CALL TO ORDER – PRESIDENT MARTIN

PLEDGE OF ALLEGIANCE

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 NOVEMBER 19, 2014

INTRODUCTION

Human Resources Technician Bridget Anderson will introduce new employee, Rick Crawford, Systems Construction Worker.

PRESENTATION

President Martin will present Marc Smith, Plant Operator I, with his Certificate for Wastewater Treatment Plant Operator Grade I from the State Water Resources Control Board.

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 5, 2014

*Approved minutes become a permanent public record of the District.*

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH NOVEMBER 19, 2014 – $930,076.72

1.3 FINANCIAL REPORTS
A. WATER METER COUNT – OCTOBER 31, 2014
B. WATER PRODUCTION/SALES REPORT – 2014/2015
C. WATER REVENUE AND EXPENSE REPORT – OCTOBER 31, 2014
D. SEWER REVENUE AND EXPENSE REPORT – OCTOBER 31, 2014
E. RESERVE FUNDS ACTIVITY – OCTOBER 31, 2014
F. INVESTMENT REPORT – OCTOBER 31, 2014

Recommendation: Approve Warrant List

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

ACTION ITEMS

2.1 FISCAL YEAR 2013/2014 ANNUAL AUDIT REPORT

*Annual audit of the District’s financial statements.*

Recommendation: Accept the Fiscal Year 2013/2014 audited financial statement

2.2 RESOLUTION OF THE BOARD OF DIRECTORS EXPRESSING APPRECIATION FOR THE SERVICES OF DIRECTOR JAMES POLTL

Recommendation: Adopt resolution

2.3 ANNUAL BOARD TRANSITION AND DECEMBER 2014 BOARD MEETING DATE

*Ordinance No. 190 provides guidance on the annual Board reorganization.*

Recommendation: 1) Consider and appoint the incoming President and Vice President
2) Consider moving the December 3, 2014 Board meeting to the week of December 8, 2014
2.4  DROUGHT UPDATE

*For information only.*

**Recommendation:**  No action required

2.5  REVISED BASIC AGREEMENT RESOLUTION

*Amendments to the agreement are necessary to reflect changes in ownership percentages due to the increased capacity from the Phase V expansion.*

**Recommendation:**  Adopt resolution

2.6  LOCAL PROJECT PARTICIPANT AGREEMENT FOR THE NORTH SAN DIEGO COUNTY REGIONAL RECYCLED WATER PROJECT (NSDRRWP)

*The primary goal of the NSDRRWP is to pursue local, state and federal funding opportunities that will support water recycling and reuse efforts.*

**Recommendation:**  Authorize General Manager to enter into the agreement as a member of the Local Project Participants

2.7  SURPLUS PERSONAL PROPERTY LISTING

*Three items have been identified to have served their full useful lives.*

**Recommendation:**  Approve items to be made available for disposal through a public auction

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

*The California Urban Water Conservation Council is conducting their 2014 Board of Directors election.*

**Recommendation:**  Request Board direction

*****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
   - Capital Improvement Committee
   - Policy and Finance Committee

3.5 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS

4.1 MEETINGS

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

5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*****END OF DIRECTORS COMMENTS/FUTURE AGENDA ITEMS*****

CLOSED SESSION

6.1 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)
Citizens Development Corporation, v. County of San Diego, et al.
United States District Court, for the Southern District of California
Case No. 12CV0334 IEG RBB

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

7.1 ADJOURNMENT OF THE REGULAR VWD BOARD MEETING

*****END OF AGENDA FOR THE REGULAR VWD BOARD MEETING*****
President Martin called the Regular meeting to order at the hour of 4:00 p.m.

Public Information Representative Grace Cardenas led the pledge of allegiance.

Present: Director Evans
         Director Hernandez
         Director Poltl
         Director Sannella
         Director Martin

Staff Present: General Manager Lamb
              Assistant General Manager Scaglione
              Legal Counsel Scott
              Legal Counsel Dodson
              Director of Engineering & Operations Gerdes
              Administrative Services Manager Emmanuel
              District Engineer Gumpel
              Finance Manager Fusco
              Operations & Maintenance Manager Pedrazzi
              Public Information/Conservation Supervisor Urabe
              Public Information Representative Cardenas
              Executive Secretary Posvar
              Administrative Secretary Johnson

Others Present: Neal Meyers, Meyers Fozi LLP
               David Forman, White Nelson Diehl Evans LLP
               Harvey Schroeder, White Nelson Diehl Evans LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 19, 2014

General Manager Lamb stated that a Closed Session item pursuant to Government Code §54954.2(b)(2) has arisen subsequent to the posting of the agenda which the Board needs to consider. The matter pertains to claims filed by Mr. and Mrs. Roberts and Prestige Pool.

