

Borrego Water District
MINUTES
Special Meeting of the Board of Directors
February 15, 2011
9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order: President Hart 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: President Hart, Vice President Lyle Brecht, Secretary/Treasurer Marshal Brecht, Shimeall
Staff: Jerry Rolwing, Interim General Manager/Operations Manager
Wendy Quinn, Recording Secretary
Public: Dennis Dickinson Sue Salt
Dick Walker Jim Engelke
Kathy Johnston Judy Meier, *Borrego Sun*
Jim Melvin Jack Simes, Bureau of Reclamation
Greg Krzys, Bureau of Reclamation
- D. Comments from the Public and Requests for Future Agenda Items: None
- E. Comments from Directors and Requests for Future Agenda Items: None

II. CURRENT BUSINESS MATTERS

A. Briefing by Jack Simes of the U.S. Bureau of Reclamation on the Southeast California Regional Basin Study: Jack Simes of the U.S. Bureau of Reclamation noted that the Bureau had been working with the District for a couple of years to secure federal funding for a basin study. While a study of Borrego Valley was not funded, we have now been selected as part of a regional study including Coachella Valley, Imperial Irrigation District and the San Diego Water Authority. Mr. Simes had worked with Jerry Rolwing to develop a proposed Memorandum of Understanding between the Bureau and the District, which the Board was requested to consider authorizing Mr. Rolwing to sign.

Mr. Simes explained that although there is no entitlement to Colorado River Water currently available, the study would explore storage opportunities in wet years for those who are entitled. Lake Henshaw opportunities would also be investigated.

In response to questions submitted by Director Lyle Brecht, Mr. Simes explained that the District's in-kind service contributions would be detailed in an attachment to the MOU. The study cost would be shared 50/50 between the Bureau and the District, and the MOU is fluid, allowing for mutually agreed amendments as the study progresses. The total cost estimate is \$850,000. Director Lyle Brecht requested that the MOU or attachment include an upper limit for the District's contribution should the project run beyond the original \$850,000 estimate, and Mr. Simes concurred. Mr. Rolwing pointed out that the District's proposed list of in-kind services already exceeds its \$425,000 share. President Hart requested that the Bureau approve the in-kind services prior to the District's execution of the MOU.

Director Lyle Brecht had also inquired about the likelihood of economically transmitting Colorado River water to the Borrego Valley for storage, how long this would take, engineering and construction costs for a pipeline, hydrologic data on recharge basins and water law issues. Mr. Simes replied that these issues would be resolved by the study.

Director Shimeall inquired about concerns of the other parties to the basin study. Mr. Simes noted that Coachella was looking at its distribution system serving Salton City, IID has storage concerns, and the Torres Martinez tribe wants to protect wetland habitats.

Director Marshal Brecht questioned the MOU termination date of 1/31/12, and Mr. Simes agreed it should be 2013.

Director Lyle Brecht requested that the MOU be ready for Board approval at the February 23 meeting if possible. Mr. Rolwing pointed out that the study does not obligate us to build a pipeline; it will just determine its feasibility.

B. Discussion and possible action on agreements with William Mills: Mr. Rolwing distributed spread sheets showing past payments to State lobbyist William Mills and estimates of future costs for completion of the Integrated Regional Water Management Plan. He pointed out that the Plan is near completion and necessary for eligibility for future implementation grants. Although our application for a planning grant was denied, the Department of Water Resources has agreed to prepare the GIS component of the Plan, which will save approximately \$50,000. An application is also pending for a DWR facilitator, who would assist in completion of the Plan and involvement of stakeholders.

Director Lyle Brecht, who had attended a number of IRWM Stakeholders Subcommittee meetings, felt the IRWM Plan differed from other regional plans he had been involved with and lacked clarity as to why the grant is being requested and exactly how it will be used. Director Marshal Brecht pointed out that it was modeled after the DWR framework. Kathy Johnston questioned whether implementation grant funds would actually be available in view of current difficulties with the State budget.

The Board agreed to refer the matter to the Due Diligence Committee.

C. Discussion and possible action regarding staff report and Due Diligence Committee report on forecasted cash flow of district, line of credit availability, and margin-of-safety reserve requirements: Director Marshal Brecht invited the Board's attention to Agenda page 30, which outlined the District's cash position as of January 3. Major contributors to the recent cash decline were the loss of revenue from Montesoro and Borrego Ranch and low residential water sales. The operations and maintenance budget is inadequate to cover the capital items. Director Marshal Brecht estimated we would need another \$400,000 to \$500,000.

