

**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 April 19, 2017, in the Idyllwild Water District Board Room.

CALL TO ORDER:

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

ROLL CALL:

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

General public present: (-6-)

PUBLIC COMMENT: None

ITEM #1- CONSENT CALENDAR:

MINUTES – March 15, 2017
 March 29, 2017

FINANCIAL REPORTS MARCH 2017

A.	Income statement for the Ninth month ending March 2017	
B.	District warrants for March 2017.	
	Check # 13999 - 14058	= \$ 145,062.18
	Gross Payroll	= \$ 50,728.76
	Federal/State PR taxes	= \$ 16,551.07
	LAIF Transfers	= \$ 0.00
	Transfers/charges	= \$ 90.83

OPERATIONS REPORT AND GRAPHS FOR THE NINTH MONTH ENDING MARCH, 2017.

No mainline leaks were reported in March. Foster Lake's level was full at 18 feet at the end of March. There was 0.42" of precipitation in March and there has been 27.66" of

precipitation for the fiscal year to date. The static water levels at the Foster Lake Wells were 1.6' below ground level, and the downtown well #23 is currently static at 8' and the downtown well #24 is static at 14' below ground level respectively. Production for March was 648,278 cubic feet. March's unaccounted for water was 0.57% of water production. Fiscal year to date unaccounted for water average is 4.03% of water production.

COMMENT:

JP CRUMRINE- In the warrants, there is one to Best, Best, and Krieger. What was that for?

JACK HOAGLAND- That was for a legal opinion when the District did not have legal counsel.

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

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

Consent Calendar approved.

ITEM 2 – RESOLUTIONS 730 & 731 WATER AND SEWER STAND-BY ASSESSMENT:

Recommendation: That the Idyllwild Water District Board of Directors approve Resolutions No. 730 and 731 Setting Public Hearings for June 21, 2017 to consider imposing stand-by fees for undeveloped properties in the Water Service area (\$30/acre or portion thereof) and unimproved properties in Improvement District No. 1 (sewer service area) (\$30/acre or portion thereof).

Background: Undeveloped parcels with access to water and/or sewer service receive a benefit provided by the prior development by neighboring parcels of the infrastructure necessary for future connection to the available utilities. The stand-by

fee assessment of \$30 per acre or portion thereof assists in fairly apportioning the costs of maintenance of the existing infrastructure. The District is not proposing to change the fee amount from that imposed in prior years. The fee amounts to \$2.50 per month for most undeveloped parcels.

This adoption of these Resolutions will only establish the date for a Public Hearing for the Board of Directors to consider imposing the fees.

DISCUSSION:

DIRECTORS DISCUSSION:

DIRECTOR SZABADI- Understanding of Prop 218 that the justification of the Stand By Fee requires an engineer's report.

JACK HOAGLAND- This is required only if you are going to impose a new fee or increase the existing fee. We are considering the same Stand By Fee that has been imposed every year for many years.

Vice President Sirkin made a MOTION to approve Resolution 730 and 731 Water Stand By Assessments and Director Szabadi seconded. The vote was as follows:

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

The Motion passed.

ITEM 3 – RESOLUTION #732 REQUESTING AN ELECTION:

Recommendation: That the Idyllwild Water District Board of Directors approve Resolution No. 732 Requesting the Registrar of Voters hold an election for the Idyllwild Water District Board of Directors.

Background: The Idyllwild Water District is required to hold elections in odd number years. Appointed directors are required to stand for election at the next regularly scheduled District election. The District is required to request that the Riverside County Registrar of Voters conduct the election.

The election date is August 29, 2017 and the following positions will be on the election ballot: two directors for full term (four-years) to fill the offices presently held by Geoffrey Caine and Victor Sirkin whose appointed terms expire December 2017; and electing two directors for half terms to fill the offices presently held by Charles Schelly and Peter Szabadi whose appointed terms expire December 2017. The resolution also designates that individual candidates will pay any costs associated with the provision of statements of qualifications.

DISCUSSION:

DIRECTORS DISCUSSION:

Vice President Sirkin made a MOTION to approve Resolution 732 Requesting an Election and stating financial responsibility for candidate statements and was seconded by Director Szabadi. The vote was as follows:

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

The Motion passed.