14-11-08 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 19, 2014 with an additional closed session item.
INTRODUCTION

Administrative Services Manager Rhondi Emmanuel introduced new employee Rick Crawford, Systems Construction Worker I.

PRESENTATION

President Martin presented Marc Smith, Plant Operator I, with his Certificate for Wastewater Treatment Plant Operator Grade I issued by the State Water Resources Control Board.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

14-11-09  MOTION WAS MADE by Director Hernandez, seconded by Director Poltl, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

   A.  Regular Board Meeting – November 5, 2014

1.2 Warrant List through November 19, 2014 - $930,076.72

1.3 Financial Reports

   A.  Water Meter Count – October 31, 2014
   B.  Water Production/Sales Report – 2014/2015
   D.  Sewer Revenue and Expense Report – October 31, 2014
   E.  Reserve Funds Activity – October 31, 2014
   F.  Investment Report – October 31, 2014

Director Evans requested clarification on the warrant list with respect to an expense for a portable emergency generator, to which staff responded.

ACTION ITEMS

FISCAL YEAR 2013/2014 ANNUAL AUDIT REPORT

Michael Hunsaker, member of the public, addressed the Board stating that he serves as the tax payer association representative for Dehesa and San Marcos Unified School Districts. In that role he is becoming proficient in bonds and some aspects of financing,
but by no means a financial expert. He has concerns about the staff report that he would like to have answered and apologized for only having had a chance to glance through it.

Mr. Hunsaker stated that it looked like the new facilities funds were in deficit. He would like to understand, if his impression is correct, how we got to such a deficit. He noted that because of the economic meltdowns in Japan and Europe, there is a vast flood of money coming into the United States which is driving up stock values and the cost of bonds, thereby decreasing their yield. He commended the District for utilizing direct bank loans which are a far cheaper alternative for rate payers. All too often, there is an effort to look past cash flow problems to the detriment of rate payers and he would like to make sure that doesn’t happen. He further stated that he has seen problems with some cities on refinancing of bonds; particularly there is some concern in regard to capital appreciation bonds where bonds that mature over time are bought ahead of time with some rather large increases in net yield to investors at rate payer detriment. They usually try to hide that added cost by just talking about net present value. Mr. Hunsaker hopes that in the future, if the District refinances any bonds, that the cash flow and other alternatives are considered. The municipal bond market appears to be too restricted to get a true market value. With all this flood of money, we shouldn’t be paying much more than 4% for bonds or loans at this point in time; yet, 5% and 6% is the norm and we can do better. Mr. Hunsaker thanked the Board.

Assistant General Manager Scaglione stated that Mr. Hunsaker’s observation was correct, that there is a deficit in the capital facilities funds which is reflective of the increased cost of construction and not enough developer fees coming in now as we are still coming out of the recession. Ideally it’s always zero, but it can never always be zero. Sometimes it will be negative and sometimes it will be positive. The District financed a lot of construction including Twin Oaks reservoir; both reservoirs still have outstanding debt. The outstanding debt can be paid by developer fees when they come in.

Assistant General Manager Scaglione introduced Mr. David Forman and Mr. Harvey Schroeder with White Nelson Diehl Evans LLP, stating that Mr. Forman will address a letter that they provided to the Board as well as their opinion letter and Finance Manager Fusco will address the management discussion and analysis section of the audit.

Mr. Forman stated that the evidence they obtained is sufficient and appropriate to render their audit opinion and are rendering a clean opinion. He discussed the audit letter detailing management’s responsibility for the financial statements, the auditor’s responsibility as well as the auditor’s opinion. He also reviewed the statements of net position, statements of revenues, expenses and changes in the net position, statements of cash flows and the notes to the basic financial statements.
Finance Manager Fusco reviewed management’s discussion and analysis which included the financial highlights and the financial statements which included the statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; analysis of financial position and results of operations; current to prior year analysis for these positions; restrictions, commitments and limitations; capital assets and long-term debt.

