

**MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
LA PUENTE VALLEY COUNTY WATER DISTRICT**

A regular meeting of the Board of Directors of the La Puente Valley County Water District was held on Monday, May 23, 2011, at 5:30 p.m. at the District office, 112 N. First St., La Puente, California.

Meeting called to order:

President Rojas called the meeting to order at 5:30 pm.

Pledge of Allegiance

President Rojas led the meeting in the Pledge of Allegiance.

Directors present:

William Rojas, President; Henry Hernandez, Vice President; Charles Aguirre, Director; John Escalera, Director and David Hastings, Director.

Staff present:

Greg Galindo, General Manager; Rosa Ruehlman, Board Secretary; Todd Hull, Superintendent; Gina Herrera, Customer Service/Office Supervisor; Keith Bowman, Crew Leader; Shaunte Maldonado, Billing Clerk and Tim Gosney, District Counsel.

Adoption of Agenda:

President Rojas asked for the approval of the agenda.

Mr. Galindo asked to amend the agenda to move Item 7 after Item 8, D and to delete the Closed Session and Report on Closed Session since there are no items to discuss.

Motion by Director Escalera, seconded by President Rojas, that the agenda be adopted as amended.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

Consent Calendar:

A. Approval of the Minutes from previous Regular meeting on May 9, 2011.

B. Approval of the attendance to the Special Districts and Local Government Institute Seminar on June 9th-11th, 2011 in San Diego, CA

Motion by President Rojas, seconded by Director Hastings to approve the consent calendar as presented.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

Action/Discussion Items:

A. Approval to lease 469.54 acre feet of Main San Gabriel Basin Production Rights for production year 2011-12:

- Mr. Galindo reported on the annual lease from Mary K. Partridge. Ms. Partridge has 469.54 acre feet of production rights to lease to the District for the 2011-12 production year. He shared that the safe yield set by the Watermaster Board was set much higher than anticipated. He added that the agreed upon lease price is 90% of the current replacement water assessment rate minus the annual Water Quality Authority assessment that the District pays on Ms. Partridge's. The replacement water assessment rate was set by the Watermaster Board at \$512, which is much lower than anticipated.

- Mr. Galindo is asking for approval for the lease from Mary Kay Partridge for a total cost of \$213,160, not including the cost from WQA assessment. Mr. Galindo also shared the affect on the budget from this transaction.
- Director Escalera asked if we are going to be in need of more water rights or less water rights for this year. Mr. Galindo responded that we have more than we anticipated for 2011-12, but if there are more rights available to lease, it would make sense to lease them and keep adding to our cyclic storage account to be used later in the future.

Motion by President Rojas, seconded by Director Escalera, to approve the lease of 469.59 acre feet of production rights from Mary K. Partridge for 2011-12 production year for \$213,160 plus WQA Assessment.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

B. Approval to lease 49.74 acre feet of Main San Gabriel Basin Production Rights for production year 2010-11:

- Mr. Galindo reported on a new lease from Mr. Phillip and Mrs. SieglindeTate that they have 49.74 acre feet of production rights for the current year 2010-11. Mr. Galindo offered 90% of the current year's replacement assessment rate for each acre-foot. He shared that the Tates were comfortable with the lease offer and agreed to the terms. Mr. Galindo stated that leasing these rights will provide savings for the District of \$2,547 in replacement water cost. Mr. Galindo recommends that the Board approve this lease offer at a not to exceed the cost of \$22,920.19. Mr. Galindo shared that the Budget will need to be adjusted for account #5130 by \$12,549 to cover this transaction.

Motion by Director Escalera, seconded by Director Hastings, to approve the lease of 49.74 acre feet from Mr. & Mrs. Philip Tate for production year 2010-11 not to exceed \$22,920.19.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

- Mr. Galindo provided a brief presentation on the District's current and future production rights.

