

**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 January 18, 2017, in the Idyllwild Water District Board Room.

CALL TO ORDER:

The meeting was called to order by President Schelly at 6:09 p.m.

ROLL CALL:

Directors present: President Charles Schelly, Vice President Vic Sirkin, Geoffrey Cain, Steve Kunkle, and Peter Szabadi. Interim General Manager Jack Hoagland and Board Secretary Erica Gonzales were also present.

General public present: (-4-)

PUBLIC COMMENT:

SUE NASH- Gave handout to all Board members (attached). Expressed concern about her Public Records Request and about a rumor that PCWD and FVWD along with IWD are in negotiations to connect and supply water to phase 2 to the Community Center. If this is true, public should be made aware and water should not be set aside for Community Center, should be available to all customers.

PRESIDENT SCHELLY- We are not aware of any agreement.

JP CRUMRINE- This past summer and the previous fall, IWD issued a will serve letter to Community Center for an existing water meter for phase 1. Tom Lynch stated that because we are not issuing will serve letters to IWD customers, IWD will not issue a new will serve for phase 2, 3 and 4. Because of this, PCWD and FVWD said they will provide water to complete the Community Center. Such an arrangement will require no new connections; there are already connections between the water districts.

GEOFFREY CAINE- How can water be specifically given to the Community Center Project without going throughout the system?

JACK HOAGLAND- It wouldn't. The water would be metered and IWD would probably receive a nominal fee but the FVWD GM didn't mention anything about it when we met to discuss various business topics. It's possible.

SUE NASH- If more water coming in from FVWD and PCWD, there needs to be some discussion as to why the water isn't for anybody and only for the Community Center.

PRESIDENT SCHELLY- We can't control the other water districts and what they do.

PETER SZABADI- Doesn't understand why the water should be for everybody if it is given by PCWD and FVWD for that particular purpose.

SUE NASH- As a public entity, is there a problem with not being for everybody else?

JACK HOAGLAND- If there were agreements, it would say that the water will be metered at the Community Center and they will reimburse IWD for "this amount of water." They aren't going to give us unlimited amounts of water so we can issue to "350 new homes." If there were an agreement, we would follow the stipulations in that agreement.

PRESIDENT SCHELLY- We have directed the General Manager to cooperate fully with the other districts.

SUE NASH- Hoping this discussion will engender more cooperation between the districts.

ITEM #1- CONSENT CALENDAR:

MINUTES – December 21, 2016
January 11, 2017

OPERATIONS REPORT AND GRAPHS FOR THE SIXTH MONTH ENDING DECEMBER, 2016.

No mainline leaks were reported in December. Foster Lake was still dry at the end of December.

IWD did not divert water during December. There was 5.48" of precipitation in December and there has been 10.06" of precipitation for the fiscal year to date. The static water levels at the Foster Lake Wells were 32.3' below ground level, and the downtown well #23 is currently static at 8' and the downtown well #24 is static at 18' below ground level respectively. Production for December was 778,718 cubic feet. December's unaccounted for water was 3.75% of water production. Fiscal year to date unaccounted for water average is 4.53% of water production.

SIGNATURE CARD- With the changes in the composition of the Board of Directors and district management there is currently only one authorized signatory for District banking business. To facilitate good checks and balances and comply with District policies it necessary to have all of the directors in addition to the Interim General Manager available for authorizing payments of the District.

To comply with **banking** regulations the Board of Directors is required to make the determination through the adoption of a Resolution (attached).

JACK HOAGLAND- Would like to pull minutes for December 21, 2016 off for separate consideration.

A MOTION was made by Vice President Sirkin to approve the balance of the Consent Calendar and Director Szabadi seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Victor Sirkin			
Peter Szabadi			
Geoffrey Caine			
Steve Kunkle			
Charles Schelly			

Consent Calendar approved.

MINUTES FOR DECEMBER 21, 2016

JACK HOAGLAND- Erica had a problem, used a template from a previous month and missed a paragraph when deleting. The changes have been provided. Also, Jeff Smith called and expressed concern that what he said was mischaracterized in the minutes. Erica and I listened the recording and agree. We would like to change the minutes to reflect that they should say "If no violation, no notices for upgrading the plant, then the decision should be based on the feasibility of the project."

