

**MINUTES OF A REGULAR MEETING  
OF THE BOARD OF COMMISSIONERS  
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
May 21, 2009**

**CALL TO ORDER:** Chair Rudy Cabriales called the meeting to order at 7:38 a.m. on May 21, 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  
CITY OF VICTORVILLE  
ORO GRANDE (CSA 42) AND  
SPRING VALLEY LAKE (CSA 64)**

**Bob Sagona  
Thurston Smith  
Rudy Cabriales  
Jeff Rigney**

**VVWRA Staff and Legal Counsel:**

**Logan Olds, General Manager  
Piero Dallarda, Legal Counsel (BB&K)  
Angela Valles, Director of Admin. Services  
Linda Ellsworth, Mgmt. Technician to GM  
Robert Coromina, Network Supervisor  
Anny Wu, Account Tech. III**

**Patricia Johnson, Secretary to the GM/Board  
Marce Delaney, Env. Compliance Supervisor  
Toni Henning, H/R Technician  
Kellie Patterson, Account Tech. III  
Brent Keaster, Maintenance Supervisor**

**Others Present:**

**Amer Jakher, City of Victorville  
Andrea Daroca, VVWRA Consultant  
Joe Flores, City of Victorville  
Brian Johnson, City of Hesperia  
Jose Mendoza, City of Hesperia  
Ryan Orr, Passantino Andersen Communications**

**Bill Pattison, Town of Apple Valley  
Alex Handlers, Bartle & Wells  
Sean McGlade, City of Victorville  
Kevin Schmidt, RBF Consulting  
Jake Wiley, RBF Consulting  
John Sullivan, City of Victorville**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**

**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 Rigney made a motion to enter into Closed Session at 7:38 a.m., which was seconded by Commissioner Sagona 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:**

**3. Possible conflict of interest issues**

Manager Olds reported that he was not aware of any conflict of interest issues.

**4. Letter to Kirby Brill of Mojave Water Agency Regarding Regional Legislative Alliance**

Manager Olds reported that the Mojave Water Agency approached VVWRA about joining a regional legislative alliance that represents our entire service area. This is part of our efforts to reach out to the broader community and participate on a wider scale. Wastewater is waster and reclaimed water is an important resource so we want to participate as much as we can. Commissioner Sagona said he supports this alliance to have a united voice of the agencies. It is an excellent program.

**CONSENT CALENDAR:**

**5. Approve the April 2009 Cash Disbursements (No. 0409)**

**6. Approve the Minutes of the Regular Meeting held on April 16, 2009 Continued to April 28, 2009**

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

**REPORTS OR PRESENTATIONS:**

**7. Public Relations Update (Ryan Orr):** Ryan Orr reported that this is the first of several monthly updates on the progress of the public outreach effort to bring the Commissioners up to date on what we have accomplished so far and where we are going from here. The most important thing that was done during the past several months was to develop a messaging guide through conducting local focus groups. Focus groups are a qualitative versus quantitative type of research so it is an interactive, direct and sensitive way to understand the way people think instead of just taking a poll where you can get 42 percent of residents to say yes to a question but perhaps you are asking the wrong question to begin with. A focus group is a way to understand the messaging and have an open discussion of how

people feel and why they feel that way. At this time, Ryan handed out the messaging guide that was developed from the focus groups and a one-hour DVD of the focus group meetings to each Commissioner. He said this material is a comprehensive way to guide us in our direct mail and public outreach is the way we are going to communicate with the member agencies.

Ryan reported that two focus groups were held on April 7 at the Ambassador Hotel. The age range of the first group of local residents was 41 to 71. The age range of the second group was 29 to 37 and many of them commuted to work down the hill but lived in the high desert. The variance in age was helpful because each group had a separate message. Ryan said the most important thing we need to address now is awareness because no one in either group knew who VVWRA was. Only one person in the first group knew that there was some type of wastewater facility in the high desert, but all of the members of the focus groups were able to name the local water agencies. The thing we needed to stress to them was the importance of wastewater, who was handling it, and why it is such an important resource to the high desert. Ryan said now that we have a messaging guide, we will aggressively be hitting the Speaker's Bureau and the direct mail will include bill stuffers once every two months. Ryan said he will be working with the Public Information Officer at each member entity to get the dimensions and specific sizing of their bills, etc. We will create a bill stuffer that captures everyone's attention when they open their bill so that customers will learn where their money is going for wastewater. From the research, we developed and finalized the key messaging guide that includes several messages for three groups – one for the media, one for government, and one for the ratepayers. Ryan said no one who attended the focus groups knew who VVWRA was although they all said they read the newspaper and VVWRA has recently been in the press for receiving several awards. It is important for residents in the service area to know that positive things are happening in the field of wastewater.

