

**MINUTES
FINANCE/PERSONNEL COMMITTEE
THREE VALLEYS MUNICIPAL WATER DISTRICT**

**Wednesday, March 3, 2010
9:30 a.m.**

1. Call to Order / Roll Call

The Finance/Personnel Committee of the THREE VALLEYS MUNICIPAL WATER DISTRICT was called to order at 9:30 a.m. by Chairman De Jesus at the District Office located at 1021 East Miramar Avenue, Claremont.

Committee

David De Jesus, Chairman
Bob Kuhn (arrived 9:33 a.m.)
Joseph Ruzicka

**Staff
Present**

Liz Cohn, Senior Financial Analyst
Vicki Hahn, Executive Assistant
Rick Hansen, General Manager
Kirk Howie, Assistant General Manager, Administration
Jim Johns, Water Operations Manager
James Linthicum, Chief Finance Officer
Esther Romero, Accounting Technician
Mike Sovich, Assistant General Manager, Engineering & Operations

**Others
Present**

Ken Deck, Rowland Water District
Dave Hamilton, City of Pomona
Eric Hitchman, Walnut Valley Water District
Fred Lantz, Pomona Citizen
Ben Lewis, Golden State Water Company
Brian Teuber, Walnut Valley Water District

2. Additions to Agenda

There were not any requests for additions to the published agenda

3. Reorder of Agenda

There were not any requests to reorder the published agenda.

4. Public Comment

Chairman De Jesus opened the meeting to receive public comment on agenda items in areas of concern relative to the Finance-Personnel Committee. There were not any comments from members of the public.

5. Receive and file February 3, 2010 Finance/Personnel Committee Minutes

The Committee received and filed the published minutes for the February 3, 2010 Finance/Personnel Committee as submitted.

6. Investment Update

Staff reported on the January 27, 2010 Federal Open Market Committee statement. The report suggests that economic activity continues to strengthen. The labor market continues to lag behind but is starting to show some positive signs.

Staff reported that as of this morning LAIF was at .53%; last year at this time it was 1.9%. As noted previously, the District has transferred all but \$500,000 into the Citizens Sweep account where the interest is 1%.

Discussion regarding the remaining CDs with Comerica was presented. Presently there is \$400,000 of the \$1.9 million CDs purchased in February 2008 remaining. The average return to the District over the past two years was 4.4% as compared to the current CD rates of 1-2%. As CD balances mature, staff is placing the funds into the Citizens Sweep account.

Staff recommends that any available funds be given to the investment managers to help maximize the return to the District. The District will continue to retain approximately \$6 million between the checking, sweep account and LAIF.

The Committee discussed the benefits and detriments of long term versus short term investments and maximum yield returns.

Chairman De Jesus requested that staff stay cognizant of the District's overall goals and to ensure that the investment managers maintain compliance with investment policy.

7. Draft Budget Review Schedule FY 10-11

A copy of the draft budget review schedule for FY 10-11 was included in the packet. Staff reported that there have not been any changes to the previous editions of the schedule.

Key dates to keep in mind include:

March 8, 2010	MWD Budget Committee Meeting
March 9, 2010	TVMWD Member Agency Manager Meeting
April 12, 2010	MWD Budget Committee Meeting
April 13, 2010	MWD Board Consideration and Adoption of Budget/Rates

Staff will continue to monitor activities from MWD. At this time it is not anticipated that it will become necessary to adjust the proposed date for the April Board meeting and Budget workshop for Three Valleys MWD.

8. MWD FY 10-11 Budget and 2011 Rates Update

The Committee reviewed a copy of the letter sent to MWD General Manager Jeff Kightlinger dated February 17, 2010. The letter was drafted by staff in conjunction with input from the member agencies. The letter requested MWD to consider adopting multi-year rates and budgeting based on a lower amount of water sales. MWD has indicated the most important factor in this year's budget process is for MWD to achieve full cost of service. While none of the member agencies are interested in increasing rates where it is unnecessary, all were in concurrence that it was better to have a larger increase this year to achieve full cost of service and to have more planned and consistent increases for future years, as compared to lower increases this year and unpredictable larger increases in the future years.

Staff also discussed the latest information regarding MWD estimated rates for 2011. Three different options were discussed. Options 1 and 2 are the same as previously mentioned, reflecting an increase of 12.4% for one year or 7.5% increases each year for the next two years. Option 3 involves keeping the property tax rate at the same percentage for the next year. Rather than decreasing, the percentage would stay the same. Under this option the rate would increase 9.6% for one year. It should be noted that changes to the property tax requires legislative changes to the Act. If the required changes do not occur, MWD will need to utilize approximately \$10 million of reserves.

9. TVMWD FY 10-11 Draft Budget

Staff reiterated that TVMWD budget is forecast based on the likely proposed MWD rate increase of 12.4%. The budget for water sales was revised to 64,000 AF in anticipation of a Stage 2 Water Supply Allocation Plan. Miramar plant sales are still budgeted at 22,000 AF. Current proposed TVMWD rate is at \$773/AF, \$2 lower than the proposed MWD rate. TVMWD will also cover fixed costs for 2011.

Mr. Lantz, Pomona resident, and former TVMWD Director stated that budgeting 22,000 AF from the Miramar plant did not seem realistic based on recent history. Mr. Lantz also inquired whether subvention dollars could be placed in reserves for future capital projects. Staff will look into this.

10. Chief Financial Officer Oral Update

Staff reminded those present of the Brown Act reimbursement opportunity available to agencies through SB 90. All application for these reimbursements must be completed by April 20, 2010.

11. General Manager Oral Update

The General Manager did not have any further information to share.

12. Future Agenda Items

Budget update – final recommendations to Board for April workshop

13. Adjournment

Chairman De Jesus adjourned the meeting at 10:38 a.m. to the next regular meeting scheduled for Wednesday, April 7, 2010 at 9:30 a.m.

/s/ David De Jesus
Chairman, Finance Committee
Three Valleys Municipal Water District

Recorded by: Victoria A. Hahn
Executive Assistant