

**Borrego Water District
AGENDA
Special Meeting of the
Board of Directors
January 12, 2011
9:15 A.M. – 10:30 A.M.
806 Palm Canyon Drive
Borrego Springs, CA 92004**

I. OPENING PROCEDURES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call
- D. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)
- E. Comments from Directors and Requests for Future Agenda Items

II. CURRENT BUSINESS MATTERS

- A. Discussion of and possible action regarding MOTION 2011-01-01: regarding a vote to clarify and to amend Policy 2003-5-1: Directors and Officers Responsibilities and Limitations. (page 2-10)
- B. Discussion of and possible action regarding MOTION 2011-01-02: regarding a vote to enable the Board to establish ad-hoc committees of the Board. (page 11-12)
- C. Discussion of and possible action regarding MOTION 2011-01-03: regarding a vote to disband existing ad-hoc committees; to suspend all standing committees of the board; and to establish two new ad-hoc committees of the board: the Due Diligence Committee and the Professional Advisory Committee. (page 13-14)
- D. Discussion and possible action regarding MOTION 2011-01-04: regarding a vote on assigning tasks to the Due Diligence Committee and to the Professional Advisory Committees of the board for the purpose of completing a due diligence review of the pending Cocopah nurseries water credits purchase. (page 15-16)
- E. Discussion and possible action regarding MOTION 2011-01-05: regarding a vote on assigning tasks to the Due Diligence Committee and to the Professional Advisory Committees of the board for an independent management review of the district's finances, management policies, engineering needs, and mitigation policies. (page 17-18)
- F. Discussion of and possible action regarding MOTION 2011-01-06: regarding a vote to establish an ad-hoc committee of the board: the Capital Allocation Review Committee. (page 19)
- G. Discussion and possible action regarding the modification of the remaining balance of the work to be performed by Glen Reiter.
- H. Discussion of agenda structure and organization of its content
- I. Discussion of Board meeting time and format

III. CLOSING PROCEDURE

- A. **Adjournment** The next Regular Meeting of the Board of Directors is scheduled for January 26, 2011.

Teleconference site available to the public: offices of Stradling Yocca Carlson & Rauth, 660 Newport Center Drive, suite 1600, Newport Beach, CA 92660

**MOTION 2011-01-01 REGARDING A VOTE TO CLARIFY AND TO AMEND POLICY 2003-5-1:
DIRECTORS AND OFFICERS RESPONSIBILITIES AND LIMITATIONS**

Rationale for Submitting this Motion: This motion is put forward for a vote to clarify and amend **Policy 2003-5-1: Directors and Officers Responsibilities and Limitations**. Presently, under the aforementioned policy: (1) there is a present policy in effect whereby the access to the professionals presently reporting to the board by individual directors may be limited, such as legal counsel and auditor, and ACWA membership site, etc.; and (2) under the written provisions of the policy, limits the Boards ability to hire or fire any and all professionals other than the general manager, legal counsel, and auditor. The policy currently provides that only the general manager may hire and fire all other professionals.

These limitations upon the Board and its directors could potentially abridge the board's responsibilities, both individually and collectively, to demonstrate an exercise of discretion whereby due diligence concerning the issue at hand is commensurate with the materiality of the decision. Independent due diligence by directors of a public agency is essential to preserve the public's trust in, and acceptance of, the board's decisions made on their behalf, and is protective of the board, the general manager, and the district and its ratepayers.