President Martin requested the Board be more involved in the audit process next year including holding a workshop meeting to discuss the principles of the audit. General Manager Lamb stated that during the auditor selection process and before the start of next year’s audit, an introduction to the audit will be placed on a Board agenda. General discussion took place.

14-11-10  MOTION WAS MADE by Director Evans, seconded by Director Sannella, and carried unanimously, to accept the fiscal year 2013/2014 audited financial statements.

AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES:
ABSTAIN:
ABSENT:

RESOLUTION OF THE BOARD OF DIRECTORS EXPRESSING APPRECIATION FOR THE SERVICES OF DIRECTOR JAMES POLTL

The Board presented a resolution to Director Poltl acknowledging his retirement from the Board and expressing their appreciation for his services on the Board for eight years.

14-11-11  MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt the resolution.

Resolution No. 1458 - the roll call vote was as follows:

AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES:
ABSTAIN:
ABSENT:

ANNUAL BOARD TRANSITION AND DECEMBER 2014 BOARD MEETING DATE

President Martin stated that the ACWA Fall Conference scheduled for December 2-5 conflicts with the regularly scheduled Board of Directors meeting on December 3 and that a quorum would not be met for the Board meeting. The consensus of the Board was to reschedule the Board meeting to December 10, 2014.
General Manager Lamb stated that the term for newly elected Board members will begin at noon on Friday December 5, 2014. Historically the annual Board reorganization coincides with the seating of new Board members. To allow a smooth transition and provide time for the incoming Board President to consider committee member and representative assignments, staff recommended that the Board consider and appoint the incoming Board President and Vice President.

President Martin nominated Director Evans as incoming President and Director Sannella as incoming Vice President.

14-11-12 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to elect Director Evans as President and Director Sannella as Vice President of the Board beginning December 10, 2014 through 2015.

AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES:
ABSTAIN:
ABSENT:

DROUGHT UPDATE

Assistant General Manager Scaglione stated that the District began their winter water restrictions on November 1 which allows for a maximum of ten minutes of irrigation one day per week, down from three days per week.

General discussion took place.

This item was presented for information only.

REVISED BASIC AGREEMENT RESOLUTION

General Manager Lamb stated that the Revised Basic Agreement (RBA), by and among the member agencies of the Encina Wastewater Authority (EWA), provides for joint ownership of EWA facilities for the purpose of planning, designing, owning, operating, and maintaining a joint sewer system. The recently completed Phase V expansion of EWA has been accepted and amendments to the RBA are necessary to reflect changes in ownership percentages from the increased capacity from the expansion.

General Manager Lamb further stated that the major changes to the RBA are an increase in VWD’s solids capacity from 7.54 MGD to 10.47 MGD, and liquids capacity from 7.54 MGD to 7.67 MGD. A resolution is needed from each member agency accepting the Revised Basic Agreement.
Staff recommended the Board adopt a resolution adopting the Amended and Restated Revised Basic Agreement.

**14-11-13** MOTION WAS MADE by Director Poltl, seconded by Director Hernandez, and carried unanimously, to adopt the resolution.

Resolution No. 1459 - the roll call vote was as follows:

- **AYES:** Evans, Hernandez, Poltl, Sannella, Martin
- **NOES:**
- **ABSTAIN:**
- **ABSENT:**

**LOCAL PROJECT PARTICIPANT AGREEMENT FOR THE NORTH SAN DIEGO COUNTY REGIONAL RECYCLED WATER PROJECT (NSDRRWP)**

General Manager Lamb stated that the North San Diego County Regional Recycled Water Project (NSDCRRWP) is a coalition of several north San Diego County water and wastewater agencies that have come together to expand the use of recycled water. Olivenhain Municipal Water District (OMWD) is the District’s representative that makes the application to the San Diego County Water Authority for local, state and federal funding opportunities that will support water recycling and reuse projects. Any funds that are awarded go to OMWD who in turn disperses the funds to the District.

He further stated that there is no cost associated with the Local Project Participant Agreement (LPP), and that the LLP must be signed annually ensuring that the District will use the funds for the appropriate purposes.

Staff recommended the Board authorize the General Manager to enter into the agreement as a member of the Local Project Participants.

General discussion took place.

**14-11-14** MOTION WAS MADE by Director Poltl, seconded by Director Hernandez, and carried unanimously, to authorize the General Manager to enter into the agreement.

