



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE CAPITAL IMPROVEMENTS & RATES COMMITTEE HELD
TUESDAY, OCTOBER 20, 2015**

Committee Members Present:

Vice President Paul C. Hernandez, Chairperson
President Alfonso Contreras, Co-Chairperson
Director Lenet Pacheco, Alternate Member

Staff Present:

General Manager, Lynda Noriega
Operations & Maintenance Manager, Tom Mortenson
Finance & Customer Service Manager, Jandy Macias

Others Present:

Director Mariana Lake
Director Margarita Vargas
Mr. William Tam – Interim City Manager/Director of Public Works, City Of Irwindale
Ms. Theresa Olivares, City of Irwindale
Ms. Marie Contreras, City Treasurer, City of Baldwin Park

A. CALL TO ORDER

The meeting of the Capital Improvements & Rates Committee held on Tuesday, October 20, 2015, was called to order at 5:42 pm by President Contreras. Alternate Member, Director Lenet Pacheco, participated in the absence of Vice President Hernandez. Vice President Hernandez arrived to the meeting at 5:43 pm and chaired the remainder of the meeting. Alternate Member, Director Lenet Pacheco, remained in the audience.

B. DISCUSSION/INFORMATION ITEMS

1. *Discuss the City of Irwindale Housing Project on Hidalgo Street as Related to the Installation of Fire Protection Facilities*
 - General Manager stated that the Capital Improvements & Rates Committee last met with representatives from the City of Irwindale on Tuesday, August 18, 2015 to discuss options and alternatives for completing the required infrastructure upgrades for the City of Irwindale housing project on Hidalgo Street; reported that the City of Irwindale was not able to achieve the required fire flow availability with the current infrastructure, and therefore the City of Irwindale was not able to obtain a building permit to complete the project construction; commented that the City of Irwindale obtained an engineer's estimate from the District for the necessary upgrades, to which they requested that the District consider allowing them to only upgrade the portions of the entire project that would allow them to obtain adequate fire flow availability; reviewed that the policy of the District remained that any developer, whether public or private, be required to upgrade all of the infrastructure in the immediate area; commented that the committee members requested that the General Manager and Operations & Maintenance Manager continue to work with the representatives of the City of Irwindale to discuss potential alternatives that could possibly benefit both agencies
 - Operations & Maintenance Manager reported that Hidalgo Street was a small cul-de-sac off of Irwindale Avenue south of Arrow Highway; explained that the complete project included replacing 500 feet of ductile iron pipe, which based on an engineer's estimate totaled \$130,075; stated that in working with the representatives of the City of Irwindale, it was determined that only 350 feet of ductile iron pipe would need to be replaced up to the point of the fire hydrant installation, which based on an engineer's estimate totaled \$108,000; reviewed the original request provided by the City of Irwindale to fund and install an 8" mainline up to the point of the fire

hydrant installation, deferring all other infrastructure upgrades to a later date; reiterated that the committee members did not consent to the request from the City of Irwindale

