

VALLEY OF THE MOON WATER DISTRICT
REGULAR MEETING MINUTES
February 3, 2009

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Tuesday, February 3, 2009, in the Board Chambers of the District Office at 19039 Bay Street, El Verano, California.

1. CALL TO ORDER - PLEDGE OF ALLEGIANCE - ROLL CALL

President Mark Bramfitt called the meeting to order at 6:30 P.M. concurrently with the meeting of the Board of Directors of the Valley of the Moon Water District Financing Corporation and led the Pledge of Allegiance.

Roll Call by **Deputy Secretary Walk** noted the following present:

Directors Present:	Mark Bramfitt Al Bandur Ed Kenny Ron Prushko
Directors Absent:	Russell Townsend (Excused)
District Personnel:	Paul Gradolph, Operations and Maintenance Supervisor Shari Walk, Office Supervisor
General Manager:	Krishna Kumar
Public Present:	Ken Borba, Mark Henheld, Steve McCarthy, and Sandi Hansen, <u>Sonoma Index-Tribune</u>

8. OLD/NEW BUSINESS

The following item was taken out of agenda order.

- A.** Election of Officers. President, Vice President, Secretary, and Deputy Secretary.

Director Kenny nominated Ron Prushko as the **President** of the Board of Directors of the Valley of the Moon Water District. There were no other nominations. The nominations were closed.

Motion by **Director Kenny**, seconded by **Director Bandur**, and carried unanimously to elect **Ron Prushko** as the President of the Board of Directors of the Valley of the Moon Water District for 2009.

Director Kenny nominated Russell Townsend as the **Vice-President** of the Board of Directors of the Valley of the Moon Water District. There were no other nominations. The nominations were closed.

Motion by **Director Kenny**, seconded by **Director Bandur**, and carried unanimously to elect **Russell Townsend** as the Vice-President of the Board of Directors of the Valley of the Moon Water District for

2009. The position of Secretary (Krishna Kumar) and Deputy Secretary (Shari Walk) remained unchanged.

At this point, newly elected **President Prushko** chaired the meeting, completed the Financing Corporation agenda, and then moved back to the regular meeting agenda after the adjournment of the Financing Corporation.

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT CALENDAR

A. Minutes of the January 6, 2009 Board of Directors Meeting.

On motion by **Director Bramfitt**, seconded by **Director Kenny** and carried by a voice vote to adopt the Consent Calendar, as shown, with **President Prushko's** abstention.

4. PUBLIC HEARING - NONE

5. OPERATIONAL REPORTS

A. Monthly Financial Reports & Disbursements.

On motion by **Director Bramfitt**, seconded by **Director Kenny** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of December 2008 in the amount of \$307,940.72.

B. Current District Projects and Significant O & M Issues

Operations and Maintenance Supervisor Paul Gradolph presented the summary review of current District projects and significant operations and maintenance issues for January 2009, and noted that both projects were in the final stages.

- **Project #2902 – Production Well No. 5:** The contractor, Arnold Construction was completing punch list items. A dedication ceremony for the well had been scheduled for February 25.
- **Project #2912 – Agua Caliente, Trinity Oaks, El Verano Water Mains:** District staff and the contractor had met with the inspector from Sonoma County PRMD to resolve a variance with the final paving requirements. The paving would be finished in early February, which would complete the project. A Notice of completion was expected to be filed by the end of February 2009.

When asked, **Mr. Gradolph** reported that the new well was working fine.

C. Water Source Report

There were no questions with respect to the Water Source Report.

6. PRESIDENT'S AND DIRECTORS' REPORTS OR COMMENTS
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There were no reports or comments.

7. GENERAL MANAGER'S AND DISTRICT COUNSEL'S REPORTS

A. Technical Advisory Committee Meeting of February 2, 2009.

General Manager Krishna Kumar reported on the outcome of the recent Technical Advisory Committee (TAC) meeting where the bulk of the discussions had centered on the press conference that the Sonoma County Water Agency (Water Agency) had arranged for that day on water storage projections for Lake Sonoma and Lake Mendocino. A copy of the press release, which had been circulated after the press conference, was provided to the VOMWD Board. It was reported that Lake Sonoma and Lake Mendocino would reach unprecedented lower water storage levels if water restrictions were not ordered and no significant amount of rainfall occurred in the coming months.

Mr. Kumar advised that the estimated impact to the VOMWD in terms of source water and the wholesale water rates for Fiscal Year 2009/2010 would be discussed during agenda item 8.D.

B. Water Wisdom Workshop

Mr. Kumar reported that the City of Sonoma and the VOMWD had been working together with the Sonoma Ecology Center, Napa Resource Conservation District and the Southern Sonoma County Resource Conservation District to organize a Water Wisdom Workshop, which event would be held at the Veteran's Memorial Building on Saturday, February 21, 2009 from 9:00 A.M. to 4:00 P.M. The purpose of the event was to provide education on the importance of conserving water. Speakers would be presenting ideas on water topics for water conservation. He emphasized that the topic was timely with a lot of information to be provided on water conservation. A copy of the event flyer had been provided to the VOMWD Board.

