

**MINUTES OF THE BOARD OF DIRECTORS
MESA CONSOLIDATED WATER DISTRICT
1965 Placentia Avenue, Costa Mesa, CA
Tuesday, March 24, 2009
7:00 p.m. Regular Board Meeting**

CALL TO ORDER

The meeting of the Board of Directors was called to order on March 24, 2009 at 7:00 p.m. by President Dewane at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

Director Shoenberger led the Pledge of Allegiance. Director Shoenberger asked for a moment of silence to honor Donn Hall, City of Costa Mesa Leader.

ROLL CALL

Directors Present

Shawn Dewane, President
Fred R. Bockmiller, First Vice President
James F. Atkinson, Vice President
Trudy Ohlig-Hall, Vice President
Paul E. Shoenberger, Vice President

Directors Absent

None

Staff Present

Lee Pearl, General Manager
Coleen L. Monteleone, Administrative Services Manager/
District Secretary
Victoria L. Beatley, Financial Services Manager/Treasurer
Robert R. McVicker, District Engineer
Jerry Vilander, Water Operations Manager
Barbara Wiseman, Human Resources Manager
Glynis Litvak, Financial Analyst
Barry Carlson, Conservation/Customer Service Coordinator
Rob Anslow, Attorney, Bowie, Arneson, Wiles & Giannone

Others Present

Joan C. Finnegan, Director, Municipal Water District of Orange County (MWDOC)
Karl W. Seckel, P.E., Assistant General Manager, MWDOC
Jan Debay, Director, Orange County Water District (OCWD)
John Kennedy, Assistant General Manager, OCWD
Larry Porter, Residents for Responsible Desalination
Ernie Feeney, Mesa Customer

PUBLIC COMMENTS

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

Mr. Larry Porter representing Residents for Responsible Desalination addressed the Board.

There were no other comments from the public. President Dewane proceeded with the meeting

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered.

I. CONSENT CALENDAR ITEMS:

All matters on the Consent Calendar will be approved by one motion unless a Board member, staff, or a member of the public requests a separate action.

Director Ohlig-Hall pulled Items G and H. Item F was pulled by General Manager Pearl for consideration later in the meeting. There were no objections by the Board.

- A. Approve minutes of special regular Board meeting of February 19, 2009.
- B. Approve minutes of regular Board meeting of March 10, 2009.
- C. Approve attendance considerations (additions, changes, deletions).
 - 1. O.C. Water Summit; Anaheim, CA; May 15, 2009.
- D. Receive the February 2009 Investment Transaction Report.
- E. Receive the FY09 Second Quarter Financial Report.
- F. Board Schedule:
 - 1. Tentative Meeting Topics
 - 2. Conference, Seminars, and Meetings
 - 3. Board Calendar
- G. Approve the purchase of Supervisory Control and Data Acquisition Murphy Panel and equipment in the estimated amount not to exceed \$676,000 and authorize the General Manager to sign the purchase order. Appropriate \$581,000 from Working Capital Cash for expenses in FY09 that were planned in FY10.
- H. Approve a professional services contract with Carollo Engineers for an amount not to exceed \$219,587 to assist in evaluating alternative treatment technologies and motive alternatives and if economically viable prepare bid documents for the construction of upgrades to the wellhead facilities at Mesa's Well No. 4 and authorize the General Manager to execute the contract.
- I. Award a contract to D. M. Kisling Construction for Valve Replacements – Various Locations (MC1852D) in the amount of \$308,675 and authorize the General Manager to execute the contract.
- J. Approve contract amendments with Charles Z. Fedak and Company for an amount not to exceed \$8,800 for FY09 Financial Statement preparation and printing for Mesa Consolidated Water District and Mesa Consolidated Water District Improvement Corporation.

MOTION 2009-27

Motion by Director Bockmiller, seconded by Director Ohlig-Hall, to approve Items A – E, I, and J of the Consent Calendar. Motion passed 5-0.

Items F, G, and H taken later in the meeting.

