

**MINUTES OF THE BOARD OF DIRECTORS
MESA CONSOLIDATED WATER DISTRICT
1965 Placentia Avenue, Costa Mesa, CA
Friday, February 25, 2011
9:00 a.m. Adjourned Regular Board Meeting**

CALL TO ORDER

The meeting of the Board of Directors was called to order on February 25, 2011 at 9:00 a.m. by President Bockmiller at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

President Bockmiller led the Pledge of Allegiance. President Bockmiller asked for a moment of silence in memory of fire fighter Glenn L. Allen.

Directors Present

Fred R. Bockmiller, President
James F. Atkinson, First Vice President
Shawn Dewane, Vice President (departed the meeting at 12:35 p.m.)
Jim Fisler, Vice President
Trudy Ohlig-Hall, Vice President

Directors Absent

None

Staff Present

Paul E. Shoenberger, P.E., General Manager
Coleen L. Monteleone, Administrative Services Manager/
District Secretary
Victoria L. Beatley, Chief Financial Officer/Treasurer
Robert R. McVicker, District Engineer
Stacy Taylor, Communications Manager
Denise Garcia, Executive Assistant
Rob Anslow, Attorney, Bowie, Arneson, Wiles & Giannone

Others Present

Robin Leffler, Mesa Customer
Peter Meuter, Mesa Customer

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

General Manager Shoenberger recommended moving Items C and E to the end of the agenda. There were no objections.

District Secretary Monteleone reported the notice of a meeting on March 7, 2011 for the Urban Water Research Center (UWRC) was presented too late to be added to the meeting attendance items and requires action prior to the next Board meeting.

President Bockmiller asked for comments from the public. There were no comments.

Mission: Dedicated to satisfying our community's water needs

MOTION 2011-25

Motion by Director Atkinson, seconded by Director Fisler, to add to the agenda the attendance consideration for the March 7, 2011 Urban Water Research Center (UWRC) meeting as the matter arose after the agenda was posted and action is required prior to the next Board Meeting. Motion passed 5-0.

President Bockmiller asked for comments from the public. There were no comments.

MOTION 2011-26

Motion by Director Atkinson, seconded by Director Fisler, to approve attendance by Board members to the March 7, 2011 Urban Water Research Center (UWRC) meeting. Motion passed 5-0.

PUBLIC COMMENTS

President Bockmiller invited members of the public to address the Board of Directors (Board) on matters that were not on the agenda.

Peter Meuter was acknowledged and offered comments on budget items: electronic records management, information systems maintenance and support, and the Directors' budget. He commented on state and federal proposed budget cuts and would like to know what Mesa is doing in terms of cutting the budget.

President Bockmiller thanked Mr. Meuter for his comments.

DISCUSSION ITEMS:

A. FIVE-YEAR BUSINESS PLAN/LONG-RANGE FINANCIAL PLAN:

General Manager Shoenberger introduced the topic. He noted that staff under the direction of Chief Financial Officer Beatley is in the process of developing a scope of work for the Five-Year Business/Long Range Financial Plan. He reviewed the scope of work as presently identified:

1. Board of Directors Goals
2. Affirm the Existing Model
3. Review Existing Plans and Reports for Application to the Long Term Financial Plan
4. Update Model to Allow for Variations in Budget Assumptions
5. Develop a Liquidity Model
6. Develop a Debt Management Policy
7. Develop a Five-Year Business Plan
8. Create Long Range Finance Plan Document

General Manager Shoenberger confirmed there are funds in the budget for a financial advisor to assist the District in developing the plan. The financial consultant will be working with the Ms. Beatley.

Director Fisler suggested it might be appropriate to engage a professional negotiator in the future when dealing with the union negotiations.

Mission: Dedicated to satisfying our community's water needs

General Manager Shoenberger commented that the issue has been discussed in the past and it will be brought before the Board at a later date nearer the end of the current three-year agreement.

Director Ohlig-Hall commented on pension issues, which other agencies/cities have encountered and other budget issues that have been identified in the newspaper. She noted that Mesa has a transparent approach to its governance.

General Manager Shoenberger reinforced Mesa's ethical and transparent governance policies noting that Mesa has a farsighted Board that has taken a fiscally responsible position toward its budgets. Due to its fiscally responsible practices, Mesa is sound and does not need to cut personnel or services. He noted that over the past ten years staff has been reduced by 15% due to efficiencies that have been implemented. He noted Mesa is the example of an engaged Board making smart financial decisions and a District management that makes the tough decisions, which keeps Mesa out of the necessity of slashing budgets or personnel.

Ms. Beatley commented that one of the aspects that helped Mesa achieve a AAA bond rating is the fiscally responsible decisions of Mesa's Board of Directors.

She noted that the cost of a financial advisor depends upon the scope of work cost could range between \$50,000 to \$75,000. The components of the project include a long-range finance plan, a five-year business plan, and adding a liquidity model to the financial plan, which will help make decisions in the future. It helps the District understand and make decisions on pay as you go or acquiring debt.

