

Borrego Water District
MINUTES
Regular Meeting of the Board of Directors
AND
Special Meeting of the Borrego Water District
Public Facilities Corporation
Wednesday, June 25, 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
Allison Burns, Stradling, Yocca, Carlson & Rauth
Jerry Rolwing, Operations Manager
Kim Pitman, HR/Finance Specialist
Wendy Quinn, Recording Secretary

Public: Jim Engelke Ron Del Guercio
Judy Meier, *Borrego Sun* Greg Stumpf
Lane Sharman, BWX Bob McKee
Beth Hart Rudy Monica
Kurt Yeager, Stradling, Yocca, Dennis Ciocca, Sutter Securities
Carlson & Rauth Andrea Roess, Taussig & Assoc.

D. Approval of Agenda: *MSC: King/Shimeall approving the Agenda as written.*

E. Approval of Minutes:

1. Regular Meeting of May 28, 2008. *MSC: Shimeall/King approving the Minutes of May 28, 2008 as written.*

2. Regular Meeting of June 11, 2008. *MSC: Shimeall/Smiley approving the Minutes of the Regular Meeting of June 11, 2008 as written.*

3. Special Meeting of June 11, 2008. Director Shimeall requested that the time of adjournment, 1:45 p.m., be noted in the June 11 Special Meeting Minutes. *MSC: King/Shimeall approving the Minutes of the Special Meeting of June 11, 2008 as corrected.*

F. Comments from the Public and Requests for Future Agenda Items: Lane Sharman requested the formation of a local task force, to be led by Director Smiley, for the development of a water mitigation and entitlement policy. He noted the District has spent two years trying to work with the County toward this end, to date without success. He urged adoption of a policy for voluntary reduction of water use in exchange for credit, including enforcement procedures, with cooperation and oversight by the County. President Mendenhall asked that the matter be included in a future Agenda.

Bob McKee referred to a recent consumer confidence report mailed to District customers. There was a discrepancy in the year referenced in the monitoring results, 2002 in one place and 2007 in another. There were also some words missing in a sentence relating to disinfecting the wells.

Greg Stumpf noted that in the budget presented today, there were across the board increases in salaries and retirement benefits of up to 35 percent. In today's economy, he supported occasional merit increases, but not to this extent.

G. Comments from Directors and Requests for Future Agenda Items: Director Smiley requested that a representative of the County be invited to discuss the County's comments regarding the District's mitigation entitlement policy. Allison Burns suggested Jim Bennett and offered to contact him. Rich Williamson reported he had met with County staff and supported Director Smiley's suggestion, but suggested the task force proposed by Mr. Sharman meet first. Director King volunteered to participate on the task force. Further discussion was continued to the next Conservation Committee meeting.

H. Correspondence:

1. Protest letter – R.D. McKee. Mr. Williamson reported that Mr. McKee had requested information on the number of residential, commercial and irrigation meters in the District (1,816 residential, 133 commercial and 75 irrigation); the number of tiered rate notices mailed (3,871) and the number of signatures required to defeat the tiered rate proposal (958). Mr. McKee questioned why the number of protests required was less, when the rates were first proposed, than it is now, when it affects fewer customers. Mr. Williamson pointed out that only four have been received, and the 700 (approximately) received during the first proposal are not counted a second time.

2. Protest letter – Harold Withers. Harold Withers had protested the tiered rate proposal, noting his bill was already higher than what he could afford and he felt the new rates would penalize small users.

3. Protest letter - Mark N. Remy. Mark Remy felt the tiered rate proposal should be subject to an election, and objected to the fact that the highest users (agriculture and golf) were not included.

4. Protest letter – Mike Medema. Mike Medema's e-mail opined that the tiered rate proposal would violate Article XIII B of the California Constitution. He was also concerned that the rates would target only residential users and would be subject to legal challenge. Beth Hart, speaking on Mr. Medema's behalf, explained that Mr. Medema's letter was not intended as a protest. He had written a similar letter previously and received no response. Mr. Medema felt the disparate treatment of users violates the California Constitution and requested a legal opinion. Mr. Williamson noted that this issue would be addressed later in the Agenda.