C. Receive and file the draft Report of the Recycled Water Feasibility Study:

- Mr. Galindo provided a summary report of the draft Recycled Water Feasibility Study. He shared that in 2010, staff was authorized to proceed with the feasibility study of bringing recycled water into the District's service area. The District received grant funding from the State Water Resource Control Board (SWRCB) for half of the cost of the study, which staff anticipated the total cost of the study to be \$40,000. Staff also applied for grant funding with Upper San Gabriel Valley Municipal Water District (Upper District) and their Board approved funding for half of the remaining balance, up to \$10,000. Mr. Galindo presented to the Board some of the maps that were included in the draft report. The maps show locations of the recycled water supply lines where the District could connect to for its recycled water source. Also in the report is a summary of potential customers for recycled water by type; commercial, industrial, irrigation, multi-family and public authority for a total of 74 customers and the potential usage would be 375 acre feet per year. He shared the importance of this is to show how much recycled water can be used to offset the cost of producing and supplying potable water that is over our production rights in the basin. This is our gauge for comparing the cost of serving recycled water to our current operations, since we are usually an overproducer each year. He also shared a list of potential customers with the City of Industry being the largest irrigation user in our system. In summary, the cost to build a recycled water system, including customer retrofits, is approximately \$9,980,000. Even if we were to receive some grant funding for this type of project, the total costs of the system does not make financial sense for now, unless we can partner with another agency to finance the construction. He has discussed this with Upper District and he will provide the draft study with a request for reimbursement for a potion of what has been spent thus far. He

also will submit the draft report to the State Water Resources Control Board, so we can receive some of the grant funding. He further added that in order to finalize the study, we need to do the following; have draft agreements in place with Upper District and City of Industry to supply us the recycled water and have a draft mandatory use ordinance ready for adoption. If we at this time say we do not wish to proceed with the study, then we would inform the State and submit what we have and we should receive reimbursement for 75% of the grant funding, which would be \$15,000 rather than \$20,000. At this time, we have exhausted the budget for the work to be performed by MWH, America. Mr. Galindo recommends that the Draft Study be received and filed and to discuss the District's next step in the process at an upcoming Board meeting. He would like to file the report and also discuss the report findings with the City of Industry.

- President Rojas asked if this cost analysis was based on the pump system scenario which is the least expensive. Mr. Galindo responded that yes it is. Mr. Rojas stated that he likes the Temple Avenue Project scenario better and asked if it is gravity feed system. Mr. Galindo responded that yes and that system is estimated to be a \$12 Million dollar project. Mr. Rojas asked what was the cost of the preferred option. Mr. Galindo responded it is 8.9 Million. Mr. Rojas stated that since there is no funding from any other sources, and then let's just go as far as we can to make it shovel ready.

Motion by President Rojas, seconded by Director Escalera to receive and file the Report of the Recycled Water Feasibility Study as presented.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

- D. Approve the purchase of an Extended Reach Valve Operating Machine:**
- Mr. Galindo presented a memo regarding the purchase of an Extended Reach Valve Operating Machine which included quotes from two suppliers for the equipment. Mr. Galindo shared that this equipment will provide better use of the valve exercising machine and will allow field staff to operate valves with greater ease and reduce their risk of injury. He shared that this equipment captures information such as torque information on the valve and amount of turns. This information is later reviewed to find out what valves are operating or not operating or which valves need to be replaced. Mr. Galindo provided a summary of the quotes from E. H. Wachs and Pacific Tek. He commented that staff reviewed the quotes and selected E. H. Wachs vs. Pacific Tek, due to it has a studier mount and the exerciser includes a controller and data logger device which is compatible with our existing software for tracking valve operations and provides for mounting the exerciser on a new rear custom bumper. Mr. Galindo recommends the purchase of the equipment as detailed by E. H. Wachs quote. He stated that we budgeted \$15,000 in 2011 for the purchase of an Extended Reach Valve Exerciser. The quote for the equipment is \$18,360 and staff recommends a 10% contingency for unforeseen costs associated with mounting of the unit to the District's valve truck for a grand total of \$20,196. This cost exceeds the District's budget by \$5,196. Mr. Galindo asked that the Board authorize the purchase of the Extended Reach Valve Exerciser from E. H. Wachs not to exceed \$20,160 and also to authorize the transfer of \$5,196 from the District's Vehicle and Equipment Reserve Fund to the 2011 Capital Operations Budget to cover the purchase.
 - President Rojas stated that he wants to make sure that we get good equipment for the field staff and asked Mr. Escalera if this is a good model to purchase. Director Escalera responded absolutely, this is updated equipment that performs more functions that are required. President Rojas asked if they will mount this for us. Mr. Galindo responded yes and the existing hydraulic pump will be used.
 - President Rojas ask if we are getting a new bumper with this purchase. Mr. Galindo responded yes we will be getting a new bumper.
 - Director Hastings asked if the installation will be in the front or back of the truck. Mr. Galindo responded that the installation will be in the back.

