

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JUNE 16, 2010, AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT FERGUSON

PLEDGE OF ALLEGIANCE – DIRECTOR POLTL

ROLL CALL

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity which severely imperils public health, safety, or both. Also, items which arise after the posting of the Agenda may be added by a two-thirds vote of the Board of Directors.

ADOPT AGENDA FOR THE REGULAR MEETING OF JUNE 16, 2010

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.

NOTICE TO THE PUBLIC

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case it will be considered separately under Action Items.

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES

- A. REGULAR BOARD MEETING – JUNE 2, 2010
- B. COMMITTEE MEETING OF THE WHOLE, SPECIAL BOARD MEETING
– JUNE 7, 2010

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH JUNE 16, 2010 - \$891,187.82

Recommendation: Approve Warrant List

1.3 FINANCIAL REPORTS

- A. WATER METER COUNT – MAY 31, 2010
- B. WATER PRODUCTION/SALES REPORT – 2009/2010
- C. WATER REVENUE AND EXPENSE REPORT – MAY 31, 2010
- D. SEWER REVENUE AND EXPENSE REPORT – MAY 31, 2010
- E. APPROPRIATED FUND BALANCE ACTIVITY – MAY 31, 2010
- F. INVESTMENT REPORT – MAY 2010

1.4 ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF VALLECITOS WATER DISTRICT FOR APPROPRIATIONS LIMIT FOR FISCAL YEAR 2010/2011

The District is required by Proposition 4 to establish an Appropriations Limit each fiscal year. The proposed Fiscal Year 2010/2011 limit is \$558,233.

Recommendation: Adopt Resolution establishing an Appropriations Limit for Fiscal Year 2010/2011

1.5 VALLECITOS WATER DISTRICT 2009 CONSUMER CONFIDENCE REPORT

This is the 2009 Water Quality Report provided to customers in the Vallecitos Water District.

Recommendation: Approve the 2009 Consumer Confidence Report

*****END OF CONSENT CALENDAR*****

ACTION ITEMS

2.1 ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT FOR COLLECTION OF IMPROVEMENT DISTRICT "A" SEWER SERVICE FEES AND SET A PUBLIC HEARING

The District is required to hold a Public Hearing for the collection of Sewer Service Fees for Improvement District "A".

Recommendation: Adopt Resolution authorizing collection of Improvement District "A" sewer service fees and set Public Hearing for Regular Board meeting on July 21, 2010

2.2 ELECTRONIC WARRANT SIGNING AND POSITIVE PAY POLICY

By implementing electronic signatures and positive pay policy, the District will benefit by way of management time savings, faster turn-around, less movement of signed warrants throughout the District, additional control against fraudulent use of all warrants, immediate fraud detection and stoppage.

Recommendation: Authorize the use of electronic signatures and positive pay

*****END OF ACTION ITEMS*****

REPORTS

- 3.1 GENERAL MANAGER
- 3.2 DISTRICT LEGAL COUNSEL
- 3.3 SAN DIEGO COUNTY WATER AUTHORITY
- 3.4 ENCINA WASTEWATER AUTHORITY
- 3.5 ACWA/REGION 10
- 3.6 LAFCO
- 3.7 DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

*****END OF REPORTS*****

OTHER BUSINESS

- 4.1 PUBLIC INFORMATION AND CONSERVATION ACTIVITY REPORT FOR MAY 2010

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

- 5.1 ADJOURNMENT

*****END OF AGENDA*****

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.

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 3:00 p.m., Friday, June 11, 2010.



Diane Posvar

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JUNE 16, 2010, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Ferguson called the Regular meeting to order at the hour of 4:00 p.m.

Director Poltl led the pledge of allegiance.

Present: Director Ferguson
Director Gentry
Director Hannan
Director Poltl
Director Shell

Staff Present: General Manager Lamb
Legal Counsel Scott
Finance Manager Scaglione
Administrative Services Manager Caudle
District Engineer Gerdes
Operations & Maintenance Manager Arrant
Principal Engineer Gumpel
Development Services Supervisor Brandstrom
Public Information Specialist Webb
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JUNE 16, 2010

10-06-07 MOTION WAS MADE by Director Hannan, seconded by Director Shell, and carried unanimously, to adopt the agenda for the Regular Board Meeting of June 16, 2010.