II. JOINT MEETING OF BORREGO WATER DISTRICT PUBLIC FACILITIES CORPORATION AND BORREGO WATER DISTRICT

A. Call to order: President Mendenhall called the meeting to order at 9:45 a.m.

B. Election of officers of Borrego Water District Public Facilities Corporation:

1. President.
2. Vice President.
3. Secretary.
4. Chief Financial Officer.

Ms. Burns explained that the Borrego Water District Public Facilities Corporation is a nonprofit organization formed for financing purposes. The Board is comprised of the Water District Board members. ***MSC: Smiley/King electing Director Shimeall as Chief Financial Officer. MSC: King/Smiley electing President Mendenhall, Director King and Director Andersen as President, Vice President and Secretary, respectively.***

C. Review of Documents for the refunding of Certificates of Participation for Improvement District No. 4 – Dennis Ciocca, Sutter Securities, Inc.:

1. Preliminary Official Statement.
2. Purchase Contract.
3. Trust Agreement.
4. Installment Purchase Agreement.
5. Assignment Agreement.
6. Escrow Agreement (1997 COPs).
7. Escrow Agreement (1998 COPs).

Dennis Ciocca explained that when he originally discussed refunding the Certificates of Participation for ID No. 4 with the Board three months ago, the rate would have been 3.5 percent. It has now increased to 4.15 percent, but he believed the refunding was still worthwhile. He recommended a change in the marketing plan, from public issue to private placement, whereby a single financial institution would buy the entire issue. A bank may hold the Certificates in a tax exempt status, so the purchase is more attractive than it would be to a private investor. We have a firm offer at 4.5 percent, or 4.65 percent including costs, a savings to the District of approximately 2 percent over the existing rate. Director Shimeall asked whether Mr. Ciocca's fee would remain the same regardless of the profits to the District. Mr. Ciocca explained that he receives a percentage of the proceeds, plus had to retain the services of another partner, so his fee would decline. He estimated the District's savings at approximately \$254,000.

D. Consideration of **RESOLUTION NO. 2008-6-7 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT PUBLIC FACILITIES CORPORATION AUTHORIZING THE PREPARATION, SALE AND DELIVERY OF NOT TO EXCEED \$3,600,000 PRINCIPAL AMOUNT OF REFUNDING CERTIFICATES OF PARTICIPATION FOR IMPROVEMENT DISTRICT NO. 4 (WATER SYSTEM IMPROVEMENTS), SERIES 2008 (BANK QUALIFIED) AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH.**

E. Consideration of **RESOLUTION NO. 2008-6-8 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT AUTHORIZING THE PREPARATION, SALE AND DELIVERY OF NOT TO EXCEED \$3,600,000 PRINCIPAL AMOUNT OF REFUNDING CERTIFICATES OF PARTICIPATION FOR IMPROVEMENT DISTRICT NO. 4 (WATER SYSTEM IMPROVEMENTS), SERIES 2008 (BANK QUALIFIED) AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH.**

Kurt Yeager, attorney with Stradling, Yocca, Carlson & Rauth, noted that the proposed Resolutions authorize the General Manager and President to sign the necessary documents for the refunding. He recommended the Vice President be added. Mr. Yeager explained that in 1997-98, when the District purchased the Borrego Water Company, the Public Facilities Corporation was formed to finance improvements. He noted that the signatories would be authorized to make minor changes to the documents to effect the private placement.

MSC: Shimeall/King adopting Resolution No. 2008-6-7, Resolution of the Board of Directors of the Borrego Water District Public Facilities Corporation Authorizing the Preparation, Sale and Delivery of Not to Exceed \$3,600,000 Principal Amount of Refunding Certificates of Participation for Improvement District No. 4 (Water System Improvements), Series 2008 (Bank Qualified) and Approving Certain Documents and Authorizing Certain Actions in Connection Therewith, modified to add the Vice President as an authorized signatory. RC: AYES – Shimeall, King, Andersen, Smiley, Mendenhall.

