

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

CALL TO ORDER – PRESIDENT FERGUSON

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. NOTICE OF PREPARATION FOR A DRAFT PROGRAM ENVIRONMENTAL IMPACT REPORT FOR THE 2008 WATER, WASTEWATER, AND RECYCLED WATER MASTER PLAN
2. MRF TERTIARY FILTER PIPING REPLACEMENT FINAL ACCEPTANCE
3. DESIGN CONTRACT AMENDMENT FOR SAN MARCOS INTERCEPTOR PHASE I
4. ENGINEERING SERVICES CONTRACT – LINDA VISTA EAST SEWER PROJECT
5. WULFF TANK REPLACEMENT ENGINEERING SERVICES CONTRACT
6. ENGINEERING SERVICES CONTRACT – ROCK SPRINGS SEWER REPLACEMENT PROJECT
7. RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING REVISIONS TO STANDARD ENGINEERING DOCUMENTS AND AUTHORIZING THE SECRETARY OF THE BOARD TO SIGN CERTAIN DOCUMENTS ON BEHALF OF THE BOARD OF DIRECTORS
8. RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES
9. DRAFT QUARTERLY INVESTMENT REPORT

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

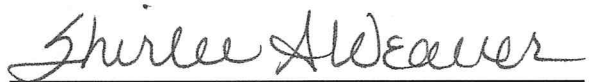
OTHER BUSINESS

*****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. 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 12:00 p.m., Thursday, July 8, 2010.


for Diane Posvar

MINUTES OF A COMMITTEE MEETING OF THE WHOLE
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, JULY 12, 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.

Present: Director Ferguson
Director Gentry (12:37 p.m.)
Director Hannan
Director Poltl (12:50 p.m.)
Director Shell

Staff Present: Legal Counsel Jackson
Finance Manager Scaglione
Administrative Services Manager Caudle
District Engineer Gerdes
Operations & Maintenance Manager Arrant
Principal Engineer Gumpel
Development Services Supervisor Brandstrom
Capital Facilities Engineer Scholl
Public Information/Conservation Supervisor Urabe
Executive Secretary Posvar

ORAL COMMUNICATIONS

Mr. Bill Effinger, member of the public, addressed the Board Committee. Mr. Effinger stated that he represents Hitzke Development Corporation, Community Collective and China Berry, LLC. Mr. Effinger stated that he has met with, and continues to meet with General Manager Dennis Lamb and other staff members on issues concerning their completed project Autumn Terrace and their new project Park View in the Richmar District of San Marcos relative to various issues.

Mr. Effinger requested that the Board Committee place on the next general Board meeting agenda the matter of reimbursing Community Collective the sum of \$440,000 for the construction of 668 lineal feet of sewer main which they believe they are entitled to under several sections of the California Government Code, including but not limited to California's AB 1600.

Mr. Effinger stated that they have been made aware by Mr. Lamb that it is not Board policy to enter in reimbursement agreements with developers in cases such as this. Mr. Effinger further stated that they believe the policy violates certain elements of the intent and purpose of AB 1600 and other sections of the Government Code, namely Sections 65580, 65581(a), 65582.1(d)(j), and 65589.7. He again requested that this matter be put before the Board at the earliest possible date to that they may explore and resolve the issues.

Director Ferguson asked that this matter be placed on the August 4, 2010, Board agenda.

Mr. Paul Metcalf, member of the public, addressed the Board committee. Mr. Metcalf represents the University District project. He stated that this project is one of the largest projects in San Marcos history and one of the largest projects in the VWD. By the draft sizing study that VWD is doing for the outfall, the University District represents, per the approved WSA, 10% of the total capacity rights that VWD has for that outfall. Mr. Metcalf stated that their project missed the cutoff date for the Master Plan that VWD is now working on and feels that their project, being such a significant part of the new Master Plan, should be considered.

Mr. Metcalf had two questions that he requested the Board address. 1) For wastewater use, per the District's May 20, 2010, Draft Technical Memorandum regarding VWD's Outfall Alternative and Sizing Study, the University District Project's plan area, per its approved Water Supply Assessment, represents 10% of VWD's total capacity rights to the Vallecitos Interceptor Sewer. Due to mitigating conditions such as agricultural and landscape uses, potable water use does not lend itself to convenient percentage calculation for illustrative purposes as does wastewater, however, since there is a direct connection between water use and wastewater elimination, how can the current, proposed water use Master Plan be a useful, representative and fair planning document when its margin for error will be dramatically skewed because it ignores the largest single, approved development project in its study area? 2) In California in general, and in these times in particular, water is a precious commodity and the Green movement emphasized conservation and the sustainability of our resources. What measures does the Master Plan propose to create incentives for these conservation efforts, particularly in regard to fee structures? Director Ferguson asked that the questions be addressed at the August 4, 2010, Board meeting.

