

**MINUTES OF AN ADJOURNED/CONTINUED REGULAR MEETING
OF THE BOARD OF COMMISSIONERS
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
May 20, 2010 ADJOURNED/CONTINUED TO MAY 27, 2010**

CALL TO ORDER: Chair Thurston Smith called the meeting to order at 7:37 a.m. on May 20, 2010 and at 9:07 a.m. on May 27, 2010 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
Jim Cox
Jeff Rigney**

VVWRA Staff and Legal Counsel (May 20, 2010):

**Logan Olds, General Manager
Piero Dallarda, Legal Counsel (BB&K)
Chris Anthony, Construction Project Manager
Robert Coromina, Network Supervisor
Marshall Locke, Senior Operator
Andy Mark, Operator**

**Patricia Johnson, Secretary to the GM/Board
Gilbert Perez, Director of Operations
Melanie Mendez, Accounting Supervisor
Angela Valles, Director of Admin. Services
Chieko Keagy, Accounting Technician III**

Others Present (May 20, 2010):

**Sean McGlade, City of Victorville
David Mueller, High Desert Politics.com
Tracy Krueger, Larry Walker Associates
Michael Samuels, Novelle Systems
Juan Josse, HDR Engineering
Jim Oravets, County of San Bernardino
Pat Shields, VVC Student
Deborah Grace, VVC Student
Krista Cacace, VVC Student**

**Amer Jakher, City of Victorville
Frank Robinson, Town of Apple Valley
Marv Paul, AFC
Arun Sharma, UTS Bioenergy LLC
Caren Patterson, VVC Student
Clint Yates, VVC Student
Lisa Davis, VVC Student
Ken Smith, VVC Student**

VVWRA Staff and Legal Counsel (May 27, 2010):

**Logan Olds, General Manager
Piero Dallarda, Legal Counsel (BB&K)
Robert Coromina, Network Supervisor
Isabelle Safi, Best Best & Krieger LLP**

**Patricia Johnson, Secretary to the GM/Board
Melanie Mendez, Accounting Supervisor
Angela Valles, Director of Admin. Services
Chieko Keagy, Accounting Technician III**

Others Present (May 27, 2010):

**Sean McGlade, City of Victorville
David Mueller, High Desert Politics.com
Dennis Cron, Town of Apple Valley
Caren Patterson, VVC Student**

**Amer Jakher, City of Victorville
Frank Robinson, Town of Apple Valley
John Sponsler, City of Adelanto**

CALL TO ORDER

PUBLIC COMMENTS – CLOSED SESSION AGENDA

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

CLOSED SESSION

Commissioner Rigney made a motion to enter into Closed Session at 7:37 a.m., which was seconded by Commissioner Sagona and approved by unanimous voice vote.

REPORT FROM CLOSED SESSION

On May 20, 2010 Piero Dallarda announced that there was nothing to report from Closed Session.

CALL TO ORDER & PLEDGE OF ALLEGIANCE

REGULAR SESSION

Chair Smith called the Regular Meeting to order on May 20, 2010 at 9:14 a.m.

PUBLIC COMMENTS – REGULAR SESSION AGENDA

Chair Smith announced that he received a Speaker Request card from David Mueller. David Mueller said he is with High Desert Politics.org. He said the VVWRA was formed by the Mojave Water Agency to help meet the requirements of the federal Clean Water Act and provide wastewater treatment for the growing area. He said the first issue he wants to cover is the O & M report that lists numerous maintenance issues. As he suspected in that report, the COD and BOD from the Dr. Pepper plant is high. He asked for the chemical analysis at previous meetings and Commissioner Rigney asked Mr. Olds did provide the requested information. Mr., Olds did provide various levels of TSS and BOD, but he did not provide the specific chemical makeup. When pressed for that information, Mr. Olds said he needs to get approval. We have gone full circle. None of the Commissioners know what is in the sludge, but Mr. Olds stated he needs to get their advisement on that information. Who can release that information – counsel?

ANNOUNCEMENTS AND CORRESPONDENCE:

3. Possible conflict of interest issues

Manager Olds reported that he was not aware of any possible conflict of interest issues at this time.

Manager Olds said he would like to make the Commissioners aware of item 2. He said if the Commissioners would not mind, he would like them to stay after the meeting to take a few pictures.

4. Statewide Awards Presented to VVWRA at 2010 CWEA Annual Conference:

Manager Olds said he is pleased to announce that VVWRA won several State-level Awards at the CWEA Annual Conference including:

- Second Place for medium size Plant of the Year for the entire State of California
- Second Place Tie for Gimmicks & Gadgets for Mark McGee, one of our maintenance mechanics
- Third Place for Safety Program of the Year in the entire State of California
- Third Place for Supervisor of the Year, Mr. Gilbert Perez, for the State of California
- Third Place for Laboratory Person of the Year, Gina Cloutier, for the State of California

Manager Olds said overall it was a very successful year for VVWRA and for running a good facility. He would like to express his gratitude to an excellent staff on a job well done.

5. Staff Introductions:

- **Marshall Locke, Senior Operator**

Manager Olds reported that two plant operators who left the facility have been replaced. He said he is pleased to introduce Marshall Locke, who was hired as a Senior Operator on April 26, 2010. Marshall possesses a Grade V Operator certification, which is the highest level and attended Mt. San Jacinto College. Prior to coming to VVWRA, Marshall worked for the Eastern Municipal Water District for 12 years as a Lead Operator. He also worked for the Inland Empire Utilities Agency for four years as a Chief Operator, for the City of Riverside as a Process Control Supervisor for 1 ½ years, and for the City of San Bernardino as a Plant Supervisor for four years. Marshall was born in Kirksville, Missouri and now lives in Nuevo near Moreno Valley with his wife of nearly 26 years, Kelly. They have a son named Jeffrey age 24 who has a Bachelor of Arts degree from California Baptist College. They also have a daughter named Kristin, who will be graduating with a Bachelor of Arts from California Baptist College in the fall. Marshall's hobbies and interests include music, motorcycles, hiking, camping, reading and wastewater. Manager Olds welcomed Marshall to VVWRA. Marshall said he is happy to be here.

- **Andy Mark, Operator**

Manager Olds said he is also pleased to introduce Andy Mark, who was hired as an Operator on May 17, 2010. He said that Andy is 31 years old and possesses a Grade III Operator certification and is awaiting the result of his Grade IV test. Andy has 8 ½ years of experience in the wastewater field and greatly enjoys his career. Andy was born in the Antelope Valley and was raised in Kern County. Andy graduated from Mojave High School in June of 1997 where he enjoyed academics and lettered in football all four years. After high school, he attended Mount San Antonio College where he studied Administration of Justice and Physical Education and continued to play football. After two years

attending Junior college, he transferred to Huron University in South Dakota on a Sports Scholarship. This transition did not work for him at that point in his life, so he moved back to Kern County and started working at a small .125 million gallons per day (MGD) wastewater treatment plant. He worked at that plant for one year and was an OIT for seven months. Due to contract changes, he was laid off for two years, but in September 2002 he reentered the wastewater field and never looked back.