Mr. Rolwing pointed out that the cost of doing business has increased. He distributed a chart which he and David Dale had prepared, detailing a proposed capital improvement program for the next ten years. Some items may be deferred depending on the rate of the District's growth.

Mr. Rolwing reported he had investigated a line of credit for the District. Wells Fargo concluded our collateral was insufficient, but U.S. Bank was optimistic. He is awaiting their final response and will follow up this week. Director Lyle Brecht suggested checking with Borrego Springs Bank.

D. Discussion and possible action regarding Capital Allocation Committee report on auditor's special report of cash expenditures of district: President Hart reported that the Capital Allocation Committee would be meeting on Friday to review information provided by Kim Pitman, consider public input and formulate a recommendation to the Board.

E. Discussion and possible action regarding Professional Advisory Committee report on RFP and RFQ processes: Director Lyle Brecht noted that the Professional Advisory Committee's recommendations were detailed in upcoming Agenda items II.F and G.

F. Discussion of and possible action regarding MOTION 2011-02-01: regarding a vote to authorize the Professional Advisory Committee to retain advisors to assess and clarify the economic and California water law aspects of the district's present land/water credits purchase program and strategy to address the overdraft: *A motion was made by Director Lyle*

Brecht and seconded by Director Marshal Brecht to authorize the Professional Advisory Committee to retain outside counsel, auditors and/or other outside advisors at a cost not to exceed \$14,000 to address issues relative to the District's water mitigation credit policy. Director Lyle Brecht reported that approximately 25 consultants with various areas of expertise had expressed interest. More responded to this RFQ, covering a broader issue, than to the RFP specific to review of the Cocopah option agreement. However, we have until May to make a decision on Cocopah. ***The motion carried. RC: AYES – L.Brecht, M.Brecht, Shimeall, Hart.***

G. Discussion of and possible action regarding MOTION 2011-02-02: regarding a vote to enable the Professional Advisory Committee to retain advisors for the purpose of developing a plan to address the district's present financial situation: ***A motion was made by Director Lyle Brecht and seconded by Director Marshal Brecht to enable the Professional Advisory Committee to retain advisors at a cost not to exceed \$30,000 for the purpose of developing a plan to address the District's present financial situation.*** Director Lyle Brecht explained that the Committee would review all proposals, including Glenn Reiter's. He stressed the need to look at cost cutting and revenue generating opportunities, starting with financial modeling and analysis. Mr. Rolwing pointed out that the District's facilities are now running smoothly, but the infrastructure will eventually require repair or replacement, and it is easier to request a rate increase when things are going well than when they are failing. ***The motion carried. RC: AYES – L.Brecht, M.Brecht, Shimeall, Hart.***

H. Discussion of policy 2003-5-1, as amended 01/12/02: directors and officers responsibilities and limitations: Director Lyle Brecht noted that the amendments made to Policy 2003-5-1 enabled the Board to take action similar to the last two motions relative to selection of consultants. Director Shimeall had requested that the issue be revisited. The Board agreed to continue it to the next meeting.

I. Discussion of agenda items for Board regular meeting scheduled for February 23, 2011: The Board discussed items for the next Agenda, including mustard pulling, emergency supply storage for the American Red Cross, selection of a new Director, the Viking Ranch request to fallow its two parcels in reverse order from that provided in the agreement, the USDA loan application, the Bureau of Reclamation MOU, a closed session on anticipated litigation, correspondence regarding the IRWM facilitator, ad hoc committee reports and capital improvements. Lane Sharman had requested an item on water credits, but the Board agreed to defer it until after the consultant study.

Discussion followed regarding selection of the new Director. Mr. Rolwing reported that Dennis Dickinson, Jim Jordan and Lee Estep had applied. President Hart contemplated that each would give a presentation and answer questions. Mr. Rolwing explained that following the presentations, nominations would be opened and if the nominee fails to get three votes, another would be made.

J. Consideration and approval of RESOLUTION 2011-02-01 *Resolution of the Board of Directors of the Borrego Water District revising the schedule of regular meetings:* ***MSC: L.Brecht/Shimeall adopting Resolution 2011-02-01, Resolution of the Board of Directors of the Borrego Water District revising the schedule of regular meetings (changing the time to 9:00 a.m.) RC: AYES – L. Brecht, Shimeall, M. Brecht, Hart.***

III. CLOSING PROCEDURE

A. Adjournment: There being no further business, the meeting adjourned at 11:05 a.m. The next meeting of the Board of Directors is scheduled for February 23, 2011 at the Borrego Water District.