Mr. John Seymour, member of the public, addressed the Board Committee. Mr. Seymour stated that he is with National Community Renaissance which is a 501(c)(3) nonprofit affordable home developer and is also an existing customer serving about 1900 of their residents, approximately 756 units. He asked that as VWD moves forward with the environmental documents of the Master Plan and the Master Plan document itself, that more transparency be allowed than what has been seen in the past. Mr. Seymour stated that he sent a letter to Mr. Dennis Lamb dated June 25, 2010, and Mr. Lamb responded very promptly on July 7. Mr. Lamb indicated in his letter dates for several public workshops which will be held. Mr. Seymour further indicated that the workshop process is kind of formal and if there are issues that come up, such as technical issues, that if there is not enough time to address, would the Board be open to and support follow up meetings prior to the next scheduled Committee workshop. For instance, if an issue is raised that is not getting enough attention, there is no dialog back and forth which needs to happen. Another meeting could be scheduled that can be closer and then at the next formal meeting they could have the minutes which will indicate what issues were raised and what the outcome was. This way transparency

will be shown and they will be satisfied when they get to the final finish line of January and February when the programmatic EIR will be in place. They can then say that they still have concerns but have to support the process because it was open. Mr. Seymour asked President Ferguson to have flexibility to allow them to have further meetings beyond the public workshops to allow that interaction.

President Ferguson stated that the workshops are not a place where action can be taken but that if necessary, additional meetings can be scheduled.

Mr. Matt Adams, member of the public, addressed the Board Committee. He stated that he represents the San Diego County Building Industry Association. Several of the members that do business in the VWD community are members of their association. He reiterated what John Seymour said with regards to the process and workshops. He further stated that they are eager to participate in the discussions as the subject to the trade association for regulated community and want to make sure that the BIA is on all of the appropriate lists and copied on everything so they know all of the material that is coming forward. He further requested that when materials are being created for policy discussion, that it is distributed as soon as possible so that members can have an opportunity to thoroughly analyze them and come forward when the workshops are held with substantive comments and inquiries which will make for a better process. He feels in the end this will improve the efficiency of the process as well.

Staff provided the public members with VWD's procedure for notifying the public of the public workshops.

COMMITTEE ITEMS

NOTICE OF PREPARATION FOR A DRAFT PROGRAM ENVIRONMENTAL IMPACT REPORT FOR THE 2008 WATER, WASTEWATER, AND RECYCLED WATER MASTER PLAN

District Engineer Gerdes reported that a Programmatic Environmental Impact Report (PEIR) is currently being prepared in conjunction with the 2008 Master Plan. The CEQA process requires that the Notice of Preparation for the PEIR be distributed to agencies and interested parties that may be concerned with the project. These parties have 30 calendar days to respond with comments. Any comments received during the comment period or at the public scoping meeting will be considered in the preparation of the draft PEIR. The draft PEIR is scheduled to be completed around November 2010 and will require Board authorization for 45-day circulation at that time.

Staff requested the Board Committee's recommendation to the full Board to authorize initiation of the 30-day public review period for the Notice of Preparation of a draft PEIR for the 2008 Water, Wastewater and Recycled Water Master Plan.

The Board Committee recommended this item be presented to the full Board for consideration.

MRF TERTIARY FILTER PIPING REPLACEMENT FINAL ACCEPTANCE

District Engineer Gerdes reported that this project consisted of replacing the existing piping interior for tertiary filters one, two, and three due to corrosion. Corrosion was not discovered until the upgrade of the Meadowlark plant was in progress and has caused failures on the filter piping valves.

District Engineer Gerdes reported that the construction contract was awarded to Filanc Construction at the November 18, 2009, Board meeting in the amount of \$420,483. There was one change order at a cost of \$15,472.30 for various items including unforeseen pipe deterioration within several wall penetrations, modifications of piping supports and minor electrical work. The Change Order represents 3.6% of the contract. The project came in under budget by \$40,000.

Staff requested the Board Committee's recommendation to the full Board for acceptance of the project, filing a Notice of Completion, and authorization to release all retention funds to the contractor within the 30-day notice period, provided no claims are filed.

The Board Committee recommended this item be presented to the full Board for consideration. District Engineer Gerdes stated that it will be scheduled for the August 4, 2010, Board meeting.

