

**Borrego Water District
MINUTES
Regular Meeting of the Board of Directors
Wednesday, May 27, 2015
9:00 AM
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 Brecht,
Secretary/Treasurer Tatusko, Delahay, Estep

Staff: Jerry Rolwing, General Manager
Greg Holloway, Operations Manager
Kim Pitman, Administration Manager
Morgan Foley, McDougal Love Eckis Boehmer & Foley (via
teleconference, Item II.G)
Wendy Quinn, Recording Secretary

Public: Bob McKee Kathy Johnston
Grant Williams Bill Haneline
Barbara Williams Mike Himmerich
Diane Hydoski Emily Brooks

D. Approval of Agenda: President Hart requested that Item II.H, Discussion on how the District should publish the Conservation Order and Suggestions, be moved to the beginning of Section II since the majority of the public was here for that item and might want to leave afterwards. **MSC: Brecht/Estep approving the Agenda as amended.**

E. Approval of Minutes:

Special meeting of April 14, 2015

MSC: Brecht/Tatusko approving the Minutes of the Special Meeting of April 14, 2015 as written.

Regular meeting of April 22, 2015

MSC: Brecht/Tatusko approving the Minutes of the Regular Meeting of April 22, 2015 as corrected (typographical error in Item II.E, first sentence; “providing” should be “provide”).

F. Comments from Directors and Requests for Future Agenda Items: None

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

H. Correspondence:

Letter from R. Premdas: Jerry Rolwing will respond to the letter from R. Premdas, complaining about water rates and billing procedures.

Letter from BWC: The Borrego Water Coalition has approved in concept a blended shared allocation of GSP development costs among agriculture, municipal users and recreational users.

II. CURRENT BUSINESS MATTERS

H. Discussion on how the District should publish the Conservation Order and Suggestions: President Hart referred to the handout listing suggested conservation resources and explained the new Executive Order's mandate to decrease water use by 25 percent beginning June 1 and lasting 270 days. Initially the Board hopes to meet this demand voluntarily, but if this fails, enforcement will be necessary.

President Hart went on to explain the Proposition 218 process required for water and sewer rate changes. The District is now under a five-year approval beginning in 2011. A 19 percent increase in the base meter rate and 5 percent in the water and sewer commodity rates are still available and have been included in the new budget. Another 218 process will begin this winter.

Director Brecht opined that the Board should not say it is increasing rates to promote conservation, but that they are being increased to prevent the District from revenue loss during mandatory water use reduction and prevent water service disruption.

Kathy Johnston suggested displaying a chart or graph depicting how the District is doing in overall water use reduction. The Board liked the idea. President Hart reported that she and Martha Deichler had designed a flyer for school children promoting conservation, and homeowners' associations have been asked to publicize the issue. The suggested conservation resources will be on the BWD website once they are finalized. Bob McKee suggested including the Executive Order on the website as well, but due to its length, the Board agreed to provide a link instead. Director Tatusko suggested offering the list of conservation resources in Spanish.

A. Discussion and possible approval of First Amendment to Management Agreement with Green Desert Landscape: This amendment would extend the agreement for managing the Club Circle Golf Course for another two years. **MSC: Brecht/Tatusko approving the First Amendment to Management Agreement with Green Desert Landscape.**

B. Solar Update: Mr. Rolwing reported that staff and counsel had been working with the solar vendor to address a performance/payment bond issue which was not addressed in the RFP. They have reached a solution which is satisfactory to all and will save the District and ratepayers money. The District is number 24 in line for a State rebate which could yield \$67,000 over four years.

C. Review of Prop 1 funding matrix: Director Tatusko invited the Board's attention to a list of potential projects in the Board package which could qualify for Proposition 1 funding. Some have already been included in the budget and/or the Groundwater Sustainability Plan. President Hart suggested prioritizing the projects further within the existing "1" and "2" categories, and Mr. Rolwing agreed to work with Director Tatusko on this.

D. Discussion and possible approval of rate increases for FY2016: Ms. Pitman referred to the proposed notice of water and sewer rate increases, in English and Spanish, included in the Board package and intended for insertion in the next water bills. **MSC: Brecht/Tatusko approving the notice of rate increases for FY2016.**

E. Discussion and possible approval of budget: Ms. Pitman reported that the only change to the budget from the draft reviewed last week was in personnel. In lieu of merit or COLA increases, the Committee included a full-time crew member instead of part-time. Director Brecht requested some changes to the submittal letter, including reference to BBVA Compass Bank, addition of a paragraph from the 2014 submittal letter (submitted to Mr. Rolwing for reference), and clarification of the reserve fund and debt service. **MSC: Brecht Tatusko approving the FY 2015-16 budget as amended.**

F. Discussion and possible approval of utilizing Raftelis with the future 218 process: Director Brecht referred to an earlier discussion of moving the next 218 process from fall to winter to minimize regulatory and legal risks. However, he questioned whether the rescheduling would add financial risks as the District works to achieve a more credit-worthy position. He suggested asking Raftelis to address the GSP in the fall and the 218 process in later fall or early winter. Mr. Rolwing asked the Due Diligence Committee to consult with Raftelis and make a recommendation.

