

included for consideration on that Agenda as to whether or not to agendize it as an action item the following month. Upon request of a Board member, the interim step can be omitted and the item simply put on the Agenda following its submittal for action. Any Director may review the Agenda item requests ten days before the meeting and ask that they be considered for action at the upcoming meeting.

F. Comments from Directors and Requests for Future Agenda Items: Director Shimeall requested a discussion of Don McKelvey's inquiry about the Water Availability Charge. Secretary/Treasurer Mendenhall stated that it would be covered next month as part of the rate study.

Secretary/Treasurer Mendenhall requested a discussion in closed session of an incident involving alleged rude behavior by a Director toward a District employee. Ms. Burns explained that a case of conduct by an employee would need to be agendized for a future closed session, but conduct by a Director must be discussed in public.

Director Hart thanked the public for their helpful input. She cautioned against spreading and believing rumors and urged concerned individuals to seek accurate information from an informed source.

Director Shimeall urged citizens to attend District committee meetings and provide input.

G. Correspondence: Mr. Williamson summarized three items of recent correspondence. A letter from DPLU dealt with the proposed second fire station agreement, which has been in negotiations for two years and continues to move slowly.

Sheree Pilot, Santiago Estates Community Manager, requested that review of the CSD charge paid by Santiago residents be placed on the District Agenda. Mr. Williamson confirmed that it would be included next month in the rate study presentation.

A letter from Lane Sharman wished successful terms of office for the new and returning Directors. Mr. Sharman echoed Director Hart's request for cooperation and respect.

As this would be his last Board meeting, Mr. Williamson introduced and thanked the District staff and presented a certificate of appreciation to each of the following: Crew members Troy DePriest, Cody Cox, Bud Perez, Benito Arteaga, Juan Esparza, Danny Delgado, Casey Rodriguez and Roy Martinez; Office staff members Diana Del Bono, Kim Pitman, Jeannie Fredericks, Heather Davidson, Greg Holloway and Jerry Rolwing; Legal counsel Allison Burns; Returning Board members Shimeall and Mendenhall; and long-time former District employee Marlene Engebretsen. Jerry Rolwing recognized Joe Rivera, golf course greenskeeper, who was unable to attend; and Wendy Quinn, Recording Secretary.

H. Approval of Minutes

Regular Meeting of November 17, 2010

MSC: Shimeall/Mendenhall approving the Minutes of the Regular Meeting of November 17, 2010 as written. Directors Lyle Brecht, Marshal Brecht and Hart abstained from the vote as they had not yet taken office when this meeting occurred.

Special meeting of November 23, 2010

MSC: Shimeall/Mendenhall approving the Minutes of the Special Meeting of November 23, 2010 as written. Directors Lyle Brecht, Marshal Brecht and Hart abstained from the vote as they had not yet taken office when this meeting occurred.

Special meeting of November 29, 2010

MSC: L. Brecht/M. Brecht approving the Minutes of the Special Meeting of November 29, 2010 as written.

II. CURRENT BUSINESS MATTERS

A. Report of auditors presentation of FYE 2010 financial statements: Harvey Schroeder of Diehl, Evans & Company noted the firm had been doing BWD's audits since 1997 and would be concluding its current three-year contract next year. He began his presentation with the Independent Auditors' Report, which set forth their opinion that the District's financial statements were prepared in

accordance with accepted accounting practices. The report continued with Management's Discussion and Analysis, comparing current and past fiscal years and listing revenues and expenses. Significant purchases included the well at Montesoro and property on Stirrup Road. Mr. Schroeder noted a decline of approximately \$2.9 million in cash and investments since 2009, and a decline of approximately \$3.2 million in unrestricted assets during the same period. Total net assets were reduced by approximately \$829,000. Budget Highlights followed, comparing budgeted figures for 2010 with actuals.

The financial statements detailed assets, liabilities and cash flow. The accompanying footnotes explained policies such as estimation of the life of capital assets and revenue and expense expectations. Details were provided on long-term debt and insurance costs.

