

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE MONTE VISTA WATER DISTRICT**

March 13, 2019

DIRECTORS PRESENT:

Sandra Rose, President
G. Michael Milhiser, Vice President
Phil Erwin, Director
Manny Martinez, Director/Auditor
Tony Lopez, Director

DIRECTORS ABSENT:

STAFF PRESENT:

Mark N. Kinsey, General Manager
Andrew Gagen, Legal Counsel
Ray Harton, Director of Finance & Administrative Services
Stephanie Reimer, Finance and IT Manager
Van Jew, Director of Engineering, Operations & Maintenance
Russell Gray, Maintenance Superintendent
Kelley Donaldson, Community Affairs Manager
Betty Conti, Human Resources & Risk Administrator
Gabby Garcia, Executive Assistant

OTHERS IN ATTENDANCE:

CALL TO ORDER

President Rose called the meeting to order at 6:30 p.m.

FLAG SALUTE

Director Martinez led those assembled in the Flag Salute

PUBLIC COMMENT/OPEN FORUM

None

AGENDA CHANGES/ADDITIONS

None

ITEM 1: CONSENT CALENDAR

A. Upon motion by Vice President Milhiser seconded by Director Erwin and unanimously carried:

M19-03-01

MOVED: Approval of Consent Calendar:

A. Meeting minutes of February 27, 2019

ITEM 2: FINANCIAL REPORTS

A. Register of Demands

Finance & Information Technology Manager Stephanie Reimer presented the Register of Demands for January 2019.

Upon motion by Vice President Milhiser seconded by President Rose and unanimously carried:

M19-03-02

MOVED: Approved the Register of Demands for January 2019

B. Financial Summaries

Finance & Information Technology Manager Stephanie Reimer presented the Financial Summaries for January 2019.

Upon motion by Vice President Milhiser seconded by Director Lopez and unanimously carried:

M19-03-03

MOVED: Approved the Financial Summaries for January 2019

ITEM 3: DISCUSSION AND/OR ACTION ITEMS

A. Notice of Award: Plant 1 Warehouse Roof Replacement (MA2019-04)

General Manager Kinsey stated that Maintenance Superintendent Russell Gray was not able to attend tonight's meeting and as such he would be presenting this item. Mr. Kinsey provided a graphical presentation to the Board on the District's Plant 1 Warehouse Roof Replacement project and said the ongoing maintenance activities are necessitated by the delay of the Main Office Site Renovation Project (MOSPR) project. He indicated we are seeing the need to make minor investments in maintenance to protect the facilities from water-related damage. General Manager Kinsey further stated in April 2014, the District went through a second MOSPR design process and had a new facility layout. In 2016, the State established drinking water regulations for 1,2,3-Trichloropropane (TCP), impacting a number of District wells and as a result we have delayed the MORSPR project. He stated last year a quote for \$24,085 was obtained to apply foam and acrylic elastomeric coating on the warehouse roof. The roof has worn out and deteriorated to the point where water leaks into the interior of the warehouse. General Manager Kinsey discussed the condition of various roofs throughout the District's entire Plant 1 site and for potential to complete additional minor repair/maintenance activities. Discussion ensued during the presentation.

Upon motion by Director Erwin seconded by Director Lopez and unanimously carried:

M19-03-04

MOVED: Authorized the Board President and the General Manager to enter into an agreement with Corona Coatings Corporation for a not-to-exceed amount of \$24,085 to perform application of roofing material covering the entire rear warehouse at Plant 1

B. Resolution 743-19: Adopting the District’s Cash Reserve Policy

Finance & Informational Technology Manager Stephanie Reimer provided a graphical presentation to the Board on the proposed adoption of the District’s Cash Reserve Policy. A cash reserve policy is established by local policymakers to set aside funds to stabilize District finances by providing a cushion against unexpected events, losses of income, or large unbudgeted expenses. With the authority granted by Article 13B of the California constitution, the District drafted its first reserve policy in 2007 which established the following funds:

1. Operating: established to cover temporary cash flow deficiencies that occur as a result of timing differences between the receipt of operating revenue and expenditure requirements
2. Capital Replacement: established to provide capital replacement funding as the District’s system’s infrastructure (pipe) deteriorates over its expected useful life.
3. Growth: provide future funding derived from connection fees collected on new development resulting in increased service demand to the District’s operating and distribution system
4. Emergency: provide protection recovery to the District and its customers for losses arising from a disaster or any other unexpected loss.
5. Retiree Medical: created to ensure the future funding associated with the long term liability of health benefit coverage for employees whom have met the requirements necessary for District paid health benefits at retirement
6. DWR Loan: established to cover deposit requirements (equal to one year’s debt service payments) held with a designated Fiscal Agent for a loan agreement between the District and the Department of Water Resources (DWR).
7. Chino Hills Capacity Maintenance: established to provide capital replacement funding as required by the District to maintain, repair or replace existing facilities necessary to provide the City of Chino Hills.

