

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
YUIMA MUNICIPAL WATER DISTRICT
August 27, 2007**

The Regular Meeting of the Board of Directors of the Yuima Municipal Water District was held at the office of the District, 34928 Valley Center Road, Pauma Valley, California on Monday, the 27th day of August, 2007.

**Regular Meeting
8/27/07**

1. ROLL CALL – DETERMINATION OF QUORUM

Call to Order

President Knutson called the meeting to order at 2:04 p.m.

Directors Present:

Present

W.D. Knutson, President
Douglas K. Anderson, Vice-President
George Stockton, Secretary
Mike Fitzsimmons
John B. Lyttle

Directors Absent:
none

Absent

Others Present:

Present

Linden A. Burzell, General Manager
Lori A. Johnson, Director of Finance
Bob Fowler, Director of Operations & Maintenance
Linden R. Burzell, Engineer
Fern Steiner, CWA Chair
Maureen Stapleton, CWA General Manager
Tony Morgan, Lane Christensen
Leigh Wood Dusasti, Lane Geosciences
Bill Morton, Municipal Financing Corporation

President Knutson declared that a quorum of the Board was present.

Quorum Present

2. ADDITIONS TO AGENDA

There were no additions to the agenda.

Additions to agenda: none

3. PUBLIC COMMENTS

President Knutson opened the public comment period. No comments from the public were forthcoming.

**Public
Comments:
None**

4. WATER SUPPLY RELIABILITY PRESENTATION

President Knutson introduced Fern Steiner and Maureen Stapleton from the San Diego County Water Authority (CWA). They provided a presentation on California's drought situation; the snow pack condition; the Delta pumps (smelt); and ongoing water supply development. Also, presented were the ongoing construction project to meet the regions need through 2030 and the increasing cost of water through 2009. Following questions, Ms. Stapleton and Ms. Steiner were thanked for their presentation. Manager Burzell gave an update on the new pipeline stating the first screen check draft of the environmental impact report and environmental assessment report have been received. The public scoping meeting is scheduled for the 17th of September here at the district office. The balance of the environmental work is schedule to be completed by the end of the year.

**Water Supply
Reliability
Presentation**

Ms. Stapleton & Ms. Steiner left at 2:50 p.m.

I. CONSENT CALENDAR

Following review of the Consent Calendar, a motion was offered by Director Lyttle, seconded by Director Anderson, to approve the Consent Calendar, namely; approval of the Minutes of the Regular Meeting of July 23, 2007, the Accounts Paid and Payables for July and Resolution entitled;

**Consent
Calendar**

**Minutes of
Regular
Meeting
7/23/07**

RESOLUTION NO. 1134-07
RESOLUTION OF THE BOARD OF DIRECTORS OF
YUIMA MUNICIPAL WATER DISTRICT
APPROVING DESIGN, DETERMINING THE WAGE SCALE,
APPROVING PLANS, SPECIFICATIONS AND OTHER
CONTRACT DOCUMENTS FOR, AND AUTHORIZING THE
ADVERTISEMENT OF INITIATION FOR BIDS FOR THE
STATION 8 RESERVOIR REPLACEMENT PROJECT, WITH
CONSTRUCTION OF A 1.7 MG TANK AND APPURTENANCES

**Res.1134-07
Approving
plans & specs
for the Station 8
reservoir
replacement
project**

(Station 8 Reservoir Removal, Grading and 1.7 MG Welded Steel Tank)

was adopted by the following roll-call vote, to wit:

AYES: Knutson, Anderson, Fitzsimmons, Lyttle, Stockton

NOES: None

ABSTAIN: None

ABSENT: None

II. ACTION/DISCUSSION

II-1 Proposed Resolution Authorizing the Execution and Delivery of an Installment Sale Agreement, and Authorizing and Directing Certain Actions in Connection with the Acquisition and Construction of a Water Storage Tanks and Pump Station – Station 8 (Municipal Finance Corporation Installment Sale Agreement #07-039-AF)

Director of Finance Johnson stated that the board requested staff to move forward on obtaining financing for the Station 8 tank project. Municipal Finance Corporation through the California Special District Association offered a favorable financing rate for 15 years at 4.58% interest under a Municipal Lease. Director of Finance Johnson introduced Bill Morton president of Municipal Finance Corporation who gave a brief description of municipal leases and the terms of the financing stating Citizens Business Bank in Ontario will be the lending agency under this proposal. He stated that under a municipal lease the district's cash flow is enhanced as this type of financing stretches the district's available dollars by allowing future ratepayers pay for the use of the facility as it is being used rather than making the current ratepayers pay the entire construction cost today. The interest in the lease is tax-exempt making rates comparable to bond rates. He stated the installment agreement is essentially the same as the one used for the Eastside Tank Financing in 2004 with some minor changes in the accounting of arbitrage, namely the disbursement

