

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

Regular Meeting

January 24, 2007

1. Call to Order

A regular meeting of the Governing Board of the Big Bear Area Regional Wastewater Agency was held on Wednesday, January 24, 2007 at 4:30 p.m. at 121 Palomino Drive, Big Bear City, California.

Governing Board Members present: John Day, Dr. Don Eads, Liz Harris, Rick Herrick and Rick Ollila

Governing Board Members absent: None

Others present: Doug Dove, Bartle Wells Associates; Ron Worthington, Engineering Resources of Southern California; Wilson F. So and Jason Montgomery, So & Associates Engineers, Inc.; Bob Colven, Big Bear City Community Services District; Scott Heule, City of Big Bear Lake Department of Water and Power; Big Bear Channel 6 TV; Judi Bowers, Big Bear Grizzly; Danielle Seckler, BearValleyNews.com and Ken Dally, citizen.

Staff present: Nancy Laughlin, Finance Manager; Joe Hanford, Plant Superintendent; Shari Strain, Clerk; Drew Ryan, Plant Operator I, and Steven C. Schindler, General Manager.

2. Pledge of Allegiance

Chair Harris called the meeting to order at approximately 4:30 p.m. with Board Member Herrick leading the Pledge of Allegiance.

3. Presentations and Introductions

Chair Harris introduced Rick Herrick as the newly appointed representative from the City of Big Bear Lake to the Governing Board. Chair Harris presented a plaque to Ken Dally in recognition of his years of service on the BBARWA Governing Board and stated that he will be missed, and that Board Member Herrick is a good replacement. Mr. Dally thanked the Governing Board and staff for their hard work. Chair Harris notified the Governing Board, staff and the public that Rita Lack, former Honorary Mayor of Big Bear City, has been hospitalized and that information to send "get well" wishes may be obtained by Chair Harris following the meeting.

4. Approval of the Agenda

Upon motion by Vice-Chair Dr. Eads, seconded by Secretary Day, and carried, the January 24, 2007 agenda was approved.

5. Public Hearings and Related Actions

A. Public Hearing, Ordinance No. O.01-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Increasing the Wastewater

Connection Fee, Amending Ordinance No. 2 and Repealing Ordinance No. O.01-2006

Chair Harris introduced Mr. So of So & Associates Engineers, Inc. Mr. So provided background information on So & Associates Engineers, Inc.'s recommendation to increase the wastewater Connection Fee using an inflation adjustment of 3.27%. Mr. So indicated that it is a small increase, but that without ongoing small increases, a larger increase will invariably occur in the future.

Chair Harris opened the hearing to the public at approximately 4:37 p.m. Upon hearing no public comments, questions or protests regarding Ordinance No. O.01-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Increasing the Wastewater Connection Fee, Amending Ordinance No. 2 and Repealing Ordinance No. O.01-2006, Chair Harris closed the public hearing at approximately 4:39 p.m.

Upon motion by Vice-Chair Dr. Eads, seconded by Board Member Herrick, with Chair Harris requesting a roll call vote to adopt Item 5.A., Ordinance No. O.01-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Increasing the Wastewater Connection Fee, Amending Ordinance No. 2 and Repealing Ordinance No. O.01-2006, the Governing Board voted as follows:

Secretary Day:	Aye
Vice-Chair Dr. Eads:	Aye
Chair Harris:	Aye
Boar Member Herrick:	Aye
Board Member Ollila:	Aye

The Governing Board, by unanimous vote, adopted Ordinance No. O.01-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Increasing the Wastewater Connection Fee, Amending Ordinance No. 2 and Repealing Ordinance No. O.01-2006.

AYES: 5
NAYS: 0
ABSENT: 0

- B. Public Hearing, Ordinance No. O.02-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Clarifying the Sewer Standby or Immediate Availability Charges for the Fiscal Year 2007/08

Mr. Schindler advised the Governing Board and public that the Governing Board annually reviews the Ordinance of the Big Bear Area Regional Wastewater Agency clarifying the Sewer Standby or Immediate Availability Charges. Mr. Schindler then gave background information on Ordinance No. O.02-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Clarifying the Sewer Standby or Immediate Availability Charges for the Fiscal Year 2007/08,

explaining that undeveloped parcels are required to pay the Sewer Standby Fee. Board Member Herrick asked how Sewer Standby Fees compare with Water Standby Fees. Mr. Schindler responded that typically sewer is much lower than water and that water purveyors have more latitude in raising their standby rates.

