

MINUTES OF THE  
**FINANCE/INVESTMENT COMMITTEE**  
OF THE VALLECITOS WATER DISTRICT  
TUESDAY, MARCH 17, 2009 @ 12:00 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

The meeting was called to order at the hour of 12:13 p.m. by Director Gentry.

Present:     Director Gentry  
              Director Shell  
              General Manager Rucker  
              Deputy General Manager Lamb  
              Director of Finance Scaglione  
              Engineering Manager Gerdes  
              Capital Facilities/Construction Engineer Gumpel  
              Executive Secretary Lewis  
              Administrative Secretary Posvar

REVIEW OF PROPOSED MITIGATION IMPACT FEE ORDINANCE

Deputy General Manager Lamb stated that staff has developed a draft Ordinance with the general framework for what is proposed. This is being developed in accordance with item No. 4.3 of the Board's adopted Goals and Objectives for staff. The proposed Ordinance revolves around three specific areas that are impacted by development when it places a greater burden on water and sewer service than those considered in the District Master Plan (i.e. densification). The specific areas of impact are water storage facilities, land outfall facilities for transportation/conveyance, and wastewater treatment and disposal (MRF and EWA). Individual studies would need to be completed for each of these components further identifying the project specific costs.

In addition, the Ordinance confirms the methodology of impact studies that the District currently performs for all development. This format is consistent with the current studies the District performs for Water Service Assessments required by SB610 and SB221. The purpose of including the study requirements in the draft Ordinance is to ensure a consistent approach in reviewing new projects that have densification to the adopted land use elements utilized in the adopted Master Plan within the District.

This Ordinance is being considered separately from the current revision to the District Water, Sewer and Reclamation Master Plan update which is based upon approved land uses. The Mitigation Fee Ordinance is being developed due to potentially recognized project densification after adoption of the Master Plan.

Deputy General Manager Lamb stated that Legal Counsel has reviewed the draft and acknowledged that the premise is sound; however, additional studies will need to be completed to justify the nexus between the proposed fees and the required facilities. The current budget does not include funds for these studies; however, adequate documents and past reports and studies are available to continue development of the Ordinance and may be adequate. In the event additional studies are required, they will be considered for funding in the 2009/2010 capital budget.

The Committee suggested the following: splitting the categories into residential and non-residential; include differentials and weighted averages as a part of the analysis.

Staff stated that this item will be presented at the Board Workshop scheduled on March 30, 2009, for additional discussion.

**The item was for information only. No action was necessary.**

#### **REVIEW OF DRAFT REIMBURSEMENT (PAYBACK) AGREEMENT**

Deputy General Manager Lamb stated that staff was directed to review the current Reimbursement Agreement (Ordinance No. 115) during the September 25, 2007 Board workshop. The current general discussions have narrowed around the duration of the payback and the facilities eligible for a payback.

Deputy General Manager Lamb stated that the Ordinance has changed substantially due to the number of edits and changes and is not simply compared to the current existing Ordinance 115. A copy of Ordinance No. 115 and the proposed Ordinance were presented for review and information. Substantial changes were made with regard to the processing of possible paybacks and very specific requirements have been added to ensure timely processing of the payback and documentation required from the proponent. Section 3 has been modified regarding eligible applicants along with beneficial facilities and includes suggested verbiage. Discussion followed on Sections 3.2 (Determination of Reimbursement Eligibility) and 3.3 (Facility Eligibility). Section 5.1 (Term of Agreement) maintained the current 10 year period maximum for purposes of continued discussion. Provisions were added to Section 6 (Administrative Costs and Deposits) to cover the cost of annexation. Following discussion, staff was requested to reevaluate the possibility of recording the payback agreement on the property and the possibility of placing a lien on the property.

Also presented for review was the revised Reimbursement Agreement. This document was revised to reflect the proposed changes to Ordinance No. 115.

Staff stated that this item will be presented at the Board Workshop scheduled on March 30, 2009, for additional discussion.

**This item was for information only. No action was necessary.**

#### **AWARD OF DESIGN CONTRACT FOR SAN MARCOS INTERCEPTOR**

Capital Facilities/Construction Engineer Gumpel stated that the project consists of replacing the existing 21" sewer interceptor with approximately 5,000 LF of 36" diameter sewer pipe between Twin Oaks Valley Road and Lift Station #1. The project was identified in the 1991 Master Plan and initially approved in the District's 1999/2000 Budget. It has been carried forward in subsequent budgets. A portion of the project was completed in 2002 between Highway 78 and Grand Avenue, in advance of the City's Creekside Development Project at the southeast corner of San Marcos Boulevard and Grand Avenue.