ORAL COMMUNICATIONS

Mr. Chuck Mason, member of the public, deferred to Mr. Mehin on his behalf, due to difficulty with his speech.

Mr. Rod Mehin, member of the public, stated that he and Mr. Mason reside in the Lake Park Terrace condominium complex. The complex has one meter which serves all units in the complex. The Homeowners Association (HOA) assesses each resident's water bill through the monthly Association dues. Mr. Mehin stated that the last several months the cost of the water has increased due to different factors. This has caused their HOA to keep raising the HOA fee which in turn creates a lot of problems for the owners. Increases in the HOA fees reduce the value of their property. He stated some of the residents are renters and are not cautious about the usage of the water. In an effort to keep the HOA fees down, owners try to conserve water. He further stated that he has approached District staff to ask about installation of meters for each unit and was referred to the Board on this issue. He requested the Board allow them to have separate meters for each unit or in some way tackle the problem.

President Ferguson deferred to General Manager Lamb to address Mr. Mehin's concerns.

General Manager Lamb stated that he will review the account information for their complex and then contact him. He provided some history to Mr. Mehin on the Public Utility Commission's action to allow installation of separate onsite private meters. He further stated that District staff could perform a water audit of the property. General Manager Lamb indicated he would need a couple of days to review the account and the project site and will then contact Mr. Mehin with some options to assist them.

CONSENT CALENDAR

10-06-08 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Regular Board Meeting – June 2, 2010
- B. Committee Meeting of the Whole, Special Board Meeting – June 7, 2010

1.2 Warrant List through June 16, 2010 - \$891,187.82

1.3 Financial Reports

- A. Water Meter Count – May 31, 2010
- B. Water Production/Sales Report – 2009/2010
- C. Water Revenue and Expense Report – May 31, 2010
- D. Sewer Revenue and Expense Report – May 31, 2010
- E. Appropriated Fund Balance Activity – May 31, 2010
- F. Investment Report – May 2010

1.4 Adoption of Resolution of the Board of Directors of Vallecitos Water District for Appropriations Limit for Fiscal Year 2010/2011

1.5 Vallecitos Water District 2009 Consumer Confidence Report

ACTION ITEMS

ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT FOR COLLECTION OF IMPROVEMENT DISTRICT "A" SEWER SERVICE FEES AND SET A PUBLIC HEARING

General Manager Lamb stated that Vallecitos Water District elects to have its sewer service fees for Improvement District "A", collected on the tax roll. The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees for Improvement District "A". These fees are added to the tax bill of each resident and are paid through the regular property taxes. The County of San

Diego then transfers this revenue to the District. As part of this procedure, the District is required to hold a Public Hearing.

Staff recommended approval of the Resolution which sets the Public Hearing for the Regular Board Meeting on July 21, 2010.

10-06-09 MOTION WAS MADE by Director Poltl, seconded by Director Hannan, and carried unanimously, to adopt a Resolution of the Board of Directors of the Vallecitos Water District for collection of Improvement District "A" sewer service fees and to set a Public Hearing for July 21, 2010.

Resolution #1352 – the roll call vote was as follows:

AYES: GENTRY, HANNAN, POLTL, SHELL, FERGUSON
NOES:
ABSTAIN:
ABSENT:

ELECTRONIC WARRANT SIGNING AND POSITIVE PAY POLICY

General Manager Lamb stated that at the April 12, 2010, Board Committee Meeting, staff discussed existing policy regarding warrant (check) signing and introduced the desire to amend the policy to allow an electronic warrant signing process rather than manually signing each warrant. The Board Committee directed staff to move forward with the process to implement this procedure and to have the District's auditing firm of Diehl, Evans and Associates review the proposed changes, processes and internal controls and present the proposed policy to the Board for consideration and action.

Diehl, Evans & Company met with staff and reviewed the proposed policy changes and controls and issued a letter report on May 11, 2010, acknowledging the proposed procedures are adequate and includes several suggestions to strengthen the proposed policy as well as separation of duties. The procedures noted in the letter are the basis of District policy for internal controls over electronic signatures.