Municipal Lease

agent will deposit the proceeds into a bond proceed account established with the State Treasurer's office instead of Municipal Finance acting as the disbursement agent. President Knutson thanked Mr. Morton for being available today and answering the board's questions. Director of Finance Johnson stated the Installment Sale Agreement has been reviewed and approved as to form by council. Following discussion and upon a motion offered by Director Fitzsimmons, and seconded by Director Stockton, that Resolution Nos. 1135-07 and 1136-07 entitled,

RESOLUTION NO. 1135-07
RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN
INSTALLMENT SALE AGREEMENT, AND AUTHORIZING AND DIRECTING
CERTAIN ACTIONS IN CONNECTION WITH THE ACQUISITION AND
CONSTRUCTION OF A WATER STORAGE TANK AND PUMP STATION –
STATION 8 (MUNICIPAL FINANCE CORPORATION
INSTALLMENT SALE AGREEMENT #07-039-AF)
and

**Res.#1135-07
Authorizing
Execution of
Installment
Agreement
(Municipal
Finance Corp)

Station 8
Project**

RESOLUTION NO. 1136-07
RESOLUTION OF THE BOARD OF DIRECTORS OF
YUIMA MUNICIPAL WATER DISTRICT AUTHORIZING
ESTABLISHMENT OF ACCOUNT AND INVESTMENT OF
BOND PROCEEDS IN THE LOCAL AGENCY INVESTMENT FUND

**Res.#1136-07
Establishing
Bond Proceeds
Account with
LAIF**

were adopted by the following roll-call vote, to wit:

AYES: Knutson, Anderson, Fitzsimmons, Lyttle, Stockton

NOES: None

ABSENT: None

Mr. Morton left the meeting at 3:20 p.m.

II-3 Proposed Resolution Establishing and Annexation Fee Policy, Setting and Annexation Fee Formula for Computing Annexation Charges, Establishing a Surcharge in Lieu of Taxes for Tax-Exempt Private Use Property and Amending Rules and Regulations Governing Water Service (Annexation Procedures Section 4)

President Knutson stated that staff has presented annexation procedures to be

added to the district's rule and regulations governing water service. Finance Director Johnson stated the present method of setting annexation fees based on the assumed property tax collection from 1963 on using assessed valuation and adding the special taxes and assessments understates the buy-in value. A landowner whose land is being annexed should pay a fair and equitable share of the value of the district to which the land is being annexed. The new formula uses infrastructure and asset values from the audited annual financial statements with an adjustment for inflation using the Engineering News Record construction cost index which is objective and easily calculated. In addition, an in lieu fee is being proposed for property to be annexed to the District which is exempt from property taxes but used for private purposes. Upon motion offered by Director Anderson, seconded by Director Fitzsimmons, Resolution No. 1137-07, entitled

RESOLUTION 1137-07
RESOLUTION OF THE BOARD OF DIRECTORS OF
YUIMA MUNICIPAL WATER DISTRICT
ESTABLISHING AN ANNEXATION FEE POLICY, SETTING AN
ANNEXATION FEE FORMULA FOR COMPUTING ANNEXATION
CHARGES, ESTABLISHING A SURCHARGE IN LIEU OF TAXES
FOR TAX-EXEMPT PRIVATE USE PROPERTY
AND AMENDING RULES AND REGULATIONS
GOVERNING WATER SERVICE
(Annexation Procedures – Section 4)

**Res.#1137-07
Establishing an
Annexation Fee
Policy and
Formula**

**(Amending
Rules &
Regulations
Section 4)**

was adopted by the following roll-call vote, to wit:

AYES: Knutson, Anderson, Fitzsimons, Lyttle, Stockton

NOES: None

ABSENT: None

II-4 Proposed Resolution Setting Fourth the Time and place of Hearing and Giving Notice of Hearing for a Water Rate Increase (MET'S IAWP PENALTY RATE)

Manager Burzell stated that Metropolitan will be imposing a penalty equal to twice the Metropolitan bundled Tier 2 rate, or \$1,212, for every acre foot of water purchased over our target allotment. This penalty rate will be assessed to our customers in the form of a surcharge on their water bill for water used over their base allotment. In order to meet the time requirement as imposed by proposition 218 we need to set a public hearing date and

time. In order for the rate to be effective for January's water billing a public hearing can to be set for our regular board meeting in October on the 22nd, which will work with the time constraints. Manager Burzell further stated that a notice will be mailed 45 days prior, or by September 7th to all property owners in the district to comply with the provisions of proposition 218. Upon motion offered by Director Fitzsimmons, seconded by Director Lyttle Resolution No. 1138-07, entitled:

RESOLUTION NO. 1138-07
RESOLUTION OF THE BOARD OF DIRECTORS OF
YUIMA MUNICIPAL WATER DISTRICT
SETTING FORTH THE TIME AND PLACE OF HEARING
AND GIVING NOTICE OF HEARING FOR A
WATER RATE INCREASE
-
(MET'S IAWP PENALTY RATE)

**Res. 1138-07
Setting forth the
Hearing for
Water Rate
Increase

(Met's IAWP
Penalty Rate)**

was adopted by the following roll-call vote, to wit:

AYES: Knutson, Anderson, Fitzsimmons, Lyttle, Stockton

NOES: None

ABSENT: None

III. REPORTS/MEETINGS

III-1. Board Reports/Meetings

Director Knutson reported that:

- ✦ The San Vicente Pipeline tunneling project continues to encounter highly cemented aggregate that has slowed progress to as little as 3 feet per day, delaying completion and causing significant cost over-runs.
- ✦ The All American Canal lining project is now under way, the latest round of lawsuits having been settled.
- ✦ The Coachella Canal lining project is completed, but a legal dispute over about \$13 million in cost over-runs is still in arbitration.

**Board Reports
SDCWA/MWD**

III-2. Administrative Report

Administrative

Manager Burzell called the board’s attention to his written Administrative report. He stated that a 30% cutback in IAWP supplies is anticipated to be imposed on January 1st. He stated that the “base year” for calculating cut-backs will be FY 2004 (this is good for farmers because IAWP deliveries were at the maximum for that year). However, the base year for distribution of the MET quota among the Water Authority member agencies is FY 2007, which works against the interest of Yuima’s customers in an aggregate amount of about 403 acre-feet for FY 2008. He stated he is planning to have several meetings with our IAWP participants and their grove managers. Also, a letter and certification forms will be sent to the IDA agricultural customers verifying that their planted acres are covered with paid special connections. In these times of shortage, it is unfair to those who have paid their Special Connection to have to share this scarce resource with those who have not. Those that are over planted will have a 30 day grace period to purchase IDA special connections before a base water allotment is calculated. Manager Burzell also reported that:

- The required notification regarding fluoridation will be sent with the water bills the first week in September.
- We are still waiting for the LISA Grant Documents from the County Water Authority. As soon as they are executed by both parties we can move forward with the hydrological study.
- A public scoping meeting for the Northern Route Pipeline is scheduled for September 17th from 6 p.m. to 8:00 p.m. here in the board room.
- We are moving forward with a record of survey on the reservoir 8 parcel to establish corners and construction work area.

III-3. Capital Improvement Program Review.

Manager Burzell stated that as of August 17th, the current year capital improvement program totals \$3,553,757, of which \$399,188 has been expended to date.

III-4. Operations Report.

Director of Operations & Maintenance Fowler reported that Well 18 is out of service

Report

IDA Special Connections

Discussion on Capital Improvements

Operations Report

for motor repair and pump replacement, well rehabilitation as indicated by the video survey.

Well 18

III-5. Engineer's Report.

Engineer Burzell stated that when the Eastside tank was designed to pull water from the Yuima system instead of directly from the tank. Now that the Eastside Pump Station is completed and with a little piping modification we will be able to pull water from the Eastside Tank and avoid lowering the storage in McNally Tanks. Staff is working on the drawings for this modification.

Engineer's Report

Engineer Burzell stated that the Station 8 project is ready to go to bid. Bid opening is schedule for October 15th and we should have a recommendation to the board by the 22nd.

Station 8 project

III-6. Counsel's Report.

Counsel was not present.

Counsel's Report

III-7. Finance Report

Director of Finance Johnson called the Board's attention to the written Treasurer's report in the packet.

Finance Reports

Director of Finance Johnson reviewed the 12 month report stating water sale revenues exceeded budget projections by 6.5% while total expenditures were 5% over projections which helped in reducing our projected deficit.

III-8. Joint Powers Fire Report

Manager Burzell stated that Chief O'Leary was unable to be at the meeting and there is no update on the building at this time. The EIR is expected soon.

IV. OTHER BUSINESS

Manager Burzell reviewed the charts showing the probable effects of the proposed IAWP 30% cutback. He stated that in addition to the 30% IAWP Metropolitan may be looking at a 10% M & I reduction.

V. ADJOURNMENT

There being no further business to come before the board and upon motion to adjourn the meeting offered by Director Stockton, seconded by Director Lyttle and carried unanimously, the meeting was adjourned at 5:01 p.m.

Original minutes were signed
and approved 09/24/2007
George Stockton, Secretary

ATTEST:

Original minutes were signed
and approved 09/24/2007
W.D. Knutson, President

Other Business

**Adjournment
5:01 p.m.**