DESIGN CONTRACT AMENDMENT FOR SAN MARCOS INTERCEPTOR PHASE I

District Engineer Gerdes reported that the project consists of replacing the existing 21" sewer interceptor with approximately 5,000 linear feet (LF) of 36" diameter sewer pipe between Twin Oaks Valley Road and Lift Station #1. The Board approved the design contract for Kennedy/Jenks Consultants at the April 1, 2009, Board meeting for Phase I and II from east of Johnston Lane to McMahr Road.

District Engineer Gerdes stated that in order to comply with new California Construction Stormwater Permit regulations that take effect July 1, 2010, a Stormwater Pollution Protection Plan (SWPPP) must be prepared by a qualified SWPPP developer in accordance with requirements of the California State Water Resources Control Board. Caltrans and the local Regional Water Quality Control Board now require a SWPPP prior to issuing construction permits. The District requested a scope and fee for preparation of the SWPPP from Kennedy/Jenks as an amendment to the current design contract. Staff reviewed the proposal and concurs with the scope and fee in the amount of \$20,183. A budget amendment for Fiscal Year 2010/2011 is not required at this time.

Staff requested the Board Committee's recommendation to the full Board for approval of the contract amendment in the amount of \$20,183, subject to the provisions of the contract.

The Board Committee recommended this item be presented to the full Board for consideration.

ENGINEERING SERVICES CONTRACT – LINDA VISTA EAST SEWER PROJECT

District Engineer Gerdes reported that the Linda Vista East Sewer Project is intended to remedy a potential surcharging condition within the District's sewer collection system in Linda Vista Drive between Las Posas Road and Via Vera Cruz, and within an industrial area between Via Vera Cruz and Grand Avenue. The project involves the construction of approximately 2,660 feet of new 15-inch pipe and the abandonment of approximately 1,470 feet of existing 8-inch pipe. The project also involves the upsizing of 320 feet of 8-inch pipeline crossing under State Route 78 to 12 inches in diameter from the intersection of Bingham Drive and Furniture Row to Grand Avenue. This project has been identified in the 2002 Master Plan as CIP #P89.

District Engineer Gerdes reported that on April 13, 2010, the District submitted a Request for Proposals to eight local engineering firms in San Diego County. Six of the firms (IEC, PBS&J, Winzler & Kelly, Brown and Caldwell, Nolte Associates, and Harris & Associates) submitted proposals. 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 project, and their fee schedule.

The top four rated firms (IEC, Brown and Caldwell, Nolte Associates, and Harris & Associates) were invited to the District to make presentations and interview with the District's review panel. Harris & Associates was selected as the most qualified consultant.

On June 28, 2010, staff met with Harris & Associates to discuss their proposed Scope of Work. In accordance with new National Pollution Discharge Elimination System (NPDES) requirements that went into effect on July 1, 2010, scope was added to file the proper Permit Registration Documents prior to construction. The Scope of Work and fee were finalized. The not-to-exceed fee is \$207,306.00.

The approved fiscal year 2010/2011 Capital budget amount for this project is \$1,520,000, with \$100,000 allocated to be spent on design services within the fiscal year. Current fiscal year projections have been updated to approximately \$265,000 with the Engineering Services contract plus staff time. Property and easement acquisition are not projected to occur until fiscal year 2011/2012, therefore these costs are not included in this updated projection.

To resolve the \$165,000 deficit in the fiscal year 2010/2011 funding, staff proposed to reallocate fiscal year budget expenditures from the following Capital projects:

- From the Questhaven Basin Water and Sewer Facilities Project (Project #71077), approximately \$70,000 will be reallocated

- From the Tertiary Filter Piping Project (Project #80006), approximately \$20,000 will be reallocated
- From the Environmental Mitigation Property Project (Project #2010100003), approximately \$50,000 will be reallocated
- From the Land Outfall Clearing & Access Road Project (Project #71177), approximately \$25,000 will be reallocated

Staff requested the Board Committee's recommendation to the full Board to authorize the execution of a professional engineering services contract to Harris & Associates in the amount of \$207,306.00 for final design services for the Linda Vista East Sewer Project.

Following general discussion, the Board Committee recommended this item be presented to the full Board for consideration.

WULFF TANK REPLACEMENT ENGINEERING SERVICES CONTRACT

District Engineer Gerdes reported that the existing 0.1 MG Wulff Tank is currently leaking and in need of replacement. The tank is past its useful life (1968) and repair is not an option. The Wulff Tank replacement is a new CIP (#2011100001) identified in the FY 2010/2011 budget.

