

**WYNOLA WATER DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES**
Sunday, July 20, 2014, 9:25 AM
1634 Oakforest Road, Santa Ysabel, CA 92070

Director Bernard called the meeting to order at 9:25 AM. Board Members present were: Jo Ann Bernard, President, Dean Stowers, Vice President PRD16, Ray Mitchell, Water Quality Operations, Tom McDonough, Operations, and Jack Bainbridge, Operations.

Staff attending were Robert Gans, Treasurer and Joyce Gans, Office Manager. Also present was Past WWD President Bill Stovall.

1. Approval of Agenda: The Agenda was modified to eliminate 5.E. D&O Insurance and to add a new 5.E. Expiring Board Terms and Candidate Filing. Director Stowers moved to approve the Agenda as presented. Director Bainbridge seconded. The motion passed.

2. Approval of Minutes of Regular Quarterly Meeting of April 13, 2014. Director McDonough moved to approve the minutes. Director Stowers seconded. The motion passed.

3. Approval of Minutes of Special Meeting of May 18, 2014: There was a correction to the minutes to eliminate the phrase "reasonable assumptions". Director Stowers moved to approve the minutes as revised and Director McDonough seconded. Motion was approved.

4. Approval of Minutes of Special Meeting of June 22, 2014: Director Bernard asked that the detailed scenarios for the different proposals for rate increases be added to the minutes. Director Stowers moved to approve the minutes and Director Bainbridge seconded. Motion was approved. It was agreed that for future minutes, the first draft would have the tracking function turned on.

5. Approval of Minutes of Regular Quarterly Meeting of April 13, 2014. Director Bainbridge moved to approve the minutes. Director Mitchell seconded. The motion passed.

6. Old Business:

a. President's Report

President Bernard discussed various highlights of events in Wynola Estates, not covered elsewhere on the agenda.

b. Storage Tank Cleaning/Repairs

Director Bainbridge reported on the completion of this project. The project was finished on budget and on schedule.

c. Generator

The need for a back-up generator to keep the water system operating in the event of an emergency was discussed. The operation of a generator requires a qualified electrician, and a question is how to keep the system running, to have water for fighting a fire, if an evacuation of the area has been ordered.

It was agreed that the Water Board can not order anyone to stay if the situation is threatening. A related issue is the cost of renting a back-up generator during the fire season, as we have done in the past.

It was decided to notify the Fire Department that they could draw 50,000 gallons from the tanks, in the event of an emergency, and that after that, the system should be shut down.

It was also decided to see if it was possible to have an agreement with local resident and generator supplier Ron Placa to be assured that he will supply the District with a generator on short notice, if necessary, instead of having the rental generator on site from September through November. Director Mitchell will contact Ron Placa.

d. Water Operations

1) Hazard Communication Plan

Director Mitchell has developed a Hazard Communication Plan for the District that has been reviewed by JPIA and found to be exceptionally well-done. Wynola resident Scott Dell is an expert on this subject and will be asked to give interested Board members a class on this subject. Hazardous materials maintained by the District include chlorine, motor oil, and antifreeze. It is expected that after this training is complete, that this plan will be signed off on by each Board member.

2) ACWA/JPIA Risk Assessment

We were inspected on July 1st for risk factors that might affect our insurability. No significant deficiencies were found. It is important that the following parties are included in our insurance policy as additional insureds: Board members, officers, contractors, volunteers, and others providing services to the District.

3) Consumer Confidence Report

The report was distributed to all property owners either by e-mail or by regular mail. The report has also been posted on the website.

4) Well Testing

The District is faced with major water testing requirements this year, some of which are according to a pre-determined schedule, and some of which are the result of more stringent standards for drinking water including new tests for Hexavalent Chromium. Major testing has been completed on Wells 3 and 10 to comply with new rules just issued on 07-01-2014 by SDDEH. Total testing cost in 2014 will be about \$9,000. Barbara Keresztury will do all the testing.

5) New Meter

A new water meter has been installed on lot #46, which has just closed escrow. The new owner has paid the fee of \$5,000.

7. Finance/Office Report

a. Quarterly and Fiscal Year-End

Treasurer Gans reported that the District had a loss for the quarter just ended of \$20,808 and a loss for the year of \$46,914. Cash and Investments are at \$186,135, a decrease of \$46,818 for the year. The largest expenditure causing the loss was \$35,000 for the refurbishing of the storage tanks.

b. Audit

The annual audit is scheduled for August 1, 2014.

c. Expiring Terms of Board Members

The four-year terms of Directors Mitchell, McDonough, and Bainbridge will expire on December 5, 2014. At this time, those directors are undecided about whether to run for re-election, and the District is not aware of any other parties who are interested in the positions. On or shortly after December 5, if there are no new candidates for the positions, President Bernard intends to ask Directors Mitchell, McDonough, and Bainbridge if they will agree to be re-appointed.

