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Minutes - May 26, 2011

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MINUTES

BLUE RIBBON WATER COMMITTEE MAY 26, 2011

CALL TO ORDER

The meeting of the Apple Valley Blue Ribbon Water Committee ("BRWC") was called to order at 6:02 p.m. by Chairman Coleman at 14975 Dale Evans Parkway, Apple Valley, CA.

ROLL CALL

The following members were present:

Chairman Carl Coleman; Vice-Chairman Rick Piercy and Committee Members Ronald Barbieri; David Christman; Jack Collingsworth; Lawrence McCarthy; Bernadette McNulty; Pat Orr; Wilson So; Robert Sturges; Joseph Tartaglini; Rob Turner. Absent: Bill McDaniel; John Bernier; Jim Chandler

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chairman Coleman

PUBLIC COMMENTS

Scott Weldy, General Manager of Apple Valley Ranchos Water Company ("AVRWC") informed the Committee there will be some CDs available with the AVRWC's 2005 Urban Water Management Plan document and it is also online at Apple Valley Ranchos Water District. The 2010 Urban Water Management plan is in the process of being completed and should be completed at the end of June.

BUSINESS ITEMS

Approval of Minutes of the Blue Ribbon Water Committee May 12, 2011 Meeting

MOTION

Motion by Committee Member So and seconded by Committee Member McNulty, and unanimously carried, to approve the May 12, 2011 Meeting Minutes.

Vote: Motion carried 12-0-0-3

Yes: Interim Chairperson Coleman; Interim Vice-Chairperson Rick Piercy; Committee Members Ronald Barbieri; David Christman; Jack Collingsworth; Lawrence McCarthy; Bernadette McNulty; Pat Orr; Wilson So; Robert Sturges; Joseph Tartaglini; Rob Turner
Abstain: None. Absent: Bill McDaniel; John Bernier; Jim Chandler.

Further Creation and Designation of Ad Hoc Subcommittees

Chairman Coleman announces that, at this time, there are no plans for any additional subcommittees but would like to hear suggestions from the other Committee Members. It is noted that Committee Member Collingsworth is not presently serving on a subcommittee and is suggested he serve on the Rates and Finance Committee.

Committee Member McNulty noted that she serves on the Mojave Water Rights Sub-Committee and that Committee Member McDaniel serves as the chair. However, Committee McDaniel was not able to attend the BRWC last meeting nor is he in attendance at this meeting. She has been in contact with him and advised the Committee that he should be in attendance at the next scheduled meeting.

Chairman Coleman commented on the water rights advising they were awarded to AVRWC based on their service to citizens, public entities and business industries within its boundaries. Those water rights belong to AVRWC for the purpose of continuing service in the area. Their ownership cannot be transferred without PUC approval. The AVRWC rights are not included in the rate base because essentially they paid nothing for them and there is no monetary value attributed to them as far as the PUC is concerned.

Committee Member So questions whether or not AVRWC is the true owner of the water rights and he, along with Committee Member McNulty requests legal counsel's clarification on this issue.

Committee Member McNulty shares with the Committee her attendance and comments made at the May 12, 2011 Town Council meeting.

Discuss CPUC Proceedings A.11-01-001 and A.11-01-019

Committee Member So confirms his understanding of the attachment is that A.11-01-001 refers to the Rate Increase and that A.11-01-001 refers to the Merger.

Committee Member Orr confirms the CPUC hearings are scheduled June 1, 2011 at 2:00 p.m. and 7:00 p.m. here in the DSB Conference Room. In addition he emphasizes to the BRWC the importance of each Committee Member and resident/ratepayers attendance at the CPUC hearings. He asks each Committee Member to inform friends and/or associates to be specific, short and to the point when discussing their concerns regarding the water rate increases. The hearing officer only wants to hear fact based complaints.

Committee Member McNulty believes more notice needs to be given to the resident/ratepayers. She also indicates that Dennis Cron, Assistant Town Manager, Municipal Operations and Contract Services can provide resident/ratepayers with good arguments to use when expressing their concerns to the administrative law judge.

Committee Member So requests input from the Committee on whether or not they would like to appoint someone to speak at the CPUC personally.

Chairman Coleman believes each individual committee member should speak at the CPUC hearing and as it would be more effective.