Chair Harris opened the hearing to the public at approximately 4:42 p.m. Upon hearing no public comments, questions or protests regarding Ordinance No. O.02-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Clarifying the Sewer Standby or Immediate Availability Charges for the Fiscal Year 2007/08, Chair Harris closed the public hearing at approximately 4:44 p.m.

Upon motion by Secretary Day, seconded by Vice-Chair Dr. Eads, with Chair Harris requesting a roll call vote to adopt Item 5.B., Ordinance No. O.02-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Clarifying the Sewer Standby or Immediate Availability Charges for the Fiscal Year 2007/08, the Governing Board voted as follows:

Secretary Day:	Aye
Vice-Chair Dr. Eads:	Aye
Chair Harris:	Aye
Boar Member Herrick:	Aye
Board Member Ollila:	Aye

The Governing Board adopted Ordinance No. O.02-2007, An Ordinance of the Governing Board of the Big Bear Area Regional Wastewater Agency Clarifying the Sewer Standby or Immediate Availability Charges for the Fiscal Year 2007/08.

AYES: 5
NAYS: 0
ABSENT: 0

Chair Harris asked that Old Business, Item 10.A., Rate Study Final be discussed now in consideration of Mr. Dove's travel arrangements.

10. Old Business

A. Rate Study Final

Mrs. Laughlin explained that initial rate study findings, previously forwarded to the Governing Board, have been slightly modified due to different findings and that the presentation to be given during this Governing Board meeting contains the most current and accurate findings. Mrs. Laughlin introduced Mr. Dove of Bartle Wells Associates who indicated that the minor changes are due to fine tuning and analysis within the rate study. Mr. Dove noted that BBARWA can anticipate either no or very slight rate increases; whereas other agencies he is working with are facing enormous increases. Chair Harris asked if anticipation of the Cannibal project is the reason for little or no rate

increase. Mr. Dove replied that the Cannibal project is part of the reason. Vice-Chair Dr. Eads interjected that having an excellent Finance Manager is also part of the reason for little or no rate increase.

Mr. Dove presented the rate study findings which evaluated the impacts of wastewater rates and funds on three scenarios: base case, gradual increase, and meeting the fund balance targets sooner. Mr. Dove outlined the BBARWA Rainy Day Fund and the Capital and Replacement Fund policies, and explained that the fund policies are instrumental in establishing rate charges. The Governing Board, Mr. Dove, and Mrs. Laughlin discussed the capital improvement plan, expenditures, and increasing operating costs. Mr. Dove expressed his professional opinion favoring the base case scenario, citing rising costs and retirement of debt service to substantiate his opinion. Board Member Ollila questioned the impact of the Cannibal unit on revenue and asked Mr. Dove to recap Bartle Wells Associate's earlier presentation on the Cannibal unit. Mr. Dove recalled that at the time he believes he indicated that initially revenue would be negative if BBARWA proceeded with the Cannibal unit project. Mr. Schindler commented that capital improvement projections are difficult because the numbers are based on today, and the future projections become less reliable. Board Member Ollila asked if the rate study was based on unapproved items. Mr. Dove replied that the rate study is based on estimates and items not yet approved by the Governing Board.

Chair Harris expressed her desire to keep rate increases "at bay," and her concern that if future rate increases mirror past rate increases, the outcome will not sit well with citizens. Chair Harris further stressed the importance of building fund balances per policy. Chair Harris stated that she is satisfied with the base case scenario, but she would like to see BBARWA develop policy for future annual review on rate charges, with philosophical discussion included in the policy. Secretary Day commented that he is uncomfortable with consumers' money sitting in a savings account, but that Mrs. Laughlin has recommended strategies for safeguarding the funds. Secretary Day said that the base case approach affords opportunity for further evaluation. Chair Harris stated that the policy to build a 50% reserve fund is not a savings account.

