

AGENDA FOR A COMMITTEE MEETING OF THE WHOLE  
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, OCTOBER 8, 2012, AT 1:00 P.M.  
AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT GENTRY

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. CARLSBAD SEAWATER DESALINATION PROJECT UPDATE
2. OMWD POTABLE WATER PURCHASE UPDATE
3. UPDATE AND RECOMMENDATION FOR 2012 FINANCING
4. PENSION REFORM UPDATE
5. IPAD's AT WORK PRESENTATION
6. QUARTERLY CIP REPORT
7. WATER ACADEMY UPDATE

\*\*\*\*\*END OF DISCUSSION/ACTION 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 1:00 p.m., Thursday, October 4, 2012.

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Diane Posvar

MINUTES OF A COMMITTEE MEETING OF THE WHOLE  
SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, OCTOBER 8, 2012, AT 1:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Gentry called the Committee meeting to order at the hour of 1:00 P.m.

Present: Director Gentry  
Director Hernandez  
Director Poltl  
Director Shell

Absent: Director Ferguson

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

Others Present: Ken Weinberg, Director of Water Resources, SDCWA  
Gordon Hess, Gordon Hess & Associates, Inc.  
Bob Campbell, H2O Resources

ORAL COMMUNICATIONS

None.

Director Hernandez requested that agenda items 5 and 7 be taken out of order and presented ahead of the other items due to the fact he would need to leave the meeting early. The Board consensus was to have staff present agenda items 7 and 5 respectively.

COMMITTEE ITEMS

WATER ACADEMY UPDATE

Information/Conservation Specialist Yerman provided an update based on feedback provided following the first tour such as what was liked most, what goals were accomplished, how most customers found out about the tour, what customers would like to see changed, etc. The update also included changes that would be made for future tours such as extended tour hours, limit to 60 attendees, staff to use microphones, less walking at each location, name tags, how to reduce or cut costs, how to sustain the interest for future tours. She noted that a \$2,000 grant received from Metropolitan Water District was utilized for the September 5<sup>th</sup> tour and that staff have submitted a grant application to the San Marcos Community Foundation for a \$10,000 grant.

General discussion followed.

This item was for information only.

#### IPAD'S AT WORK PRESENTATION

Information Technology Supervisor Fisher presented a video created by staff detailing the development and functionality of the Mobile GIS program for the iPads. She will be presenting the video at the Municipal Information Systems Association of California Conference next week. Development of the Mobile GIS program was a joint collaboration of the GIS staff, O&M and Inspections Department staff, and IT staff.

Information Technology Supervisor Fisher stated that she was contacted by and met today with representatives from Apple who have expressed interest in the video and they will be presenting it to their marketing department. We will put it on our website.

General discussion followed.

This item was for information only.

#### CARLSBAD SEAWATER DESALINATION PROJECT UPDATE

Assistant General Manager Scaglione provided an update on the Carlsbad Seawater Desalination Project as follows:

- History of the project
- Planned for in SDCWA's Master Plan and Urban Wastewater Management Plan
- Benefits and cost
- 49% of the 48,000 acre feet of SDCWA Water Purchase Agreement available for purchase
- Reviewed public meetings held since August 9, 2012 (10 in total)
- Water unit price with conveyance and SDCWA improvements
- Key persons in developing the project/contract
- The project and the Water Purchase Agreement

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- Responsibilities
  - Risks retained by Poseidon and Equity Investors
  - Risks retained by SDCWA
  - Other provisions
  - SDCWA responsibilities outside the Water Purchase Agreement
  - Determining impact to water rates if VWD participates directly in desalination project
  - Results of preliminary analysis
  - Average annual cost of water for VWD, dollar per acre foot preliminary results
  - Reliability benefits

Assistant General Manager Scaglione introduced Mr. Ken Weinberg, Director of Water Resources for the San Diego County Water Authority. Mr. Weinberg stated that what they have tried to do on the pricing is to try to be very transparent and where they could, have a direct pass-through of the cost so that member agencies know how much they are paying for the debt service, equity of return, etc. They have spent a lot of time negotiating this with Poseidon to make it transparent. One of the benefits of the contract is the price certainty. Member agencies have been provided with different alternatives to allocate the cost among treatment, transportation and supply, and what the differences in cost would be. The member agencies are looking for direction from the SDCWA Board on what kind of structure may be considered and this will be discussed at a special SDCWA Board meeting that will be held on October 11, 2012.

General discussion took place.

Assistant General Manager Scaglione introduced Gordon Hess of Gordon Hess & Associates, Inc. Mr. Hess explained in detail the various methods he and Mr. Campbell utilized to study the impact of the costs of Desal to the District's customers.

General discussion followed.

This item was presented for information only.

#### OMWD POTABLE WATER PURCHASE UPDATE

Assistant General Manager Scaglione stated that he and staff have been working with Olivenhain Municipal Water District staff to develop the terms of a draft contract to purchase treated water from OMWD. Vallecitos would pay the San Diego County Water Authority for the raw water OMWD treats and OMWD would charge Vallecitos a treatment rate discounted from the Water Authority's treatment rates. Staff is going on the assumption the District will build the pump station and will recover capital costs either through a bigger discount or a credit on the District's bill from OMWD. Staff is trying to frame a relatively simple agreement.

