

**MINUTES
BOARD OF DIRECTORS MEETING
THREE VALLEYS MUNICIPAL WATER DISTRICT**

**Wednesday, April 21, 2010
8:00 a.m.**

1. Call to Order / Pledge of Allegiance

The Board of Directors Meeting of the THREE VALLEYS MUNICIPAL WATER DISTRICT was called to order at 8:00 a.m. by President Kuhn at the District Office located at 1021 East Miramar Avenue, Claremont.

2. Roll Call

Following the flag salute, roll call was taken with a quorum of the board members present.

Directors Present	Bob Kuhn – President, Division IV
	David De Jesus – Vice President, Division II
	Brian Bowcock – Secretary, Division III
	Joseph Ruzicka – Treasurer, Division V
	Dan Horan – Director, Division VII
	John Mendoza – Director, Division VI
	Luis M. Juarez – Director, Division I
Staff Present	Liz Cohn, Sr. Financial Analyst
	Vicki Hahn, Executive Assistant
	Rick Hansen, General Manager
	Kirk Howie, Assistant General Manager, Administration
	Jim Johns, Water Operations Manager
	Steve Kennedy, Brunick, McElhaney & Beckett
	James Linthicum, Chief Finance Officer
Esther Romero, Accounting Technician	

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**Others
Present**

Ted Carrera, Rowland Water District
Ken Deck, Rowland Water District
Ted Ebenkamp, Walnut Valley Water District
Ed Hilden, Walnut Valley Water District
Eric Hitchman, Walnut Valley Water District
Mike Holmes, Walnut Valley Water District
Gregg Jaquez, Los Angeles County Flood Control District
Fred Lantz, Pomona Citizen
Ben Lewis, Golden State Water Company
Szu Pei Lu, Rowland Water District
Anthony Lima, Rowland Water District
Dave Michalko, Valencia Heights Water Company
Ludd Trozbeck, Claremont Citizen
Davetta Williams, League of Women Voters

3. Additions to Agenda

There were no requests for additions to the posted agenda.

4. Reorder Agenda

There were no requests to reorder the published agenda.

5. Public Comment [2]

President Kuhn opened the meeting to receive public comment on agenda items in areas of concern relative to the operations of the Board of Directors. Members of the audience were advised they could speak during this portion of the meeting or during the portion of the agenda where they wished to comment.

Mr. Gregg Jaquez, of the Los Angeles County Flood Control District was present and introduced himself to the board as the new Water Liaison for the Flood Control District. He wanted to alert the Board and those present of his availability.

Mr. Ludd Trozbeck, Claremont citizen was present and asked to speak in opposition to the upcoming water bond. Board members invited Mr. Trozbeck to sit down with them to discuss his possible solutions.

6. Consent Calendar [1][2]

Director Kuhn requested a motion to approve the Consent Calendar that included Item A – Receive and file minutes: March 3, 2010 Special Finance / Personnel Committee and March 17, 2010 Regular Board Meeting; Item B – Receive, Approve and File Financial Reports March 2010; Item C –Approval of directors' monthly payment request forms, March 2010. Also included an amended report for Director Horan from September 2009; Item D – Receive and file upcoming events and activities calendar; Item E – Approval of Resolution No. 10-04-651 Naming Officers Authorized to Perform Local Agency Investment Fund (LAIF) Transactions; Item F – Approval of Resolution No. 10-04-652 Negotiated Tax Exchange resulting from annexation of territory to County Lighting Maintenance District 1687, City of Industry, Parcel Map No. 61198.

Motion No. 10-04-4735: Moved by Director Ruzicka, seconded by Director Horan, to approve the Consent Calendar (Items A-F) for the April 21, 2010 Board of Directors Meeting of the Three Valleys Municipal Water District

Motion No. 10-04-4735 passed 7-0

AYES: Bowcock, De Jesus, Horan, Juarez, Kuhn, Mendoza, Ruzicka
NOES: None

7. General Manager's Report [1][2]

- A. Staff provided a legislative update. Discussion centered around approval from the Board to send a letters to Assembly Member Swanson opposing AB 1664 – the Metropolitan Water Act and to Assembly Member De La Torre in opposition of AB 1955 – Public Officers/Incompatible Offices.

