

**RECORD OF THE MINUTES OF THE
SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THE
BEAUMONT CHERRY VALLEY WATER DISTRICT
March 26, 2010**

CALL TO ORDER, PRESIDENT BALL

President Ball called the meeting to order at 7:00 p.m., 560 Magnolia Avenue, Beaumont, California.

PLEDGE OF ALLEGIANCE, DIRECTOR HALLIWILL

Director Halliwill led the pledge.

INVOCATION, DIRECTOR WOLL

Director Woll recited the invocation.

ROLL CALL, JULIE SALINAS

Those responding to roll call were President Ball, Vice President Parks and Directors Halliwill, Ross and Woll. Also present at this meeting were General Counsel Gil Granito, Interim General Manager Anthony Lara and Business Manager Julie Salinas.

PUBLIC INPUT

Secretary Woll invited Luwana Ryan to address the Board on an item not on the agenda. Ms. Ryan commented on the District holding yet another special meeting at which Legal Counsel was present, even though no closed sessions were scheduled for the meeting. Ms. Ryan suggested that as a way to cut cost perhaps the District could hold a meeting without Legal Counsel being present.

Secretary Woll invited Judy Bingham to address the Board on an item not on the agenda. Ms. Bingham asked the Board how much the rates were going to go up as a result of the District taking this loan and when she could expect her rates to go up.

President Ball asked the Interim General Manager to report on the status of the rate study. Interim General Manager Lara reported that the draft report would be presented at the regularly scheduled board meeting in April.

ACTION ITEMS

1. ADOPTION OF THE AGENDA

Vice President Parks moved to adopt the agenda. Director Woll seconded. The motion passed unanimously.

2. APPROVAL, RATIFICATION AND CONFIRMATION OF LOAN AGREEMENT WITH BANK OF AMERICA, AGREEMENTS WITH FINANCIAL CONSULTANT AND BOND COUNSEL AND ADOPTION OF RESOLUTION 2010-05**

Secretary Woll invited Luwana Ryan to address the Board on item 2. Ms. Ryan commented that back in 2006, the District approved the rate study which called for a 6% increase annually for a total of 30% over five years. The District now has a loan to pay back, cash has been depleted and there has not been a rate increase since 2007. Ms. Ryan noted that this was not a good way to run a business.

President Ball asked Interim General Manager Lara to speak on this item. Mr. Lara reviewed the events that had taken place in the last 12 months, reporting that the District had traveled up to Sacramento on several occasions regarding the Grant & Loan the District was in line to receive. As a result of the State Budget outcome the District lost the grant funding. Later in the year, the District was told they no longer qualified for the loan as one phase remained incomplete. With contractual obligations to four contractors, the District opted to continue with the projects already under construction and seek out alternative funding. At this time, two of the four projects are completed, the third one is approximately 80% complete and the fourth is scheduled to begin in the coming weeks. As noted by Ms. Ryan, Mr. Lara agreed that cash funds were depleted and that this 5 million dollar loan will not only help the District finish the two remaining projects but will also allow the District to reimburse itself for the work already done.

Lastly, Mr. Lara reported that the package was being presented at this special meeting as the documents must be executed today in order to be mailed up to Sacramento (bond counsel) on Monday in order to fund on Wednesday, March 31, 2010. If the District fails to fund by Wednesday, March 31st, the District will not be guaranteed the same low interest rate as the current package. Mr. Lara turned the floor over to Financial Advisor Tom Demars of Fieldman Rolapp & Associates.

Mr. Demars introduced himself and reported that he understood, when engaged to assist the District in obtaining funding, that there was urgency in obtaining these funds. Special bond counsel was selected accordingly. The District's credit application was formally approved two weeks ago and from that moment on Consultants and Counsels began to put the documents together and negotiate the final terms and conditions.

The District has been approved for a 5-Year loan with a Promissory Note promising that the District will pay out of revenues (net revenue pledge). The interest rate for the term of the loan is 3.38% and the interest and principal is payable semiannually through 2015. Funds (minus banking fees) will be wired directly to the District's account at Bank of Hemet.

