

MINUTES
REGULAR BOARD OF DIRECTORS MEETING
THREE VALLEYS MUNICIPAL WATER DISTRICT

Wednesday, April 6, 2016
8:00 a.m.

1. Call to Order

The Board of Directors meeting of Three Valleys Municipal Water District was called to order at 8:00 a.m. at the District office located at 1021 East Miramar Avenue, Claremont, California. The presiding officer was President Bob Kuhn.

2. Pledge of Allegiance

The flag salute was led by President Kuhn.

3. Roll Call

Roll call was taken with the full Board present.

Directors Present

Bob Kuhn, President
David De Jesus, Vice President
Joseph Ruzicka, Treasurer
Brian Bowcock, Secretary
Dan Horan, Director
Carlos Goytia, Director
Fred Lantz, Director

Directors Absent

none

Staff Present

Rick Hansen, General Manager
Steve Kennedy, General Counsel
Liz Cohn, Sr. Financial Analyst
Ray Evangelista, Engineer
Mario Garcia, Engineering & Operations Manager
Vicki Hahn, Executive Assistant
Kirk Howie, Assistant GM-Administration
Steve Lang, Water Operations Manager
James Linthicum, Chief Finance Officer
Ben Peralta, Project Manager
Esther Romero Accounting Technician

Guests and others present: Tom Coleman, Rowland Water District; Director Ted Ebenkamp, Walnut Valley Water District; Bryan Gruber, LSL; Director Ed Hilden, Walnut Valley Water District; Erik Hitchman, Walnut Valley Water; Mike Holmes, Walnut Valley Water District; Ben Lewis, Golden State Water Company; Director Tony Lima, Rowland Water District; Director Szu Pei Lu-Yang, Rowland Water District; Joe Lyons, Claremont City Council; Dean McHenry, League of Women Voters; John Mendoza, Pomona resident; Steve Patton, City of Glendora; Darron Poulsen, City of Pomona; Dave Warren, Rowland Water District

4. Additions to Agenda

President Kuhn inquired if there were any additions to the published agenda. Staff did not have any additions to the published agenda. An addition to the agenda packet for item 8.B.3 was available at the dais and to the public.

5. Reorder Agenda

President Kuhn inquired if there was a need to reorder the agenda. Staff did not have any reason to reorder the agenda.

6. Public Comment

President Kuhn inquired if there were any requests for public comment. There were no requests for public comment.

7. Presentation – Pre-audit review by LSL

Staff introduced Mr. Bryan Gruber, CPA from LSL who was present to provide the Board with a pre-audit review for FYE June 30, 2016. Mr. Gruber reviewed the proposed schedule that will commence with a pre-audit review with staff beginning the week of April 11, 2016. The final audit review with staff will be scheduled for August 2016. Final reports to the Board are planned for October/November 2016.

Mr. Gruber responded to questions from the Board regarding “*an opinion on the financial health of the District, as opposed to an opinion on the internal controls of the District*”. The formal opinion would require a much deeper review than what is currently completed by the auditors. A discussion ensued on what would be necessary to conduct a deeper internal review of the District.

8. General Manager’s Report

8.A Engineering-Operations

8.A.1 Draft 2015 Urban Water Management Plan (UWMP)

Staff provided a review of the draft 2015 UWMP with a focus on the schedule for completion and submittal to the Department of Water Resources. A public hearing will be scheduled for the May 18, 2016 Board meeting. The resolution to adopt the 2015 UWMP will be brought to the Board for approval at its June 15, 2016 meeting.

The District is completing the entire UWMP internally rather than using an external consultant for a savings of \$65,000.

Staff responded to questions from the Board and audience. Mr. Lyons, City of Claremont, inquired whether a chapter on MS4 issues will be included in the UWMP. A chapter on MS4 will not be included in the 2015 UWMP, but will be considered when the 2020 UWMP is produced.

8.A.2. Project Summary Update

The Board was provided with an update of ongoing projects at the District that included a photographic presentation of progress. Staff responded to questions regarding specific projects. The full report was included as part of the agenda packet and is available upon request.

8B – Finance and Personnel

8.B.1. FY 16-17 Budget Draft 1.1

Staff provided an update of FY 16-17 Budget Draft 1.1. A few minor changes from the Budget Workshop were discussed, the most significant of which was the completion of the District's groundwater wells and the related cost savings. Staff compensation and communication and conservation line items were also slightly reduced. The outcome of these changes resulted in a decrease of the proposed surcharge from \$15/AF to \$8/AF.

President Kuhn expressed appreciation to the finance staff for their exemplary work on the budget preparation process.

Staff responded to questions related to the budget from the Board and audience members.

Staff provided an update on the minimum goal levels for emergency reserves. The goal is presently set at \$10M dollars. It is estimated that at FYE 2016 the reserves will be at \$8.8M dollars, and at FYE 2017 \$9.4M dollars. Reserve usage is trending in the right direction. To return to the goal of \$10M would require an additional \$3/AF surcharge be applied to the budget. At this time there is not a recommendation to replenish reserves to the \$10M goal level.

Staff was directed to return this item to the April 20, 2016 Board meeting for approval.