Capital Facilities/Construction Engineer Gumpel stated that the design of the San Marcos Interceptor Sewer replacement was initiated in 1999. Due to permitting uncertainty related to the location of the existing and proposed sewer, the project was placed on hold with the design about 50 percent complete. Coordinating with the City of San Marcos for approximately two decades, concern for the level of environmental impact associated with the project has been the largest single factor in initiating the hold. More recently, continued coordination with the City of San Marcos and their plans for evolving improvements along the creek has delayed the project.

In 2005/06, a pipe bursting pilot project was conducted to determine the feasibility of the no-dig method for replacement of the interceptor. This method was encouraged by the environmental agencies due to potential wetland impacts on the project. Pipe bursting was judged to greatly reduce impacts to environmentally sensitive areas along the pipeline route. The pipe bursting demonstration project was successful in the ability to install a new, larger pipeline utilizing subterranean pipe bursting techniques without impacts to the surface environment. Unfortunately the construction method failed to maintain the stringent slope tolerance required by the project, making this method of construction infeasible for widespread use along the alignment.

Capital Facilities/Construction Engineer Gumpel stated that the project has been split into 3 phases for design, construction and budgeting. Phase I is from the end of the pipe burst portion east of Johnston Lane to Bent Avenue and includes tunnel sections under structures and Highway 78; Phase II is from Bent Avenue to McMahr Road and is primarily open cut trenching, however, the majority of the work will be within the wetland habitat area of San Marcos Creek; Phase III is from McMahr Road to Lift Station No. 1 with portions being constructed during private development and potentially included in the City of San Marcos Creek Improvement Project.

Kennedy/Jenks Consultants has submitted an engineering services proposal and scope for final design and construction phase services of the San Marcos Interceptor Replacement Project for Phase I and II from east of Johnston Lane to McMahr Road. The scope also includes a large environmental component in order to amend the existing Mitigated Negative Declaration (MND), obtain permitting for the trenchless section of work in Phase I and obtain the environmental permits for Phase II. The MND was adopted by the Board on March 7, 2001.

Staff reviewed the proposal and concurs with the scope and fee in the amount of \$663,533. The project is identified in the FY 08/09 Budget. The expenditures are expected to be spread over FY 08/09, FY 09/10 and FY 10/11 with approximately \$200,000 in FY 08/09, \$330,000 in FY 09/10 and the remaining in FY 10/11 to match the District's current adjusted budget for the project.

Due to environmental requirements for spring field surveys a portion of the scope and fee was taken to the Board at the meeting of February 18, 2009, and approved in the amount of \$15,972.

**The Finance/Investment Committee recommended that the final design contract award to Kennedy/Jenks Consultants in the amount of \$663,533, subject to the provisions of the contract, be submitted to the Board for consideration and approval.**

REVENUE AND EXPENSE REPORTS FOR THE EIGHT MONTHS ENDED  
FEBRUARY 2009

Director of Finance Scaglione reported on the Water and Sewer Revenue and Expense reports for the eight months ended February 28, 2009. The water net operating income is \$613,000 higher than what was budgeted and is attributed to water sales in excess of excess water costs. The sewer net operating income is slightly under \$45,000 and is attributed to a shift in general and administrative costs from water to sewer and unanticipated chemical costs at Meadowlark. Director of Finance Scaglione also reported on the Appropriated Fund Balance Activity. The replacement reserves are above the replacement floor. The minimum required reserve is \$14.7 million; the balance is currently \$18.5 million. Most of the loan proceeds for Encina Wastewater Authority's expansion have been transferred to the sewer capacity fund. The District locked in the rate on the \$8 million loan to a 3-month LIBOR-based rate of 1.6%, compared to 2.14% for the last three-month period. The LIBOR is starting to increase slightly.

**This item was for information only. No action was necessary.**

UPDATE ON WHOLESALE RATE PROJECTIONS

Director of Finance Scaglione stated that Brian Thomas, the CFO of the Metropolitan Water District (MET), spoke at the San Diego County Water Authority Finance meeting this morning. MET is currently considering three options for rate projections: 1) 36% increase to the treated rate effective January 1, 2010, and a 5.5% increase in January 2011; 2) accelerate the effective date of increase to September 1 (General Managers and Finance Officers have requested MET to stay with the January 1, 2010, effective date) – rate increase would be 21% and another 17% on July 1, 2010; 3) change the effective date to September 1, 2009, with a 21% increase, and increase rates every September 1 following until 2012. Currently, MET is considering a 10% cutback.

**This item was for information only. No action was necessary.**

There being no further business to discuss, the meeting was adjourned at the hour of 1:45 p.m.