

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

A Special meeting of the Board of Directors of the La Puente Valley County Water District was held on Tuesday, December 7, 2010, 5:30 pm. at the District office, 112 N. First St., La Puente, California.

Meeting called to order:

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

Pledge of Allegiance

Ms. Herrera led the meeting in the Pledge of Allegiance.

Directors present:

- John Escalera – President
- William Rojas – Vice President
- Charles Aguirre – Director
- David Hastings – Director
- Henry Hernandez - Director

Staff present:

Greg Galindo, General Manager; Rosa Ruehlman, Board Secretary; Todd Hull, Superintendent and Gina Herrera, Customer Service/Office Supervisor.

Others present:

None.

Adoption of Agenda:

- President Escalera asked for the approval of the agenda.

Motion by Director Aguirre, seconded by Director Hernandez, that the agenda be adopted as presented. Ayes: President Escalera, Vice President Rojas, Director Aguirre, Director Hastings and Director Hernandez. Nays: None.

2011 Budget Workshop:

Mr. Galindo presented an overview of the district's 2010 financial performance and the proposed 2011 budget to the Board:

- Provided financial integrity through water rates fees and charges.
- Update on the policies and procedures for water service, are still in progress.
- Recycled water master plan, will be carried over to 2011. This year the District secured funding through the State and Upper San Gabriel Valley Municipal Water District for the plan and secured a contract with MWH Americas to do the engineering study, which is approximately 30% complete.
- The new Utility Billing software conversion is complete. Ms. Herrera updated the Board on how the utility billing software is progressing. She shared that the first billing process was implemented twice; one live (sent to customers) and one mock (in house) just to verify that all the billing information and bills were calculated correctly. Mr. Galindo also shared that the new water bill format has a graph that shows usage for the last 24 months. Mr. Galindo shared that staff will be working to provide the online payment options next year.
- Completed an in-house water rate and fee study. This study has been provided to District Counsel for review and after that it will be brought back to the Board to be received and filed.
- Zone 4 Booster Station improvements will be carried over to 2011; Meter Replacement Program, staff has replaced or retrofitted 370 meters to date; Zone 3 improvements, there has been significant work done, with a technical memo written by Civiltec Engineering that was presented to the Board and the Ad-hoc Committee reviewed the memo and presented their recommendations to the whole board; secured an easement; and secured a water supply agreement with City of Industry to install a new connection. Currently he is reviewing a proposal from Civiltec Engineering to provide the engineering services for the actual design and all the environmental requirements.
- The District operates and manages the City of Industry Waterworks System in a cost effective manner.

Mr. Galindo presented the 2010 achievements:

- Estimated increase of \$274,555 net gain in reserves. However there are a few Capital improvements that have not been completed that contribute to the net gain in 2010.
- One unplanned achievement is the lease of 300 acre feet of production right from the City of Whittier which equates to a \$41,000 savings in replacement water expense.

- Completed a water rate study for the City of Industry Waterworks system, a huge accomplishment by District Staff. The City of Industry will be holding a public hearing on December 9, 2010 to adopt the water rate increases.
- Executed an amended City of Industry Waterworks System Operations and Management agreement which extends our agreement to 2024 and secures the Management fee of \$175,000 for the first five years and a 2% increase after that to 2024. Received an amended City of Industry Waterworks System Water Supply Agreement that allows us to construct the water line to connect to the Industry Hills reservoirs that will improve our zone 3 and also secures all the water supply over a 40 year period.

Next Mr. Galindo presented the 2010 District's performance:

- Revenue for Taxes and Assessments were above projection.
- Revenues less than expected, were water sales and interest revenue.
- Mr. Galindo shared the 5 year averages for water sales, service charges and consumption
- Vice President Rojas asked if we have to comply with the 20% conservation by the year 2020. Mr. Galindo responded that we need conserve, but it is not mandatory for us to reduce consumption by 20%.
 - He shared a graph that shows the total water sales compared to units sold from 2005 to 2011; he stated that we increased revenue even though we dropped in consumption. The projection for 2011 revenue, does not account for any water rate increases that may be approved.
 - The expenses that exceeded projection were Manager's salary, Director's fees, Convention and Education for Directors and employees, Leased Water and Distribution Lines.
 - Expenses less than projected were Well Maintenance being less this year, but will be a huge expense for next year due to the repair of Well No. 5. Booster maintenance expense, is a place holder should we have to make any repairs.

