

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 5, 2012 AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT GENTRY

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 DECEMBER 5, 2012

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 – NOVEMBER 21, 2012

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH DECEMBER 5, 2012 - \$2,104,083.29

Recommendation: Approve Warrant List

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

ACTION ITEMS

2.1 FISCAL YEAR 2011/12 ANNUAL AUDIT REPORT

Annual audited financial statement for Fiscal Year ended June 30, 2012

Recommendation: Accept the Fiscal Year 2011/12 Annual Audit Report

2.2 RESOLUTION SUPPORTING THE DEVELOPMENT OF A WATER MANAGEMENT CERTIFICATE PROGRAM AT CALIFORNIA STATE UNIVERSITY SAN MARCOS

The Board Chair and District staff have been working with California State University San Marcos staff over the past year to develop a Water Management Program.

Recommendation: Adopt Resolution

2.3 RECOMMENDATION FOR 2012 FINANCING AND RESOLUTION AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS

The District's adopted 2012/13 budget includes a financing of \$7.1 million for the capacity portions of the San Marcos Interceptor and Linda Vista Sewer Projects.

Recommendation: Adopt Resolution

2.4 RESOLUTION MODIFYING STAND-BY DUTY PAY

The Employee Handbook states that all employees, excluding management, are subject to stand-by duty and are entitled to additional compensation when performing this duty.

Recommendation: Adopt Resolution

2.5 COGGAN PUMP STATION – HYDROPNEUMATIC TANK REPLACEMENT

The Coggan surge tank Corrosion Engineering Evaluation Report concludes the interior surfaces are in poor condition due to severe corrosion.

Recommendation: Approve expenditure for replacement of the Coggan Pump Station Hydropneumatic Tank with funding from the Water Replacement Reserves

2.6 SAN ELIJO HILLS PUMP STATION PROJECT APPROVAL

VWD needs to design, build, operate, and maintain a pump station in order to take treated water from Olivenhain Municipal Water District.

Recommendation: Approve the San Elijo Hills Pump Station Capital Improvement Project and authorize a budget amount of \$773,000

2.7 CALIFORNIA URBAN WATER CONSERVATION COUNCIL GROUP 1 BOARD OF DIRECTORS REPRESENTATIVES ELECTION

The California Urban Water Conservation Council is conducting their 2012 Board of Directors Election.

Recommendation: Request Board direction

2.8 RESOLUTION TO ADOPT MEMORANDUM OF UNDERSTANDING FOR FISCAL YEARS 2013/14, 2014/15 AND 2015/16

Recommendation: Adopt Resolution

*******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

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

CLOSED SESSION

- 4.1 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)
Urban Villages v. Vallecitos Water District
San Diego Superior Court Case No. 37-2012-00102327
- 4.2 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.7.6 CONFERENCE WITH LABOR NEGOTIATOR
Agency designated representative: General Manager
Employee Organization: Vallecitos Employee's Association

*******END OF CLOSED SESSION*******

- 5.1 ADJOURNMENT OF REGULAR VWD BOARD MEETING

*******END OF AGENDA FOR THE REGULAR VWD BOARD MEETING*******

AGENDA FOR THE REGULAR MEETING OF THE FINANCING CORPORATION
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 5, AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT GENTRY

ROLL CALL

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 5, 2012

CONSENT CALENDAR

- 1.1 APPROVAL OF MINUTES
A. REGULAR MEETING OF THE VALLECITOS WATER DISTRICT
FINANCING CORPORATION – JANUARY 19, 2011

Approved minutes become a permanent public record of the District.

Recommendation: Approve minutes

*******END OF FINANCING CORPORATION CONSENT CALENDAR*******

ACTION ITEMS

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

REPORTS

2.1 FISCAL YEAR 2011/12 ANNUAL AUDIT REPORT

Required annual reporting of the Vallecitos Water District audited financial statements and selected financial and operating data.

Recommendation: Note and file report

2.2 RECOMMENDATION FOR 2012 FINANCING AND RESOLUTION AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS

The District's adopted 2012/13 budget includes a financing of \$7.1 million for the capacity portions of the San Marcos Interceptor and Linda Vista Sewer Projects.

