

**MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE TWENTYNINE PALMS WATER DISTRICT
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277**

NOVEMBER 19, 2014 / 6:00 P.M.

Call to Order and Roll Call

President Moore called the meeting to order at 6:00 p.m., 72401 Hatch Road, Twentynine Palms, California. Those responding to roll call were Chancey Chambers, Carol Giannini, Suzi Horn, Sam Moore, and Roger Shinaver. Also present were General Manager Tamara Alaniz, Operations Manager Ray Kolisz, Financial Consultant Cindy Byerrum, District Secretary Cindy Fowlkes, and legal counsel Jeff Ferre.

Pledge of Allegiance

Director Moore led the pledge.

Additions/Deletions to the Agenda

None

Public Comments

Terry Hinderliter, of Twentynine Palms, spoke against an increase in water rates.

Glenn Freshour, of Twentynine Palms, asked the Board to consider the impact of employee merit increases on the District in coming years.

1. Consider Resolution 14-15 Designating General Manager as Authorized Representative for Submitting a DWR Water-Energy Grant Application

Staff recommends the Board move forward with approving Resolution 14-15. The DWR Water-Energy grant, if awarded to the District, would minimize the overall capital costs of replacing the booster pumps and outdated electrical panel at the Shoshone Valley Well field.

Director Chambers moved to approve Resolution 14-15 designating general manager as authorized representative for submitting a DWR Water-Energy Grant application, seconded by Director Horn and approved by the following roll call vote:

Ayes:	Directors Chambers, Giannini, Horn, Moore, and Shinaver
Noes:	None
Abstain:	None
Absent:	None

2. Consider Exercising Termination Clause of Agreement with the City of Twentynine Palms Regarding Encroachment Permits and Water Delivery

Staff recommends the Board terminate the agreement with the City of Twentynine Palms in accordance with a 90 day written notice. Under current law, the District is entitled to encroachment rights under Water Code 31060, thereby making the current agreement with the City outdated and non-beneficial to the District. In providing free water to the City, residential and commercial customers are unfairly covering the City's water costs.

Following discussion, Director Chambers moved to terminate the Agreement with the City of Twentynine Palms by exercising the 90 day termination clause and direct staff to

take any and all actions that are necessary to implement this action including submittal of a notification letter from the Board President to the City Manager with the intent to terminate the Agreement, seconded by Director Giannini and approved by the following roll call vote:

Ayes: Directors Chambers, Giannini, Horn, Moore, and Shinaver
Noes: None
Abstain: None
Absent: None

3. Clarification of Questions on NBS Rate Study

General Manager, Tamara Alaniz, provided written clarification to the Board regarding questions they had at the Rate Study Workshop meeting on October 22, 2014, including a history of ready to serve and water rate charges established by the District in 1955 through the last increase in 2009. Some of the topics of discussion are as follows:

- Since 2011, there has been an 8% inflation increase.
- Chromium VI treatment requirements, current blend plan is estimated at \$400,000 for Well 7B, Well 11 treatment is projected at approximately \$400,000.
- Permitting costs have increased for MDAQMD.

4. Financial Analysis of NBS Rate Study and Recommendations

Ms. Byerrum provided the Board with three rate scenarios, two using the 3% annual increase as directed by the Board at the Rate Study Workshop meeting on October 22, 2014, and a third scenario of 5.75% increase. The following are key points for all three scenarios using assumptions about reserve levels, CIP, inflation, and future growth. Ms. Byerrum recommends Alternative #3 as the most sustainable of the three alternatives.

Jeff Ferre, legal counsel, clarified that the notice to ratepayers would include the proposed rate increase.

Capital was reduced to include a second well at the Treatment Plant; office furniture was removed; land acquisition for an additional reservoir was removed; parking lot asphalt sealing was included; and the rest of the items were mandated by state regulations and operating/maintenance.

Alternative #1

- 3% annual increase, without OPEB (Other Post Employment Benefits) and CalPERS unfunded pension liability.
- Below a prudent reserve level in less than 6 years and out of cash in 10 years.

