

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF COMMISSIONERS
OF THE
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
September 19, 2008**

CALL TO ORDER: Chair Rudy Cabriales called the meeting to order at 7:34 a.m. in Room 146 at the Victor Valley Wastewater Reclamation Authority Administrative Offices, 15776 Main Street, Hesperia, California, with the following members present:

**TOWN OF APPLE VALLEY
HESPERIA WATER DISTRICT
CITY OF VICTORVILLE
ORO GRANDE (CSA 42) AND
SPRING VALLEY LAKE (CSA 64)**

**Peter Allan (Closed Session only)
Thurston Smith
Rudy Cabriales
Tom Sutton**

VVWRA Staff and Legal Counsel:

**Logan Olds, General Manager
Piero Dallarda, Legal Counsel (BB&K)
Gilbert Perez, Director of Operations
Marce Delaney, Env. Compliance Supervisor
Brent Keaster, Maintenance Supervisor**

**Patricia Johnson, Secretary to the GM/Board
Angela Valles, Director of Human Resources
Sandra Perea, Operations Supervisor
Linda Ellsworth, Mgmt Tech to GM**

Others Present:

**Blake Anderson, Blake Anderson Consulting
Joe Flores, City of Victorville
Frank Robinson, Town of Apple Valley
Sammi George, VVC Student**

**Brian Johnson, City of Hesperia
Dennis Cron, Town of Apple Valley
Gregory Moore, VVC Student
Miguel Mendoza, VVC Student**

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Chair Cabriales called the meeting to order at 7:34 a.m.

PUBLIC COMMENTS – CLOSED SESSION AGENDA

Chair Cabriales asked if there were any comments from the public regarding any item on the Closed Session agenda. Hearing no comments, Chair Cabriales called for a motion to enter into Closed Session.

CLOSED SESSION

Commissioner Sutton made a motion to enter into Closed Session at 7:34 a.m., which was seconded by Commissioner Smith and approved by unanimous voice vote.

REGULAR SESSION

Chair Cabriales called the Regular Meeting to order at 9:02 a.m. and called upon Commissioner Sutton to lead the Pledge of Allegiance.

Chair Cabriales announced that there was one item to report from Closed Session. Piero Dallarda announced that the Board met in Closed Session pursuant to the Government Code under Item 2. The Board has authorized staff to execute a contract with a property appraiser, Lidgard and Associates, to perform an appraisal of the Adelanto Interceptor line and the property and rights of way that it encompasses. The agreement is for an amount of \$18,600.

PUBLIC COMMENTS – REGULAR SESSION AGENDA

Chair Cabriales asked if there were any other comments from the public on the Regular Session agenda. There were no comments from the public.

ANNOUNCEMENTS AND CORRESPONDENCE:

6. Introduction of Sandra Perea, Operations Supervisor

Manager Olds announced that Sandra Perea has not yet arrived. He recommended moving to the next item and coming back to this item upon Sandra's arrival. It was the consensus of the Commissioners to move to item 7.

Manager Olds introduced Sandra Perea as the agency's new Operations Supervisor. He said Sandra comes to VVWRA with over 20 years experience in the wastewater operations field. She began as an operator-in-training in Monterey, California and most recently worked on a temporary basis in wastewater operations at Tejon Ranch and Carmel Valley Ranch. Sandra has a Grade V Wastewater Operator Certification and a Bachelor of Science in biology from the University of Texas at Arlington. Even though she has worked as a sixth grade science teacher for the past seven years, Sandra is thrilled to return to the wastewater operations field and is looking forward to working as a part of the VVWRA staff who demonstrate a very high level of professionalism. Manager Olds said he is a firm believer in the importance of training. Sandra has been at VVWRA for two or three weeks and he is already noticing focus. One of the issues we are concerned with is the receipt of a few penalties related to our chlorine and disinfection system. Sandra is overseeing the training of staff on that very important project.