- Director Aguirre asked if this pump can be taken off one truck and put on another in case the truck breaks down. Mr. Galindo responded that yes the equipment can be installed in another vehicle with a different bumper.
- President Rojas asked what truck this would be installed in. Mr. Galindo responded that it would be installed in the valve truck which was purchased in 2009.
- Vice President Hernandez asked if both suppliers were checked out. Mr. Hull responded that both suppliers provided a demonstration for staff and the various functions of the equipment. Mr. Hernandez asked does the one machine has more functions then the one that less expensive. Mr. Galindo responded that the Wachs machine has more controls option, due to a full hand controller and it does a better job in recalling information and can be set to operate automatically based on torque settings. Also, the Pacific Tek unit comes with software for the data logging, but it does not include the data logger device, this would need to be purchased separately.
- Director Escalera commented that base on the size of the valve the operator needs to make sure of the proper torque setting so valves do not get damaged. Mr. Hall stated that the equipment from Wachs comes with a recommendation chart on how to set the torques based on valve size and type.

Motion by President Rojas, seconded by Director Hastings to approve the purchased of an extended reach Valve Operating Machine from E. H. Wachs not to exceed \$20,196.

Motion approved by following vote:

Ayes: Rojas, Aguirre, Escalera, Hastings and Hernandez

Nays: None.

Workshop on Future Costs of Employee's Health Care Benefits:

- Mr. Galindo made a presentation to the Board and Staff regarding future costs of health care benefits for employees, directors and retirees. The following benefits are provided by the District for active full time employees and their dependents for medical, dental, vision and life insurance, plus also provided is short term and long-term disability and retirement plan through CalPERS at 2% at 60 formula. The retirement health care benefit provided by the District for employees who retire from the District after 10 years of continuous service and are 50 years of age plus dependents is part of what is labeled as Other Post Employment Benefits (OPEB). The District also provides educational reimbursement of \$1,000 per year, vacation and sick time, paid holidays, safety day and floating holidays. For active Directors, medical, dental, vision and life insurance is provided. Mr. Galindo provided and outline of each of the benefits and how they are applied for each employee categories – active full time employees, directors and retirees. Mr. Galindo shared that the medical, dental and vision is provided through ACWA-HBA and is paid 100% by the District. The retirement plan is through CalPERS and the formula is 2% @60 and is paid 100% by the District. He shared that in December 2009, the District had to comply with GASB 45 for Other Post Employment Benefits (OPEB). The accounting standard requires the District to identify and report the annual OPEB expense. The OPEB is calculated based on the annual required contribution of the District and when the actuarial review of these costs was completed in early 2010, it was determined to be \$335,879. Currently the full time employees cost of labor and benefits with the exception of OPEB are shared between the three entities, CIWS, treatment plant and the District. Mr. Galindo shared some graphs that show cost projections for OPEB and how this cost will affect the District in the future. As Mr. Galindo concluded his presentation he asked for direction from the Board on how to have staff proceed with this OPEB issued on controlling those costs.
- President Rojas shared his concerns there are news articles regarding employers having to fund employee retirement benefits for PERS and the Unions which has become a huge issue. He stated that there are employers who have employees contribute to their benefits. He shared that currently at his employment, there is some discussion regarding retirement benefits and the State wants to make some changes. Mr. Rojas stated that this is an important issue that needs to be addressed and feels changes need to be made and also feels very strongly that he does not want to cut any of the current benefits for the current employees. He would entertain all kinds of options; ideas where employees may need to sacrifice not by a reduction of benefits, but to