Ryan reported that we will be pursuing prospective members for a Red Team, which will be a group of three or four experts in areas reflected in the messaging guide to serve as credible third party messengers to speak with the media on the subjects of growth, water issues, etc. This is a way to garner support and to lend credibility to our outreach efforts. Ryan said he will provide a copy of the DVD to the Public Information Officers at each member entity. Very soon, Passantino Andersen will be working with the VVWRA web master to create an area on the VVWRA website where you can type in a password to be put on a list to receive future educational materials and information. This will be one more facet to inform the public where their money is going.

Ryan said the last thing he wanted to mention is a Citizen's Review Committee that was outlined in the proposal from Passantino Andersen. He said we would like to open this up for a small discussion. This would be a committee of citizens that are picked by each Commissioner that would meet once a month to ask staff questions and go over finances. He said we would like to know how the Commissioners feel about implementing something like that for another layer of review to project an open door policy. Ryan said it would be preferred that the members of this committee are not public officials. Chair Cabriales said when the constituents protest the rate increase, they will not be protesting VVWRA they will be protesting the city. He said the city is comfortable with doing its own public relations.

Manager Olds said the purpose here is that Passantino & Andersen will be developing materials to assist your Public Information Officer (PIO). It is not the intent of VVWRA to independently mail information to your constituencies. Rather, this is a resource to assist your agencies with whatever information we

have gathered through the focus groups and developed in the messaging guide. VVWRA will not send anything out independently; we are simply providing an additional resource for an existing staff person. Chair Cabriales said he encourages Ryan to get together with Victorville's PIO. Brian Johnson said he is open to VVWRA having some PR, but when it comes to Hesperia constituents he does not want any information going out to residents that they do not know about. He said we have 6,000 water customers and they are not all on sewer. We do not want something to go out to everyone. The residents will come to the City because they are our constituents. You don't just put it in the utility bills, you do it selectively. Hesperia has not yet decided, but we may put off the rate increase for some time. We will still visit the second year aspect and it may make more sense for some entities to do the increase later. Brian said it would be helpful to view the materials before launching the campaign.

Ryan said that bill stuffers could be developed for the rate increase that are specific to each entity if the entity so chooses. Smitty said he was the only "no" vote when the contract with Passantino & Andersen was proposed. Chair Cabriales said the ratepayers come to the Council meetings, but he has never seen them come to VVWRA. Ryan said P & A is here to provide resources for the member agencies. Commissioner Rigney asked if the focus groups had a good mix of people from all four member entities. Ryan said yes. Commissioner Rigney said your information really won't assist us for this year's increase and the County's next billing cycle will not be until next year. Manager Olds said that is dependent upon how each member agency chooses to move forward with the process. Passantino & Andersen is a resource for each member agency whether each PIO chooses to take advantage of this resource or not.

Commissioner Sagona said there has to be public knowledge of this Joint Powers Authority and what the sewer system is. There has to be some way to let people know that there is such a thing as VVWRA. The challenge to the Board is to balance the need to know that with the fact that the member agencies are the receiver of the fees. Ryan said if you watch the focus groups, they never mention water and wastewater until it is brought up and when they learn about VVWRA they become very comfortable. Chair Cabriales said you have to separate VVWRA from each entity. Commissioner Smith said if you tell them they cannot take a shower or flush a toilet, they will listen.

Manager Olds announced that Commissioner Rigney has to leave the meeting at 10:00 a.m. and he would like to participate in several of the action items on the agenda. Manager Olds asked if Item 8, the Flow Projection Study presentation, could be moved to follow Item 12. It was the consensus of the Board to delay Item 8 until after Item 12.

**8. Flow Projection Study (RBF Consulting):** Upon completion of the discussion of Item 12, Jake Wiley reported that RBF Consulting recently completed the third update to the 2007 Flow Projection Study for the VVWRA service area. He provided a review of the steps that were taken to project future flow and a description of the key tasks of the update. He said one key task was to review the development activity for each member entity. As part of that process, they did a reality check on the unit flow factors that tie into the rate per EDU. They concluded that the 245 gallons per EDU is a little high for the sewage received at the plant and they applied that to the unit flow factors. They also looked at some of the building and economic data of the member agencies and other communities similar to the high desert as a comparison. All of this information was used to project future service area flows. A chart was reviewed of the total number of residential, multi-family units, and commercial or industrial properties that are currently in the processing phase that have been approved or are pending approval