Recommendation: Adopt Resolution

*****END OF FINANCING CORPORATION REPORTS*****

3.1 ADJOURNMENT OF FINANCING CORPORATION MEETING

*****END OF FINANCING CORPORATION 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, November 30, 2012.

Diane Posvar

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 5, 2012, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Gentry 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 Hernandez
Director Poltl
Director Shell
Director Gentry

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

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 5, 2012

12-12-01 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to adopt the agenda for the Regular Board Meeting of December 5, 2012, as amended.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

12-12-02 MOTION WAS MADE by Director Ferguson, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

- 1.1 Approval of Minutes
 - A. Regular Board Meeting – November 21, 2012
- 1.2 Warrant List through December 5, 2012 - \$2,104,083.29

ACTION ITEMS

FISCAL YEAR 2011/12 ANNUAL AUDIT REPORT

Assistant General Manager Scaglione introduced Mr. Harvey Schroeder of White, Nelson, Diehl, Evans, LLP.

Mr. Schroeder stated that the audit has been completed and that the report is a clean, unqualified opinion as it has been in the prior years. Mr. Schroeder reviewed items in the financial statements noting increases/decreases from the previous year. Mr. Schroeder also reviewed the Audit letter which conveys how the audit was conducted and whether any difficulties or disagreements with management were encountered during the audit of which there were none.

Finance Manager Fusco reviewed the Management Discussion and Analysis stating that the analysis leads into the financial statements and provides the overview. He reviewed the financial highlights stating that RDA tax payments will no longer be passed through and staff has adjusted for this in the FY 2012/13 budget and will carry into future budgets; Fitch affirmed the District's AA+ rating; Standard and Poor affirmed the District's AA rating; and, the District finalized agreements to diversify the District's water portfolio. All these combined will help the District remain strong into the future.

Staff recommended the Board accept and file the Audit Report.

12-12-03 MOTION WAS MADE by Director Ferguson, seconded by Director Shell, and carried unanimously, to accept the annual FY 2011/12 Audit Report.

RESOLUTION SUPPORTING THE DEVELOPMENT OF A WATER MANAGEMENT CERTIFICATE PROGRAM AT CALIFORNIA STATE UNIVERSITY SAN MARCOS

General Manager Lamb stated that Chair Gentry, District staff, and several other agency managers have been working with CSUSM staff over the past year to develop a Water Management program that will provide exposure to the many areas water and wastewater managers must become familiar with. There have been several meetings at CSUSM and the final curriculum is being developed for the approval and review process at CSUSM.

General Manager Lamb stated that CSUSM staff has indicated that a Resolution of support from the District would be helpful, as well as a reasonable financial commitment during the first few years as the project develops and is self-sustaining. Any financial contributions would be at the Board's discretion in the future and on an annual basis as needed.

General Manager Lamb stated he has met with representatives of agencies such as other local water agencies, ACWA, WEF, etc. all of which have indicated they will support the program. He also spoke with staff at the SDCWA and they will be placing

this item on their agenda for their first Managers' meeting in January for discussion. Costs of supporting the project are unknown at this time and would vary dependent upon other agency support as well as tuition received from the program. The Board is not committing a specific dollar support or duration of support, just the intent to provide reasonable support, which would be considered each fiscal year by the Board.

Staff recommended the Board adopt the resolution.

President Gentry stated that he will be having discussions with other agencies in San Diego as well as Orange and Riverside counties to garner support for the program. CASA will also be approached by Kevin Hardy, EWA General Manager.

Director Hernandez also expressed his appreciation and support for the program as it would allow others to enter the water and wastewater industry.

12-12-04 MOTION WAS MADE by Director Ferguson, seconded by Director Shell, and carried unanimously, to adopt the Resolution.

Resolution No. 1408 - The roll call vote was as follows:

AYES: Ferguson, Hernandez, Poltl, Shell, Gentry
NOES:
ABSENT:
ABSTAIN:

RECOMMENDATION FOR 2012 FINANCING AND RESOLUTION AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS

Assistant General Manager Scaglione stated that the financing was originally brought to the Board on November 21, 2012, but tabled to allow time to re-document in order to be in conformity with the Master Agreement of the 2005 bond issue. The terms of the financing have not changed.