Mr. Galindo shared field staff performance in 2010 including the volume of work performed for our system as well as City of Industry system:

- Collected over 2,600 water quality samples for La Puente, Industry. 90% of those samples were taken at the treatment plant.
- Flushed over 150 water main dead ends.
- Maintenance and painted over 245 hydrants
- Repaired 52 waterline leaks
- Replaced 40 service lines mostly in the Industry system
- Installed or retrofitted 765 meters.
- Completed over 1,900 customer service orders not including delinquent bill door hangers.
- We had only two customer complaints related to field work performed and four water quality complaints which were related to customer's plumbing.
- President Escalera asked if there were compliments from customers to our employees. Mr. Galindo responded that yes there were.
- Director Hernandez stated that on the budget objectives it shows 370 meters retrofitted and on the work performed by staff it shows 765 meters retrofitted. Mr. Galindo responded that the 370 meters were just for the La Puente system and the 765 is for both systems.
- President Escalera commented that the Industry management fee does not include the General Manager's salary. Mr. Galindo responded that is correct, it is in addition to all labor costs.

Next, Mr. Galindo presented the Capital Improvement program:

- The meter replacement program, 370 meters were retrofitted and the budget amount was \$127,000 and the actual cost was \$117,300.
- The Zone 4 booster station upgrade, the design was completed in October 2010 went out to bid and the contract was just recently awarded and the estimated date of completion is June 2011 and the budgeted amount is \$368,000.
- Utility Billing software was completed in November 2010 and the amount budgeted was \$47,000 and the actual cost may exceeded by year-end.
- Zone 3 improvements, a technical memo was prepared by Civiltec Engineering providing some options that were presented to the Board and the Board selected an option. Also an easement was purchased and an agreement with City of Industry was reached to connect to the Industry Hills reservoirs and staff is currently reviewing the proposal for the design work.
- Recycled Water Master Plan, the grant funding was secured from the State and Upper San Gabriel Valley Municipal Water District. The District entered into a contract with MWH Americas to prepare the Recycled Water Master Plan. Currently the plan is 30% complete and a draft document is expected to be completed in January 2011.
- Pickup truck was budgeted for \$25,000 and the purchase price was \$19,300.
- President Escalera asked about the old pickup truck. Mr. Galindo responded that the truck has been surplused and he will be sending out a notice inviting offers and sell the truck to the highest bidder.
- Director Aguirre asked about taking the old trucks why we not just trade them in. Mr. Galindo responded that in the shape the trucks are in, we would receive less than blue book value.

- Mr. Hull also shared that taking the trucks to an auction house does not work too well. Typically the selling price is low and it takes a while to receive the profits.

Mr. Galindo presented a pie chart that shows a breakdown of the revenues and expenditures for the District, including revenues from the Treatment Plant and for a comparison also provided a pie chart without the Treatment plant revenues and expenses. Then, he presented the estimated versus budgeted numbers for 2010 and the overall revenues are down 3% and expenses are down by 10%.

Mr. Galindo presented the 2011 Budget Objectives:

- Continue to provide high quality water and dedicated customer service at a reasonable cost to our customers.
- Adopt a multi-year water rate increase plan to avoid drastic impacts to water rates due to the rising cost of water
- Complete and update to the policies and procedures for water service.
- Complete the recycled water master plan.
- Complete the Master plan projects; Zone 4 booster station improvements, Zone 3 improvements and meter replacement program.
- Fulfill the obligation in operating and managing the City of Industry Waterworks System under the amended and restated agreement just adopted in a cost effective manner.
- Complete an analysis of employee benefits and develop options for future cost savings. Mr. Galindo further explains the District pays 100% of benefits to our employees and their dependents, Board members and their dependents and retirees who have retired from the District and have completed 10 years of continuous service with the District and their dependents. He shared that over the last three years the cost to provide the medical benefit has increased 21% and is expected to rise at least at the standard rate of inflation. The premium rate for 2011 is an increase of 12% for Medical benefits. Mr. Galindo further added that in completing an analysis, he would look at several options, such as different medical providers to get a cost comparison; a cash out program for those who have double coverage for possible cost savings for the District; change the requirement for new hires to provide retirement coverage for 20 years of continuous service with the District and cover the retiree only. Mr. Galindo shared that in 2010 the District completed an analysis of post employment benefit liability of the District. This analysis determines the annual financial liability of the District to provide medical, dental and vision insurance to retirees and their dependents. He further stated that when an employee retires from the District with 10 or more years of continuous service with the District, they qualify for this benefit. When the District fills the retirees' vacated position, this adds to the cost of an additional monthly insurance premium. He shared that the actuarial stated that if we were to fund this benefit for the employees going into the future it would cost over \$300,000 a year to fund, so the District needs to start setting aside some funding to cover those expenses.
- Next, Mr. Galindo shared that CalPERS, District's retirement plan has seen approximately a 12% increase over the last three years and currently we have no plans to make any changes, but will be watching this closely.
- Vice President Rojas stated that the main thing is for the current employees that we do not change anything, but look at changing the policy for the new hires in the future.
 - Mr. Galindo added the last objective for 2011 to develop employee efficiency through training and the use of technology.

Next, Mr. Galindo provided an executive summary of the proposed 2011 budget. He anticipates that we will sell 1,850 acre feet of water with an annual revenue of \$3.8M; annual water fund expenditures \$4.3M; treatment plant operations and reimbursements is expected to be \$1.5M and capital improvements/operation projects to \$957,000 for the year.

The Major projected 2011 revenue:

- Water sales and service charges are expected to decrease slightly compared to 2010; District's management fee to operate the City of Industry Waterworks System will be \$175,000; treatment plant management fee will be \$33,275; anticipate \$10K in interest revenue and 180 in tax revenue.

Next, he shared the Organizational chart of District's Staff.

- The District has a total of 14 employees, eight for transmission, distribution and supply and six general and administrative. The District expects for 2011 salaries to total \$382K with a 1 to 1.5% cost of living adjustment and an average of 3.6% for employee performance merit increase. The District will expend approximately \$261K in benefits to employees, directors and retirees in 2011.

Mr. Galindo shared the Capital improvement/operations projects planned for 2011.

- The Zone 4 booster station, there is \$327K remaining for that project cost;
- Meter replacement program, this is the 5th and final year to complete this program and is expected to spend \$130K.
- A valve exerciser unit that attaches to the back of a pickup truck. Mr. Hull shared that there are a number of valves in parkways that are currently exercised by hand and with this Valve exerciser it will make it much easier and save time. This exerciser will count how many turns it takes how old the valves are and which ones need to be replace and all this information is downloaded on a computer.

- Recycled water master plan, since funding has been secured, the budgeted amount is \$10K.
- Zone 3 improvements are estimated at \$475K for budget purposes. Still waiting for a final design and there will be significant engineering costs due to the environmental and geological requirements and any other CEQA documentation. A total for the 2011 capital improvement projects budget is \$957K.

- Director Hernandez asked if a truck needs to be purchased for the valve exerciser. Mr. Galindo responded that we already have a truck available and we just need the accessory.

Mr. Galindo shared the cash flow for the coming year:

- The District began with 2.6M in reserves and expects a net gain of \$247K by the end of 2010. The District expects to close 2010 with \$2.88M in reserves including the value of the cyclic storage water. For 2011 a net loss is projected of \$447K and reserves are expected to decrease by the end of 2011.

Mr. Galindo presented a five year outlook for total revenues, expenses and net gain/loss.

- President Escalera stated that in order to offset those losses we would have to increase rates. Mr. Galindo responded yes we would need to.

