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**MINUTES
BEST PRACTICES WORKSHOP
SPECIAL MEETING OF THE BOARD OF DIRECTORS
Saturday, March 10, 2018 – 10 a.m.
Lake Jennings Campground, 9535 Harritt Road, Lakeside, CA 92040**

1. President Hedberg called the meeting to order at 10:06 a.m. The roll call showed a quorum of the board present: Directors Hedberg, McMillan, Scalzitti, Verbeke and Gracyk were present.

Staff present: Lugo and Janzen. General Counsel Elizabeth W. Hull and Consultant John Gavares were also present.

Others present: No customers were present.

2. The agenda was approved unanimously.

Motion: Scalzitti
Second: Verbeke

3. President Hedberg 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.

DISCUSSION

4. The board conducted a strategic planning session related to one-time funds, Lake Jennings, clean energy and participated in an open dialogue regarding general issues facing the district. General Manager Carlos V. Lugo introduced and welcomed Facilitator John Gavares. Mr. Gavares began the meeting by helping the board determine the desired outcomes from the workshop; provided guidelines and set the timeframes for each topic; reviewed effective leadership and collaboration and provided a summary of the board members' pre-workshop survey responses.

PRE-WORKSHOP SURVEY RESPONSES:

Following review of the responses, Facilitator John Gavares requested each board member share any questions, add any additional suggestions and report what pleased them.

Director Scalzitti reported he would like to focus on specific issues during the workshop and save the strategic plan discussion for a series of future workshops. Director Scalzitti also reported that the board dynamics are good. Director Gracyk recognized the thoughtful efforts in completing the survey and reported he was pleased with the responses. Vice President McMillan expressed satisfaction that committee meetings have been implemented but requested more flexibility and asked the board to spend more time during regular board meetings providing committee meeting updates. Director Verbeke appreciated the commonality in the survey responses and expressed that the board is moving in a positive direction. Mr. Gavares observed the board is experiencing a norming stage and reported that any time there are new board members, onboarding will be important in order to develop trust. General Manager Carlos V. Lugo stated the strategic plan will be placed in the budget next year and that the current plan included the public, board and employees.

Director Gracyk requested that Mr. Gavares' PowerPoint presentation be provided electronically to the board. Three YouTube videos were also shared during the workshop: Leadership and Effective Collaboration, the 40 Greatest Inspirational Video Clips and Shift Happens.

General Counsel Elizabeth W. Hull recorded the minutes from 11:04 a.m. until 11:30 a.m. while Board Secretary Sandra L. Janzen left the meeting to retrieve lunch.

USE OF LAND SALE FUNDS:

The board completed individual worksheets regarding \$9 million in one-time funds from land sales. Mr. Gavares opened the discussion regarding said funds.

Director Scalzitti reported the funds belong to the ratepayers and are a result of the actions taken by the pioneers of the district who built the district to survive and stay strong. Director Scalzitti suggested the funds be invested in long-term district assets, energy efficient programs, self-reliance and stated analysis must be done to determine the best investment options for the ratepayers and district. Director Scalzitti suggested the investment earnings be placed in the rate stabilization fund to help ratepayers and stay on budget.

Director Verbeke agreed that investing the funds is in the best interest of ratepayers and stated there is no rush to spend the funds or interest earnings until options have been analyzed. Director Verbeke stated she wants to explore capital improvements and other programs that will benefit the ratepayers by keeping rates down.

Vice President McMillan stated the ratepayers deserve the funds saying the pioneers provided \$10 million but also left the district \$75 million in debt. Vice President McMillan clarified that no matter where the funds are spent they go to the ratepayers. He mentioned the negatives related to the proposed water tax and stated the land sale funds can be earmarked, but it is not necessary. Discussion ensued regarding the rate stabilization fund, unallocated excess funds and policies to set funds aside.

Director Gracyk stated he would like to see some expenditure of the funds and some investment with high returns to ensure long-term stability of the district for future generations. Director Gracyk requested visionary thinking in regards to the best use of the funds such as solar, battery storage and the energy/water nexus. Director Gracyk suggested feasibility studies to determine the best use of the funds and agreed with some revenue going into the rate stabilization fund.

President Hedberg described an umbrella distribution of funds with most going to infrastructure investments in large projects, money for rebates, an employee appreciation event, family day at Lake Jennings, a CalPERS payment, Lake Jennings improvements, investment opportunities and rate stabilization fund deposits. President Hedberg stated the funds do not need to be spent now, but a plan does need to be developed now.

