

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 June 17, 2015.

CALL TO ORDER:

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

ROLL CALL:

Directors present: President Jim Billman, John Cook, Dean Lattin, Warren Monroe and Mike Freitas. Also present was General Manager, Tom Lynch, Finance Officer, Hosny Shouman and Board Secretary Kelly Clark.

General public present: (- 9 -)

CONSENT CALENDAR:

MINUTES – May 20, 2015

FINANCIAL REPORTS

OPERATING STATEMENT FOR THE ELEVENTH MONTH ENDING MAY, 2015

DISTRICT WARRANTS FOR MAY –

CHECK #12956 - #13005	= \$	101,237.84	OPERATING
PAYROLL	= \$	32,711.52	PAYROLL
FEDERAL/STATE PR TAXES	= \$	15,501.49	TAXES
LAIF TRANSFERS	= \$	-0-	LAIF TRANSFERS
TRANSFERS/CHARGES	= \$	85.00	

OPERATIONS REPORT FOR THE ELEVENTH MONTH ENDING MAY 31, 2015. No mainline leaks were reported in May. Foster Lake was still dry at the end of May. IWD did not divert water during May and there was 2.81” precipitation. There has been 19.96” precipitation for the fiscal year to date. The static water levels at the Foster Lake Wells were 48.3’ below ground level and the downtown wells are currently 16’. Production for May was 835,190 cubic feet. May unaccounted for water was 3.00% of production. FY unaccounted for average is 4.51%. A MOTION was made by Vice President Cook and seconded by Director Monroe to approve the Consent Calendar. The Motion was approved and duly carried with a unanimous vote of all Directors present.

5. UNFINISHED BUSINESS – Work in Progress

WATER AND WASTE WATER ISSUES – Idyllwild has received intermittent storms in the last month which has helped us with our water sustainability, however we remain at Stage II. Scientists are projecting we will have an “El Nino” year which should increase our annual rainfall. The Governor’s mandatory water conservation directive calls for a 25% reduction for cities and towns throughout the state. Larger water districts have been assigned specific water reductions ranging from 8% to 36%. As a district with less than 3,000 connections, the Idyllwild District must cutback water usage by 25%, or impose outside landscape watering restrictions to two days per week. We have an item on the agenda this evening recommending we do the latter.

We have received approval from the State to activate our horizontal wells. The water from these wells can now go directly to our treatment plant. We project this will provide us with over 10% of our water demand with water we do not have to pump. Vice President Cook commended Tom and the staff for getting the horizontal wells operational. These wells do not have pumping costs. We have prepared cost estimates to repair inoperative vertical wells in the vicinity of the horizontal wells to further increase water production.

IWD Board Meeting, 06/17/15, WIP, cont.

Grant applications have been submitted to the Federal government to cover the costs of the rehabilitation of these wells.

Our additional USDA grants for improving our district wide infrastructure are presently being reviewed by Federal officials. Staff has put together significant financial and capital improvement data, and a Preliminary Engineering Report (PER) detailing needs and improvements to make our grant submittals more competitive.

The State Water Resources Board is preparing revised documents to clarify our design and construction schedules to utilize the grant and low-interest loan funding for our tertiary wastewater treatment and water recycling improvements. We will be soliciting for a design engineer to produce the working plans and specifications for the project.

The California Environmental Protection Agency, Regional Water Quality Control Board has provided us with updated standards and waste discharge requirements. Staff is reviewing the tentative order, and we have an ability to comment on this draft before this is heard by the Regional Board this Friday, June 19th.

SEWER EFFLUENT PROJECT - Our replacement sewer effluent line is making excellent construction progress. The contractors have installed over 5,000 feet of pipe and are ahead of schedule. The contractor started at the ponds and is now past the upper drying beds. A metal locator line will be attached to the effluent line, so it can be found after it is buried. Tom said there were several rocks that had to be jackhammered. We have now implemented recommendations by our consultant, Wyatt Troxel, changing protocols and procedures for operating the wastewater treatment plant. These procedures will allow us to decrease the amount of time we run the aeration blowers, which will represent a 25% savings in electrical cost for the sewer plant. Vice President Cook said if these procedures had been implemented when Mr. Troxel suggested it 13 years ago, we would have saved \$130,000. Over the next month, we will be addressing areas of root intrusion in our sewer lines identified by our consultant, Houston-Harris. This will involve areas of hand digging in order to work around trees and structures.

