

AGENDA FOR A COMMITTEE MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 8, 2010, AT 12:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT FERGUSON

PLEDGE OF ALLEGIANCE – PRESIDENT FERGUSON

ROLL CALL

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.

ITEMS FOR DISCUSSION

1. LAKE SAN MARCOS UPDATE
2. ACTIVITY REPORT FOR PUBLIC INFORMATION AND CONSERVATION
3. CONSERVATION UPDATE
4. UTILITY BILLING: PRINT, MAIL AND ELECTRONIC BILL PRESENTMENT AND COLLECTION SERVICES CONTRACT
5. RECOMMENDATION TO CONTRACT WITH AUDIT FIRM
6. MASTER PLAN STATUS AND PRESENTATION
7. INVESTMENT OF DISTRICT SURPLUS FUNDS IN LAIF

*****END OF DISCUSSION ITEMS*****

OTHER BUSINESS

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

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. 261 at least 48 hours prior to the meeting.

AFFIDAVIT OF POSTING

I, Carol Lewis, 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 12:00 p.m., Thursday, February 4, 2010.

Carol Lewis

Carol Lewis

MINUTES OF THE COMMITTEE MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 8, 2010, AT 12:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Ferguson called the Committee meeting to order at the hour of 12:00 p.m.

President Ferguson led the pledge of allegiance.

Present: Director Ferguson
Director Hannan
Director Poltl
Director Shell

Absent: Director Gentry

Staff Present: General Manager Lamb
Legal Counsel Scott
Legal Counsel Dodson
Director of Finance Scaglione
Director of Human Resources Caudle
Engineering Manager Gerdes
Operations & Maintenance Manager Arrant
Capital Facilities/Construction Engineer Gumpel
Capital Facilities Engineer Scholl
Engineering Supervisor Brandstrom
Accounting Supervisor Fusco
Customer Service Supervisor Simmons
Public Information Representative Webb
Executive Secretary Lewis
Administrative Secretary Posvar

ORAL COMMUNICATIONS

None.

COMMITTEE ITEMS

LAKE SAN MARCOS UPDATE

Legal Counsel Dodson reported that the Regional Water Quality Control Board (RWQCB) Executive Officer John Robertus has retired. David Gibson is the new Executive Officer. Lake San Marcos citizens appeared at the November Hearing of the RWQCB and, during the Public Comment period, tried to get the RWQCB to revisit past VWD sewage spills in an effort to get the Board to fine VWD and to use those monies toward remediation of the Lake. The RWQCB does not have a statute of limitations, doesn't need to bring compliance orders within any period of time, doesn't have to act to fine an agency within a period of time, but has a significant amount of discretion to look

at the agency involved, to consider past activities, to consider ongoing activities to reduce the risk of spills, and to look at the response action of the agency in responding to the spills. In VWD's case, the RWQCB has consistently chosen not to fine VWD and that is still the RWQCB's stance. VWD is seen as being very responsive and proactive.

As a result of this discussion before the RWCQB, certain members, some of whom are now off the Board, took an interest and there was Board action to have an update in front of the Board on February 10, 2010, during which time they want to get an update on what's happening at Lake San Marcos, who the parties are, and some general understanding of what the facts are. Any follow up meetings will be determined at the February 10 meeting.

Mr. Gibson held a meeting among the parties in mid-January to get to know the parties and to hear the issues. Mr. Gibson's idea is to assess the conditions in the lake, conduct a diagnosis, find out what's happening, and determine the source, cause or contributing factors to what's happening in the lake, then decide what can be done. Knowing those facts will enable the ability to determine what's feasible, what water quality will be able to be achieved, and what technologies are available and feasible.

It has been presented to Mr. Gibson that the dam is a significant cause of the pollutants that are present in the lake by catching and concentrating the pollutants. In doing so, it is a non point source discharge.

