

**MINUTES OF THE BOARD OF DIRECTORS
MESA CONSOLIDATED WATER DISTRICT
1965 Placentia Avenue, Costa Mesa, CA
Tuesday, May 26, 2009
7:00 p.m. Regular Board Meeting**

CALL TO ORDER

The meeting of the Board of Directors was called to order on May 26, 2009 at 7:08 p.m. by President Dewane at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

Director Bockmiller led the Pledge of Allegiance.

ROLL CALL

Directors Present

Shawn Dewane, President
Fred R. Bockmiller, First Vice President
James F. Atkinson, Vice President
Paul E. Shoenberger, Vice President (departed at 9:21 p.m.)
Trudy Ohlig-Hall, 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
Rob Anslow, Attorney, Bowie, Arneson, Wiles & Giannone

Others Present

Joan C. Finnegan, Director, Municipal Water District of Orange
County (MWDOC)
Ed Guilmette, Mesa Customer
Teri Jo Cherry, 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.

President Dewane recognized Teri Jo Cherry. Ms. Cherry offered that she attended the April Behind-the-Scenes briefing and tour conducted at the District and reported she was very impressed with the organization. She was present this evening to observe the Board meeting.

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

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

General Manager Pearl recommended moving Item III. B. Closed Session, to the end of the meeting. There were no objections by the Board.

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.

- A. Approve minutes of adjourned regular Board meeting of May 7, 2009.
- B. Approve minutes of regular Board meeting of May 12, 2009.
- C. Approve attendance considerations (additions, changes, deletions).
 - 1. State Legislative Welcome Reception; Anaheim Hills, CA; June 4, 2009.
- D. Receive the April 2009 Investment Transaction Report.
- E. Board Schedule:
 - 1. Tentative Meeting Topics
 - 2. Conference, Seminars, and Meetings
 - 3. Board Calendar

MOTION 2009-46

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

With the permission of the Board, Director Ohlig-Hall provided a slide presentation of the recent Santa Barbara fire. She noted the photographs were taken by her daughter who lives in Santa Barbara.

The Board thanked Director Ohlig-Hall for sharing the photographs.

II. PRESENTATION AND DISCUSSION ITEMS:

No Items.

III. ACTION ITEMS:

A. COLORED WATER TREATMENT FACILITY EXPANSION:

President Dewane introduced District Engineer McVicker who proceeded with a presentation.

Mr. McVicker provided background on the Colored Water Treatment Facility (CWTF) and information regarding the possible expansion of the facility. He noted that the treatment system currently being used is more costly than anticipated and may not meet

Mesa's color level standards in the future with the increasing levels of color in the source water.

He reported that staff was investigating two treatment technologies: nanofiltration membrane and coagulation/sedimentation. Staff is recommending the nanofiltration membrane technology as research indicates it is the better technology for Mesa's requirements. The system under consideration is a 6,000 gallons per minute (gpm) system that is similar to the Irvine Ranch Water District Deep Aquifer Treatment System (DATS). Tetra Tech, along with the builder that did the design build for the DATS plant, provided documentation relative to capital requirements and projected operating costs. The total cost of the project is estimated to be \$14,660,000. The unit operating cost including the MWD subsidy is estimated to be \$474 per acre foot.

Mr. McVicker noted that construction of the project is estimated to take 12 months. He explained that two processes could be used for the development of the project: design/build and design/bid/build. If the Board decides to use design/build, there would be an additional two to four months of time required to prepare the documentation and put the project out to bid. If the Board decides to follow the more traditional process design/bid/build, which is recommended by staff, the upfront development time would add approximately six to ten months to the project.

Mr. McVicker reviewed the various scenarios relative to treatment of colored water and the implications of the scenarios. He noted that any scenario wherein the production mix lowers or eliminates use of the CWTF as a water source, the ratepayer will pay a higher rate due to the costs of imported water and the projected increases for imported water.

- Scenario 1: If Mesa lost the use of the colored water treatment facility, the annual water costs would increase approximately \$1.5 million dollars based upon a basin production percentage (BPP) of 57%.
- Scenario 2: If the project was constructed, and it was assumed the CWTF was able to remain operating, and the BPP stayed at 57%, there would be a decrease in annual water costs of about \$2.3 million dollars.