MSC: King/Shimeall adopting Resolution No. 2008-6-8, Resolution of the Board of Directors of the Borrego Water District Authorizing the Preparation, Sale and Delivery of Not to Exceed \$3,600,000 Principal Amount of Refunding Certificates of Participation for Improvement District No. 4 (Water System Improvements), Series 2008 (Bank Qualified) and Approving Certain Documents and Authorizing Certain Actions in Connection Therewith, modified to add the Vice President as an authorized signatory. RC: AYES – King, Shimeall, Andersen, Smiley, Mendenhall.

F. Adjournment of meeting of Board of Directors of Borrego Water District Public Facilities Corporation: There being no further business to come before the Public Facilities Corporation, the meeting was adjourned at 10:10 a.m. The Water District Board remained in session.

III. CURRENT BUSINESS MATTERS

A. Public hearing to hear testimony for/against Tiered Water Rates: President Mendenhall opened the public hearing at 10:10 a.m. Ms. Hart reiterated Mr. Medema's question regarding a potential violation of California Constitution Article XIII B. Ms. Burns opined that the Constitution required a fee for service not to exceed the reasonable cost of providing that service, and in this case, the proposed fees are constitutional. Ms. Hart understood that the cost to the District to serve all customers was \$1.12 per unit, so she questioned the increase in residential rates. Ms. Burns explained that because the rates are the same doesn't mean the costs are not higher for some customers, as documented in the Groundwater Management Plan. Ms. Hart requested a copy, as well as written legal and financial justification.

Ron Del Guercio disagreed that the costs were documented in the Plan and felt there was no justification for excluding commercial and agriculture from the tiered rates. He expressed concern that he had not seen financial or engineering analyses supporting the new rates.

Director Smiley pointed out that the District cannot predict the exact cost of deepening wells or importing water, but it is important to encourage conservation now and establish reserves for future expenses. Mr. Williamson noted that the original tiered rate proposal was substantially different, and the District and community had worked together to modify it based on public input. The budget proposed today includes approximately \$800,000 in expenditures for conservation and groundwater management, including studies to determine the life of the aquifer. He was comfortable with Ms. Burns's legal conclusion, and did not believe a court would penalize local conservation efforts when the Governor was calling for a 20 percent reduction in water use statewide.

Mr. Williamson responded to concerns regarding the failure to include commercial and irrigation users in the tiered rates by explaining that Conservation Management Plan includes them, and De Anza Country Club is aiming to reduce its irrigation by one third. Incentives and education are continuing for the entire community.

Jim Engelke pointed out that the Conservation Committee had addressed justification for tiered rates, and the conclusions are documented in the Minutes. Jerry Rolwing provided figures on expenditures and savings in the various proposed programs. Mr. McKee urged additional justification between now and the rates' effective date, July 2009. Director Andersen observed that the proposal has changed dramatically since its inception, and suggested we make sure all is in order before moving forward. Director Smiley believed customers will make efforts to follow best management practices, as Christmas Circle is already doing, and urged everyone to give the program a chance to work.

Hearing no further comments, President Mendenhall closed the public hearing at 10:32 a.m.

B. Consideration of RESOLUTION NO. 2008-6-6 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, ADOPTING TIERED WATER RATES: Director Andersen expressed concern regarding a potential legal challenge to the tiered rates. *MSC: Shimeall/Smiley adopting Resolution No. 2008-6-6,*

Resolution of the Board of Directors of the Borrego Water District, San Diego County, California, Adopting Tiered Water Rates. RC: AYES – Shimeall, Smiley, King, Mendenhall; NO – Andersen.

