



Setting Standards of Excellence in Public Service

**MINUTES
REGULAR MEETING OF THE BOARD OF DIRECTORS
Wednesday, May 17, 2017 – 6 p.m.
7811 University Avenue, La Mesa, CA 91942-0427**

1. President Scalzitti called the regular board meeting to order at 6:18 p.m. The roll call showed a quorum of the board present: Directors Scalzitti, Hedberg, Verbeke and Gracyk. Director McMillan was absent.

Staff present: Lugo, Stoia, Tomasulo, Miller, Olney, Janzen, Garuba, Lawler, Andrews, Masterson, Bryant, Annett, Doubrava, Lunde, Lyford, Kading and Ross. General Counsel Elizabeth W. Hull was also present.

Others present: Customers John L. Wood, Chuck Muse, Gordon Place, Donald Friga, Paula Friga, Jennifer Mendoza and Larry Nichols.

2. Director Gracyk 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 4:0.

Motion: Hedberg
Second: Verbeke
Ayes: Scalzitti, Hedberg, Verbeke and Gracyk
Absent: McMillan

4. President Scalzitti provided opportunity for members of the public to address the board on any item under the subject matter jurisdiction of the district. Customer Gordon Place suggested the board of directors consider per diem claims to be paid based on a requirement to meet a minimum number of hours. Vice President Hedberg responded the water code sets a maximum number of per diem claims per month which are paid at a flat rate.
5. The consent agenda was approved 4:0.

Motion: Verbeke
Second: Hedberg
Ayes: Scalzitti, Hedberg, Verbeke and Gracyk
Absent: McMillan

- a) Memorandum dated May 17, 2017, from the board secretary submitting expense and per diem claims was approved.
- b) The board approved the minutes of the special board meeting of April 19, 2017, the regular board meeting of April 19, 2017, the Committee of the Board meeting of April 26, 2017, the special board meeting of May 3, 2017 and the special board meeting of May 4, 2017.
- c) The following operating account checks submitted for ratification were approved:
 - i. List dated April 18, 2017
 - ii. List dated April 25, 2017
 - iii. List dated May 3, 2017
 - iv. List dated May 9, 2017
- d) The board approved the following attendance consideration:
 - i. What Does "Making Conservation a CA Way of Life" Mean for Local Decision Makers?
Monday, May 22, 2017, 11:30 a.m. - 2 p.m.
Metropolitan Water District of Southern California, Los Angeles
- e) Reject Claim
 - i. The board rejected a claim filed by Tom McNeill in the amount of \$14,600 for the cost of repairing his driveway.
- f) Reports
The board received the reports for the month of April 2017:
 - i. Treasurer's report
 - ii. Budget Summary
 - iii. Rainfall, Use and Storage report
 - iv. System Demand report
 - v. Monthly Demand report
 - vi. Conservation Status report
 - vii. State Water Resources Control Board report

ACTION ITEMS

6. The board reviewed the five year projection scenarios and provided guidance to staff for updating the preliminary draft fiscal year 2017-18 water rates. Director of Administrative Services Lisa L. Stoia and Assistant Director of Administrative Services Jennifer C. Bryant provided four draft rate scenarios. Before opening public comments, President Scalzitti recognized former board member Chuck Muse and thanked him for his attendance. Customer Gordon Place stated the \$750,000 payment toward the CalPERS unfunded liability should wait until negotiations with the employee groups are opened and other options are discussed. Mr. Place also questioned the need for a five year plan. Customer Larry Nichols stated a preference for a rate increase of zero or close to zero; preferred loans for capital improvements; stated there is no need to replenish the rate stabilization; stated the public affairs department should be comprised of one person; the district should look at in-house legal counsel or only pay for counsel as needed; no longer provide funds to the Water Conservation Garden; during employee negotiations, provide the lowest cost insurance with options for the employees to purchase more generous plans; control costs by looking at the paid time off amounts and eliminate options to sell back unused leave. Customer Paula Friga thanked the board and staff for the work they are doing.

Board consensus provided staff with direction to move forward with the draft baseline rate scenario (based on the preliminary fiscal year 2017-18 budget and a 4.1 percent increase (1.8 percent of which is a district adjustment and 2.4 percent which is the San Diego County Water Authority pass-through)). During the discussion, Vice President Hedberg referred to an email to the board from Director McMillan. District Counsel requested the email be provided to members of the public for the purposes of discussion. The email was provided.

Vice President Hedberg requested a written analysis of the savings provided to the district by paying \$750,000 toward the unfunded liability. She also requested staff run scenarios regarding the rate stabilization policy and provide the rate impacts under our current policy. Vice President Hedberg requested the board review and re-establish a new rate stabilization policy at a future meeting. President Scalzitti requested evaluation of the rate stabilization policy begin at the committee level. Director Gracyk stated his preference for draft rate scenario 2 (zero percent rate increase for fiscal year 2017-18 and only San Diego County Water Authority pass-through impacting fiscal year 2017-18 customer bills). President Scalzitti, Vice President Hedberg and Director Verbeke agreed with the baseline scenario to keep rates low without spiking in later years, while maintaining the district's infrastructure and following policy.