MOTION 2011-01-01: (vote in parts)

- (a) To clarify Policy 2003-5-1 that no unwritten "understanding of the board" shall abridge a director's right to relevant information from any source including professionals hired by or under consideration for hire by the District;
- (b) To amend Policy 2003-5-1 to specify that:
 - (i) the board, at its discretion, may hire any professional it deems appropriate to further the affairs of the district, without limitation;
 - (ii) at its discretion, the board may elect to receive a presentation by a professional being considered for hire by the general manager to discuss in a public forum the proposed scope of work prior to a contract for outside professional services being approved by the board or the general manager, including, but not limited to, extension of a contract to retain a professional already hired by the district;
 - (iii) to permit the board, at its discretion, to appoint a committee of the board as liaison with outside professionals doing work for the district, or with the principal investigator for study grants awarded to the district, in order to provide necessary oversight and ensure the concerns of the board are adequately met by such work product;
 - (iv) to permit the board, at its discretion, to ask consultants hired by the district to present their findings in person directly to the board prior to making a decision of material consequence to the district that might be influenced by such findings;

**MOTION 2011-01-01 REGARDING A VOTE TO CLARIFY AND TO AMEND POLICY 2003-5-1:
DIRECTORS AND OFFICERS RESPONSIBILITIES AND LIMITATIONS**

(v) nothing in the interpretation of such amendment to Policy 2003-5-1 shall abridge or in any way limit the board's full access to information deemed necessary by board members to conduct adequate and sufficient due diligence regarding decisions affecting the district and, to that end, shall supersede any administrative policy, practice, or procedure with which such desire on the part of the board may be in conflict.

(vi) Additionally, to amend **Policy Statement 03-05-1 (B.) Responsibilities and Duties of Board Officers (1.) President, Additional Responsibilities Assigned by this Policy**, to add: "Monitor the work of the professionals the board hires or assign this responsibility to another board member, and to coordinate, as appropriate, board access to the professionals it hires."

Authorities:

§ 34807. Duty of board under the California Water Code (Div 13, Part 3, Ch 2 (2009): *The board, except as otherwise specifically provided, shall manage and conduct the business and affairs of the district.*

§ 34900. The board shall: (a) Employ and appoint such agents, officers, and employees as may be required. (b) Prescribe their duties and fix their salaries. (c) Prescribe other terms and conditions of employment. Subject to policies and standards established by the board, the board may delegate the powers specified in this section to any officer or employee of the district.

Article III Organization of Board of Directors Section 3.1 Exercise of Authority (Borrego Water District Administrative Code): *All powers, privileges, and duties vested in or imposed upon the District by law and the California Water District Act shall be exercised and performed by the Board of Directors, except as such board shall delegate executive, administrative, and ministerial powers to officers and employees of the District as hereinafter provided in this Code.*

Section 3.2.1 Duties: [the Board shall regularly perform the following duties]: *Select, employ, appoint, and remove all of the agents, employees, and officers of the District, other than Directors, prescribe their duties, delegate to them such authority as needed to carry out such duties, adopt rules and regulations setting forth the standards for the performance of duties, fix their compensation and require from them assurances of faithful service.*

Section 3.2.2: *Adopt rules and regulations as necessary consistent with the laws and policies of the State of California to protect and conserve the resources of the District and assure the delivery of the services of the performance of the functions for which the District is responsible.*

BORREGO WATER DISTRICT

POLICY STATEMENT

SUBJECT: DIRECTORS AND OFFICERS RESPONSIBILITIES AND LIMITATIONS

NO: 2003-5-1

ADOPTED: MAY 28, 2003

AMENDED: [January 12, 2011](#)

PURPOSE

The Board of Directors of the Borrego Water District has asked that a policy be prepared identifying the specific responsibilities of Board members and officers so that their actions do not violate the law, acceptable practices of water agency boards or the liability protection of the agency's insurance provider.