Andy is currently purchasing a home in the high desert which he shares with his fiancée who is graduating from CSU Bakersfield with a Bachelor in Science and Nursing this June. He has a strong work ethic and an eagerness to enhance his education and leadership skills while contributing to the success of VVWRA. He looks forward to his future and to his growing career in wastewater at VVWRA and is thankful for this opportunity. Manager Olds welcomed Andy to VVWRA. Andy said he is very thankful.

CONSENT CALENDAR:

- 6. Approve the April 2010 Cash Disbursements Register (No. 0410)**
- 7. Approve the Minutes of the April 15, 2010 Regular Meeting**
- 8. Recommendation to Schedule an Additional Regular Meeting on Tuesday, June 29, 2010**

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

REPORTS & PRESENTATIONS:

- 9. Proposed FY 2010-2011 Budget:** Manager Olds announced that Angela Valles will provide a presentation on the proposed FY 2010-2011 budget. The budget is in draft form at this time and the presentation is for informational purposes only. Angela reviewed the budget information as provided in the presentation handouts placed in each Commissioner's handout folder.

Commissioner Sagona Angela Valles Manager Olds said he would like to make the Commissioners aware that based on the budget being presented today we are \$40,000 less in expenses over the prior fiscal year. Commissioner Sagona asked what the total budget is. Manager Olds said the total budget is a little over \$10 million. Commissioner Cox asked when the budget is scheduled to be adopted. Manager Olds said one of the difficulties we have is that because we transitioned to new operating software for the development of the budget to provide more detail and more descriptors there was a learning curve and we are a few weeks behind where we would like to be. As approved under today's consent calendar, there will be two regular meetings in June. Following a review by the External Finance Committee we hope to be able to present the final budget for adoption on June 17. However if there is a particular concern that we are unable to resolve by June 17, we have scheduled another regular Board meeting on June 29 for the adoption of the budget, if needed. We are hopeful that the budget can be presented for adoption on June 17.

10. Mojave River Characterization Study Overview (Larry Walker Associates): Manager Olds announced that Tracy Krueger of Larry Walker Associates was present to give a report on the data she collected. He said that Tracy has been tromping around the Mojave River for the past two years collecting data for this study. Tracy said the purpose of the study was to characterize the water quality in the Mojave River. She said there were seven monitoring sites and three main components of the study. One of the main components of the study was water quality. Overall, there were very few exceedances of water quality objectives for all sites and all constituents and any exceedances were isolated events. She said because we collected two continuous years of data from multiple sites, we were able to see patterns that were seasonal. The spatial patterns of different constituents showed different patterns. Tracy said for example there are concentrations of sodium upstream, but they are higher downstream of the discharge location.

Following Tracy's review of the statistical patterns for various constituents, Chair Smith asked if Lahontan asked for this study or if VVWRA did. Manager Olds said this study is the result of a negotiated settlement with the Lahontan Regional Quality Control Board relating to the fine imposed for the 2005 pond spill that occurred approximately one year prior to his arrival at VVWRA. As part of the fine, we were allowed to perform a Supplemental Environmental Project and this study is the result of that. He said during the July Board meeting, a presentation will be given on the water quality below the surface as well.

11. Proposal for Generation of Green Energy (UTS Bioenergy): Manager Olds reported that utility and chemical costs are the second most significant expense at the agency. One of the difficulties we are facing is that there are a number of new regulatory requirements that are coming down the line. One is a requirement for local utility providers to have 20% of their electrical generation come from a renewable resource. There are also some additional Bills that are before the California legislature that all impact the rates and utilities. The difficulty we face in forecasting for the future is trying to say what those rates are going to be. One of his biggest pet peeves is that we have two waste gas burners located behind our digesters that are flaring 24 hours a day. Se we are producing methane, but we are receiving no benefit from it. The long-term success of the organization will be based on keeping its fees as reasonable as possible and increasing its efficiency. The presentation you will hear now was originally done two months ago and since that time there have been some modifications to the proposal that we would like to discuss.

Manager Olds introduced Arun Sharma of UTS Bioenergy and Juan Josse of HDR Engineering. Arun and Juan reviewed the differences between the previous presentation and this presentation that included additional cost savings for VVWRA. Juan said in the current fee proposal we have accounted for more upfront cost and less production of energy. The starting cost is actually a little bit lower but there is an escalation cost built in. VVWRA would have the opportunity to buy the equipment. In the PPA fee structure there is no Capital outlay for VVWRA because UTS makes the investment and runs the equipment and the cost includes a heat transfer. A heat exchanger is part of the cost that would pump the water into the existing heating system. You are getting that for free. It will take 18 months to proceed, one year for equipment delivery and six months for installation.

Arun said in this proposal, all operational risk is borne by the PPA provider. There is a current grant, so timing is an issue. If we cannot use the grant funds, the cost would go up. Arun said the space

requirement is 60 feet x 50 feet. Gilbert Perez said we should do this because two flares burning into the atmosphere. Marshall said the City of Riverside has a fuel cell that is working very well. Manager Olds said the Riverside facility is very well known and many people tour that facility. From what we have learned from other installations, he and staff have a very high expectation of this project. Juan said the City of San Jose is also doing this and the Inland Empire Utilities Agency that handles all of the sewage for the City of Ontario will be awarding a PPA very soon.

Commissioner Sagona asked what VVWRAs initial cost investment would be. Manager Olds said zero - only the time that it will cost for he and Piero to work up the agreement. Because this is a PPA, the money we would have paid to SCE would be paid to UTS instead. Chair Smith asked what type of warranty it comes with and what the lifecycle is. Arun said it has a 20 year life and it has parts that need replacement. Chair Smith said so there is a portion calculated in for maintenance. Juan said every five years they have to change the fuel cell stack. UTS is the responsible party, but they have a contract with an equipment supplier that has a large operations and maintenance staff. Arun said VVWRA would not own the fuel cell. It is skid-mounted equipment on VVWRA property. If it does not work, you do not have to pay for it and we would take it away.

Commissioner Cox asked if anyone has talked to Edison about this yet. Manager Olds said yes. If the Board decides to move forward, we will have the agreement reviewed by Edison. The Regulatory environment has significantly changed since 2005/2006 and it has almost been a 180-degree shift. VVWRA tried to do this in 2004, and was told no by Edison. Now there are multiple programs in place and if we produce additional biogas Edison is required by law to buy back up to one megawatt (MW). Piero said that Edison now has programs that provide incentives to do this. Arun said the \$4.5 million check will be written by Edison. Manager Olds said his vision is that this is step one of a two or three step process. The second step is that we have 1.3 MW worth of internal combustion (IC) engine generation capacity at the treatment plant. This project would be partially funded through grant monies so you cannot sell back power to the grid through this project. However, we have enough onsite usage to consume what is produced. The second phase, based on the capacity we have that is already there, would be to produce additional gas through high strength waste, have a fixed contract with another provider, generate gas, run the IC engines and then actually be able to sell power up to 1 MW back to the grid. Then not only would we have a fixed price as far as our utility costs are concerned over the term, but then we would also generate revenue from an additional source. Manager Olds said he would much rather sell power to Southern California Edison than to buy it from them.