Director Bockmiller commented that Mesa is committed, through orderly replacement of capital facilities, to collect adequate rates to assure that once something is built that Mesa has the ability to maintain the facility. He noted another cost that needed to be considered was the replacement cost of the facility spread over the life of the facility (i.e. on-going replacement of the filters, maintenance costs of the wells, etc).

Director Atkinson asked about the demand for water. Mr. McVicker responded that with the new project Mesa could supply 100% of the demand from local sources and meet all summertime peaks in the near future.

Director Ohlig-Hall asked about the expansion relative to involving a partnership. Mr. McVicker noted that the expansion would address the needs of Mesa's customers and the District would not venture into a partnership unless there was excess capacity.

Director Ohlig-Hall asked for clarification on paying for the expansion. Mr. McVicker noted that there would be a rate increase to expand the colored water treatment facility; however, it would be less than the rate increase if the facility were not expanded due to the increased cost of imported water.

Director Bockmiller asked about any salvage opportunities for the old equipment that would be replaced. Mr. McVicker noted that the vessels could be marketed and that would be part of the contract. It was also noted that some of the vessels could be converted and used in the disinfection process.

Director Shoenberger reported that the information presented at this meeting was reviewed by the Engineering and Operations Committee and the committee is pleased with the cost savings aspect of this project.

A recommendation was made for the Board to conduct a workshop for the purpose of reviewing the details of the proposed upgrade and replacement of the filtration system and expansion of the CWTF.

President Dewane asked Mr. McVicker about the total water sales at the CWTF and what the costs would have been to Mesa if there were no facility. Mr. McVicker noted that he would bring the information to the workshop where the Board would receive more information on the expansion of the facility.

President Dewane recognized Mesa customer Ed Guilmette. Mr. Guilmette provided comments to the Board regarding the CWTF and its costs. He commented that with the lawsuit the Board spent close to \$15 million. He noted that he believes the current CWTF is a failure and that he is disgusted with the performance of the Board.

Mr. Guilmette left the meeting.

Director Bockmiller commented that he was on the Engineering and Operations Committee at the time the CWTF was proposed and using information provided by Mesa's project advisors, the Board selected the technology that was economically the best solution for the District. Mr. Bockmiller commented that if there was a failure on the part of the Board, it might have been that Mesa did not look at a wider range of possibilities in examining the cost options. The lesson learned is that Mesa needs to conduct a sensitivity analysis of those cost options and look at a wider range of options. He noted that he doesn't concur with Mr. Guilmette's assessment of the Board of Directors and that the Board made an appropriate decision based upon the information available at the time and noted the CWTF has performed well. He noted he is looking forward to the Board workshop at which time the Board will review the project in detail. He also reminded the Board that Mesa's contractor for the CWTF paid Mesa \$1 million dollars in settlement of the lawsuit.

Director Ohlig-Hall commented that the Board did its due diligence and made decisions appropriate for the time.

President Dewane recommended that due to the sensitivity of the expansion of the CWTF he feels it important to give the ratepayers the facts of the initial project and recommended using the newsletter as a tool for education. The issue was referred to the Public Information Committee.

Director Ohlig-Hall recommended involving the ratepayers in the project as it is important to get their support for the project.

MOTION 2009-47

Motion by Director Atkinson, seconded by Director Shoenberger, to direct staff to prepare and issue a request for proposal for design services for the treatment technology replacement and expansion of the Colored Water Treatment Facility. Motion passed 5-0.

Financial Manager Beatley provided information on an option for the Board to consider while doing its refinancing of the existing Certificates of Participation (COPS). She offered that the Board could bundle the financing of the proposed expansion of CWTF into the refinancing of the COPS. She noted this was an opportunity to save processing costs. The debt would be issued now, but there is a three-year window in which it must be spent.

Director Ohlig-Hall asked what the expansion financing would cost the ratepayer. Ms. Beatley responded that it would be approximately 13 cents added to the rate. Director Ohlig-Hall commented she would not support a rate increase that exceeded 10 cents. She noted that with the current economic condition, the Board needs to consider the impact on the ratepayers.