Director Geoffrey Caine made a MOTION to approve the change to the December 18, 2017 Minutes and Vice President Sirkin seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Geoffrey Caine			
Victor Sirkin			
Steve Kunkle			
Charles Schelly			
Peter Szabadi			

The Motion passed.

ITEM 2 – APPOINT ACWA/JPIA REPRESENTATIVE:

Recommendation: That the Board of Directors appoint a representative and an alternate to the Association of California Water Agencies/Joint Powers Insurance Authority.

Background: Idyllwild Water District has Liability, Property, Worker's Compensation and employee Medical insurance through the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA or JPIA). JPIA is a separate government entity composed of several hundred water agencies in California that have come together in a joint exercise of powers agreement to help manage the costs and risks associated with providing insurance to the members of the joint exercise of powers entity.

Unlike an insurance company, the JPIA is a pool of entities that are self-insured for the first increment of loss (the amount varies depending on the particular program) and then have "stop loss" coverage to protect the members from large claims.

As a joint exercise of powers entity, the governance is through a Board of Directors which then elects an Executive Committee, the principle governing body. Each agency member is entitled to one Director appointed from the governing body of the member agency and an alternate member that can be an "elected" or a staff member. At the general meetings (held twice per year in conjunction with the Association of California Water Agencies bi-annual conferences) each agency in attendance has one vote.

The JPIA offers guidance and resources to its members to minimize risk to the pool of all members. As with all insurance coverage, entities that demonstrate above average risk through claims history incur higher premiums. Likewise entities that demonstrate lower than average claims receive rebates on their premiums. The premiums are set separately for each of the four pools (Liability, Property, Worker's Compensation and Medical Benefits) separately since the membership of each pool or Program is different (an Agency can belong to one, two, three or all of the Programs).

DISCUSSION-

PRESIDENT SCHELLY- Can you explain the value of sending someone to these meetings/ conferences?

JACK HOAGLAND- You get to participate in the decisions that will affect you and they also offer training that will be a benefit. Could send member to the conference held in Fall in Southern California.

STEVE MOULTON- What is the cost?

JACK HOAGLAND- The cost is included in the dues that we already pay for membership and the premiums we pay for insurance coverage.

STEVE MOULTON- Have we had someone go before?

DIRECTOR KUNKLE- Believes Warren Monroe used to go.

DIRECTOR CAINE- What is brought back to the Board?

PRESIDENT SCHELLY- The member would come back and hand out whatever literature they received and give an oral report about what they voted on and learned.

DIRECTOR KUNKLE- Doesn't ACWA also lobby for Special Districts?

JACK HOAGLAND- No, ACWA and ACWA/JPIA are two separate entities and the JPIA is the insurance pool. ACWA is a private entity and ACWA/JPIA is a public entity. In order to be a part of the JPIA you have to belong to the private ACWA.

Director Szabadi suggested that he be appointed as the Board member representative for the IWD.

Vice President Vic Sirkin made a MOTION to appoint Peter Szabadi at the ACWA/JPIA representative for IWD and Director Caine seconded. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Victor Sirkin			
Geoffrey Caine			
Steve Kunkle			
Charles Schelly			
Peter Szabadi			

The Motion passed.

Jack Hoagland suggested that he be appointed as alternate representative to ACWA/JPIA for IWD.

Director Szabadi made a MOTION to appoint Jack Hoagland the alternate representative to ACWA/JPIA for IWD and was seconded by Director Caine. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Peter Szabadi			
Geoffrey Caine			
Steve Kunkle			
Charles Schelly			
Victor Sirkin			

The Motion passed.

MARGE MUIR- You may have new Board members by the time of the meetings because they are after the next election. May have to bring back to the Board.

ITEM #2- Formation of an Ad Hoc Legal Representation Sub-Committee:

Recommendation: That the Board of Directors considers the formation of a Legal Representation ad hoc committee and direct staff to Facilitate the committee with the goal of recommending a firm to act as General Counsel for the District.

Background: As a result of various actions, the District is essentially without a General Counsel. The Board believes that it is important to engage a General Counsel at the earliest opportunity. The Board of Directors, at the December 21, 2016 meeting, determined that the time was appropriate to solicit proposals from attorneys to act as General Counsel to the District. The President appointed an ad hoc Legal Representation sub-committee to evaluate District options and make a recommendation to the full Board of Directors.

