

AGENDA FOR A COMMITTEE MEETING OF THE WHOLE
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, JANUARY 7, 2013, AT 9:00 A.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT HERNANDEZ

ORAL COMMUNICATIONS

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy.

DISCUSSION/ACTION ITEMS

1. BOARD WORKSHOP ON ROLE OF THE BOARD
2. 1st QUARTER 2013, BUSINESS PLAN UPDATE
3. COST OF SERVICE STUDY
4. UPDATE TO INVESTMENT POLICY
5. UPDATE ON RECENT DEBT ISSUANCE
6. MEADOWLARK RECLAMATION FACILITY SOLIDS LINE REPLACEMENT
7. SAN ELIJO HILLS PUMP STATION CONSULTANT SELECTION
8. LIFT STATION NO. 1 CONSULTANT SELECTION
9. POLICY ISSUES
10. SAN MARCOS ECONOMIC DEVELOPMENT CORPORATION AND NORTH SAN DIEGO ECONOMIC DEVELOPMENT CORPORATION

*****END OF DISCUSSION/ACTION ITEMS*****

OTHER BUSINESS

*****END OF OTHER BUSINESS*****

<p>If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.</p>

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 9:00 a.m., Friday, January 4, 2013.

Diane Posvar

MINUTES OF A COMMITTEE MEETING OF THE WHOLE
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, JANUARY 7, 2013, AT 9:00 AM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Committee meeting to order at the hour of 9:03 a.m.

Present: Director Evans
Director Ferguson
Director Martin
Director Poltl
Director Hernandez

Staff Present: General Manger Lamb
Assistant General Manager Scaglione
Legal Counsel Scott
Director of Engineering and Operations Gerdes
Administrative Services Manager Emmanuel
Finance Manager Fusco
Principal Engineer Gumpel
Capital Facilities Engineer Scholl
Water Operations Supervisor Pedrazzi
Public Information/Conservation Supervisor Urabe
Public Information Representative Webb
Public Information Representative Yerman
Executive Secretary Posvar

Others Present: Brent Ives, BHI Consulting

ORAL COMMUNICATIONS

None.

COMMITTEE ITEMS

BOARD WORKSHOP ON ROLE OF THE BOARD

General Manager Lamb provided opening comments and introduced Mr. Brent Ives.

Mr. Brent Ives, BHI Consulting, facilitated the workshop which consisted of the following topics:

- Board Role and Board Dynamics
- Ethics in Board work
- Putting Mission and Vision to Work

Mr. Ives provided course work on Board roles and Board dynamics that he uses with numerous districts across the state and for the California Special Districts Association.

The coursework covered a variety of topics and followed a PowerPoint presentation by Mr. Ives.

1ST QUARTER 2013, BUSINESS PLAN UPDATE

General Manager Lamb provided history on the approach taken and development of the Strategic Plan and coinciding Business Plan. The 1st Quarter update to the Business Plan was included in the Board packet and General Manager Lamb offered to answer any questions from the Board.

Public Information and Conservation Supervisor Urabe facilitated a presentation which included an overview of the department, review of past and current public outreach efforts, and how outreach is targeted to all generations within the District's service area.

General discussion took place on the various outreach events and future specific outreach efforts, including recommendations as to which events participation should be discontinued due to low turnouts/attendance. General discussion included program budget and costs associated with various events.

During general discussion the Board Committee requested staff prepare a report on cost and attendee participation in the outreach events, including the Chamber of Commerce Mixer and Kiwanis Christmas parade. It was further requested that the same information be provided in the report on business outreach.

COST OF SERVICE STUDY

Assistant General Manager Scaglione stated that the District is about to initiate a comprehensive cost of service study. Strategic Focus Area (SFA) 4.7 of the District's Strategic Plan is water and sewer rates that support the operation and maintenance of the District and adequately fund replacement and upgrades required to ensure service and reliability.. The Business Plan update identified a Cost of Service Study (COSS) in order to meet the objectives of SFA 4.7. The 2012/2013 budget identified \$85,000 for this study. Article XIII C of the California Constitution requires that we have a nexus to show we have a defensible support for the rates. A COSS determines the proper allocation of the costs of providing service to our customer base, determines an operating capital requirement, overhead rates, and appropriate fees for specific services provided by the District. The COSS does not evaluate or determine Capital Facility fee charges which are part of a separate process required in accordance with AB 1600. Mr. Scaglione illustrated a spreadsheet whereby all the costs of the District are allocated to (or associated with) a user fee, reimbursement, or rate. The COSS spreads out all costs and associates them with the rates. Staff will send a request for proposal to consultants recommended by water and sewer special districts in San Diego County.

General discussion followed.

This item was presented for information only.