[Note: At this point, Director Stowers left the meeting for another commitment.]

8. Water Level/Usage Report

Water levels are at a historic low, and the Board needs to ask property owners to begin conservation efforts. A letter will be written to all property owners. Directors Bernard and Bainbridge will write the draft for the letter and will e-mail it to Board members for comments.

[Note: The letter was written and distributed to all property owners on July 26, 2014.]

9. Rate Structure

a. Decision to Increase Revenue

Special Board Meetings to review the District's rate structure, in the light of revenue and expense trends, have been held on August 19, 2013, September 22, 2013, May 18, 2014, and June 22, 2014. The subject of rates and fees has also been part of the discussions of regular Board Meetings over the last year. After much analysis and discussion, the Board has, unanimously, come to the conclusion that an increase in revenue is needed to offset higher operating costs and the cost of repairing and/or replacing operating equipment.

b. Alternatives

- 1) Increase only quarterly maintenance fee (currently \$21 per quarter).
- 2) Increase annual assessment that is included with property tax bill (currently \$150 per year).
- 3) Increase only water usage rate (currently a tier system starting at \$1.50 per unit of 100 cubic feet, increasing to \$10.00 per unit)
- 4) Increase both quarterly maintenance fee and water usage rate.
- 5) Institute a fee for new property owners to "buy into" the system, whether or not there is already a meter on the property. Transfer fee.
- 6) Invest in more speculative instruments, to increase our interest income.
- 7) Encourage owners to use more water.

c. Selection of Alternatives

Of the above alternatives, the Board decided on, in order of priority: Increase quarterly maintenance fee and water usage fee, and then increase annual Property Tax assessment.

d. Target Increase in Revenue

On motion by Director Bainbridge, seconded by Director Bernard, and passed unanimously, it was decided to target an increase of \$20,000 in annual revenue, to be phased in over two years, with the quarterly maintenance fee and the usage rate accounting for \$10,000 in the first year and the annual assessment accounting for the other \$10,000, all in the second year.

e. Rate Increases

Accordingly, on motion by Director Bainbridge, seconded by Director Bernard, and passed unanimously, it was decided to increase the quarterly maintenance fee by \$19 to a new total of \$40; to increase the base rate for water usage from the current \$1.50 to a new amount of \$1.75 for the first 100 units, the second tier from the current \$2.50 to a new amount of \$2.90, and the third tier from the current amount of \$10.00 to a new amount of \$11.50. These rates would take effect in the billing cycle following the completion of the Proposition 218 process.

The increase in the annual water availability assessment on the Property Tax bills would be from the current level of \$150 to a new amount of \$275 and would be effective with the Fiscal 2016 property tax bills if the Proposition 218 process can be completed in time for the County to make the changes on the tax bills.

Director Mitchell states that, although he voted in favor of the above increases, he has reservations about how necessary they are. He says that he has researched the CPI, COLA and inflation rates for the last nine years, since our last increase in 2005, and that this proposed increase is at least three to four times that amount.

[Note: On July 20, 2015, following this Board Meeting, President Bernard received verbal approval from Director Stowers for the above increases.]

f. Rate Study

According to Proposition 218, a formal rate study, performed by a professional who is qualified to do such a study, will be needed. Director Bernard will arrange for such a study.

g. Community Approval

Proposition 218 requires a notice of the proposed increase in the maintenance fee and water rates be sent to all property owners at least 45 days before a public meeting is held to explain the increases and to receive public comments. The increases will become effective after the public meeting unless a majority of the property owners formally protest the increase in writing. The increase in the water availability assessment collected through the property tax requires approval of the majority of the lot owners through a formal vote.

10. Budgets

a. Operating Budget

The usage rate and maintenance fee increases should generate about \$5,000 in additional cash in Fiscal 2014-2015 (December 31, 2014, and March 31, 2015 billings). A revised budget showing these changes was presented. As in prior years, it is a breakeven budget, with maintenance and capital replacements being the force figures, totaling \$8,700. On motion by Director Bainbridge, and seconded by Director McDonough, the Budget was unanimously approved.

b. Capital Budget

An updated Capital Budget, with a target reserve figure of \$250,000 was, on motion by Director Bainbridge and seconded by Director McDonough, unanimously approved.

11. Set the Date, Time, and Place for the Next Meeting. Adjourn.

The next regular quarterly meeting will be in the evening on the third Wednesday or Thursday of October, 2014. Director Bernard will announce the date and time. The meeting will be held at the Gans residence, 1634 Oakforest Road.

There being no further business to discuss, upon motion made by Director Mitchell, seconded by Director McDonough, and passed, the meeting adjourned at 12:37 PM.

Respectfully submitted,

Joyce E. Gans

Joyce E. Gans
Office Manager