The Legal Representation ad hoc sub-committee solicited proposals from Best, Best & Krieger and Varner & Brandt, both firms with extensive experience with Special Districts, labor, water rights and municipal law in general. After reviewing the proposals the ad hoc sub-committee interviewed the firms via telephone. Subsequently one of the ad hoc sub-committee members resigned from the Board.

Upon further review of the potential issues facing this District, Best, Best, and Krieger withdrew from consideration due to irreconcilable conflicts with their representation of Fern Valley Water District. Although not withdrawing, Varner & Brandt could have similar conflicts as it represents Pine Cove Water District.

Therefore, the Ad Hoc Legal Representation Sub-Committee would seek a non-conflicted Firm that would have practice areas that could support the District over the range of its activities to recommend to the full Board of Directors.

DISCUSSION:

PRESIDENT SCHELLY- Currently serving on the ad hoc committee is Director Sirkin and Hosny Shouman.

VICE PRESIDENT SIRKIN- Would like to make to recommendations, the first being that Jack Hoagland replace Hosny Shouman, and the second, that Perter Szabadi be the other Board member on this committee.

Director Caine made a MOTION to have Jack Hoagland be the staff person and Peter Szabadi be the second Board member on the Ad Hoc Legal Representation Committee and was seconded by Vice President Sirkin. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Geoffrey Caine			
Victor Sirkin			
Steve Kunkle			
Charles Schelly			
Peter Szabadi			

The MOTION passed.

ITEM #4- RECYCLED WATER PROJECT:

Recommendation: That the Board of Directors directs staff to take all necessary steps to cancel the District's Recycled Water Program.

Background: Ten years ago the District initiated a program to develop recycled water (RW) as a water source to supplement the local water supply.

Recycled water programs have been very successful in many jurisdictions but every program is governed by the specific details and criteria of the project. Unfortunately, IWD's program seems to have been one that tried to impose a "one size fits all" process on the unique demographic, geographic and hydrologic conditions of the community.

Two general paths were available to the District for the RW program:

- A. Replace irrigation with potable water with irrigation with RW; or
- B. Use the RW to supplement local groundwater supplies through replenishment via Foster Lake.

Either path would require a substantial upgrade of the Wastewater Treatment Plant processes from the existing secondary treatment to tertiary treatment. (The additional facilities required would include flocculation, filtration and disinfection in addition to the current processes.)

The District prosecuted the program diligently, getting a planning grant from the State Department of Water Resources (DWR), performing engineering studies on the necessary plant improvements, identifying pipeline routes and preparing an environmental assessment. To date the District has spent \$365,000.

However, in hind sight, three fatal flaws were present in the program:

1. Regarding substitution of RW for potable irrigation water:

There does not appear to be the identification of a large enough demand nor commitment from potential users. In a December 5, 2011 technical memorandum this fact is noted. With the short "growing season" this program would only be active about six months each year. The proposed use of "green tanks" by residential or commercial users for remote (from the RW main distribution line) use supplied by truck delivery is fraught with regulatory and mitigation complications and costs which don't appear to have been monetized. The amount of water that was identified in several scenarios is not clearly supported by the data. In addition, the drought has demonstrated that the flow to the Wastewater plant can drop significantly through the conservation efforts of the water ratepayers, jeopardizing the "reliability" feature touted of RW.

2. Regarding the use of RW to supplement local groundwater supplies through replenishment via Foster Lake:

This path was likely never credible due to the lack of "residence time" between Foster Lake and the production wells. Other impediments were the concerns expressed regarding the potential degradation of the water quality due to the significantly higher salt content of the RW (the RW is about 280 mg/l Total Dissolved Solids verses about 80 mg/l TDS for local ground water). Whether there is any continuity between Foster Lake and the Pine Cove Water District wells is immaterial because the most impact would have been on IWD. Because the Foster Lake wells are the primary source for the District, use of RW for recharging the groundwater could lead to a degradation spiral as the source water deteriorated causing further deterioration of the RW, etc.

