The Regular Meeting of the Board of Directors of the Indian Wells Valley Water District was called to order by President Brown at 6:00 p.m. in the Board of Directors Hearing Room, 500 West Ridgecrest Boulevard, Ridgecrest, California.

The Pledge of Allegiance was led by Renee Morquecho.

DIRECTORS PRESENT: President Peter E. Brown  
Vice-President Charles F. Cordell  
Director Charles D. Griffin  
Director Ronald R. Kicinski

DIRECTORS ABSENT: Director Donald J. Cortichiato

ALSO PRESENT: Jim Worth, Attorney;  
Don Zdeba, General Manager;  
Jason Lillian, Operations Superintendent;  
Renee Morquecho, Chief Engineer;  
Jennifer Keep, Chief Financial Officer;  
Rose Koch, Recording Secretary

AGENDA DECLARATION
Recording Secretary, Rose Koch, reported that the agenda for tonight’s Regular Board Meeting was posted on Friday, May 5, 2017.

President Brown announced that the Board Meetings are now being recorded so that the audio may be posted to the District’s website for the public. Everyone was advised to speak clearly in the microphone and to identify themselves before speaking.

CONFLICT OF INTEREST DECLARATION
None.

PUBLIC QUESTIONS AND COMMENTS
Debra Jennings commented on concerns of Chromium 6 in the water.

CONSENT CALENDAR
MOTION: was made by Director Kicinski and seconded by Director Griffin to approve the Minutes of the April 10, 2017 Regular Board Meeting, and to approve payment of Accounts Payable totaling $731,494.92. Motion was carried, unanimously. (Ayes: Brown, Cordell, Griffin, Kicinski. Nays: None. Absent: Cortichiato)
Jennifer Keep presented the 2017-2018 General Fund budget proposal. The District’s financial goals are to have a balanced budget in which revenues exceed expenses, have positive cash flow, meet debt service obligations and not incur new debt. Due to level revenues, standard cost increases of operating expenses, significant capital projects, and new debt for solar plant construction without benefitting from electricity cost savings, the District will not meet any of these goals without incurring new debt. The committee recognized the District will need to acquire an estimated $10 million in debt. The proposal projects revenues at $10,766,800 and expenses at $11,500,590 for a difference in which expenses exceed revenues of $733,790. Specific budget changes compared to the 2016-2017 Mid-Year General Fund Budget are as follows:

- Total water sales increased by $57,000.
- Water service revenues are expected to remain flat.
- Capital contributions should decrease by $619,200 based on decreased construction needs.
- Non-operating income decreased by $21,000 due to conservatively estimated Miscellaneous Revenues.
- All labor and benefits costs increased due to an estimated 2% Cost of Living Allowance (COLA), applicable merit raises, and a 10% estimated increase for benefits.
- Water Supply decreased by $431,000 primarily due to the anticipated purchased power savings from the solar plants offset by increased training needs for the new SCADA system.
- Arsenic Plant decreased by $98,700 primarily due to the anticipated purchased power savings from the solar plants.
- Transmission & Distribution (T&D) increased $32,790 for labor and benefits.
- Engineering increased by $34,000 for GIS consulting services, increased labor costs and computer maintenance expenses.
- Customer Service increased by $21,000 for increased salaries and benefits and anticipated uncollectible accounts due to new collection regulations.
- Field Service decreased by $44,000 for reduced salaries and benefits related to changes in personnel and redirection of labor costs associated with the Automated Meter Infrastructure (AMI) capital project.
- Administration, Accounting and General increased by $116,000. Significant increases include an additional $29,000 increase to the annual public employees’ retirement payment for unfunded liability, anticipated use of the Hydrogeologist Consultant, payment for the tri-annual Bureau of Land Management (BLM) lease agreement, and $77,000 for the solar maintenance agreement.
- Legislative decreased by $12,000 because there will be no election and reduced travel expenses by having the General Manager participate in Integrated Regional Water Management Plan (IRWMP) meetings, and limiting attendance at the Association of California Water Agencies (ACWA) conferences to one director.
- Depreciation increased by $941,000 to reflect the completion of large capital projects including the solar fields.
- Non-Operating Interest expense decreased by $51,000 per the existing debt amortization schedules. Staff noted two debts
should be paid off in FY 2017-2018: the 2012 loan and the Prop 55 loan. Regarding the latter, the loan is scheduled to be paid off in April 2020, but it is estimated there will be enough in the restricted reserve plus the remaining balance of Assessment District 87-1 payments collected but not spent to pay off the loan early.