contribute to their benefits. As for eliminating benefits for Directors, we should look at possibly changing the amount of benefits to Directors. As for employees they need to be paid fairly so that we can keep them. He also stated that the Directors are keeping the rates low as well as trying to keep the employees happy and stay with the District. We also need pay the Directors as well, so we all need to make some sacrifice to make sure we stay in stride. He added that it looks like we have till 2015 before the annual expense increase significantly for the OPEB and now we have some time where we can amicably agree to some changes. Mr. Rojas asked is it possible to have the employees contribute in some way to health and retirement benefits. Mr. Galindo responded that yes and shared that we can also do what was done this past year with the cost of living adjustment, where a COLA was not instituted due to the increase in insurance premiums. This minimizes the District's costs for pensions as well, because when compensation is increased, the pension contribution increases as well as taxes for each employee. Because we are unsure about where the medical insurance rates are going to be in a few years due to the Health Care Reform Act (HCRA), he would like to control costs through that method rather than have the employees contribute a certain percentage to cover the benefit costs. He stated he would really like to find a way to fund a portion of the annual OPEB expense, such as setting aside \$50,000 of the District's money and be able to recover some costs through the treatment plant and industry that might equate to about \$90,000 a year toward our OPEB expense. He reviewed the OPEB actuarial report. If we were to drop the spousal coverage for OPEB and just cover the employee that will limit the cost for premiums, but is not certain it would significantly improve the actuarial. Staff had two consultants provide us a quote for medical insurance that would help to lower our insurance premiums, but neither of them came up with a better rate than ACWA-HBA without having a very high deductible insurance premium plus we also have a number of retirees that we cover which effects which rate we can get in the open market. If we did not have retirees then pricing would be more competitive. For future employees, first we need to revise the employee manual and adopt a resolution that states any new employee must work for 25 years prior to retirement and will only cover the employee; this will help to control these costs.

- President Rojas stated that this is how it is all over, where employees have to start contributing and that future employees of the District will have to adhere to the new policies. He shared that his main concern is the existing employees that the directors and employees will have a voice on this issue and most agree on a plan. Mr. Rojas asked if an employee can contribute to their benefits or is that not possible. Mr. Galindo responded that yes employees may make a contribution, but on the OPEB there may be a legal issue if we make changes to the benefit. Mr. Gosney shared that under California law public employees are deemed to have a property interest in their employment and you cannot take property without just compensation. There is case authority that holds under California Law that when you hire someone and provide a package of benefits you cannot take it away without giving them something of equal value. With respect to the pension arrangement if the ACWA plan is an Employee Retirement Income Security Act (ERISA) plan, there is a possibility that the ERISA plan preempts all state law. This plan was adopted in 1974 and it was so all government pension plans would only have one set of rules all across the country. Therefore if it is an ERISA plan, that allows employers to change benefits, then it supersedes state law because it preempts all state law and we would not be able to do that. Mr. Gosney shared that this is a national problem and ACWA-HBA should have already looked at this and know whether or not it is exempt. Counsel will have to review the Districts ACWA-HBA plan documents as to whether or not it is an ERISA plan. Mr. Gosney added that another option would be to have an ERISA expert review the plan documents because his firm is not an expert in that field. Mr. Gosney stated that changes to the personnel manual are acceptable to modify years of service and retirement age for incoming employees to the District and a few agencies have already amended their personnel manual.
- Mr. Galindo shared that in a large agency if you lose one employee it is a small percentage of the work force, but if we lose one employee it is 8% of our workforce and that workload would need to be shared between the other remaining employees. He believes in a smaller agency each employee is more valuable than at a larger agency.