It has been made clear in the State Water Board's decisions that water quality is a beneficial interest to be protected in the use and granting of water rights, whether those are recognized as riparian or appropriative. The rights have to be used in a reasonable manner, have to be used for beneficial uses, and the manner of the diversion and the manner of the use cannot have a negative impact on water quality. The State Water Board has a duty to review water rights permits as it gains evidence that these permits and their use may be resulting in adverse water quality conditions. This has widened the jurisdictional reach of the RWQCB to reach the Lake owner and their use of the dam, management of the lake, and to approach them through the water rights side.

Mr. Gibson is willing to consider executing an agreement between those parties who have signed the Participation Agreement and the RWQCB, whereby the RWQCB would forebear from bringing enforcement action against those who signed the agreement, would help them get access to properties they need to access to conduct work, help to get other parties to the table, and confirm diminimus buyout agreements. VWD's involvement in this case is quite small and generally short term and is less than 1%.

Staff will appear before the RWQCB at the February 10, 2010, meeting to make a short presentation and discuss all the efforts done by VWD to avoid sanitary sewer overflows in the future.

General discussion followed on this issue as well as discussion about the Participation Agreement that Legal Counsel Dodson is working on.

This item was presented for information only.

ACTIVITY REPORT FOR PUBLIC INFORMATION AND CONSERVATION

Public Information Representative Webb presented the Activity Report for January, 2010.

CONSERVATION UPDATE

Public Information Representative Webb presented the conservation update. The update included: audit totals for 2009; Ordinance violators report; Program updates (MWD rebates, City of San Marcos Landscape Ordinance, and Cal State San Marcos native plant garden); VWD demonstration garden; community partners program update.

UTILITY BILLING: PRINT, MAIL AND ELECTRONIC BILL PRESENTMENT AND COLLECTION SERVICES CONTRACT

Accounting Supervisor Fusco reported that during his last update of the ERP, the next steps were outlined which included moving toward electronic bill presentment and bill payment for our customers. Staff requested quotes from vendors who provide the full spectrum of services desired. Staff met with or attended on-line presentations from three vendors. Infosend stood out among the rest.

Accounting Supervisor Fusco introduced J.D. McNaul with Infosend, who provided a presentation, via conference call, on their electronic bill pay system. General question and answer took place during the presentation.

Following the presentation, Accounting Supervisor Fusco explained the various inserts that would be placed in the paper billing announcing to customers that E-billing is coming, when it's here, and how to sign up.

General discussion took place. Cost concerns were expressed with regard to the fee to use a credit card as payment and fees associated with providing the service. Staff was requested to clarify the cost analysis breakdown and review the percentage of customers that may utilize this service for presentation to the Board at a regular Board meeting.

RECOMMENDATION TO CONTRACT WITH AUDIT FIRM

The contract with the current auditor is up, therefore an RFP for accounting services was sent out. Accounting Supervisor Fusco reported that eleven proposals were

received in response to the RFP. Three of the proposals received did not have any retail water experience. The remaining eight were reviewed and ranked on a variety of factors. The recommendation being made is to continue on with the current auditor the District has had for the past five years. Pros and cons to this were presented. Should the District continue with the current auditor, the contract would be a three year contract with a two year extension option.

General discussion took place. Staff was requested to interview the top three firms and present a recommendation to the Board at a regular Board meeting.

MASTER PLAN STATUS AND PRESENTATION

Capital Facilities Engineer Scholl presented a summary of the work completed to date on the District's draft 2008 Water, Wastewater, and Water Reclamation Master Plan (Master Plan).

Mr. Scholl stated that the District had been working on a new Master Plan since 2008. The first step was to obtain approved land use information from all of the land use agencies in the District including the Cities of San Marcos, Escondido, Carlsbad, Vista and the County San Diego. Existing population estimates and projected future infill estimates were also obtained. Mr. Scholl indicated that it was important to note that the Master Plan includes all agency-approved developments up to June 30, 2008.