Infrastructure Engineering Corporation (IEC) completed a preliminary design report in March, 2008, which evaluated several alternatives for the replacement of the existing Wulff Tank. The recommended alternative includes a new pipeline and pressure reducing station from the High Point Hydropneumatic Pump Station to supplement the Wulff Pressure Zone and the replacement of the 0.1 MG Wulff Tank with a 0.35 MG tank. The District requested a scope and fee for engineering services from IEC under their existing as-needed contract with the District.

IEC submitted a scope and fee proposal with a not-to-exceed amount of \$20,489. Staff reviewed and concurs with the scope and fee which includes a geotechnical investigation, field design survey, site plan and ringwall design. This project is included in the FY 2010/2011 District Budget in the amount of \$625,000.

Staff requested the Board Committee recommend approval of a professional engineering services contract with IEC in the amount of \$20,489 for the Wulff Tank Replacement Project.

The Board Committee recommended this item be presented to the full Board for consideration.

ENGINEERING SERVICES CONTRACT – ROCK SPRINGS SEWER REPLACEMENT PROJECT

District Engineer Gerdes reported that the District maintains an existing 8-inch gravity sewer pipeline that conveys wastewater from the intersection of Rock Springs Road and Bennett Avenue west through a greenbelt area to an existing 12-inch pipeline in Rock Springs Road at Lancer Park Avenue. Due to its location near a drainage channel, ongoing capacity issues, and inflow and infiltration problems, the sewer should be replaced.

On January 26, 2010, Infrastructure Engineering Corporation (IEC) submitted the final draft of the Rock Springs Road Sewer Planning Study. This analyzed several construction alternatives, including rehabilitating the existing pipeline and moving the pipeline completely out of the greenbelt area and into Rock Springs Road. Since the residences on the south side of Rock Springs Road tie into the greenbelt pipeline, it would be difficult to reroute their private service lines to Rock Springs Road. In addition, the study found this pipeline to be severely undersized in meeting future wastewater demands.

On April 13, 2010, the District submitted a Request for Proposals to eight local engineering firms in San Diego County (IEC, RMC Water and Environment, PBS&J, Winzler & Kelly, Brown and Caldwell, Nolte Associates, Harris & Associates, and San Dieguito Engineering). Three of the firms (IEC, PBS&J, and Brown and Caldwell) submitted proposals. 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 project, and their fee and schedule. All three firms were also invited to the District to make presentations and interview with the District's review panel. Following these interviews, the firms were ranked based on their written proposals, outside references, and oral interviews. IEC was selected as the most qualified consultant.

Staff met with IEC to discuss their proposed Scope of Work. The following changes were made to the Scope of Work:

- Wetlands permitting scope was clarified and split from the Environmental Services task. This will now be an optional task to be performed only if needed.
- In accordance with new National Pollution Discharge Elimination System (NPDES) requirements that went into effect on July 1, 2010, scope was added to file the proper Permit Registration Documents prior to construction.

The Scope of Work and fee were revised and finalized. The not-to-exceed fee is \$176,700.00, which includes all optional tasks.

The approved fiscal year 2010/2011 Capital budget amount for this project is \$1,160,000, with \$100,000 allocated to be spent on design services within the fiscal year. Current fiscal year projections have been updated to approximately \$200,000 with the Engineering Services contract plus staff time. Property and easement acquisition are not projected to occur until fiscal year 2011/2012, therefore these costs are not

included in the updated projection.

To resolve the \$100,000 deficit in the fiscal year 2010/2011 funding, staff proposed to reallocate fiscal year budget expenditures from the following Capital projects:

- From the Questhaven Basin Water and Sewer Facilities Project (Project #711077), approximately \$30,000 will be reallocated
- From the Tertiary Filter Piping Project (Project #80006), approximately \$20,000 will be reallocated
- From the Environmental Mitigation Property Project (Project #2010100003), approximately \$25,000 will be reallocated
- From the Land Outfall Clearing & Access Road Project (Project #711177), approximately \$25,000 will be reallocated

Staff requested the Board Committee's recommendation to the full Board to authorize the execution of a professional engineering services contract to IEC in the amount of \$176,700.00 for final design services for the Rock Springs Sewer Replacement Project.