ITEM 4 – BIDDING AND CONSTRUCTION MANAGEMENT OF THE 2017 PIPELINE PROJECT:

Recommendation: That the Idyllwild Water District Board of Directors approve an agreement with Webb and Associates for Bidding Assistance and Construction

Management during the 2017 pipeline project in the amount of \$83,600 and authorize the Interim General Manager to execute the agreement.

Background: Preparation of the plans and specifications for the 2017 Water Pipeline replacement project is rapidly coming to completion. Webb and Associates is the Engineer of record and Staff recommends that the firm be engaged to assist with the bidding process as well as construction management services during the construction project including inspection and compaction testing. The attached letter proposal for the additional assistance is for the Board of Directors information.

DISCUSSION:

DIRECTORS DISCUSSION:

VICE PRESIDENT SIRKIN – Is this contract all- inclusive?

JACK HOAGLAND – As long as the construction period is what we anticipate.

DIRECTOR SZABADI – A construction management contract is usually based on the cost of construction, did you ever think of going that route instead of an open ended contract subject to modification.

JACK HOAGLAND – In previous experience, this is a typical contract based on hours. This contract is for 35 working days which is 7 weeks. We anticipate 6 weeks of work, so there is a bit extra to allow for issues.

DIRECTOR SZABADI – Why were bids not solicited for this particular part of the project?

JACK HOAGLAND – We would like to keep the design firm “on the hook” so to speak, in case there is an issue with the design during construction.

DIRECTOR KUNKLE- In November, Tom Lovejoy present the Board with 3 scenarios for repairs. Would like to have some of the work done in house, this was a contingent when he approved Webb’s design proposal. Thinks that the budget is low and that instead of this project costing \$455,000 it will be more like \$700,000 - \$750,000. Would like to hold off on making a decision until Herb Bergstrom and Tom Lovejoy are solicited for bids and until the rest of the Board has educated themselves since this was initially approved with the previous Board.

VICE PRESIDENT SIRKIN – What make you think that the project will go over?

DIRECTOR KUNKLE - It is my understanding that the cost is \$200 per foot for putting the pipe in the ground, with 3100 feet that will be \$600,000. Also, Webb’s initial proposal was \$14,000 lower in November, why has that changed?

JACK HOAGLAND – Did not physically see the initial bid, therefore did not know that the price was inflated.

VICE PRESIDENT SIRKIN – If there is no financial impact, it would be better to hold off and inquire from Webb why the discrepancy. Also can inquire to see if Herb Bergstrom may be able to save us some money without compromising the quality of the work.

DIRECTOR SZABADI – Would be beneficial to us to wait until initial report with the estimate of the scope and cost of work is finished before accepting this proposal.

Director Szabadi made a MOTION to table this item until the initial report is finished and we have a better understanding of what needs to be done at what cost from the engineering report.

PRESIDENT SCHELLY – Only reservation about contacting these people that are retired is that they are not able to perform at a full time level. They also may not necessarily be familiar with the most current or compliant tools. If I were retired I would spend my time traveling or other things. They have great institutional memory but we are going to have to start relying on the professionals that we hire and are going to have to start doing things for ourselves.

Vice President Sirkin seconded the MOTION to table Item #4.

MARGE MUIR - Time can change things and increase costs. You should trust that this is a professional and not hold off. Should solicit an open bid.

The vote to table this item was as follows:

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

The Motion was tabled.

ITEM 5 – RESOLUTION #733 CONFLICT OF INTEREST CODE:

Recommendation: That the Idyllwild Water District Board of Directors approve Resolution No. 733 adopting a Conflict of Interest Code and rescind Resolution No. 463.

Background: Resolution No. 463 was adopted over twenty-years ago and is not in conformance with the current conflict of interest requirements of the State of California. The attached Resolution No. 733, which has been reviewed by the

District's General Counsel, will bring the District into compliance with current requirements.

DISCUSSION:

JP CRUMRINE – Does a change in your Conflict of Interest Code need to go to the Board of Supervisors for approval.

JACK HOAGLAND – It typically goes to the County Board of Supervisors for concurrence, which is why we had our attorney look at it first.

DIRECTORS DISCUSSION:

President Schelly made a MOTION to approve Resolution 733 an update to the Conflict of Interest Code and was seconded by Vice President Sirkin. The vote was as follows:

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

The MOTION passed.

ITEM 6 – DECLINE PARTICIPATION IN THE EMERGENCY ASSISTANCE PROJECT FOR THE HORIZONTAL WELLS:

Recommendation: That the Idyllwild Water District Board of Directors authorize the General Manager to advise the Department of Agriculture that Idyllwild Water District will not be able to participate in the Emergency Funding Project for the Horizontal Wells.