- Non-Operating Miscellaneous expense increased by $3,000 for credit card fees, web payment costs and increased sales and use taxes offset by reduced costs for the Indian Wells Valley Cooperative Groundwater Group and annual fees by the State Water Resources Control Board (SWRCB).
- Non-Operating Conservation expense decreased $72,000 for the Cash for Grass program reflecting the total amount of grant funds to be rebated in Fiscal Year (FY) 2016-2017
- Non-Operating Alternate Water Supply expense increased $137,000 for anticipated Groundwater Sustainability Act (GSA) fees, District labor expenses dedicated to the GSA offset by the final costs associated with the Salt/Nutrient Management Program.

Jennifer Keep presented the 2017-2018 Capital Improvements Projects and Purchases budget proposal totaling $8,137,805. High dollar capital projects that were discussed during the meeting include completing/upgrading Wells 34 and 35 ($2.17 million); Automated Metering Infrastructure (AMI) project ($2.1 million); SCADA upgrade ($500,000); and the solar project ($0.4 million), which will be funded with the 2016 solar loan. Staff reiterated to the Committee the 10-year Capital Improvement Plan (CIP) also projects over $8.6 million will be spent in FY 2018-2019 and $1.6 million in FY 2019-2020, so the District will need to incur at least $10 million in debt to cover the costs.

The 2017-2018 Cash Flow projection, which includes $10 million in debt, indicates the District will meet its debt service coverage obligation, and the emergency reserve will be fully funded. 2017-2018 cash flow is projected to increase by over $3,300,000. This is expected since there are several costly projects scheduled for FY 2017-2018, including construction of the solar plant, which will be funded by new debt and cash reserves. Annual debt service still exceeds $2 million. The District will still have adequate reserves by the end of the year.

Director Kicinski commended Jennifer Keep for putting together the budget and commented that the plan ahead looks like the right direction for the District.

**MOTION:** was made by Director Kicinski and seconded by Vice-President Cordell to approve the 2017-2018 General Fund Budget as presented. Motion was carried. (Ayes: Brown, Cordell, Griffin, Kicinski. Nays: None. Absent: Cortichiato)

**MOTION:** was made by Director Kicinski and seconded by Director Griffin to approve the 2017-2018 Capital Improvement Budget as presented. Motion was carried. (Ayes: Brown, Cordell, Griffin, Kicinski. Nays: None. Absent: Cortichiato)
President Brown reported that the IWVGA had the Workshop on April 20th. A new draft of Article 5 Bylaws is not available at this time.

Director Kicinski recommended to the Board of Directors to develop an Ad-HOC Committee to develop an outline (roadmap) for how the Board of Directors would like to structure the Groundwater Sustainability Plan (GSP) and the process moving forward. Director Kicinski commented that there is a lot of confusion that seems to occur without getting information, the information getting passed back and forth, and what the Board's position is. It could be better streamlined with an Ad-HOC Committee. Director Kicinski proposed the Committee consist of himself, Director Griffin, and Don Zdeba. The Committee will bring the discussion and ideas that the Board of Directors may agree upon regarding the GSP. Areas that are being covered will have a clear vision of the District.

MOTION: was made by Director Kicinski and seconded by Director Griffin to approve the formation of Ad-HOC Committee, consisting of Directors Kicinski and Griffin and General Manager Don Zdeba, to outline the direction the Board of Directors would like to take regarding the GSP. Motion was carried. (Ayes: Brown, Cordell, Griffin, Kicinski. Nays: None. Absent: Cortichiato)

President Brown asked for guidance from the Board of Directors on how to proceed with the changes to Article 5 Bylaws if presented at the next GSA meeting. Jim Worth commented that it is his standpoint that the GSA is going the direction that has already been discussed by the Board of Directors. The primary change was to add full stakeholder involvement with meaningful participation and to review the Policy Advisory Committee (PAC) and Technical Advisory Committee (TAC) membership.