The District's FIS system has the ability to implement the proposed policy changes and electronically print signatures on checks. The check limit policy proposed by staff and acknowledged by the auditors is as follows:

- Two Electronic signatures for checks less than \$80,000. The Electronic signatures will be the General Manager's and the Administrative Services Manager.
- One Electronic signature for checks greater than \$80,000. The Electronic signature will be that of the Administrative Services Manager. A manual signature will be required by the General Manager or approved designee, and may be one of the following: Any Board Member; the District Engineer; the Finance Manager.

Staff recommended that the Board approve the use of electronic signatures and Positive Pay and to approve the policy changes and authorized signatures.

10-06-10 MOTION WAS MADE by Director Shell, seconded by Director Gentry, and carried unanimously, to authorize the use of electronic signatures and positive pay.

REPORTS

GENERAL MANAGER

General Manager Lamb provided an update on the drought response in acre feet. M&I year to date (May 31, 2010) demand is 2,624 acre feet, or 16.2% less than the M&I allotment. IAWP year to date demand is 115 acre feet, or 53.0%, less than the IAWP allotment. SAWR year to date demand is 164 acre feet, or 28.4%, less than the SAWR allotment. May production in acre feet was 1,568. May rainfall in inches was 0.01. Meters in service in May were 20,455.

General Manager Lamb reviewed the Water Supply Report as presented at the SDCWA Manager's meeting on June 15, 2010. The State Water Project final CY 2010 allocation is 45%; Judge Wanger ordered a preliminary injunction on salmon BiOp on May 18. Feather River (at Lake Oroville) storage for April – July is at 116% of average; projected storage for October – September (end of water year) is 79% which is below the 50-year historical average. Storage in Lake Oroville and San Luis Reservoirs is at 89% of average. Lake Powell storage is at 61%; the projected water year in Lake Powell is 68% of normal. Lake Mead storage is at 42%. Metropolitan Water District's water supply allocation will remain at Level 2 in its Water Supply Allocation Plan; there is approximately 200-300 TAF available to put into storage. Storage in major local reservoirs that receive runoff is 271,900 acre feet.

General Manager Lamb reported on Lake San Marcos. He stated that the letter of commitment to the Regional Water Quality Control Board (RWCQB) was accepted by Mr. Gibson, Executive Officer. The RWCQB meeting last week failed to reach a quorum, therefore, the meeting did not take place. A special meeting will be held on July 14, 2010. The California Cleanup and Abatement Account (CAA) grant application is still on the agenda as a consent item. The District will have representation at the meeting. Staff will verify that the CAA item is still on the agenda for the August meeting at the State. Revised verbiage has been provided to all the partners that would modify the Participation Agreement to include the RWCQB.

General Manager Lamb reported on the SDCWA Manager's meeting held yesterday. Metropolitan Water District (MWD) is providing an additional \$803,000 in grant monies for agency managed programs and is to be spread amongst the partners within the boundaries of the SDCWA this fiscal year. Allocations range from \$300,000 to \$86. The District's allocation would be approximately \$27,000. There are three ways to administer the program; all three ways are extremely staff intensive. MWD is requiring an answer from all member agencies by June 30, 2010, on how they plan to spend the

money. The consensus by all the managers at the meeting was to have the SDCWA identify two or three projects that are important within the County that give regional benefit. Once these projects have been identified, the member agencies would then agree to apportion their respective dollar amount to the SDCWA to pool into one grant fund. General Manager Lamb asked the Board's authorization to agree to the consensus of all the member agency managers and contribute the District's portion to the pool. The Board gave consensus to General Manager Lamb to contribute the District's portion to the pool.

General Manager Lamb stated that Mr. Wes Schultz, professor at CSUSM, contacted him regarding a pilot project for a student's thesis project. They have been trading phone calls and he has not been able to get full information on the project from Mr. Schultz. What he does know is that the project is to look at the mental outlook of customers on how they perceive water conservation and what is the best medium to help them change their perception. Mr. Schultz is looking at up to 1,500 District customers for the project and has offered to sign a confidentiality agreement. General Manager Lamb stated that he consulted with Legal Counsel to obtain an opinion as to what customer information can be reasonably given out, what shouldn't be given out, and what the District is not allowed to give out. The concern by Legal Counsel and staff is subjecting District's customers to unwanted contact by students or third parties. Legal Counsel Scott expressed additional concern that customers have not given permission to the District to disclose their water usage or contact information. He further stated that there are privacy issues that staff would want to observe.