C. Review of Administration Report Fiscal Year 2008-2009 prepared by David Taussig and Associates for CFD No. 2007-1 – Andrea Roess: Mr. Williamson explained that the Administration Report provides the basis for the District's tax levy, which includes a flat rate for the availability standby charge and pest control on a per-parcel basis. Andrea Roess added that this is a routine action taken yearly, and the assessments will be included on the property tax bills. The figures are nearly identical to last year's.

D. Consideration of **RESOLUTION NO. 2008-6-1 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE:** MSC: Smiley/King adopting Resolution No. 2008-6-1, Resolution of the Board of Directors of the Borrego Water District, San Diego County, California, Levying Standby Charges and/or Acreage Assessments to Defray the Cost of Operations and Maintenance of the District and Requesting the Levy and Collection of said Standby Charges and/or Acreage. RC: AYES – Smiley, King, Andersen, Shimeall, Mendenhall.

E. Consideration of **RESOLUTION NO. 2008-6-2 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COSTS OF OPERATIONS AND MAINTENANCE OF THE DISTRICT, AND TO PAY COSTS OF OPERATIONS AND MAINTENANCE FOR IMPROVEMENT DISTRICT NO. 1 REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON CERTAIN LAND IN IMPROVEMENT DISTRICT NO. 1 FOR THE FISCAL YEAR 2008-2009:** MSC: King/Smiley adopting Resolution No. 2008-6-2, Resolution of the Board of Directors of the Borrego Water District, San Diego County, California, Levying Standby Charges and/or Acreage Assessments of Defray the Costs of Operations and Maintenance of the District, and to Pay Costs of Operations and Maintenance for Improvement District No. 1, Requesting the Levy and Collection of said Standby Charges and/or Acreage Assessments on Certain Land in Improvement District No. 1 for the Fiscal Year 2008-2009. RC: AYES – King, Smiley, Andersen, Shimeall, Mendenhall.

F. Consideration of **RESOLUTION NO. 2008-6-3 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF PROVIDING PEST CONTROL SERVICES BY THE DISTRICT AND REQUESTING LEVY AND COLLECTION OF SAID CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2008-2009:** MSC: Shimeall/King adopting Resolution No. 2008-6-3, Resolution of the Board of Directors of the Borrego Water District, San Diego County, California, Levying Charges and/or Acreage Assessments to Defray the Cost of Providing Pest Control Services by the District and Requesting Levy and Collection of said Charges and/or Acreage Assessments for the Fiscal Year 2008-2009. RC: AYES – Shimeall, King, Andersen, Smiley, Mendenhall.

G. Consideration of **RESOLUTION NO. 2008-6-4 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATING AND MAINTAINING THE WATER FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 3 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR**

2008-2009: *MSC: Smiley/Shimeall adopting Resolution No. 2008-6-4, Resolution of the Board of Directors of the Borrego Water District, San Diego County, California, Levying Standby Charges and/or Acreage Assessments to Defray the Cost of Operating and Maintaining the Water Facilities Within Improvement District No. 3 of the District and Requesting the Levy and Collection of said Standby Charges and/or Acreage Assessments for the Fiscal Year 2008-2009. RC: AYES – Smiley, Shimeall, Andersen, King, Mendenhall.*

H. **Consideration of RESOLUTION NO. 2008-6-5 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2007-1 FOR THE FISCAL YEAR 2008-2009:** *MSC: King/Smiley adopting Resolution No. 2008-6-5, Resolution of the Board of Directors of the Borrego Water District Acting as the Legislative Body of Community Facilities District No. 2007-1 of the Borrego Water District, Authorizing the Levy of Special Taxes Within Community Facilities District No. 2007-1 for the Fiscal Year 2008-2009. RC: AYES – King, Smiley, Andersen, Shimeall, Mendenhall.*

President Mendenhall declared a recess at 10:50 a.m., and the Board reconvened at 11:05 a.m.

