

Borrego Water District
MINUTES
Regular Meeting of the Board of Directors
Wednesday, December 17, 2008
9:15 AM
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A.** Call to Order: President Mendenhall called the meeting to order at 9:20 a.m.
- B.** Pledge of Allegiance: Those present stood for the Pledge of Allegiance.
- C.** Roll Call: **Directors:** Present: President Mendenhall, Vice-President King,
Secretary/Treasurer Andersen, Shimeall, Smiley
Staff: Richard Williamson, General Manager
Jerry Rolwing, Operations Manager
Kim Pitman, HR/Finance Specialist
Wendy Quinn, Recording Secretary
Public: Marshal Brecht Bob McKee
Judy Meier, *Borrego Sun* Don McKelvey
Thomas Antel Beth Hart

D. Approval of Agenda: Rich Williamson announced that the Auditors (Item II.C) would be phoning their report due to the weather. The Borrego Springs Elementary School representatives (Item II.B) also cannot attend due to the weather (many teachers live in Julian). They will be rescheduled in January. *MSC: Shimeall/King approving the Agenda as amended.*

E. Approval of Minutes:
Regular Meeting of November 19, 2008. *MSC: Smiley/King approving the Minutes of November 19, 2008 as written.*

F. Comments from the Public and Requests for Future Agenda Items: Bob McKee reported that last week the Fire Board made cuts in every budget item so that the District could survive the recession without new taxes. He urged BWD to do the same, expressing concern over a recent expenditure for emergency vehicle lights and the General Manager/District Engineer salary..

G. Comments from Directors and Requests for Future Agenda Items: None

H. Correspondence: Mr. Williamson reported he had received a letter from the Water Education Foundation asking BWD to continue its membership for \$199 per year. The Foundation offers useful information on conservation, so absent objection he intended to continue membership.

Rudy Monica had written requesting a letter of quantification from the District as to his water credit balance. Mr. Williamson met with him and recommended waiting until the County and District have agreed on a credit policy. Discussion followed regarding the status of the District's credits arising from the Monica transaction, and whether they should be retired or could be resold. Mr. Williamson noted that Allison Burns had concluded they could be resold, and perhaps they could be used to meet the needs of small developers. Director Smiley believed they should be extinguished, avoiding competition between the District and other credit owners. Beth Hart felt the public would oppose resale.

Mr. Williamson announced that the District had been invited to make a presentation at the Water Smart Conference in Las Vegas next year, sponsored by the EPA and the Southern Nevada Water Authority. He intended to participate, noting the benefits in exposure to other agencies and opportunities for funding and water wheeling.

Mr. Williamson reported that Don McKelvey had prepared an excellent outline of suggested Best Management Practices for commercial customers, to be considered by the Conservation Committee. Mr. McKelvey welcomed comments and suggestions.

II. CURRENT BUSINESS MATTERS

A. Swearing in of Directors Robert Mendenhall and Eleanor Shimeall: Mr. Williamson swore in Directors Mendenhall and Shimeall. He announced that at the next meeting new officers would be installed and new committee assignments made.

B. An official "thank you" to the BWD Directors from the students and staff of the Borrego Springs Elementary School for sponsoring the transportation to Balboa Park to help make it possible for them to see the water exhibits: This item was deferred.

C. Presentation of FYE 2008 Audit by Diehl Evans: Mr. Williamson reported the District's audit was favorable. We had more revenue and less expenditures than expected, and the auditors said it was one of the cleanest audits in which they had been involved. Director Shimeall commended Kim Pitman for her accounting management. Director Shimeall referred to Agenda page 32, reporting reserve funds for energy conservation/efficiency projects. Director King suggested referring the matter to the Special Services Committee, and Mr. Williamson concurred. Mr. Williamson distributed copies of the management letter, noting there were three comments, all of which have been addressed. There was one duplicate payment, packing slips should be attached to invoices, and facilities contributed by developers should be entered in the books at the time they are accepted. Mr. Williamson further reported he had compiled a unit pricing schedule for standard values of developer-donated assets. It will be updated annually. The issue of segregation of duties, often an issue for small districts, has been addressed so that there will be checks and balances. The administrative budget and workload will be addressed at a future meeting. Discussion followed regarding the procurement procedure, which involves multiple approvals and checks.