within the service area. Jake said there is still quite a bit of building activity on the books. For the unit flow analysis, they tried to do a reality check on how much was coming from each household to provide real data. They had extensive data on actual sewer connections to VVWRA from 2005 to 2008. For actual gallons per day per connection, there was only a three to four year history so they wanted to go back a little further to get more of an historical perspective of what that average is. Jake said population data from the U. S. Census Bureau was reviewed from 2000 to 2008 and that was converted to connections resulting in a 4.2 MGD increase in flow to the treatment plant. With that information, they concluded that the number 245 gallons per day was a little high. We wanted to apply that to the unit flow factor to determine a revised average number for gallons per day per unit. The question was how to apply that to single family units. From the collected development data, we determined that roughly 72 percent of development is residential and 28 percent is multi-family. We knew from the previous unit flow calculation that the average connection should equal 180 gallons per day per unit. Based on that and an average of member agency Master Plans, one multi-family residential unit is about 82 percent of flow of a single family dwelling in a typical household. It was determined that a single family dwelling produces about 190 gallons per day and a multi-family dwelling about 156 gallons per day.

Jake said to get an idea of how growth will occur, they look at recent economic data and trends for building permits, foreclosures, default notices, and loan activity. Jake said this gives us a good idea of what will happen in the near term. Defaults have been relatively flat and we can only go back three months on that data. We saw a slight stabilization on foreclosures and loan activity. To get a good comparison of historical flow averages, they looked at similar types of communities with similar demographics and sewage flows. The most similar plants were Bakersfield, Palmdale, Lancaster, and Temecula that treat between 10 and 20 MGD. In these communities, we saw an average growth rate of 2.7 percent. A conservative flow projection growth rate for this service area is three percent.

Sean McGlade of the City of Victorville said on the gallons per day in the City's Sewer Master Plan we do not see 230 gallons per day. As part of the Master Plan done by Earth Tech, we focused on single family residential only and came up with 240 to 245 gallons per day (gpd). He said he does not know what the relevance of that is to VVWRA. Sean said he would hate to see a number as low as 180 gpd be used and said he takes issue with that number. Smitty said VVWRA is doing a rate increase by million gallons of flow and the member agencies are doing a rate increase by Equivalent Dwelling Unit. Manager Olds said there are unique characteristics for each member agency. Dennis Cron of the Town of Apple Valley came up with a number of 183 gallons per day for the Town. The reason we are discussing this today actually has more to do with the proposed user fee increase. As an example if you use 250 gallons per day and you have four new residences come online, if you plan on that, it would mean that an additional 1,000 gpd in revenue. However if you are actually only realizing 200 gpd per residence, that is only 800 gpd of wastewater revenue.

Manager Olds said previously we were focusing on projecting our user fees based on the number of EDUs potentially coming to the treatment facility. We have now been able to move away from that based on the discussions because we looked at what our existing flows are. Because this agency has been starved for so long on the User fee side, we began discussing with the member agencies how we can properly account for future growth and the potential user fees to be generated by that growth. As Sean McGlade just stated, each member agency has some unique characteristics. For VVWRA, the number of gallons per day became more of a planning number. Realistically, he would recommend to

the Commissioners that we use a conservative number when planning for potential User fees rather than an overly ambitious one. When we went through the User fee increase in 2006 and 2007, we were using 245 gallons per day. We also used a potential growth rate percentage and when the bottom fell out of the market, that growth was not recognized so our User fees did not respond accordingly. Also, when we look at how much flow hits our facility basin-wide, it would appear that our revenue estimates in 2006 were incorrect primarily due to the fact that we had overestimated the gallons per day that we receive. That is what drove all of this. The purpose here is not to repeat errors and mistakes from the past and that we use conservative planning tools. Chair Cabriales said if you use 245 gpd you would get more money and if you use 180 gpd you get less money. Manager Olds said that is correct, but we want to be realistic. We do not want to overestimate the flow and want to be cautious in our planning of the Capital fees. If Capital fees are overestimated, then we may overestimate the number of Capital projects that we can do. Manager Olds said this is an important number, but it is subject to any number of factors and all we can do is be cautious and careful about how we do our planning. We need to focus on the immediate and critical projects in the near future which are the Regulatory projects, basic R & R projects, and the capacity problems with our Hesperia Interceptor. Then we will see how the economy recovers in the future. RBF Consulting has done a good job on this Flow Projection Study. The Commissioners thanked Jake for his presentation.

**9. Draft FY 2009-2010 Budget:** Manager Olds said he would like to provide a brief overview of the draft budget for fiscal year 2009-2010, which has been reviewed during several meetings of the External Finance Committee and Strategic Advisory Committee. He then directed the Commissioners attention to page 13, which is also labeled 9-13 in the agenda packet. This is the forecast for where we believe we will be at the end of this fiscal year. He said there were a number of Capital projects that we did not accomplish due to the existing economic condition. We also had to revise down our Capital fee revenue down to \$4 million and as of today we are just a little over \$3 million.