POLICY

1) A- **Responsibilities of the Board of Directors**

The Borrego Water District Administrative Code (Bylaws) identify the responsibilities of the Board of Directors as the following:

a) ~~•~~ **Oversee Professionals and Personnel:**

i) Oversee the selection, direction, compensation and removal of individuals that work directly for the Board including General Manager, Legal Counsel and Auditor. ~~Approve the selection, contracts and compensation for continuing consultants that work under the direction of the General Manager. Approve all permanent positions in the District including the compensation and conditions of employment both when created and in the annual budget.~~ In addition to the foregoing enumerated professionals, the Board , at its discretion and in compliance with all applicable laws, may hire any professional it deems appropriate to further the affairs of the District.

ii) ~~Approve the selection, contracts and compensation for continuing consultants that work under the direction of the General Manager.~~

(1) ~~At its discretion, the Board may elect to receive a presentation by a professional being considered for hire by the general manager to discuss in a public forum the proposed scope of work prior to a contract for outside professional services being approved by the board or the general manager, including, but not limited to, extension of a contract to retain a professional already hired by the District.~~

(2) The Board, at its discretion, may appoint a committee of the Board as liaison with outside professionals doing work for the District, or with the principal investigator for study grants awarded to the District, in order to provide necessary oversight and ensure the concerns of the Board are adequately met by such work product.

(3) The Board, at its discretion, may request consultants hired by the District to present their findings in person directly to the Board prior to making a decision of material consequence to the District that might be influenced by such findings.

iii) Approve all permanent positions in the District including the compensation and conditions of employment both when created and in the annual budget.

Note: Selection, direction and removal of all permanent or temporary personnel of the district that work under the direction of the General Manager is the responsibility of the General Manager. Selection of consultants or other support positions that work on an as-needed basis is the responsibility of the General Manager with compensation based upon responsible standards of the industry.

Notwithstanding the foregoing, nothing in this Policy or any unwritten “understanding” of the Board shall abridge a Director’s right to request relevant information from any source including professionals hired by or under consideration for hire by the District.

b) • Adopt Rules and Regulations:

Adopt rules and regulations for the conduct of District, consistent with the laws and policies of the State of California and the accepted practices of public agencies, to protect and conserve the resources of the District and assure the delivery of the services for which the District is responsible.

~~Policy Statement No. 03-5-1~~

~~Page Two~~

c) • Establishing Establish Requirements for Service:

Establish the standards with which the customers of the District must comply in order to qualify to receive the services of the District.

d) • Conducting Conduct Business in Public Meetings

Meet on a regular basis in conformance with the Brown Act to conduct the business of the District.

Note: Board areas of responsibility are limited to ~~discretion~~[discretionary](#) acts – the setting of policy. Implementation of policy -- Ministerial activities -- are limited to staff.

e) • ~~Managing~~[Manage](#) the Funds of the District

Adopt an annual budget and act as trustee of the funds of the District, overseeing such funds and expenditures in order to meet the financial obligations of the District. Set aside sufficient funds to meet emergencies and provide funds for replacement of District facilities and equipment. Oversee the investment of the District's funds in approved programs to best advantage of the District.

f) • ~~Serving~~[Serve](#) as Board and District Officers

Serving as officers of the Board (President and Vice President) or as officers of the District (Secretary and Treasurer). Secretary and Treasurer are combined into one position in the Borrego Water District and the daily responsibilities are assigned to staff.

2) [Additional Responsibilities](#)

Additional Responsibilities of Directors, not specified in the Administrative Code, but common to public agencies include:

a) • ~~Serving~~[Serve](#) on Board Committees

Serving on ad hoc and continuing committees appointed by the Board to report back with recommendations for Board action. Examples are the annual capital improvement budget committee and the operation's budget committee. Board committees cannot assume ministerial functions, but they can review staff operations and report back to the board for action.

b) • ~~Serving~~[Serve](#) as Conduits for Public Input and Information

Serving as conduits for public input and education about issues or decision of the board. In doing so directors must be careful to identify whether they are expressing their individual opinions or those of the Board.

[Nothing in this Policy shall abridge or in any way limit the Board's full access to information deemed necessary by Board members to conduct adequate and sufficient due diligence regarding decisions affecting the District.](#)

3) B.— Responsibilities and Duties of Board Officers

a) ~~1.~~ **President**

STATE CODE PROVISIONS: The Borrego Water District is organized under the state water code provisions for a California Water District. The water code does not specify the duties other than to state that the president of a California Water District serves as “*President of the Board*”. That means that the person is the managing officer for the affairs of the Board, but not the District.

