

MINUTES OF THE REGULAR MEETING

OF THE BOARD OF DIRECTORS

IDYLLWILD WATER DISTRICT

The Board of Directors of the Idyllwild Water District met in regular session on April 18, 2018, in the Idyllwild Water District Board Room.

CALL TO ORDER:

The meeting was called to order by President Schelly at 6:00 p.m.

ROLL CALL:

Directors present: President Charles Schelly, Steve Kunkle, David Hunt and Catherine Dearing. General Manager Jack Hoagland, Chief Financial Officer Hosny Shouman and Board Secretary Erica Gonzales were also present.

Vice President Szabadi entered the Board Room after the Consent Calendar vote at 6:11 pm.

General public present: (6)

PUBLIC COMMENT:

SUE NASH – Would like the litigation fees omitted from the annual budget. Would like them shown in a discretionary fund because there is no way to anticipate the magnitude of these fees.

ITEM 1 - CONSENT CALENDAR:

MINUTES – March 21, 2018

FINANCIAL REPORTS MARCH 2018

A.	Income statement for the Ninth month ending March 2018	
B.	District warrants for March 2018.	
	Check # 14656 - 14728	= \$ 181,858.82
	Gross Payroll	= \$ 55,253.61
	Federal/State PR taxes	= \$ 16,915.00
	LAIF Transfers	= \$ 0.00
	Transfers/charges	= \$ 0.00

OPERATIONS REPORT AND GRAPHS FOR THE NINTH MONTH ENDING MARCH 2018.

No mainline leaks were reported in March and there were no unmetered leaks. Foster

Lake's level was at 3 feet at the end of March. There was 2.68" of precipitation in March and there has been 6.99" of precipitation for the fiscal year to date. The static water levels at the Foster Lake Wells were 14' below ground level, the downtown well #23 is currently recovering at 120' and the downtown well #24 is recovering at 113' below ground level respectively. Production for March was 801,770 cubic feet. March's unaccounted for water was 3.42% of water production. Fiscal year to date unaccounted for water average is 6.21% of water production.

SIGNATURE CARD RESOLUTION #749 – Approves Signatories for Idyllwild Water District bank accounts due to changes in Board members.

DISCUSSION:

DIRECTOR KUNKLE – Inquired about various warrants. Would like a discussion of IT costs on a future Agenda. Questioned the Operations Report Well Production Data sheet.

JP CRUMRINE – Inquired about Retiree Health Care payments.

DIRECTOR DEARING – Supports Director Kunkle's request to review IT costs.

A MOTION was made by Director Hunt to approve the Consent Calendar and Director Kunkle seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
David Hunt Steve Kunkle Catherine Dearing Charles Schelly			Peter Szabadi

Consent Calendar was approved.

In order to allow Mr. Greg Henry to exit the meeting sooner, President Schelly moved up Item #3.

ITEM 3 – BUDGET PROPOSAL AND PUBLIC HEARING RESOLUTION #750

Recommendation: That the Idyllwild Water District Board of Directors consider the proposed budget for FY 2018-19, including rates, fees and assessments, and rates fees and assessments for Water and Wastewater for FY2019-20 through FY2022-23, adopt Resolution No. 750 establishing June 20, 2018 as the public hearing date to consider adopting the FY 2018-19 Budget proposed rates, fees and assessments, and rates fees and assessments for Water and Wastewater for FY2019-20 through

FY2022-23, and authorize Staff to notify the ratepayers as required by the California Constitution.

Background: Annually the Idyllwild Water District reviews the financial performance of the current year and prepares a budget for the upcoming year. The District engaged NBS in January to develop a rate structure that would incentivize conservation and comply with the requirements of the portion of the California Constitution known as Proposition 218 and the judicial interpretations thereof. Although a modified water rate structure was adopted for FY 2017-18 the District has not increased revenue through basic water or sewer rates since FY 2013-14 (five-years).

For FY 2018-19, two significant pressures are pushing rates:

1. The need to expand the Capital Improvement Projects (CIP) Plan to deal with the lack of CIP since 2000 (the Board has adopted a plan that includes a one-year high of \$700,000 in FY 2018-19 to respond to planned County road activity and \$400,000 per year for the remaining 4-years of the plan); and
2. The need to build the District Reserve levels back to target levels.