C. Break in at District Office

Mr. Kumar also reported on a recent break-in the VOMWD Office where one of the windows had been broken. Sheriff's Deputies had strongly recommended that the VOMWD remove all of the tall overgrown shrubs located in front of the office building for security reasons. The shrubs had been removed and there were plans to install low cost low water use landscaping with design help from the Sonoma Ecology Center.

President Prushko verified that the District's alarm system had worked and that one window had been broken.

D. Joint Meeting with the City of Sonoma

Mr. Kumar recognized Steve McCarthy, the Water Operations Supervisor with the City of Sonoma who was present in the audience. Mr. Kumar reported that the Sonoma City Council had requested a joint meeting with the VOMWD Board in the form of a follow-up workshop to the one the City had conducted on water supply issues four to five weeks ago.

The follow-up was recommended as a joint meeting to be held on Wednesday, March 11 at 6:00 P.M. at either Fire Station No. 1 or the Community Center given the number of people anticipated to attend that meeting.

Director Bramfitt suggested that some idea of what was desired to be accomplished should be identified.

He challenged the District and City staff to provide the elected officials with a framework of accomplishing something positive for the community.

Director Bandur noted that years ago the City and the VOMWD used to meet during high demand periods to discuss operational issues. He asked whether similar meetings are planned, to which Mr. Kumar answered in the affirmative.

Director Bramfitt suggested that the discussion should relate more to policy level issues such as potential rate increases, potential rationing and the like.

8. OLD/NEW BUSINESS

B. Board Representatives

Director Bramfitt noted that he had discussions with fellow elected officials at the Water Advisory Committee (WAC) as well as with some of the staff members. He asked the Board to consider whether or not the primary WAC representative should be changed each year. He requested that a two-year term be considered. While he was willing to continue on the WAC, he suggested that a two-year term would be more appropriate.

On the vacant position, **Director Bandur** was selected as the First Alternate for the WAC. Everything else was left as is.

C. Water Project Draft Environmental Impact Report (EIR) Hearing Officers

Director Bramfitt noted a prior discussion related to the selection of hearing officers and recommended that the VOMWD Board President be the primary representative at the EIR meeting.

Mr. Kumar advised that the hearing would be held on February 26, 2009.

President Prushko appointed himself and **Director Bramfitt** as the two Directors to be the Hearing Officers for the Sonoma County Water Agency's Water Project Draft EIR.

D. Proposed Operations and Maintenance and Capital Improvement Program Budgets for Fiscal Year 2009-10

President Prushko questioned the increase in the reserves for funding retiree health benefits and asked if that reflected a shortfall, to which **Mr. Kumar** stated that under GASB 35, an evaluation of funding of retiree health benefits was required.

Mr. Kumar reported that the plan would need to be finalized at the end of FY 2009/2010. As a proactive step, the Board had earmarked \$200,000 for the last two years for that purpose. By FY 2009/2010 plans would have to be finalized and employee union negotiations would require employee concessions which would ultimately reduce the amount of unfunded liability associated with retiree health benefits.

When asked, **Mr. Kumar** stated that the \$400,000 was a board designated reserve in the VOMWD budget along with a \$1 million operating reserve. If the item was approved, there would be \$600,000 in reserves, which he noted would not likely be the final number.

President Prushko verified with Mr. Kumar that the VOMWD would have to take a final stand on the issue

this year subject to negotiations with the union.

President Prushko verified with the General Manager that retirees were provided health care for life.

Mr. Kumar explained in response to **Director Kenny** that the VOMWD would need a plan to meet the unfunded liability. The financial statements for 2009/2010 should reflect that plan. He stated that the health plans for retirees would be revisited as part of the next round of wage negotiations with employee union. He noted that an employee would require 5 years minimum service with the VOMWD to be eligible for retiree health benefits. If an employee crossed the five-year mark, any service within the Public Employees Retirement System (PERS) would be counted back. It would take 20 years of total service to be eligible for 100 percent health benefits for life. He emphasized the variables involved and the need to identify the VOMWD's full unfunded liability as well as the plan to meet that liability.

Mr. Kumar added that a 7 percent rate increase was proposed in 2009/2010 based on an estimated 20 percent rate increase from the Water Agency. Notices to identify that increase would have to be mailed to compliant with the Proposition 218 timeframe.

Director Bramfitt stated with respect to the Water Agency's increase that he understood that the Water Agency planned to deliver a lot less water this year and expected to cut costs by 25 percent by decreasing maintenance to the minimum required. While he was dismayed with the prospect of a 7 percent increase for the VOMWD, he recognized that the VOMWD had a history of keeping its rate increases to the 3 to 4.5 percent level. He understood the reasons for the proposed increase and the fact that Water Agency costs were driving the increase. He was pleased to see continued contributions to the Capital Improvement Project (CIP) list. He noted that the reserves were fully funded. While not happy to propose a 7 percent rate increase, he stated that he was quite concerned for the fact that if asking customers to adhere to a mandatory 30 percent reduction of water use, the VOMWD would have to revisit its budget and rate schedules and potentially increase above and beyond 7 percent.