Background: On August 3, 2015, Idyllwild Water District received an Emergency Funding grant for rehabilitation of the horizontal wells located above Foster Lake through the Department of Agriculture. Due to the “emergency” nature of the grant program funds absolutely had to be expended by August 3, 2017, with no options for extension beyond the two-year window.

Unfortunately, due to changes in staff and management at the District, no substantial actions were taken to advance the project. The weather during the first two months of 2017 prevented the current management from assessing the projects potential and the labyrinthine Federal approval and review process make completing the project in the time remaining infeasible.

Staff have discussed the situation with the Program Administrator and he advised that our District was not in this situation uniquely. He requested a letter declining and advised that there were several other programs potentially available to Idyllwild Water District (not “emergency” in nature) that he would be happy to assist with the District’s application and participation.

DISCUSSION:

JP CRUMRINE – Is there any evidence that the previous General Manager or previous Board took any action to get this project started?

JACK HOAGLAND – I have heard that they spoke to people but there were never any contracts or agreements.

DIRECTORS DISCUSSION:

Director Szabadi made a MOTION to approve declining participation in the CBDG Block Grant for the Horizontal wells and Director Caine seconded. The vote was as follows:

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

The MOTION passed.

ITEM 7 – BUDGET PROPOSAL AND PUBLIC HEARING RESOLUTION #734:

Recommendation: That the Idyllwild Water District Board of Directors consider the proposed budget for FY 2017-18, including rates, fees and assessments, adopt Resolution No. 734 establishing June 21, 2017 as the public hearing date to consider adopting the FY 2017-18 Budget and proposed rates, fees and assessments and authorize Staff to notify the ratepayers as required by the California Constitution.

Background:

Annually the Idyllwild Water District reviews the financial performance of the current year and prepares a budget for the upcoming year. This year, with the advent of different management, staff recommends changes in the water rate structure that will fairly allocate costs to the particular rate classes of the District (Attachments 1 & 2). The structure proposed complies with State constitutional requirements, American Water Works Association (AWWA) principals of developing water rates (i.e., industry standards and best practices) and with water industry norms in Southern California. The wastewater rate structure has no changes proposed for FY 2017-18. The updated Miscellaneous Fees reflect current costs (Attachment 3).

The proposed budget and revised water rate structure does not significantly increase overall revenues but strives to allocate fairly charges to the various rate classes. The primary change for new accounts (new meters) is to rely on the land-use and building regulatory agencies of Riverside county to determine the appropriate size for the water meter at any new water meter location, based on the appropriate plumbing, building or fire code. The revised rates are intended to apply to the normal operating strategy of the District. Staff plan to present a Water Shortage Contingency Plan to the Board of Directors in the near future that would contain alternative rates for use as tools to generate additional water conservation during times the Board of Directors might declare the need for reduced water use by rate payers. Those rates are also considered herein to comply with state constitutional requirements (Attachment 4).

Finally, Staff updated the Water meter connection fee to reflect the current costs associated with “buying-in” to the existing infrastructure and to reflect the different demands placed on the water system infrastructure by water meters of differing sizes, in keeping with the expected practices of the industry (Attachment 5).

All Meters

The base rate monthly fee for all meters is the same regardless of class (C&I or Residential) but changes with the size of meter based on the AWWA water meter size ratio (i.e., a 1-inch meter is 1.5 time as much as a 0.75-inch meter, etc.).

Commercial and Institutional (C&I)

The rate structure modifications eliminate “pre-paid water” from C&I accounts and lowers the “base rate” for all commercial meter sizes. Since C&I users will pay for each unit of water used, this structure encourages efficient water use at every tier as these customers are typically “bottom line” oriented.

Residential

Residential customers all received the same quantity of “pre-paid” water, 300 units per month (for which \$9 is added to the base meter rate) reflecting sanitary and hygienic domestic uses. Higher tiers reflect the District desire to discourage extensive exterior landscape irrigation and the higher cost of providing those additional supplies.

Notice

In order to comply with the State Constitution, staff will provide all ratepayers constructive notice of the proposed rates and the opportunities to participate in the rate development process (Proposition 218 Notice).

DISCUSSION:

STEVE MOULTON – What is the financial impact?

JACK HOAGLAND – This rate structure generates essentially the same amount of revenue as the current one.