Following general discussion, the Board Committee recommended this item be presented to the full Board for consideration.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING REVISIONS TO STANDARD ENGINEERING DOCUMENTS AND AUTHORIZING THE SECRETARY OF THE BOARD TO SIGN CERTAIN DOCUMENTS ON BEHALF OF THE BOARD OF DIRECTORS

District Engineer Gerdes reported that Goal 3.3 of the Goals and Objectives directs staff to update all agreements and documents as necessary. The District currently allows the General Manager, as Secretary to the Board of Directors (Board), to sign and approve certain documents on their behalf. Other documents are approved by the Board and signed by both the General Manager as Secretary to the Board and also the President of the Board. The intent of this new resolution is to continue the same practices of the Board but only require the signature of the Board Secretary on most of these standard documents. As part of this effort to streamline the procedure, staff and counsel reviewed and updated several agreements currently utilized by the District.

Staff requested the Board Committee's recommendation to the full Board for approval of the Draft Resolution approving revisions to standard engineering documents and authorizing the Secretary of the Board to sign certain documents.

Following general discussion, the Board Committee recommended this item be presented to the full Board for consideration.

RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES

Finance Manager Scaglione reported that during the presentation of this year's budget, staff expressed the intention of drafting an inducement resolution which would allow for

reimbursement from the date of adoption of project costs from proceeds of a future bond issuance. The District's long-range plan anticipates a \$43.5 million bond issuance in Fiscal Year 2013/14 to finance the Encina Parallel Land Outfall, San Marcos Sewer Interceptor, Meadowlark Tank #3, and Mountain Belle Pump Station.

Similar resolutions were adopted for the debt that financed Twin Oaks II Reservoir, the Meadowlark Expansion, and the recent \$8 million private placement loan from Union Bank. The resolution does not create a commitment to incur debt or impact the District in any way. The resolution allows us to recover capital expenditures from debt proceeds that we otherwise could not.

Staff requested the Board Committee's recommendation to the full Board to adopt the draft inducement resolution.

The Board Committee recommended this item be presented to the full Board for consideration.

DRAFT QUARTERLY INVESTMENT REPORT

Finance Manager Scaglione reported that the District's Investment Policy requires a quarterly investment report to be submitted to the Finance/Investment Committee for review. The report submitted is in draft form because information required for a complete and accurate report (the LAIF and SDCIP valuations) will not be available until the end of July. To facilitate a timely report, a draft was presented for review. To facilitate the external audit of investments, a final report will be submitted in August.

Finance Manager Scaglione reviewed the report. An item of noncompliance was noted in the report. Two liquidity targets exist in the policy: 1) a portion of the investment portfolio has to have maturities of less than three months that is at least equal to the operating reserve (this was made); 2) a portion of the investments have to mature in less than a year and have to be equal to at least the operating reserves plus the replacement target floors (this was missed by \$73,000). It is anticipated that this will be made up next month.

During the entire quarter approximately \$1.4 million was invested in federal agencies, had half a million agency called, and decreased the LAIF balance by approximately \$3.5 million. The average return for the portfolio went down from 0.89% last quarter to 0.87% this quarter. The weighted average maturity stayed about the same from 124 to 143 days.

Commercial paper and T-bills are currently not included in the portfolio. Comparisons to other managed portfolios were reviewed. The District is within the Investment Policy limits for what can be invested in each type of investment.

This item was presented for information only.

OTHER BUSINESS

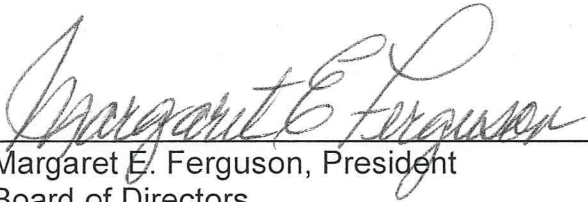
Public Information/Conservation Supervisor Urabe provided an update on the Demonstration Garden Project as follows:

- Rain barrels will be installed on Monday, July 19
- Utility lines have been marked to avoid any potential damage to the lines
- Met with the contractor who is donating his time to install the sprinklers
- Large boulders onsite will be used for the water features; anticipates being installed by the end of August
- Landscaping will be installed late in September or first part of October; middle school doesn't begin until mid-September (students volunteering)
- Proposed shade structure design is being revised by staff; original student design has been determined to not be very structural; should be installed by the end of August
- Modifications will be made to some of the student's proposed plants; some of the currently proposed plants are not practical
- Due to unforeseen circumstances with the original vendor, staff is working with Lowes to take over sponsorship from the original vendor who offered to donate lumber, supplies, and plants
- Open House was tentatively set for October 9, however, the Grand Festival is on October 10; suggested holding the Open House on October 16.

ADJOURNMENT


There being no further business to discuss, President Ferguson adjourned the Board Committee meeting at the hour of 12:51 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 21, 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