Mr. Scholl emphasized that it takes significant time to compile the land use data from all of the various land use agencies and additional time to assign the appropriate duty factors to the land use categories. It also takes time to analyze the data to determine the future water and sewer demands and to establish the capital improvement program and project phasing. Mr. Scholl explained that this is why projects that obtain land use approvals after June 30, 2008 are not included in the Master Plan.

The Board and staff next discussed referencing the Master Plan as the 2010 Master Plan instead of the 2008 Master Plan and the confusion that can be raised. General Manager Lamb indicated that staff would take the matter into consideration when the Master Plan comes to the Board later this year.

Mr. Scholl indicated that potential developments not included in the 2008 Mater Plan include Merriam Mountain, University District, Grand Avenue Hotels, University Heights, Autumn Terrace, Westlake Village and Richmar Senior Village. These projects when and if approved either have or will require separate studies to determine the impacts the increased densities will have on the District's capital improvement program.

Mr. Scholl next provided a brief overview and addressed Board questions on how duty factors for the various land use categories were generated, how water and sewer demands were established and how the water and sewer models were created. He

also explained design criteria, including peaking curves for dry and wet weather conditions. Mr. Scholl explained to the Board that now that all future demands are complete, the Master Plan update is at the point in the project schedule that includes the identification of all future Capital Improvement Projects (CIP), which includes new pipelines, water storage and pumping facilities and new sewer outfall and treatment facilities which will be needed. He noted that these project costs will be used by Finance Director Scaglione to establish future capital facility fees.

Mr. Scholl next explained how the 2008 Master Plan will evaluate other water supply options and sewer disposal alternatives. He noted that a draft Program EIR will be started once the water and sewer CIP lists are compiled. Once the draft EIR is completed, it will be brought to the Board to authorize the 45-day public review period. Once responses have been made to the public comments, the Program EIR will be finalized and both the completed Master Plan and EIR will be brought to the Board for consideration and possible approval.

After addressing additional questions and Board discussion, President Ferguson thanked Mr. Scholl for his fine presentation.

INVESTMENT OF DISTRICT SURPLUS FUNDS IN LAIF

Director of Finance Scaglione reported that at the last Board Committee meeting, discussion took place on the safety of funds in LAIF and the possibility of the State taking the funds.

Legal Counsel Scott stated that the statutes in existence were reviewed and it was determined that the State cannot touch or borrow the funds. If there was any indication of anything going on in the State legislature, we would be able to remove the local funds very easily. From a legal standpoint, he feels there isn't any issue to be concerned about. If there were a state of emergency and all local funds throughout the State were going to be used by the State or the Federal Government, there would be nothing we would be able to do about that. From a standpoint of liquidity and our ability to access these funds and get to these funds before the State could do anything, he feels the District is 99.9% on solid ground. Whether or not to diversify in other funds is a separate question. LAIF is very secure, it's liquid and is a very sound investment.

During general discussion, General Manager Lamb stated that Director Gentry expressed to him via e-mail today that his concern was not with the safety of investing in LAIF funds but the percentage that is being invested in this fund. Currently, we are allowed to invest up to 60% of the portfolio in LAIF funds.

Director of Finance Scaglione stated that it is not in the current recommendation to change the investment percentage, but to allow for more investment in other government pools. A line item has been added in the draft Investment Policy

Resolution that allows for one general category, Local Government Investment Pools, rather than specific institutions to provide for more flexibility in District efforts to diversify liquidity.

The draft Investment Policy Resolution will be presented to the Board at a regular Board meeting.

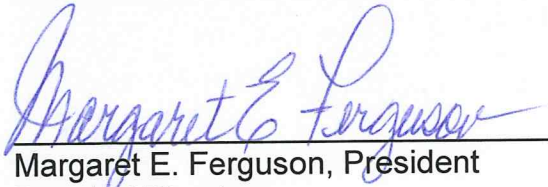
OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, President Ferguson adjourned the Board Committee meeting at the hour of 3:00 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 17, 2010, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.



Margaret E. Ferguson, President
Board of Directors
Vallecitos Water District

ATTEST:



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