Juan said the high strength waste that comes to the treatment plant would go to the digesters so there is additional gas that can be produced. The important thing is to understand that you are going to have 1.1 MW of power demand when Phase IIIA is complete. You will have a fuel cell that can supply all of that power. At this time, there is not enough gas to go to 1.1 MW. You do have plenty of digester capacity to bring in more waste and generate more gas. Manager Olds said once we get beyond meeting the commitment for our base load, then we can sell power back to Edison. There are several programs Edison has to facilitate that.

Commissioner Sagona asked when the proposed agreement will be presented to the Board for approval. Manager Olds said under Item 14 of the agenda if the Board is agreeable to direct him and Piero to finalize the agreement, it will be presented at the June 17 or June 29 Board meeting.

ACTION & DISCUSSION ITEMS:

12. Status of the Final Version of the Amended and Restated Joint Powers Agreement: Manager Olds reported that he has received no additional information and as far as he knows it is still before the member agencies for approval. Sean said the City of Victorville approved the JPA on May 4 subject to approval by the other member entities. Yesterday he sent an email to all other member entities and we have taken action on it and documents were circulated. Sean said it is done and in February or March and we were ready to take it to the Board but Apple Valley requested a 30-day extension and that is why we postponed it until the beginning of May. Piero reminded the Commissioners that the entities were going to deal with the agreement first and then bring it back to VVWRA. At this point, it is really up to the member entities.

13. Proposed Interim Sludge Agreement with the City of Victorville:

Piero said as the Commissioners may recall at the May 3 Board meeting, the Board directed us to prepare an agreement with the City of Victorville. We have received comments from Victorville's legal counsel and we have been going back and forth. We have finished except for one remaining item which is the request of two Board members to include language in the interim sludge agreement to require that if the issues with the JPA and the service agreement are not resolved it will negate the agreement. There is only that one item pending and all other changes that were made by Victorville's legal counsel were accepted. Commissioner Rigney said if that one remaining item gets worked out will this come back to the Board next month. Piero said he would suggest that the Board approve what is before you today, which has the provision that the Commissioners requested at the May 3 meeting and then leave it up to Victorville to decide if that is something they can live with or not. He said he thinks there is a sense of urgency that this needs to be done quickly and he is not sure if the City of Victorville wants to wait another month. Commissioner Cox asked if the Board approves this today, would it still need to come back to the Board. Piero said yes, but only for section 7.1 for the records.

Commissioner Cox asked if he should abstain from the vote because he represents the City of Victorville. Piero said there is a JPA exclusion that allows people who are members of a JPA to vote on some issues. It has been the past practice of the VVWRA Board to recuse, but we could invoke the JPA exception. Commissioner Cox announced that he would abstain from the vote.

Chair Smith made a motion to move forward with the proposed sludge agreement and with discussions between VVWRA legal counsel and City of Victorville legal counsel and to approve the proposed Interim Sludge Agreement with Section 7.1 as written. Piero advised that if the proposed agreement is approved by the City of Victorville as written, then the agreement will be approved automatically. Chair Smith's motion was seconded by Commissioner Rigney and approved by Roll Call vote as follows:

Aye	3 – Hesperia, Town of Apple Valley, CSA #42 and #64
No	0
Absent	0
Abstain	1 - Victorville

14. Recommendation to Approve Proposal for Green Energy Project: Chair Smith announced that a speaker request card was received from David Mueller. David Mueller said he is with High Desert

Politics and he does not mean to be a stick a mud and be here all the time digging at you folks because overall Mr. Olds is doing a good job. He said he prepared a written statement about UTS based on what was online. He said prior to entering into any contract he hopes VVWRA will get Prop 16 results first, which deals with power generation. On paper, this sounds good. They are covering the cost and they are doing everything. Foxboro was supposed to be a cogenerated plant, but it has completely imploded. He asked who owns the power output if the fuel cell generates excess power. Is the Authority going to own it or will it revert UTS? David said he used to work in the Air Force at George Air Force Base and the B-2 was supposed to be the greatest thing since sliced cheese. We could have built that airplane out of solid gold when it was done. He also worked for TXI in their engineering department and that plant's system did not do what it was advertised to do. He said what UTS systems are currently installed that the Board can check to make sure that it operates as advertised so you don't install it but then you are hooked because you need the power and you can't get out of it because it is theirs. When things sound too good to be true, they usually are. He said he believes the devil is in the details. Get the details of the overall picture and how it performs overall.

Commissioner Sagona said he does not see any harm to have the presenters respond to that. Chair Smith said we are all amazed that this is free. Manager Olds said it is not free. We would be paying what we would otherwise pay to Edison for electricity, but at a lesser rate. Arun said this has very little risk if any for VVWRA. It is our equipment, and if it doesn't work we take it away and you do not pay. This agreement is significantly modified. The facility will not belong to VVWRA and UTS only requires the gas from VVWRA of the appropriate quality. Juan said you never stop the ability to receive power from SCE. That ability is always there. If you need more power, then you can get it from the grid at the discounted rate you would be getting it from UTS. Arun said there are facilities in Tulare, Riverside, Turlock, Point Loma and South Bay are all under construction. Juan said it is the same equipment.

Commissioner Sagona said Mr. Mueller brought up the subject of Proposition 16. He asked if there is anything in the text that would be retroactive. Piero said first of all Proposition 16 has not passed. Commissioner Sagona said suppose it does. Piero said if it does it will not be applied retroactively. Secondly, it is doubtful that Proposition 16 would apply to an enterprise like this. The power is being generated by a private entity. We are just supplying the biogas that at some point UTS would use in their system to produce electricity to sell back to us. They are agreeing to fix the rate they would sell it to us and what we are hearing today is that the rate is lower than what was projected to be charged by Edison. You are not generating electricity you are generating the gas to produce electricity. He said he doesn't believe there is an issue if Proposition 16 passes.

Commissioner Sagona said Proposition 16 specifically prohibits public agencies from generating electricity. Piero said remember this is not electricity that you are selling to the general public. This is electricity that you are using yourself. Even if he were wrong about the other three things he told you before, it would only apply to any portion you would try to sell back to Edison if there was an excess. Piero said the current Grant monies need to be granted by September in order to receive the 5-year IRS deduction. That is prompting the construction at this time.

