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 – SELLING OF TREATED WATER SERVICES CONTRACT
3. $7.1 MILLION FINANCING 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., Friday, November 9, 2012.

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

Present: Director Ferguson
Director Gentry
Director Poltl
Director Shell

Absent: Director Hernandez

Staff Present: General Manger Lamb
Assistant General Manager Scaglione
Legal Counsel Scott
Director of Engineering and Operations Gerdes
Finance Manager Fusco
Principal Engineer Gumpel
Capital Facilities Engineer Scholl
Water Operations Supervisor Pedrazzi
Executive Secretary Posvar

Others Present: Bob Campbell, H2O Resources

ORAL COMMUNICATIONS

None.

COMMITTEE ITEMS

DESALINATION RESOLUTION OF INTENT AND CONTRACTS

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

- History of the project
- Meetings held since the October 8 Board Committee meeting
- SDCWA to consider Water Purchase Agreement at their November 29 Board meeting
- VWD Board to consider adoption of a Resolution of Intent to contract for a purchase commitment of desalinated water at the November 21 Board meeting
- Water Purchase Agreement (WPA)
  - Responsibilities of Poseidon (owner/developer) and the San Diego County Water Authority (SDCWA)
  - Risks retained by Poseidon and Equity Investors
Minutes of a Committee Meeting of the Whole
Special Board Meeting of the Board of the Directors of the Vallecitos Water District
November 13, 2012

Assistant General Manager Scaglione introduced Mr. Bob Campbell to explain the rate model created by him and Mr. Gordon Hess to consider long term impacts and costs. Mr. Campbell stated that they were asked to look at the cost the SDCWA is going to charge VWD for desalinated water. Mr. Campbell provided the following information:

- Summary of assumptions used in preliminary analysis of SDCWA charges
- Desalination rate increase forecasts
- Unit cost of SDCWA supplies vs. direct purchase desal supplies
- VWD supply cost difference with direct desal purchase vs. no direct desal purchase
- Reliability benefits

General discussion followed.

Following general discussion, the consensus of the Board Committee was to recommend this item to the full Board for consideration to 1) affirm support for the regional project with equal consideration of rate alternatives, and 2) to consider adopting a Resolution of Intent to enter into a Uniform Member Agency Purchase Contract for 3,500 AF per year.

WATER PURCHASE AGREEMENT WITH OLIVENHAIN MUNICIPAL WATER DISTRICT

Assistant General Manager Scaglione stated that Olivenhain Municipal Water District (OMWD) is under contract to treat and deliver water to the San Diego County Water Authority (SDCWA) until March of 2014. Upon completion of the contract with the SDCWA, OMWD will have additional treatment capacity available to Vallecitos Water District (VWD) at a rate discounted from SDCWA’s melded M&I treatment rate.

OMWD Board approved a Water Purchase Agreement (WPA) in concept last year. Since then, OMWD and VWD staff members have been meeting to negotiate agreeable terms.
The proposed WPA with OMWD benefits OMWD by allowing their treatment plant to operate more efficiently by reducing unused capacity. VWD benefits by the following:

1. Reduced treatment costs allowing a partial offset to future increased costs from desalinated water,
2. Increase VWD’s water portfolio by adding a supplier and a supply point,
3. Receive water in the south end of the District avoiding power costs associated with pumping from northern reservoirs, and
4. Reduce nitrification issues in our southern reservoirs. Less nitrification will free up staff time and save on treatment chemical costs. The water will only be a few minutes old instead of days (from Lake Skinner).

VWD needs to design, build, operate, and maintain a pump station in order to take treated water from OMWD. The draft terms provide for recovery of the capital 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. Fixed costs incurred in operating the pump station are estimated at $30,000 per year, and variable costs – power – at $9.91 per acre foot.

OMWD will bill VWD for treatment services for the first 2,750 acre feet in a fiscal year at 75% of SDCWA’s melded M&I treatment rate - $256 for 2013. VWD will pay a $63.47 efficiency charge on every acre foot of water not taken under 2,750 acre feet per year – 2,750 less amount taken times $63.47. The efficiency charge represents the value of efficiencies gained in OMWD’s treatment plan from treating an additional 2,750 acre feet of water.

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 agreement.

Because of the proposed $63.47 efficiency charge, VWD needs to purchase 1,740 acre feet to break even. If water deliveries are less than 2,750 acre feet because OMWD is not able to provide the water, then there is no $63.47 efficiency charge and the break-even point is 555 acre feet. Demand in the southern end of VWD – which will be met with OMWD treated water if the agreement is approved – was 2,917 acre feet in 2011.

General discussion followed.

Following general discussion, the consensus of the Board Committee was to recommend this item to the full Board for consideration in authorizing staff to execute the Selling of Water Treatment Services contract between VWD and OMWD.
$7.1 MILLION FINANCING UPDATE

Assistant General Manager Scaglione stated that Bank of America will be wiring the District $7,055,000 on November 28th. The loan was for $7.1 million. However, $45,000 will be retained for bank fees. Other issue costs include the financial advisor, special bond counsel and general counsel. In total, $140,000 was budgeted for issue costs. Issue costs will total about $126,000 resulting in a favorable budget variance. Due to Inducement Resolutions, approximately $1.7 million will go directly into the sewer capacity fund to cover costs previously incurred and eliminate the deficit in the sewer capacity fund, at least until the next debt service payment. The rest of the proceeds will be spent next year in the spring - $5 million on the Interceptor project and $1.7 million on the Linda Vista sewer project.

A resolution will be presented at the next Board of Directors meeting to memorialize authorizations for staff to execute loan documents.

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 2:23 p.m.

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