G. Presentation by Legal Counsel on legal option for Executive Order regarding 25% water reduction: Morgan Foley joined the meeting at 10:00 a.m. via conference call. He explained that the common practice in most agencies is to impose penalties on residents for failing to conserve water. Since the San Juan Capistrano court case declared some tiered rates invalid, the penalties provide an alternative. They may be adopted by resolution or urgency ordinance. Each customer's water consumption is tracked, and for those that exceed the prescribed level, the penalties are added to their next bill. Mr. Rolwing noted that Raftelis is working on the prescribed level for BWD, which will likely be .55 acre-feet per year.

Director Brecht asked Mr. Foley to send Mr. Rolwing some samples of other districts' policies. President Hart pointed out that the Board had already told the ratepayers that voluntarily reduction would be tried before penalties were enacted. Mr. Foley explained that the revenue from penalties should be used for community outreach, not income replacement. Director Brecht recommended that the District establish a drought policy soon, and Mr. Rolwing agreed to present a draft at the next meeting. The conference call ended at 10:20 a.m.

I. Review of planning calendar: The Board agreed to eliminate line 1 regarding the Viking payments. The refinancing closed last week and went smoothly. Future payments will be via wire transfer.

In line 25, the Groundwater Sustainability Plan, implementation of the funding mechanism and start of development will be moved from June to October.

III. STAFF REPORTS

A. Financial Reports – April 2015: President Hart reported she had spoken to both the District's attorneys and explained that the Board is trying to save money and will request their services as needed.

B. General Manager/Operations Report: Mr. Rolwing reported that he was working with the Strategic Planning Committee to submit an application for DWR support services in GSP development.

C. Water and Wastewater Operations Report – April 2015:

D. Water Production/Use Records – April 2015:

Mr. Rolwing pointed out that in the Water Production/Use Records (Board package page 67), statistics for Wells 1 and 2 should have been eliminated. The District no longer owns them. President Hart requested that in the Water Production Summary (Board package page 66), the figures for April 2013 be included.

IV. ATTORNEY'S REPORT

None

V. COMMITTEE REPORTS & PROPOSALS

Ad Hoc Committees

1. Audit Committee

Director Brecht announced that the Committee would like to meet with the auditors when they visit the District.

2. Due-Diligence

Director Brecht reported that the Committee was focusing on GSP costs. Director Tatusko reported that they also reviewed two bids, from Geo Science and Dudek, for the engineering aspects of the SGMA. The prices are close. The Committee hopes to award a contract in October for a term of two years. Director Brecht recommended a cost presentation to the BWC and County. Mr. Rolwing suggested asking Raftelis and Mr. Foley for assistance, and offered to discuss it further with the Committee.

3. Strategic Planning Committee/IRWM

President Hart reported that she and Director Tatusko attended a recent BWC meeting.

4. Executive Committee

President Hart reported that the Committee had been working with Mr. Foley on contracts associated with the Club Circle Golf Course and potential litigation issues. Mr. Rolwing recommended forming a new committee, the Conservation Committee.

5. Operations & Management Committee

Director Delahay reported that the Committee met to discuss the budget.

6. Parks Committee

No report.

7. CFD Committee

Director Estep reported that the Committee was waiting to hear from bond counsel.

VI. INFORMATION ITEMS

A. Handouts:

- a. How to read your meter
- b. California Mandated Water Use Restrictions
- c. BWD Suggested Conservation Resources

The handouts were included in the Board package.

Ms. Pitman announced that the BWD office would be closed Friday for carpet cleaning.

Ms. Pitman reported she was waiting to sign the contract with Springbrook until July 1, so the \$60,000 cost would come out of next year's budget.

VII. CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation

A. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. Two potential cases: The Board adjourned to closed session at 10:45 a.m. The open session reconvened at 12:00 p.m. At the recommendation of the District's general counsel, and in light of the recent decision involving the City of San Juan Capistrano, the Board reached a consensus agreeing to suspend the current imposition of the

Second Tier water rates until the general counsel had an opportunity to review the record supporting the Board's action to adopt the Second Tier rates in 2008.

VIII. CLOSING PROCEDURE

There being no further business, the Board adjourned at 12:05 p.m. The next Special Meeting of the Board of Directors is scheduled for June 16, 2015 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for June 24, 2015 at the Borrego Water District.