Following general discussion, the consensus of the Board was to not participate in the project due to customer privacy rights. Further, should Mr. Schultz decide to proceed with the project on his own, literature that they use needs to indicate that the District is not involved with the project and that the District would only provide account information if the customers specifically provide written authorization.

General Manager Lamb stated that upon obtaining additional information when he actually speaks with Mr. Schultz, if it is substantially different than what he has presented today, he will bring the issue back to the Board.

General Manager Lamb stated that there have been numerous meetings with the desal partners over the last two months. He provided an overview on the project process from start to now. Approximately six weeks ago a meeting was held with the SDCWA General Manager, staff, and member agency managers. At that meeting, SDCWA staff presented information on an independent study that was conducted through Green Services Financial Group on the viability of the Poseidon project. Several scenarios were utilized for the study. The actual project itself was considered good, however, the debt coverage for the investors, in the long term, is starting to get shaky. Furthermore, the project will not happen without the MWD subsidy. At the SDCWA Special Board meeting on June 10, 2010, and following numerous closed sessions, SDCWA staff were directed by their Board to add an agenda item for future discussion by the Board at their June 24th meeting of options available as either loans to the desalination partners, or consider and pursue direct negotiations with Poseidon to purchase the water. Poseidon

would still move forward with the funding and construction of the facility. The bottom line is that the project is not fundable in its current shape without the MWD backstop. SDCWA will possibly consider negotiations with Poseidon to purchase the full 56,000 acre feet (50 million gallons per day), at a price to be determined, with the caveat that at the end of a 30-year period, the SDCWA will purchase the facility at a negotiated price. This option has yet to be presented to the SDCWA Board for action or consideration along with the other funding alternatives. General Manager Lamb stated that he discussed the ability of the District to consider direct purchase of the water from the SDCWA at a potentially higher rate which would benefit the District as a local supply and result in higher allocations if the Drought Management Plan was put into effect, as well as the ability of the District to continue with its plan to obtain a direct connection to the pipeline conveying the water from the plant to the SDCWA aqueduct. Both of these items would provide direct benefit to the District. However, staff will not present to the Board action to terminate the District's Water Purchase Agreement with Poseidon.

Following general discussion, the Board provided staff with the direction that if the SDCWA and Poseidon Resources negotiate a successful purchase agreement for the desalinated water produced at the Carlsbad Desalination Facility, the District will set aside its Water Purchase Agreement. Additionally, the Board confirmed their desire for General Manager Lamb to pursue the direct purchase of desalinated water and obtain a connection to the desalinated water pipeline. General Manager Lamb is to send a letter to the SDCWA confirming these issues.

General Manager Lamb stated the Franchise Fee is still an issue. Poseidon is going to build the facility and the SDCWA is going to review the plans for the facility. Poseidon has been working through SDCWA staff with the plan check and is designing the building to the SDCWA's standards. With Poseidon building the facility, there is still a Franchise Fee issue with the City of Vista, City of Carlsbad, and the City of San Marcos.

General Manager Lamb provided each Board member with a copy of the SDCWA/MWD Rate Challenge Key Facts.

DISTRICT COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

Director Gentry stated that he attended the Capital Improvement Committee meeting this morning. The Energy Management Plan will be presented to the Board within the next month.

ACWA REGION 10

There has been no meeting. Director Gentry stated that the Outreach Task Force will be meeting tomorrow on SB 972.

LAFCO

Director Poltl stated that the meeting was postponed.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Ferguson noted that written reports were provided electronically. The reports are on file.

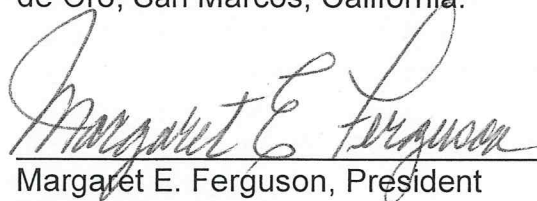
OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, President Ferguson adjourned the Regular Meeting of the Board of Directors at the hour of 5:16 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 7, 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