This item was presented for information only.

### UPDATE AND RECOMMENDATION FOR 2012 FINANCING

Assistant General Manager Scaglione stated that at the October 3 Board meeting, the Board approved the financing in concept. Since then, staff has been working with the consultant, Mr. Robert Porr, Senior Vice President at Fieldman, Rolapp & Associates, on further analyzing options. He reviewed again the background of this financing, stating that the District's 2012/2013 budget includes a financing of \$7.1 million for the capacity portions of the San Marcos Interceptor and Linda Vista Sewer Projects. The \$7.1 million tax-exempt debt replaces a \$6.1 million taxable borrowing anticipated in the previous year's budget to pay of the CalPERS side fund and fund an OPEB trust, which were financed out of cash reserves.

Assistant General Manager Scaglione stated that Mr. Porr developed a Request For Proposal and distributed it to nine different banks on September 20, 2012. Bids were received from three banks – Bank of America, BBVA Compass Bank and Bank of the West. The bids from the banks for the variable rate loan were all more costly than the current variable rate obligation and very close to the fixed rates that were bid. For this reason we would not pursue the loan at a variable rate of interest.

From a financing perspective, the bids from Bank of America, lower rate, but higher cost (the origination fee) and a redemption feature and BBVA Compass are the most competitive; Bank of the West's rates are well above the other two and its bid offers the District only the more flexible call feature.

The higher cost but lower interest rate of the Bank of America proposal revealed a difference of \$123 annually to the District. The Bank of America proposal however allows the District to prepay the loan at 101% beginning on October 1, 2017; the bid from BBVA Compass does not allow an early pre-payment. Because of the minimal cost (about \$123 annually) to obtain the advantage of pre-paying the loan Mr. Porr and staff recommend acceptance of the Bank of America proposal. Mr. Porr analyzed the Bank of America proposal against the possibility of issuing bonds through the public debt market. The additional costs associated with a public offering outweigh the lower interest rates potentially captured.

In determining the cost effectiveness of refunding the 2008 Loan, Mr. Porr analyzed the cost to the District of using the terms of the Bank of America fixed rate proposal versus a projected cost of the Union Bank Loan. The Union Bank Loan rate was projected as though it were fixed for comparison purposes. This comparison reveals that there is an additional cost to the District annually over the next ten years that averages approximately \$251,000. After the tenth year there would be savings generated in the amount of approximately \$424,000 until 2028. The overall cost to the District of refunding the 2008 Loan with a fixed interest rate loan in terms of today's dollars is approximately \$278,000. Because of the additional cost and the flexibility to pre-pay the 2008 Loan at any time, pursuing the refunding at this time is not recommended.

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 recommended borrowing is 1.98%. The annual debt service in the reserve projections of the budget is about \$863,000, while the terms of the recommended borrowing result in average annual debt service costs of \$808,000 (after the initial FY, debt service averages approximately \$846,000). The overall fiscal impact averages about \$55,000 less per year in debt service costs than anticipated in the budget.

Staff recommended the Board Committee recommend to the full Board to consider authorization to staff to execute loan documents with Bank of America for the fixed rate loan of \$7.1 million.

General discussion followed.

The consensus of the Board Committee was to recommend this item to the full Board for consideration and authorization.

#### PENSION REFORM UPDATE

Administrative Service Manager Taylor provided an update on the State's pension reform as follows:

- Provided background on the California Public Employees' Pension Reform Act (PEPRA)
- Effective January 1, 2013
- Applies to all public employers and public pension plans (with some exceptions)
- Most of PEPRA applies to "new members" and some provisions of PEPRA apply to current employees
- Reviewed changes that apply to new members, changes that apply to existing employees and changes that apply to all members
- Reviewed impact to the District

This item was presented for information only.

#### QUARTERLY CIP REPORT

Principal Engineer Gumpel reviewed the Capital Improvement Project update as follows:

San Marcos Interceptor Phase 1A: The project consists of replacing the existing 21" sewer interceptor with approximately 3,327 LF of 42" and 15" diameter sewer pipe between Grand Avenue and Via Vera Cruz; the total contract amount is \$2,724,252.18;

there are currently three change orders on the job and are at a negative change order amount; project should be completed by the next quarter.

Sagewood Way Waterline Replacement: The project replaces approximately 1,700 LF of existing 8" waterline in Sagewood Place due to numerous failures over the past 4-5 years; the construction contract was awarded to Arrieta Construction and is now complete; there were no change orders on the job.

Meadowlark Tank No. 2 Refurbishment: The exterior coating portion of the project was eliminated from the project; replacing all the interior rafters and a good portion of the exterior rafters; the project is completed; tank was disinfected last week and is now full; water sampling will take place tomorrow; tank will be online pending sample results; one change order this quarter – Change Order No. 4 for the installation of cathodic protection cover plates for future cathodic protection system.

General discussion followed.

This item was presented for information only.

#### OTHER BUSINESS

None.

#### ADJOURNMENT

There being no further business to discuss, President Gentry adjourned the Board Committee meeting at the hour of 2:53 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, October 17, 2012, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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Darrell Gentry, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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