

**MINUTES OF A REGULAR MEETING of the
THE BOARD OF COMMISSIONERS of the
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
April 16, 2009 (Continued to April 28, 2009)**

CALL TO ORDER: Alternate Commissioner Jim Cox called the meeting to order at 7:34 a.m. on April 16, 2009 in Room 146 at the VVWRA Administrative Offices, located at 15776 Main Street, Hesperia, California, with the following members present:

**TOWN OF APPLE VALLEY
HESPERIA WATER DISTRICT**

**Bob Sagona
Rita Vogler (April 16, 2009)
Thurston Smith (April 28, 2009)
Jim Cox (April 16, 2009)
Rudy Cabriaes (April 28, 2009)
Jeff Rigney**

CITY OF VICTORVILLE

**ORO GRANDE (CSA 42) AND
SPRING VALLEY LAKE (CSA 64)**

VVWRA Staff and Legal Counsel:

**Logan Olds, General Manager
Piero Dallarda, Legal Counsel (BB&K)
Angela Valles, Director of Admin. Services
Gilbert Perez, Director of Operations
Robert Coromina, Network Supervisor
Tacey Barclay, Account Tech III
Kellie Patterson, Account Tech III
Mike Koncur, Utility Worker
Mike Tarango, Lead Operator**

**Patricia Johnson, Secretary to the GM/Board
Marce Delaney, Env. Compliance Supervisor
Toni Henning, H/R Technician
Linda Ellsworth, Mgmt. Technician to GM
Marce Delaney, Env. Compliance Supervisor
Anny Wu, Account Tech III
Kristi Scott, Admin. Aide
Brent Keaster, Maintenance Supervisor
Kevin Throop, EC Inspector in Training**

Others Present:

**Amer Jakher, City of Victorville
Dennis Cron, Town of Apple Valley
Joe Flores, City of Victorville
Brian Schneider, City of Victorville
Jose Mendoza, City of Hesperia**

**Bill Pattison, Town of Apple Valley
Andrea Daroca, VVWRA Consultant
Sean McGlade, City of Victorville
Brian Johnson, City of Hesperia
Mike Podegracz, City of Hesperia**

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Newly-appointed Alternate Commissioner Jim Cox announced that this was his first VVWRA Board meeting as a Commissioner and requested that the meeting be chaired by the Vice Chair. It was the consensus of the Commissioners that Vice Chair Rigney would chair the meeting.

PUBLIC COMMENTS – CLOSED SESSION AGENDA

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

CLOSED SESSION

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

REGULAR SESSION

The Regular Meeting was called to order at 9:03 a.m. Piero Dallarda announced that there were no reportable actions from Closed Session.

PUBLIC COMMENTS – REGULAR SESSION AGENDA

There were no comments from the public.

ANNOUNCEMENTS AND CORRESPONDENCE:

5. Possible conflict of interest issues

Manager Olds announced that he was not aware of any conflict of interest issues and he will leave it up to Commissioner Cox to address Item 20 as he wishes. Commissioner Cox said Item 20 concerns the City of Victorville and that he will recuse himself from open discussion of that item.

6. Memorandum from Angela Valles Regarding Staff Reorganization: Manager Olds announced that Angela Valles will report on the promotional opportunities within the organization and the staff reorganizations that have occurred. Angela reported that VVWRA lost our Grade V Lead Operator, Joe Gomez, who moved out of the area after his wife passed away unexpectedly. Mike Tarango moved up to assume the Lead Operator position. Freddie Salazar, Utility Worker I, applied for the position of Operator in Training and got the position. Due to Freddie's promotion, an entry level position opened up for Utility Worker I and Mike Koncur was hired from the outside to fill that position. The vacant Database Technician position in the Information Technology department was relinquished by the Network Supervisor and given to the Environmental Compliance department. Kevin Throop was hired from the outside for that position. Angela thanked Network Supervisor, Robert Coromina, for taking on the extra work and for his dedication and willingness to assume additional duties.

Commissioner Cox asked if any of the four positions were opened to the outside. Angela said VVWRA job openings are sometimes internal and sometimes external, but for the most part they are external and open to the outside.

7. Staff Introductions:

Manager Olds said he would like to introduce Mike Tarango, who joined VVWRA on February 27, 2006 as a Grade III Operator. He said Mike previously worked for Inland Empire Utilities and he and

his family now reside in Victorville. Mike is very excited about his promotion to Lead Operator and the challenges he faces ahead.

Manager Olds introduced Kevin Throop, Environmental Compliance Inspector In Training. He reported that Kevin was born in Papua, New Guinea, which is an island in the Pacific Ocean in the shape of a turkey. Kevin's time was spent prowling for mischief, perusing for food, and going to school. Kevin went to High School in Huntington Beach, where he played football, worked at a job, and spent 97 percent of his time doing homework. Kevin also dated a cute little blond named Brittany throughout high school and they decided to get married after they graduated. They are expecting first child. The most recent major event in Kevin's life was being hired by VVWRA where he plans to work hard and continue on with his higher education by obtaining a Bachelor's in Business Administration.