The terms of the recommended borrowing are more favorable overall than anticipated in the budget. The budget estimated issue costs at \$140,000 while \$125,000 in issue costs are estimated in the recommended borrowing. The related debt service in the budget was calculated with 4% interest rate while the rate of the approved loan is 1.98%. The annual debt service in the reserve projections of the budget is about \$863,000, while the terms of the approved loan result in average annual debt service costs of \$808,000. The overall fiscal impact averages about \$55,000 less per year in debt service costs than anticipated in the budget.

Staff recommended the Board consider and adopt the Resolution accepting the Bank of America \$7.1 million fixed rate loan and authorizing staff to execute the necessary loan documents.

- 12-12-05 MOTION WAS MADE by Director Ferguson, seconded by Director Poltl, and carried unanimously, to adopt the resolution and authorize staff to execute the necessary loan documents.

Resolution No. 1409 - The roll call vote was as follows:

AYES: Ferguson, Hernandez, Poltl, Shell, Gentry

NOES:

ABSENT:

ABSTAIN:

RESOLUTION MODIFYING STAND-BY DUTY

General Manager Lamb stated that the daily pay rate was questioned during the negotiation of a new MOU in 2010, however it was not an item that was considered in the negotiations and was not pursued due to the MOU negotiations and subsequent PERB process, which has since been resolved.

Staff reviewed the current policy and practice as it relates to similar agencies in the area and the Human Resources Department conducted a survey of over 15 local agencies' stand-by duty pay rates as well as rates paid after normal working hours. The survey found the average fixed daily rate is \$29.61 and that most agencies do not pay an hourly differential and overtime hours are paid according to the Agencies' overtime rules. The findings explain the significant difference in daily fixed rates reported.

Increasing the daily rate for Stand-by Duty pay and eliminating the hourly differentials for overtime hours worked may result in an approximate net increase of \$6,500 per year. The change will create an efficiency savings relating to payroll time entry, review and payroll processing.

Staff recommended to increase the daily rate for stand-by duty pay from \$17.23 to \$30.00, eliminate the hourly differential for overtime hours and automatically adjust the daily rate by any cost-of-living allowance provided to the employees.

Staff recommended the Board adopt the resolution modifying the Employee Handbook.

- 12-12-06 MOTION WAS MADE by Director Poltl, seconded by Director Shell, and carried unanimously, to approve the Resolution.

Resolution No. 1410 - The roll call vote was as follows:

AYES: Ferguson, Hernandez, Poltl, Shell, Gentry

NOES:

ABSENT:

ABSTAIN:

COGGAN PUMP STATION

Director of Engineering and Operations Gerdes stated that hydro-pneumatic (surge) tanks at the District's pump stations are scheduled for inspection every five years. This year's budget included inspection of two of these tanks – at Coggan and Palos Vista pump stations. Harper and Associates completed corrosion evaluation reports in October, 2012.

Neither of the tank's interiors has been inspected since installation and each has performed as designed. The Palos Vista surge tank report concludes that the exterior surface is in good condition while the interior is in fair condition. The Engineer recommends repainting and recoating the exterior and interior in the next year or two.

The Coggan surge tank report concludes that the interior surfaces are in poor condition due to severe corrosion. The Engineer does not recommend repair and recoating but complete removal and replacement with a new hydro-pneumatic tank.

The current budget contained funds for inspection only, not repair or replacement. Based on the reports, repainting and interior coating of the Palos Vista surge tank will be included in a future year's budget. Staff received three quotes for replacement of the Coggan surge tank: Tiger Tanks for \$37,138, Steel Structures, Inc. for \$49,795, and Royal Welding for \$63,622.

This represents an unscheduled capital replacement item. Funds are available in the water replacement reserves. Staff recommended expenditure approval for replacement of the Coggan Pump Station Hydro-pneumatic Tank with funding from the Water Replacement Reserves.