The Commissioners welcomed Sandra to VVWRA. Commissioner Sutton said he has known Sandra for quite a few years and she is definitely an asset to the Authority. Chair Cabriales said, "The Board welcomes you Sandra and we wish you well in your new job with us".

7. California Association of Sanitation Agencies (CASA) Memorandum: Manager Olds reported that costs are going up and to make a long story short we are potentially looking at as much as a 20 percent increase in our NPDES Permit fee which would take it from \$14,000 to \$20,000 per year. The exact scope and extent of this is yet to be determined, but he wanted to make the Commissioners aware. This is an attempt to pay for services rendered by the program. He said if the Commissioners have any questions regarding the memorandum, he would be happy to discuss it with them.

8. Possible conflict of interest issues

Manager Olds reported that he was not aware of any possible conflicts.

Manager Olds said although it was not agendized, he would like to announce that VVWRA was recognized as the Medium-Size Business of the Year and presented with the Amistad Award by the local High Desert Hispanic Chamber of Commerce on Saturday, September 13, 2008. VVWRA received a very nice plaque and is very pleased by this recognition. Thanks to the High Desert Hispanic Chamber of Commerce, of which Chair Cabriales and Angela Valles are a part. Chair Cabriales thanked VVWRA for its support.

CONSENT CALENDAR:

9. Recommendation to Approve Sole Source Purchase of Spare Vaughan Chopper Pump and Motor for Digester 4 and 5 Supernatant Transfer System

10. Approve the August 2008 Cash Disbursements (No. 0808)

11. Approve the minutes of the special meeting held on August 11 and the regular meeting held on August 21, 2008

Commissioner Smith made a motion to approve the consent calendar, which was seconded by Commissioner Sutton and approved by unanimous voice vote.

REPORTS OR PRESENTATIONS:

12. Update on FY 2007-2008 Audit: Manager Olds reported that he would like to provide a brief verbal update on the audit and then review the most recent version of the CIP. Manager Olds said the auditing firm of Diehl Evans has proceeded on the audit and are wrapping up the final elements. A draft of the audit will be available for review by the Finance Committee on October 9. This year, our budget and audit will be completed on time. He said that staff has done a very good job with the audit this year and he is pleased.

13. Quarterly CIP Update (Logan Olds): Manager Olds reported that Version 3D is now before the Commissioners. This version is different than the one that we reviewed several months ago in that 18 MGD of Membrane Bio-reactor (MBR) was selected as the best solution to meet the future needs of the

member entities so the other two options have been removed. Manager Olds said all highlighted items relate to a particular bond issuance. The items highlighted in peach are the most crucial that will buy us the time we need to allow us to comply with new requirements. Green represents wastewater and purple represents reclaimed water.

Manager Olds said another distinction from the previous version, which was made at the request of one of the member agencies, is that each bond issuance will now be linked to specific projects and cover those projects from beginning to end. He said the previous model was more of a wave form that led from one project into another and it was requested that each bond issuance relate to a certain group of projects. The final changes occurred on the last page of the handout. We have gone from version 3c to version 3d. There is a version 4 that will hopefully be issued soon. At the Town of Apple Valley's request, all of the miscellaneous projects have been identified to show where those monies will be expended. In comparing the CIP versions, in January the cost was \$96 million so there has been a 45 percent reduction. That is a good sign of how well we are working as a group of agencies to refine the CIP.

Manager Olds said the financings have also been listed and color coded. He is still working with Stone & Youngberg on costs for those issuances. Frank Robinson of the Town of Apple Valley also requested that we do indexing to determine what the costs will be because this is all in 2008 dollars. That information has been requested and will be reflected in CIP Version 4 to show those inflated costs over time. One question that has been asked is why some of the elements are not color coded. It was at the direction of the City of Hesperia that VVWRA self-finance as much as possible.

