

HELIX WATER DISTRICT
Setting standards of excellence in public service

MINUTES
REGULAR MEETING OF THE BOARD OF DIRECTORS
Wednesday, August 5, 2015 – 5 p.m.
7811 University Avenue, La Mesa, CA 91942-0427

1. President Verbeke called the meeting to order at 5 p.m. The roll call showed Directors Verbeke, Muse, Hedberg, Linden and Scalzitti present.

Staff present: Lugo, Stoia, Hayman, Umphres, Tomasulo, Bryant, Janzen, Olney, Uhrhammer, Salois, Schipper, Masterson, Tejeda, Gutkowski and Annett. General Counsel Elizabeth Hull and Kelly Salt were also present.

Others present: Reporter Karen Pearlman San Diego Union-Tribune and Customers Harry Allen, Gordon Place, Dexter Levy, Nancy Palm, Frank Graff, Tom Brady, Kevin Carty, Mary and Philip Hinshaw.

2. Director Linden gave the invocation and led the Pledge of Allegiance.
3. General Manager Carlos V. Lugo reported there were no additions or deletions to the agenda. The agenda was approved unanimously.

Motion:	Linden
Second:	Verbeke
Vote:	5 ayes

4. President Verbeke provided opportunity for members of the public to address the board on any item under the subject matter jurisdiction of the district. There was no one to be heard.
5. The consent agenda was approved unanimously.

Motion:	Linden
Second:	Muse
Vote:	5 ayes

Director Scalzitti requested clarification regarding the final payment to GFRCO Construction (check number 173423) and for clarification regarding chlorine purchases through a pool supply company to adjust the storage water quality. Director Hedberg asked if this was normal procedure and if customer complaints had been received. System Operations Manager Brian M. Olney stated there were no complaints, but doses are adjusted annually and monitored during increased conservation.

- a) The following operating account checks submitted for ratification were approved:
 - i. list dated July 15, 2015
 - ii. list dated July 21, 2015
 - iii. list dated July 28, 2015
 - b) Memorandum dated August 5, 2015, from the board secretary submitting expense and per diem claims was approved.
 - c) The following minutes were approved:
 - i. regular board meeting of July 15, 2015
 - ii. Committee of the Board/regular board meeting of July 29, 2015
 - d) The board adopted the following attendance consideration:
 - i. Urban Water Institute's Annual Water Conference
August 26-28, 2015
Hilton San Diego Resort and Spa
6. The board approved in substantially final form the Helix Water District Comprehensive Water Cost of Service and Rate Study report prepared by Raftelis Financial Consultants Inc., approved the proposed water service fees for water rates, the corresponding Proposition 218 customer notice and set the date and time of the public hearing as October 7, 2015 at 5 p.m. The motion passed 3:2.

Motion: Muse
Second: Linden

Vote: Ayes: Verbeke, Muse, Linden. Noes: Hedberg, Scalzitti.

Two PowerPoint presentations detailed the cost of service study, potential water rates and the Proposition 218 notice. President Verbeke recognized Customer Gordon Place. Mr. Place stated he will be meeting with General Manager Carlos V. Lugo to better understand the numbers. He stated the staff did a credible job and applied reserves judiciously. Mr. Place asked the board to reconsider the pay down of CalPERS liabilities in order to help consumers with water rates. He also stated administrative cuts to healthcare plans should be considered in future years.

President Verbeke recognized Customer Dexter Levy. Mr. Levy asked questions regarding the rate stabilization fund and reserve allocations of 10 and 15 percent. Director of Administrative Services Lisa L. Stoia responded that \$1.5 million of the \$3.8 million in separate reserves would be used to smooth rates. She also detailed the process to reaffirm the district's AA+ revenue bond Fitch credit rating.

President Verbeke recognized Customer Nancy Palm. Ms. Palm applauded the board for paying down the unfunded CalPERS liability to save money in future years. Ms. Palm asked that the board not approve five-year rates, but suggested a two-year rate plan due to the uncertainty of the drought.