II. PRESENTATION AND DISCUSSION ITEMS:

A. MUNICIPAL WATER DISTRICT OF ORANGE COUNTY QUARTERLY BRIEFING:

General Manager Pearl introduced MWDOC Assistant General Manager, Karl Seckel who proceeded with the quarterly briefing. The purpose of the quarterly update is to provide Mesa's Board with a briefing on matters of mutual interest and concern.

The following topics were addressed:

- ◆ Water Supply Outlook 2009
- ◆ MET Budget and Rate Outlook
 - Timing of Met Rate Increases
- ◆ LAFCO Governance Study
 - The purpose of the Governance Study is to evaluate the legal, financial and representational impacts associated with the governmental options identified in the LAFCO Municipal Service Review (MSR) report.

Mr. Seckel responded to questions from the Board. President Dewane thanked Mr. Seckel for his presentation and Mrs. Finnegan for attending the meeting.

B. ORANGE COUNTY WATER DISTRICT QUARTERLY BRIEFING:

General Manager Pearl introduced OCWD Assistant General Manager, John Kennedy who proceeded with the quarterly briefing. The purpose of the quarterly update is to provide Mesa's Board with a briefing on matters of mutual interest and concern.

The following topics were presented:

- ◆ FY2009-2010 Budget Preparation
- ◆ Ground Water Replenishment System (GWRS) Operations
- ◆ Basin Conditions
- ◆ FY2008-2009 Pumping Limitation Request
 - Current Basin Pumping Percentage (BPP) at 69%
 - Requested pumping reduction to 64%

Mr. Kennedy responded to questions from the Board. President Dewane thanked Mr. Kennedy for his presentation.

C. WATER CONSERVATION PROGRAM:

Director Shoenberger opened the discussion on the Water Conservation Program and introduced Conservation/Customer Service Coordinator Barry Carlson who proceeded with a presentation.

The following topics were reviewed:

- ◆ Mesa Conservation Programs
 - Water Waste Prohibition
 - Emergency Conservation Program, Ordinance 8
- ◆ Relationship between Waste Water Prohibition and Emergency Conservation
 - Components of Waste Water Prohibition are: Designed to “Promote” conservation, voluntary prohibition and based on Customer “good faith effort”.
 - Components of Emergency Conservation are: Supersedes Water Waste Prohibition, enacted in extreme situations, clear implementation.

Mr. Carlson responded to questions by the Board.

Director Ohlig-Hall asked if the audit of water conservation will be done on a district level or will the individual ratepayer be involved? She noted her frustration lies in control and management of the water conservation restrictions for the individual user. How will Mesa go after water abusers? The topic was referred to the Engineering and Operations Committee for review.

Director Shoenberger commented that regarding the modifications to Mesa’s day-to-day conservation program, it is important that it is drafted correctly because Metropolitan Water District of Southern California and Municipal Water District of Orange County will not provide rebates for conversation programs until the program is in compliance with their regulations, which includes an enforcement component.

Mr. Carlson noted that, at this time, the day-to-day conservation program does not include an enforcement provision.

General Manager Pearl offered that the District conservation has been achieved through cooperation and communication with the ratepayers. Mesa’s peer agencies have punitive (tiered) water rates and Mesa does not.

Director Bockmiller clarified that currently in Mesa’s emergency ordinance does have a punitive rate structure, referring to page 13 of Ordinance 8. However that is included in Phase 4, Water Warning, mandatory compliance and there are other phases that have these mandatory restrictions with surcharges imposed, including Phase 3, Water Alert. Director Bockmiller noted his concern that Metropolitan Water District of Southern California (MWD) is attempting to withhold rebate funds that taxpayers pay and water districts pay to Municipal Water District of Orange County (MWDOC), in an attempt to compel Mesa to enact an ordinance that would be contrary to the expressed desire of this Board to not have on a regular day-to-day basis a water conservation ordinance that includes punitive rates.

Director Ohlig-Hall asked permission to present Director Bockmiller's comments to the MWD/MWDOC Joint Board of Directors meeting.

Director Bockmiller commentated that he has no objections to having his comments presented to the MWD/MWDOC Board of Directors.