Ms. Reimer said that over the last several months, staff has spent considerable time analyzing the District’s 2007 Cash Reserve Policy as it fits with the District’s current fiscal framework. Staff reviewed best practices from local agencies, the Government Finance Officers Association, and the American Water Works Association. With these resources, a draft update to the 2007 policy for Board consideration. The proposed changes include elimination of the Retiree Medical and Chino Hills Capacity Maintenance Reserve Funds. In addition, staff is proposing to add the following three new funds to the District’s Cash Reserve Policy:

1. Local Water Resources Development Fund: established to develop, improve, or for the acquisition of local water resource projects or efforts including, but not limited to the purchase of water supplies/rights, development of groundwater or surface water supplies, and any other type of effort to reduce the District’s reliance on imported water.
2. Annual Debt Service Payment Fund: established to accumulate funds for repayment of debt not otherwise required by a loan agreement to be held by a designated Fiscal Agent
3. Water Banking Fund: used for the purchase of available water supplies. Purchases from this fund are typically made to hedge the future rising costs of imported water. Discussion ensued.

Upon motion by Vice President Milhiser seconded by Director Erwin and unanimously carried:

M19-03-05

MOVED: The Board authorized the adoption of Resolution 743-19, updating the District’s Cash Reserve Policy, as approved by the following roll call vote:

Vice President Milhiser	aye
Director Erwin	aye
Madam President Rose	aye
Director Lopez	aye
Director Martinez	aye

C. Capacity Maintenance Charge Model Presentation

Director of Finance & Administrative Services Ray Harton provided a graphical presentation of the Capacity Maintenance Charge provisions associated with the District's Water Supply Agreement with the City of Chino Hills. Mr. Harton indicated tonight he will highlight three Sections of the July 1998 Agreement. First, Agreement Section 3.1 addressed the City's right to purchase capacity entitlement in District's system. Under this section, the first increment was 10 million gallons per day (MGD) at a cost of \$1,016,000/MGD and was purchased in August 1998. Next increment was for 6.22 MGD at a cost of \$675,000/MGD plus simple interest and was purchased June 1999. Mr. Harton stated under the Agreement the City could exercise one last option for the purchase of an additional 4 MGD within 5 years. In July, 2003, the District received \$2.5 million from the City for the last entitlement purchase for a total of 20.22 MGD. The second Agreement provision is Section 3.8, which establishes water delivery costs. Under this section, through June 30, 2003 the cost of water deliveries was equivalent to 98% of the Water Facilities Authority's (WFA) rate per Acre-foot (AF). For deliveries after June 30, 2003, a formula was used to determine the annual per AF delivery costs. Mr. Harton stated it's a process we go through annually in the spring as part of our budget process. The cost that we now charged City for water deliver is a combination of 49% of the WFA rate and 51% of the District's costs of groundwater production related-costs including overhead. Finally, Agreement Section 3.6 establishes the Capacity Maintenance Charge (CMC) provisions of the Agreement. Under this section, the City is required to pay the District on a quarterly basis to maintain the facilities and system for their proportionate share of capacity in the water delivery system with funds maintained in an interest bearing account. If monies were accumulated in excess of 25% of the initial capacity charge (\$2,540,000) than the District shall return such excess funds annually. Mr. Harton stated the District is in the process of initiating discussions with City regarding the Agreement's CMC provisions and funding of the necessary 1,2,3-Trichloropropane treatment facilities. Discussion ensued and the presentation was received and filed. No action required.

ITEM 4: GENERAL MANAGER COMMENTS

General Manager Kinsey briefed the Board on issues and activities of the past two weeks.

ITEM 5: BOARD COMMITTEE REPORTS

None.

ITEM 6: BOARD COMMENTS (*Reports on Conferences/Meetings Attended at District Expense*)

ITEM 7: CLOSED SESSION

President Rose recessed the meeting to closed session at 7:40 p.m. to discuss:

A. Conference with Legal Counsel – Existing Litigation (GC §54956.9[a])

Case Number RCV 51010: CBMWD v. City of Chino et al.

President Rose reconvened the meeting into open session at 7:50 p.m. and stated that no reportable action was taken on items 7A.

There being no further business, President Rose adjourned tonight's meeting at 8:00 p.m.

Respectfully submitted,

Mark N. Kinsey
General Manager/Secretary