AB 1664 has the potential to directly impact Three Valleys MWD. Passage of this bill alters the ability for TVMWD to provided direction to its representative to the MWD Board. This bill amends the Metropolitan Water District Act to prohibit any member agency from directing or instructing its board member(s) to vote in a particular manner with respect to any question, order, resolution or ordinance before Metropolitan's board.

MWD has recommended opposing this bill as unnecessary and inappropriate. It is important that as board members the directors must consider the issues on behalf of MWD and its respective interests. Passage of this bill may impact the collaborative process established between the board member and their respective member agency.

Following discussion on AB 1664, President Kuhn called for a motion to authorize staff to send a letter to Assembly Member Swanson in opposition of his bill.

Motion No. 10-04-4736: Moved by Director Bowcock, seconded by Director Juarez, to authorize staff to send a letter to Assembly Member Swanson in opposition of his bill, AB 1664.

Motion No. 10-04-4736 passed 6-1

AYES: Bowcock, De Jesus, Horan, Juarez, Kuhn, Ruzicka
NOES: Mendoza

AB 1955 seeks to determine incompatibility of office with regard to geographic jurisdiction. The bill focuses specifically on issues concerning eminent domain, setting rates and potential litigation between different agencies that align in the same jurisdiction. Passage of this bill would add one additional complication to the already difficult determination regarding the incompatibility of offices.

Mr. Kennedy commented on his concern with the language inserted at the end of AB 1955, *“that this bill codifies common law”*. Common law incompatibility of office cites that you cannot hold two public offices at the same time. There are some agencies such as WQA and others where statutorily the legislature has deemed that it is okay to hold two public offices; in this instance, common law would be superseded. By codifying the common law under this code section you would now have two separate statutes that are competing, including the MWD statute. Which one takes priority? This creates even greater confusion in an area that is already very confusing. Staff reported that this bill is being heard before the policy committee today, April 21, 2010.

Following discussion on AB 1955, President Kuhn called for a motion to authorize staff to send a letter to Assembly Member De La Torre in opposition of his bill.

Motion No. 10-04-4737: Moved by Director Ruzicka, seconded by Director De Jesus, to authorize staff to send a letter to Assembly Member De La Torre in opposition of his bill, AB 1955.

Motion No. 10-04-4737 passed 6-1

AYES: Bowcock, De Jesus, Horan, Juarez, Kuhn, Ruzicka
NOES: Mendoza

B. Water Standby Charge for FY 2010-11 [1]

Staff presented this as an information item and included a schedule for the upcoming standby charge process. This is an annual process that is brought before the Board to adopt related resolutions to collect the readiness-to-serve charge that is passed through to the District by MWD.

A resolution of intent to adopt the standby charge will be placed on the May 19, 2010 agenda; a public meeting will be held during the District's June 16, 2010 meeting and finally a special meeting will be held in the evening on July 14, 2010 to conduct a special hearing in this matter and adopt the resolution to collect the standby charge.

C. Government Finance Officers Association (GFOA) – Certificate of Achievement for Excellence in Financial Reporting [1]

Staff reported that for the third consecutive year the District has received the Certificate of Achievement for Excellence in Financial Reporting from GFOA. This is the highest form of recognition issued to public agencies regarding their government financial reporting standards. It is a tribute to the staff and Board. Mr. Hansen acknowledged and commended James Linthicum, Liz Cohn and Esther Romero for their excellent work. The Board also extended its gratitude to the staff.

D. Project Planning & Development Committee [1]

Discussion occurred regarding the necessity to reschedule the standing Project Planning & Development Committee from its regular May 5, 2010 date to May 12, 2010 at 2:00 p.m. due to conflicts affecting 2/3 of the Committee.

E. Finance / Personnel Committee [1]

Discussion occurred regarding the necessity to reschedule the standing Finance-Personnel Committee from its regular May 5, 2010 date to May 12, 2010 at 3:30 p.m. due to conflicts affecting 2/3 of the Committee.

F. Calendar Year Imported Water Purchases – Tier 1 & WSAP Updates [1]

For FY 2009-10 the total Water Supply Allocation to the District is 64,030 AF. For the nine months ending March 2010 a total of 40,266.7 AF has been delivered with a remaining balance available of 23,763.3 AF with three months remaining. Based on this data, it is anticipated that the trend will continue to stay within the allocation and may actually result in 5-6K AF below allocation. Staff will continue to monitor the trends and take advantage of all opportunities to use every drop of available water via groundwater recharge.