The proposed Budget and plan would increase the Wastewater Division revenue 5.8% in FY 2018-19 and by 2.5% in each of the succeeding four years (FY2019-20 through FY2022-23). No changes are proposed for the Wastewater rate structure. The cost for each EDU (Equivalent Dwelling Unit) would increase as follows:

<u>Fiscal Year</u>	<u>\$/EDU</u>
FY 2017-18	\$38.25 (Current)
FY 2018-19	\$40.00
FY 2019-20	\$41.00
FY 2020-21	\$42.03
FY 2021-22	\$43.08
FY 2022-23	\$44.15

The updated Miscellaneous Fees reflect current costs (Attachment 1) with an added note that all third-party costs for applying and removing liens shall be borne by the customer.

The proposed budget and revised water rate structure increases overall revenues by 5% per year for the five-year proposed period and allocates charges to the various rate classes based on their impacts, i.e., cost of service. A summary of the Rate Study is included as Attachment 2.

The analysis demonstrates that residential users, making up 89% of the customers, place a significantly higher demand on facilities due to their pattern of peaking and should be paying a higher portion of the fixed costs of operating the District. The past practice of the District in providing pre-paid water as part of the monthly fixed fee was judged

inconsistent with the State constitutional requirements for establishing water rates and eliminated from the proposed rate structure. Based on analysis of actual bills to customers, the residential Tiered Rate Structure has been modified as follows:

	<u>Current</u>	<u>Proposed</u>
Tier 1	0-300 cu ft	0-450 cu ft
Tier 2	300-600 cu ft	450-900 cu ft
Tier 3	600-1500 cu ft	900+ cu ft
Tier 4	1500+ cu ft	-----

Commercial/Institutional Customers will have one uniform commodity fee for all usage.

Fixed Monthly Service charges will continue to be based on the customer meter size. The exception is Idyllwild Arts Academy (IAA) which, due to its unprecedented demand on the system (over 12% of the water demand and 10% of the system capacity) has been assigned a customer class by itself.

Staff is not proposing any changes to Connection Fees for either water or wastewater

Rates

NBS and the staff developed several scenarios to achieve the goal of 5% additional revenue based around various allocations of revenue generation from either fixed monthly service charges or commodity charges. From the Staff view, more fixed revenue will enhance the financial soundness of the District and limit financial risk in a significant downturn in usage. This strategy will affect ratepayers with a change in individual rates. However, as will be presented at the Board meeting, Idyllwild Water District rates will still compare favorably with the rates of the neighboring Districts. Based on discussions and input from Board members at the Rate Workshop on April 10, 2018, three additional hybrid rate scenarios, in which the additional 5% revenue is generated each year but the amount collected from fixed charges increase each year, have been developed for the Board's consideration (Attachment 3). Staff recommends Scenario E.

Budget

Increases are due to inflation pressures on most categories and labor costs as staff members gain additional certification which results in higher salaries.

Notice

In order to comply with the State Constitution, staff will provide all ratepayers constructive notice of the proposed rates and the opportunities to participate in the rate development process (Proposition 218 Notice).

Mr. Greg Henry gave a presentation on 3 new scenarios for the Board to Consider.

MARGE MUIR – Would like Idyllwild Water District to emphasize that a formal protest must be in writing.

VICE PRESIDENT SZABADI – Asked various questions.

DIRECTOR DEARING – Asked various questions.

DIRECTOR HUNT – Asked various questions.

Jack Hoagland presented a chart comparing the recent Fern Valley Water District increases, the proposed increases for Pine Cove Water District and the proposed increases for Idyllwild Water District.

DIRECTOR DEARING- Asked various questions.

VICE PRESIDENT SZABADI – Suggested that the only way to lower fixed costs would be to downsize, i.e. less Capital Improvement and/or reduce labor force.

GREG HENRY – Commented that this would be in his opinion, unacceptable because then you would be reducing the quality of customer service.

MARGE MUIR – Commented on when the rate would take effect and asked for clarification on the timeline.

