

**Borrego Water District**  
**MINUTES**  
**Special Meeting of the Board of Directors**  
**November 23, 2010**  
**9:30 a.m.**  
**806 Palm Canyon Drive**  
**Borrego Springs, CA 92004**

**I. OPENING PROCEDURES**

A. Call to Order: President Kathy King called the meeting to order at 9:30 a.m.

B. Pledge of Allegiance: Those present stood for the Pledge of Allegiance.

C. Roll Call: Directors: Present: President Kathy King, Abby King, Secretary/Treasurer Mendenhall, Shimeall

Staff: Richard Williamson, General Manager  
Jerry Rolwing, Operations Manager  
Kim Pitman, Administration Manager  
Diana Del Bono, Administrative Assistant  
Allison Burns, Stradling, Yocca, Carlson & Rauth  
Wendy Quinn, Recording Secretary

Public: Jim Jordan Don McKelvey  
Dennis Dickinson Joanne Cohen  
Julian Peabody James Johnston  
Ray Shindler Stuart Resor  
Dick Walker Bonnie Resor  
Jim Engelke, Lundberg Rebecca Falk, RRR  
Kathy Johnston Beth Hart  
Judy Meier, *Borrego Sun*

D. Comments from the Public and Requests for Future Agenda Items: Jim Jordan pointed out typographical errors in the Agreement and Amendment to be considered under Item II.A. The first "whereas" should state that the property is located in California, not Connecticut.

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

***MSC: Shimeall/Mendenhall approving the Agenda as written.***

Beth Hart asked why today's meeting was called, and why the approval of the agreements to be considered couldn't wait until the new Board is seated. Rich Williamson assured her that the reason for the meeting would become clear as the business progresses. He added that the meeting was called at the request of parties outside the District. Ms. Hart requested a financial analysis of the transactions, and Mr. Williamson replied that it would be available upon approval.

Allison Burns reported that she had received correspondence this morning from Don McKelvey alleging that today's meeting did not comply with legal requirements. Ms. Burns stated that the meeting was timely noticed in accordance with the Brown Act and was also sent to all parties who had requested notice via e-mail.

## II. CURRENT BUSINESS MATTERS

A. Consideration and Adoption of Amendment No. 1 of the Viking Ranch purchase agreement: Mr. Williamson explained that the water mitigation credit policy provides for an administrative fee of \$100 per credit, to be paid by the seller. In the case of the Viking Ranch transaction, however, the seller objected to the fee since the District is acquiring both the land and the credits. Mr. Williamson was agreeable to the waiver. ***MSC: Mendenhall/A. King adopting Amendment No. 1 of the Viking Ranch purchase agreement with the correction changing Connecticut to California in the first "whereas." RC: AYES – Mendenhall, A. King, Shimeall, K. King.***

## III. CLOSED SESSION

A. CONFERENCE WITH REAL PROPERTY NEGOTIATOR – Reference Government Code Section 54956.8:

Property: 199-080-21  
District Negotiator: Richard Williamson  
Negotiating Parties: Cameron Bros. Construction Company, L.P.  
Under Negotiation: Lease of Club Circle Golf Course

B. CONFERENCE WITH REAL PROPERTY NEGOTIATOR – Reference Government Code Section 54956.8:

Property: 141-210-04, 141-210-05, 140-130-45  
District Negotiator: Richard Williamson  
Negotiating Parties: Duane Young, VP Cocopah Nurseries, Inc.  
Under Negotiation: Consideration for interest in real property and terms

of same

The Board adjourned to closed session at 9:45 a.m., and the open session reconvened at 11:30 p.m. There was no reportable action.

## IV. ADDITIONAL BUSINESS MATTERS

A. Consideration and Adoption of agreement with Cocopah Nurseries, Inc. APN: 141-210-04, 141-210-05, 140-130-45: ***A motion was made by Director Shimeall and seconded by Director Mendenhall to approve the option agreement with Cocopah Nurseries, Inc. with the following modifications: In the first attachment, the farm lease, section 1.2 in the third line after "tenant" insert "i.e. palm farming only." On page 3, section 4, fifth line, insert "\$400 per acre per month." On page 8, section 6.3(a), second line, after the second appearance of the word "premises," insert "including but not limited to the two water wells located thereon." In the purchase and sale agreement, secured promissory note, section 3.1.1 on page 3 at the end of the paragraph, insert "Lender shall provide a partial release of the capital deed of trust in an amount equal to the first progress payment." In section 3.1.2 on page 4, insert "Lender shall provide a partial release of the capital deed of trust equal to the second progress payment."***