JP CRUMRINE – I understand the capacity fee varying by meter size but why does the base fee also vary depending on meter size rather than being based on actual water used?

JACK HOAGLAND – Because if you have a bigger meter, you can take more water instantaneously so the District has to be prepared in case you would like to use your full capacity. The capacity is used to buy a customer into the system and pay for storage because the District is required to have a certain amount of storage for the system based on the amount of and size of the connections. The base rate is used to maintain the system.

PRESIDENT SCHELLY – We are trying to make the rate structure more defensible if challenged.

DIRECTORS DISCUSSION:

VICE PRESIDENT SIRKIN – We are going to be selling 1 inch meters because that is what is required by the State. New customers will be paying \$7000 capacity fee for a 1" meter and will also be paying almost double what a 5/8th" meter holder would be paying. This is not something that someone is choosing to do but are being mandated to do through the fire code therefore they are being penalized over something they cannot control. This does not seem fair.

DIRECTOR SZABDI – Assume that these rates are set because it costs X amount of dollars to run the system. I notice that we are going to be \$160,000 short in the Capital Improvements. Is the number to run the system that you are basing the rates on including the over draw or just what it takes to run the system?

HOSNY SHOUMAN – The expenses for operation should come from your rates.

JACK HOAGLAND – The deficit in next year's budget is going to be covered by what is not going to be used from this year's budget. We don't want to increase the rates unnecessarily to cover the \$160,000 for the budget because it will be coming from what wasn't used for the 16/17 budget.

VICE PRESIDENT SIRKIN – Is the 17/18 budget dependent on passing the 17/18 rate structure?

HOSNY SHOUMAN – Yes, you have to know what your revenue will be before you can have budget.

VICE PRESIDENT SIRKIN – We should increase the rates for the 5/8" meter holders in order to decrease the rates for the other sized meters and every one can pay the same base rate.

JACK HOAGLAND – You are proposing a significant rate increase to 95% of our customers in order to benefit less than 2% that aren't even customers yet?

VICE PRESIDENT SIRKIN – Everyone will benefit from the increased infrastructure.

DIRECTOR SZABADI – Do a study as to how much would the base rate be if you made it equal to still produce the same income. How much to consider from the revenue for emergencies and such.

JACK HOAGLAND – We currently have 6 reserve funds and would like to propose a 7th one.

STEVE KUNKLE – In the Capital Expenditures, don't think purchasing a \$40,000 skip steer tractor is necessary. Would like this removed from the budget.

PRESIDENT SCHELLY – The reason for the time crunch on the budget is that we are required by the State to pass a budget by a certain time. Also, to clarify, for many years the rate structure has included different base rates for different sized meters.

Director Szabadi made a MOTION to approve the Budget Proposal and Public Hearing Resolution 734 and was seconded by Director Caine. The vote was as follows:

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

The motion passed.

ITEM 8 – CITIZEN REQUEST TO DISCUSS THE IDYLLWILD BREW PUB:

DISCUSSION:

TOM PAULEK – Concerned that the permit issued to the Brew Pub was issued without CEQA Review and think that CEQA should be involved in every decision.

JACK HOAGLAND – The District probably should have done a CEQA evaluation before approving the MOU, but that didn't happen and is now past the statute of limitations and no one challenged. Issuing the permit was a ministerial action. We have spoken at length with Counsel and are comfortable with our actions being legal and in compliance.

TOM PAULEK – Jack is mistaken the approval for the permit was not a ministerial approval but a discretionary act and requires Board action. Asked is a CEQA exemption was filed and it was not. The law says that I have 180 day to sue the District over this. Don't want to do that but CEQA compliance is of great importance.

JACK HOAGLAND – We have been threatened with litigation and I would suggest that we no longer discuss this in open session.

SUE NASH – The letter was a threat of litigation. We would like you to adhere to the law.


DIRECTOR SZABADI – You have your opinion of what the law says and our attorney disagrees with you.

TOM PAULEK – Doesn't think you asked the right questions.

DIRECTOR SZABADI – We will ask additional questions and have them issue a written opinion.

ADJOURNMENT: President Schelly adjourned the meeting at 7:45 pm.

IDYLLWILD WATER DISTRICT

BY: 

DR. CHARLES SCHELLY-
BOARD PRESIDENT

IDYLLWILD WATER DISTRICT

BY: 

ERICA GONZALES-
BOARD SECRETARY