ACTION & DISCUSSION ITEMS:

14. Report from Ad Hoc Strategic Advisory Committee:

Manager Olds reported that a combined Strategic Advisory Committee (SAC) and External Finance Committee meeting was held on September 11. During that discussion, the RBF Flow Projection Study was reviewed. There was some concern expressed by the City of Victorville about a decline in flows shown on one of the graphs. It was the consensus of the group that they would like more time to review and go through the document. We hope to bring the report to the Board in October. This item will also be agendaized for discussion at the next Committee meeting on October 9. Kevin Schmidt has been asked to provide a description of exactly how he calculated those declining flows shown in the study. There was also a lengthy discussion on Equivalent Dwelling Unit (EDU) gallons per day. A presentation was given by Stone & Youngberg and one of the particular areas of concern is that we went through the 25 percent rate increase and why we did not necessarily get the money. The most significant issue that led to that was that the numbers used to generate the future flows were acquired in late 2006 when the economy was still moving forward. Even though we ramped down the numbers, it still led to an overrepresentation of growth especially with what has occurred with the economy. This is of particular concern because of the amount of gallons that we put toward the EDU. We have received information from the Town of Apple Valley that indicates theirs is about 163 gallons per EDU. If we say there are 1,000 EDUs at 245 gallons per day and then translate that into flow at the plant, we get a revenue number for that amount. Obviously there is a significant difference between 245 and 163

gallons per EDU. We are in process of gathering that information from the member agencies to come up with a plan to possibly revise the number of gallons per day per EDU used by VVWRA for billing purposes. It primarily affects our future growth flows because we know what our existing revenues are based on our flow. The receipt of this information is a planning tool for us to use in the discussion at the next meeting. The group reviewed CIP Version 3C and there were a number of comments that have been incorporated into Version 3D. Manager Olds asked if there were any questions from the Commissioners.

Commissioner Sutton said it is critical that we determine what those actual flows are what future flows will be to determine revenues. Manager Olds said there was a rather lengthy discussion in April or May and we had to write down our revenue stream both on the Capital side and the User Fee side to the tune of several million dollars. That is not a situation we want to be in again. What he recommended to the Financing Group was a situation very similar to the Rate Stabilization Fund that was being proposed for the bonds to cover Capital fees. This would be a situation where we link growth and flows to create a situation where we base our User fee structure on a certain number of EDUs per year. If that amount is above projected or below projected, it will affect User fees. We are currently working on scenarios for how that would work. We need some mechanism so we are not at the mercy of fluctuations.

Manager Olds announced that Sandra Perea has arrived and asked if Item 6 could be discussed at this time. It was the consensus of the Commissioners to discuss Item 6.

15. Resolution 2008-17: Adopt Amended 2008 CEQA Guidelines: Manager Olds reported that the adoption of amended CEQA guidelines is an annual requirement. Piero said by adopting this Resolution you are basically adopting the new CEQA guidelines and new interpretations by the Court. It is a good practice to do that and you are actually required to do so. Chair Cabriales called for a motion.

Commissioner Sutton made a motion to approve Resolution 2008-17, which was seconded by Commissioner Smith and approved by unanimous voice vote.

16. Resolution 2008-18: Adopt Amended Appendix of the Conflict of Interest Code: Piero said just as with the CEQA Guidelines the Board is required to adopt and follow a Conflict of Interest Code. Before the Commissioners is the newly revised version, which complies with the actual and present regulations that apply to conflict of interest. Chair Cabriales called for a motion.

Commissioner Smith made a motion to approve Resolution 2008-18, which was seconded by Commissioner Sutton and approved by unanimous voice vote.

17. Resolution 2008-20: Approve and Authorize Execution of a Contract with the State Water Resources Control Board Project No. 09-02-200-9500: Manager Olds reported that we are pursuing any and all resources and financings to fund the Phase III project. The Resolution before the Commissioners is akin to a Statement of Interest. It is a document that initiates the process with the State Water Resources Control Board for the State Revolving Fund program wherein we identify that we are interested in pursuing this particular project and please agree to meet with us. Piero said he would like to clarify the motion. The Board is also authorizing the General Manager to negotiate and execute a loan contract grant, a grant loan contract and any amendment or change orders thereof.