I. **Discussion of comments by County of San Diego to Mitigation Entitlement Policy:** Mr. Williamson suggested that the County's comments on the Mitigation Entitlement Policy be referred to the Conservation Committee. Ms. Burns reported she had received the comments via e-mail on June 13. There were minor comments on the documents and a request for easily provided information. They questioned whether the entitlement certificates would lose value if the District imports water and inquired about CEQA compliance. Ms. Burns felt the comments were generally consistent with the District's intent and were reasonable. Mr. Del Guercio requested a copy of the comments, and Ms. Burns agreed to provide it to him and anyone else interested if they would give her their e-mail addresses.

Director Smiley inquired about the County's position that all water use must cease in order to provide the property owner mitigation entitlement. It was the District's position that water use reduction would qualify. Ms. Burns explained that the County is concerned that agricultural land will be fallowed and then replanted, or that entitlement would be requested for irrigation improvements. Mr. Engelke urged the District to work with the Community Sponsor Group, which is addressing related issues.

J. **Consideration of Resolution No. 2008-6-9 RESOLUTION OF APPLICATION BY THE BORREGO WATER DISTRICT REQUESTING THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO TAKE PROCEEDINGS FOR THE CONSOLIDATION OF THE BORREGO SPRINGS PARK COMMUNITY SERVICES DISTRICT AND THE BORREGO WATER DISTRICT AND ESTABLISHMENT OF THE BORREGO WATER DISTRICT AS THE SUCCESSOR DISTRICT:** Ms. Burns noted that Agenda Item III.N, Plan for Providing Services, Borrego Springs Park Community Services District and Borrego Water District Reorganization, should be an attachment to Resolution No. 2008-6-9. *MSC: Shimeall/King adopting Resolution No. 2008-6-9, Resolution of Application by the Borrego Water District Requesting the San Diego Local Agency Formation Commission to take Proceedings for the Consolidation of the Borrego Springs Park Community Services District and the Borrego Water District and Establishment of the Borrego Water District as the Successor District. RC: AYES – Shimeall, King, Andersen, Smiley, Mendenhall.*

K. Consideration of approval of the First Amended and Restated Memorandum of Understanding by and between Borrego Springs Park Community Services District and Borrego Water District:

L. Consideration of approval of the Maintenance and Operation Agreement Between Borrego Springs Park Community Services District and Borrego Water District:

M. Consideration of approval of the Interim Intertie Agreement Between Borrego Springs Park Community Services District and Borrego Water District:

N. Consideration of the Board to authorize the General Manager to finalize and submit the Plan for Services and Consolidation of Special Districts Application to the San Diego Local Agency Formation Commission for the consolidation of the District and the Borrego Springs Park Community Services District:

MSC: King/Shimeall approving the First Amended and Restated Memorandum of Understanding, the Maintenance and Operation Agreement, and the Interim Intertie Agreement between Borrego Springs Park Community Services District and Borrego Water District; and authorizing the General Manager to finalize and submit the Plan for Services and Consolidation of Special Districts Application to the San Diego Local Agency Formation Commission for the consolidation of the District and the Borrego Springs Park Community Services District.

O. Review of letter summarizing budget items discussed – Harvey J. Schroeder, CPA:

P. Consideration of the Board to adopt the attached Organizational Chart, Job Descriptions and Performance Evaluation form:

Q. Consideration of the Board to approve the Income, Expense & Capital Budgets for FYE 20008/09, including Salary/Water Scale and Retirement Benefits modification, as submitted:

Mr. Williamson explained that the letter from Harvey Schroeder, CPA, ensured that the proposed budget was consistent with past practices and State law and addressed issues brought up by last year's audit. For example, some costs were recommended to be moved from Operations and Maintenance to Capital. The final budget proposal had been signed by the General Manager, Board, and Budget and Finance Committee.