Director Shoenberger commented he understood staff's motivation for the recommendation due to the low cost of money and that if done separately the cost of the financing would be incurred twice. However, it is his recommendation to move forward with the current refinancing plan and wait until the Board has more information on the project itself.

Ms. Beatley noted that the Board will have an opportunity in the first quarter of 2010 to address a funding opportunity for the expansion of the CWTF should the Board agree to move forward with the project.

President Dewane commented that he would support moving ahead with the refinancing at this time and address the new funding for the expansion project at the appropriate time. He too commented on the fragile economic environment.

Staff was given direction to continue to move forward with the current refinancing plan. The financing of the proposed expansion of the CWTF would come later.

RECESS

President Dewane declared a recess at 8:30 p.m. The Board meeting reconvened at 8:39 p.m.

Item III. B. was moved to the end of the meeting.

B. CLOSED SESSION:

1. PUBLIC EMPLOYEE APPOINTMENT
PURSUANT TO GOVERNMENT CODE SECTION 54957:
Title: General Manager

IV. REPORTS AND INFORMATION ITEMS:

A. REPORT OF THE GENERAL MANAGER:

1. April Key Indicators Report
2. Items of general interest:
 - ◆ Other
 - Bob McVicker was recognized for his efforts on the CWTF and Jerry Vilander for his innovative plan to reduce sun/heat from the sky light by installing a solar shade.
 - The Grand Jury report is published and available to the Board upon request.
 - A meeting is scheduled with the Mesa Verde homeowner's group on June 3, 2009 at 7 p.m. Director Shoenberger and General Manager Pearl will attend.
 - Staff is meeting with city of Huntington Beach staff regarding the Poseidon desalination project

Director Shoenberger asked staff to schedule a Closed Session and update the Board on the Poseidon desalination project at the next Board meeting.

B. STANDING COMMITTEE REPORTS:

1. Director Shoenberger reported on the following meeting:
 - a. Engineering & Operations Committee Meeting, 5/14

C. DIRECTORS' REPORTS AND COMMENTS:

1. Director Bockmiller reported on the following meeting:
 - a. ACWA/JPIA Spring Conference, 5/18 – 5/19
 - Five of Mesa's staff received safety awards from JPIA: Drew Gardner, Piet Pijl, Frank Schafer, Bob Mitchell, and Tom Neville.
 - b. Other

2. Director Shoenberger:
 - a. Other
3. Director Ohlig-Hall reported on the following meetings:
 - a. Orange County Water Summit, 5/15
 - b. ACWA Spring Conference, 5/20 – 5/22
 - c. Other
4. Director Atkinson reported on the following meetings:
 - a. Water Issues Study Group Alumni Meeting, 5/14
 - b. Water Issues Study Group Meeting, 5/19
 - c. Other
5. President Dewane reported on the following meetings:
 - a. Senator Harman, Grant Funding Meeting, 5/14
 - b. Chamber of Commerce Study Awards, 5/15
 - c. Other

V. INFORMATION ITEMS:

A. ITEMS OF GENERAL INTEREST:

1. Thank you letters for bottled water donations from the following organizations:
 - ◆ Orange Coast College Foundation, letter dated 5/11/09
 - ◆ Share Our Selves, letter dated 5/12/09

Director Shoenberger departed the meeting at 9:21 p.m.

III. ACTION ITEMS:

President Dewane announced that the Board of Directors was going into Closed Session at 9:24 p.m.

B. CLOSED SESSION:

1. PUBLIC EMPLOYEE APPOINTMENT
PURSUANT TO GOVERNMENT CODE SECTION 54957:
Title: General Manager

RETURN TO OPEN SESSION.

The Board returned to Open Session at 9:50 p.m.

President Dewane announced that the Board conducted one Closed Session pursuant to Government Code Section 54957. The Board received information and no other announcement was made.

President Dewane adjourned the meeting at 9:51 p.m. to an adjourned regular Board meeting to be held on Thursday, May 28, 2009 at 3:00 p.m.

Approved:



Fred Bockmiller, Acting President



Coleen L. Monteleone, District Secretary

Recording Secretary: Sharon D. Brimer