Director Lyle Brecht asked whether other Districts represented by Diehl Evans had audit committees, and Mr. Schroeder replied that quite a few of them do. The auditors communicate with the Board at the beginning of the audit and address questions and concerns near the conclusion. Director Marshal Brecht requested clarification of the Analysis of Net Assets on page 3 of the report (Agenda page 27), and Mr. Schroeder explained that some of the items listed as "other assets" in the past are now considered capital assets. Director Lyle Brecht inquired about including service coverage ratio. Mr. Schroeder explained that the auditors are limited, but the report can be expanded in some areas. Mr. Williamson pointed out that the Service Areas (formerly Improvement Districts) are accounted for separately. This will be discussed in more detail during the rate study.

Lucy Larson expressed concern regarding the District's decline in revenue. Mr. Schroeder reiterated the fact that depreciation figures are estimated based on historical costs, and suggested putting funds in reserve for future replacement of assets. He added that the auditors look at the District's projected ability to cover its costs over the next year, and believe it is not an issue. Ms. Larson questioned the fact that the District has a defined benefit plan rather than a defined contribution plan, and urged the Board to reconsider. Secretary/Treasurer Mendenhall asked that this issue be considered during next year's budget preparation.

MSC: M. Brecht/Shimeall receiving and filing the audit report.

Secretary/Treasurer Mendenhall declared a recess at 11:00 a.m., and the Board reconvened at 11:15 a.m.

C. Presentation by Dennis Ciocca of proposed \$1.5 million COP issuance and possible action by Board of Directors on future direction/actions: Mr. Williamson introduced Dennis Ciocca, who has been associated with the District since 1996 in connection with all bond issues. When the recent I-Bank loan application failed, Mr. Ciocca identified an alternate source of funding pending completion of the rate design study. Mr. Ciocca explained that Mr. Williamson had asked him to investigate a potential source of \$1.5 million to cover capital expenditures. Mr. Ciocca looked into the private placement market, since publicly issued bonds are much more expensive. The proposed loan rate (currently 4.5 percent) would be locked in for ten years, and the District would then have the option to pay it off, take it elsewhere or renegotiate it. Upon direction from the Board, Mr. Ciocca would bring back documentation to finalize the deal.

In response to Director Marshal Brecht, Mr. Ciocca estimated up-front costs of approximately \$80,000 for his fees and legal fees. This could be built into the loan and amortized. Director Lyle Brecht asked what the money would be used for, and Mr. Williamson cited the cost of the Viking Ranch and Cocopah purchases. Director Lyle Brecht inquired whether the loan cost percentage would decline as the loan amount increased, for example to \$3 million. Mr. Ciocca replied that it would. The cost of a \$3 million loan would be approximately \$100,000. However, for a loan of \$5 million or more he would recommend a public bond issue. The fees would be higher but the interest would be lower.

Director Hart asked about infrastructure needs which might be covered by the loan. Mr. Rolwing replied that relining of two tanks had been deferred and will have to be done next year. Construction of an additional tank was also being considered at the time of the I-Bank loan application. Director Hart requested an estimate of the District's financial obligations over the next five years.

Discussion followed regarding how much the private placement lender would be willing to loan the District. Mr. Rolwing suggested a workshop prior to the next Board meeting to develop a better idea of what we need and what it will cost, and Mr. Ciocca agreed to provide information on the District's borrowing capacity. A special Board meeting/workshop was scheduled for Wednesday, January 5 at 9:00 (in lieu of the Conservation Committee meeting).

I. Discussion and possible action to revise Policy Statement 83-2 to eliminate District-paid health insurance for District Board members: Secretary/Treasurer Mendenhall invited the Board's attention to a proposed motion prepared by Director Lyle Brecht (Agenda page 97). Secretary/Treasurer Mendenhall expressed concern regarding Director Lyle Brecht's statement that the insurance ". . . may also encourage members to stay past their ability to adequately represent ratepayers . . ." on the grounds that it could be interpreted as age discrimination. Director Lyle Brecht explained that he was thinking of a member who was relieved from duty for failure to attend meetings.