Manager Olds said one of the reasons he wanted to pursue alternative energy technologies was the fact that it frustrated him that the new lean burn engines would not run on our biogas. Because our gas was dirty, our existing engines had to have a 50/50 mix. There is no reason to purchase natural gas

whatsoever when we are flaring it. He said he investigated the scrubbing proposal because he wanted to reuse all of that gas onsite and it paid for itself in less than three years. The scrubbing portion of it needs to go through regardless of whether the fuel cell portion does. Juan said since UTS is receiving self-generation incentive money from Southern California Edison, UTS cannot sell any power to the grid because it would be like getting SCE to pay for part of the project and then selling part of it back. Manager Olds said VVWRA has two internal combustion engines onsite and the second phase of the project would be take in high strength waste to make sure we have enough gas to run our IC engines to allow us to sell power back to Edison. Because no Self Generation Incentive Program (SGIP) funds would have been used whatsoever, we can turn around and sell that portion back to the grid.

Commissioner Rigney said today's action is just to approve the proposal. Manager Olds said he is requesting authorization from the Board to finalize the contract with UTS Bioenergy and bring it back to the Board at the next regular meeting.

Commissioner Sagona made a motion to authorize the General Manager and legal counsel to finalize an agreement with UTS Bioenergy/HDR and to bring the agreement back to the Board in June for consideration and approval, which was seconded by Commissioner Cox and approved by unanimous voice vote.

Chair Smith asked if the agreement will come before the TAC. Manager Olds said once we finalize the agreement it will be distributed to the member entity staff. Piero said hopefully the agreement can be finalized within a week.

15. Resolution 2010-8: Resolution to Approve and Adopt an Agreement and Election to Pre-fund Other Post Employment Benefits Through the California Public Employees Retirement System's California Employer's Retiree Benefit Trust Program (CERBT): On May 20, Angela Valles reported that this item was brought up at the last Board meeting. Because the Board did not receive a presentation at that meeting, Marv Paul is here today to provide one. Marv Paul distributed handouts to the Commissioners and gave a presentation about post employment benefits under the new Government Accounting Standards Board (GASB)-45 requirements. Marv said that in addition to treating it as a pension plan, you will have to budget for it. For Retirees, there are assets or liabilities on the books. These plans have been in effect for over 20 years. Anything accrued from the past can be amortized over 30 years, but for future accruals there will be a cost going forward. Page 2 of the handout shows VVWRA's current election under the CalPERS pension plan, which is that benefits are available at age 55 with five years of service. Manager Olds said this was adopted by the Board in the late 1980's.

Commissioner Sagona asked if the \$571 maximum health payment is for the life of the retiree. Manager Olds said it is his understanding that it is only through age 65 when the retiree goes on Medicare. Marv said Medicare will not pay the entire cost of the total medical expenses. It will still leave one-half to be paid. Angela said the State did not mandate it, but we are going to budget for it for lifetime. Manager Olds said at a previous Board meeting Commissioner Cabriales asked us to review this. First we have to deal with this because of the timing issue, but we are still preparing information for Closed Session at the July Board meeting.

Commissioner Sagona asked Manager Olds what the effect of the vote would be. Manager Olds said the intention here is that there is a very specific timeline and we are actually concerned that we may have missed it. GASB-45 requires certain elements to occur and if we do not meet the timeline based on the analysis that has been done our cost will go up by \$77,000. So we would have an additional expense of just under \$80,000 a year that we do not want to do. He said it is best to comply with GASB-45 and get in the loop of doing that. Secondly, we will be discussing this with the Commissioners anyway as far as the level of benefit and its long-term cost and liabilities at the July Board meeting. We will discuss the long-term cost at the July Board meeting. It is a little backwards, but he would rather not incur an additional \$80,000 liability for this organization simply because we wanted to wait another 30 or 60 days.

Marv said the key items are 1, 4, 6 and 7. CalPERS offers the highest rate of interest at 7.8 percent. Chair Smith asked if CalPERS is our only option. Marv said there are other options. Manager Olds said VVWRA is not large enough to be self-funded and CalPERS is well-known throughout the utility field and can be used as a recruitment tool. Marv said there will be multiple effects and they are hard to define because people are living longer than they used to. Nine VVWRA employees are retired and 40 are actively working and are under age 65. The average age is 46 according to data from employee records. On page 11, a comparison of costs is provided. If you chose not to fund it, it would make the cost even higher. If you fund versus not fund, there is a cost differential of \$80,000 or \$90,000 per year and Investment earnings will pay a large portion of this cost.

Manager Olds said an Actuarial study can always be redone. Marv said a lot of that work has already been done here and it might not require a full study. Manager Olds said it would hopefully be simple and not require the whole process. This item is specific to CalPERS. If you approve the Resolution, you are also approving CalPERS as the benefit provider. Piero said Exhibit A to the Resolution does indicate that you would be agreeing to pre-fund through CalPERS. Chair Smith said we have to meet the GASB-45 deadline. Manager Olds said this would be for the next fiscal year, but we need to make sure we have the paperwork in place now in order to do that. Melanie Mendez said June 30 is the deadline and otherwise, the amount will be higher.

Commissioner Cox said the information given today references age 65. The Feds have influenced GASB. He said he wants to vote on this, but there is a deduction on the payroll. If we agree to this, what is the penalty? Angela said the Actuarial studies are redone every other year and any changes to the law are factored into that. Piero said he has no answer to Commissioner Cox's first question. It is a very good question that a lot of entities are grappling with out of concern about Medicare and CalPERS. That question has not been answered yet. Commissioner Sagona said he is hesitant and is either going to abstain or vote against this. Piero asked if it would give staff enough time to submit to CalPERS by the deadline if this was approved at the June meeting of this Board. Melanie said no.

Manager Olds said we already accrued the 2009-10 balance. The difficulty we face is that CalPERS is the lowest cost and we are already pushing it because we delayed it by another 30 days. The Commissioners have already requested a review of this benefit in July 2010. Angela said it will cost over \$77,000 more if you do not fund it. Marv said it will be another \$30,000. Smitty asked whose fault that is and why it was not budgeted for 2009-10. This is a Catch-22 and we don't know how to go forward. If we do not fund it, we are starting off on the backside of the hill. Angela said she thinks it is

safe because we are going to do the actuarial in 2011. We will have a meeting in July to make it secondary to Medicare. Marv said part A is automatic and Part B is based on your income. Commissioner Cox said it is unclear what happens at age 65. Piero said unfortunately the contract does not say it. Manager Olds said do we move forward with this with a few uncertainties and try to resolve them over the next fiscal year or do we incur another \$100,000 potential expense by not moving forward.

Chair Smith asked if the agency has been paying this benefit to any employees. Angela said right now we have nine retirees. Chair Smith said right now we are only paying nine of them, but the agency could be indebted to pay \$571 per month for all 50 employees in the future. The two new employees, Marshall and Andy, were probably hired underneath this scenario and if we go to change it... Manager Olds said at least it is mentioned in the actuarial that was presented that \$571 limits the liability. The other programs did not have that. In our case, this was a liability for the future and now GASB-45 requires us to place it on the books and set monies aside for it. Piero said a lot of this came after ENRON to protect funds that are held for retirement purposes.

Marv said GASB-43 is the accounting, GASB-45 is the actuarial and GASB-57 is the requirement to do a 2011 valuation. Piero said this came after ENRON, which generated a lot of reforms. Angela said if we record the liability. Marv said it is now a footnote item that does not go on the books. If it is funded, it would go on the books.