- **AYES:** Evans, Hernandez, Poltl, Sannella, Martin
- **NOES:**
- **ABSTAIN:**
- **ABSENT:**
SURPLUS PERSONAL PROPERTY LISTING

General Manager Lamb stated that Resolution No. 1312 authorizes staff to dispose of surplus property items through a publicly noticed sale. The policy states that items with an estimated value of greater than $1,000 will be approved by the Board.

Staff has identified three items with an estimated value greater than $1,000. The items are:

<table>
<thead>
<tr>
<th>Mfg:</th>
<th>Model:</th>
<th>Est. Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>1993 F-350</td>
<td>$3,500</td>
</tr>
<tr>
<td>Ford</td>
<td>2001 F-250 XL</td>
<td>$2,000</td>
</tr>
<tr>
<td>Unknown</td>
<td>Sliding Movable Shelving</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

All items have served their full useful lives.

Staff recommended the Board declare the items surplus property to be made available for disposal through a public auction.

General discussion took place.

14-11-15 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve the items to be made available for disposal.

AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES: 
ABSTAIN: 
ABSENT: 

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

General Manager Lamb stated The California Urban Water Conservation Council (CUWCC) is conducting their 2014 Board of Directors Election. VWD is a member of the CUWCC as a member agency of the San Diego County Water Authority. He further stated that this is an annual election, and last year the Board’s direction was to adopt and vote for the South Region (Los Angeles, Metropolitan Water District and the San Diego County Water Authority) as our representative due to the unfamiliarity of the out-of-area representatives. General Manager Lamb recommended voting for the South Region again this year.

14-11-16 MOTION WAS MADE by President Martin, seconded by Director Hernandez, and carried unanimously, to vote for the South Region.
AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES:
ABSTAIN:
ABSENT:

REPORTS

GENERAL MANAGER

General Manager Lamb provided a historical view of how quickly drought restrictions can advance levels. In November of 1990 Metropolitan Water District (MWD) declared Stage I restrictions; within 21 days Stage 2 was declared; within another 20 day period Stage 3 was declared; and at that time, there was not a Stage 4, 5 or 6 in their policy. As a result, they held emergency meetings week after week, adopting new policies, and curtailment went from 5% to 50% in four months.

He further stated that at the present time, if MWD receives the full allotment of water from the Colorado River Aqueduct and nothing from Northern California, MWD could theoretically deplete their storage next year. The concern has been that MWD will wait until March to act and then implement a 40% curtailment at that time instead of a smaller percentage over the six months. General Manager Lamb stated that he has met with staff to double our outreach efforts (flyers at the schools, banners, etc.). The District is also keeping developers informed as the drought continues.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated that the Board meets tomorrow. She reported on new programs the San Diego County Water Authority is working on such as a campaign, “Summer’s over, the drought isn’t,” additional funding for turf replacement, and a program with San Diego Gas and Electric for high efficiency washing machines.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated that the Capital Improvement Committee met and approved the expansion projects up-to-date and discussed their strategic business plan. Director Poltl reported on his attendance at the EWA Board meeting today at which the proposed business plan was ratified. He stated that the next meeting of the Policy and Finance Committee is scheduled for December 2 and the Capital Improvement Committee will meet on December 10.
DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez and President Martin reported on their attendance at the Council of Water Utilities meeting on November 18.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez inquired if the District had a grant writer. General Manager Lamb stated that the firm, RNC, writes grants for the District through the North San Diego County Regional Recycled Water Project.

President Martin thanked the Board and staff for their assistance and the education he received as Board President during the last year.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)
Citizens Development Corporation, v. County of San Diego, et al.
US District Court, for the Southern District of California, Case No. 12CV0334 IEG RBB

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54954.2(b)(2) – LIABILITY CLAIM – CLAIMANT:
David and Sherri Roberts
Prestige Pools, Inc.

14-11-17 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to move into Closed Session pursuant to Government Code 54956.9(a) and 54954.2(b)(2).

AYES: Evans, Hernandez, Poltl, Sannella, Martin
NOES:
ABSTAIN:
ABSENT:

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 7:34 p.m. The Board, in Closed Session, took no action on the existing litigation and directed staff to reject the liability claim and to take appropriate action.
ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 7:35 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 10, 2014, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

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