Mr. Williamson reported that the Directors' coverage came about at the request of a former Board member, and the insurance carrier concluded they were District employees for insurance purposes. (The 24-hour-a-day service allegation arose because they are continually on call.) At the time of the request (2008), there was a requirement that all Board members be covered if any one of them was. Now each member has a choice to participate or not, but the decision has to be made during the first year of service and continue throughout his/her term of office.

Bob McKee expressed concern that the Board had not reviewed the Directors' insurance issue every six months as he recalled was planned. Further, it was indicated the cost would be covered by a parcel tax, which has not yet been imposed.

In response to a question from the audience, Mr. Williamson stated that the annual cost to cover all five Directors was approximately \$60,000. Dennis Dickinson expressed his opinion that the cost was extravagant, particularly as compared to expenditures by other water districts.

In response to Mr. Bye's earlier inquiry, Mr. Williamson confirmed that Directors' insurance benefits terminate upon leaving office. Ms. Burns added that they are not offered COBRA benefits.

MSC: Hart/M. Brecht providing that for FY2011, Directors' health insurance shall remain in effect and be voluntarily subscribed to during the open enrollment period with the following change: Instead of this insurance being available with the District paying 100 percent of the premiums, the individual insured shall now be responsible for paying 100 percent of the premiums. If this change is disallowed for any reason, then such insurance shall no longer be offered to Board members beginning on January 1, 2011; and directing staff to contact the Association of California Water Agencies requesting that Board members be allowed to add or delete coverage during open enrollment in any year during their term of office. RC: AYES – Hart, M. Brecht, L. Brecht, Mendenhall; ABSTAINED – Shimeall.

B. Presentation of General Manager of District status and plans: Mr. Williamson invited the Board's attention to information in the Agenda, beginning on page 51. Charts depicted the District's strategy for success and organization, followed by a list of planning projects (Integrated Regional Water Management Plan, USGS Groundwater study, water importation study, North Clark Lake study and US Bureau of Reclamation basin study). Mr. Rolwing added the Border Environmental Conservation Coalition. Current engineering projects included the Wilcox storage tank, Avery well, North Clark Lake easement, Indianhead intertie, Wilcox booster station and North Clark Lake water line. Mr. Rolwing corrected the resource designation on the engineering chart (Agenda page 54) from MCS to MSA. Financial information followed, listing the cost of service/rate design, COP issuance, special tax

assessment election, bond election, USDA grant and low interest loan, STAG North Clark Lake study, power surcharge and sale of water credits. Mr. Rolwing noted that the Rural Community Assistance Corporation provides "bridge financing" for grant-eligible projects not yet funded. Director Lyle Brecht asked if information on the rate study would be provided to the Board before the January meeting, and Mr. Williamson agreed to find out. Discussion followed regarding another workshop to review any such material, and it was agreed to decide at the January 5 special meeting.

Ongoing operations efforts include lift station consolidation, Montezuma Drive replacement water line, wastewater treatment plant consolidation/CSD plant mothball, wellhead buildings/upgrades, major meter installations, compliance monitoring, safety training, SCADA control system upkeep, emergency response and as-builts/valve maps. Highlights of the regulatory compliance schedule were the requirements imposed by the San Diego Water Authority and the Regional Water Quality Control Board. Messrs. Rolwing, Holloway, Rodriguez and Cox ensure technical compliance, while Ms. Pitman oversees the financial accounting and engineering and legal staff address requirements in these areas.

Business objectives included rate design, upgrades to the annexation process and recreational facilities, a capital improvement plan update, water credit management, accounting consolidation, strategic and business plans and performance evaluations/merit pay. A timeline for sustainable water supply implementation from 2007 through the end of 2012 was included, followed by the District's environmental objectives, a government coordination chart and a summary of customer service goals. Mr. Williamson concluded by distributing a pyramid chart depicting water sustainability elements and status.