Committee Member McNulty feels that the hearing judge will not want to hear from the Committee Members. She believes a greater impact would be made on the PUC if a large amount of resident ratepayers attended the hearings.

Committee Member Tartaglino announced he has spoken to the local hospitals and school district board members to convince them to attend the CPUC hearings as well.

Chairman Coleman asked Mr. Cron to provide his testimony at the CPUC hearing as he believes it would be futile for the Administrative Law Judge to hear.

Discussion ensues between the Committee Members and Town staff regarding what steps they can take to ensure a larger turn out at the CPUC hearings. Frank Robinson, Town Manager informed the Committee Members that the Town has done all it can to advertise and inform the resident ratepayers of the upcoming hearings.

Discuss Other Matters Within the Committee's Jurisdiction

Chairman Coleman announced the Bartle Wells report is being processed and completed at this time. It will not be available until approximately the July 1, 2011.

Chairman Coleman passes out two documents. One is a brochure that the AVWRC uses throughout the community and the other document is a conservation report. The conservation report was created by the Bureau of Reclamation providing information on water conservation for agricultural purposes. This information can be useful to our community and a good resource tool for the Town's homeowners.

Committee Member Sturges comments on reduced water usage throughout the community and believes that with a ten percent (10%) reduction, there is a loss of revenue for AVWRC and that the resident ratepayers will still need to pay higher rates.

The Committee begins discussion on the various components of running a water company.

Committee Member Piercy asked Dennis Cron, Assistant Town Manager, Municipal Operations and Contract Services what the long range plans of the Town are as it relates to reclamation sites.

Mr. Cron informs the Committee that the Town is currently operating under a Sewer Master Plan which was adopted by the Town Council in 1993. It has been a guiding document throughout the community over the last twenty (20) years or so. The Master Plan is under review and is set to be amended and updated.

Mr. Cron informs the Committee that the original Master Plan anticipated that the Town would construct its own wastewater treatment plant. Now it has morphed to the current plan where

VVWRA has taken on that role and they will be the treatment authority. Sub regional treatment plants will be constructed by VVWRA. This is a twenty-five million dollar (\$25,000,000.00) project with six million (\$6,000,000.00) in hand.

Committee Member Piercy asks if VVWRA owns the treated water.

Mr. Cron confirms VVWRA's ownership. There is a Memorandum of Understanding in place with respect to the distribution policy and the definition of communities gaining access to a specific quantity of water.

Committee Member Piercy would like to know what the treated water will be used for.

Mr. Cron informs the Committee that the treated water is too expensive for residential irrigation but rather, it will be used for parks and schools.

The Committee poses questions to Mr. Cron regarding treated water flow and eminent domain.

Mr. Cron explains how treated water flow and eminent domain issues work.

Committee Member Orr would like to know if leasing water rights would be a better decision versus purchasing them.

Scott Weldy, General Manager of Apple Valley Ranchos Water Company explains that purchasing water becomes very expensive versus leasing. He also comments in detail how the tier water rate system works and how it is calculated.

AD HOC SUBCOMMITTEE REPORTS

Committee Member Barbieri discusses his Financial Analysis Report. He advises that the figures presented are rough estimates with respect to what the cash flow would be if the Town were to purchase the water company versus rates we are paying today. He comments on how he came up with the tax flow and adjustments, cash to invest, borrowing against bonds and interest rates. After review, he believes the Town is looking at a negative cash flow of approximately \$5.7 million and with that, the Town would be required to increase the water rates by approximately thirty percent (30%).

Chairman Coleman thanks Committee Member Barbieri for putting together this analysis for the Committee's review.

Committee Member Piercy believes, based on the Committee's discussions today, the resident ratepayers are going to have to pay an increase one way or the other, whether by water rate increase or other taxes within the property tax base or development fees.

Committee Member Barbieri informs the Committee that future discussion will need to be held regarding the different areas on where we will get the tax flow.

Committee Member Tartaglini would like to receive an audited set of financials from AVRWC and believes this is necessary for a valid appraisal of the water company.

SCHEDULING OF FUTURE MEETINGS

Wednesday, June 29, 2011, 6:00 p.m. – Town of Apple Valley Conference Center

ADJOURNMENT

Motion by Committee Member Barbieri, seconded by Committee Member Pat Orr, and unanimously carried, to adjourn the meeting of the Blue Ribbon Water Committee at 6:28 p.m.

Secretary

Chairman