Commissioner Rigney said did I hear that if we brought this back the first week in June you would have time or you would not have time to meet the deadline. Angela said no. Chair Smith said we as a Board are put under pressure to make a decision right now. Hesperia is recording it, but compiling debt. Manager Olds said as Marv mentioned not only are you incurring it as an expense against your books, but they are also charging interest so it compounds the expense to not fund it. If you look at where we are, even if we put this in we are still under budget for the year versus what was budgeted. There are monies there to fund it.

Marv said if you decide today you do not want to fund it and not go with CalPERS. The money will go way down. Then in July you decide to fund it, it goes to \$183,000. Chair Smith said if we approve this and it is wrong we get penalized and if we approve to fund it, we are penalized again. He said we are being forced into a program we know nothing about. He is upset that we are waiting until the eleventh hour for this thing. That is his biggest problem. We are under the dime to make a decision and he still has more questions and not enough information. Manager Olds said although it would initially cost us a little bit more not to fund it, it may actually work out better over the term and not lock us into PERS. We can then come back at the June 17 meeting and revisit this.

Chair Smith said the way he sees it, we are indebting this agency for this future because we are not even setting this money aside and this agency is going to be hit for a \$1,000,000 liability because we never funded it. Chair Smith said he has too many unanswered questions, but he will entertain a motion from someone.

Commissioner Cox asked if the Board can authorize the agency to set the money aside and then try to get this answered as soon as possible. Piero said you can certainly do that but the only risk is that once

you sign a contract with CalPERS, if you later decide not to stay with CalPERS there will be some exiting issue with CalPERS. He said he cannot tell you how much that would be right now off the top of his head. Commissioner Cox said what if we agreed to have some form of post retirement benefit. Angela said we cannot do that. Chair Smith said if we do not do this today we are not going to make the timeline. Piero said the problem is that if you are going to do this, CalPERS requires you to sign the contract with them. That is the problem you are facing. Now you could have a meeting in one week and maybe by then your staff can answer your questions. Manager Olds asked Angela if it would be possible to meet again in one week on this issue and still meet the CalPERS deadline. Angela said yes, as long we get all of the questions. Piero recommended that we adjourn this meeting and resume it on May 27 at 9 AM. By adjourning this meeting it will give you time to address any other items on this agenda at that time.

It was the consensus of the Commissioners to adjourn Item 15 to Thursday, May 27 at 9 a.m. at this location.

On May 27, 2010, Manager Olds reported that he tried to simplify the process somewhat by entering information on the white board for today's discussion. He then announced that Marv Paul of AFC and Bruce Estes of CalPERS were on the telephone to answer questions. Manager Olds reviewed three other options in addition to CalPERS including the VEBA option and the option of setting up our own trust through Citizens Business Bank or Desert Community Bank. He said the least cost option, which is CalPERS, is \$65,000. When it comes down to flexibility, CalPERS is the least flexible but is the only one that gives 7.75 percent interest. The final point that Commissioner Cox raised at the last meeting was what happens at age 65. We found out that Medicare does actually take over at that point.

Manager Olds asked if there were any questions. Commissioner Sagona said he is wondering if the expertise of each entity might be helpful, but he knows we are under a time constraint. Chair Smith said the City of Hesperia books the cost. Manager Olds said if the Board is more comfortable booking the cost, we could move forward with booking the cost. Marv Paul said if you choose to self-fund it internally without setting up a trust, there is an additional expense charged because of the lower interest rate of about \$100,000. That is because we would be going from about 7.75 percent at CalPERS to 4.0 or 4.5 percent internally. That may be a consideration. Instead of \$183,000 expense it becomes \$283,000 minus the \$65,000 that you have paid out already. Chair Smith said if we do not fund it and give it to the employees it costs us nothing. Marv said that is correct. The accountants will not recognize internal funding. Commissioner Cox said yes they will. Bruce of CalPERS said Marv is correct. GASB has determined that any funds set aside must be in an irrevocable trust. GASB-45 wants you to recognize the liability and the expense. Commissioner Cox said you are absolutely right, but it is not required. It is required that the auditors make a notation. Marv said it is correct that you are not required to fund, but you are required to account for it on your books and the numbers are higher if you do not fund it as a result.

Chair Smith asked Bruce the following question: "If I gave you all of the actuarial information, how long does it take to get it back from CalPERS". Bruce said it takes us about two weeks to review a contract. Chair Smith said staff told him that it took 11 months to get the information back from CalPERS. Bruce said that was for the raw data. Depending upon what time of the year you request it, it could take several months.

Commissioner Rigney said maybe he just does not understand this 100 percent. He said if we book this rather than take an action today are we incurring an additional cost of \$100,000. Manager Olds said the distinction that is occurring between Mr. Paul and Mr. Estes is that if there is a reevaluation of the benefit, that liability is there. Since the discussion relates to a personnel benefit, we should go into Closed Session.

Manager Olds said if the Board is more comfortable, we could move forward with booking the expense and then schedule to have our External Finance Committee meet and then move forward and reevaluate. Commissioner Cox said include it in the budget as an item when the budget is adopted. Manager Olds said if the benefit is reevaluated, then we need to go into Closed Session if it is the Commissioners agreement that it sounds like Options 1, 3 or 4 will not be considered. Piero said this item can be tabled and you can direct your staff to consult with the External Finance Committee. He said he does not think a motion is needed at this point because if you are going with the second option which is to book it and potentially have another discussion with your Finance Committee, the budget is not scheduled for adoption until June 17. There is still some time for you to deal with this issue.

Piero said Isabel Safi, a senior associate with BB&K, was asked to be here today to answer your questions. Isabel is part of our team that deals with employee benefits and so forth. Isabel Safi said she also works with other agencies that are working with CalPERS. For the booking versus the calculation of your overall benefits required by GASB-45, you must disclose the total approved liability. Your balance sheet will show a disclosure. It will be a liability on your balance sheet. She said it was pay as you go until GASB-45 made that requirement.

Commissioner Cox said JPA's don't give more than they give to their own employees. Commissioner Sagona said that has been a long-time principal. Manager Olds suggested that a brief Closed Session be held following today's item because a comment has been made about potentially reducing benefits. Piero said we have a potential litigation issue on the agenda resulting from questions that arose from the Commissioners at the last meeting. You can meet in Closed Session today and, of course, any decision will have to be reported out. Manager Olds said he would prefer to deal with this immediately. He thanked Mr. Paul and Mr. Estes who were on the phone for their participation.

It was the consensus of the Commissioners that Items 15 and 16 will be deferred until the External Finance Committee has met.

16. Resolution 2010-10: Designate Delegation of Authority to Request Disbursements from the Other Post Employment Prefunding Plan (OPEB) Under the California Public Employees Retirement System (CalPERS): Chair Smith announced that Item 16 is tied to item 15 so the discussion will be adjourned to May 27 at 9 a.m.