3. The cost of the program was not carefully evaluated:

As is summarized in the attached memo from Tom Lovejoy, due to the small demand base the unit cost for RW would be prohibitive for most potential users (\$0.48/c.f.). Since Wastewater customers gain no identifiable benefit from the additional treatment and distribution to water users, the costs would have to be borne by the Water enterprise. Marketing the RW to irrigation customers at 75% of the potable water rate would, most likely, be necessary to entice them to use the

lower quality water. Such a strategy would then place the remaining financial burden of the program on the water ratepayers. However, that would be contrary to good (even practical) public policy

The RW would replace about 4% of the water demand for which water ratepayers would have to pay a 20+% increase in their rates. Such a disparate financial impact for a minor improvement in water supply would be difficult to justify to the water ratepayers. The comparison that a 10 gallon per minute water well that might cost \$100,000 (capital and \$5,000/year O&M) could provide 6% increase in water supply without any significant pressure on rates, would not be lost on the ratepayers.

Although the District has invested significant resources in the RW program, the difficult truth at this point in time is that there is not an apparent financial path for success of such a program for Idyllwild Water District. Five or ten years in the future with newer technology and a different regulatory climate the “numbers” might change and the District should be prepared to realistically re-evaluate its options at that time.

Cancelling the project will involve some work with several regulatory bodies but may result in clearer opportunities for the District’s path forward in several areas.

Attachment: Memorandum; Recycled Water Costs, From Tom Lovejoy, P.E., Dated December 30, 2016.

COMMENTS:

SUE NASH- How much are we going to have to pay back?

JACK HOAGLAND- Don’t think we will have to pay back all of it, will probably have to pay back over \$200,000.

SUE NASH- It will be less that the \$365,000 or so that we have received?

JACK HOAGLAND- Yes it will be less. It was money that we had already spent and then were reimbursed by the State so it’s not money that we are losing. We already spent it. We will have to pay back something and it will be over \$200,000 but don’t know the exact amount.

DIRECTOR SZABADI- Do we have an obligation to finish the project because we picked up the loan?

JACK HOAGLAND- Yes but we can get out of it.

DIRECTOR SZABADI- We need a report on how complicated the procedure is to get out of the loan and how much exactly we will have to give back.

JACK HOAGLAND- Hoping that is what the Board will direct staff to do. Think the State will appreciate us giving the money back because it is a failed project rather than spending more money to complete the project and then saying it’s a failed project.

DIRECTOR SZABADI- Would like to know the rational of the previous Board members for starting this project in the first place.

PRESIDENT SCHELLY-Spoke with a previous Board member and what he understands from that conversation is that they were thinking of steps to a final solution for water use and a long range plan for potable water.

VICE PRESIDENT SIRKIN- The cost of the project outweighs any profit or benefit that we would get. The project does not make sense.

DIRECTOR CAINE- Agrees it doesn't make sense and would love to hear more from the previous Board.

VICE PRESIDENT SIRKIN- From discussions with Jim Billman, former Board member, the initial plan was to recharge Foster Lake with the recycled water but the State put a stop to that because it is not a good idea to put recycled water into fractured rock because there is not enough time for the water to settle before moving to the well heads and being pumped out as potable water.

Director Caine made a MOTION to direct staff to take all necessary steps to cancel the Recycled Water Project and was seconded by Vice President Sirkin. The vote was as follows:

AYES	NAYS	ABSTAIN	ABSENT
Geoffrey Caine			
Victor Sirkin			
Steve Kunkle			
Charles Schelly			
Peter Szabadi			

The Motion passed.

ITEM #5- WELL REHAB:

Background: The District secured a Grant through the U. S. Department of Agriculture to rehabilitate the Horizontal wells. The grant requires all work to be complete by August 3, 2017. Prior to 2017, minimal progress has been made on defining and prosecuting the project.

JACK HOAGLAND- The rehab is related to our horizontal wells. Met will Tom Lovejoy and Herb Bergstrom because they are familiar with the project. Haven't made it up there yet because of weather conditions. Not sure is meeting the August 3, 2017 deadline is going to be possible. May be able to get some of it rehabilitated. Some of the piping is in too much disrepair to be able to be fixed. Asked for information from Dept. of Water Resource and the representative from the Office of Drinking Water. The wells have had small problems in the

past with bacterial contamination so would like to make sure that Office of Drinking Water will approve their use once finished. The rehab would be in the piping from the rock to Foster Lake. The horizontal wells produce a small amount of our production but it helps.

PRESIDENT SCHELLY- If the horizontal wells cannot be fixed, is there anything else the money from the grant can be used for?

JACK HOAGLAND- There are 2 vertical wells that are close to the horizontal wells and the grant can be used for these wells.