Manager Olds introduced Mike Koncur, Utility Operator. He said Mike was born in West Covina and moved to the high desert in 1982. Prior to coming to VVWRA, Mike worked as a foreman for HCI Communications/Verizon for nine years. More recently, Mike worked as an owner-operator truck driver. Mike's trucking business slowed down due to the economy and he needed to find another job. Fortunately, he found this one and was hired by VVWRA as a Utility Worker to replace Freddie Salazar who had just been promoted to Operator in Training. Mike, his wife of nine years, and their two children live in Hesperia. He enjoys motorcycle racing, fishing and spending time with his family. He is excited to be a part of the VVWRA team.

Manager Olds announced that Freddie Salazar, Operator in Training, was unable to attend today's meeting.

8. California Bio Mass: Mitigation of the Fugitive Trash Issue: Manager Olds reported that a presentation was given by California Bio Mass (CBM) at the last Board meeting regarding public concerns for that facility. Since that time, we received an email from the inspector which was provided in the agenda package as well as a copy of his most recent inspection report for the CBM facility, which indicates that CBM was noted as an area of concern. If additional improvements are not made, they will actually be cited. Manager Olds said he does not think it will go beyond an area of concern, but he is glad to see that the County has an increased awareness of this issue. Commissioner Sagona said it must appear that they are reacting very positively. Manager Olds said by the nature of their operation and because it is not enclosed where they do the separating, you can walk around and always find debris everywhere. It is not pleasant, but they are working on it.

9. Correspondence from Mojave Water Agency Board Director Al Bishop: Manager Olds reported that he received a letter from Director Art Bishop of the Mojave Water Agency (MWA) asking the Commissioners to support his pending bid for the Association of California Water Agencies Board. As this is a political issue and the request was made directly to the Board, he has no recommendation on this individual and he leaves it to the Board of Commissioners to decide on how to proceed with this. Piero said in the past the Board has had a policy of not endorsing and kind of appointments. This is not a political office and it is really at the Board's discretion whether you want to endorse this individual. Commissioner Sagona said he has been approached for endorsements. Art is a very fine fellow, but we do not delve into these types of endorsements because they are perceived to be political. He said he would not want to do this as a body, but would do it as an individual. Jim Cox said he thought this is

for an agency that represents this area. Piero said it is for the Association of California Water Agencies (ACWA), which issues papers and takes positions but is not a public agency.

It was the consensus of the Commissioners not to issue an endorsement in keeping with past practices.

10. Award from California Society of Municipal Finance Officers (CSMFO) for VVWRA FY2007-08 Comprehensive Annual Financial Report (CAFR): Manager Olds said he is very pleased to announce to the Commissioners that VVWRA received an annual award from the California Society of Municipal Finance Officers for our first ever Comprehensive Annual Financial Report. Brian Johnson will now present the award to VVWRA.

Brian Johnson said he is representing the CSMFO, of which he is a member, in presenting this first year CAFR award to VVWRA and it is a big accomplishment. He said there is a ten page checklist of requirements that must be included in Financial Statement and Financial Report and this will enhance our opportunities to get a good review from the bonding agencies. Brian said he would like to challenge VVWRA to go for the Government Finance Officers Certificate of Achievement next. It is an important move. Brian said the CAFR award is a first step in improving the financial practices of the agency. Following the award presentation, Angela Valles presented a commendation letter and a plaque to Tacey Barclay, Kellie Patterson, and Anny Wu for their efforts on the CAFR.

Vice Chair Rigney thanked Brian for presenting the award. Manager Olds said he is thrilled by this award when he considers how VVWRA's finances were and the improvements that have been made to our financial reporting and our internal accounting procedures. We have come a long way since 2006 and a great deal of the improvements that have been made are due to the gentleman who presented the award, Brian Johnson. Brian has always been there to challenge VVWRA and hold us to a higher standard. He said we continue to meet that challenge and he is glad to hear Brian lay another challenge down. Bill Pattison, the gentleman sitting next to Brian, has also been a constant advocate for change and has been very supportive. Our staff has risen to the challenge and done an incredible job.

Manager Olds said if you had told me in 2006 that in 2009 we would be receiving this award, let alone that Brian would be handing it to us, he would have bet everything he had that there was no way in the world that would happen. He said he is thrilled to be at VVWRA and to be so proud of staff for accomplishing this. Commissioner Sagona said that Bill is the Assistant Town Manager of Apple Valley and Brian happens to live in Apple Valley. Commissioner Vogler said she is like a mother with her chickens and Brian has brought such outstanding work to the City of Hesperia and we are so very proud of him. She was also proud when she saw that Brian was going to be doing this today for VVWRA. Guidance and pushing are what he does at the City of Hesperia and every T has to be crossed and every I has to be dotted. Commissioner Vogler said we are very blessed in the High Desert to have such high quality people. While Brian does live in Apple Valley, he works in the City of Hesperia. Commissioner Sagona said he cheerfully and enthusiastically concurs with Commissioner Vogler.