President Verbeke opened board discussion stating her appreciation to staff. She stated the cost of service study completed by Raftelis Financial Consultants Inc. is easy to follow, equitable, in the best interest of the ratepayers and complies with Proposition 218. Director Scalzitti stated five-year rates do not make sense at this time of uncertainty and stated two-year rates are fair to the public. President Verbeke stated the customers elect the board into office and that they provide input regarding the rates each year. She emphasized the five-year rate plan only sets a ceiling for rates. Director Hedberg suggested the ceiling be set at eight percent, that staff work with the board to bring the numbers down and requested a meeting to review the numbers provided during the later portion of the last Committee of the Board meeting. Director Hedberg stated she could not support the proposed rates and requested the cost of service study be used for guidance, but that other options be discussed. Assistant Director of Administrative Services/Finance Manager Jennifer C. Bryant clarified for Director Scalzitti and Director Hedberg that PowerPoint slide 16 provides an excerpt of 18 tabs within the cost of service study. Ms. Bryant also stated all the financial numbers were approved through the budget process. Director Hedberg thanked staff for answering her meter questions from the Committee of the Board meeting.

Director Linden stated this has been discussed by the board of directors for months. The staff has done a fantastic job, the five-year plan offers flexibility without the expense of more frequent cost of service studies. The rates are fully supported, protect the public, and the staff and consultant have provided professionalism. Vice President Muse stated \$100,000 was spent on the study plus endless hours of staff time. The study is reasonable, justifiable and provides flexibility. Director Scalzitti stated the cost of service study is beneficial, yet there is too much uncertainty, and therefore five-year rates are irresponsible. President Verbeke requested Ms. Bryant review the process. Ms. Bryant detailed the process from January of each year, including evening meetings for the public, through October. Ms. Stoia explained how the capacity fees are used to offset rates and reviewed the decision points made throughout the year by the board of directors. Director Scalzitti asked for clarification regarding the benefits of a five-year rate plan over a two-year plan. Ms. Stoia stated the financial benefit of saving nearly \$40,000 per year by not mailing the six page Proposition 218 notice, financial certainty and stability provided to the district, support of the district's credit rating and advanced notice to the customers.

Vice President Muse called for the question. A roll call vote was taken.

7. The board adopted Resolution 15-52 to clarify the emergency drought action plan Resolution 15-38, in response to the State Water Resources Control Board's emergency regulations for statewide urban water conservation and requested

staff to bring options to the September 16, 2015, regular board meeting. The motion passed unanimously.

Motion:	Scalzitti
Second:	Verbeke
Vote:	5 ayes

Following discussion, Director Scalzitti amended his original motion to adopt Resolution 15-51. The original motion was seconded by Director Hedberg. No action was taken.

President Verbeke recognized Customer Harry Allen representing approximately 50 homeowners of one-acre parcels or more. Mr. Allen stated the 10 percent penalty is unfair to Tier 3 ratepayers and provides Tier 1 and Tier 2 ratepayers with little incentive to conserve. President Verbeke recognized Customer Kevin Canty. Mr. Canty stated he had reduced water consumption by 40 percent since 2013, has multiple houses on the property and suggested the penalty be applied to those not reducing consumption. President Verbeke recognized Customer Gordon Place who recommended the board adopt Resolution 15-51 to eliminate the 10 percent penalty yet objected to the language, "...outdoor landscaping is not essential to their health, safety, and sanitation, and may be an unreasonable use, an unreasonable method of use, or a waste of water..." Mr. Place stated outdoor water use is necessary to keep his bank from eroding into his home and to protect his home from the threat of fire.

Ms. Stoia asked customers to continue to water trees, clarified that the penalty was approved in May, customers were notified and the penalty began July 29 with the two-month billing cycle completing the end of September. She thanked customers for their conservation and stated the Tier 3 penalty is due to the state's focus on outdoor water use.

Vice President Muse stated the penalty was approved 4:1 to encourage conservation and stated the board should wait until more numbers are in. Ms. Stoia reminded the board that the months of June through September are the warmest months. There was a 25 percent reduction in water use in June and a 32 percent reduction in July. Director Scalzitti stated that with nine people living on his property it is not possible to reduce consumption below 30 units.