DIRECTOR KUNKLE- Could we apply the grant to any other wells besides the ones on the backside of Foster Lake.

JACK HOAGLAND- No we cannot because of the way the application was worded. Can use on the two vertical wells because they are in that area. This is just an update. We are still working on getting this done.

JP CRUMRINE- This grant was procured almost 2 years ago. I hope someone can explain why the District was not ready to use it.

JACK HOAGLAND- Unfortunately doesn't know because wasn't here.

DIRECTOR KUNKLE- About a year ago, the State had us run a Title 22 on the horizontal wells. If the State might have a problem, wouldn't they have told us then?

JACK HOAGLAND- We have a new engineer so that might have an effect. Spoke directly with her and haven't gotten a response about my concerns.

DIRECTOR KUNKLE- The benefits of these wells are that they are gravity fed and you do not have pumping costs.

DIRECTOR SIRKIN- Is grant validated when the work is finished or when the State is finished testing?

JACK HOAGLAND- The grant is validated when the construction is completed.

DIRECTOR CAINE- What is the cause of the disrepair?

JACK HOAGLAND- The logging that was done years ago caused some damage and also just wear and tear.

PRESIDENT SCHELLY- Additional report next month?

JACK HOAGLAND- Will keep you updated.

ITEM #6- FUTURE AGENDA ITEMS:

Recommendation: That the Board of Directors considers and discusses future activities and agenda items for the Board members.

Background: To facilitate transparency and to assist in planning the Board desires to discuss potential future activities and agenda items including:

- January 19, 2017 – Brown Act and Ethics Training Sponsored by Pine Cove Water District
- February 27 to March 1, 2017 – CSDA Board Member Training San Diego
- Update the Water Availability Study – May Meeting
- Budget and Rate Recommendations – April Meeting
- 90-day review of the Interim General Manager – April Meeting
- Nomination period for Board of Directors (4 positions) - Late June
- Board of Directors Election – August
- Election of Board of Directors officers - December

COMMENT:

DIRECTOR KUNKLE- Would like a few items on future agendas, these include: review current water shortage emergency plan, includes issuing meters, how to attract and retain employees, have workshops where Board can meet and be educated on the status of IWD, also use workshops as opportunity for Board members to share what their vision of IWD is, long term planning session, the pledge of allegiance at the beginning of the meeting and a moment of silence at the end of meetings.

DIRECTOR SIRKIN- Keep Board posted on progress staff is making on developing new water sources. More formal study on water availability in short term and long term.

DIRECTOR CAINE- Policy of issuing new meters.

PRESIDENT SCHELLY- Next month would like the District Transparency Certificate of Excellence.

SUE NASH- Would like to make sure IWD is in Prop 218 compliance.

JACK HOAGLAND- If a rate change is recommended, then we will be in compliance and make sure the public is noticed appropriately.

JP CRUMRINE- Board By- Laws on future Agenda, possibly next month.

DIRECTOR SZABADI- Suggest at next meeting the creation of ad hoc committee for this purpose, possible after selecting new counsel.

MARGE MUIR- Why do you have to have plans to build to get a water meter? This needs to be addressed. How many building permits have been issued in the 3 water districts in the last 10 years?

PRESIDENT SCHELLY- Would like to put a By Laws Ad Hoc Committee on next month's Agenda.

STEVE MOULTON- Currently in Stage 2, when are we going to go to Stage 1 or No Stage? Where does water in Strawberry Creek end up? Does IWD get any of it?

JACK HOAGLAND- We have a diversion that goes to Foster Lake.

ADJOURN TO CLOSED SESSION: Performance Review, Chief Financial Officer

President Schelly adjourned to CLOSED SESSION at 7:35 pm.

RECONVENE INTO OPEN SESSION: The Board reconvened in open session at 7:55

pm.

REPORT ON CLOSED SESSION: General Manager Hoagland reported that there was

no reportable action.

DIRECTORS COMMENTS: None

ADJOURNMENT: At 8:00 pm President Schelly adjourned the meeting to the next regular meeting on February 15, 2017 at 6:00 pm.

APPROVED:

IDYLLWILD WATER DISTRICT

BY: 

DR. CHARLES SCHELLY-
BOARD PRESIDENT

IDYLLWILD WATER DISTRICT

BY: 

ERICA GONZALES-
BOARD SECRETARY