11. Memorandum on Condition of WWTP Administration Building Potable Water System: Manager Olds said this item is in regard to the condition of the old Administration Building where the Board used meet. We had to abandon that building for health and safety issues. The original plan was

to rebuild that structure however it was all dependent upon money. He said he would like to have Maintenance Supervisor Brent Keaster discuss some of the current issues we are experiencing with that building. Brent said there are currently 5 or 6 staff members working in the Administration Building. The main concern is with the Laboratory. The issues we have had over the last two weeks are with the drinking water that goes through the building.

Brent said a monthly flush and test of the well water that goes through the building is done by filling a surge tank using air pressure. This shakes up the plumbing and the well water system that feeds the building has experienced corrosion, rust, and hydrogen sulfide gas (H₂S) coming through the line. He said he is a mechanic by trade, so he is into visuals. At this time, he displayed a glass jar containing a cloudy sample of the drinking water that was pulled from the Safety Shower that is also an Eye Wash station. Brent said if an employee needed to use the shower or Eye Wash station in an emergency, this is what would be spraying onto their body. In supporting what has been discussed in the past, relocating the Laboratory to the Maintenance Shop would not rectify the problems we are still having with the plumbing. He asked that we either look into building a new facility or to relocate the staff to protect the safety of our staff.

Manager Olds said we looked into relocating the Laboratory and staff from the Administration Building into a series of portable structures. However because of the unique nature and type of equipment that the Laboratory required, the expense was in excess of \$.5 million for a temporary structure. We have a situation where that building is failing. VVWRA staff members are working in that building on a daily basis. The equipment in that building is critical to the success of the operation of that facility because it is where our Laboratory is housed. We cannot just pick that up and move it. Manager Olds said this item came up rather quickly and he wanted to inform the Commissioners how severe the problem is. What he would like to suggest to the Board of Commissioners is that, by consensus, staff be directed to investigate this issue and make it a recurring item on the agenda.

It was the consensus of the Commissioners to direct staff to investigate the issue, evaluate the options, and report back to the Board.

12. Update on Focus Group Meetings Held on April 7, 2009: Manager Olds announced that focus groups were held last week on April 7. The first focus group was an older group that met in the early evening and the second group was a younger commuting group that met later in the evening and their messages were relatively similar. We have not received the initial report yet, so the report will be presented by Passantino & Andersen at the next Board meeting.

Manager Olds provided a brief update on the key messages from the focus group meetings that included value, efficiency, trust and credibility.

Manager Olds said the focus group participants were interested in what they were going to get for their money. They were also adamant that any monies spent in the high desert stay in the high desert. Concerned over the recent sales tax increase, they said if there is going to be a fee increase they do not want it to go to Sacramento.

Manager Olds said the members of the focus group want to know if their money be spent efficiently and wisely and it was no surprise that they want to be informed before the rate increase is imposed and they want to understand the reason for it. They also said the message will be better received if it is delivered by a spokesperson they feel they can trust.

Manager Olds said some of the other comments were to use water quality as a message to explain the need to meet Regulatory requirements instead of using the word nitrogen, to emphasize that local sewer fees remain low for Victor Valley residents, and to discuss the fact that we did not impose the fee increases that we should have over the past 14 years, but indicate what we are doing now. Because many expressed distrust in their city government, they said we should develop VVWRA's identity as a distinct entity. Finally, there was a willingness to hear the story of the changes and efficiencies that new management has provided for this organization.

Vice Chair Rigney asked where the focus groups were held. Manager Olds said the focus groups were held at the Ambassador Hotel in Victorville. Chair Rigney asked if there was good participation. Manager Olds said there ten people in the first group and eight people in the second group. Commissioner Sagona asked if the report from Passantino & Andersen will be shared with the member entities. Manager Olds said yes, that is the purpose.

Brian said we want to make sure that the message going out has no inconsistencies. On page 17-1, it states that the agency went 14 years without a fee increase. Brian said this 14 years business is just not accurate. We have had a 25 percent increase and a 20 percent increase. He said one of Alex's charts shows all of increases. It is important to retain credibility. Manager Olds said it was more the gap that needs to be filled. Brian said he wants the facts to be correct.

CONSENT CALENDAR:

- 13. Approve the March 2009 Cash Disbursements (No. 0309)**
- 14. Approve the Minutes of the Regular Meeting held on March 19 and Special Meeting held on March 31, 2009**
- 15. Sewer System Management Plan (SSMP) Element 12 Completion and Certification**

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

REPORTS OR PRESENTATIONS:

- 16. Financial Model and User Fee Recommendation:** Manager Olds reported that we were unable to complete the necessary revisions in time for today's meeting and he suggested that Item 16 be tabled. It was the consensus of the Commissioners to table Item 16.

ACTION & DISCUSSION ITEMS:

17. Recommendation Regarding Financial Model and User Fee: Manager Olds reported that the way this has worked in the past and in discussions with the member agencies, we are still trying to finalize the numbers as far as what the next increase will be and what it will include. He said he had hoped that Item 16 would address this. However, Item 17 is simply a request to authorize him to bring forward a formal recommendation at the May Board meeting at which time there will be set numbers and a decision can be made to proceed from there. We are trying to meet the timeline for July 1 and provide a 30 day noticing period between the May Board meeting and the June Board meeting. Commissioner Vogler said this is the information to bring back that includes deleting the 14 year no fee increase reference that Brian talked about. Manager Olds said that is correct. Commissioner Vogler said she wants complete transparency and there is a possibility that Hesperia may need to take some type of action for what was done in the past.