Mr. Williamson explained that the assets to be purchased consist of approximately 230 acres of agricultural land, which he indicated on a map. The land is presently planted with a 50/50 mix of citrus and palms, which when fallowed would yield 5.5 water mitigation credits per acre, or a total of 1,265. There are also two wells, one on each distinct parcel. These are in the deep portion of the upper aquifer, whereas the District's existing wells are in the south (shallow) part. The option agreement provided the District

a six-month option, for \$150,000, to purchase the property, with a six-month extension at a cost of \$50,000. The total purchase price would be \$2.3 million, and option payments would apply toward it. Cocopah will fallow 25 percent of the land by the 18-month anniversary of the date the District exercises its option; 50 percent will be fallowed by the 36-month anniversary; and all land will be fallowed by the 60-month anniversary (5 years). The average cost to the District is \$10,069 per acre, and we will own credits which can be sold for \$5,500 each, generating nearly \$7 million. Sale of 455 credits will cover the purchase price, and 400 meters have been or are expected soon to be requested. Moreover, the two wells have an estimate value of \$950,000, but will require some modifications.

Mr. Williamson noted that some had questioned what the District had done to benefit groundwater management, and the deal under consideration is a significant component. Other successes include the Monica transaction (152 credits) shortly before Mr. Williamson's arrival, the Steven Smiley Water Mitigation Credit Program in 2009, working with Palm Canyon Resort's landscaping modification to save 14 acre-feet per year, anticipated savings of 80 acre-feet per year after improvements to the Club Circle Golf Course, 125 acres fallowed at Viking Ranch (625 acre-feet per year saved), and the proposed Cocopah fallowing of 230 acres for a 1,265 acre-foot-per-year savings. This totals a savings of 2,136 acre-feet per year – approximately equal to the annual residential pumping. He recommended approval of the option agreement.

President Kathy King confirmed that today's action would only approve the \$150,000 six-month option to purchase. The District may consummate the purchase at that time if the Board so chooses. Ms. Hart asked whether the District has \$150,000 available, and Mr. Williamson replied that we do, in capital reserves which are in excess of \$1 million.

Ms. Hart asked whether the Cocopah credits would be acceptable to the County, and Mr. Williamson assumed that they would. She further inquired about a financial analysis and the next six months' cash flow. Mr. Williamson explained that the anticipated meter sales should cover the initial payment to Cocopah, but some bridge financing may eventually be required.

***The motion carried. RC: AYES – Shimeall, Mendenhall, A. King, K. King.***

**B. Consideration and possible Adoption of agreement with Cameron Brothers for lease and operation of Club Circle Golf Course: *A motion was made by Director Shimeall and seconded by Director Mendenhall to approve the agreement with Cameron Brothers for lease and operation of Club Circle Golf Course with the following modifications: In the first line of the lease, insert the date November 23, 2010. In Recital B, delete "[Camerons to provide]." In section 2, insert the date November 23, 2010 twice. In Attachment C, page 1, second line of the introductory paragraph, insert the date November 23, 2010. In Recital A, delete "[citrus farming?]." In Recital D, insert the date November 23, 2010.***

Mr. Williamson explained that the lease under consideration has been under negotiation since BWD's acquisition of the Borrego Springs Park Community Services District. It provides for a lease at one dollar per year, with improvements to be funded through the sale of water mitigation credits. Ten acres would be converted to non-irrigated land, generating approximately 80 credits (\$450,000), some of which would be used for improvements to provide park areas for hiking and bird watching. The Camerons would retain some credits. The golf course irrigation system would be

converted to a state-of-the art system. The lease term is 20 years with interim options to terminate. Annual accountings would be provided by the District to the Camerons, and capital expenditures could be recouped in the event of early termination. Staff recommends approval. In response to an inquiry regarding the urgency of the approval, Mr. Williamson replied that the Camerons had requested action by the Board with which they had been negotiating.

***The motion carried. RC: AYES – Shimeall, Mendenhall, K. King; ABSTAINED: A. King.***

C. Discussion regarding process for recruitment of a new District Manager: Mr. Williamson reported that an executive recruitment firm would charge \$25,000 to assist in selecting a new General Manager. He and Kim Pitman felt it could be done in-house, using the existing job description and information available on the Internet.

## **V. CLOSING PROCEDURE**

A. Adjournment: There being no further business, the meeting adjourned at 12:00 p.m. The next regular meeting of the Board of Directors is scheduled for December 15, 2010 at the Borrego Water District.