He noted that this approach, which includes a punitive rate structure, has been demonstrated to be unnecessary within the boundaries of Mesa based on Mesa's water per capita consumption.

Director Shoenberger noted that by and large he agrees with Director Bockmiller as MWDOC is trying to make every agency adopt an ordinance that is one size fits all. He noted that it was his understanding that MWDOC was not in favor of this approach to amend the ordinance to include language relative to punitive rates, but that this is primarily a San Diego and City of Los Angeles driven effort. He noted he would not be in favor of having Director Ohlig-Hall present Director Bockmiller's comments to the MWD/MWDOC Board at this time.

MWDOC Assistant General Manager Seckel was recognized and recommended that MWDOC draft the language for the modifications to the ordinance. He noted that MWDOC is working with various agencies to draft language that is fitting with the conditions in the respective areas. He noted there are a minimum number of requirements that do need to be incorporated to meet the MWD threshold. However, there is enough flexibility to allow the individual districts to tailor their respective ordinances.

President Dewane suggested the issue of the Water Conservation Program ordinance requirements be discussed at the workshop.

Mr. Carlson noted that an enforcement measure could be as simple as a notification letter to the customer.

President Dewane thanked Mr. Carlson for his presentation.

D. BOARD WORKSHOP PLANNING:

General Manager Pearl reviewed the topics to be addressed: Water Conservation Ordinance, Continuation of Financial Policies, and Board Meeting Minutes.

Director Bockmiller recommended an explanation of Section 31026 of the California Water Code be included in the discussion of the Conservation Ordinance.

Mrs. Feeney was recognized by President Dewane. Mrs. Feeney asked for the Board Workshop schedule to be faxed to her.

E. INTRODUCTION OF THE PROPOSED FISCAL YEAR 2010 BUDGET:

General Manager Pearl provided an introduction on the process to develop the Fiscal Year 2010 (FY10) budget. Financial Services Manager Beatley proceeded with the presentation. She noted that in the past the Board has been provided a recommended rate increase to consider; however, one will not be provided for this budget period due to the various components wherein the costs are not yet available (i.e. costs for the technology upgrade to the Colored Water Treatment Facility, the discussion regarding financial policies needs to be conducted as that may have an effect on the budget, etc.).

Ms. Beatley noted that all discussions regarding the budget are open to the public.

General Manager Pearl noted that he has taken a very conservative approach relative to staffing. This budget does not include additional positions and deletes 2.5 positions. In addition, fleet replacement is being deferred and non-essential overtime has been removed.

Director Shoenberger commented that the District began with 72 positions many years ago and is now down to 61.5 positions. He noted that much of the savings came from improved efficiencies and the District's policy of taking advantage of technologies. The District was able to reduce staff while maintaining a high level of customer service.

Director Shoenberger asked what percent of fully burdened labor is staff development & training.

Director Bockmiller clarified that water sales revenue is at 92% with tax revenue at zero, because the District receives no tax dollars.

President Dewane noted for the public present that Mesa derives all of its revenues from water sales. Water rates are compared among agencies and it is not an accurate comparison as many of the neighboring agencies receive a portion of their revenue from ad valorem property tax. He noted that Mesa's cost of service is very competitive with neighboring agencies.

Ms. Beatley noted that any debt service the District has engaged over the years is included in the basic rate and not added as a special assessment. All costs at Mesa are fully transparent in the rate.

Director Ohlig-Hall asked for clarification on the unapproved Consent Calendar (Items G and H).

District Engineer McVicker responded that the project was being completed sooner than originally planned and funds that were anticipated to be spent next budget are needed to continue with the progress of the project.

Item G - Approve the purchase of Supervisory Control and Data Acquisition Murphy Panel and equipment in the estimated amount not to exceed \$676,000 and authorize the General

Manager to sign the purchase order. Appropriate \$581,000 from Working Capital Cash for expenses in FY09 that were planned in FY10.

President Dewane asked for public comment. There were none.