PROPOSED INVESTMENT POLICY RESOLUTION

Finance Manager Fusco stated that the Investment Policy is adopted annually by the Board. He stated that the only changes to this year's policy from last year's policy is a title changes and a change from "Finance Manager" to Treasurer or Treasurer's designee". He provided a general explanation on investments.

General discussion followed.

The Board Committee consensus was to recommend this item be presented to the full Board for consideration and approval.

UPDATE ON RECENT DEBT ISSUANCE

Assistant General Manager Scaglione stated that on December 21, 2012, the District received \$7,055,000 in proceeds from the loan. The funds are for the San Marcos Interceptor, Linda Vista Sewer and Rock Springs Sewer projects, but mainly to improve cash position. The District's Bond rating is AA+. The District's rating agency reevaluates the District's rates about every 2 years and identifies strong and weak points. The last evaluation identified that the District's cash in days of operations was less than the average of similar sized AA+ rated districts. The financing is a way to improve the District's cash position. Debt proceeds could eliminate a deficit in its Sewer Capacity Fund (at least temporarily until the next debt service payment). This will be the first time since the 2007/08 fiscal year that the District may be in positive territory in the Sewer Capacity Fund.

This item was presented for information only.

ENGINEERING SERVICES AGREEMENT – MEADOWLARK RECLAMATION FACILITY SOLIDS FORCE LINE REPLACEMENT

Principal Engineer Gumpel stated that the Meadowlark Water Reclamation Facility has a 6 inch solids force main made of ductile iron, is over 40 years old and has passed its useful life. The line replacement was budgeted in the 2012/2013 budget.

On October 9, 2012, District staff sent the Request for Proposal to five engineering firms. Proposals were received from all five firms on November 30, 2012. Staff reviewed the proposals, contacted the firms' listed references, and rated each firm based on their experience on similar projects, how well they addressed the proposal requirements, their approach to this study, and their fee and schedule.

Nolte Associates, Inc., was selected as the most qualified consultant. On December 20, 2012, staff met with Nolte Associates to discuss their proposed Scope of Work. The Scope of Work was enhanced to include additional solids force main alignment alternatives. The Scope of Work was finalized and the not-to-exceed fee is \$215,500.00.

General discussion followed. Following general discussion, staff requested the Board Committee recommend this item to the full Board for consideration and approval.

The Board Committee consensus was to recommend this item be presented to the full Board for consideration and approval.

ENGINEERING SERVICES AGREEMENT – SAN ELIJO HILLS PUMP STATION (OMWD) UPDATE

Principal Engineer Gumpel stated that for past 4 - 6 months District staff and staff with Olivenhain Municipal Water District (OMWD) had worked towards an agreement for purchasing potable water for the southern area. On November 21, 2012, the Board authorized staff to execute a Water Purchase Agreement (WPA) with OMWD for the purchase of at least 2,750 acre-feet of treated water per year. This is a win-win for both agencies. Primarily for this District, it provides the District with a small offset to future increased costs from desalinated water; it provides the District with an alternative water source; it matches what we have in the Master Plan and our Integrated Water Resources Plan to diversify our water portfolio; and, the water quality will be fresher, which will help with water quality issues, especially during the winter months.

In order to meet the conditions of delivery of treated water services, the District must use its best efforts to complete construction of all required facilities by June 2014. This includes constructing the San Elijo Hills Pump Station and connecting the facility to the 18-inch OMWD feed pipeline in the San Elijo Hills region.

On December 7, 2012, the District sent a request for Statements of Qualifications to five local engineering firms in San Diego County. The firms were asked to provide previous experience with pump station design and project management.

Statements of Qualifications (SOQs) were received by all five firms. Staff reviewed the SOQs and selected Infrastructure Engineering Corporation (IEC) as the most qualified firm based on the SOQs provided. Staff is currently negotiating a scope of work and fee proposal with IEC and anticipates having a professional services agreement ready for consideration at the January 16, 2013 Board meeting.

General description of the possible location was noted and it is the intent to utilize the old Questhaven Road right of way near Fallsview Road as the primary choice.

General discussion followed.

This item was presented for information only.

ENGINEERING SERVICES AGREEMENT – LIFT STATION NO. 1 PUMP IMPROVEMENTS

Principal Engineer Gumpel stated that the Board approved the Lift Station No. 1 Pump Improvements Capital Improvement Project and authorized a budget amount of \$534,000.00 at its December 19, 2012 meeting. This project proposes improvements to Lift Station No. 1, which includes the installation of a high-capacity pump and an overhaul of the lift station's electrical package and discharge pipeline arrangement to increase the wastewater deliveries to MRF and boost its recycled water production capacity.

As discussed at the December 19 Board meeting, staff has utilized and negotiated an agreement with one of its pre-approved, on-call services consultants Infrastructure Engineering Corporation (IEC).