Manager Olds said page 14 shows where we anticipate this year to go. We are beginning the year in a negative and are anticipating receiving Capital fees from bonds or State Revolving Fund (SRF) loans. The number shown for User fees is reflective of the proposed User fee increase. The \$3 million number shown for Connection fees is also reflective of the proposed fee increase. The final line for loans/bonds comes to a total of \$23,500,000. He said there may be some discrepancy there because we are still working on the amount it will cost to install the Ultraviolet Filtration system. The actual number may be \$38 million or it may be \$23 million.

Manager Olds said \$8.365 million is anticipated for Operating expenditures. Last year's expenditure was \$7.789 million. The primary reason for the slight increase relates to chemical and utility costs. The amount anticipated for Repair & Replacement (R & R) is just shy of \$5M to address issues such as the existing primary clarifiers that are obsolete and falling apart. Now that the 18 MGD expansion is online, we will need to spend some significant monies on our R & R expenses. Capital projects of \$14,581,000.00 are anticipated that include completing the design on the subregionals the UV Filtration system, the gas scrubbing system and award of the Santa Fe Interceptor project.

Manager Olds said a comparative statement of the O & M revenue and expenses is provided on page 15. Brian Johnson said one thing that would help the Commissioners is that if you look at the \$4,575,000 on page 15, Appendix B3 does a nice job of detailing. It would be more helpful if this were tied into each

of the functional categories for Maintenance, Operations and Administration. Brian said the biggest expense of this agency is for wages and benefits and you need to see what it is tied to. All the numbers are here, but they need to be arranged in a different way. It appears they are keeping 44 positions and he finds it intriguing that the budget can be reduced without cutting positions. It will give a much better presentation and help the Commissioners track the trends. Commissioner Sagona said later on the agenda there is a proposal for a salary survey and we have made every effort to cut to the bone on positions. That will be resolved in an upcoming manpower and classification survey and applied to the operations. Commissioner Smith asked Manager Olds what the \$138,000 for personnel expenses on page 19 was for. Manager Olds said that was for a one-time expense for a Closed Session matter. We have tried a number of things to reduce our personnel expenses. We offered the employees a golden handshake agreement, but no one took advantage of it. If the member agencies have ideas, we look forward to addressing them.

Manager Olds said to continue going through page 15, there are some issues associated with the maintenance budget and we will have some one-time expenses for our collection system. If you look at operations expenses that are projected, year ending 2006 was projected at \$1.6 million and the projection for 2007 was \$2.3 million. At that time, we were trying to improve the operations of the wastewater treatment plant. The graph on page 24 shows process chemicals at 27 percent and utilities are at 42 percent. With the new gas scrubbing system we will be using more bio-gas instead of burning it off, which is like money going up in smoke. Commissioner Sagona asked if there is any cost associated with putting that gas to use. Manager Olds said yes and it would appear that there are opportunities that offer a four-year payback. The more we can do to reduce expenses in the areas of utilities and chemicals the better.

Manager Olds said under the Administrative budget there were expenses associated with abandoning the old Administration building. He reminded the Commissioners that due to the problems in 2006 and 2007 there were 10 temporary employees that were required to cover operations that are not being used today. Commissioner Cabriales said on page 15 there is a note that says no flow diversion during the next fiscal year. Manager Olds said that is correct. It was the direction we received at the last combined meeting of the Strategic Advisory and External Finance committees that the base case assumption that we were to use assumed no flow diversion only for the next fiscal year. That is the direction from the member agencies. Manager Olds said the plant has recovered from the problems in 2006 and 2007 and we look forward to utilizing the new facilities. In 2010, VVWRA will operate in the black.

Commissioner Rigney asked Manager Olds to explain the \$2 million jump in expenditures from 2006 to 2007. Manager Olds said when he was hired in 2006 he was given a tour of the plant. At that time, the clarifiers had 18 inches of solids floating on top of them and this was devastating to the treatment system. There had also been a \$.5 million fine for a pond spill and there were turbidity issues. The direction he received from the Board was to fix the facility. In the control center that houses the electrical equipment that runs millions of dollars of process equipment, there was standing water because the roofs were leaking. We had 17 OSHA violations and the SCADA automated alarm system was going off continuously. Manager Olds said he likes to make the distinction that the last of the Regulatory fines were issued on April 12 and he started working for VVWRA on April 26 or 28.

