

Borrego Water District
CORRECTED MINUTES
Special Meeting of the Board of Directors
January 5, 2011
9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

A. Call to Order: Secretary/Treasurer Mendenhall called the meeting to order at 9:00 a.m.

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

C. Roll Call: Directors: Present: Secretary/Treasurer Mendenhall, Lyle Brecht, Marshal Brecht, Hart, Shimeall

Staff: Jerry Rolwing, Acting General Manager/Operations Manager
Kim Pitman, Administration Manager
Diana Del Bono, Administrative Assistant
Allison Burns, Stradling, Yocca, Carlson & Rauth (available via teleconference)
Wendy Quinn, Recording Secretary

Public: Dennis Dickinson Ken Gilstrap
Ray Shindler Ray Delahay
Dick Walker Jim Engelke, Lundberg
Rebecca Falk, RRR Duane Bright
Kathy Johnston Judy Meier, *Borrego Sun*
Lane Sharman, BWX Lucy Larson

D. Comments from the Public and Requests for Future Agenda Items: None

E. Comments from Directors and Requests for Future Agenda Items: Director Lyle Brecht requested a special meeting on January 12 at 9:15 a.m. to discuss Board governance.

II. DISCUSSION TOPICS

A. Discussion of District Finances:

1. Staff Report. Jerry Rolwing invited the Board's attention to the Agenda packet, which included questions posed by Director Lyle Brecht and responses from District staff, USGS, the State Park and other consultants. Discussion followed regarding which items were capital versus operations. Kim Pitman confirmed that the Montesor pipeline and well and Club Circle Golf Course were a cash items; the Brian Polley payment for the lift station would be capitalized but still cash; and the Viking Ranch payment was not yet paid but would be cash. Director Lyle Brecht estimated our total cash obligations at \$511,622. Director Marshal Brecht pointed out the Cocopah payment and USGS costs, increasing it to \$646,622.

Discussion followed regarding a January 3 memo from Ms. Pitman to Mr. Rolwing regarding cash flow. Director Lyle Brecht pointed out an operating loss of approximately \$400,000. Based upon the expected operations and maintenance budget and anticipated cash expenditures, cash flow from operations should be approximately \$229,000 cash.

In response to Director Lyle Brecht's inquiry as to whether any budget adjustments would be needed to break even in FY 11, Ms. Pitman predicted the operating budget would be fine.

Director Lyle Brecht had asked about cash surpluses or deficits in each of the Service Areas, which Ms. Pitman had provided. Mr. Rolwing explained that projects such as a pipeline are difficult to quantify, and suggested the Board may want to ask consultant David Dale for an analysis. Director Lyle Brecht requested a spread sheet representing the Capital Improvement Projects, and Mr. Rolwing referred him to Agenda packet pages 8 and 9. Director Hart recommended the items be prioritized, and Mr. Rolwing explained that they are, on page 9.

Discussion followed regarding potential water credit sales. Mr. Rolwing reported that Mesquite Trails is on hold pending a new fire station and some flood control issues. Jim Engelke reported he had approximately 1,500 dwelling units awaiting the new fire station.

Mr. Rolwing opined that the District is in good shape in relation to the infrastructure. He disagreed with Rich Williamson regarding mothballing the former CSD treatment plant, noting that another agency was interested in purchasing it and he would come back to the Board with a proposal.

Discussion followed regarding the proposed Wilcox Reservoir. Mr. Rolwing explained that it would be nice, but not a necessity. Emergency services are an issue, but Ray Delahay pointed out that the primary concern is to have available backhoes, excavators and contractors, which the District has. The State Park and Red Cross would assist in an emergency. Director Lyle Brecht recommended reviewing Bear Lake's emergency plan. Mr. Rolwing noted that an emergency awareness campaign/advertisement is distributed by mail periodically and advertised on local Channel 3.

Director Marshal Brecht inquired about the deficit in the Club Circle Golf Course budget last year. Ms. Pitman explained that it would be less this year due to the reduction of staff by one employee, and Mr. Rolwing added that some equipment needed to be replaced last year. Plans to follow a portion of the course are proceeding slowly due to negotiations with the County and lack of funds.

Lane Sharman expressed concern that the District was the primary purchaser of water mitigation credits, not the original intent of the program. Rebecca Falk noted that the Viking Ranch and Cocopah purchases by BWD priced credits based on recent sales, but the market had declined and the District could not make a profit on the sale of its credits. Secretary/Treasurer Mendenhall pointed out that the District can charge an administration fee, and Ms. Pitman added that we can recoup attorney fees. Director Hart recommended reviewing past Minutes to determine what was originally contemplated for the mitigation program.

Director Lyle Brecht suggested reviewing the District's legal services to determine if changes are appropriate.

B. Review of MOA and Plan of Study from Bureau of Reclamation: Director Lyle Brecht suggested asking the Bureau of Reclamation to calculate the projected unit cost of water, or to provide data so District staff could do so. Mr. Rolwing explained that the BOR is tasked to identify available water and how to get it here; then we are responsible for working out the details. Discussion followed regarding the District's \$450,000 in matching funds for the BOR study, which can be in-kind services. Mr. Rolwing will prepare a list of what we plan to use and ask BOR to approve it before signing the MOU.

Director Hart asked whether the USGS would determine the age of our water, and Mr. Rolwing replied that they would provide a cost estimate per sample to include this, but it is not currently part of the study. They will include some data on the middle and lower aquifers. Director Hart pointed out that we need to assure other agencies considering water storage in the Borrego Valley Basin that the water will not flow out of the basin. Mr. Rolwing will review prior reports to confirm this. Director Lyle Brecht asked that the assurance also be included in the USGS study.

Director Marshal Brecht asked about the cost of the Integrated Regional Water Management Program. Mr. Rolwing replied that once the Plan is completed, meetings would probably only occur quarterly. DWR has agreed to assist with our Plan, particularly in the area of GIS, even if we are unsuccessful in obtaining grant funds.

C. Review of Glenn Reiter financial models: Director Lyle Brecht recommended that this item be deferred to a future meeting when Mr. Reiter could be present. Mr. Delahay suggested a calculation of the cost to the rate payers of the loan proposed by Dennis Ciocca. Ms. Falk expressed concern regarding the two real estate transactions negotiated by the District prior to seating the new Board. Director Lyle Brecht agreed that they should be investigated and shared with the public.

Mr. Rolwing announced that he had invited a representative of the US Department of Agriculture to address the Board regarding grant and loan opportunities, which could potentially be used for the Clark Lake project. Director Hart suggested it could also be used for the Borrego Springs Road pipeline, and Mr. Rolwing agreed to obtain additional information for the Board members.

Lucy Larson expressed concern regarding future impacts on rate payers. Secretary/Treasurer Mendenhall replied that the rate study would address spreading costs among all property owners in the District.

Mr. Rolwing noted another funding opportunity, the Border Environmental Conservation Coalition.

III. CLOSING PROCEDURE

A. Adjournment: There being no further business, the meeting adjourned at 10:35 a.m. The next meeting of the Board of Directors is scheduled for January 12, 2011 at the Borrego Water District.