Mr. Demars turned the floor over to Legal Counsel Eagans. Director Ross inquired on Section 4, page 2 of Resolution 2010-05 where it is stated that Sidley Austin LLP has been retained as bond counsel to the District. Mr. Eagans reported that Sidley Austin LLP was being retained solely for this one transaction.

Director Woll asked Counsel Eagans if this parity obligation would cause any restriction on the District obtaining other loans and/or financing. Mr. Eagans explained that as long as revenues are 115% of obligations, the District can seek additional funding.

General Counsel Granito requested to speak. Mr. Granito shared his personal observation that the Interim General Manager deserved some appreciation for reacting in the wake of the failure of the State and Federal funding. Mr. Granito stated that he was impressed by how quickly Mr. Lara put a team together and the outcome.

President Ball reviewed the events of the past 12 months. Vice President Parks complimented Interim General Manager Lara on the work he has done, a compliment which Mr. Lara passed down to his staff. Director Ross expressed his opinion that the City of Beaumont had set the District up for failure. Director Woll stated the Board has been dealt a difficult hand. While the Board may not be moving fast, it is moving in the right direction, carefully weighing every decision and the effect it will have on the District for years to come.

Vice President Parks moved to approve Resolution 2010-05. Director Woll seconded. The motion passed with the following votes:

Ayes:	Halliwill, Parks, Ross, Woll & Ball
Nays:	None
Absent:	None
Abstain:	None

President Ball called for a recess at 7:31 pm.

President Ball reconvened the meeting at 7:37 pm.

3. APPROVAL OF AMENDING PART 2 SECTION 20, PARAGRAPH I (FINANCIAL OFFICER, PAGE 20) OF THE DISTRICT'S POLICIES AND PROCEDURES MANUAL (FINANCIAL OFFICER) RESOLUTION 2010-06**

Secretary Woll invited Luwana Ryan to address the Board on item 3. Ms. Ryan suggested that the District is in the financial condition that it is because while the rate increases were approved, they were never implemented by the previous board or this current board.

Ms. Ryan recalled that in January 2006, when the Board was adopting the 2005 Urban Water Management Plan, she had brought up the lack of documentation for the recycled water system. This was not a new thing that was brought up in 2009. Ms. Ryan summarized that there appeared to be this complete inability of this board to face the current financial situation.

Secretary Woll invited Frances Flanders to address the Board on item 3. Ms. Flanders reported that she felt the hiring of the Controller should be the job of the General Manager. Ms. Flanders feels the Board should give the Interim General Manager more latitude to do his job or make it permanent. The Board does not have the time to research and analyze the many issues the District is facing. The General Manager, on the other hand, has the time and resources. Ms. Flanders hopes this Board can learn to trust and oversee instead of involving itself in every detail of this multi-faceted transition.

President Ball reported that the current policy (adopted in March 2009) states that the Board will appoint the Finance Director. He and Director Parks have reviewed the policy and are suggesting the General Manager have the ability to take part in the interview process, developing the job description and make the appointment. Vice President Parks added that not only did the suggested policy changes give the General Manager the ability, it gives him the authority. Board members commented on both the old and suggested policy.

Vice President Ross moved to amend the policy as stated. Vice President Parks seconded. The motion passed unanimously. The motion passed with the following votes:

- Ayes: Halliwill, Parks, Ross, Woll & Ball
- Nays: None
- Absent: None
- Abstain: None

4. ADJOURNMENT

On a motion by Vice President Parks, seconded by Director Ross and by unanimous vote, the meeting was adjourned at 7:50pm.

Dr. Blair Ball

Dr. Blair Ball, President of the Board of Directors of the Beaumont Cherry Valley Water District

Attest:

Ryan Woll

Ryan Woll, Secretary to the Board of Directors of the Beaumont Cherry Valley Water District