Director Linden stated the penalty is already in place, customers are doing a great job and asked what the consequences will be if the district removes the penalty and the cumulative reduction is not achieved. Ms. Stoia explained that the district has taken a multi-pronged approach: public outreach, responding to water waste calls and the penalty. Legal Counsel Kelly Salt explained it is too soon to know what progressive steps the State Water Resources Control Board will take. They will look at what has been put in place, and will initiate progressive enforcement measures. The state can penalize an agency up to \$10,000 per day for not meeting Governor Brown's mandate. Ms. Stoia stated drought penalties were implemented by Fallbrook Public Utility District, Olivenhain Municipal Water

District, the city of Poway, Rincon del Diablo Municipal Water District, San Dieguito Water District and Sante Fe Irrigation District.

President Verbeke stated no one wants to impose a penalty, but it is too soon to remove it and the board of directors can look at this again in September at the end of the billing cycle. Director Scalzitti stated the public understands and is conserving. Director Hedberg verified the percentages are a cumulative computation.

President Verbeke adjourned the meeting for a brief break at 8:01 p.m.

President Verbeke reconvened the meeting at 8:13 p.m.

8. The board amended the existing fire hydrant painting services agreement with John Palmer Painting Inc. as described in the First Amendment to Agreement for Fire Hydrant Painting Services. The motion passed unanimously.

Motion:	Linden
Second:	Muse
Vote:	5 ayes

The contract was amended to increase the number of fire hydrants painted from 800 to 1,200 and increased the unit cost of fire hydrant painting from \$55 to \$60. Director Scalzitti clarified the type of paint and painting method. Director Hedberg clarified that cities were not being charged for our maintenance of the hydrants.

9. The board adopted Resolution 15-50 nominating Kathleen Tiegs as the Association of California Water Agencies president. The motion passed unanimously.

Motion:	Muse
Second:	Scalzitti
Vote:	5 ayes

REPORTS:

10. The board received the following reports for the month of June 2015 and the quarterly reports:
 - a) Claims report
 - b) Quarterly Deferred Compensation report
 - c) Treasurer's report
 - d) Budget summary
 - e) Quarterly Lake Jennings Financial report
 - f) Rainfall, Use and Storage report
 - g) System Demand report
 - h) Conservation Status report
 - i) Monthly Demand report
 - j) Quarterly Capital Improvement Program report

President Verbeke stated her appreciation for the Capital Improvement Program report. Vice President Muse stated the campground is losing money. Director Linden asked for details regarding the recent incident at the campground. General Manager Carlos V. Lugo stated law enforcement removed a disruptive individual from the campground.

INFORMATION:

- A. The board received the district's revenue bond Fitch credit rating reaffirmation (AA+). Mr. Lugo stated this credit rating is due to the tough decisions made by this board as well as the decisions made by prior boards and staff.

DISCUSSION:

- A. President Verbeke reminded the board of the Association of California Water Agencies Region 10 event Friday, August 14, 2015, and stated that due to the success of the Helix Water District Customer Appreciation Day, the Water Conservation Garden would like to make this an annual event.
- B. Director Linden provided a written report. Director Hedberg also stated the Helix Water District Customer Appreciation Day at the Water Conservation Garden was a success and suggested it become an annual event.
- C. General Manager Carlos V. Lugo reported the Padre Dam Municipal Water District Board of Directors will conduct a workshop on August 10, 2015. Director of Water Quality/System Operations Mark D. Umphres will represent the district and arrange for a workshop for the Helix Water District Board of Directors at a future Committee of the Board meeting or a regular board meeting.
- D. General Counsel Elizabeth Hull stated she will not be available for the August 19, 2015 regular board meeting, but Kelly Salt will attend in her place.
- E. Board Secretary Sandra L. Janzen reviewed future agenda items. The board determined the August 26 and September 23, 2015 Committee of the Board meetings will not be held due to scheduling conflicts.

President Verbeke adjourned the meeting at 8:33 p.m.

ATTEST:

Sandra L. Janzen, Board Secretary

DeAna R. Verbeke, President

