



**VALLEY COUNTY WATER DISTRICT  
MINUTES FOR THE MEETING OF THE CAPITAL IMPROVEMENTS & RATES COMMITTEE HELD  
THURSDAY, AUGUST 21, 2014**

**Committee Members Present:** Director Paul C. Hernandez, Chairperson  
Director Alfonso Contreras, Co-Chairperson

**Others Present:** Director Mariana Lake

**Staff Present:** General Manager – Lynda Noriega

**A. CALL TO ORDER**

The meeting of the Capital Improvements & Rates Committee held on Thursday, August 21 2014, was called to order at 6:30 pm by Director Hernandez.

**B. DISCUSSION/INFORMATION ITEMS**

**1. Review 2014/2015 DRAFT Capital Improvement and General Operating Budgets**

- General Manager stated that she felt it was important for the Capital Improvements & Rates Committee to convene to discuss the projected 2014/2015 Draft Capital Improvement and General Operating Budgets; reported that the 2014/2015 projected operating revenues were anticipated at \$6,859,765 and the projected operating expenses were anticipated at \$7,426,508, resulting in a \$566,743 deficit of net assets from operations; explained that beginning September 1, 2014, the District would be in year three of five with respect to the approved water rate adjustments; stated that the current drought conditions would have a significant impact on the operating expenses of the District; reported that since the Main San Gabriel Basin Watermaster (“Watermaster”) adopted an Operating Safe Yield of 150,000 acre-feet, the production rights of the District were reduced, effectively requiring the District to purchase additional replacement water; explained that the projected increase in operating expenses was approximately \$1,031,719
- Director Contreras asked if Upper San Gabriel Valley Municipal Water District (USGVMWD) had additional water rights available for purchase
- General Manager explained that the replacement water would be fulfilled as a pre-purchase from USGVMWD; added that the water was currently available; stated that once the proposed budget was approved by the Board of Directors, she would begin the process of requesting a pre-purchase of water from USGVMWD; continued with her review of the general operating budget and stated that the projected deficit for the 2014/2015 fiscal year would be subsidized through the reserve funds of the District; recommended that the District consider conducting a rate study in the event the drought conditions persist and the cost of available water supplies continues to rise; reported that it was anticipated that Watermaster would continue to lower the Operating Safe Yield in subsequent years
- Director Contreras asked how non-producing parties were affected by such a low Operating Safe Yield
- General Manager clarified that non-producing parties preferred a higher safe yield since a higher safe yield translated into additional production rights available for lease
- Director Hernandez inquired if filling the anticipated reservoir, assuming the construction was complete, would negatively impact the District due to the cost of purchasing the water and keeping it operational
- General Manger responded that the District would budget the cost of purchasing the water when the construction was complete
- Director Hernandez asked if the District should proceed with the project considering the drought conditions