Board Member Ollila commented that the current rate study is being done because rates were raised to fund the reclamation project, and now BBARWA should be looking at rolling back rates. Board Member Ollila conceded that painful increases have occurred in the past; however BBARWA would be looking at increasing rates from a much lower rate, if rates had not been increased due to artificial recharge. Board Member Ollila suggested exploring the consequences of a 2% decrease in the next fiscal year and wants to see a decreased rate penciled out for a number of years. Mr. Dove responded that he has presented the scenario of dropping rates 3% and that the model indicates that the rates would have to be raised again in 2 years if they were decreased. Board Member Ollila said that if the work on projections for lowering the rates has been completed, he would like to see results. Mrs. Laughlin said that the worse case scenarios over the past ten years have been examined and that the capital improvement plan projections are very realistic based on history. Board Member Ollila asked if artificial recharge was scrutinized. Mrs. Laughlin replied that neither artificial recharge nor the administration building were included because they were one-time expenditures. Board Member Ollila requested a

copy of the preliminary and final studies, but emphasized that he doesn't want to spend more agency money to obtain them. Mr. Dove responded that the studies will be made available at no additional cost to the agency.

Chair Harris told the Governing Board that the City of Big Bear Lake said "no" to a rate increase, and eventually had to raise rates more than predicted. Chair Harris reminded the Governing Board that the 50% policy is Governing Board approved and that she would like to see the target achieved. Board Member Herrick commented that he agrees with Chair Harris on the issue of not sending mixed signals by weighing taxpayers with decrease(s) then increase(s). Board Member Herrick said that he also agrees with Board Member Ollila that rates should be as low as possible, if not reduced, but only if BBARWA were currently swimming in reserves. Secretary Day agreed with Board Member Herrick, stating that people are accustomed to the current rate and if rates were reduced it would take too long to reach appropriate reserves. Board Member Ollila asserted that he has been misunderstood; he simply wanted to see the numbers and see what the reserves would look like if there had not been an artificial recharge study. Mr. Dove responded that he would forward the reports by the end of the week. Chair Harris recapped the discussion and instructed Mr. Dove and staff to provide information on a 3% reduction of rates, base case, and a gradual increase (for philosophical purposes). Board Member Ollila clarified that Mr. Dove would report on "over base case," "under base case," and base case rate changes. Mr. Dove stated that he received enough direction from the Governing Board to provide the requested information.

Vice-Chair Dr. Eads asked if discussion of minimum fund balance policies is permitted at this time. Chair Harris obtained a consensus from the Governing Board to discuss policy. Board Member Herrick commented that the Rainy Day Fund policy is a cash flow protector. Board Member Ollila asked if BBARWA has three funds requiring a minimum balance. Mrs. Laughlin replied that there are only two funds requiring a minimum balance; the Rainy Day Fund and the Capital Replacement Fund. Board Member Herrick asked to review the policies at a future time. Mr. Schindler verified that in addition to staff providing a finalized rate study with scenarios including a reduction of fees, a base case scenario, and an acceleration of fees, the Governing Board is asking for a policy to annually review user fees, with a provision for philosophical discussion.

6. Consent Calendar

The Governing Board reviewed items on the Consent Calendar. Upon motion by Vice-Chair Dr. Eads, seconded by Board Member Herrick, and carried, the Governing Board approved the Consent Calendar as follows:

- A. Minutes of the Special Meeting of December 13, 2006 and Minutes of the Special Meeting of January 9, 2007 – Approved
- B. Monthly Cash Disbursements for December 2006 – Informational
- C. Governing Board Member Reimbursement – Approved
- D. Investment Reports and Sewer Connection Report for November and December 2006 – Informational
- E. Statement of Revenues & Expenditures, Actual vs. Budget for December 2006 – Informational

- F. Quarterly Update Capital Expenditures for Six Month Period Ended December 2006 – Informational
- G. Review of Governing Board Policy: Business Meeting and Professional Development Reimbursement for Governing Board Members and BBARWA Employees – Approved