Brian said the key issue for Hesperia is getting a good presentation that makes sense and will get concurrence. The quality will override the timeframe from Hesperia's perspective. Manager Olds said he agrees. We have to make sure this will get concurrence because we are not going to get a second opportunity at this and we will need authorization from the Commissioners to provide the formal recommendation. Commissioner Sagona asked if the authorization could be done by consensus. Piero said the authorization can be done by consensus. The Board is directing staff to do something and not really taking an action.

It was the consensus of the Commissioners to authorize the General Manager to bring forward a formal fee recommendation at the May 21, 2009 Board meeting. Manager Olds thanked the Commissioners.

18. Resolution 2009-5: Resolution to Appoint the Director of Administrative Services of the Authority as Agency Treasurer and the Accounting Supervisor as Deputy Treasurer: Manager Olds asked Andrea Daroca to provide an overview of Resolution 2009-5 under Item 18 and Resolution 2009-6 under Item 19.

19. Resolution 2009-6: Adopt Treasurer's Statement of Investment Policy for FY 2009-2010: Andrea reported that the staff report provided in the agenda package details the changes that were made in this policy compared to the previous policy. She said this is a small but important document because it details how the Treasurer may use agency funds. The first consideration for investments is safety, the second is liquidity, and the third is yield. The Treasurer's Statement must be reviewed annually and approved by the Board. The policy is easy to use, provides detailed descriptions of investments, and has been prepared in the format recommended by the Association of Public Treasurers. All investment funds will be federally insured by the FDIC.

Andrea said although the Board has ultimate authority, under this policy the General Manager will serve as Treasurer for the Authority and the Director of Administrative Services will serve as Deputy Treasurer in the General Manager's absence. An Investment Policy Committee was added consisting of the Treasurer, Deputy Treasurer, Chairman of the Board and a Finance representative to annually review the policy and recommend approval by the Board. This Committee will evaluate the portfolio

and provide general oversight and guidance. An Investment Policy certification form and Broker/Dealer Questionnaire form were added as exhibits to ensure that brokers have strong financials.

Commissioner Vogler said for transparency it would be in the best interest of the Authority to look at the Director of Administrative Services to be the Treasurer rather than the General Manager. Brian Johnson said that he is the Deputy Treasurer for the City of Hesperia and in most city governments the Treasurer is the City Manager who is able to authorize many expenditures. Brian said the General Manager should not be the Treasurer. Angela Valles, as the Director of Administrative Services, would be appropriate as the Treasurer and it would provide better transparency. He asked the Board to seriously consider this. When there is an Investment Committee, he suggested that all investments be done through the Local Agency Investment Fund (LAIF). Brian said Andrea did a good job, but the first priority is not safety it is cash flow. In a few years when finances are in better shape, then you could consider other investments.

Manager Olds said he is more than willing to have Angela serve as Treasurer and for the Accounting Supervisor to be the Deputy Treasurer. He asked Piero if Resolution 2009-5 could be approved as amended to reflect this change of positions. Piero said absolutely. He then said he would like to caution the Board that the agenda items have been taken out of order. We started talking about Item 19, but still have not talked about Item 18 that designates the General Manager as the Treasurer. He said we need to take these items separately and should address Item 18 now. Then Item 19 can be discussed to address the two issues that were raised by Brian Johnson. One is the appointment of the Treasurer and the other is what policy you want to have regarding investments. As the policy reads now, you are not limiting yourself to LAIF. You are allowing a lot of other options.

Manager Olds said this discussion came about because we are trying to fill holes and prepare ourselves for the bond market. Currently, all of our monies are invested in LAIF. We do not have them distributed because cash flow is critical right now and safety is critical right now. We felt that LAIF was the safest and most liquid investment that we could use. We do not intend to change our existing policy, but as Brian said in several years when we are in a better financial position we want that possibility. He said this policy helps to fill one of the holes in preparing VVWRA for the bond market. We do not have any intention of modifying our current investment structure and are doing this to prepare ourselves for the market. Vice Chair Rigney said with that, the committee would have to approve it and then it would come back to the Board for approval. Piero said as the policy now states, the Chair of the Board is a member of the Committee. All of the issues that Brian brought up are not really legal issues they are policy issues. Manager Olds said the language in the Investment Policy already addresses the comments that were made by Brian. The only issue is the title change, which is relatively simple. He recommended that Resolution 2009-6 be approved with amended title changes discussed for Resolution 2009-5. With that change, the Resolution is still consistent with the intent. Piero recommended taking one item at a time for approval. Chair Rigney called for a motion for Resolution 2009-5 under Item 18.

Commissioner Vogler made a motion to adopt Resolution 2009-5 with amended verbiage to read as follows: the Director of Administrative Services as Treasurer and the Accounting Supervisor as the Deputy Treasurer, which was seconded by Commissioner Cox and approved by unanimous voice vote.