MOTION 2009-28

Motion by Director Ohlig-Hall, seconded by Director Bockmiller, to approve Item G of the Consent Calendar. Motion passed 5-0.

Item H - Approve a professional services contract with Carollo Engineers for an amount not to exceed \$219,587 to assist in evaluating alternative treatment technologies and motive alternatives and if economically viable prepare bid documents for the construction of upgrades to the wellhead facilities at Mesa's Well No. 4 and authorize the General Manager to execute the contract.

Director Ohlig-Hall recommended proceeding with Tasks 1 (Project Management, Meetings, and Communication) and 2 (Preliminary Design Report) listed on the Detailed Listing of Hours by Personnel for an estimated \$60,000 and to then bring the Preliminary Design Report to the Board for evaluation prior to proceeding with the Design Services and Bid Award tasks. In addition, there is a decision point regarding the purchase of the Well 4 property.

President Dewane asked for public comment. There were none.

MOTION 2009-29

Motion by Director Shoenberger, seconded by Director Ohlig-Hall, to approve Item H of the Consent Calendar as modified. Approve the contract with Carollo Engineers for an amount not to exceed \$219,587 with the first phase not to exceed \$60,000 and direct staff to bring back to the Board for a decision prior to proceeding with the balance of the contract. Motion passed 5-0.

President Dewane opened the floor to public comment on the proposed FY10 budget.

Mrs. Feeney questioned various line items in the budget: District Membership and Subscriptions; Special Legal Counsel; Labor and Benefit Costs - Financial Services; Pay and Benefits Administration; Sources and Uses; Imported Water Operations and Maintenance; Staff Development and Conferences – Water Operations; Staff Development and Conferences – Human Resources.

Mrs. Feeney asked for a copy of the Designated Funds policy documents.

Mrs. Feeney questioned the possibility of a 13/15 cent increase as noted in the budget and supporting documents. She noted that Costa Mesa is not as affluent community as Newport Beach. Many of Mesa's residents are lower income, retired, etc. In order to keep the budget in line she recommends that the Board implement a furlough program like the one the state is doing to bring staff salaries in line. She noted that it is time to think of the ratepayer. She commented that staff is doing an excellent job, but it is time the District do something that is

not going to cost the ratepayers any money. In closing, she noted she appreciates the efforts of staff to notify her of the various meetings.

President Dewane thanked Mrs. Feeney for her comments.

Director Ohlig-Hall asked that the branding project be deferred; the Urban Water Research Center membership be deleted; have the Board to address the issue of an increase for general legal counsel. Other items to address are the Employee Wellness Program and she asked that additional information be provided on the proposed premium increase for liability insurance.

Director Ohlig-Hall thanked staff for its efforts in the noted cost reduction efforts.

Director Bockmiller asked for an explanation of Reservoir 1 and Kemp Reservoir maintenance decreases; information on the specialized Waukesha training and its benefits; and information on the well utilities decreases.

III. ACTION ITEMS:

A. IRRIGABLE AREAS FOR PARCEL DATA:

This item was reviewed at the Engineering and Operations Committee meeting on March 12, 2009 and the committee recommends Board approval.

MOTION 2009-30

Motion by Director Bockmiller, seconded by Director Shoenberger, to approve the purchase of irrigable area parcel data from Municipal Water District of Orange County and appropriate \$10,000 from Working Capital Cash. Motion passed 5-0.

B. MESA CONSOLIDATED WATER DISTRICT IMPROVEMENT CORPORATION ANNUAL MEETING:

RECESS

President Dewane declared a recess of the regular Board of Directors Meeting at 9:28 p.m. to convene the Mesa Consolidated Water District Improvement Corporation Annual Meeting. The Board of Directors meeting reconvened at 9:36 p.m.

RECESS

President Dewane declared a recess at 9:37 p.m. The meeting reconvened at 9:43 p.m.

C. RESOLUTION NO. 1372 ADOPTING IDENTITY THEFT PREVENTION PROGRAM:

This item was reviewed at the Finance Committee meeting on March 19, 2009 and the committee recommends Board approval.