AYES: 5
NAYS: 0
ABSENT: 0

- 7. **Items Removed From the Consent Calendar** – None
- 8. **Public Forum Response** – None
- 9. **Public Forum** – None
- 11. **New Business**

A. Funding for the Required Sewer System Management Plan

Chair Harris commented that she is impressed with the number of wastewater regulations imposed on BBARWA. Mr. Schindler explained that the deadline for the required Sewer System Management Plan (SSMP) is August 2009, and that staff is requesting \$62,000 for the remainder of fiscal year 2006/07, but that staff will be requesting an additional \$150,000 by the end of fiscal year 2007/08 to complete the plan. Mr. Schindler then provided background information on the new regulations including a zero spill policy, and stated that although the goals established for collections systems are new to BBARWA, the agency will be able to salvage collections systems data from other agencies. Mr. Schindler pointed out that it is the elected officials who are held accountable for the SSMP because they are going to have to “sign off” on the plan. Secretary Day questioned the open ended nature of provisions in the document, asking who decides what is “feasible.” Mr. Schindler responded that the SSMP has been developing for a number of years and that the hearings have concluded. Board Member Ollila speculated that elected officials are going to be leery about regulation and wind up spending a lot of time with the SSMP. Upon motion by Vice-Chair Dr. Eads to approve \$62,000 in funding during the fiscal year 2006/07 for the required Sewer System Management Plan, seconded by Secretary Day, Vice-Chair Dr. Eads then questioned if the \$62,000 includes staff time and Mr. Schindler responded that staff time is included in the \$62,000. Chair Harris requested a roll call vote to approve funding for the required Sewer System Management Plan, the Governing Board voted as follows:

Secretary Day:	Aye
Vice-Chair Dr. Eads:	Aye
Chair Harris:	Aye
Boar Member Herrick:	Aye
Board Member Ollila:	Aye

The Governing Board approved funding for the required Sewer System Management Plan in the amount of \$62,000 for the fiscal year 2006/07.

AYES: 5
NAYS: 0
ABSENT: 0

12. Information/Committee Reports

A. Plant Superintendent Report

Mr. Hanford highlighted his activities since the previous Governing Board meeting and said that staff has been investigating several sludge dumping sites, and has begun discussions with Mitsubishi, Inc., which is BBARWA's first dumping choice. Mr. Hanford told the Governing Board that Fred Uhler, Senior Operator and Greg Willis, Willis Construction hauled a sludge truck to Arizona to calculate time and gas in preparation of estimating costs to use the facility in Arizona; preliminary numbers indicate a cost of \$200 per ton.

Mr. Hanford mentioned that there had been a sewer spill at Lake Pump Station, in an area that is not part of the BBARWA system, but that BBARWA assisted the City of Big Bear Lake in containment. Mr. Hanford informed the Governing Board that projects are running smoothly and that the purchase order for the slip line project is \$162,000.

B. Manager's Report

Mr. Schindler reported on his activities since the previous Governing Board meeting. Mr. Schindler said that he participated in a tour of Lake Pump Station with Board Member Ollila and City Councilman Karp. Mr. Schindler informed the Governing Board that Board Member Herrick has a previous commitment on the day scheduled for the Governing Board Budget Workshop, January 30, 2007. Chair Harris commented that it is appropriate to reschedule the workshop. Following discussion, the Governing Board determined to hold the Governing Board budget workshop on February 22, 2007 at 9:00 a.m.

C. Governing Board Member Comments

Board Member Herrick commented that serving on the BBARWA Governing Board is going to be fun. Chair Harris quipped that Board Member Herrick has been fooled so far. Vice-Chair Dr. Eads thanked staff and consultants for their good work. Board Member Ollila thanked ex-Board Member Dally for listening and for taking him to lunch when he was new on the Governing Board. Board Member Ollila said that listening is the real workings of a Governing Board and politics and that he hopes Board Member Herrick can do the same.

13. Closed Session - None

14. Adjournment

With no further business to come before the Governing Board, Chair Harris adjourned the meeting at approximately 6:20 p.m.

Elizabeth Harris, Chair of the Governing Board
of the Big Bear Area Regional Wastewater Agency