Piero announced that Resolution 2009-5 will be revised to replace the title of General Manager with Director of Administrative Services for the Treasurer and to replace Director of Administrative Services with Accounting Supervisor for the Deputy Treasurer.

Commissioner Vogler said the staff recommendation for Item 19 says it was reviewed by others, but some of the listed individuals do not get this documentation. She said for the City of Hesperia, we would like to get some type of response as to when these people get the documentation and when it was reviewed. It is important to get the information to the member entities. Manager Olds said Brian Johnson and Bill Pattison did have the opportunity to review this document. He said we go through a very rigorous policy of making sure that all of our member agencies are fully informed of VVWRA's activities and policies before bringing them to the Commissioners. Andrea has been working on the investment policy for four months and multiple revisions have been distributed among the member agency staff. He does not have the exact dates, but he knows that Andrea, Brian and Bill have had conversations because he checked with Andrea to make certain that member agency staff had the opportunity to comment and give direction. Andrea said she did not receive any responses from the member entities. Commissioner Cox said if the policy that was distributed is different than the policy now being submitted it is important to know the difference. Manager Olds said that is a good point. This is a standard form that we use and it can be revised. Brian said he has other priorities and in the future do not include him as having reviewed unless we have received affirmation.

Manager Olds asked Patricia Johnson to amend VVWRA's standardized form to add a heading titled 'Distributed To' after the section 'Reviewed By'. Also, as part of the Distributed To column, include the date that it was distributed to the individuals for clarity's sake.

Commissioner Cox made a motion to approve Resolution 2009-6 as amended with the same title changes to Exhibit A as discussed for Resolution 2009-5, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

20. Resolution 2009-7: Approval of Sludge Management Contract with the City of Victorville:

Piero Dallarda reported that a resolution was prepared this week and changes have been suggested by at least one staff member from the City of Victorville. He said those changes are acceptable to VVWRA. However, the document has not yet been reviewed by the individual member entities and their legal counsels. Piero reported that the intent of the Commissioners is to have their respective counsels take a look at this and to continue the meeting solely on Item 20 to April 28, 2009 at 1:30 PM. So, this meeting will be continued on that one item to April 28 at 1:30 p.m. to give the member agencies an opportunity to review the revisions that at least one Victorville staff member has made.

On April 28, 2009, Chair Cabriales called the meeting to order at 1:35 p.m. Following a discussion between Mike Podegracz and Sean McGlade, Manager Olds reported that the City of Hesperia has a concern about the tons of activated solids or tons of activated sludge. He said he is not concerned because of the additional information that Sean McGlade provided and we will be dealing with those issues separately at a later date. Manager Olds said the City of Victorville's request is that the sludge management contract be adopted in concept by Resolution at this time. Manager Olds said Piero has not arrived yet, but he has two sets of Resolution documents with slightly different languages and it is up to us to come up with final wording.

Commissioner Cabriales said the Board approved the contract in concept in January, so this will just be a conceptual approval by Resolution. Manager Olds said it is our understanding that the conceptual approval of the contract by Resolution will benefit the City of Victorville. Sean said while we do not yet agree to the technical figures, this would give Victorville a level of comfort because it is taking so long to get through the technical issues relating to the contract. Commissioner Smith asked if this would hold us legally binding now. Manager Olds said he would prefer to talk about the technical issues and for Piero to speak on legally binding issues. As far as the technical issues, there is no question that VVWRA wants the solids because they will benefit VVWRA. It is just a matter of working through the policy issues. Professionally, he has no issue with VVWRA accepting those solids.

Commissioner Smith asked if the sludge will be received in liquid or solid form. Manager Olds said it will be in liquid form and that is how VVWRA would want to receive it because the energy that is incorporated within the solids is all gone once it is dried. He said when we receive it as a liquid, we can generate electricity and from those solids we can generate gas. Mike said his concern was that it be clear in everyone's mind what the quantity will be. He said Sean recommended 3.5 dry tons of activated sludge. Sean said that is equivalent to 20,000 gallons. Mike said he raised the concern regarding the quantity of activated sludge because Exhibit A was not provided. He then asked Manager Olds if he felt comfortable with this. Manager Olds said he is fine with it, but we could remove the language from the resolution relating to it because we are still working through the details. Commissioner Smith said he asked the question if this would be legally binding because he still has not seen Exhibit A. Manager Olds said we are still working on Exhibit A. Mike recommended that one paragraph be deleted. Commissioner Smith said it is better to leave the language in there because it is double coverage.

Manager Olds said we could pull out Exhibit A from the Resolution, which is the contract, and just say that VVWRA agrees to process a specified quantity of activated solids. Exhibit A will be the contract between VVWRA and the City of Victorville. Sean said Exhibit A is the draft agreement and is the closest thing we have to look at. Manager Olds then suggested attaching the draft agreement marked as a draft. Mike said the Resolution does not approve Exhibit A. Commissioner Smith said if this Resolution references Exhibit A, but we do not get to approve Exhibit A because it requires changes, he has a concern. Mike said the approval of the Resolution does not approve Exhibit A.