Alternative #2

- 3% annual increase, fully funds OPEB (\$120,000), the amount needed for CalPERS funding is unknown until spring of 2015.
- Below a prudent reserve level in 4 years and out of cash in less than 7 years.

Alternative #3

- 5.75% increase, fully funds OPEB, the amount needed for CalPERS funding is unknown until spring 2015.
- Below a prudent reserve level in 15 years.
- Provides higher reserve levels and a more favorable credit rating.

Ed Vallerand, spoke to Agenda item 4 against the proposed rate increase.

Glenn Freshour, of Twentynine Palms, spoke to Agenda item 4 and questioned the reason behind the rate study and proposed increase.

Alicia Decaro, of Twentynine Palms, spoke against rate payers covering the costs of free water for the City.

Terry Hinderliter, of Twentynine Palms, spoke to Agenda item 4 and questioned the standby fee on his bill.

After discussion, the Board directed staff to bring back the rate scenarios illustrating the CIP projects included in the proposed Alternatives.

5. Reserve Policy Recommendations

Ms. Byerrum presented the Board with three reserve categories and recommended reserve amounts for each:

Operating Reserve

- Minimum of 120 days of O&M (operations and maintenance) expenses, approximately \$1.2 million.

Capital Reserve

- 3% reserve, yielding \$870,000 after three years

Restricted Reserve (Primary and Secondary Impact Fees)

- Funded by Developer Impact Fees used for utility infrastructure within the District.

Staff recommends the Board direct staff to bring this item back in January 2015 for consideration of a reserve policy resolution. Board was in agreement with the recommendation.

6. Consent Calendar

- Minutes of the Regular Meeting held on October 22, 2014 and Minutes of a Special Meeting held on October 22, 2014
- Audit List

Director Shinaver moved to approve the Consent Calendar, seconded by Director Chambers and approved by the following roll call vote:

Ayes: Directors Chambers, Horn, Moore, and Shinaver
Noes: None
Abstain: Director Giannini
Absent: None

7. Items Removed from the Consent Calendar for Discussion or Separate Action

None

8. Management Reports

8.1 Operations

Mr. Kolisz reported that the District responded to 43 Underground Service Alerts, had 0 water main leaks, 3 blown meters, repaired/maintained 2 fire hydrants, performed 3 leak audits, painted 53 fire hydrants, replaced 14 customer valves at the meter, and performed 6 customer pressure checks. The District is currently reviewing the final design for Pond #3 by Kennedy Jenks and the final design for Well #7B by Engineering Resources of Southern California. Production is up for the month of October in comparison to the same time last year, but overall production is down 2% for the year. The blending plan has been accepted by the Department of Water Resources.

8.2 Finance

Ms. Byerrum reported on the September financial statements. In six years the reserves will be down from \$5 million to \$2 million if no rate increase is implemented. There is an operating deficit of approximately \$433,000 this year with a projected operating and capital deficit of \$2.3 million for the year.

8.3 General Manager

Ms. Alaniz reported that any grant amount awarded would reduce the CIP expenditures.

9. Closed Session – Public Employee Performance Evaluation Pursuant to Government Code Section 54957 Title: General Manager

Director Shinaver moved to enter closed session at 7:35 p.m., seconded by Director Chambers and unanimously approved.

The Board returned to open session at 8:23 p.m. Counsel, Jeff Ferre, announced that there is no reportable action. There will be a continuance of the performance evaluation.

10. Future Agenda Items and Staff Tasks/Directors' Comments and Reports

Director Horn welcomed newly appointed Director Giannini.

Director Horn would like the cost of placing the Pumps and Pipes Post in the monthly bills.

Director Chambers would like state mandated costs listed on the white board in the Board room for the January meeting.

Director Moore welcomed Director Giannini to the Board.


11. Adjournment

On motion by Director Shinaver, seconded by Director Moore and approved by the Board, the meeting was adjourned at 8:26 p.m.



Kerron E. Moore, President
Board of Directors

Attest:



Tamara Alaniz, Board Secretary
Twenty-nine Palms Water District