

**Borrego Water District  
CORRECTED MINUTES  
Special Meeting of the Board of Directors  
April 20, 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, Estep, Shimeall
- Staff:             Jerry Rolwing, Interim General Manager/Operations Manager  
                                  Wendy Quinn, Recording Secretary
- Public:           Dennis Dickinson     Judy Meier, *Borrego Sun*  
                                  Ray Delahay           Brian Brady, BVBA  
                                  Dick Walker           Jim Engelke, Lundberg  
                                  Lucy Larson            Lisa Foster, McDougal Love Eckis  
                                  Doug Wilson, MTR     Boehmer & Foley

D. Approval of Agenda: President Hart asked that Item II.J (Construction of Water Facilities for Mesquite Trails) be moved to the front of Current Business Matters so Doug Wilson could make his presentation first. Jerry Rolwing requested that Items II.L (Update on Montesorro sale negotiation) and II.N (Presentation on STAG Grant) be postponed to a future meeting. The information is not yet available. President Hart announced that during closed session, the Board would be interviewing for the position of General Counsel for the District, and an attorney would be included in the session. **MSC: L.Brecht/Shimeall approving the Agenda as amended.**

- E. Comments from Directors and Requests for Future Agenda Items: None
- F. Comments from the Public and Requests for Future Agenda Items: None

**II. CURRENT BUSINESS MATTERS**

J. Discussion and possible action regarding approval of Agreement for the Construction of Water Facilities, Mesquite Trails: Mr. Wilson reported he had met with District counsel to review and update the water facilities agreement, which was based on the one used for The Springs at Borrego. Mr. Rolwing had also reviewed the agreement, and it is acceptable to Mesquite Trails. Mr. Rolwing noted that David Dale had also reviewed the agreement. Since the Mesquite Trails has been in work for approximately 20 years, Mr. Rolwing suggested inserting a term limit. He also recommended reference to water credits and fees. **MSC: L.Brecht/M.Brecht approving the Agreement for the Construction of Water Facilities for Mesquite Trails, subject to a ten-year term limit and insertion of appropriate language relative to water credits and fees.**

A. Discussion and possible action regarding Resolution 2011-04-01, Resolution of the Board of Directors of the Borrego Water District regarding retention of auditing firm in response to May 6, 2010 Grand Jury report and reversing in part, Resolution No. 2010-06-11, to retain Diehl Evans as FY 2012 auditors: **MSC: L.Brecht/Estep adopting Resolution 2011-04-01, Resolution of the Board of Directors of the Borrego Water District regarding retention of auditing firm in response to May 6, 2010 Grand Jury report and reversing in part, Resolution No. 2010-06-11, to retain Diehl Evans as FY 2010 auditors. RC: AYES – L. Brecht, Estep, M. Brecht, Shimeall, Hart.**

**B.** Discussion and possible action regarding a Memorandum of Understanding with the Bureau of Reclamation for the Southeast California Regional Basin Study: *MSC: L.Brecht/M.Brecht adopting the Memorandum of Understanding with the Bureau of Reclamation for the Southeast California Regional Basin Study and authorizing the Interim General Manager to sign it, conditioned upon the addition of an exhibit listing pre-approved in-kind services, a maximum cash contribution of \$12,000 without prior approval, correction on page 9 to remove the designation of "Engineering" from Mr. Rolwing's title, and subject to review of the final document by Director Marshal Brecht and Mr. Rolwing before signature. RC: AYES – L. Brecht, M. Brecht, Estep, Shimeall, Hart.*

**C.** Discussion and possible action regarding the Engagement Agreement with Brian Brady and Task Order #2 to provide advice regarding a review of the District's water credits policy to determine whether the District's present policy constitutes a reasoned business use of ratepayer funds: Director Lyle Brecht explained that the Engagement Agreement with Brian Brady had already been approved. This item was provided for information. The cost of Task Order #2 is \$2,700.

**D.** Discussion and possible action regarding cash reserves policy for the District: Director Lyle Brecht invited the Board's attention to his proposed cash reserves policy, version 1.10, in the Agenda packet. He suggested the policy be used in financial modeling. Director Marshal Brecht pointed out that if the working capital reserves are large enough, the rate stabilization reserves would be unnecessary unless required by a bond issue. Director Lyle Brecht agreed to ask Dennis Ciocca's opinion on this issue. President Hart inquired about the asset replenishment reserves. Director Lyle Brecht explained that Mr. Dale had developed the list of asset values, and Raftelis is working on how this reserve would be funded and over what time period. Raftelis will present a report at next week's Board meeting.

**E.** Discussion and possible action regarding groundwater management (GWM) implementation plan cost estimate from Wildermuth Environmental, Inc.: Director Lyle Brecht noted that this is an information item which relates to the financial model.

**F.** Discussion and possible action regarding establishing an Ad Hoc committee comprised of Jerry Rolwing, Kim Pitman, Brian Brady, and Marshal Brecht to develop recommendations for expenditure changes to the FY 2012 Operations and Management (O&M) budget: *A motion was made by Director Lyle Brecht and seconded by Director Marshal Brecht to establish an Ad Hoc committee comprised of Jerry Rolwing, Kim Pitman, Brian Brady, and Marshal Brecht to develop recommendations for expenditure changes to the FY 2012 Operations and Management (O&M) budget.* President Hart suggested that this committee be combined with the one proposed in Item II.G (an Ad Hoc committee consisting of Beth Hart and Marshal Brecht for the purposes of addressing human resource matters). *Director Lyle Brecht amended his motion to designate the committee as the Ad Hoc Operations and Management Committee and add Beth Hart to its membership. The amended motion was seconded by Director Estep and carried.*

**G.** Discussion and possible action regarding creation of an Ad Hoc committee consisting of Beth Hart and Marshal Brecht for the purposes of addressing human resource matters: This item was combined with Item II.F.