Mike said the only remaining concern he has is the final paragraph of the revised draft agreement. He said that Sean added a Whereas that says we are working on the agreement. Mike said by leaving it in as a reference, the final agreement will come back to the Board for approval. In the changed language from Sean, paragraph F was deleted and he recommends that it be included. Sean said he has no problem leaving the language in the agreement. He asked if we will have to come back to the Board to have an agreement approved. Manager Olds said yes. Commissioner Smith said he would rather have that language in the agreement. Brian said he would rather have the language in there because it does not hurt to have it in there. Commissioner Smith said he would rather leave the language in there to be safe in case something changes next year or in 10 or 20 years down the road that we are not aware of. Manager Olds said this is intended for an industrial customer because we do not want them to say discharging X amount of solids. Chair Cabriales said you don't have Resolutions with every industrial

customer. Manager Olds said this language indemnifies VVWRA. We actually have Permits with all industrial customers with language that says the same thing. Commissioner Sagona arrived at 1:45 p.m.

Commissioner Rigney said what we would be taking out of the document will be included in the Financial Plan or the JPA or in some other document. Commissioner Smith said we still do not know the cost to treat the sludge. Chair Cabriales asked if we should wait for Piero before taking action on this item. Manager Olds said he serves at the Board's pleasure and so does Piero. Commissioner Smith asked what time Piero was supposed to arrive. Manager Olds said that Piero should have arrived five minutes ago. Commissioner Smith said the Board should wait until 2:00 p.m. for Piero to arrive before taking action. It was the consensus of the Commissioners to wait until 2:00 p.m. for Piero to arrive.

Upon Piero's arrival prior to 2:00 p.m., Manager Olds requested the Board's permission to update Piero on the discussions that had occurred. He reported to Piero that both versions of the agreement were discussed and it was the consensus of the Board that paragraph F, the indemnification language, should be added back in. In the seventh paragraph regarding interception, the word intercepting will be removed. The words intermittent diversion will be replaced with intermittently intercepting. Commissioner Smith said paragraphs 8, 9, 10 and 11 are out and paragraphs D and E are out. Paragraph F is back in. Piero asked if F refers to item F in the Whereas or to item F under Section 2. Commissioner Smith said it refers to Section 2.

Manager Olds announced that Piero would create a clean copy and distribute it to the Commissioners. Piero said so we are going to change intermittently diverting to intermittently intercepting. He said the three changes are consistent with Mike Podegracz's comments and Sean McGlade's comments back to Mike except for one item which is that paragraph F will be put back in.

Commissioner Rigney told Piero that there has been some back and forth concerning the word agreement in paragraph F and whether it means that an agreement needs to come back to the Board for approval. Piero said he does not think an agreement was being contemplated. He thinks what was contemplated was an understanding between the City of Victorville and VVWRA. Piero said he prefers the word agreement because it means that everyone has to be on the same page. Chair Cabriales said that when paragraph F is put back into the contract, that will be in the contract. Piero said he hopes that when we go over the JPA that will be taken care of. He said the reason why he used the word agreement there was because we have the JPA and the Service Agreement that have to be consolidated and we have the MOU and a lot of things in there. He used agreement so that the Board would have an understanding that the City of Victorville and VVWRA have to come to an agreement about those issues. Chair Cabriales called for a motion.

Commissioner Smith made a motion to approve Resolution 2009-7 with three changes as specified by Mike Podegracz and Sean McGlade to be incorporated by Piero Dallarda, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

Following the discussion of Item 20 on April 28, 2009, it was the consensus of the Commissioners to move to Commissioner Comments and then re-enter into Closed Session.

21. Amendment to Clean Water State Revolving Fund Loan Agreement No. 02-825-550-1: Manager Olds reported that he received this document from the State Revolving Fund Loan agency in Sacramento and they are changing some of the conditions of the loan. How they have structured it, there is no additional cost. This is more of a procedural issue than any other type of issue. In the background information that has been provided to the Commissioners, he has included the same language that was provided by the State as to the reason behind this. This does not create any material changes to our existing loan agreement. Piero said this is a form change and is not a substantive term change. There is no change to the loan amount or to the terms of the repayment. Manager Olds said he is requesting the authority to sign the documents.

Commissioner Sagona made a motion approve the amendment to Clean Water State Revolving Fund Loan Agreement No. 02-825-550-1 as presented, which was seconded by Commissioner Vogler and approved by unanimous voice vote.

22. Recommendation to Approve Solicitation of Bids to Retrofit Existing Aeration Basins: Manager Olds reported that VVWRA has been working to rebuild our existing aeration bays due to performance inefficiencies. The aeration bays are supposed to be rebuilt every three to five years and it has been 10 years since the last retrofit. This is part of the nitrogen requirement effort. Manager Olds asked Gilbert Perez to provide history and background on what we are trying to do.

Gilbert reported that in April 2008 the Regional Board imposed stricter requirements upon VVWRA and also issued a Cease and Desist Order. Compliance by VVWRA is required by May 2012 and there are modifications that we need to make to the facility in order to comply. Gilbert said with the modifications requested today, we will be able to meet the new requirements. If we were to do this, we can meet the limits before May 2012.