D. Discuss scheduling Board Meetings & Committee Meetings for January, 2009: Mr. Williamson explained that on January 28, the date of the regular Board meeting, he would like to attend a meeting in Tucson on long-term water leases. He asked if the meeting could be moved to the 21st and the Groundwater Management Committee meeting to the 14th, as we did for the 2008 year-end holidays. ***MSC: Smiley/King scheduling the next Board meeting for January 21, 2009 and the next Groundwater Management Committee meeting for January 14, 2009.***

E. Consideration of the Board to collectively participate in the BWD Medical/Dental/Vision insurance plans for term of office: Mr. Williamson pointed out that the existing employees' health insurance program and existing District Policy provides for Board member participation if they so choose. He felt their inclusion would encourage people to run for office, and with an \$80,000 budget surplus, the District has budget capacity available to cover the expense. The cost to cover all Board members would be \$32,000 for six months. Marshal Brecht felt that just because the District has a surplus, they don't need to spend it. Mr. Williamson replied that was not the reason he suggested the expenditure; he just wanted to point out that sufficient funds were available. Director Shimeall expressed support for the proposal, noting that ACWA offers excellent coverage. Thomas Antel concurred, noting that energy costs are increasing, and with the new national administration, insurance costs may increase. ***MSC: Smiley/King approving Board participation in the BWD Medical/Dental/Vision insurance plans for term of office.***

President Mendenhall declared a recess at 10:40 a.m., and the Board reconvened at 10:50 a.m.

C. Presentation of FYE 2008 Audit by Diehl Evans (continued): Harvey Schroeder from Diehl Evans called in and addressed the Board via teleconference. He stated that the audit went very smoothly, and staff was well prepared. The three comments in the management letter are already being addressed. He summarized statistics in his written report, including total operating revenues of \$2,996,678; total operating expenses of \$2,943,640; and depreciation of \$458,992. Nonoperating revenues totaled \$59,422; income before capital contributions \$112,460; and capital contributions \$1,128,070. The change in net assets was \$1,240,530 for the year. The net assets remained fairly consistent as compared to last year, with some change in the capital assets due to the merger with CSD. Current liabilities are \$501,742. The statement of cash flows indicated net cash provided by operating activities at \$186,593, and net cash provided by noncapital financing activities at \$56,600.

The last half of the report consisted of notes to the financial statements, including cash, cash equivalents and investments and assurance that investments were in conformance with the District's adopted policies. Investments in the Local Agency Investment Fund total \$4,851,213. Mr. Schroeder invited the Board's attention to Note 12 regarding the intertie and Note 13 regarding the refunding of outstanding COPs. After responding to some inquiries from the Board and audience regarding LAIF, the teleconference was concluded.

III. COMMITTEE REPORTS & PROPOSALS

A. Ad Hoc Committees:

1. Personnel. Director Smiley reported that the Committee had discussed the Personnel Policy Manual and will discuss further at the next meeting. Most of the December meeting was devoted to discussion of extension of the health insurance plan to the Directors.
2. Budget and Finance. No report.
3. BSPCSD. President Mendenhall reported that all of LAFCO's requirements for the BWD/CSD merger had been satisfied. We are now in the 30-day review period following the public hearing. Final action is expected on January 9, followed by another 30-day period for recording. The recordation date will be the effective date of the consolidation and the transfer of CSD assets to BWD.
4. Contract labor review. No report.
5. Negotiating. President Mendenhall reported he had met with representatives of De Anza Country Club. Mr. Williamson added there had been no further action on the Austin matter, and we are awaiting a response from De Anza on the options presented.
6. Sewer. Mr. Williamson will report on the grant status in the Grant Committee report.
7. Grants. Mr. Williamson reported that the State has funded Proposition 84, an infrastructure revolving fund with good interest rates.