Mr. Hansen suggested that one consideration being looked at is to offer excess water available to other agencies. Pricing for the sale of the excess water to these agencies would be at the Untreated Tier 1 price, with an option to reconcile with a Tier 2 penalty that might result due to currently undetermined needs that may occur later in the calendar year

Staff advised that it is too early in the year to determine the anticipated Tier 1 sales for CY 2010. During 2009, the District sold 60,000 of the 70,000 AF it was allotted. The process being discussed in the preceding paragraphs is being considered in an effort to not leave any water unused at the end of the year.

G. Environmental Laboratory Accreditation Program (ELAP) [1]

Staff acknowledged the recent inspection/evaluation of the ELAP (lab) conducted by the California Department of Public Health. The lab passed inspection without any deficiencies. The lab is an important added benefit of service provided by TVMWD and provides a great value within the District. The Board also recognized and thanked operations staff for a job well done.

H. Miramar Operations Report – March 2010 [1]

Staff reported highlights from the March 2010 Miramar Operations Report as follows:

- Water quality continues to be outstanding in all key areas.
- Water production is lower than usual. This was a result of both weather conditions and lower demand due to allocation issues.
- For the month there was a net gain of 14 AF.
- Unaccounted water was cut in half from previous month. Director Ruzicka inquired whether the previous loss had been identified. Staff reported that it was due to the water that was being used around the plant and possibly some from the offline irrigation system. The irrigation system is back online and being measured.
- Miramar Well produced 57.5 AF for the month of March; year-to-date 516 AF has been produced.
- Monthly sales majority to Joint Water Line with balance to City of La Verne and Golden State Water Company.

- Hydro-generation for month of March is even to budget; year-to-date still higher than budget, due to Miramar Hydro and water sales to City of La Verne and Joint Water Line.
- Miscellaneous/special activities during the month of March included:
 - Media was topped off on filters #3 and #6. Staff will continue to monitor the filters to check for media loss and assess whether the filter backwash rate change has improved this condition.
 - North and south sedimentation basins were drained, cleaned and inspected by an outside engineering company.
 - Staff completed the 2009 Annual Water Quality Report.
 - Two warf heads were installed adjacent to the reservoirs; these new hydrants will aid in the cleaning and maintenance of the reservoir covers.

8. Directors' Comments/Reports [2]

In an effort to proceed to the Budget Workshop in a timely manner individual director reports were not conducted. Directors were offered the opportunity to convey any specific comments or reports they wanted to share.

Director Bowcock commented on the excellent evaluation responses received on the presentations conducted by Jim Johns and Cindy DeChaine as part of the Citrus College Water Awareness Day event held on April 13, 2010.

Director De Jesus informed that at its April 13, 2010 Board meeting the MWD Board voted on the option to increase water rates by 7.5% in January 2011 and another 7.5% increase in January 2012, with an option to accelerate the 2012 increase to September 2011. This option did not allow obtaining full cost of service. Of note also is that the adopted budget did not include any costs associated with the ongoing labor negotiations. MWD will be settling the negotiations once signed from reserves.

Director De Jesus informed that as a result of the rate increase adopted staff was given a directive to reduce the budget by \$20 million. To illustrate the magnitude of this edict, in order to reduce capital projects by \$14 million dollars, it is necessary to actually defer \$100 million in capital projects. All departments and projects are impacted by this order.

Director De Jesus informed that San Diego County Water Authority (SDCWA) is planning to sue MWD. Their suit is based upon their desire to adjust costs to deliver water away from conveyance cost to supply cost. The only beneficiary of that change is SDCWA

Director Kuhn informed that the San Gabriel Basin Water Quality Authority (WQA) Board met on April 20, 2010. Issues were discussed regarding the ongoing viability of this agency. Staff and local legislators are involved in this ongoing process. Director Kuhn indicated that there will likely be many rumors that begin generating as a result of this and that for now they are just rumors.

9. FY 2010-11 Draft Budget Workshop [2]

Following the conclusion of the Board's regular business staff conducted a budget workshop. Information was based upon draft budget, version 4.0. Highlights of the workshop are listed below.