BWD CODE PROVISIONS: The Borrego Water District Administrative Code identifies the duties and responsibilities of the President as:

The President of the Board of Directors shall act as chairman of the Board, presiding over the meetings of the Board and exercising such powers assigned to the office by law, by provisions of this Code or by other members of the Board.

ADDITIONAL RESPONSIBILITIES ASSIGNED BY THIS POLICY:

- Review the draft agenda for meetings.
- Call special meetings of the board. (a majority of Board can also call special meetings)
- Conduct all meetings of the board.
- Create ad hoc committees and assign ~~directors to them~~ Directors to them only with majority Board approval except in emergency situations or time-sensitive matters requiring action prior to the next scheduled board meeting.
- Nominate, for approval by the board, membership on standing committees.
- Monitor the work of ad hoc and standing committee so that they report back to the board in the established time frames.
- Sign the approved minutes of meetings, adopted resolutions and ordinances and such contracts and other documents as determined by the board.
- Approve district purchase orders above certain amounts and sign checks above certain amounts as directed by the Board or identified in adopted policies.
- Work with the general manager and/or legal counsel on any matter regarding the conduct of the board or its members.
- Act as the spokesperson for the board and the district as determined by the board.
- Serve on the committee to recommend the annual ~~operation~~ operations budget.
- Monitor the work of the professionals the board hires or assign this responsibility to another board member, and to coordinate, as appropriate, board access to the professionals it hires.

~~Policy Statement No. 03-5-1~~

~~Page Four~~

b) ~~2.~~ Vice President

STATE CODE PROVISIONS: The responsibilities of the vice president are not identified in the California Water Code.

BWD CODE PROVISIONS: *The Vice President shall, in the absence of the President, perform the duties and exercise the powers of the President.*

c) ~~3.~~ Secretary/Treasurer

STATE CODE PROVISIONS: The California Water Codes specifies that these two positions have “district” obligations. That is, that they are not just responsible for records and finances of the Board, but of the District. The Code also gives the board the right to combine the positions and to assign any of the responsibilities to staff.

BWD CODE PROVISIONS: *The Secretary of the District shall be responsible for the maintenance and management of the records of the District and shall certify as to the actions taken by the Board at its meetings. Subject to the Board’s approval, the secretary may delegate the day to day duties of the office to one or more Assistant Secretaries*

AND

The Treasure shall be responsible for the financial transactions of the District, assuring that the funds of the District are kept in a secure place and that accurate records are kept of their receipt and disbursements. The Treasurer shall provide the Board with an account of all the financial transactions of the District whenever requested and not less frequently than annually. The day-to-day duties of the Treasurer may be delegated to one or more Assistant Treasurers or, in the event the offices of Secretary and Treasurer are combined, to one or more Assistant Secretaries.

Note: Although in the Borrego Water District, the position of Secretary and Treasure are combined, the General Manager serves as the Assistant Secretary and the Finance Officer as the Assistant Treasurer. Also, day to day duties are assigned to staff. Nevertheless, at the discretion of the individual holding the office, the Treasurer may wish to review the weekly payments of the District.

~~Policy Statement 03-5-1~~

~~Page Five~~

ADDITIONAL RESPONSIBILITIES ASSIGNED TO THE OFFICE OF SECRETARY/~~TREASURE~~TREASURER BY THIS POLICY:

- Review the draft minutes of meetings before they are presented to the Board for approval
- Sign official documents of the Board or District as directed by the Board including resolutions, ordinances and certain contracts.
- Approve purchase orders of certain amounts and sign checks of certain amounts as directed by the Board or as specified in other policies.
- Serve with the President on the committee to recommend an annual operation's budget.
- Adjoins meetings to a future time when the President and VP are absent.