Mr. Harold Singer, Executive Officer of the Lahontan Regional Water Quality Control Board, said he has spoken to Logan on many issues. He said you just had a discussion about what the treatment plant was like and he has to acknowledge that you have turned this place around in the last three or four years. That is wonderful and we hope you will continue that process. He said we see things slipping and he encourages the Board to continue the progress and not go back to the past. Back in 2008, the Water Board amended the NPDES Permit for VVWRA and we had to establish new requirements for the Authority. We gave interim limits and asked what you were going to do to meet the requirements. You told us what you planned to do and we gave you that amount of time. In the last two quarterly reports, there is clearly an indication that you are not going to meet the requirements. We are going to have to go back to our Board and explain that and it will be their decision whether to revise the schedule or to enforce action and say those are the schedules and you have to meet them. Mr. Singer said at this time we do not have a recommendation for the Water Board. He has looked through the package that your staff has put together for you and it is quite a package. It summarizes where you are today and what plans you have for the future. He said he acknowledges that we are in tough economic times. He saw a chart on page 11-5 in the package that is really telling. What it tells him is that between the early 1990's and 2005 there were not many rate increases if any. The line is flat. Yet that was at time when there was an economic boom. The situation now is that you are really making up for the past at this time and the revenue you have lost by keeping the rates flat is hard to catch up. You are now dealing with decisions that may have been made by past Board members. He would encourage the Commissioners to think long and hard about what needs to be done and think about the Authority's position in several months when going before the Water Board. He said it is important to show that you have taken the appropriate steps so you are able to say here is our plan and we have the financing to support it. Mr. Singer asked the Board to look forward and not be too conservative. He said he will be sending a letter to Logan this week requesting a response by the end of June. If you cannot comply, when can you comply? It is a tough decision, but the facts are here.

Manager Olds told Mr. Singer that VVWRA has submitted a State Revolving Fund loan application to construct the UV filtration system and the gas scrubber system to address the disinfection byproducts requirement under the new Permit. He said he is hearing that the State received an incredible number of loan applications and they are being very careful about the funds they issue. He asked if there is anything the Lahontan office can do at the State level to assist in expediting VVWRA's application. Mr. Singer said he could call and find out what is going on and where VVWRA is in that stack of applications. Manager Olds said because of the pending votes by the Board of Commissioners we have not been able to complete the financial portion of our application yet but hope to have the majority of it completed by June 10. If the SRF folks speak to you and tell you that VVWRA has not submitted their financial element yet, we are aware of that but are still wondering if we could be moved up. Mr. Singer said we can see what we can do, but you are fighting against those who are ready and able to go.

Commissioner Sagona said the Board is aware of this and it is a reality we are dealing with. Mr. Singer said you cannot change the past or dwell on it – it is done. It is unfortunate, but you have to determine how to rectify it. Commissioner Smith said he has only been on the Board for the past 16 months and this should have been changed before then. Manager Olds said he spoke with Mr. Singer one or two years ago about the subregional reclamation plants that we plan to construct in Apple Valley and Hesperia. During that discussion, we talked about how our master reclamation permit would benefit VVWRA and about the Cumulative Impact Analysis where we identify and describe all of our facility's

discharges and potential impacts on the entire water basin. He said we are moving forward with that and have awarded a design to Carollo Engineers and HDR Engineering to do that work. He asked Mr. Singer if he had any concerns or if there is anything that he or the Commissioners should be aware of.

Mr. Singer said there are two things that could impact those programs. One is that the State Water Quality Control Board adopted a water policy to get rid of the impediments to water recycling. The other is that we need to recycle. From the cumulative impact perspective, we are not looking to do that in the entire basin and we are looking at recycling as a positive thing and as a stakeholder-driven process. The positive thing is that you should work with the Mojave Water Agency and support their efforts. Also, the Water Board is going to be looking at one in Lancaster and one in Mammoth. The Board is interested in approving these permits to get moving on reusing that wastewater.

Chair Cabriales assured Mr. Singer that this Board is doing everything they can to resolve the problems. Manager Olds announced that Alex Handlers will give a five minute presentation on Item 10 and then we will move to Items 11 and 12.

#### **10. Financing Plan and User Fees (Alex Handlers)**

Alex Handlers of Bartle Wells said the Board already knows the basic findings. You are still not covering your expenses. We came up with financial rate projections in order to secure financing. There have been changes over the last six months and everyone now seems comfortable with the lower rates proposed. We assumed financing only for the near-term critical path projects. The bottom line is that we are looking at two rate increases. The first one would raise the connection fee from \$1,614 to \$2,100. The second increase would raise the rate from \$2,100 to \$2,600. Adopting the first part of the increase is only the first step and will not get the agency out of the black. No one likes rate increases and you want to keep them to a minimum.