12-12-07 MOTION WAS MADE by Director Poltl, seconded by Director Hernandez, and carried unanimously, to approve the expenditure.

SAN ELIJO HILLS PUMP STATION PROJECT APPROVAL

Principal Engineer Gumpel stated that on November 21, 2012, the Board authorized staff to execute a Water Purchase Agreement (WPA) with Olivenhain Municipal Water District (OMWD) for the purchase of at least 2,750 acre-feet of treated water per year. The WPA benefits OMWD by allowing their treatment plant to operate more efficiently by reducing unused capacity.

In order to meet the conditions of delivery of treated water services as specified in Section 1 of the WPA, VWD must use its best efforts to complete construction of all required facilities within 18 months following execution of the WPA. This includes constructing a pump station and connecting the facility to the 18-inch OMWD feed pipeline in the San Elijo Hills region. The terms provide for recovery of the costs for the pump station through a credit on OMWD invoices for treatment services. Any remaining credit at the end of any fiscal year will be paid to VWD, thereby assuring that capital will

be recovered.

VWD's estimate to plan, design, construct the necessary pump station totals \$773,000. Capital costs of \$137,000 will be recovered over 10 years, with the remaining capital costs recovered over 20 years – the term of the WPA.

12-12-08 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to approve the project and authorize a budget amount of \$773,000

CALIFORNIA URBAN WATER CONSERVATION COUNCIL GROUP 1 BOARD OF DIRECTORS REPRESENTATIVES ELECTION

General Manager Lamb stated that the California Urban Water Conservation Council (CUWCC) is conducting their 2012 Board of Directors Election. The District is a member of the CUWCC as a member agency of the San Diego County Water Authority.

The Board took no action on this item.

RESOLUTION TO ADOPT MEMORANDUM OF UNDERSTANDING FOR FISCAL YEARS 2013/14, 2014,15 AND 2015/16

General Manager Lamb stated that this item is not needed and is being tabled for discussion in Closed Session.

REPORTS

GENERAL MANAGER

General Manager Lamb reported on his attendance on the inspection trip of the Colorado River Aqueduct System which was sponsored by Metropolitan Water District.

DISTRICT COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

General Manager Lamb reported on his attendance at the SDCWA Board meeting at which the Desalination Project was discussed and approved.

ENCINA WASTEWATER AUTHORITY

Director Poltl stated that the Policy and Finance Committee meeting has been postponed to January.

President Gentry reported on the Capital Improvement Committee meeting held this morning. He also stated that the Board meeting will take place on December 12.

ACWA REGION 10

President Gentry stated that the Issue Forum will take place tomorrow at the ACWA Conference.

LAFCO

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Gentry noted that a written report was provided electronically. The report is on file.

Vice President Tim Shell, on behalf of the Board of Directors, recognized President Gentry for his eight years of service on the Vallecitos Water District Board of Directors and presented President Gentry with a book that highlights his year as Board President.

OTHER BUSINESS

None.

President Gentry adjourned the Regular Meeting of the Board of Directors at the hour of 5:16 p.m. in order to open the Regular Meeting of the Financing Corporation of the Vallecitos Water District.

President Gentry re-opened the Regular Meeting of the Board of Directors at 5:19 p.m. to continue the Closed Session portion of the Regular Meeting.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a)
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)
Urban Villages v. Vallecitos Water District
San Diego Superior Court Case No. 37-2012-00102327

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.7.6
CONFERENCE WITH LABOR NEGOTIATOR
Agency designated representative: General Manager
Employee Organization: Vallecitos Employee's Association

12-12-09 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to move into Closed Session pursuant to Government Code Sections 54956.9(a) and 549567.6.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 5:40 p.m. The Board, in Closed Session, directed the General Manager to take appropriate action concerning the employee negotiations.

The Closed Session item pertaining to existing litigation was not needed and did not take place.

ADJOURNMENT

There being no further business to discuss, President Gentry adjourned the Regular Meeting of the Board of Directors at the hour of 5:41 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 19, 2012, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

Thomas Scaglione, Treasurer
Board of Directors
Vallecitos Water District