B. Standing Committees:

1. Conservation. Director Shimeall invited the Board's attention to the Conservation Committee Minutes, which were included in the Agenda packet, and asked that Agenda page 38 (the Water Conservation Program accounting) be pulled from the Consent Agenda. In response to Director Smiley's inquiry, Mr. Williamson confirmed that all conservation incentive payments came from operating revenues. Director Shimeall commended Mr. McKelvey and Ms. Hart for their work on the subcommittee addressing Best Management Practices for commercial customers. Director Smiley welcomed additional volunteers to serve on the subcommittee. Mr. McKelvey stated he would be seeking the Committee's guidance at its next meeting. Director Shimeall asked all Committee members

to access the EPA's "Water Sense" website and bring suggestions to the next meeting (January 7). She also suggested including rebate information in the water bills. Mr. Williamson had done so previously, but agreed a repeat may be needed.

2. GWM. President Mendenhall invited the Board's attention to the Groundwater Management Committee Minutes, which were included in the Agenda packet. Mr. Williamson reported he had signed contracts with USGS and DWR for the groundwater study and was reviewing DWR's first task order. The USGS is in the field confirming water elevations at 40 wells and expects a preliminary report (within ten percent accuracy) by the town hall meeting in March.

Director Smiley inquired about the status of the MOU between the District and the County on mitigation, and Mr. Williamson replied he was about a third of the way through the review and planned to finish over the holidays, submit it to the Committee and Board for review in early January, then respond to the County.

Mr. McKee commented on the December 10 Committee Minutes (Agenda page 15), reflecting Mr. Williamson's comment that the District wants to eliminate the aquifer overdraft but also develop a sustainable water supply and use the recharged aquifer as a backup for drought and other shortages. Mr. Williamson explained that is a typical use of an aquifer. When additional water supplies are available, it would serve as a reservoir and perhaps be sold to golf courses. Ms. Hart expressed the opinion that importation would serve new development, although the aquifer would be adequate for existing customers. President Mendenhall replied that the USGS study would address that issue.

Mr. Williamson asked the Board members to review the Integrated Water Resource Management Plan, available on the District's website, office, and at the library.

IV. CONSENT AGENDA: The Consent Agenda includes reports that are distributed with the Agenda packet and are submitted for filing following Board approval. At the first Board meeting of each quarter, **Jan/April/July/October**, these items will be discussed in full. Any member of the Board, staff or public may request items from the Consent Agenda be removed for discussion. Items so removed shall be acted upon separately immediately following approval of items remaining on the Consent Agenda.

A. Water and Wastewater Operations Report – November, 2008.

B. Water Production/Use Records – November, 2008.

C. Financial Reports – November, 2008.

1. Disbursements & Claims Report
2. Financial Statement for Period Ending
3. Income/Expense Budget to Actual Comparisons
4. Capital Improvement Program Accounting
 - 01-Water Conservation Program
 - 02-Sustainable Water Program
 - 07-Sewer System Improvements
 - 10-Office/Engineering/Administration
5. CSD-BWD Intertie/MOU costs

MSC: King/Andersen approving the Consent Agenda.

V. STAFF REPORTS

A. Manager's Report: Mr. Williamson distributed a written report. He had signed the contract with Reiter and Associates for the standby charge study. He visited Supervisor Horn to discuss available water resources and a possible dedicated planner to estimate Borrego's future population. Mr. McKelvey expressed the opinion that the District should retain a private consultant rather than paying

the County. Discussion followed as to the impact of the projection on the size of a future importation pipeline, and whether the County would accept figures provided by an outside party.

Mr. Williamson further reported he met with MSA Consulting regarding the design of a new lift station on Borrego Valley Road.

A memo regarding the formation of a Regional Water Management Group, as part of the Integrated Water Management Plan, was attached to Mr. Williamson's report. This would improve our chances at grant eligibility by including AAWARE, the golf courses, the County and possibly the State Park.

B. Engineer's Report: The Engineer's report was included in the General Manager's report.

C. Operations Report: Mr. Williamson reported that Well #3 had failed. The crew rebuilt the pump and worked on the casing. There is concern regarding a sink hole. The tentative plan is to use Well #3 as a monitoring well and eventually replace it.

VI. ATTORNEY'S REPORT

No report.

VII. INFORMATIONAL ITEMS

None

VIII. CLOSED SESSION

None

IX. OTHER ACTION ITEMS

None

X. ADJOURNMENT

There being no further business, the meeting adjourned at 12:15 p.m. The next regular meeting of the Board of Directors is scheduled for January 21, 2009 at the Borrego Water District.