Mr. Williamson went on to address the proposed organization chart, which included a new, open position of Administrative Assistance. As the year progresses, the need to fill it will be determined; the Personnel Committee has tentatively approved. Mr. Williamson noted that the proposed job descriptions are consistent with the Association of California Water Agencies (ACWA) guidelines. Testing is proposed to be moved in house to save money. Ms. Hart inquired whether all field workers required certification, and Mr. Williamson replied they did not. All are encouraged to seek certification, but only the positions occupied by Mr. Rolwing and Casey Rodriguez are mandatory.

The proposed performance evaluations, as proposed by Mr. Williamson, would address past performance and future goals. Salary scales would reflect cost of living increases as well as merit raises. Mr. Williamson noted that Director Andersen had some concerns about the proposed changes in the retirement benefits but concurred in the rest of the proposal.

Mr. Williamson summarized the budget proposal, which included a comparison to the last two years. Total revenue will increase, primarily due to transfer of certain items to the Capital budget. Director Shimeall asked how much flexibility there would be in the budget items. Mr. Williamson referred to Agenda page 567, the prioritized capital projects, and explained that they are discretionary. The budget may be amended as required. Mr. Williamson explained that operations and maintenance costs and the expense of studies to accommodate growth, now born by current customers, should be offset by those who will benefit from future development. This will be the subject of future studies, with the results expected in approximately three months and subject to Proposition 218 requirements. Ms. Hart inquired about assessments to farmers, and Mr. Williamson replied that a Request for Proposals from consultants would be issued for the study, which would address that

question. Mr. Del Guercio asked whether the fees would require an election, and Ms. Burns agreed to investigate.

The proposed professional services budget was significantly reduced, Mr. Williamson explained due to the transfer of some legal and engineering services to Capital and the assumption of many engineering functions to in house. Ms. Burns may attend only the second monthly Board meeting.

Mr. Williamson summarized the proposed salary schedule, providing ranges and steps within the ranges. Discussion followed regarding some discrepancies in the ranges, which staff will investigate. An increase to the next step would be based on merit. In response to President Mendenhall's inquiry, Mr. Williamson noted that a cost of living increase would affect the entire scale. He noted the need to remain competitive for quality employees. The District can accommodate these adjustments and still realize a net budget decrease. Several members of the public questioned the salary proposal, and President Mendenhall suggested offering more flexibility. Mr. Williamson suggested establishing the ranges, but eliminating the established steps and allowing for discretionary increases within the range.

President Mendenhall declared a recess at 1:25 p.m., and the Board reconvened at 1:35 p.m.

Mr. Williamson distributed a new salary range proposal, simply providing for a base and cap, no steps within the range. Ms. Hart pointed out that ACWA no longer classified salaries by zone, and she was unable to find statistics for desert areas. She cited figures for other water districts of similar size, providing no consistency in job titles. Most positions require certification. She recommended adoption of the proposed budget without the personnel aspects, approving a cost of living increase and doing further research into comparable salary systems. Other districts she had surveyed had lower wages. Mr. Williamson replied that Desert Hot Springs offered higher base rates, the proposed ranges were consistent with the ACWA 2006 survey, and he was not proposing an increase for himself. The District needs to balance the needs of the rate payers with the needs of its employees, whom he believed are underpaid. To delay the requested action at this time would create a budget problem, and he recommended adoption.

Mr. Williamson went on to summarize the proposed revision to the District's retirement plan, which now provides a benefit of two percent per year of service at age 55. A change to three percent at age 60 was proposed. Most districts pay 100 percent of the CalPers premiums, whereas BWD requires a contribution from the employees. The proposal includes a 33 percent increase in their share. The increase in cost to the District would be amortized over several years. Mr. Stumpf recommended considering a defined contribution plan, rather than a defined benefit, as a limitation of liability to the District. Mr. Williamson replied that most ACWA members participate in CalPers, and our CPA recommended it. Mr. Stumpf pointed out that the District does not experience high employee turnover.