Mr. Galindo shared information on District's reserves:

- Last July 2010 the Board adopted Resolution No. 197 establishing a policy for the management of the District's financial reserves. The policy specifies what types of reserves and what the minimum and maximum reserve levels should be. He also provided a chart that shows the reserve fund levels for next five years.

Mr. Galindo provided information on water rates and service charges:

- In 2006 the board adopted a five year rate plan and 2006, 2007 and 2008 those increases were instituted at 10% per year. The rate increases for 2009 and 2010 were canceled by a resolution adopted by the Board and that a water rate study should be completed. The study was completed and a final report needs to be received and filed by the Board. Mr. Galindo stated that an increase in water rates and charges is recommended to go into effect in spring 2011.

Mr. Galindo shared a pumping rights chart on the budget document:

- The chart shows the annual pumping rights, based on 972 acre feet if the safe yield is set at 170,000 acre feet and that could fluctuate. In 2007-08 we did a great job with leases from City of El Monte and Mary K. Dawes even though it was expensive it paid off and we were able to carry water into the next year. In 2009-10 we went ahead and paid for 188 acre feet of the replacement water, since next year it will more costly and we will use the cyclic storage water to offset this cost. In 2014-15 our over pumping costs will escalate and we will need to be prepared for this additional expense.
- President Escalera stated that the budget does not include rate increases. Mr. Galindo responded that it does not. He stated that page 22 and 23 of the Budget document was modified from last year and he expended on water rates, added the five year outlook and added the reserve funds. In conclusion we will be decreasing our reserve fund in the next five years if we do not increase rates.

Mr. Galindo informed the Board to keep in mind that every five years we will be updating the Water Master Plan which may identify additional needed projects, such as Line Replacements.

- Director Aguirre asked if there will be enough money to improve our reservoir site. Mr. Galindo responded that for our plant maintenance expense, we do have enough money to hire a landscaper to maintain the reservoir site. Director Aguirre stated that we should just remove everything and put in white rock.
- President Escalera stated that if we bring in recycled water we will not be using as much pumped water this would cut back buying replacement water. Mr. Galindo responded that due to the cost we anticipate for replacement water, in 2014 we will be putting aside reserves so if there is expenses to be made toward recycled water in the future any of those reserves we are setting aside for rate stabilization we should be able utilize toward recycle water projects.
- Director Hastings asked if we know what the rate is for recycled water. Mr. Galindo responded that he does not know what the current rate is for recycled water.
- Vice President Rojas asked about the budget for 2011 revenue from surplus land sales what will happen with the money. That would go back into our general reserve fund, which can be designed toward capital. If the District does not receive the money for the sale of the property, we will have a larger net loss. He did make a call to the City of La Puente and they are still drafting the purchase agreement and they have full intention to purchase the property.
- Director Aguirre thanked Mr. Galindo for a job well done.

Mr. Galindo shared that there are some minor adjustments needed to the document and he will bring it to the Board for approval at the next Board meeting.

- Director Hernandez asked if we have 14 employees and they are all in place. Mr. Galindo responded that we do, we have 12 full time and two part-time.

General Manager's Report:

- Mr. Galindo reminded the Board of the upcoming District Christmas Party on December 10, 2010 at 1:00 pm.

- Mr. Galindo shared that he will be on vacation between Christmas and New Year.
- He plans to have a quote for the repairs for Well No. 5 at the next Board Meeting on December 13, 2010
- He also shared his evaluation is coming up.
- Mr. Galindo shared that we have an employee who is finishing his probationary period (Water Production Specialist) and will receive his review and will bring to the Board a recommendation for a merit increase.

Board Member Comments:

- Vice President Rojas – None
- Director Hastings thanked Mr. Galindo and his staff for an excellent job.
- Director Hernandez he concurred with Director Hastings comment.
- Director Aguirre also concurred with Director Hastings comment.
- President Escalera thanked Mr. Galindo and his staff and hope to see everyone at the Christmas party.

Adjournment:

There being no further business or comment, the meeting was adjourned at 6:44 pm.

John P. Escalera, President

Rosa B. Ruehlman, Secretary