17. Time Schedule Order No. R6V-2010-(Proposed) for Disinfection Byproducts: Manager Olds said this is basically an update. Currently, we do not have a functioning system nor have we shoveled even one shovel of dirt for the UV system that would remove disinfection byproducts from the treatment plant. The proposed Time Schedule Order (TSO) that you see as an attachment is the letter that was provided to the Regional Board. The Regional Board provided no comments related to the timeline that he provided to them. Essentially this states that by January 31, 2013 rather than May 18,

2010 we will have to have those facilities functional and operational. He said it is his recommendation that that no comments be made to the Regional Board.

Chair Smith announced that he received a comment card from David Mueller. David re-read the VVWRA Mission Statement. He said if the Lahontan Regional Water Quality Control Board does not want chemicals in the water. Some serious misguided priority issues exist here.

Manager Olds said the Board does not need to take any action because this is being imposed upon the Authority. Piero said if the Board wants to take this to litigation it is something we can discuss, but it is the recommendation from your staff and counsel not to do so.

18. Recommendation to Approve Lease for Administrative Office Space from the City of Hesperia: Angela said she was asked at the last Board meeting to do a comparison to see if it was cost effective for us to relocate. The comparison spreadsheet is provided on page 18-3. She said she was unable to find a better deal. When we tried to renew our contract, we asked that the language regarding grease traps in our original contract be removed. Hesperia has been a great landlord to us and we have had no issues. Piero said Commissioner Cabriales was nervous about the context of a metal building that was going to be built at the treatment plant for the laboratory and he wanted to make sure that staff explored other options. Commissioner Cox said to continue the lease there is no set up and the cost is low. The best deal is to continue the lease.

Commissioner Rigney made a motion to approve the renewal of the lease for administrative office space with the City of Hesperia, which was seconded by Commissioner Sagona and approved by voice vote. Chair Smith called for and conducted a Roll Call vote with the following results:

Commissioner Sagona, Town of Apple Valley	Aye
Commissioner Rigney, CSA No. 64 and No. 42	Aye
Commissioner Cox, City of Victorville	Aye
Chair Smith, City of Hesperia	Abstained

19. Proposed Settlement of Reclaimed Water Billing Dispute: Manager Olds reported that during the last several months we were made aware that there is a discrepancy and there were some specific comments related to the definition of pumping costs and what fees were to be associated with those costs. We were also made aware that apparently in 2004/2005, VVWRA agreed to construct and pay for a portion of the reclaimed water line within its property boundaries and that Victorville did not send VVWRA a bill. During that time, VVWRA also helped with the installation of some level sensors, etc. After a discussion with the City of Victorville, it was recognized in the proposal before the Commissioners that there was an amount of \$27,064.80 over a five year period that was billed in excess. Essentially what happened was that the fee was set at a particular cost for pumping. The problem is that our operations and maintenance costs actually vary for each year and those were not included. The City of Victorville has agreed to not necessarily waive the \$280,000 outstanding balance, but if the sludge agreement is ultimately agreed to, the \$280,000 could be deducted from the capacity fee associated with that agreement in the amount of \$605,035. That way, VVWRA would not face an out of pocket cash situation. This would be for the term of the agreement, or approximately 15 months.

Piero said for the benefit of the Commissioners who were not here in 2004/2005 there was an agreement. As far as the Seconded Amended and Restated Recycled Water Agreement that the City of Victorville had with VVWRA, VVWRA was going to contribute to the building of the pipeline that was going to take water all the way to the property boundary line and then Victorville was going to pick it up. At the same time, that piping could be used by California Bio Mass (CBM, now called Athens Services) in order to use recycled water for their own operations. The City of Victorville never billed VVWRA for that portion of piping and has now alerted staff that money is owed that was approved by the Board five years ago. Commissioner Cox said he may have to abstain from the vote on this item. He asked Piero if Victorville staff approved this settlement agreement. Piero said he received an email from Mr. Lamson indicating that this was agreeable to the City of Victorville.

Chair Smith announced that a comment card was received from David Mueller. David said this issue is very serious to him. After reading the VVWRA Mission Statement, he said earlier today we discussed power generation and now Item 19 deals with the billing errors for reclaimed water. The timeline for the decisions and who those decisions benefit are not clear. Obviously, the Authority is reimbursing Victorville for something for their benefit only. He thinks any Commissioner would agree that the pipeline only benefits Victorville. The question is why VVWRA would reimburse Victorville for a pipeline that only benefits Victorville. Then they have the gall to come back with a settlement to apply those costs against their connection fee for Dr. Pepper? They pay only \$35 per acre foot plus pumping costs. Now they claim foul and that they were cheated for those overcharges because the power to pump their reclaimed water decreased over time. You pump water uphill sometime and then tell me how much it costs you to do it.

Mr. Mueller said the water ruling in the Barstow et al vs. Adelanto et al was made by Judge Kaiser in Riverside Superior Court and only his court could make decisions that related to its distribution. The Stipulated Agreement applies to all water sources including reclaimed water. Victorville has ignored or manipulated the 1996 court order over the disputed water rights outside of the Kaiser court. Judge Kaiser specifically warned all parties not to do so. Let's assume the courts through legal challenge whether the Authority has obtained rights to the water that would not satisfy Article 10, Section 2 of the California unreasonable use and diversion of water. The water will now be polluting the air as well as wasted permanently through evaporation through Victorville's illegal agreements. Finally, in relation to the equitable distribution of reclaimed water from VVWRA, in what decade can the other regional facilities be built to provide access to the same reclaimed water that would meet the common benefit of all? This carrot and stick approach along with the threat from Victorville of not financially supporting the subregionals has grown old. The Authority has identified Capital needs projected at \$170 million over the next 20 years to be allocated for the subregionals. We are still talking years here. Some design money has been allocated, but for many years we will not get the benefit of that reclaimed water for all. The City of Victorville needs to pay their fair share for the water they receive to the agency. Finally, insist on renegotiated prices and place limits on the quantity. It is \$461 an acre foot to purchase water. He did not make water a commodity, the MWA did.

Manager Olds said the distinction regarding the billing was that there are some elements of cost, but you do not necessarily need to rebuild the lower end of a pump every year or you don't have a motor that fails every year. That is why there is some fluctuation in the operations and maintenance cost every year.

The key concept is the fact that the \$280,000 is being considered credited against the capacity fee that would be charged should the sludge agreement move forward.

Piero said the pipe is one issue and the definition of pumping costs goes back to the Second Restated Recycled Water Agreement with the City of Victorville. Manager Olds said there is a provision and it is volumetrically based. Based on X amount of volume that is used, X amount will be charged as a pumping cost. In addition to that, there is also a fee associated with repair and replacement of the equipment and that has occurred over the five years. Just as we go through and annually review the cost of BOD and TSS for the treatment at our facility, we should have been doing it for this cost account as well. What happened is that in the first year this was put forward, it was set at the highest value and then it was never adjusted in subsequent years. Victorville brought this to our attention as part of the billing. We investigated it and then our staff prepared a comparison that showed what our actual cost was per the agreement and the actual discrepancy was \$27,000.