Ms. Beatley noted the plan will consist of several components including a Five-Year Strategic Business Plan, a Five-Year Long -Range Finance Plan and the 100-year component will be a working model that will help the Board make reliable rate and infrastructure replacement projections.

Director Fislser spoke in support of developing the five-year plans.

Director Dewane offered that he believes the plans are fundamental components of the Board's decision-making capability. One of the threats to the District is the costs the District must pay for imported water. Ratepayers implement water conservation strategies, just to have the cost of water go up. A task for the Board will be the mandated 20% water use reduction by 2020 and how it impacts water savings the ratepayers have already implemented and costs that continue to rise. He noted he is in support of a financial consultant.

He recommended the Board use zero based budgeting as it looks at future budgets.

Director Atkinson spoke in support of hiring the financial consultant to assist in the planning process.

Director Ohlig-Hall commented that because of Mesa's farsightedness other agencies are now looking to the future for their planning and budgeting requirements.

Mission: Dedicated to satisfying our community's water needs

The Board agreed to proceed with a Request for Proposal (RFP), which will be reviewed by the Finance Committee prior to distribution.

President Bockmiller asked for comments from the public. Customer Meuter commented on developing the plans. He stated that he appreciates the Board's hard work.

MOTION 2011-27

Motion by Director Dewane, seconded by Director Atkinson, to approve the use of a financial consultant to help the District prepare a five-year business and long-range financial plan including zero based budgeting in an amount not to exceed \$75,000. Motion passed 5-0.

B. INFRASTRUCTURE REPLACEMENT:

General Manager Shoenberger introduced the topic. It was noted that Mesa is a perpetual agency, thinking and acting in the long-term interests of its customers and employees.

The first Asset Replacement Reserve Model was developed in October 4, 2001. He noted that Mesa has a detailed asset registry that consists of all the District assets currently residing in the GIS system and non-GIS assets such as office equipment, communication equipment, well facilities, engines, buildings, property, and vehicles. The estimated life of each component has been included in the model. Because there are assets that have a life of 100 years, the model uses 100 years as its outermost life.

President Bockmiller asked about the total assets of the District.

Ms. Beatley reported the depreciable assets are about \$147 million. The accumulated depreciation on the assets is about \$60 million.

District Engineer McVicker reviewed the assets and responded to questions from the Board.

A discussion ensued on rates and how the rates fund the infrastructure and commented on those elements of the bill that are added because of other costs; i.e. Metropolitan Water District of Southern California increases, higher electrical costs and other pass through cost, etc.

President Bockmiller asked for comments from the public. Customer Leffler was acknowledged and provided comments on rising water rates.

Customer Meuter recommended reviewing the budget in terms of cutting the budget.

MOTION 2011-28

Motion by Director Dewane, seconded President Bockmiller, to direct staff to take the Infrastructure Replacement model to the Engineering and Operations Committee to discuss implementation and submit recommendations to the Board. Motion passed 5-0.

Mission: Dedicated to satisfying our community's water needs

C. OC-44 UPDATE:

This item was withdrawn from the agenda.

RECESS

President Bockmiller declared a recess at 10:56 a.m. The meeting reconvened at 11:08 a.m.

D. RECYCLED WATER USE:

General Manager Shoenberger provided an overview of the proposed Expanded Use of Recycled Water.

District Engineer McVicker continued with a review of the program and proposed expansion. He noted that the following sites have expressed an interest in converting to recycled water: Costa Mesa and Estancia High Schools.

Director Fisler spoke in favor of recycled water but only if the costs are justified.

Mr. McVicker reviewed the Orange County Water District's (OCWD's) Green Acres Project (GAP) noting it is a water recycling effort that provides reclaimed water for landscape irrigation at parks, schools, and golf courses as well as for industrial uses. Since 1991, the Green Acres Project has provided an alternate source of water to the cities of Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

President Bockmiller noted that since the school districts' budgets are being cut, the costs for implementation may have to be funded by Mesa.

Director Fisler noted that he has had conversations with Councilmember Mensinger and Planning Commissioner Fitzpatrick on the topic of expanding Mesa's recycled water program.

The Board directed staff to write a letter to the city manager with copies to elected officials and the two high school's operation managers to ascertain if they are interested in moving forward with a recycled water program. The Board would only move forward if there is no impact to the ratepayer and the parties are still interested in the project.

President Bockmiller asked for comments from the public. Customer Meuter offered comments.

MOTION 2011-29

Motion by President Bockmiller, seconded by Director Dewane, to proceed with an economic model for the implementation of recycled water for various sites including the cost of implementation, project funding opportunities, with no funds to be used for outside consulting and for staff to report to the Board at its June 14, 2011 Board meeting. Motion passed 5-0.

Mission: Dedicated to satisfying our community's water needs

E. STATE OF THE BUDGET:

This item was re-ordered to be taken at the end of the meeting.