Document comparison by Workshare Professional on Thursday, January 06, 2011 5:16:25 PM

Input:	
Document 1 ID	PowerDocs://DOCSOC/1458651/1
Description	DOCSOC-#1458651-v1-BWD_Policy_2003-5-1
Document 2 ID	PowerDocs://DOCSOC/1458651/2
Description	DOCSOC-#1458651-v2-BWD_Policy_2003-5-1
Rendering set	standard

Legend:	
Insertion	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	34
Deletions	27
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	65

MOTION 2011-01-02: REGARDING A VOTE TO ENABLE THE BOARD TO ESTABLISH AD-HOC COMMITTEES OF THE BOARD

This motion **revises** Policy Statement 2003-5-1 (B.) Responsibilities and Duties of Board Officers (1.) President, Additional Responsibilities Assigned by this Policy: "create ad hoc committees and assign directors to them."

The purpose of this motion is to enable the board, as a whole, to determine the creation and assignment of Board ad-hoc committees. Henceforth, the board may decide, at its discretion, the assignment of board directors to serve on any Board ad-hoc committee rather than enabling the president of the board to solely fill these positions at his/her discretion. Furthermore, the president hereby no longer has the power to form ad-hoc committees or to appoint membership to those committees other than at a meeting of a quorum of the board. The president may not disband an ad-hoc committee established by the board or change its membership as so voted by the board. Each ad-hoc committee shall have a defined period of existence and shall, in any case, cease to exist when its specific duties are discharged. At the discretion of the board, the board may also enable board members serving on specific ad-hoc committees of the board to appoint members of the public to volunteer to serve on this committee with the board.

MOTION 2011-01-02:

To revise Policy Statement 2003-5-1 (B) Responsibilities and Duties of Board Officers (1.) President, Additional Responsibilities Assigned by this Policy: "create ad hoc committees and assign directors to them only with majority Board approval except in emergency situations or time-sensitive matters requiring action prior to the next scheduled board meeting."

**MOTION 2011-01-02: REGARDING A VOTE TO ENABLE THE
BOARD TO ESTABLISH AD-HOC COMMITTEES OF THE BOARD**

Rationale: The business objective of any ad-hoc committee of the board is to apportion the workload of the entire board. However, as this work is being conducted on behalf of the board, the board may, at times, wish to assure that it has a say in choosing to form such ad-hoc committee and to appoint board members to conduct this work and to not delegate this choice, in all instances, to the board's president.

MOTION 2011-01-03: REGARDING A VOTE TO DISBAND EXISTING AD-HOC COMMITTEES; TO SUSPEND ALL STANDING COMMITTEES OF THE BOARD; AND TO ESTABLISH TWO NEW AD-HOC COMMITTEES OF THE BOARD: THE DUE DILIGENCE COMMITTEE AND THE PROFESSIONAL ADVISORY COMMITTEE

MOTION 2011-01-03: (in parts)

- (a) The board and its president hereby disbands all presently constituted ad-hoc committees of the board;
- (b) The board hereby suspends all presently constituted standing committees of the board, included, but not limited to its Groundwater Advisory Committee and its Conservation Committee;
- (c) The board and its president hereby establishes the Due Diligence Committee, an ad-hoc committee of the board whose members shall constitute Marshal Brecht and Lyle Brecht from the board. Such ad-hoc committee shall terminate at a date no later than when the audit of the district's FY2011 financial statement is completed. The purpose of this ad-hoc committee of the board is to work with the professionals reporting to the board to: (a) review the independent due diligence for material expenditures by the district ; (b) review the independent due diligence for ongoing work performed for the district's benefit; (c) report any findings from such review to the board to correct any existing deficiencies or to inform the board of such findings prior to the board making any material allocation of district resources for such projects.
- (d) The board and its president hereby establishes the Professional Advisory Committee, an ad-hoc committee of the board whose members shall constitute Beth Hart and Lyle Brecht from the board. Such ad-hoc committee shall terminate at a date no later than the end of the FY2011, June 30, 2011, or when its tasks are completed, whichever is sooner. The purpose of this ad-hoc committee of the board is to: (a) identify through a request for quotation (RFQ) or request for proposal (RFP) the professionals that the board may wish to hire, including, but not limited to, legal counsel, auditors, financial advisor, management consultant, and planning consultant; (b) to make recommendations based on the work of the committee to the board as to professionals for the board to retain; (c) upon direction of the