Piero said from a legal standpoint, we believe this money is owed to the City of Victorville. Now whether Victorville chooses to waive it or not is beyond our realm. For the pipe, there was an agreement and the Board approved the \$280,000 expenditure. What happened is that Victorville never billed VVWRA for it. Victorville at some point indicated that may also want to get interest on that amount, but we indicated that no interest was owed. Piero said if the interim sludge agreement is approved, the amount owed may be able to be applied against the amount of the connection fee owed by the City of Victorville under that agreement. Chair Smith said if there are no further questions he will entertain a motion.

Chair Smith made a motion to approve the proposed settlement for the reclaimed water billing dispute with the City of Victorville, which was seconded by Commissioner Rigney and approved by voice vote. Commissioner Cox abstained from the vote and requested a transcript of this item from the Board Secretary. There were some statements made that were totally false and it is unfortunate when such statements are made in public.

20. Recommendation to Award Contract for the Metering Stations Repairs Project: Chris Anthony asked the Board not to take action on this item today. He said this item will be brought back to the Board in June.

Chair Smith announced that Item 20 will be tabled until the June 17 Board meeting.

21. Authorization to Release Request for Proposals (RFP) for Design of Odor Control Bio-filter and Sewer Line Redesign for the Town of Apple Valley's South Interceptor: Manager Olds said we completed our preliminary analysis of the odor issues with the south Apple Valley interceptor. We received a proposal from the engineering firm that did the first phase and the Town of Apple Valley and VVWRA were of the belief that there was a concern about the dollar amount that was proposed. We would like to move forward with the recommendations that resulted from that study and release a Request for Proposals for the design services necessary to construct the bio-filter and to realign a portion of the interceptor. Chair Smith asked if it was correct that V & A Engineering will not get the design contract. Manager Olds said V & A can certainly submit a proposal, but they will only get the

contract if they submit the lowest bid. We had expected to receive a dollar amount that was significantly lower than what they proposed.

Commissioner Rigney made a motion to authorize a new Request for Proposals for the design of an odor control bio-filter and sewer line redesign for the Town of Apple Valley's south interceptor, which was seconded by Commissioner Cox and approved by unanimous voice vote.

22. Recommendation for Geographic Information System Implementation: Manager Olds reported that this item relates to the Sewer Master Plan and would like to ask Robert Coromina to address the Board on this item. Robert said Geographical Information System (GIS) layers data for roads, manholes, pumping stations and other types of things onto a geographical map. Manager Olds said the Sewer Master Plan provided preliminary information that doing this project in-house was beyond our abilities. Mr. Coromina has done a very good job of networking with the member agencies, who have agreed to provide the layers to VVWRA at no cost to be integrated into a Regional GIS. A third-party provider would be utilized at an expense of \$15,000 per year so we can maintain our regulatory compliance while providing the additional benefit of having reliable data associated with the O & M of our collection system which we do not have now. Robert said the annual cost would include the hosting cost. When researching various service providers, Novelle Systems continually came to the top of the list. They are offering to do all of the set up and all of the hosting and offer high availability and access to the data.

Manager Olds asked Robert to explain why Novelle is being recommended as a sole source provider. Robert said Novelle was the only provider that could offer high availability and they are willing to do the set up work for no cash outlay. It is a huge amount of data that has to be compiled on top of each other. The amount of equipment and processing power to do this is significant. Michael Samuels of Novelle Systems said his company is the GIS provider for the City of Hesperia and the Town of Apple Valley.

Commissioner Sagona made a motion to approve a professional services agreement with Novelle Systems, which was seconded by Commissioner Cox and approved by unanimous voice vote.

22a. Request from City of Adelanto to Send Raw Influent to VVWRA: On May 27, 2010, Manager Olds reported that in the handout folders there is a contract that is basically a revision of the existing one and it is based on the key principle that raw influent would be coming to VVWRA in the amount of 800,000 gallons per day. The second key element is that this was a short term condition and connection fees would not be charged. The contract term is a drop-dead 15 months. If an option to extend was included, then there is no reason to waive the connection fees. For 800,000 gallons per day, the connection fee is \$12 million dollars. He does not think that will necessarily happen if the Board is agreeable to moving forward. Also, it is his understanding that Adelanto is also in discussions with the Victorville facility. That may mean that we may only take flow from Adelanto for three or four months. Chair Smith asked if this agreement supersedes the last agreement with Adelanto. Manager Olds said he is always interested in generating additional revenue for VVWRA. This agreement terminates the prior agreement, but it does allow flows up to 1.1 MGD. The member agencies have rights and if for some reason Victorville needs to send us higher flows, the flow through the pipeline can be 1.2 MGD. Right now, Adelanto is asking to send 800,000 gallons per day. Victorville would have first right and then Adelanto would have to find another alternative. However if we could generate an additional \$200,000

in revenue, then by all means. Manager Olds said you have before you a redlined version and a clean version of the agreement. He said he would pay attention to the redline version, which shows changes from the existing agreement to the new agreement.

Chair Smith announced that a speaker card was received from Mr. David Mueller. David said he prepared a very lengthy letter that he would like to read to the Commissioners. He said Commissioner Cox said I did not know what I was talking about and that he did not know if I was in support or opposition of reclaimed water. This letter is in chronological order going back to the beginning of the Authority and the adjudication and the data came out of your minutes. Well if I do not know what I am talking about, then this Board does not know what it is talking about. The renewal of the reclaimed water contract with the City of Victorville is due this year. How is that going to be adjusted? Are we going to stay at \$35 an acre foot? There are some points to be aware of and it has to do with your budgeting and revenue. He said he does not believe you have accurate information on your flows. At the May 4 Victorville City Council meeting, Mr. Cox mentioned sharing the Adelanto pipeline. He said it runs right by us and we can save money. But it creates interesting problems for sorting out who owes what when comingling the cost of the reclaimed water billing.

David said in his opinion Adelanto and Victorville are dumping Lahontan compliance costs on VVWRA. Those user fees have to go up because they haven't been increased for years. Victorville and Adelanto need to pay their fair share. Water is \$5,250 an acre foot. That is an unreasonable amount to charge Victorville, but it is fair to charge market value to replace the water at \$461 an acre foot. Each Commissioner owes it to the City or Town they represent to get that cost in line. The spirit of cooperation within the Authority is admirable, but getting fleeced in the process makes you look like fools. The financial reports are difficult to read. In 2010 for Adelanto it shows there was 172 million gallons of flow. When he checked Adelanto's records, it shows 184 million gallons. In 2009, your report shows there was no flow, but they started service with you in August 2009. So, there are problems here with the accounting. Mr. Mueller handed his letter to the Board Secretary so that copies could be made for the Commissioners.