WATER CONSERVATION - The State is continuing to develop further guidelines for water conservation, and we will keep our customers informed on our website and in our newsletter. We recently completed our annual Consumer Confidence Report (CCR) for 2014, and this will be distributed to all our customers before the end of the month. In the report we have also listed some of the District's major improvements in the past year. We want to thank our customers for their continued frugal use of water, we appear to be ahead of most California communities in our attention to water conservation. Vice President Cook said our water production is 131 gallons per minute down from 197 gpm. This shows impressive water conservation by our customers.

ENERGY CONSUMPTION UPDATE - Our new solar inverters are working very well. Our efficiency continues to be above 80%. The performance of the solar array can be viewed on-line on our web-site. We are continuing to work with our contractor to make sure we are benefitting from the correct S.C.E. tariff, and we are looking at options for further solar enhancements.

IWD ELECTION - A list of candidates was received from the Registrar of Voters for the August mailed ballot election for three seats on the IWD Board.

OTHER PROJECTS AND MATTERS - We think we have worked through all the remaining issues with our Internet and phone services with Time Warner. Our Verizon Internet service has been too unreliable. We are scheduling our transition in the next two weeks.

The Rules and Regulations committee met to discuss the Stage II and Stage III criteria, our tier rate structure, and our compliance with recent court determinations and State guidelines. We are attempting to redraft our ordinance that has been in place since the mid-1990's, in which we define the parameters of Stage I, Stage II and Stage III. First we want to provide a reasonable set of criteria that would be the trigger points

for each Stage. We are looking at issues like annual precipitation, snow levels, status of Foster Lake, depths of the wells we need to pump from (lake and downtown), our storage capacity in our tanks, and the stabilized demand from our customers.

Next we looked at what the appropriate rate structure should be for each Stage. We are not proposing an increase in rates, we are only discussing how we are structuring rates.

IWD Board Meeting, 06/17/15, WIP, cont.

Three options were outlined: 1. Leave our rate structure as is. (Note that there is presently a jump from .05 cents to .10 cents per cubic foot in the second tier in Stage III.) 2. Eliminate the "free" water (the first 250 cubic feet if we need to move to Stage III), or 3. Have a more graduated increase after larger water consumption at only Stage III levels. In discussing the issue with the sub-committee, the preference is that we should have a more graduated rate increase based on higher consumption when we are in Stage III. Thus, instead of jumping from .05 cents to .10 cents per cubic foot, we should increase to .06, .07, .08 at the various increases of consumption. In doing so, we can match our increase costs of production to the increased rates which is what that law suit in San Juan Capistrano covered. That City had punitive rates that couldn't be justified by their cost of production.

Tom and Hosny met with the Finance Committee to review the draft budget, and the budget approval is up for consideration on the agenda this evening.

5. NEW BUSINESS – RESOLUTION #707 – Budget for 2015/2016 - Chief Financial Officer, Hosny Shouman, presented the budget. Tom said staff has worked very hard to reduce the District's costs and provided us with an approximate annual savings of \$122,000 with this budget. Tom addressed the water and wastewater capital improvement projects and answered questions from the board members. JP Crumrine questioned that our net income projection is \$978,000. Hosny indicated that this is a conservative budgetary projection. Vice President Cook said we will be using our reserves and this is a good time to do it since we are in a drought condition. Tom said we are building sustainability into the system. Tom said we are focusing on rehabilitation of existing wells instead of drilling new wells. New wells are far too expensive. Vice President Cook said there is a good possibility that a new well could be drilled and no water found. There are no guarantees. Rehabilitating wells is far less expensive. John said if a good well site becomes available, IWD would certainly consider it and we also would consider purchasing an existing well from customers. Vice President Cook said he supports this budget because personnel cost and utility costs will be reduced. Director Monroe made a MOTION to adopt Resolution #707, which was seconded by Vice President Cook and approved with a unanimous vote.

6. NEW BUSINESS – RESOLUTIONS #708 AND #709 – Restricted Funds

Funds need to be set aside for uncompensated balance liability fund and retiree health benefits. Hosny prepared Resolution #708 (water) for the above funds and will present this item to the board for consideration for approval. Resolution #709 (Sewer/Improvement District #1) is for uncompensated balance liability funds and retiree health benefits. Vice President Cook made a MOTION to approve Resolutions #708 and Resolution #709, which was seconded by Director Monroe and approved with a unanimous vote.