8.B.2 – Review Draft Resolution Adopting Water Rates and Charges for CY 2017

Staff provided a review of the draft resolution adopting water rates and charges for CY 2017. Changes to the prior year's water rate resolution were reviewed and includes information regarding MWD Water Supply Allocation Plan (WSAP) and how penalties may be applied for overages. At this time the WSAP is not planned to be considered by MWD until May/June 2016. Two clarifications were added to the resolution to address sale and pricing of untreated water to non-TVMWD Member Agencies,

and penalties associated with delinquent payment of water delivery invoices. Draft schedules of the CY 2017 Capacity Charges and CY 2017 Fixed Charges were also provided. Staff will review the draft resolution with Member Agencies during their meeting on April 12, 2016.

Staff was directed to return this item to the April 20, 2016 Board meeting for approval.

8.B.3 – MWD Alternative Treatment Cost Recovery Options

Staff reviewed options MWD staff is advocating for concerning the revenue collection method for MWD treatment costs. Alternates proposed are as follows:

- Minimum vs. No Minimum – either the agencies will be required to pay a Minimum fixed charged into perpetuity based on a specific formula, or a No Minimum, that will be based upon a rolling average, and if the agencies discontinued using treated water, there would be no fixed charge;
- Peaking vs. No Peaking – No Minimum Peaking includes standby treatment costs being based on the most recent 10-year rolling average; and demand treatment costs based on the most recent 3-year maximum cfs (Option 1a) or Minimum No Peaking includes standby and demand treatment costs based upon the greater of 1998-2007 or the most recent 10-year rolling average (Option 1b). Options 1a and 1b are the options that staff is focused on for the April Board meeting.
- A final consideration is to maintain status quo of 100% volumetric treatment surcharge.

A summary of the treatment surcharge rates that would be applied to TVMWD's Member Agencies if the District decides to collect these charges similar to MWD are as follows: For Option 1a (No Minimum with Peaking) the fixed charge is \$4.3M; for Option 1b (Minimum No Peaking) the fixed charge is \$3.6M. A handout showing the breakdown for each Member Agency was included in the agenda packet. Neither of these options is optimal; at this time the District supports the status quo to maintain a 100% volumetric treatment surcharge, with efforts to evaluate additional options. A letter was sent to MWD providing recommendations for consideration, and was also included in the agenda packet.

8.B.4 – Review Draft 15-16 Encumbrance Carryover

Staff provided a summary of those projects that are budgeted and anticipated to be incomplete at FYE June 30, 2016. If

approved, these projects would be carried over into the next fiscal year. The estimate of the encumbrance carryover at FYE 15-16 is \$2,752,083. A final breakdown will be provided at the conclusion of the audit in November 2016 for final approval.

It was noted that encumbrances are a separate reserve fund and not part of the \$10M emergency reserve fund. Staff was directed to return this item to the April 20, 2016 Board meeting for approval.

8.B.5 – FY 16-17 Water Standby Charge Schedule

Staff reviewed the FY 16-17 Water Standby Charge Schedule. Each year MWD assesses this Readiness-To-Serve (RTS) charge to its Member Agencies in an amount sufficient to recover a portion of its debt service costs to finance capital projects for standby or emergency storage needs.

TVMWD's proportion of the RTS charge is \$3.7M which will be collected via a standby charge to each Equivalent Dwelling Unit (EDU). For a typical homeowner this charge is estimated to be \$20.19/EDU for tax year 16-17; this is a reduction from the tax year 15-16 amount of \$23.09/EDU. Due to the reduced amount a separate public meeting will not be required.

To implement the standby charge the District is mandated to take specific steps that are included in an Engineer's Report. The draft report prepared by Willdan Financial Services will be provided during the April 20, 2016.

A copy of the schedule and draft resolution to initiate proceeding was provided for Board review. A public hearing to adopt the Standby Charge is planned for June 15, 2016. Staff was directed to return this item to the April 20, 2016 Board meeting for approval.

Director De Jesus left the proceeding at 9:00 a.m.

9. Closed Session

The Board convened to closed session at 9:02 a.m. to discuss:

9.1 CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [pursuant to Government Code Section 54956.9(d)(1)] – Name of Case: San Diego County Water Authority v. Metropolitan Water District of Southern California; San Francisco Superior Court Case No. CPF-10-510830; and,

9.2 CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [pursuant to Government Code Section 54956.9(d)(1)] – Name of Case:

10. Report Out Of Closed Session

The Board reconvened to regular session at 9:34 a.m. President Kuhn informed that there was no action subject to the Brown Act to be reported.

11. Future Agenda Items

- Return FY 15-16 Encumbrance Carryover to April 20, 2016 meeting for approval.
- Return FY 16-17 Budget to April 20, 2016 meeting for approval.
- Return CY 2017 Water Rate Resolution to April 20, 2016 meeting for approval.
- Return Resolution to Initiate FY 16-17 Standby Charge Proceedings to April 20, 2016 meeting for approval.

12. Adjournment

President Kuhn adjourned the meeting at 9:35 a.m. to a regular meeting scheduled for Wednesday, April 20, 2016.

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

Recorded by: Victoria A. Hahn
District Clerk/Executive Assistant