D. Letter of request for annexation of Parcel APN 200-03-009: Mr. Williamson reported that Robert Lorch and requested annexation of his property to the District. It is contiguous on two sides. ***MSC: L. Brecht/Hart directing staff to prepare appropriate documents to annex Parcel APN 200-03-009, including financial analysis, a Negative Declaration under CEQA and a Resolution, for adoption at the next meeting.***

E. Discussion and authorization for President to enter into agreement with Mesquite trails: Mr. Williamson introduced Doug Wilson representing Mesquite Trails, a proposed RV development on Borrego Valley Road across from the main entrance to Borrego Springs Resort. The development would need both water and sewer service. Staff and counsel recommend that staff be directed to meet with Mesquite Trails and update the proposed agreement, then bring it back to the Board. Director Lyle Brecht asked whether the District's costs would be covered by Mesquite Trails' developers' fees. Mr. Williamson replied that the developer would essentially pay its own costs (improvements, interties and any required line enlargement to support fire flow). Director Lyle Brecht asked Ms. Burns to work with Mesquite trails to update the proposed agreement and develop a short summary of the agreement for the Board's consideration.

Mr. Wilson noted that the agreement followed the District's standard format and reflects current District ordinances. The development is designed to conserve water. Director Shimeall inquired about the referenced exhibits to the agreement, and Mr. Wilson stated they were insurance certificates. Mr. Rolwing asked whether adequate funds had been deposited for Ms. Burns' legal fees on the project, and Ms. Pitman agreed to check.

Secretary/Treasurer Mendenhall declared a recess at 1:55 p.m., and the Board reconvened at 2:35 p.m.

F. Consideration and possible action to adopt USGS agreement for FY 2011: Mr. Williamson referred to a letter and proposed agreement for the current fiscal year from USGS, beginning on Agenda page 91. The proposed cost allocation would be \$131,500 from BWD and \$30,450 from USGS. This is consistent with the first two years of the three-year study. The third year

will concentrate on running scenarios for the model, and Mr. Williamson encouraged Board members to develop sample scenarios.

Director Lyle Brecht recommended more study into the middle and lower aquifers to determine if water at these levels is economically extractable. Mr. Williamson agreed to contact Peter Martin and inquire, and Director Lyle Brecht will e-mail Mr. Williamson a list of questions for USGS.

Director Hart noted that USGS had indicated the study would include a determination of the age of the aquifer, and she hadn't seen that data. She suggested the District wait to sign the contract until some of these questions are addressed. Mr. Williamson strongly urged that we sign now, as the federal fiscal year began in October. The contract represents our original agreement, and additions can be negotiated in the future.

MSC: Shimeall/M. Brecht approving the USGS agreement for FY 2011, authorizing Mr. Rolwing and the President of the Board to sign it, and notifying USGS and Mr. Rolwing will be the point of contact on behalf of BWD.

G. Final adjustment to Brian Polley contract to survey and provide a partial monumentation of N. Clark Lake access road: Mr. Williamson reported he had requested a quote from Brian Polley to complete the survey of the North Clark Lake access road and monument the easement. The estimate was an additional \$50,000 over the current bill of \$21,000, and Mr. Williamson requested it be limited to an additional \$25,000. ***MSC: L. Brecht/M. Brecht authorizing a payment of \$46,000 to Brian Polley for survey and monumentation at North Clark Lake.***

H. Change order for Force Main Terminus manhole: Mr. Williamson explained that with the completion of the new lift station nearing, an issue had arisen with the manhole where the lift station discharges into the main. The manhole is being corroded by H²S gas and may fail. A quote of \$41,011 was provided by MSA to install two concrete manholes lined with PVC, including odor control. ***MSC: L. Brecht/Hart approving Change Order No. 10004-06 in the amount of \$41,011.***

J. Board to consider new signers for Bank account: Ms. Pitman reported that there are now eight signers on the District bank account: Five previous Board members, Mr. Williamson, Ms. Del Bono and herself. We need to remove former Directors Kathy King and Smiley and Mr. Williamson. ***MSC: Shimeall/Mendenhall removing Kathy King, Steven Smiley and Richard Williamson as signatories and adding Lyle Brecht, Marshal Brecht, Beth Hart and Jerry Rolwing.***

III. COMMITTEE REPORTS & PROPOSALS

A. Ad Hoc Committees:

1. Personnel. The Personnel Committee was continued to closed session.
2. Budget/Contract/Grants. No report.
3. Services Committee. No report.
4. Negotiating. No report.
5. Sewer. No report.
6. Capital Projects. No report.
7. Finance. No report.