7. MANDATORY WATER RESTRICTIONS -

Tom reiterated that California is experiencing an extended period. We have received a Notice of Emergency Drought Requirements for Small Water Suppliers (serving 15 – 2,999) from the State Department of Public Health requiring small water systems to restrict water usage beginning June 1st through November 30th. IWD can either commit to reducing water usage by 25% or limit outdoor irrigation watering to two days per week. Tom said that in review of this edict, it appears that the two days per week of outdoor irrigation would be more effective. It appears that our customers have already reduced a significant portion of their indoor usage. The amount of this specific requirement is not known at this time. Certainly revenue will drop, but the amount is unknown. Hosny will keep the board informed as to how this is impacting the District. If we allow a weekend day to water it will enable our off-hill residents to water at least one day per week. The Board reiterated that IWD is not the water police and urged customers to speak with neighbors that may inadvertently be watering at the wrong time. Director Monroe made a MOTION to limit outdoor irrigation to two days per week...customers with odd address numbers conduct their outdoor irrigation on Thursdays and Sundays, with customers with even address numbers watering on Wednesday and Saturday. June Rockwell asked if there is a time limit to watering. Tom said the

Stage 2 restriction stays in effect, watering only be allowed between 6:00 pm to 8:00 am. The Motion was seconded by Director Freitas and approved with the following vote:

AYES: Jim Billman, Warren Monroe, Mike Freitas, Dean Lattin

NAYS:

ABSENT:

ABSTAIN: John Cook

CORRESPONDENCE: None

DIRECTOR'S COMMENTS: None

PUBLIC COMMENT: Vic Sirkin, a local realtor, thanked the Board for their service and said the budget seems financially sound with revenues being reduced. He made a plea to the Board to consider seniors who bought their property to build their dream home many years ago for retirement and now are unable to, due to the meter restriction. He said it would take them a long time to actually build a home and by then the drought may be over. At this point people who purchased lots are stuck with a lemon. He said allowing meters would result in trickle-down economics, with local builders, drywallers, painters, etc. gaining work. He asked the Board to consider lifting the moratorium on meters. He said residents are showing that they can do a good job of conserving what water we have. He said he is aware of a person that bought a lot with a meter for \$125,000 who now can sell it for \$250,000. He asked the Board to consider the capacity fees and monthly base fee income the meters could generate. Vice President Cook said that Stage 3 could be right around the corner. When a person purchases a meter there is a promise to have water. David Lilieholm said the community has lowered their usage, the repaired horizontal lines will produce additional water and the depth of some wells are coming up. Director Monroe said if this drought continues our pumping costs will increase. We need an engineering study to forecast one, two and three year droughts. Mr. Lilieholm asked why this study wasn't done before this. He said the numbers show we have water. Director Monroe said we don't know when our wells will start sucking air. Tom said he really does appreciate the dilemma, but said it's difficult not having Foster Lake to rely on. He said Australia has recently endured a 12-year drought and we don't have any idea how long our drought will last. Tom said IWD's job is to deliver water to its customers. Mr. Lilieholm said that people are being required to purchase 1" meters now due to fire sprinklers being required, at a cost of \$83.00 per month. He said the sprinklers are rarely used. Director Monroe said it is IWD's promise to deliver water in case of a fire. There is more capacity and demand potential.

Olive D'Arcy said she came to the meeting, thinking that rates were being raised. Now that her fears were put to rest, she had another concern. She would like to see the unification of the three districts discussed again. She had attended prior consolidation meetings that were very contentious. The Board assured her that they support unification and there is a measure on the books supporting unification. However, it would have to be spearheaded by the public, not the Board. The other two Districts have stated their opposition to the measure.

Steve Kunkle said he has been awaiting document information for two weeks. Tom said he and Steve have a meeting on Friday to discuss his concerns. Steve also said that the measures that Wyatt Troxel had recommended 13 years ago were attempted and did not work.

ADJOURNMENT: Vice President Cook made a **MOTION** to adjourn the regular meeting which was seconded by Director Freitas. With a unanimous vote of all Directors present, the regular meeting was adjourned at 8:26 p.m.

IDYLLWILD WATER DISTRICT

BY:

KELLY CLARK - BOARD SECRETARY

APPROVED:

IDYLLWILD WATER DISTRICT

BY: _____
JIM BILLMAN – PRESIDENT