**MOTION 2011-01-03: REGARDING A VOTE TO DISBAND ALL PRESENT AD-HOC
AND STANDING COMMITTEES OF THE BOARD AND ESTABLISHING
TWO NEW AD-HOC COMMITTEES OF THE BOARD: THE DUE DILIGENCE COMMITTEE
AND THE BOARD PROFESSIONAL ADVISORS RECOMMENDATION COMMITTEE**

board, to make certain such professionals are retained; and (d) upon direction from the board, to establish and to oversee a search for a general manager.

MOTION 2011-01-04 REGARDING A VOTE ON ASSIGNING TASKS TO THE DUE DILIGENCE COMMITTEE AND TO THE PROFESSIONAL ADVISORY COMMITTEES OF THE BOARD FOR THE PURPOSE OF COMPLETING A DUE DILIGENCE REVIEW OF THE PENDING COCOPAH NURSERIES WATER CREDITS PURCHASE

MOTION 2011-01-04: The board hereby assigns the following tasks to the Due Diligence and Professional Advisors Committees of the Board. Such tasks for each committee shall include, but not be limited to the following:

For the Professional Advisory Committee: to recommend professionals for the board to retain capable of performing work that details the costs and the benefits of the Cocopah Nurseries, Inc. pending land and water credits acquisition, for which the district holds a \$150,000 6-month option expiring on May 29, 2011 to purchase land, water credits, and two deep wells for a fixed price of \$2,500,000;

For the Due Diligence Committee: to work with such professionals so as to be certain that potential concerns and questions of the board are fully addressed by the work of such professionals.

Rationale: This motion is necessary for the board's exercise of discretion commensurate with the gravity of the decision being made. Such due diligence at this time is of utmost necessity for prudent stewardship of the district's resources.

PO Box 2392
January 5, 2011

Mr. Lyle Brecht
Director
Borrego Water District

Dear Lyle,

I am an economist and received a Ph.D. from the University of Minnesota in 1966. I taught and did economic research for some 35 years at the University of Western Ontario and at the University of Waterloo. My wife and I have been winter residents of Borrego Springs since 1998, and I have had a professional and personal interest in Water Board policy. In recent years I have become concerned with actions of the Board, and particularly with the recent proposal to buy property and fallow it.

Economists determine whether programs should be undertaken by doing a cost-benefit analysis which allows policy makers to determine whether benefits outweigh costs. For example, the purchase price of the Cocopah property is 2.5 million, so with interest costs the total cost will be in the neighborhood of 4 million. This 4 million will have to be raised through an increase in water rates, and thus represents a reduction of our collective disposable income of this amount. At least as important is the fact that much of this 4 million would otherwise have been spent locally. This will have a significant negative multiplier effect on the local economy.

It is claimed that the benefit of the purchase is that the life of the aquifer will be extended. This means that we will postpone the time when water prices begin to rise because of the drop in the water table. Most experts believe that this will occur in about 50 years so there will be no benefits to anyone before then. If benefits do occur they will go primarily to farmers and golf courses who pump 90% of the water. BWD consumers, however, pay 100% of the costs. It has also been suggested that the water credits that would be received have significant value, but the BWD already owns more than enough water credits to support any development that can be reasonably expected in the future, so adding to a supply that is already in excess does not add value.