- Budget Structure was reviewed and includes:

Pass Through Fund – Pass through charges and assessments

MWD Readiness-to-Service Charges

- The Readiness-to-Serve (RTS) Charge is assessed by MWD to recover a portion of their debt service to finance capital facilities to meet existing demands. The current net RTS charge for TVMWD of \$2.3M will increase to \$2.8M.
- TVMWD's RTS responsibility not covered by a special MWD assessment is paid via a property tax assessment. The current rate of \$12.45 per parcel is expected to increase to \$15.55.

MWD Capacity Charges

- The Capacity Charge is assessed by MWD to recover the cost of providing peaking capacity within the distribution system.
- The charge for TVMWD will increase slightly to \$1.2M. The charge is based on 171.4 cubic feet per second (cfs) at \$7,200 per cfs.

Fixed Charges – Debt

- COP Bond – TVMWD obligation is \$1.1M/yr.
- Municipal Lease – TVMWD obligation is \$300,000/yr.

Debt – Fixed Charges

- Annual TVMWD debt obligation of \$1.4M assessed as fixed charges to member agencies.
- For calendar year 2011 TVMWD will forgo collecting fixed charges to provide rate relief to member agencies.
- TVMWD will utilize funds from the Water Rate Stabilization Reserve to cover fixed charges.

Other Revenue & Expenses

- Six Basins Administrative
- Pumpback O&M and Plant #2

Capital Fund – Asset repair and replacement and the Capital Investment Program

Asset Repair and Replacement Expenses

- \$1,378,000

Capital Budget Funding

- Subvention Revenues of approximately \$1.6M will be utilized to fund asset repairs and replacements.
- Additional funding always possible through member agency reimbursements, grants or debt financing.
- Any excess subvention revenues will be carried-forward in reserves to defray future capital.

Reserve Policy Recommendations

- No recommendation for changes at this time.
- During FY 2011-12 staff will focus on future asset repair and replacement costs to determine the appropriate balance needed. At that time staff will assess the overall reserve levels and make recommendations.

Operating Fund – Day-to-day operations

- Water purchases above 70,400 AF in a calendar year fall into Tier 2 pricing.
- Proposed TVMWD rate increases for both treated and untreated water will be effective January 2011.
 - Treated water will increase to \$758 & \$883 AF for Tier 1/2 respectively; current CY 2010 rates for treated water are \$692 & \$802 AF for Tier 1/2 respectively.
 - Untreated water will increase to \$527 & \$652 AF for Tier 1/2 respectively; current CY 2010 rates for untreated water \$484 & \$594 AF for Tier 1/2 respectively.
 - Reviewed historical data concerning water rates, purchases and sales projections in comparison to proposed comparable information for current budget year
 - Reviewed Water Supply Allocation Plan benchmarks and resulting base and penalty rates
 - Reviewed operations revenues
 - Hydroelectric income – anticipated \$400K
 - Interest income – projected at 1.9% yield on a \$25M investment portfolio
 - Notes receivable – principal – principal portion of note held for Golden State Water Company
 - The current replenishment pass-through rate of \$366 per AF will increase to \$409 on January 2011.
 - In Lieu rate will remain at \$192 per AF on January 2011
 - Review operations expenses - \$46,990M

The proposed budget and water rates will be voted on by the Three Valleys Board during their May 19, 2010 Board meeting.

10. Closed Session [2]

The Board adjourned to closed session at 9:43 a.m.

President Kuhn informed that they would be discussing the following items:

Conference with Legal Counsel – Existing Litigation (Gov't Code Section 54956.9(a) – Chino Basin Municipal Water District v. City of Chino et.al.

Conference with Legal Counsel – Existing Litigation (Gov't Code Section 54956.9(a) – Upper San Gabriel Valley Municipal Water District v. City of Alhambra et.al.

Conference with Real Property Negotiators (Gov't Code Section 54956.8) – District Negotiator Richard W. Hansen, General Manager; Negotiating parties: Cadiz; Under negotiation: price and terms of cost sharing

11. Report on Closed Session Action Taken [2]

The Board reconvened at 10:15 a.m. There was nothing to report on any of the closed session items discussed

12. Future Agenda Items [2]

There were not any requests for any future agenda items.

13. Adjournment [2]

Director Kuhn adjourned the meeting at 10:16 a.m. to a Regular Board Meeting at 8:00 a.m. on Wednesday, May 19, 2010.

/s/ Bob G. Kuhn
President, Board of Directors
Three Valleys Municipal Water District

Recorded by: Victoria A. Hahn
Executive Assistant