Vice President Szabadi made a MOTION to approve Resolution #750 setting a Public Hearing to approve a Rate Structure and the Budget for FY 2018-2019 using the alternative D rate structure and no second.

Motion died for lack of a second.

Director Hunt made a MOTION to approve Resolution #750 setting a Public Hearing to approve a Rate Structure and the Budget for FY 2018-2019 using the alternative F rate structure and Director Szabadi seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
David Hunt	Catherine Dearing		
Peter Szabadi	Steve Kunkle		
Charles Schelly			

Motion approved.

President Schelly adjourned for a 5 minute recess.

Greg Henry offered to create a spreadsheet that will show how much bills will be for different alternatives. Possibly reconsider Item #3.

ITEM 2 – REVISED RESERVE FUNDS POLICY AND RESOLUTION #748

Recommendation: That the Board of Directors, consider the adoption of Resolution No. 748 which would update and revise the District's Reserve Funds Policy.

Background: On September 16, 2015, the Board of Directors adopted Resolution No. 711 establishing a Reserve Funds Policy for the District. The policy calls for periodic review and update as the financial and physical aspects of the District evolve over time.

In 2016, the District upgraded its operating fleet creating a smoother replacement timeline for vehicles in the future. Staff recommends that the Target Fund level for the Vehicle and Equipment Replacement Reserve Fund be reduced from \$750,000 to \$300,000.

As the ratepayers and customers of Idyllwild Water District have entrenched their conservation and efficient water use habits, the Board of Directors is grappling with policy considerations related to funding District fixed operational costs including the adoption of a more moderate capital improvement policy for the future to restrain water rate impacts on the ratepayers. Staff recommends a reduction in the Target Level of the Capital Improvement and Replacement Reserve Fund from \$2,000,000 to \$1,500,000.

These changes will reduce the Target Level Funding of all of the Reserve Funds from \$5,000,000 to \$4,050,000. Staff believes that these target levels will still be very responsible and will leave the District in a strong financial position in the event of unforeseen circumstances. The proposed FY 2018-19 Budget proposes to use \$300,000 from the current reserve level of \$3,700,000 which would leave the District at 84% funded of the Target Levels. The Proposed rate structure and longer term CIP result in full funding within 5-years.

DISCUSSION:

SUE NASH – Concerned that Idyllwild Water District will have to go into Reserve Funds due to the cost of the Strawberry Creek litigation.

DIRECTOR DEARING – Shares Sue Nash's concern. Would like to know what would happen if Idyllwild Water District stopped the litigation at this point?

DIRECTOR KUNKLE – Inquired about the OPEB Reserve Fund.

A MOTION was made by Director Dearing to approve Resolution No. 748 setting new Targets for Idyllwild Water District's Reserve Funds and Vice President Szabadi seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Catherine Dearing			
Peter Szabadi			
David Hunt			
Steve Kunkle			
Charles Schelly			

Motion approved.

ITEM 4 – DESIGN SERVICES FOR 2018 PIPELINE PROJECT

Recommendation That the Board of Directors authorize the General Manager to execute professional services agreements with ENRC \$35,779, The PRIZM Group \$6,600, and Inland Foundation \$32,080, for services during the design and potential construction of the 2018 Pipeline Replacement Project.

Background As has been discussed with the Board of Directors on several occasions, staff have identified an immediate need to replace about 2,600 feet of early 1950s 8-inch water pipeline on South Circle from the end of the 2017 Pipeline project (Bicknell) to Village Center Drive and on Village Center Drive from South Circle to North Circle (see attachment). The 2017 pipeline project replaced portions of this old line, which was observed to have reached the end of its useful life. The line, at 8-inch diameter, is part of the backbone distribution system of the District and the downtown commercial area in particular.

Early this year the County notified the District of plans to resurface the roadways in the downtown area of Idyllwild including the reaches that contain the aforementioned pipelines in need of replacement. It would be in the best public interest to have the pipelines replaced prior to the County resurfacing project. At the January 2018 Regular Meeting, the Board authorized the baseline survey of the project area. Building on that data, Staff recommends engaging ENRC to prepare plans and specifications for the construction of the project. In an effort to keep the project as cost effective as possible, the District would also directly contract with the surveyor (The Prizm Group) and the geotechnical firm (Inland Foundation Engineering).