Alex said the last Nexus Study called for rate increases every year, but those escalations have not kicked in. He said he based the fee on critical Capital projects only and the proposed User rate of \$3,750 per EDU does not include the subregional plants. Commissioner Cabriales asked which gallons per day rate we are going to use. Alex said the Board will be adopting the fee that VVWRA will charge to the member agencies rather than the fee that each member agency will charge to their customers. Manager Olds said if a member agency needs additional resources to maintain their collection system, then that would determine what the final rate will be to your customers.

#### **ACTION & DISCUSSION ITEMS:**

**11. Formal Recommendation Regarding Financing Plan, Financial Model and User Fee:** Manager Olds read his staff recommendation to the Board aloud. He said, "It is recommended that the Board of Commissioners schedule a Public Hearing on the 18<sup>th</sup> of June 2009 to receive comments prior to considering increasing the existing user fee from \$1,614 per million gallons to \$2,100 per million gallons effective July 1, 2009. Furthermore, that the fee of \$2,100 per million gallons be raised to \$2,600 per million gallons effective July 1, 2010 subject to review and recommendation by the member

agency Executive Officers and Finance Directors. Finally, that the current capacity fee of \$3,215 per Equivalent Dwelling Unit (EDU) be increase to \$3,750 per EDU effective July 1, 2009.

Amer detailed Victorville's notification process and said there will be a lag of two or three months beyond July 1, 2009. Manager Olds said this discussion arises every time there is a fee increase and typically there is always a lag. What we have been told by the City Managers is that in order to put our increase through, any lag time could be made retroactive or that some entities could decide to self-fund the lag time. Manager Olds said he was told to make the VVWRA increases effective on July 1, 2009.

Brian Johnson said this will be reviewed next year before an increase is made effective. For Hesperia, that works just fine. Bill Pattison said Apple Valley also agrees with the rates. We had a budget workshop and will send out notices. We will not have rates in place before August, but Apple Valley will self-fund. Commissioner Rigney said not to be left out, this works for the County as well and we will be ready. John Sullivan said Victorville also agrees with the rate increase. Rate increases have to take place and we are very much in favor. The \$3.75 increase x 36,000 is the cost per month of each monthly delay. Amer has prepared the report and is prepared to go to the Council and through the hearing process. Commissioner Smith said we have heard from Mr. Singer and any delay will make the delay worse.

Piero said he would like to make the Board aware that if you are going to go through this process keep in mind that the way we have done rate increases in the past is that you have to hold a public hearing, you have to give notice of a public hearing, and if there are any interested parties that have submitted written requests for information regarding the rate increase, you will have to give 14 day notice. So, you would hold the first public hearing and the date that staff has given you complies with that. In between that time and your next Regular Meeting you may need to hold another Regular Meeting in order to be able to get everything going before July 1, 2009. Public Hearings for rate increases must be held during Regular Meetings. Manager Olds said this is why Item 12 is on the agenda. Commissioner Smith said Items 11 and 12 go together.

Piero said if you adopt Item 11 you will have to consider Item 12 and do something with Item 12. Item 12 will direct staff to schedule the public hearings. The two items are integral and you cannot do one without the other.

Commissioner Smith made a motion to approve the recommendations regarding the Financing Plan, Financial Model and User Fee, which was seconded by Commissioner Rigney and approved by unanimous voice vote.

**12. Request to Schedule a Public Hearing on June 18, 2009 for the Adoption of the FY 2009-2010 Budget, First Reading of Ordinance 001D, and First Reading of Ordinance 002E:**

Commissioner Smith made a motion to direct staff to schedule a Public Hearing on June 18, 2009 for the adoption of the FY 2009-10 budget, First Reading of Ordinance 001D and First Reading of Ordinance 002E, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

Commissioner Rigney said he would like to thank the Financial Committee for getting something that none of the agencies could support into something they could support. He said the County had to get Prop 218 notices out and used \$10 per EDU. Surprisingly, the notices have been out for almost three weeks and not one protest has been received yet.

Commissioner Smith said he would also like to commend the Financial Committee, who should remain involved as we go through this process. Commissioner Sagona said they are the voices and guiding expertise of the member entities.

**13. Recommendation to Hire Consultant to Conduct Salary and Compensation Survey as Requested by Strategic Advisory and External Finance Committees:** Manager Olds reported that it was requested by the SAC/External Finance Committee on May 6 that a salary survey should be conducted on all VVWRA positions due to their concerns about staff pay and benefits to ensure they are commensurate with the member agencies. Manager Olds said Angela Valles will now provide the specifics of this recommendation. Angela reported that the best of the three quotes received to conduct a classification and salary study was from Public Sector Personnel Consultants in the amount of \$14,000, which will also cover position titles to ensure that staff is properly classified. Manager Olds said the direction he and Angela were given was to move as quickly as possible on this. Because of that, Angela has been working to obtain the quotes that were requested and at the meeting held on May 14 the SAC and Finance Directors were informed that this item was being brought to the Board today. Manager Olds said this firm just finished doing a similar survey for the Town of Apple Valley. Commissioner Smith asked how long the survey will take. Commissioner Sagona said they did the Town's survey in less than two months. Chair Cabriaes said because it was requested by these two groups, they should be involved in the process. Angela said once we receive the findings, they will be shared with the External Finance Committee. Manager Olds said because this request came from the member agencies, Angela and the selected firm will be contacting your agencies throughout this process to assure a level of interaction.