7. The board adopted Resolution 17-22 authorizing Designation of Applicant's Agent for

Non-State Agencies, to be filed with the California Governor's Office of Emergency Services for the purpose of obtaining certain federal and/or state financial assistance if necessary. The motion carried 4:0.

Motion: Verbeke
Second: Hedberg
Ayes: Scalzitti, Hedberg, Verbeke and Gracyk
Absent: McMillan

Safety/Risk Administrator Susen Doubrava answered all questions. There were no public comments.

President Scalzitti adjourned the meeting for a break at 7:48 p.m.

President Scalzitti reconvened the meeting at 7:52 p.m.

Vice President Hedberg recused herself at 7:54 p.m. due to a financial interest in San Diego Gas and Electric (spouse's employer).

8. The board adopted Resolution 17-29 authorizing the district's participation in San Diego Gas and Electric's Power Your Drive Program, and authorized General Manager Carlos V. Lugo to execute the program application. The motion carried 3:0.

Motion: Verbeke
Second: Scalzitti
Ayes: Scalzitti, Verbeke and Gracyk
Absent: McMillan, Hedberg

Facilities Manager Joseph J. Garuba provided a PowerPoint presentation. There were no public comments.

Vice President Hedberg returned to the meeting at 8:16 p.m.

9. The board adopted Resolution 17-30 authorizing General Manager Carlos V. Lugo to execute a reimbursement agreement between Helix Water District and the Boys & Girls Clubs of East County in the amount of \$30,000 for the construction of the Junior High Drive water main looping project, Work Order 4921. The motion carried 4:0.

Motion: Hedberg
Second: Verbeke
Ayes: Scalzitti, Hedberg, Verbeke and Gracyk
Absent: McMillan

Engineering Manager Timothy J. Ross provided a PowerPoint presentation and answered all board questions. There were no public comments.

10. The board adopted Resolution 17-31 in support of the Association of California Water Agencies Board of Directors' Policy on the Bay-Delta flow requirements to be contained in the updated San Francisco Bay/Sacramento-San Joaquin Bay-Delta Water Quality Control Plan. The motion carried 4:0.

Motion: Verbeke
Second: Hedberg
Ayes: Scalzitti, Hedberg, Verbeke and Gracyk
Absent: McMillan

Director Verbeke clarified the definition of unimpaired flow and answered all questions from Director Gracyk and Vice President Hedberg. There were no public comments.

DISCUSSION

11. President Scalzitti reported attendance at the May 16, 2017, Council of Water Utilities meeting in Poway regarding a review of the state's drought contingency plan and Governor Brown's trailer bills. President Scalzitti also stated he attended and enjoyed the networking opportunities at the Association of California Water Agencies Conference in Monterey. He stated he will attend the San Diego County Water Authority Board of Directors meeting on May 25, 2017.
12. Directors Scalzitti, Hedberg, McMillan, Verbeke and Gracyk provided written reports. Vice President Hedberg stated she will attend the briefing regarding Governor Brown's new water conservation framework on May 22, 2017, at the Los Angeles Metropolitan Water District. Director Verbeke reported the expert forum at the Water Conservation Garden was cancelled due to an unforeseen emergency, but agency day at the WCG is scheduled for May 21, 2017, from 9 a.m. to 2 p.m. Director Verbeke also reported that the Joint Powers Agency agreement and operating agreement are being updated and reviewed by San Diego County Water Authority's legal counsel.

Vice President Hedberg asked for clarification from the board and General Manager Carlos V. Lugo regarding several items on the agenda for the San Diego County Water Authority's May 25, 2017 board meeting.

13. General Manager Carlos V. Lugo detailed upcoming agenda items for the May 24, 2017 Committee of the Board meeting; June 7, 2017 regular board meeting; June 13, 2017 special board meeting; June 21, 2017 regular board meeting and June 28, 2017 Committee of the Board meeting. He also emailed the PowerPoint presentations from

the San Diego County Water Authority Member Agencies Managers Meeting on May 16, 2017.

14. General Counsel Elizabeth W. Hull provided an update regarding the San Diego County Water Authority and Metropolitan Water District rate case appeals hearing. Oral arguments have been heard and a decision is expected August 10, 2017. The parties will have 15 days to petition for a re-appeal. General Manager Carlos V. Lugo also stated a summary was included in the PowerPoints he provided.

ADJOURNMENT

15. President Scalzitti adjourned the meeting at 8:52 p.m.



Joel A. Scalzitti, President

ATTEST:



Sandra L. Janzen, Board Secretary