The total proposed by the three firms, \$74,459, is significantly less than the proposal from Webb and Associates on the 2017 pipeline project (\$141,700) for substantially similar proposed services. Staff will be performing the bulk of the inspection work as well as performing the excavation work for the design effort.

Staff believes that moving ahead with this project will offer the best possible opportunity to have a cost effective project in conjunction with the County's plans to resurface these same streets in the Spring of 2019. The project would target construction for immediately after Labor Day 2018.

DISCUSSION:

MARGE MUIR – Commented on the cost of the project and the target cost of the project.

DIRECTOR DEARING – Requested clarification on the specific location of the project and when Riverside County Transportation is expecting to repave that area.

DIRECTOR HUNT – Asked about the Geotechnical Engineering and if it is required. Asked what “Staking” is in relation to the proposal.

DIRECTOR KUNKLE – Asked what other cost should be expected in relation to the project. Wanted to insure that Jack is going to be in contact with Riverside County Transportation through out to make sure that this will still be cost advantageous for the District.

VICE PRESIDENT SZABADI – Asked for clarification on whether the design service cost is included in the budgeted \$200 per foot.

A MOTION was made by Vice President Szabadi to authorize the General Manager to execute professional services agreement with ENRC \$35,779, The PRIZM Group \$6,600, and Inland Foundation \$32,080, for services during the design and potential construction of the 2018 Pipeline Replacement Project and Director Dearing seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Peter Szabadi	Steve Kunkle		
Catherine Dearing			
David Hunt			
Charles Schelly			

Motion approved.

RECONSIDERING ITEM #3

Greg Henry brought more information regarding Item #3 and what water bills will actually be based on usage for the different options.

As a prevailing party in approving Resolution No. 750 using Proposed Alternative “F,” President Schelly requested Reconsideration of Item #3. Director Dearing made a Motion to adopt Option D as the proposed Rate Structure instead of Option F and Vice President Szabadi seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Catherine Dearing			
Peter Szabadi			
David Hunt			
Steve Kunkle			
Charles Schelly			

Motion approved.

ITEM 5 – UNIT #1 – 2014 TOYOTA FORERUNNER

Recommendation That the Board of Directors, at the request of Director Hunt, consider the disposition of the District’s Unit #1, the 2014 Toyota Forerunner.

Background The District purchased a 2014 Toyota 4Runner for use by the then General Manager. The current General Manager uses his own personal all-wheel drive vehicle for District business and is compensated with a monthly stipend for automobile travel. The Toyota has 16,000 miles.

Although use has been limited for the last year, staff are now using the Toyota for the 2-3 times per day mail run and other trips by the other administrative staff, thus limiting confusing liability issues in the event of unforeseen circumstances.

DISCUSSION:

Director Hunt made a MOTION to table ITEM #5 and Vice President Szabadi seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
David Hunt			
Peter Szabadi			
Catherine Dearing			
Steve Kunkle			
Charles Schelly			

Motion approved.

ITEM 6 – AUDIO EQUIPMENT FOR RECORDING BOARD MEETINGS FOR WEBSITE POSTING

Recommendation: That the Board of Directors consider purchase of audio equipment for recording board meetings in a format compatible with website posting for \$5,610.

Background: The District currently records its board meeting in MP3 digital format. This format is cumbersome, takes up a lot of digital space on the website and is not searchable.

Although the Board consensus has been not to spend \$5,000+ to make the audio available for what appears to be a very limited public demand, a request was made to include this issue for the Board of Directors to make a definitive determination.

DISCUSSION:

TOM PAULEK – In the interest of Transparency, should approve this.

DIRECTOR HUNT – Asked for clarification on how the recordings are currently available if someone wanted to listen to it.

DIRECTOR KUNKLE – Asked if any other fees were anticipated relating to the software.

VICE PRESIDENT SZABADI – Asked for clarification as to if the software is necessary and if the recordings could be posted as is.

Vice President Szabadi made a MOTION to post the mp3 recordings of the Board Meetings on idyllwildwater.com as is and Director Dearing seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Peter Szabadi			
Catherine Dearing			
David Hunt			
Steve Kunkle			
Charles Schelly			

Motion approved.