Director Smiley asked whether the Board could adopt the budget but defer certain portions such as salary increases. Ms. Burns replied it would result in an unbalanced budget, although legally it could be done. President Mendenhall suggested adopting the entire budget proposal as presented but requesting the committees to continue to address the issues raised and amend it if necessary.

MSC: King/Smiley adopting the Organizational Chart, Job Descriptions and Performance Evaluation form.

Mr. Williamson requested Board approval of the budget, including the salary/wage scale as modified to provide a range base and cap without the interim steps, and the retirement plan amendment to three percent per year of service at age 60. ***A motion was made by Director King and seconded by Director Smiley to approve the Income, Expense & Capital Budgets for FYE 2008/09,***

including Salary/Wage Scale as amended and Retirement Benefits modification as submitted. Discussion followed regarding the proposed increase in retirement benefits. Director Andersen suggested considering contributing to Social Security instead, but Mr. Williamson preferred CalPers, noting that other benefits could be added in the future if desired. Kim Pitman pointed out that offering 2.5 percent at age 55 would cost the same as 3 percent at age 60, and the District would be likely to lose employees at age 55. In response to President Mendenhall's inquiry, Mr. Williamson stated that the cost to the District for the retirement benefit increase would be \$15,000, spread over a 12-year period. ***The motion to adopt the Budgets, Salary/Wage Scale as amended and Retirement Benefits modification carried by RC: AYES – King, Smiley, Andersen, Shimeall, Mendenhall.***

IV. COMMITTEE REPORTS & PROPOSALS

A. Ad Hoc Committees:

1. Review of grant opportunities. Mr. Rolwing reported the District's application for a Proposition 303 grant for an additional monitoring well was declined.
2. Personnel. No report.
3. Budget and Finance. No report.
4. BSPCSD. This item was covered earlier in the Agenda.
5. Contract labor review. No report.
6. Negotiating. No report.
7. Town Center Sewer. No report.

B. Standing Committees:

Conservation. Director Shimeall referred to the Committee Agenda and Minutes in today's Agenda Packet. Director Smiley announced the next meeting, July 2, 2008.

V. 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 – May, 2008.

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

C. Financial Reports – May, 2008.

1. Disbursements & Claims Report
2. Financial Statement for Period Ending
3. Treasurer's Report
4. Expenditures on Groundwater Management
5. CSD-BWD Intertie/MOU Costs
6. Expenses for Board Consideration and Approval

MSC: Smiley/King approving the Consent Agenda.

VI. STAFF REPORTS

A. Manager's Report:

B. Engineer's Report:

Mr. Williamson referred to the volume of work facing the District and urged continued citizen participation.

C. Operations Report: Mr. Rolwing reported he was continuing to work on the intertie and nearing completion.

VII. ATTORNEY'S REPORT

Ms. Hart, on behalf of Mr. Medema, expressed concern that ad hoc committee meetings were not public and inquired whether the General Manager could meet in private with two members of the public to discuss wages, salaries and retirement benefits. She expressed concern that these matters had been discussed by four Board members. Director King explained that ad hoc committee meetings do not have to be noticed, per Ms. Burns. Ms. Hart stated that Mr. Williamson met with two Board members, then a public meeting took place, then he met with two other Board members. Mr. Burns explained that legal situations involving Board members may not be discussed publicly, but she would address it with Mr. Williamson.

VIII. INFORMATIONAL ITEMS

Mr. Williamson announced the Conservation Committee would meet on July 2. The July 9 Board meeting has been cancelled, since two members will be absent. He hoped to have no meetings in August, but the final decision will be made on July 23.

Director Shimeall announced that her term of office and President Mendenhall's were ending this year. Anyone wishing to run for the seats may obtain details from Marlene Engebretson.

IX. CLOSED SESSION

None

X. ADJOURNMENT

There being no further business, the meeting adjourned at 2:50 p.m. The next regular meeting of the Board of Directors is scheduled for July 23, 2008 at the Borrego Water District.