- General Manager reported that the installation of only the necessary linear feet of pipe and the fire hydrant was estimated to cost approximately \$55,000; stated that the complete job, which was what the District wanted as the finished product, was estimated at \$130,075; calculated the difference to be approximately \$75,075; explained that continued discussions with the representatives of the City of Irwindale explored options of having the City of Irwindale fund \$55,000 to complete only the required infrastructure upgrades to achieve the desired fire flow availability, then within a term of five years fund the remaining \$75,075 to complete the remaining infrastructure upgrades; stated that in addition to the proposed alternative from the City of Irwindale, the District proposed that the City of Irwindale fund \$55,000 to complete only the necessary upgrades to achieve the desired fire flow availability and that the District concurrently fund \$75,075 to complete the remaining infrastructure upgrades in order to have the job fully completed under one contract; added that the proposal from the District also included having the City of Irwindale agree to repay the \$75,075 within a term of five years; stated that the District also requested that the City of Irwindale consider a separate agreement that would guarantee the District with the lease of their available water rights for a term of five years
- Mr. William Tam explained that an agreement concerning the water rights with the City of Irwindale would need to be considered by the members of City Council; added that the agreement pertaining to the housing project would need to be considered by the Housing Authority; commented that he felt the District and the City of Irwindale always maintained a positive working relationship; stated that it was his opinion that if the terms and conditions could be mutually accepted, there would be enough support from the City Council and the Housing Authority to approve the agreements; expressed concern about how the terms and conditions related to the water rights lease would be determined; commented that the City of Irwindale typically bid out the lease opportunity in an effort to maximize the earnings for the City of Irwindale; asked how the District planned to determine and calculate the total lease payable to the City of Irwindale
- President Contreras confirmed that the City of Irwindale typically issued a notice inviting bids for the annual lease of the available water rights to all of the water agencies; commented that the proposal to guarantee the lease of the water rights to the District could be presented to the City of Irwindale City Council as a win-win for both agencies; added that with an agreement like this, both agencies would be able to achieve their end goals; explained that water rates could fluctuate over a period of five years, especially if the predicted rain with El Niño arrived
- General Manager explained that the best alternative for structuring an agreement for the lease of available water rights would be to base the total cost on a fixed percentage of the cost per acre foot of cyclic storage provided by the Main San Gabriel Basin Watermaster (Watermaster) as opposed to a fixed amount per acre foot; explained that this pricing mechanism would still provide the City of Irwindale with fair market value for their available water rights in the event the cost of water fluctuated
- Vice President Hernandez commented that he believed the discussed structure of the potential agreements was favorable for both agencies; requested clarification on whether the District would be leasing all of the rights available to the City of Irwindale or just a portion of them
- General Manager responded that the District would seek to lease 100% of their available rights on an annual basis
- Vice President Hernandez asked what their available rights amounted to on an annual basis and questioned whether or not a portion could be leased to the District and the remaining portion could be bid out to other water agencies
- General Manager commented that the available water rights fluctuated on an annual basis as determined by the approved Operating Safe Yield (OSY) set by Watermaster; added that this year the City of Irwindale had an entitlement of approximately 220 acre feet with an approved OSY of 150,000 acre feet
- Vice President Hernandez agreed with finding a mutual benchmark to price the potential lease; stated that this was an honest approach that would provide the City of Irwindale with fair market value for their water rights; added that leasing the water rights would help the District with its water supply costs; commented that a period of five years seemed reasonable when considering the cost and the potential cost fluctuations
- Mr. Tam reported that over the past five years, the City of Irwindale received bids equivalent to a range of 93% to 95% of the current water rate; questioned if the District would be willing to consider this range within the potential agreement

- General Manager stated that the District would request documentation from the City of Irwindale to substantiate the range of 93% to 95%; explained that if this was what the City of Irwindale received, she would recommend that the Board of Directors consider it as part of the potential agreement; commented that leased rights were not readily available and were at a premium; reported that in previous years the bids submitted by the District were below the 93% mark
- Vice President Hernandez asked if the 93% to 95% range would keep the District within its reasonable range of anticipated costs
- General Manager confirmed that it would be what the District could expect to receive on the lease market if the rights were available from other agencies; stated that formal agreements would need to be prepared to address both situations – 1) Agreement between the City of Irwindale Housing Authority and the District for the infrastructure upgrades, and 2) Agreement between the City of Irwindale and the District for the guarantee of the lease of water rights; explained that she would recommend that General Counsel for the District prepare the agreement for the lease of water rights and the City of Irwindale Counsel prepare the agreement for the infrastructure upgrades
- Mr. Tam stated that there would definitely be an agreement between the City of Irwindale Housing Authority and the District for the infrastructure upgrades; commented that the agreement between the City of Irwindale and the District for the lease of water rights was only a potential agreement; reported that the City of Irwindale had previously been approached by another water agency regarding a long term lease of the available City of Irwindale water rights; added that the water agency was willing to secure the lease with upfront cash resources; commented that he assumed the District was using the agreement with the City of Irwindale Housing Authority as the component to secure the water rights lease
- President Contreras stated that the discussions facilitated by the General Manager was what the District was proposing; added that he was not in the position to deprive the City of Irwindale of obtaining any available cash resources to achieve the necessary cash flow to complete their projects; explained that at the previous committee meeting the representatives of the City of Irwindale stated that the project did not have the required funding to complete the infrastructure upgrades; added that if the City of Irwindale wanted to pursue other options for lease of their water rights, then the District would revert back to its original request of having all infrastructure on Hidalgo Street upgraded
- Mr. Tam reviewed that the first agreement between the City of Irwindale Housing Authority and the District would be for the City of Irwindale to fund \$55,000 to complete only the necessary upgrades to achieve the desired fire flow availability and that the District concurrently fund \$75,075 to complete the remaining infrastructure upgrades in order to have the job fully completed under one contract; added that the proposal from the District also included having the City of Irwindale agree to repay the \$75,075 within a term of five years; asked if this agreement would be contingent on the separate agreement between District the City of Irwindale guaranteeing the District with the lease of available water rights for a term of five years
- General Manager responded that the agreements would have to be executed concurrently in order for the District to effectively manage its cash flow and fund the remaining portion of the pipeline improvements on Hidalgo Street
- Vice President Hernandez confirmed that the agreements would be separate but tied together
- Mr. Tam asked if the Board of Directors would consider a “buy-out” clause in the event the City of Irwindale was able to secure a higher lease amount than what the District agreed to pay
- President Contreras responded that once the agencies have entered into an agreement, both would be held accountable to the agreed terms and conditions
- Vice President Hernandez asked how many water rights would be used by the District on an annual basis if the District secured a lease of all available water rights from the City of Irwindale
- General Manager responded that any leased water rights would be used; explained that the District needed to acquire as many rights throughout the year in order to meet its replacement water obligation; added that on average, the water rights from the City of Irwindale ranged between 357 acre feet and 220 acre feet
- Vice President Hernandez commented that there were always options for structuring buy-out clauses within agreements; stated that he expected to have an agreement that lasted for five years; added that if the agreement was for a lesser period, he would expect that the District would be made whole for the infrastructure upgrades and compensated for the difference in cost realized by the District for having to secure other water rights on the private market; explained that all of these points were negotiable; commented that buy-out clauses were typically included in agreements because one party was able to secure a better deal elsewhere; stated that he