Commissioner Sutton made a motion to approve Resolution 2008-18, which was seconded by Commissioner Smith and approved by unanimous voice vote.

18. Recommendation to Schedule Receipt of Public Comments on Adoption of Negative Declaration, filing Notice of Determination, Reaffirmation of Commitment to Phase III Expansion for 18 MGD of Membrane Bioreactor Treatment:

Manager Olds reported that VVWRA's Environmental Contractor, Tom Dodson and Associates, requested that this item be placed on today's agenda to schedule the receipt of public comments on the Adoption of the Negative Declaration, Filing the Notice of Determination, and a reaffirmation of commitment for the Phase III Expansion Project to 18 MGD of Membrane Bio-reactor (MBR). Once we go through this process at the October Board meeting, the environmental documentation process will be complete for Phase III. During our discussions with Mr. Dodson, we wanted to leave our options open and provide opportunities for the future. For example if we experienced an increase in flow of many millions of gallons per day at SCLA or from another industrial customer, this environmental document includes the option of 22 MGD of MBR even though 18 MGD of MBR is going to occur. It also includes some of the elements of the project that were eliminated by the decision to go to 18 MGD of MBR such as the Headworks and the Administration building so that at a future date if the Authority decides to activate those projects we will be able to move forward without having to go through the lengthy environmental review process. Essentially, all foreseeable projects between now and 2020 at the wastewater treatment plant on Shay Road are addressed under this one environmental document. It is simply a matter of timing. Manager Olds said agreement by the Commissioners to receive public comments at the October 23, 2008 Board meeting would be required. Piero said this can be done by motion or by consensus.

It was the consensus of the Board to receive public comments at the October 23, 2008 Board meeting.

STAFF/PROFESSIONAL SERVICES REPORTS:

19. Construction Management Update: 18 MGD Expansion Project – August 2008: Accepted as submitted.

Manager Olds reported that a particular issue occurred with the new blower engines yesterday. Staff was installing the catalytic converters and discovered a large amount of debris inside the exhaust system. He said we are currently trying to identify what equipment may potentially have been impacted by the debris and are working with SSC Construction to ensure that VVWRA is protected on this issue.

For the Commissioners information, we received a schedule from SSC indicating they anticipate completion of this project in mid-December 2008 due to the blower engines. There are issues on both sides of the fence. When the engines were moved through the design process, we had not completed the permitting so we had to do the permitting after the engines were already awarded, which is why we have had to retrofit with catalytic converters. That project is being done in-house, but what it means to the operations is that we are ordering all of the pieces and parts to rebuild the first eight air bays. It was hoped they would be online by January 1, 2009. Due to this situation, we are now delayed until the first

want to do when there is a rain event. Commissioner Sutton asked if the issues on the contractor's side will result in change orders. Manager Olds said not necessarily change orders. His understanding of the situation is that it has been difficult to get the vendors onsite. Valley Power was either bought out or went bankrupt creating several months of transition. As with any construction project, when it comes down to the crunch time at the end all of the issues rise to the surface. Commissioner Sutton said they all boil down to money or time. Manager Olds said in this case we are avoiding the money question and it is just simply a matter of time. Commissioner Sutton said that is the better of the two if you can live with it. Manager Olds said he is trying to live with it, but it has gotten his blood pressure up.

20. Financial and Investment Report – July 2008: Accepted as submitted.

Manager Olds reported that the money held for the bonds, which is the 20 percent reserve for O & M and R & R, has not been officially designated as yet and will be part of the financing package. He said his target is to maintain \$3 million of the running balance shown on the Cash Balance Report. To the right of the running balance, the invoices still being held are shown. Manager Olds said there was a three month timeframe when he had to hold all invoices relating to the Capital Improvement Plan and we are still working through those. It is anticipated that in November or December of this year we will have caught back up on all of those. In January, he will come before the Commissioners with a recommendation on what particular projects at what minimum level we need to move forward. He said his primary concern will be with those projects that are fundamental to the Cease and Desist Order and the NPDES Permit.

