2014, less one percent spousal medical buyback, effective January 1, 2014. (Item 26-B)***

**Adjournment at 7:52 p.m.: *There being no further business to discuss, Vice President Carrera adjourned the meeting.***