would consider a minimum of a two year lease on the water rights before the City of Irwindale would be able to buy-out the contract

- General Manager commented on the information provided by Mr. Tam with respect to the water agency offering cash upfront for a long term lease of the available water rights; explained that this lease agreement structure included more inherent risk for the City of Irwindale; commented that cash upfront would be a one-time payment for the water rights lease, which would not provide for additional cash resources if the price of water fluctuated; explained that the District was willing to structure an agreement that considered the price fluctuations, offering the City of Irwindale full market value for their available rights on an annual basis
- President Contreras commented that the purpose of the agreement would be for the District to secure the necessary water rights to continue to operate; explained that the District was constantly looking for available water rights from other agencies
- Mr. Tam commented that he would appreciate any assistance from the District in presenting the information to the City of Irwindale City Council; stated that he could not see the math working out as described by the District; added that the City of Irwindale was only asking the District to assist with \$75,075
- General Manager commented that the District would still pay the full amount for the lease; added that the rights would be transferred at full market value, and the District would be paying the City of Irwindale full market value for the lease
- Vice President Hernandez stated that the lease of available water rights would allow the District to free up its available cash flow to assist in funding the requested infrastructure upgrades; explained that the District and the members of the Board of Directors were very proactive in ensuring that the capital improvement projects identified were completed based on the proposed schedule
- Mr. Tam repeated that the minimum term considered by the District would be five years with an optional buy-out in two years
- General Manager explained that the District could purchase 220 acre feet of water for \$148,000; stated that if the lease agreement with the City of Irwindale was executed at 93%, the cost to the District would be approximately \$138,000, a difference of approximately \$10,000; stated that the City of Irwindale was asking the District to fund \$75,075
- Vice President Hernandez added that the larger benefit would be realized by the City of Irwindale, both in the short term with the completion of the Hidalgo Housing Project and in the long term with sustainable water rates for the residents of the City of Irwindale
- Mr. Tam stated that he would use this information when presenting the proposal to the City of Irwindale City Council
- General Manager offered to attend the meeting of the City of Irwindale City Council and/or the meeting of the Housing Authority; added that management within the District had changed, and the District was always looking for opportunities to build a positive working relationship with the City of Irwindale
- Capital Improvements & Rates Committee consented to wait for the City of Irwindale to respond with their position until after discussing the information with the City of Irwindale City Council and Housing Authority

2. Discuss the 2015/2016 Pipeline Replacement Project – Puente Area Phase 4

- General Manager reported that the Operations & Maintenance Manager met with Civittec Engineering to review and discuss the potential pipeline replacements within the Puente Area as part of the 2015/2016 pipeline replacement project; used the enlarged exhibit to identify the pipelines already replaced as part of the phased approach to upgrading the pipeline infrastructure in and around the Puente Avenue area; added that the exhibit also identified the pipelines that were recommended for replacement within the 2015/2016 fiscal year; reported that an approximate total of 4,625 linear feet would be replaced as part of the project; explained that this total was greater than the average length of pipe that would be replaced in one year by the District; commented that during the budgeting process, the Board of Directors decided to add additional funding to the pipeline replacement program since the pipeline replacements in the 2014/2015 fiscal year were limited; reported that if all projects were approved, the District would invest approximately \$750,000 in pipeline replacements for the 2015/2016 fiscal year
- Operations & Maintenance Manager reviewed the enlarged map exhibit; explained that the District's approach to all pipeline replacement projects has been to complete all of the necessary upgrades in specific areas prior to focusing on another area; explained that the replacements were prioritized based on age and pipe size; commented that the pipes were in really great shape considering their age; stated that the pipeline replacements

were not being recommended because of maintenance issues, but rather because of their size and flow restrictions; added that based on the engineer's estimate, the total cost of the pipeline projects would be approximately \$750,000