Director Griffin commented on public comment made by Ray Kelso regarding how the regular person of the District will be represented. Director Griffin expressed concern that the Board needs to make sure that residents within the District be represented. Director Griffin recommended a GSA Committee Meeting once the draft bylaws are presented to the agencies.

The Board agreed by consensus that if the changes are what the Board of Directors agreed upon, President Brown may vote in favor of the changes. The draft bylaws will be forwarded to the Board of Directors for comments before the next GSA meeting scheduled for May 18th.

Jim Worth reported that the Groundwater Authority is going through the process of appointing people to the Policy Advisory Committee.

MOTION: was made by Director Kicinski and seconded by Director Griffin to appoint Don Zdeba as the District’s Representative on the Policy Advisory Committee (PAC). Motion was carried. (Ayes: Brown, Cordell, Griffin, Kicinski. Nays: None. Absent: Cortichiato)

GENERAL MANAGER AND STAFF UPDATE

Don Zdeba updated the safety record to 856 consecutive days without a recordable injury.
Metered water production at the wells for the month of April was 145,106,000 gallons (445.3 acre-feet). The number the State Water Resources Control Board (SWRCB) is using for comparison is metered water through the distribution system or consumption, and non-revenue water which is water lost to leaks, flushing activities, blow-offs, etc. For the month of April, the number is 138,580,000 gallons (425.3 acre-feet). The conservation results for April were reported to the SWRCB on May 1st. Consumption was down 14.1% compared to April 2013. This follows decreases of 35.4% and 23.8% in February and March, respectively.

For the month of April, the District’s reported R-gpcd was 123, a 2.5% increase from April 2016 and a 14.6% decrease from April 2015.

Three days per week landscape watering is now in effect per Ordinance No. 100 whereas February was limited to one day per week and March was a transitional month.

Since the Board adopted a conservation rate of 20% beginning June 1, 2016, the District’s cumulative result is 21.5%.

There were seven new connections during the month of April resulting in capital facility fees of $28,735. Total number of new connections for this fiscal year is 49, contributing $400,411 in additional revenue.

Public Outreach:

- Don Zdeba attended the Community Collaborative meeting at City Hall on May 2nd. Mr. Zdeba provided the following update:
  - April’s conservation results.
  - Signing of the Cost Sharing Agreement for the Brackish Groundwater Feasibility Program.
  - Possibility of the Indian Wells Valley being included in a $2.1M project to conduct aerial geophysical surveys within four basins in California.
  - Status of the United States Geological Survey (USGS) Recharge Study. The USGS is tentatively planning to provide a progress report at the June 15th Indian Wells Valley Groundwater Authority meeting.

- Inyokern commercial airline service is still pending. The airport may consider another airline to service it after the initial candidate didn’t appear to be able to resolve key issues.

- The District and Sun Outdoor Advertising has scheduled to unveil the winner of the 3rd Grade Conservation Contest on Friday, May 12th at 10:00 a.m. The 10' x 24' billboard is located on S. China Lake Boulevard, north of Bowman Road. All students, teachers, parents, and District and Sun Outdoor representatives who participated are invited.

Don Zdeba announced that the District has the capability to audio record board meetings and has started doing so this evening. Board Members and staff will need to use their microphones and public will need to go to the podium and announce themselves and speak into the microphone. Audio recordings will be made available on the District’s website.
Don Zdeba updated the Board of Directors on the January 24, 2017 Special Board Workshop Action Items:

**Arsenic Plant vs Blending:** Staff and Chuck Krieger to present the pros and cons of quantitative/qualitative aspects of concepts related to arsenic facility vs. blending including costs for consideration.