RECESS

President Bockmiller declared a recess at 12:00 p.m. The meeting reconvened at 1:07 p.m.

Director Dewane departed the meeting at 12:35 p.m.

E. STRATEGIC PLAN UPDATE:

General Manager Shoenberger introduced the topic noting that the Board gave staff direction to develop a Customer Service Goal. In addition, staff developed additional major goals for the Board's review.

Administrative Services Manager Monteleone reviewed the proposed customer service goal. Goal number six "Exceed the needs of internal and external customers." The following objectives were developed:

- Objective A: Provide exceptional customer service.
- Objective B: Improve service to the customer.
- Objective C: Reward positive actions.

The expected outcomes were reviewed:

- Outcome 1 Conduct District-wide sample survey every three-years.
- Outcome 2 Answer telephone calls in less than 10 seconds (average).
- Outcome 3 Respond to electronic inquires by the end of the next business day.
- Outcome 4 Customer Service staff to attend customer service seminar every two years.
- Outcome 5 Document and present employees with recognition awards.

President Bockmiller asked for comments from the public. There were no comments.

MOTION 2011-30

Motion by Director Atkinson, seconded by Director Fisler, to approve the adoption of Goal #6 as a Customer Service Goal "Exceed the needs of internal and external customers." Motion passed 4-0-1 with Director Dewane absent.

General Manager Shoenberger reviewed proposed major goals he developed at the request of the Board.

Proposed Major Goals:

1. Deliver CWTF expansion on time and within budget
2. Achieve Boards Financial Goals – Days Cash and Cash On Hand
3. Implement Project Management Training and Practices
4. Update the Boards Repair and Replacement policy
5. Efficiently manage the production and distribution components of the Operations Department

Mission: Dedicated to satisfying our community's water needs

6. Perform a Business Process Integration Review to produce the next phase of the IT master plan
7. Finalize Major Projects of the Supervisory Control and Data Acquisition and Groundwater well upgrades
8. Implement Customer Service goals
9. Develop and Implement a Strategic Communications plan resulting in increased community outreach
10. Develop a Regional Water Strategy
11. Develop Banning Ranch Annexation Plan
12. Achieve Annexation of Islands within the Mesa service area

General Manager Shoenberger discussed the feasibility of developing an annexation plan for Banning Ranch.

President Bockmiller asked for comments from the public. No Public comment was received.

MOTION 2011-31

Motion by President Bockmiller, seconded by Director Ohlig-Hall, to direct staff to develop an aggressive Banning Ranch annexation plan and to provide the Board with periodic updates. Motion passed 4-0-1 with Director Dewane absent.

President Bockmiller asked for comments from the public. Public comments were received.

MOTION 2011-32

Motion by Director Ohlig-Hall, seconded by Director Atkinson, to approve the proposed District major goals Items 1 - 12. Motion passed 4-0-1 with Director Dewane absent.

F. GENERAL MANAGER'S UPDATE:

Item G was withdrawn earlier in the meeting.

G. DISTRICT MANAGEMENT:

General Manager Shoenberger reported that Administrative Services Manager Monteleone will oversee Human Resources in addition to Records Management and administrative support for the Board of Directors and General Manager. With that change, Barry Carlson has been promoted to the new Customer Services Manager, which will oversee the Customer Services Department including Conservation, Customer Service, and Information Technology.

DIRECTORS' COMMENTS:

A. DIRECTORS' COMMENTS:

1. Director Fisler:
2. Director Ohlig-Hall:
3. Director Dewane:
4. Director Atkinson:
5. President Bockmiller:

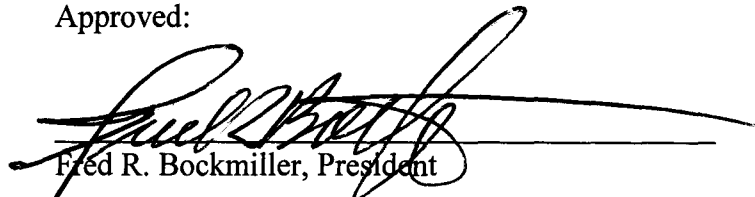
INFORMATION ITEMS:

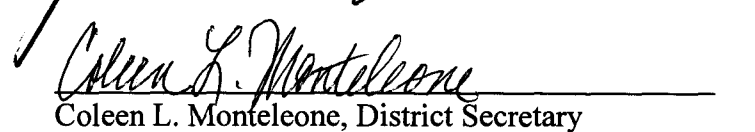
A. ITEMS OF GENERAL INTEREST:

1. Other

President Bockmiller adjourned the meeting at 1:55 p.m. to a regular Board meeting to be held on Tuesday, March 8, 2011 at 7:00 p.m.

Approved:


Fred R. Bockmiller, President


Coleen L. Monteleone, District Secretary

Recording Secretary: Sharon D. Brimer