

**MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE TWENTYNINE PALMS WATER DISTRICT
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277**

JANUARY 28, 2015 / 6:00 P.M.

Call to Order and Roll Call

President Moore called the meeting to order at 6:00 p.m., 72401 Hatch Road, Twentynine Palms, California. Those responding to roll call were Directors Chancey Chambers, Carol Giannini, Suzi Horn, Sam Moore, and Roger Shinaver. Also present were General Manager Tamara Alaniz, Operations Manager Ray Kolisz, Financial Consultant Cindy Byerrum, and District Secretary Cindy Fowlkes.

Pledge of Allegiance

Director Moore led the pledge.

Additions/Deletions to the Agenda

None

Public Comments

Ed Vallerand, of Twentynine Palms, spoke to the cost of well drilling.

1. Financial Analysis of NBS Rate Study Recommendations and Possible Action
General Manager, Tamara Alaniz, gave a brief Powerpoint presentation on the Rate Setting process including the planning process for capital improvement projects.

Ms. Byerrum, on direction of the Board, presented an analysis of the financial effects of adopting a 3% annual rate increase with adjustments to the CIP projects. The following Alternatives were presented to the Board:

Alternative #1

- 3% annual increase, no OPEB funding (Other Post-Employment Benefits)
- Below a prudent reserve level in approximately 9 years; out of cash in about 12 years
- Cumulative rate increase over five years would be approximately 20%

Alternative #2

- 3% annual increase, fully funding OPEB
- Below a prudent reserve level in approximately 7 years; out of cash in about 10 years
- Cumulative rate increase over five years would be approximately 20%

Alternative #3

- 5.75% increase for 3 years; then 3% annually thereafter; fully funding OPEB
- Below a prudent reserve level in approximately 11 years
- Allows for higher reserve levels and a favorable credit rating
- Cumulative rate increase would be approximately 30%

Ms. Byerrum recommends the Board move forward with a public hearing in order to adopt Alternative 3, implementing a 5.75% rate increase the first year and re-evaluate the rate increase on an annual basis for the next four years at the Board's discretion.

Ed Vallerand, of Twentynine Palms, spoke to Agenda Item #1 and inquired about the timing of the rate increase and the assumptions used to calculate the increase.

After discussion, Director Shinaver moved to adopt Alternative #3, seconded by Director Horn. The following roll call was taken and the motion was not adopted.

Ayes: Directors Horn and Shinaver
Noes: Directors Chambers, Giannini, and Moore
Abstain: None
Absent: None

Director Chambers moved to adopt Alternative two, seconded by Director Shinaver and approved by the following roll call vote.

Ayes: Directors Chambers, Giannini, Horn, and Shinaver
Noes: Director Moore
Abstain: None
Absent: None

2. Reserve Policy Recommendation

Ms. Byerrum recommends bringing back a resolution to adopt a Reserve Policy at the February Board meeting. Adoption of a Reserve Policy would allow the District to maintain appropriate reserves for emergency use, capital projects, and obligations as a result of legal mandates. Three categories of Reserves were presented and the following recommendations were made:

Operating Reserve

- Minimum of 120 days of District and O&M expenses, 180 days would be more ideal

Capital Reserve

- 3% recommended, (capital reserves vary from 2-5% of total capital assets) yielding a consistent range of \$870,000 after three years.

Primary and Secondary Impact Fees

- Funded by developer impact fees, restricted use to create additional capacity or distribution within the District. Many CIP projects qualify for this funding.

The Board was in agreement to bring the item back as a resolution at the March Board meeting.

3. Consent Calendar

- Minutes of the Regular Meeting held on December 17, 2014
- Audit List

Ed Vallerand, of Twentynine Palms, spoke to the Audit List concerning an additional cost for Platinum Consulting.

Director Shinaver moved to approve the Consent Calendar, seconded by Director Horn and approved unanimously.

4. Items Removed from the Consent Calendar for Discussion or Separate Action
None

5. Management Reports

5.1 Operations

Mr. Kolisz reported that the District responded to 26 Underground Service Alerts, had 1 water main leak in the Lear Avenue area, repaired/maintained 3 fire hydrants, and

performed 2 leak audits. The Campbell Reservoir was taken off-line in late December to allow staff to perform cleaning operations of the interior floor in preparation of a cathodic protection system by GMC Electrical, Inc. Water production was down by 6% compared to the same time last year.

5.2 Finance

Ms. Byerrum reported on the November financial statements.

5.3 General Manager

The Board was thanked for their hard work with the rate study.

Carlos Lopez, of Twentynine Palms, spoke against the proposed rate increase and connection fees.

6. Closed Session - Public Employee Performance Evaluation – Pursuant to Government Code § 54957

Title: General Manager

Director Shinaver moved to enter closed session at 6:44 p.m., seconded by Director Giannini and unanimously approved.

7. Closed Session - Conference with Labor Negotiators – Pursuant to Government Code § 54957.6

Negotiator: Labor Counsel Joseph Sanchez, Esq.
Employee: General Manager

The Board returned to open session at 7 :32 p.m. Director Moore announced there was no reportable action.

8. Future Agenda Items and Staff Tasks/Directors' Comments and Reports

Director Chambers commented that he was not in favoring of raising rates but reminded the public that state mandates and operational expenses require an increase to cover costs.

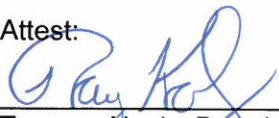
9. Adjournment

On motion by Director Chambers seconded by Director Shinaver and approved by the Board, the meeting was adjourned at 7:34 p.m.



Kerron E. Moore, President
Board of Directors

Attest:



Tamara Alaniz, Board Secretary
Twentynine Palms Water District

Ray Kolisz, Operations Manager