Commissioner Sagona said he is prepared to recommend that the selection include the concurrence of the Finance Committee. Manager Olds said at the last meeting of the SAC and External Finance Committee, Miss Valles reported to them that she had received three quotes. They asked how much the quotes were and she mentioned that the firm to be recommended to the Board was the same firm that had recently been utilized by the Town of Apple Valley for a salary survey. There was general consensus by that group that due to the need to move this forward quickly that this should be brought before the Commissioners at this meeting. Manager Olds said if you are hesitant to move forward with this expense and wish to refer it back to the SAC and the Finance Committee, we can certainly do that but it will delay the process by one month. Bill Pattison said the Town Manager of Apple Valley wants to be involved in the process and recommends that this go back to the committee before action is taken. Manager Olds said his understanding was that we were to move forward with the firm, but they were to be involved in the process. He asked Bill if the Committees actually want to pick the firm. Bill said yes. They want to be involved in the selection process and they also want to review the proposals. Manager Olds said that did not come up during last week's meeting so it was not his understanding.

It was the consensus of the Board to table this item and refer the matter back to the Strategic Advisory and External Finance Committees. Commissioner Smith asked when the last survey was done for VVWRA. Angela said the last survey was done in January 2006.

**14. Resolution 2009-9: Authorize Investment of Monies in the Local Agency Investment Fund:** Manager Olds reported that this is a Resolution that is done on a regular basis. The purpose of this resolution is to designate the positions that may authorize LAIF investments. Piero said it also provides the positions of those who may provide direction to LAIF regarding the investment.

Commissioner Smith made a motion to approve Resolution 2009-9, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

**15. Recommendation for JWC Environmental Channel Monster/Muffin Monster Re-build through Sole Source Supplier/Manufacturer:** Manager Olds reported that Item 15 is a recommendation to rebuild the Muffin Monster channel grinder. Chair Cabriales asked what a Muffin Monster is. Brent Keaster provided a description of the equipment and its purpose, which is to clear blockages and remove debris such as rags, razors and needles from the pumps. Manager Olds said the approval of this recommendation would approve the rebuilding of the existing grinder at a cost not to exceed \$16,268.38, which would be swapped out with a new unit. He said we keep a spare on the shelf because a unit can fail in as little as a week depending upon what someone puts down the system. Brent said the cost of the new unit that was purchased last year was \$34,000.

Commissioner Sagona made a motion to approve the recommendation for the JWC Environmental Channel Monster/Muffin re-build through a sole source supplier/manufacturer, which was seconded by Commissioner Smith and approved by unanimous voice vote.

**16. Recommendation to Award Contract for Metering Stations Repair Project:** Manager Olds reported that we received authorization from the Commissioners to put this out for bid and only one company responded with a bid. Chris Anthony said he was bewildered by the low response to this bid, but was pleased by the bid received from Allen Construction Company. Manager Olds said for many years this agency did not invest funds into Repair & Replacements (R & R) to maintain the existing infrastructure. VVWRA has 12 metering stations and we will try to focus on four stations this year, four stations next year, and four stations the year after. It is much cheaper to repair existing facilities than to replace them entirely. In addition, we have had vandalism of metals at the stations because some of the locations are very remote. Staff is having difficulty getting into the structures because the doors are old and they are swollen.

Commissioner Smith asked Chris if there is an itemized list of items to be covered. Chris said there is a detailed list of items to be repaired and replaced. Piero said Andrea Daroca is currently working on a list. Chris said there is \$66,000 remaining in the budget for R & R. This bid is from a local company in Apple Valley. Chair Cabriales said whenever possible, if we could keep jobs local it would benefit the high desert. Piero said for the record, the last page of the bid document states that no bid bond was enclosed but the bid bond was subsequently provided. So, everything is fully bonded.

Commissioner Smith made a motion to award a contract to Allen Construction Company, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

Piero reported that he is working with Andrea Daroca on a Purchasing Policy that is planned to be brought to the Board in June.