On December 21, 2012 IEC submitted a proposal and fee estimate for the District's Lift Station No. 1 Pump Improvements. The not-to-exceed fee estimate is \$64,735.00. The scope of work includes increasing the size of the lift station's discharge pipeline header to reduce head loss, improving the electrical package, and installing a new 1,900 gallon per minute (gpm) pump to increase the lift station's pumping capacity to 3,100 gpm, or 3.4 MGD. Combined with the other wastewater sources (flow from the Lake San Marcos Lift Station and local flows from San Elijo Hills and Carlsbad), MRF would then receive approximately 4.8 MGD of wastewater flow. Staff estimates that this would allow MRF to produce approximately 4.4 MGD of recycled water, which would maximize VWD's contractual deliveries.

Staff requested the Board Committee recommend this item to the full Board for consideration and approval.

General discussion followed. Following general discussion, the Board Committee consensus was to recommend this item be presented to the full Board for consideration and approval.

POLICY ISSUES

President Hernandez stated that the Board discussed policy issues at the August 6, 2012, Board Committee meeting at which the General Manager was directed to compile a detailed list with discussion points for future discussion. There have also been requests from Board members to add new policies to the list. The intent is not to complete the entire list immediately or at one time, but to discuss and prioritize the list of policies.

President Hernandez stated that he developed a proposed list and separated the items into two categories, existing policy and proposed potential policy topics, to present for discussion. The existing policies were the policies the General Manager was asked to review.

President Hernandez opened discussion on his proposed potential policy topics and indicated his interest to consider each. The list consisted of:

1. Delinquency of fire service meters
2. Private sewer lateral spills
3. Disconnect & reconnection of serviced to delinquent accounts
4. Entitlement to existing Capacity
5. Cost of service guidelines for Board support on legislation
6. Public Records Act requests
7. Photos
8. Meter application
9. Sharing resources
10. Retention of public record
11. Purchasing policy

During general discussion, the General Manager recommended removing Item 7 from the list for this year due to low priority and indicated Item 9 will be addressed through the Cost of Service Study.

Discussion continued on President Hernandez's list for existing policy which consisted of:

1. Public access via television and the Web
2. Reimbursement Agreement policy
3. Joint meeting with the City of San Marcos
4. Wastewater density fee
5. Timing of payment

During general discussion staff was directed to:

1. Explore the cost of televising and return to the Board Committee within 30 days with a report.
2. Place the reimbursement agreement policy item on the February 11 Board Committee meeting agenda for discussion.
3. Directed the General Manager to coordinate a meeting with the San Marcos City Council through the City Manager, return to the Board Committee within 30 days for update, and requested Board members to direct agenda topics to the General Manager.
4. Schedule a special meeting within 60 days to discuss the wastewater density fee.

5. Schedule Item 5, Timing of Payment, for the March Board Committee meeting.

SAN MARCOS ECONOMIC DEVELOPMENT CORPORATION AND NORTH SAN DIEGO ECONOMIC DEVELOPMENT CORPORATION

General Manager Lamb stated that in the past the District has had a representative assigned to the San Marcos Economic Development Council (SMEDC). SMEDC meetings was listed as an authorized meeting in Ordinance 170, however, it was removed from the Ordinance in June, 2012, as the District did not have an assigned representative at that time.

The North San Diego Economic Development Council (SDNEDC) was discussed by the Board Committee in May 2012. The Board consensus was that there was not a direct benefit to the business of the District and the Board did not add the SDNEDC as a per diem authorized meeting. There was general discussion that the General Manager could attend the meetings, on behalf of the District, and report back to the Board on topics that impact the District. The District did join the organization in late 2012, (per Policy Authority in Section 2.1) as a basic member, for the sum of \$500 which allows general attendance to the meetings.

During general discussion, President Hernandez recommended that SMEDC and SDNEDC be added back onto the list for approved meeting attendance, that Director Martin be the designated the SMEDC respresentative, that he himself be the designated representative to the SDNEDC, and that per diem be approved for attendance.

The Board Committee consensus was that this item be presented to the full Board for consideration and approval.

OTHER BUSINESS

President Hernandez stated that it was brought to attention by Legal Counsel Scott that the Board is eligible to receive the 2% cost of living increase to their per diem rate that has been deferred for the past five years. Counsel Scott distributed the Government Code section that determines per diem increases as well as the maximum number of per diems per month. The Law allows a 5% increase per year since the last increase was made (not compounded). General Manager Lamb indicated he will research this and provide the information to the Board President.

The Board Committee consensus was that this item be presented to the full Board for consideration and approval of an increase to the per diem rate.

In addition, the General Manager was directed to survey per diem rates for other water agencies, to include employee increases during the same years in the report, and to report back to the Board.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Board Committee meeting at the hour of 2:26 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, January 16, 2013, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Dennis O. Lamb, Secretary
Board of Directors
Vallecitos Water District