Again, not happy with a potential 7 percent increase, **Director Bramfitt** suggested that the report identified the issues and reasons why that may occur. He suggested that the VOMWD was doing the right thing.

With respect to a potential 7 percent rate increase, **Director Bandur** expressed his hope that when considering reductions, the functions of the reserve would also be evaluated. He asked how the VOMWD's rates compared with other districts.

Mr. Kumar stated that of 12 to 13 entities in the region, the VOMWD's rate was in the bottom four.

Director Bandur commented that water was cheap and people were not conserving because it was not cost effective to conserve.

Director Bramfitt noted that it would be challenging to talk to the ratepayers and ask for mandatory reductions of 30 percent while still being asked to pay increased rates. He suggested it would be challenging for the VOMWD to meet a 30-percent reduction and suggested that the VOMWD and staff would have a hard time helping ratepayers meet that reduction.

Mr. Kumar stated that an action would be submitted to the Board next month for consideration.

Director Bramfitt added that a 15 percent voluntary reduction had been imposed last year and the year before and that mandatory 30-percent reductions would be a real communications challenge.

Director Kenny suggested that a 7 percent increase was not much. He did not see it would be that much of an issue with the ratepayers.

Director Bramfitt suggested that in the current economy 7 percent would be a challenge for some. He suggested that the bigger challenge would be to have VOMWD customers reduce usage by a larger percentage.

President Prushko expressed concern that the Water Agency's motive was to raise rates to sustain sufficient funds to operate based on 25 percent fewer personnel. In his opinion, the problem with government was that when rates were raised and the conditions abated, the rates would not likely be reduced. He suggested 7 percent was a large increase and represented poor planning on the Water Agency's part, particularly given the drastically distressed economy.

Mr. Kumar explained that the 20 percent was an estimate and it could be more. He suggested that the VOMWD needed to hold the line at 7 percent this year although there may be an even bigger increase next year. He suggested that way the impact on District's customers may be more controlled, given the current state of the economy.

On motion by **Director Bramfitt**, seconded by **Director Kenny** and carried unanimously by a roll call vote the Board took the following actions:

- 1) Authorized staff to mail notices to all District customers regarding the proposed 7.0% water rate increase for FY 2009-10;
- 2) Set June 2, 2009, 6:45 P.M. as the date and time of the Public Hearing to a) review the protests received regarding the proposed water rate increase and b) receive public comments regarding the 2009-10 proposed budget; and
- 3) Authorize staff to add \$200,000 to the Board designated reserve for retiree health benefits, effective July 1, 2009.

E. Water Advisory Committee Resolution

Director Bandur understood that three top priorities had been identified. He asked the genesis as to the protection of the endangered species and asked who had raised the idea of the proposal, reported by **Mr. Kumar** that the WAC chair had spearheaded the proposal given the Biological Opinion which talked about Prudent and Reasonable alternatives (PRA) that needed to be accomplished within 15 years.

Mr. Kumar added that the resolution was an attempt by the Water Contractors to give the Biological Opinion the attention it deserved.

Director Bandur asked if the priority would assist the Water Agency in any future entitlements, to which **Mr. Kumar** reported that there was no down side to the resolution being considered.

President Prushko asked whether or not there would be any fish left in Lake Mendocino.

Mr. Kumar stated that Lake Sonoma was in better shape than Lake Mendocino and it would be tough to meet the water requirements for fish. Beginning February 1, 2009, the year had been classified as a dry year which allowed the Water Agency to reduce the flows from Lake Mendocino which would help shore up the storage a bit.

President Prushko suggested that there should be a preliminary notice that given the dry year the public should be given some warning immediately, if possible, that water use would likely be reduced by 30 percent.

Mr. Kumar stated that not all the information was available at this point. He supported a notice of the need for the ratepayers to accomplish water conservation.

President Prushko asked if the 30 percent deficit could be made up through the VOMWD and Water Agency wells. He also questioned at what level water would no longer be delivered from Lake Mendocino.

Mr. Kumar noted that a water shortage allocation model had been adopted by the Water Agency's Board of Directors and allocations to the water contractors would be based on that allocation model.

Director Bandur asked if the agencies were working cooperatively and/or whether there was any intent to stop new connections pending a normal year.

Mr. Kumar stated that the contractors were working cooperatively. He added that there has been no decision made as to whether or not to stop new connections.

Mr. Kumar affirmed that no motion was needed.

President Prushko adjourned into Closed Session at 7:30 P.M.

9. CLOSED SESSION

A. Public Employee Performance Evaluation Pursuant to Government Code Section 54957 – General Manager
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10. RECONVENE INTO OPEN SESSION
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President Prushko reconvened from Closed Session at 7:51 P.M. There was nothing to report.

11. REQUEST FOR FUTURE AGENDA ITEMS
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There was no request for future agenda items.

12. ADJOURNMENT

Motion by **Director Bramfitt**, seconded by **Director Kenny**, and carried unanimously to adjourn the meeting at 7:52 P.M. The next scheduled meeting is a regular meeting on March 3, 2009 at 6:30 P.M.

Shari Walk, Deputy Board Secretary

Ron Prushko, Board President