Manager Olds said when he first came to VVWRA the facility was operating on an extended aeration mode. This means that too many pounds of solids were being carried and you just do not do it that way. We immediately switched to conventional mode and began seeing improvements. A lot of the numbers that the 14.5 MGD and 18 MGD designs were based on were false because they were based on that other mode of operation. Manager Olds said he and Gilbert have gone back and forth over the years about what efficiencies could be made and at what cost to reduce nitrogen in the treatment plant. With Victorville planning to redirect flows and a number of other issues, we have an opportunity to improve existing equipment and existing infrastructure and meet that May 2012 timeline faster and without requiring the installation of an IFAS (Integrated Fixed Film Activated Solids) system, thereby delaying that approximate \$11 million expense a number of years into the future. That is a benefit. The \$4.6 million in expenses we are discussing is for problems that we are going to correct at some point regardless and right now they have the additional benefit of helping to meet our regulatory requirements and improving our plant operations in a number of ways. We previously discussed the gas scrubbing system and that is another improvement that will benefit our nitrogen removal. This is a relatively small solicitation for retrofitting the airbays at an expense of \$250,000 to \$300,000. This is an example of our continued efforts to find ways to improve plant operations so we can delay some of these larger dollar expenses.

Manager Olds said VVWRA has eight primary clarifiers. Four are new and four are old. Two of the four old ones have failed and are sitting completely idle and we are getting no benefit from them. Two others are ready to fail. The equipment is inoperable and obsolete and there are a number of improvements we can make to operate more efficiently. We are bringing this item to the Commissioners to show we are working on efficiencies to delay the larger expenses. He said he recommends the Board's approval to solicit bids to retrofit the existing aeration basins. Vice Chair Rigney asked what the funding source would be. Manager Olds said the funds will come from reserves. Piero advised the Commissioners that they are not being asked to approve the expenditure. The Board is being asked to give approval to go out for bid.

Commissioner Vogler made a motion to approve the solicitation of bids to retrofit the existing aeration basins, which was seconded by Sagona and approved by unanimous voice vote.

23. Recommendation to Approve VVWRA Computer Usage Policy: Manager Olds asked Network Supervisor Robert Coromina to provide an overview of the proposed policy. Robert Coromina said prior to his arrival at VVWRA, there was new no real clear network infrastructure in place. He said we do have a business network in place now and as such it is prudent that we update our policy. Piero advised the Commissioners that Best Best & Krieger has not yet reviewed the policy, so the approval would be pending legal review to ensure there are no violations of employee rights. This has been stated in the employee recommendation.

Robert said the document before the Commissioners clearly identifies the responsibility of the MIS technologies to the MIS Department that is under the Director of Administrative Services. Directly behind the cover page of the policy, a Mission Statement has been added to the policy. We have recently implemented SPAM technologies to address the number of SPAM messages that actually hit our servers in the agency. In the past 7 days, we have stopped 60,000 SPAM messages from hitting our servers. Vice Chair Rigney asked Robert if he looked at the policies of any of the member entities when formulating this policy. Robert said he looked at many different policies and this policy falls in line with the practices of those policies in terms of technology and due diligence. Robert said technology changes so quickly and you have to be ready to change with it. Unfortunately, we are playing catch up at this time, but if you have the right people and the right technology in place you can catch up quickly. Vice Chair Rigney called for a motion.

Commissioner Cox made a motion to approve the VVWRA Computer Usage Policy, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

STAFF/PROFESSIONAL SERVICES REPORTS:

24. Public Outreach Update – March 2009: Accepted as submitted

25. Employee Achievement and Recognition Report – March 2009: Accepted as submitted

26. Construction Management Update: 18 MGD Expansion Project – March 2009: Accepted as submitted.

Commissioner Cox asked what the previous plant capacity was. Manager Olds said the current expansion is from 14.5 MGD to 18 MGD of secondary treatment. As part of meeting the nitrogen requirements imposed by Lahontan and addressing the diversion of flow, the intent is to de-rate the facility from 18 MGD of secondary treatment to 14 MGD of full tertiary Title 22 water.

27. Financial and Investment Report – February 2009: Accepted as submitted

28. Customer Account Past Due Report – March 2009: Accepted as submitted. Commissioner Sagona asked Manager Olds to summarize the Past Due Report. Manager Olds said the Past Due Summary is relatively consistent. He said unfortunately one of our member agencies is listed because we are waiting to receive a check. This is just a matter of procedure. He said he discussed the agency's collection procedures and how they will be implemented in a process. Currently, we do not have anything with teeth in it to be able to go after these past due invoices. He said he has given Angela a copy of the Collections policy we have been working on with legal counsel to follow through on.