I hope that the BWD will consider these costs and benefits when making decisions on land purchases and fallowing, and I would like to request that such a discussion be placed on the agenda for some future meeting.

Yours truly,

Jim Melvin

MOTION 2011-01-05 REGARDING A VOTE ON ASSIGNING TASKS TO THE DUE DILIGENCE COMMITTEE AND TO THE PROFESSIONAL ADVISORY COMMITTEES OF THE BOARD FOR CONDUCTING AN INDEPENDENT MANAGEMENT REVIEW OF THE DISTRICT'S FINANCES, MANAGEMENT POLICIES, ENGINEERING NEEDS, AND MITIGATION POLICIES

MOTION 2011-01-05: The board hereby assigns the following tasks to the Due Diligence and Professional Advisory Committees of the Board. Such tasks for each committee shall include, but not be limited to the following:

For the Professional Advisory Committee: to recommend professionals for the board to retain capable of performing an independent management review of the district's finances, policies and procedures, personnel needs and training, board policies, legal advice, procurement procedures, engineering needs, and mitigation policies.

For the Due Diligence Committee: to work with such professionals so as to be certain that potential concerns and questions of the board are fully addressed by the work of such professionals.

Rationale: The purpose of an independent management review is for new board members and the public to know where the district stands as the new board assumes office. The main benefit would be that the Board would be informed by an outsider with no stake in the current system of any potential challenges or emerging concerns that may not be readily apparent. A thoughtful analysis must be performed before a permanent GM is appointed. An independent review of a past general manager's practices establishes a baseline of information for the new manager and is an accepted best business practice.

Lyle,

Pursuant to our previous discussion regarding the Borrego Water District, be advised that your concerns and proposed recommendation to the new Board are proper and represent excellent management proposals.

Audit Recommendation

When management and boards change it is a usual and normal practice to provide an audit of the agency. The purpose of such an audit is for the past Boards of Management benefit and provides the new Board of Management an understanding of existing conditions when they take office.

As a past General Manager of the (1) Chino Basin Municipal Water District, (2) The Santa Ana Watershed Project Authority and (3) The Eastern Municipal Water District it has always been my practice to determine by audit a cut off line from the past to the future operations.

Capital Improvements

Reviewing past determinations for Capital Improvements and their financing proposal should also be reviewed as a common practice.

Lyle, it appears you have an excellent handle on Management issues and I wish you good luck in your future endeavors.

Respectfully,

J. Andrew Schlange
Past GM EMWD

**MOTION 2011-01-06: REGARDING A VOTE TO ESTABLISH
AN AD-HOC COMMITTEE OF THE BOARD: THE CAPITAL ALLOCATION REVIEW COMMITTEE**

MOTION 2011-01-06: (in parts)

- (a) The board and its president hereby establishes the Capital Allocation Review Committee, an ad-hoc committee of the board whose members shall constitute Bob Mendenhall and Eleanor Shimeall from the board. Such ad-hoc committee shall terminate at a date no later than the end of the FY2011, June 30, 2011, or when its tasks are completed, whichever is sooner. The purpose of this ad-hoc committee of the board is to oversee the production of a report that includes, but is not limited to the following elements: (a) produce a schedule of cash reserves used for district projects and expenses for the period July 1, 2008 through December 31, 2010, including (i) the date these cash reserves were used; (ii) the amount used; (iii) a detailed description of the project or expense these cash reserves were used for; (iv) an analysis of the economic benefit to the district from this allocation of capital for this purpose at the time the expenditure was made; and (v) an estimate of any future obligations of cash expenditure engendered by this allocation of capital, and
- (b) present a draft of this report for review by the board no later than at the March 2011 monthly board business meeting, and
- (c) upon direction from the board to provide additional detail of capital expenditures and expenses using cash reserves as the funding source, and
- (d) upon direction of the board to provide any assistance to the board's auditors and/or management consultants in compiling the Management Report to the board for the FY2011 audited financial statements.