Update: Staff was tasked to work with Krieger & Stewart to present the pros and cons of a quantitative and qualitative aspects of concepts related to the arsenic facility vs. blending, including costs for consideration. After the Finance Committee expressed concern about funding the report, staff was tasked with working with Krieger & Stewart to develop a cost estimate to conduct the study. The estimated cost for this study is between $20,000 and $25,000. This report would include refining the proposed pumping capacities and system configuration to reflect current system operation, calculating the proportional discharge from each well for various treatment and blending options necessary to achieve compliance, identifying facilities required to enable blending for these options, researching current capital and operational costs for the various facilities for the options, and preparing capital and operational cost summary tables for each option. The loan to finance the two Arsenic Plants is scheduled to be paid off in 2040. Water quality may change over time resulting in additional changes required to continue to achieve compliance.

The Board of Directors discussed the feasibility of the study and agreed by consensus to remove this item from the agenda at this time.

**Cost of Service Study:** Staff run scenarios keeping the current tiers, 3% increase annually, and reviewing the debt service. Staff to present scenarios at a subsequent Board Meeting.

Update: Staff is still making progress on the adjustments discussed at the January 24, 2017 Board Workshop as well as preparing the Cost of Service study report, which is the supporting documentation for the need and validity of the proposed rate adjustments in accordance with Proposition 218. Approval of the General Fund and Capital Improvement Budgets was necessary in order to continue work on the study. When complete, the Cost of Service Report will be provided to legal counsel for review before bringing it to the Finance Committee.

**Ordinance No. 101 Excessive Water Use:** Staff draft Ordinance No. 101 to reflect a 1% increase in Tiers 3 and 4 for all residential/commercial (if applicable) users if the Governor declares a State drought condition or local drought condition. If there is an Indian Wells Valley Water District emergency water shortage condition, draft as proposed in Section 5 (as proposed) Local Water Supply Shortage Condition for all residential/commercial (if applicable) users.

Update: The direction provided at the March 13th Board meeting is to draft Ordinance No. 101 as the updated Water Shortage Contingency Plan replacing the existing plan approved in 1992 under Resolution No. 92-08. The new Ordinance No. 101 will incorporate language contained in the initial draft of Ordinance No. 101 to comply with requirements of SB 814. Staff had intended to bring the revised Water Shortage Contingency Plan
and Ordinance No. 101 for approval at this meeting, but after extensive discussions this week, staff is not prepared to do so. Upon review of the draft, it became evident that the language needed to be simplified. The Water Shortage Contingency Plan and Ordinance No. 101 is to be presented at the June 12th Regular Board Meeting.

Renee Morquecho reported that Layne has finished the development of WELL 33 REHAB the well and installed the new pump and other equipment. Samples were taken last week for bacteriological analysis. Unfortunately, all samples were positive for coliform. As a result, Layne began the process for re-disinfecting the well at no additional cost to the District. This process should be completed by the end of the week.

Renee Morquecho reported that the tie-ins of the electrical were complete at Wells 9A/10, Well 31, and Well 34 as well as the District office. Final inspections will take place within the next two weeks at these sites. After consulting with Southern California Edison (SCE), a shutdown at Well 33 is to be scheduled within the next few weeks. Work continues on the Data Acquisition System (DAS) at various locations this week. The HVAC replacements are expected to be delivered next week and installed.

Well 34: A pre-construction meeting with Layne Christensen was held on Friday April 14, 2017. Layne has met with SCE on site and is working on the encroachment permit needed from Kern County. They have begun sending submittals. A pre-construction video of the site (a contract requirement) is scheduled for Wednesday.

Well 35: Based on the District’s similar experience with Well 34, Hydro Resources West (HRW) was asked to develop a proposal to super-chlorinate the well to break down the drilling fluid/mud and thus improve the yield from the well. This was the method used in Well 34 that resulted in significant improvement in yield. Their proposal has been discussed with staff and Chuck Krieger. Hydro followed up with an additional proposal involving jetting the well, however this method was also employed at Well 34 with little success. Staff and Krieger & Stewart have consulted with Mike Schnieders, of Water Systems Engineering (who assisted with Well 34), and he has provided a recommendation for breaking down the drilling mud using super chlorination. The recommendation was received April 21st and forwarded to HRW. The District, with assistance from Chuck Krieger, is negotiating this item and distribution of costs. Meanwhile, the retention pond at Well 35 has been deepened to provide sufficient capacity needed to accommodate fluid discharged as a result of the chlorination procedure.