**H.** Discussion and possible action regarding a date for a workshop to discuss the financial model developed by Raftelis Financial Consulting (RFC) for the District and recommendations to improve the District's financial situation: Mr. Rolwing reported that he would be meeting with a Raftelis representative at 11:00 a.m. tomorrow. A webinar for the Ad Hoc O&M Committee was scheduled for Friday, April 22, and a workshop for the full Board and public will be held on Wednesday, April 27 at 1:00 p.m.

**I.** Discussion and possible action regarding approval of Agreement for Consulting Services for David Taussig & Associates: Mr. Rolwing explained that the agreement with Taussig is approved annually to provide for handling Community Facilities District matters and

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tax collection. He recommended approval. *MSC: Estep/L.Brecht approving the Agreement for Consulting Services for David Taussig & Associates.*

**K.** Discussion and possible action regarding approval of water availability form for US Solar Project: Mr. Rolwing reported that US Solar had not yet informed the District whether they would be able to use any of the wells on the site of their proposed project. However, the form that is being presented now is only the first of three District approvals. It indicates that we have water. A second approval will be required to indicate how the water will be transmitted to US Solar, and the third in conjunction with the final map. Dennis Dickinson reported that the Sponsor Group was concerned about the amount of water US Solar would use during construction, and suggested requiring a meter. The Sponsor Group prefers the use of water trucks during construction rather than sprinklers, which are wasteful. Mr. Rolwing suggested installing a fire hydrant on the property so the water trucks wouldn't have to travel across town. *MSC: L.Brecht/Estep authorizing Mr. Rolwing to prepare and sign a letter to US Solar indicating water availability.* Mr. Rolwing agreed to circulate the draft letter to the Board prior to transmittal.

**M.** Discussion and Consideration by the Board to authorize the Interim General Manager to write a letter of support on behalf of Board of Directors to support Senate Bills SB 11 and SB 120: Mr. Rolwing reported that Senator Joel Anderson had requested the District's support of two senate bills protecting taxpayers from penalties resulting from the issuance of IOUs by the State. *MSC: L.Brecht/Estep authorizing the Interim General Manager to write a letter of support on behalf of the Board of Directors to support Senate Bills 11 and 120.*

**President Hart declared a recess at 10:20 a.m., and the Board reconvened at 10:30 a.m.**

**F.** Discussion and possible action regarding establishing an Ad Hoc committee comprised of Jerry Rolwing, Kim Pitman, Brian Brady, and Marshal Brecht to develop recommendations for expenditure changes to the FY 2012 Operations and Management (O&M) budget (continued): Brian Brady arrived at 10:30 a.m. He addressed those present, citing 40 years experience with water and power districts, both public and private. He is a Registered Civil Engineer and holds an MBA in finance and a doctorate in organizational development. The Board had requested him to review its organization, staffing levels, positions and salaries as well as the financial condition of the District. Lucy Larson pointed out that his report indicates discussions with 20 organizations, but the references at the end are only to contacts within BWD. She further questioned the statement that benefits typically make up 40 to 60 percent of compensation, which she felt was too high. Dr. Brady explained that he had obtained data from an unpublished survey by a human resources expert at another water district, and also contacted a number of other water and public utility districts. His experience and the survey data support the 40 to 60 percent benefit level. Ms. Larson suggested looking at ways to cut costs for the sake of the ratepayers. President Hart pointed out that some benefits are vested for existing employees but could be reduced for new ones.

### **III. CLOSED SESSION**

**A.** Discussion regarding advice from legal counsel and advisor Dr. Brian Brady regarding the Viking Ranch purchase agreement subject to Govt. Code section 54956.9(b) and (c) for the purpose of giving direction to the District's negotiators under Govt. Code section 54956.8 related to the real property known as the Viking Ranch with negotiators Lee Estep, Beth Hart, and Jerry Rolwing for the District in preparation for negotiating with Lance Lundberg from the Viking Ranch:

**B.** Discussion for the purpose of giving direction to the District's negotiators under Govt. Code section 54956.8 related to the real property known as the Cocopah Nurseries with negotiators Lee Estep, Beth Hart, and Jerry Rolwing for the District:

**C.** Discussion for the purpose of giving direction to the District's negotiators under Govt. Code section 54956.8 related to the lease of real property known as the Club Circle Golf Course with negotiators Lee Estep, Eleanor Shimeall and Jerry Rolwing for the District in preparation for discussions with Jack Cameron:

**D.** Discussion for the purpose of giving direction to the District's negotiators under Govt. Code section 54956.8 related to the settlement terms on the real property known as Monica with negotiators Beth Hart and Jerry Rolwing for the District:

**E.** Discussion for the purpose of giving direction to the District's negotiator, Lee Estep, and possible action regarding the selection of general counsel under Govt. Code section 54957:

**F.** Discussion for the purpose of giving direction to the District's negotiator, Jerry Rolwing, and possible action regarding recommended changes to the District's employee benefits package for existing and new employees under Govt. Code section 54957:

The Board adjourned to closed session at 10:50 a.m. The open session reconvened at 1:20 p.m., and it was announced that Lisa Foster of McDougal, Love, Eckis, Boehmer & Foley had been appointed as Interim General Counsel for the District.

#### **IV. CLOSING PROCEDURE**

**A.** Adjournment: There being no further business, the meeting adjourned at 1:20 p.m. The next meeting of the Board of Directors is scheduled for April 27, 2011 at the Borrego Water District.