DIRECTOR'S COMMENTS:

None.

JP CRUMRINE – Inquired if the Board was going to pass a Draft Budget next month since it was not done at the meeting.

RECONSIDER ITEM #3

SUE NASH – Concerned about the organization of the Budget and believes the legal fees should not be included in the fixed fees of the Budget.

JP CRUMRINE – Inquired about the increase in the Payroll expense for the FY 2018-2019 Budget.

VICE PRESIDENT SZABADI- Inquired about the increase in the Medical Insurance expense.

Vice President Szabadi made a MOTION to approve the Draft Budget for FY 2018-2019 using proposed rate alternative D and setting approving Resolution No. 750 setting a Public Hearing for June 20, 2018 and Director Dearing seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Peter Szabadi			
Catherine Dearing			
David Hunt			
Steve Kunkle			
Charles Schelly			

GENERAL MANAGER’S COMMENTS:

None.

ADJOURNMENT:

A MOTION was made by Director Hunt to ADJOURN and Director Dearing seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
David Hunt			
Catherine Dearing			
Steve Kunkle			
Peter Szabadi			
Charles Schelly			

Motion approved.

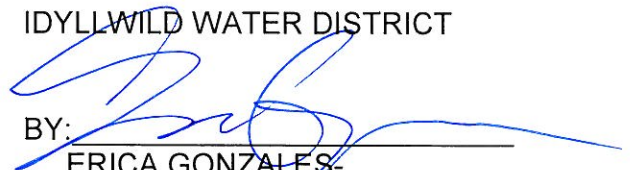
The meeting was adjourned at 9:27 pm.

IDYLLWILD WATER DISTRICT

BY: 

DR. CHARLES SCHELLY-
BOARD PRESIDENT

IDYLLWILD WATER DISTRICT

BY: 

ERICA GONZALES-
BOARD SECRETARY

San Jacinto Mountains Water Agency

Residential Rate Comparisons

Samples	1473 Customers		1177 Customers		1108 Customers		
	Usage	Base	Idyllwild Water District (Proposed Choice D)	Idyllwild Water District (Proposed Choice E)	Fern Valley 2018	Pine Cove 2018/19 Option A	Pine Cove 2018/19 Option B
300 CF	+	5/8"	\$33.89	\$36.52	\$42.00	\$42.70	\$39.23
300 CF	+	3/4"	\$47.01	\$50.96	\$62.10	\$42.70	\$39.23
300 CF	+	1"	\$67.01	\$79.82	\$111.90	\$42.70	\$39.23
450 CF	+	5/8"	\$36.77	\$39.40	\$48.00	\$47.05	\$42.60
450 CF	+	3/4"	\$49.89	\$53.84	\$68.10	\$47.05	\$42.60
450 CF	+	1"	\$69.89	\$82.70	\$117.90	\$47.05	\$42.60
900 CF	+	5/8"	\$95.59	\$91.33	\$66.00	\$60.10	\$52.70
900 CF	+	3/4"	\$108.71	\$105.77	\$86.10	\$60.10	\$52.70
900 CF	+	1"	\$128.71	\$134.63	\$135.90	\$60.10	\$52.70

April 18, 2018

Board of Directors
Idyllwild Water District
25945 Highway 243
Idyllwild, California 92549

**Re: Idyllwild Water District Board of Directors April 18, 2018 Public Meeting
Agenda Item # 6 – AUDIO EQUIPMENT FOR RECORDING BOARD MEETING FOR
WEBSITE POSTING.**

In your deliberations on Agenda Item # 6, we would like to request each of the Board Members review and consider the Legislative Intent of the Brown Act cited below:

“The people of this State do not yield their sovereignty to the agencies which serve them. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created.”

We would ask each of the IWD Board members to approve the expenditure for Agenda Item No. 6 in order to conduct the public business in an “Open Book” manner ensuring 21st Century transparency. Thank you for your consideration of this important issue and thank you for your ongoing public service.

Sincerely,

Tom Paulek / Susan Nash
53300 Meadow Drive
Idyllwild, California