

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

**Wednesday, April 7, 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. A quorum of the committee was present.

**Committee**

David De Jesus, Chairman  
Bob Kuhn (arrived 9:32 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  
Eric Hitchman, Walnut Valley Water District  
Fred Lantz, Pomona Citizen  
Ben Lewis, Golden State Water Company

## **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 March 3, 2010 Finance/Personnel Committee Minutes**

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

## **6. Investment Update**

Staff reported on the March 16, 2010 Federal Open Market Committee statement. The report suggests that economic activity continues to strengthen and the labor market is stabilizing. The federal fund rate is expected to continue at 0 to 1/4 percent and that inflation is not expected to increase in the immediate future. This should result in interest rates remaining low.

Staff reported that LAIF has stabilized this month with a daily yield of .54% as of March 16, 2010; last year at this time the daily yield was 1.822%.

Chairman De Jesus inquired whether any of the District's instruments were maturing. Staff reported that there are not any early calls anticipated and that the instruments being held by Chandler Investments are not callable.

Director Kuhn inquired whether the Water Code was clear on what investments were permitted. Staff reported that through our investment policy, which mirrors the Water Code, it is clear what we can and cannot invest in. Staff will review the existing investment policy and bring forward to the Committee and full Board to adopt at a future meeting. Chairman De Jesus requested that next month this item be added to the agenda and requested that staff drill down and look at the specifics of what instruments can be invested in and to bring to the Committee a list and percentages of these potential investments.

## 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 it is likely that the May Finance Committee, presently on calendar for May 5, 2010 will need to be changed due to conflicts with the ACWA Spring meeting.

Key dates to keep in mind include:

April 12, 2010	MWD Business & Finance Committee Meeting
April 13, 2010	MWD Board Consideration and Adoption of Budget/Rates
April 21, 2010	TVMWD Regular Board Meeting & Budget Workshop

Chairman De Jesus inquired whether staff has been working collaboratively with the member agencies to ensure that any major issues regarding the proposed budget are addressed and resolved. Staff reported that there have been many meetings with the member agencies and that it does not appear at this time that any major disagreements are anticipated.

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

Staff reported that the MWD Board packets were distributed last week. The MWD Board will be presented with four different options at its April 13, 2010 meeting. Below are the four options that will be considered:

**Option 1** – increase of 12.4% for one year to get to full cost of service.

**Option 2** – increase of 8.9% for one year to get to full cost of service; this will be achieved through delay of some capital projects and delay issuance of some debt for FY 2010-11 to 2011-12, and to revise SWP costs.

**Option 3** – increase of 7.5% for the next two years.

**Option 4** – increase of 9.6%; this would require a change to the property tax rate. The change to the property tax rate requires a change at the legislative level to the Property Tax Act. Note that this is the least likely of the options.

It was noted that there are other issues relative to the MWD budget and rates concerning labor, and other legal matters that are not inclusive in getting to full cost of service.

Chairman De Jesus indicated that his vote will be for Option 1. He inquired whether any of the member agencies present had comments for him on the position that the District will take when voting on the options at next week's Board meeting. Those member agencies present acknowledged that if it takes the larger

increase to get to the full cost of service and help to stabilize the rates then that is what they would support.

Staff reported that there seems to be support by MWD management and at least three directors to consider looking at multi-year rates for the future. In order to get to this point it will require getting to the full cost of service first.

## **9. TVMWD FY 10-11 Draft Budget**

Staff reviewed the draft TVMWD FY 2010-11 budget version 3.0. This budget was developed based upon the following assumed factors:

- MWD will move forward with a single-year rate increase for 2011 of 12.4% increase;
- MWD will still have a Stage 2 Water Supply Allocation for FY 2010-11 in the amount of 64,030 AF; and
- Miramar WTP sales at 20,000 AF.

Staff advised that by maximizing the Miramar WTP sales and the remaining assumed factors above, the District will be able to establish a water rate of \$789 per AF for 2011, which is \$14 greater than the proposed MWD rate. Three Valleys continues to recommend utilization of its rate stabilization reserves to offset the fixed costs for FY 2011. These assumptions will result in a net loss of approximately \$700K in FY 2010-11 and \$700K in FY 2011-12.

Staff replied to a previous inquiry regarding subventions being carried over in reserves to be utilized for rate stabilization. Staff advised that they had consulted with the District's auditors and that there is not an issue with this process to fund future projects.

Chairman De Jesus commended and thanked the staff for their willingness and effort to sit with member agencies and other members of the public to offer clarification on the budget process.

Staff is anticipating conducting its annual budget workshop during its regular Board meeting scheduled for April 21, 2010. This is contingent on the water rate increase being adopted during the MWD Board meeting scheduled for April 13, 2010. Based on the schedule it is anticipated that TVMWD will move to adopt its FY 2010-11 budget during its May 2010 meeting.

## **10. Water Standby Charge for FY 2010-11**

Staff reviewed the proposed schedule for the annual process associated with the imposing of the standby charge to collect revenue for application toward MWD's

Readiness-to-Serve (RTS) charge. Because each of the proposed rate increases being considered by MWD has a different RTS charge associated with them, the RTS allocation to the member agencies is estimated to range between \$125-133 million. During FY 2009-10 the standby charge for a typical residential homeowner within the District was \$12.45. With the currently known information this rate will increase to between \$15.51-16.35 for a typical residential homeowner for FY 2010-11.

During its May 2010 Board meeting staff will present a Resolution to the Board with the Notice of Intent to levy the standby charge. A public meeting will be held during the District's June 2010 Board meeting, and finally a public hearing to hear protests and adopt the standby charge will be held during a special meeting, proposed for July 14, 2010. Staff will be complying with the associated Government Code protocols for appropriate noticing within a publication with general circulation in the areas it serves for each of the related events associated with this process.

#### **11. Chief Financial Officer Oral Update**

Staff did not have any additional items for discussion.

#### **12. General Manager Oral Update**

The General Manager reminded the Committee of the potential conflict for the May Committee meetings. Staff has recommended the Committee consider holding its next meeting on May 12, 2010. Staff will published this change in advance of the scheduled date.

### **13. Future Agenda Items**

Investment policy review.

### **14. Adjournment**

Chairman De Jesus adjourned the meeting at 10:35 a.m. to special meeting scheduled for Wednesday, May 12, 2010 at 3:30 p.m.

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

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Recorded by: Victoria A. Hahn  
Executive Assistant