29. Operations and Maintenance Report/Performance Efficiencies – March 2009: Accepted as submitted

30. Pretreatment and Interceptor Cleaning and Inspection Reports – February/March 2009: Accepted as submitted

31. Septage Receiving Facility Reports – March 2009: Accepted as submitted

AGENDA ITEMS FOR FUTURE MEETINGS:

Report from Strategic Advisory Committee

Implementation Update: CIP Version 5b (June/September/December/March)

Resolution to Approve and Adopt FY 2009-2010 Holiday Calendar (June)

Election of Officers (July)

Recommendation to Reschedule August 20 Board Meeting due to 2009 San Bernardino County Water Conference (August)

Resolution to Amend and Adopt 2009 CEQA Guidelines (September)

Interceptor Connection Requirements and Enforcement and Industrial Pretreatment Program

Proposal to Perform Cumulative Impact Assessment for VVWRA Discharges

Upper and Lower Narrows Sonar Investigation of Sewer Interceptor

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

NEXT BOARD MEETING:

Thursday, May 21, 2009 - Regular Meeting of the Board of Commissioners

COMMISSIONER COMMENTS

On April 16, 2009, Commissioner Sagona said he would like to welcome Mr. Cox back to VVWRA.

On April 28, 2009, Commissioner Sagona asked that the Board to adjourn in memory of Betty Underhill, who recently passed away. Commissioner Sagona also asked everyone to pray for the Planning Commissioner's wife who is very ill.

Commissioner Rigney reported that he and Supervisor Mitzelfelt met with Dr. Hatcher regarding his work with algae. Supervisor Mitzelfelt would like Manager Olds to look into that and then bring a report back to the Board. Manager Olds said he has heard of Dr. Hatcher's work and it is a fascinating idea. The technology for ethanol takes corn and makes fuel. This process takes algae and makes fuel. Manager Olds said his alma mater did research on this technology. Dr. Hatcher has taken it to a level that is proprietary. There are some possibilities because of the way VVWRA operates that this might be a natural fit for VVWRA in the north percolation ponds or the sludge drying beds. There would be some minor Regulatory issues to work through. He told Supervisor Mitzelfelt there should be a working group established. The County is requesting that he investigate this to see if it viable.

Manager Olds said while we are talking about energy, he has something really exciting to tell the Commissioners that he just learned about. VVWRA is already generating gas that we are just burning off and that is like burning money. We have two flares going and he has never known a facility with two flares. Because of the incentives that are available now, a company built a fuel cell that would power the Ultraviolet Disinfection system. VVWRA's entire out of pocket expense would be \$330,000 for a \$5 million project with a payback in six or seven years. He said he will meet with them one more time before coming to the Board in June. We are spending way too much on natural gas. The green technologies we will use to offset gas costs would take about two years to implement. Manager Olds said he gave Juan Josse of HDR some key speaking points about VVWRA to use when he goes out into the community.

Manager Olds said we are not eligible for SRF monies until we address our operating deficit and one percent monies do not come along every day. We have \$4.6 million in Capital projects and the designs will be completed the end of May or first of June. We can pull out the most critical elements of Phase III and submit them to the State for stimulus funds. An official recommendation for the user fee increase will be presented at the May Board meeting for adoption in June. A \$10 will be required exclusive of the subregionals and we may be able to do an \$8 and a \$10 increase. Everyone is concerned due to economy, but we are desperate to dive into that SRF loan program. He said the connection fee is roughly doubling and he has scheduled a meeting with Carlos Rodriguez of the BIA

during the second week of May to update him on our plans. He said he would like to get the consensus of the Board to pursue the algae fuel technology. Piero said his firm has clients in Imperial County that have turned their fish farms into these algae farms for the purpose of biofuel and they have been very successful so far. Commissioner Sagona said this is the first productive use of something called algae.

It was the consensus of the Board that Manager Olds should pursue the algae fuel technology.

Commissioner Sagona said during Council meetings, Hesperia, Apple Valley and Victorville discuss reports on committees and Commissions. Due to the heavy stuff VVWRA is in the midst of, he said he would like to get a report from the VVWRA General Manager at each Council meeting or at least every other Council meeting to disseminate information first-hand into the community and inform the public what the straights are in the wastewater industry. Commissioner Sagona suggested that the report be given at the second meeting of the every month on the fourth Tuesday. Manager Olds said he would be happy to do that, but he has one caveat. He said he is here to manage and it would behoove each entity to provide him with a list of topics to cover. He said he does not like surprises and nor do the member entities. He would just like to see some coordination. Commissioner Sagona said the Town Manager will have some input.

Manager Olds said his time is at the Board's pleasure. If the Town of Apple Valley would like him to provide a report, Pat will coordinate with LaVonda at Town Hall. He asked Commissioner Sagona to let the Town Manager know that anything he plans to speak about will go through him first before it is presented to the Council.

Manager Olds said he has two items to discuss in Closed Session.

ADJOURNMENT

At 10.22 a.m. on April 16, 2009, Piero Dallarda announced that this Regular meeting is continued to April 28, 2009 at 1:30 PM at the same location. A Notice will be posted to ensure the public is aware of this.

On April 28, 2009 upon returning from Closed Session at approximately 3:05 p.m., Commissioner Smith made a motion to adjourn the meeting, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

APPROVAL:

DATE: 5/21/09
Approved by VVWRA Board

BY: Thurston E. Smith
Thurston Smith, Secretary
VVWRA Board of Commissioners