21. Customer Account Past Due Report – August 2008: Accepted as submitted.

22. Operations and Maintenance Report – August 2008: Accepted as submitted.

23. Pretreatment and Interceptor Cleaning and Inspection Reports – August 2008: Accepted as submitted.

AGENDA ITEMS FOR FUTURE MEETINGS:

Report from Ad Hoc Strategic Advisory Committee (Blake Anderson)

Report from External Finance Committee

Quarterly CIP Update (June/September/December/March)

Resolution 2008-13: Resolution of Appreciation to Dennis Nowicki (October)

Semi-annual Revisions to Interceptor Flow Projection Study by RBF Consulting (October)

Update on WWTP Performance Efficiencies (October)

Proposal to Perform Cumulative Impact Assessment for VVWRA Discharges (October)

Resolution to Receive and File FY 2007-2008 Audit Report (October)

Survivor Benefits Presentation (October)

Resolution to Authorize Interfund Loan (October/November)

Interceptor Connection Requirements and Enforcement and Industrial Pretreatment Program

NEXT BOARD MEETING:

Thursday, October 23, 2008 - Regular Meeting of the Board of Commissioners

COMMISSIONER COMMENTS

Commissioner Smith announced that the Board would like to reconvene the City Managers to be directly involved in the financial and management oversight of VVWRA. The City Managers are directed to:

- Recruit and interview and select a Financial Advisor to report to the City Managers and be paid by VVWRA.
- Independently determine the amount of revenue increase and bond proceeds needed and revisit the appropriate user fees and connection fees.
- Reestablish the policy decisions that support the construction of subregional facilities in all three cities.
- Meet with Lahontan officials to discuss quality of discharge and discuss discharge into the Mojave River.

Chair Cabriales said this item should be added to the October 23 agenda. Piero said there are directions that the Board will have to give to their member entity staff because VVWRA cannot go to the City Managers to tell them they have to do this and that. This will be direction that you will have to give to your own staff.

Commissioner Smith said on a happy note he would like to congratulate Tom Sutton on his 35 years of dedicated service to San Bernardino County and the High Desert. He announced that a Retirement Party for Tom will be held on October 9.

Chair Cabriales congratulated Tom Sutton on his retirement and said it was pleasure to work with him over the years and that he is a credible professional. Commissioner Sutton said he has really enjoyed his time with the County. Especially, in the two roles he has held over the past 10 years where he has been able to work in the mountains and high desert and with a great bunch of folks including the Board members and VVWRA staff. He said we get confused once in a while, but are trying to get things on the right track. It has been a fun ride and there have been ups and downs, but all in all it has been fun.

Commissioner Sutton said it is good to see his old friends like Blake Anderson, who he has known for 30 years. He said he has known Rudy Cabriales for many years as well as Piero's predecessor, Jim Morris. He has known Logan Olds from the CWEA for a number of years and he and Linda Ellsworth go way back. He met Dennis Cron in Big Bear while looking at a slip-lining project. Commissioner Sutton thanked everyone and said he really appreciates it. After retirement, he is contemplating to stay with the Board Commission for Brad Mitzelfelt, but his wife is not real thrilled with that. He said he will always be available. Chair Cabriales said we will need that knowledge and history of what has occurred in the past.

Manager Olds said he is currently teaching a wastewater course at Victor Valley College and three of his students are in attendance today. He introduced Sammi George, Miguel Mendoza and Gregory Moore. Chair Cabriales welcomed the students and said what Manager Olds is doing is very important because the industry is not too well known and there are good paying jobs.

ADJOURNMENT

At 9:35 a.m., Commissioner Sutton made a motion to adjourn the Regular meeting, which was seconded by Commissioner Smith and approved by unanimous voice vote.

APPROVAL:

DATE: 10/23/08
Approved by VVWRA Board

BY: 
Thurston Smith, Secretary
VVWRA Board of Commissioners