Manager Olds asked John Sponsler if he would like to comment on the draft agreement. John said he is happy with the agreement as written. Chair Smith asked if there is a way to read flow. Manager Olds said yes, each facility has its own meter. Of all flow meters, Magmeters are the most accurate but they are expensive. We have a third party do the flow metering and then we apportion the amount. Chair Smith asked if we can stop taking the flows from Adelanto with 10 days written notice. Manager Olds said yes. Piero said section 9 subsection b provides the grounds upon which VVWRA can terminate the flow. Manager Olds said at 800,000 gallons per day, the connection fee comes to \$12 million. The connection fee is paid once and then they would have that amount of capacity in perpetuity.

Commissioner Cox said based on discussions, on a temporary basis maybe there should be some kind of connection fee equivalency. Not \$12,244,898 to buy 800,000 gpd of capacity. Piero said the term of the agreement is 15 months. You certainly can make it shorter or longer as you wish to. If you think that is not temporary enough or that it is too permanent, that is something the Board can consider. Chair Smith said we want to be good neighbors. If \$12 million is the connection fee for life what would the fee for 15 months be? Manager Olds said it is a unique situation that must be very carefully

considered. Piero said once that connection fee is paid you will lose the ability to terminate flow in 10 days.

Dennis Cron said this has caught him off guard. He has no problem assisting Adelanto and we should help our neighbors. His question is how does this affect the MOU and our requirement to provide water? Piero said there is always a risk that the Department of Fish & Game (DFG) could claim that VVWRA has increased flow and therefore must increase their flow to the river. However, any claim by DFG would be extremely weak.

Commissioner Cox asked if it is possible to approve it subject to a technical review. Piero said yes it can be contingent upon the TACs review and approval to determine there are no impacts on the plant. Of course, the agreement would not be effective until then. There is always the risk that if anything comes up there would not be an agreement. Manager Olds said the agreement is also not effective until the next Adelanto Council meeting in the second week of June. The goal was to get it to the Commissioners as soon as possible. His impression is that Lahontan is looking at Adelanto to do something. If the Board were to approve it in concept, it would get some of the heat off Adelanto's back. The goal was to get the discussion going and we would be good neighbors by doing that. Piero said this agreement could be approved contingent upon discussion by staff and if the review by staff is positive then it could be finally approved. Commissioner Sagona said he would be happy to move that.

Chair Smith asked what the diameter of the pipe is. Manager Olds said the concrete cork will stay because Adelanto still does not have the right to discharge directly into our facility. The flow must go to Adelanto first and then be redirected to VVWRA and monitored. That way, the existing Adelanto Separation Agreement is still valid.

Commissioner Sagona made a motion to approve the agreement in concept, contingent upon review by the technical advisory committee, which was seconded by Commissioner Cox and approved by unanimous voice vote.

At 9:55 am. Chair Smith announced that after a short break the Board will re-enter into Closed Session.

STAFF/PROFESSIONAL SERVICES REPORTS:

On May 20, Manager Olds announced that he would be happy to answer any questions regarding the staff reports provided in the agenda package. The Commissioners asked no questions.

Manager Olds said he would like to advise the Commissioners of a new item relating to the City of Adelanto. He said he received multiple emails yesterday from the City of Adelanto. One of the emails requested our staff to go there to take a sample because they wanted to send us raw influent flows. Manager Olds said he placed a phone call and asked Adelanto not to do that. Then he got another email later on indicating that the City of Victorville was talking to the City of Adelanto and those discussions were not going to move forward and so they needed to send us flow as soon as possible. This is email exchange, which he does not consider formal. They want to send 800,000 gallons per day of raw influent for one year. He is asking what the Commissioners choose to do regarding a connection fee.

He informed Adelanto that the current user fee is \$2,100 per MGD, but it will go to \$2,600 per MGD on July 1, 2010. So, they would be subject to the same fees and charges as the member entities.

Manager Olds said as the Commissioners will recall, the City of Adelanto approached us in August of last year and began sending us flow in October/November of 2009. Piero said he would like to clarify that Manager Olds is just advising the Board of a recent development and there is no action to be taken. He is only apprising the Board about a recent situation. Commissioner Sagona asked if VVWRA has the capacity to take an additional 800,000 gallons of flow. Gilbert Perez said with the 14.5 MGD and 18 MGD expansions, there is sufficient capacity.

Manager Olds said he informed Adelanto that he would take this before the Board. He has no recommendation at this time and he would like direction from the Commissioners on how to proceed. He can prepare a formal document for the Commissioners to consider on May 27 and add this as a continued item on the agenda for the adjourned meeting. Piero said there would be 72 hours before May 27 to post an added item to the agenda. Chair Smith said Adelanto is not a member entity and they will use it for only 15 months. If we look at it as no diversion, is there enough capacity. Manager Olds said there are more unknowns than he is accustomed to dealing with. Adelanto's problem is that Lahontan is hammering them mercilessly. He will contact the City of Adelanto today and inform them that this item will be discussed on May 27. Piero said we will notice this item within 72 hours of that meeting. Commissioner Cox said if they have an urgent matter there is a gap that needs to be addressed.

- 23. Public Relations Update – April 2010:** Accepted as submitted.
- 24. Financial and Investment Report – March 2010:** Accepted as submitted.
- 25. Operations and Maintenance Report/Performance Efficiencies – April 2010:** Accepted as submitted.
- 26. Pretreatment and Interceptor Cleaning and Inspection Reports – April 2010:** Accepted as submitted.
- 27. Septage Receiving Facility Reports – April 2010:** Accepted as submitted.

AGENDA ITEMS FOR FUTURE MEETINGS:

Resolution to Approve and Adopt FY 2010-11 Budget (June)

Resolution to Approve FY 2010-11 Holiday Calendar (June)

Presentation on Groundwater Investigation Project by Vicki Kretsinger (July)

Presentation: Sanitary Sewer Master Plan, Modeling and Condition Assessment – RBF (August)

Resolution 2010-2: Adopt a Sewer Master Plan, Modeling and Condition Assessment

Prepared by RBF Consulting dated August 2009 (August)

Resolution to Adopt Amended VVWRA Conflict of Interest Code (September)

Resolution to Amend and Adopt 2010 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 17, 2010 - Regular Meeting of the Board of Commissioners

Tuesday, June 29, 2010 – Regular Meeting of the Board of Commissioners

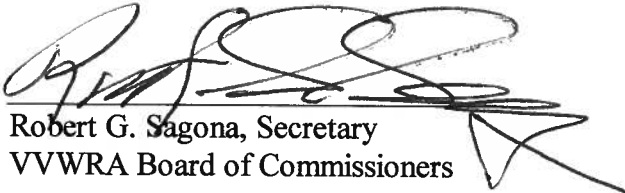
COMMISSIONER COMMENTS

ADJOURNMENT

On May 20, 2010, Chair Smith made a motion to adjourn the regular meeting until May 27, 2010, which was seconded by Commissioner Sagona and approved by unanimous voice vote.

APPROVAL:

DATE: _____
Approved by VVWRA Board

BY: 
Robert G. Sagona, Secretary
VVWRA Board of Commissioners