**17. Recommendation to Award Contract for Aeration Basin Retrofit Project:** Manager Olds reported that as part of the 18 MGD expansion we were supposed to install recirculation pumps to reduce nitrogen levels. However, it called for taking down our existing aeration bays and at the time we simply did not have the treatment plant capacity to be able to do that. So it was removed from that contract with the idea that later when we started rebuilding our aerations bays we would put it back in. Currently, the operations and maintenance staff are rebuilding our existing aeration bays and now is the perfect time to proceed with adding the recirculation pumps. These are important because they are another tool in our toolbox toward reducing nitrogen levels. These types of smaller improvements may enable us to significantly delay the \$12 to \$15 million expense for the IFAS system.

Commissioner Sagona made a motion to award a contract for the aeration basin retrofit, which was seconded by Commissioner Smith and approved by unanimous voice vote.

Commissioner Smith asked if there is a list of items that were approved by the Board but that were not done because of lack of funding. Manager Olds said that Pat Johnson keeps annual lists of all actions and approvals by the Board of Commissioners. Manager Olds said the operating deficit that has been in effect for many years required funds to be redirected from the Capital side to the O & M side.

Piero said there was a continuation of the existing budget for a few years until a new fiscal year budget was approved. Manager Olds said the budget process was a mess and true budgeting was not being done prior to 2006. We are now on track with submitting budgets for approval on time.

#### **STAFF/PROFESSIONAL SERVICES REPORTS:**

**18. Employee Achievement and Recognition Report – March/April 2009:** Accepted as submitted.

Manager Olds announced that Jome Navarat, VVWRA Safety Coordinator, received the Employee of the Month award for April 2009. It was also announced that the Safety Committee is no longer issuing monthly awards due to the number of safety issues that have been addressed and improvements by staff in the area of safe work practices. The purpose of the VVWRA Wellness Program is designed to motivate employees to exercise.

**19. Construction Management Update: 18 MGD Expansion Project – April 2009:** Accepted as submitted.

**20. Financial and Investment Report – March 2009:** Accepted as submitted.

Manager Olds provided a brief overview of the cash balance report. He reported that at the July Board meeting he will discuss how he envisions meeting our R & R obligations and perhaps redirecting some of the rate stabilization funds in conjunction with the SRF loans. He said this is an important sheet that he tracks on a weekly basis because it has to do with connection fees and user fees. The monies available for use by VVWRA are shown in the lower right-hand corner.

- 21. Customer Account Past Due Report – April 2009:** Accepted as submitted.
- 22. Operations and Maintenance Report/Performance Efficiencies – April 2009:** Accepted as submitted.
- 23. Pretreatment and Interceptor Cleaning and Inspection Reports – April 2009:** Accepted as submitted.
- 24. Septage Receiving Facility Reports – April 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 Adopt FY 2009-2010 Budget (June)**

**First Reading of Ordinance 001D: Establish Rates and Charges for Operation and Maintenance of the Regional Wastewater System; Schedule Second Reading of Ordinance 001D (June)**

**First Reading of Ordinance 002E: Amend Rules and Regulations for Connection to the Sewerage System; Schedule Second Reading of Ordinance 002E (June)**

**Resolution 2009-8: Adopt Flow Projection Study by RBF Consulting (June)**

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

**Review of Ad Hoc Committee Structure (June)**

**Second Reading of Ordinance 001D (July)**

**Second Reading of Ordinance 002E (July)**

**Election of Officers (July)**

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

**Resolution to Amend and Adopt 2009 CEQA Guidelines (September)**

**Interceptor Connection Requirements and Enforcement and Industrial Pretreatment Program**

**Upper and Lower Narrows Sonar Investigation of Sewer Interceptor**

**NEXT BOARD MEETING:**

**Thursday, June 18, 2009 - Regular Meeting of the Board of Commissioners**

**COMMISSIONER COMMENTS**

Chair Cabriales asked Manager Olds if a standing item could be placed on the agenda for the status of the Sludge Agreement with the City of Victorville because it has been months and months and we have no resolution on it. Piero said it is his understanding that a SAC meeting has been scheduled on June 4 to discuss the Joint Powers Agreement (JPA) and the sludge contract. Manager Olds said Pat has scheduled a meeting with all of the City Managers and we hope to resolve that on the 4<sup>th</sup> of June. Piero said with the exception of Mike Podegracz of the City of Hesperia, no one else has provided any comments on the JPA to him. The earlier he receives the comments, the easier it will be to address them.

Commissioner Smith said he is pleased that all City Managers have agreed on a rate increase. We have also scaled back the CIP from \$500 million to \$90 million.

**ADJOURNMENT**

Commissioner Sagona made a motion to adjourn the meeting, which was seconded by Commissioner Smith and approved by unanimous voice vote.

**APPROVAL:**

**DATE:** 6/18/09  
Approved by VVWRA Board

**BY:**   
Thurston Smith, Secretary  
VVWRA Board of Commissioners