Discussion ensued regarding the use of a portion of the Association of California Water Agencies Joint Power Insurance Authority refund check for an employee appreciation event in the near future. There was general consensus regarding a family picnic at Lake Jennings followed by a dinner event at a future date.

General Manager Lugo reported the board does not want to create an investment that puts more pressure on the budget and summarized what had been shared by the board:

- focus on projects/investments that provide benefit/return on the investment
- hire consultant to look at opportunities for solar in the district
- do the analysis of the appropriate project, where it should go, and what the anticipated return on the investment and the timing of the return will be
- don't invest in projects that create a burden on the operational budget

The board continued with a working lunch and post-lunch energizing exercise and video regarding the importance of leadership and passion.

LAKE JENNINGS:

Facilitator John Gavares requested the board complete a worksheet to determine specific, measurable, achievable and relevant (time-bound) goals for completion in two, five and ten years.

Director Scalzitti reported he is pleased with the progress that has been made and would like to maintain a steady positive trend over the next two years with a focus on Lake Jennings immediate infrastructure needs. In five years, with the completion of electrical and plumbing improvements, the focus can be placed on profit generation and looking at what will be needed for the ten-year goal.

Vice President McMillan suggested a development plan so that near term goals smoothly build within the long term goals. Vice President McMillan stated the capital improvement plan should identify reasonable modular projects. In five years, the plan should allow for the maximization of recreational vehicle sites with the latest internet standards and RV requirements. At ten years, a private/public contract with a developer should be in place to develop homes and provide the revenue needed to build cabins and further develop areas for weddings, picnics and dogs.

Director Verbeke suggested the district develop a prioritized plan for work to be completed each year. In five years, Director Verbeke would like to better understand Vice President McMillan's plan for a contract with a developer, but in the meantime evaluate the future of camping, what will be needed to make Lake Jennings a destination and plan accordingly.

Director Gracyk would like to evaluate staff's specific goals for Lake Jennings in the first two years while keeping the finances neutral. Director Gracyk would like lake operations to be self-supporting in five years and generating a profit for the ratepayers in ten years.

President Hedberg stated Lake Jennings should continue to do what is working over the next two years while developing an innovative plan to produce additional revenue, while understanding operations may be at the peak now. In five years, President Hedberg would like to see more tipis, cottages, potentially a restaurant, with facilities open four days a week and eventually 7 days a week while keeping water quality and the safety of this water asset as a top priority.

CLEAN ENERGY FEASIBILITY STUDY:

Facilitator John Gavares distributed a worksheet to assist the board in generating ideas regarding the desired outcomes of conducting a clean energy feasibility study and to identify the types of clean energy projects that the board is most interested in pursuing.

All board members agreed one or more consultants are needed to identify the right projects for the district to include solar and battery storage with a goal of becoming energy neutral.

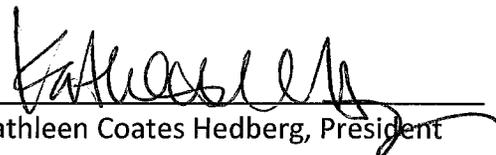
General Manager Lugo summarized that the board is interested in a districtwide plan looking at all potential alternative power sources with the expertise of a consultant to design, formulate and analyze the right energy plan for the district.

WRAP-UP/ACTION ITEMS:

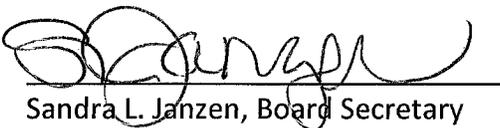
- The board requested the PowerPoint presentation and the survey summary.
- A portion of the Association of California Water Agencies Joint Powers Insurance Authority refund is to be used for spring/summer Lake Jennings picnic for employees and their families: staff is to report cost of said event to the board including t-shirts. Costs are also to be brought to the board for an employee dinner event.
- President Hedberg stated the board will take and review the California Special Districts Association's Accessing Governing Board Effectiveness survey in four to five months.
- Staff will evaluate conducting the Committee of the Board meetings at Lake Jennings a couple times per year or quarterly.
- Vice President McMillan requested the committee chairs provide the full board with a report during board meetings for improved communication.
- Develop a Lake Jennings plan.
- Look to a consultant to design a districtwide alternative power source plan.

ADJOURNMENT

5. President Hedberg thanked the board and Facilitator John Gavares for their participation and adjourned the meeting at 2:01 p.m.


Kathleen Coates Hedberg, President

ATTEST:


Sandra L. Janzen, Board Secretary