- General Manager stated that the reservoir would assist the District with fire flow capabilities and emergency conditions, and would bring the water storage availability of the District in line with the recommended levels provided by Metropolitan Water District (MWD)
- Director Hernandez asked what the estimated cost would be for a new granular activated carbon (GAC) treatment system
- General Manager stated that a GAC treatment system would not remove perchlorate from the raw water; added that the estimated cost of a single pass ion exchange treatment system for the removal of perchlorate would cost between \$2 and \$4 million; reported that she and the Operations & Maintenance Manager recently spoke to the Cooperating Respondents (CRs) about the treatment of perchlorate since there was a high probability of detection in the near future; stated that the CRs have already agreed to pay the difference in cost in the event the District detects perchlorate and imports water directly from MWD; explained that the CRs have requested that the District consider converting the current GAC filtration system to treat for both volatile organic compounds (VOCs) and perchlorate; continued her review of the Capital Improvement Budget, including the purchase of a copy machine, installation of a supervisory control and data acquisition (SCADA) system, and site planning for the newly purchased properties; stated that the District has had some issues with transients on the property located at 5121 Lante Street; proposed demolishing the structure and installing permanent fencing to secure the property
- Director Contreras suggested utilizing the utility connections available within the current structure rather than demolishing the structure and installing a temporary power line; explained that this could yield some cost savings for the District
- Director Hernandez asked if the available capital improvement funding for the 2014/2015 fiscal year should be allocated to the conceptual design of the project given that the site improvements were not scheduled for a couple of years
- General Manager explained that since the property was purchased in 2013/2014 and not in 2014/2015 as originally scheduled, she and the Operations & Maintenance Manager were looking for items in which to allocate the available capital improvement funding, which would include the proposed site improvements
- Director Hernandez asked why the District was considering paving the new property
- General Manager clarified that only a portion of the property would be paved for access; explained that paving the entire lot would not be feasible until the conceptual site planning and utility locations were determined; stated that security and other liabilities would be a concern for the District
- Director Hernandez recommended that the District not install permanent security fencing until the conceptual site planning was complete
- Director Contreras stated that he did not want to spend District funds on temporary construction fencing that would be replaced by permanent material in the near future
- General Manager commented that the capital improvement budget served as a planning guide for the District; recommended leaving the capital improvement budget as presented and vetting the particulars of the individual projects throughout the year when actual proposals were presented; stated that the next line item in the capital improvement budget was Phase 4 of the Water Main Replacement Project; explained that the Operations & Maintenance Manager would begin field testing to determine the areas that needed replacement; stated that based on this assessment, the District would begin requesting engineering proposals and eventually construction bids; reported that there were three service trucks slated for replacement under the current vehicle replacement plan; reported that the Administrative Office upgrades would be reallocated to address the deterioration of the exterior facia and other structural improvements
- Director Contreras recalled that there had been some discussion regarding relocating the Administrative Office to the new property
  - General Manger stated that she made this suggestion prior to beginning the active discussions regarding the anticipated reservoir project; reported that at the time some of the members of the Board of Directors seemed interested in relocating the Administrative Office; stated that at this time moving would not be in the current plan based on available funding, which is why she has proposed to proceed with the building upgrades; recalled that Director Hernandez suggested to utilize the Architecture Department at Cal Poly Pomona for conceptual design efforts; commented that she planned on exploring this option as the project developed; continued with her report and stated that she also provided the capital improvement budget for the Baldwin Park Operable Unit (BPOU) Treatment Facility; added that these projects would be paid for the by the Cooperating Respondents under the BPOU Project Agreement; asked the Capital Improvements & Rates Committee how they wanted to

proceed in recommending the 2014/2015 Capital Improvement Budget for consideration by the Board of Directors

- Director Hernandez asked if the capital improvement budget and the general operating budget would undergo any further review prior to consideration by the Board of Directors at the meeting scheduled for Monday, August 25, 2014
- General Manager stated that the general operating budget was complete and had been recommended by the Finance Committee for approval by the Board of Directors
- Director Contreras stated that he would recommend the capital improvement budget provided that it was understood that each project would still require individual approval from the Board of Directors prior to implementation
- Director Hernandez concurred with Director Contreras
- The Capital Improvement & Rates Committee recommended to have the Board of Directors consider approval of the 2014/2015 Capital Improvement Budget with the understanding that each project would require individual approval from the Board of Directors prior to implementation

## 2. Other Business

- Director Contreras inquired about the difference between the projected year end revenue total for the 2013/2014 fiscal year and the proposed revenue budget for the 2014/2015 fiscal year
- General Manager stated that the projected year end revenue total was attributed to reimbursements from the CRs, which were realized as a result of the successful negotiations related to the treatment costs of the District
- Director Contreras asked if the District was anticipating a decrease in water sales based on the declaration of a Stage 1 Water Supply Emergency
- General Manager stated that this had been taken into account and was described within the budget analysis; stated that due to the scheduled rate increase, the District would normally anticipate an increase in overall revenue; added that this increase would be offset because of the anticipated decrease in water consumption prescribed by the water use restrictions; commented that the report submitted to the State Water Resources Control Board indicated that the District was producing less water this year when compared to last year
- Director Contreras inquired about the significant increase in the community relations budget
- General Manager stated that the District anticipated an increase in public outreach in order to effectively communicate the necessary water conservation measures; added that in 2013/2014, the District did more outreach than had been completed in previous years
- Director Hernandez requested to add the report submitted to the State Water Resources Control Board, including a three-year water production comparison, as a regular report item on the consent calendar
- General Manager stated that she would prepare and provide this information as requested

## C. ADJOURNMENT

The meeting of the Capital Improvements & Rates Committee held Thursday, August 21, 2014 was adjourned at 7:43 pm by Director Hernandez.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)