- President Rojas agreed that if we lose an employee it would be difficult because then when we hire there is training and that takes time away from the employee who is doing the training.
- Director Escalera stated that there are other agencies like San Gabriel Water or Suburban that does not offer the type of benefits this District's does and where he works they do not provide those benefits to their employees and there are a lot of people who want to work for a district such as ours to receive those benefits. In response that we cannot lose our employees, there are more people looking for work than people leaving.
- Mr. Galindo shared that when we were hiring for the entry level position, we had 235 applicants, but for the production specialist position we only had 3 viable applicants. There is a difference for those who have certification and experience they become much more valuable and are better paid, so it makes it more difficult to find someone good that has experience and is willing to leave their job.
- Director Escalera stated that where he works there are a lot of people getting their certifications at higher levels like a T3 and T4 and are given a \$3 increase those people would not leave San Gabriel Water Company so for them it is an incentive for the money, but there is motivation to come and work for our District for the benefits alone.
- President Rojas stated that we need to look at different options and asked if there is anything we can do in regards to the ERISA plan or should we wait until we receive more information and would that be for the employees benefits. Mr. Galindo responded it would be for the OPEB. It would be possibly changing the requirement from 10 years to 20 years of service and retire at age 60 for the existing employees. For new hires we need to see what is appropriate and what we can afford going forward. He further added that this is a two-step process; can we do it legally and what would our savings be. An actuarial would need to be done to see how much of a savings a change would result in.
- Director Aguirre asked if this would affect Directors joining the Board. Mr. Galindo responded that the OPEB is for full-time employees only. He added that if the current Directors wish to modify their coverage they can do so and perhaps adjust their per diem to compensate for the difference.
- Director Escalera stated that there is no contribution for retired Directors. Mr. Galindo stated that anyone elected to office after 1993 is not eligible for OPEB.
- President Rojas asked the ERISA plan is for existing employees on how much they contribute towards the benefits and retirement. Mr. Galindo responded that no, it is for just changing the benefit for health care insurance once you retire so it would lower our liability going forward. Mr. Rojas asked how that would change. Mr. Galindo responded stated if an employee is retired and has medical benefits with a spouse it would be about \$1,100 and if only the employee was covered it would be \$600 which is a big difference in premium and if we can legally change the plan for our current employees this will lower our liability by about 30-40%.
- Mr. Rojas asked if that would be entertained before an employee retires. Mr. Galindo stated the change needs to be made now prior to retirement. Mr. Rojas stated then our employee would be contributing in that situation. Mr. Galindo responded yes. He stated that the OPEB liability continues to rise year after year on our financials and for now we are on a pay as you go method so that once we actually incorporate those costs into our budget and are controllable over a 20 year period it would be an 8% increase in rates to cover the OPEB liability.
- Director Aguirre asked how many employees are married. Mr. Galindo responded 9 are married and three are single and if they get married the premium will increase.
- President Rojas stated that we need Counsel to look into the ERISA plan. Mr. Gosney recommended that ACWA-HBA be contacted first, because they have experts that helped them develop the plan and if they have not looked at this issue, they should and the cost should be spread amongst the entire ACWA-HBA plan subscribers. He further added that we need to make sure we have all the plan documents to see whether or not we have the right to make changes. Mr. Rojas summarized that we need to look into the post retirement benefit; changes for future employees and Directors compensation and with the Board's consent to have staff review those various options for future employee retirement benefits. Mr. Galindo will run some numbers on the options for OPEB. He shared his thoughts that for any new employee hired the

District cannot afford to cover the employee and spouse for OPEB. It has to be employee only and change the formula from 10 to at least 20 years of service with the District to make it affordable and as soon as a new employee is hired we need to set money aside in an irrevocable trust for that employee so that we know that money will be available for those costs when they retire from the District.

- Director Aguirre shared that he feels Directors already making their contribution by refusing their per diem increase each year and once we leave the Board we lose those benefits.
- Director Escalera commented that for the current employees there will be no changes, which would be fine, but for new hires can employee contribute to benefits for their spouse. Mr. Galindo responded that at this time his focus is on the OPEB but can also look into the cost savings for changing the District's premium contribution for new hires, but doesn't think it will be a large savings in the near future.
- President Rojas asked if staff that is in attendance wish to comment. Ms. Herrera commented she thinks she speaks for all employees by saying she would not like to see any changes to the current benefits, especially since most of us are long-term employees. Mr. Rojas responded that he is with her 100% and would not want to see any changes made for the current employees.

After a lengthy discussion by Board consensus to have staff look at options on OPEB and changes to the Personnel Manual for new employees and possible changes to director benefits.

General Manager's Report:

Mr. Galindo presented his report

- He updated the Board that last week there was an ion exchange resin change out done by Siemens and that the manifold modification material was not yet ready and hopefully they will be installed in a couple of weeks.
- He informed the Board that staff just purchased a television to use for training and presentation purposes and if the board is okay with its location, he will have staff install it on the wall.
- To date there are no new developments from the City of La Puente regarding District's property below our Main Street reservoir.
- Director Aguirre asked if there is any development regarding subdividing District's property on Main and First St. Mr. Galindo responded not at this time.

Information Items:

President Rojas informed the Board there is correspondence and news article for their review.

- A. Correspondence to the board of Directors
- B. Newspaper Articles

Attorney's Comments:

Mr. Gosney had no report.

Board Member Comments:

- Director Aguirre asked if this meeting can be adjourned in memory of Tony Fajardo, a long time resident of La Puente.

Future Agenda Items:

There were no future agenda items.

Adjournment :

There being no further business or comments, the meeting was adjourned at 7:36 p.m. in memory of long time resident Tony Fajardo.

William R. Rojas, President

Rosa B. Ruehlman, Secretary