Secretary/Treasurer Mendenhall pointed out that the "ad hoc committees" are really standing committees, since an ad hoc committee is formed for only one limited purpose. Ms. Burns suggested considering the issue at the organizational meeting in January. Discussion followed regarding whether to have Ms. Burns present at the January 5 special meeting, and she agreed to be available to telephone.

B. Standing Committees:

1. Conservation. The Conservation Committee did not meet in December.
2. GWM. The Groundwater Management Committee did not meet in December.

IV. STAFF REPORTS

A. Manager's/Engineer's Report: No report.

B. Operations Report: Mr. Rolwing reported that DWR had completed its semi-annual inspection of our production wells. Copies of their written report will be distributed when available.

SB 576 (CASGEM) now requires the District to report groundwater elevation levels. Mr. Rolwing is submitting a plan detailing how we intend to comply using production and monitoring wells and adding some as funds become available. The plan is due by June 1, with the first round of reports in December.

Mr. Rolwing reported that a pre-construction notification letter had been sent to residents on Montezuma Road, and construction of the new line will begin early next year. Residents will be kept informed via e-mail. The project should take approximately three weeks.

Two main breaks occurred on November 27 in the ten-inch line to the airport. The line was shut down for repairs.

Coachella Valley Water District has released its water management update, which includes a plan to work with Imperial Irrigation District to identify options for water storage.

C. Water and Wastewater Operations Report – November 2010: Mr. Rolwing invited the Board's attention to his written report in the Agenda.

D. Water Production/Use Records – November 2010: Mr. Rolwing reported no significant changes in the water production and use during the past month. Ms. Pitman added the Montesoros is current in payment of its bills. Discussion followed regarding Club Circle Golf Course and the need to review greens fees.

E. Financial Reports – November 2010: Ms. Pitman reported the net cash expense for November was approximately \$154,000, which is typical. Director Marshal Brecht noted an increase in capital improvements and offered to work with her on cash balances, which had declined. Ms. Pitman explained there was a discrepancy in the last report which has been corrected. Director Marshal Brecht requested a comparative balance sheet, including the current and previous months. He also asked that the checks be listed by account rather than check number, and Ms. Pitman agreed to contact Data Stream and see if this could be accomplished.

V. ATTORNEY'S REPORT

Ms. Burns reported that the motion hearings on the Montesoros foreclosures are set in January, and she would have a report at the next meeting.

Due to the length of the meeting, it was agreed that Ms. Burns would distributed written material on the Directors' duties and responsibilities rather than conduct a workshop today. She noted they must complete ethics training within a year and file a Form 700 within 30 days of taking office.

VI. CLOSED SESSION

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

Property:	141-030-24
District Negotiator:	Richard Williamson
Negotiating Parties:	Dennis Avery
Under Negotiation:	Consideration for acquisition of real property and terms of same

B. PUBLIC EMPLOYEE APPOINTMENT – Reference Government Code Section 54957:

Title: General Manager

The Board adjourned to closed session at 3:30 p.m., and the open session reconvened at 4:15 p.m. There was no reportable action.

VII. ADDITIONAL BUSINESS MATTERS

A. Director's duties and responsibilities workshop: The workshop was cancelled (see Attorney's report).

VIII. CLOSING PROCEDURE

Adjournment. There being no further business, the meeting adjourned at 4:15 p.m. The next regular meeting of the Board of Directors is scheduled for January 26, 2011 at the Borrego Water District.