Director Griffin expressed concern for the responsibility of the cost and commented that the District should not be responsible.

Staff commented that they are discussing with HRW scheduling and the responsibility of cost.

Jennifer Keep reported that estimated revenues as of March 31, 2017 FINANCIAL are $9,020,980 and expenses are $7,809,889, so revenues exceeded STATUS expenses by $1,211,091, which exceeds budget by $608,955.
Estimated year-to-date revenues as of April 30, 2017 are $9,859,980 and estimated expenses are $8,584,889, so estimated revenues exceed estimated expenses by $1,275,091, which is better than budget by $708,721.

The reports from the Automated Meter Infrastructure (AMI) N_Sight software system are coming in daily and staff is working on how to refine each report. The reports show leak detection, consumption, non-consumption, where they're not being read, etc. One meter reading route (Route 40) is 100% AMI and the meter reads are being communicated to the system as they should. There are approximately 4,000 meters in the system equipped for AMI as a result of changing out the 5/8" meters, but not all have antennas at this time.

Jennifer Keep reported on the following conservation items:

- State Water Resources Control Board (SWRCB) Water Waster Report - There were 7 water waste reports during March 2017. There were two second formal warnings and two third notices resulting in penalties.
- Cash for Grass - One hundred (100) yards have been completed resulting in removal of 108,693.5 square feet of turf ($108,693.50). There are 24 yards (40,999 square feet) in the process of being converted. There are 42 yards ($92,000) that are pre-approved and are awaiting notice for pre-inspection. There is approximately 4,000 sq. ft. for applications (2) pending. There is $136,308 Cash for Grass funds available from the revised $382,000 budget. Approximately 18.7 acre-feet of water per year will be saved from yards that have been converted.
- XERI© Ambassador Consultations: No consultations were scheduled or completed for the month of April. There are three consultations pending. One conservation packet has been disbursed. Two messages were left with the other two with no response.

Jason Lillion reported that last week staff sent down the pump that requires a rebuild for the stainless steel impellers. The pump that required the rebuild for the scotch coat is nearing completion. It should be ready for pick up within the next few weeks. Plant 1 will be in service this week. Depending on demand, there may be time to replace the acid piping in Plant 2 before going on line.

For the month of April, 11 services were repaired and 32 were replaced. The NO-DES truck filtered 331,235 gallons. The average influent turbidity was 41.4 and the average effluent turbidity was 0.9. No valves were turned.

BOARD COMMENTS/FUTURE AGENDA ITEMS

Director Kicinski thanked the public for their input and assured them that the Board of Directors are listening.

Director Kicinski commented on how beneficial it was to attend the California Special District Association Leadership Conference. He encouraged other Board Members to attend.

Vice-President Cordell also commented on the Board of Directors listening to the public.
Vice-President Cordell also commented on the development of the District’s Ad-HOC Committee and it being beneficial to the District to receive the information as soon as possible.

Director Griffin commented on the importance of public input. Director Griffin also expressed appreciation of Jim Worth advising the Board of Directors.

Don Zdeba reported that staff is re-applying for the District of Distinction Certificate. Staff will be submitting the application this week. The District Transparency Certificate of Excellence is due in September.

With no further Board or Public comments, President Brown recessed the meeting and adjourned to Closed Session at 8:09 p.m.

CLOSED SESSION

The meeting was reconvened in Closed Session at 8:19 p.m.

The meeting was recalled to Open Session at 8:53 p.m.

No action was taken that would require disclosure under the Brown Act.

ADJOURNMENT

With no further business to come before the Board, the meeting was adjourned at 8:53 p.m.

Respectfully submitted,

[Signature]

Rose Koch
Recording Secretary

APPROVED: June 12, 2017