- President Contreras expressed concern for the residents who lived in the areas where the District would be working in the street; asked how long the residents could expect the District to be working in the street
- Operations & Maintenance Manager stated that the residents could expect the District to be working in the area for approximately four to six weeks; stated that when the District worked on a project that spanned more than one day, everything would be secured and cleaned up by the end of the work shift; added that the District would not block the drive-ways or any other approaches that were used by the residents; explained that the District would notify the residents regarding the construction and would remain available to speak with anyone regarding the progress of the project
- President Contreras appreciated that the District would take the necessary steps to notify the residents of the construction; stated that he preferred for the District to work in one specific area until the construction was completed, then move on to the next area
- Operations & Maintenance Manager stated that all of the recommended pipeline replacements would be completed in four separate jobs
- Vice President Hernandez stated that when the Water Master Planning efforts were completed, the District estimated that approximately 2,800 linear feet would be replaced within the 2015/2016 fiscal year; commented that the proposal from Civiltec Engineering was to replace 4,625 linear feet, which was almost double; questioned what changed in order to allow the District to replace additional linear feet
- General Manager responded that during the District Water Master Planning efforts, Civiltec Engineering prepared cost estimates for the recommended pipeline improvements based on a derived cost per linear foot; added that during the bidding process for the 2014/2015 pipeline improvement projects, the cost submitted by E&R Construction was substantially less than the original cost estimate; stated that the lower anticipated cost allowed for additional pipeline replacements within the 2015/2016 fiscal year; added that the project would be presented to the Board of Directors in two separate phases; stated that the first phase included the professional engineering services for the design of the improvements, which was currently being discussed for potential recommendation to the Board of Directors; explained that the second phase would be for the Board of Directors to consider an award of contract after receiving qualified bids from contractors for the construction
- Vice President Hernandez commented that he appreciated that the District continued to stay on task with the pipeline replacement projects; stated that he was pleased with the possibility of realizing a lower cost per linear foot and being able to complete additional pipeline replacements
- Capital Improvements & Rates Committee consented to recommend the proposal from Civiltec Engineering to the Board of Directors for consideration at the meeting scheduled for Monday, October 26, 2015

3. *Discuss the Proposed Utility Billing Statement and Incode Custom Bill Form Proposal*

- Reviewed the information provided in the agenda packet, including the current version of the utility billing statement and the proposed version of utility billing statement; explained that the current version of the utility billing statement was very generic and did not include detailed information pertaining to the account activity or water usage; stated that she and the Finance & Customer Service Manager collaborated to revise the utility billing statement to include detailed information related to the account activity and to provide comparisons relative to the water usage on the account; commented that the proposed utility billing statement also highlighted all of the payment options that were offered by the District, including credit card, credit card by phone, auto draft, online, and check by mail; added that one of the most important improvements to the proposed utility billing statement was the breakdown of the water charges being billed to the customer, including the breakdown of the billing in relation to the tiered structure; reviewed how the customer consumption information would be outlined within the context of the utility billing statement, including conversions from 100 cubic feet to gallons; stated that converting the units billed into gallons would provide the customers with a better understanding of their water usage
- President Contreras commented on the breakdown of the tiered structure displayed on the proposed utility bill; stated that he was glad that the tiered structure and the applicable water charges would be outlined on the statement; added that he preferred using "Meter Number" instead of "Serial Number"; explained that a meter was used to measure the water usage, so it was appropriate to identify the meter by "Meter Number"; added that "Meter Number" and "Serial Number" could possibly be two different numbers

- Operations & Maintenance Manager explained that when meters were purchased, they were identified with a serial number; stated that “Meter Number” and “Serial Number” could be interchangeable
- President Contreras requested that the graph shown on proposed utility bill also include an additional year of usage activity so the customer could see their actual water usage over a longer period of time; commented that this would show whether or not a true reduction in water usage was realized
- Finance & Customer Service Manager clarified that President Contreras requested that the additional year only include the same billing period for comparative purposes
- President Contreras confirmed that this was his request
- Vice President Hernandez referred to the outlined account activity line items included as part of the proposed utility bill; asked if this information would be displayed on every print-out or only if charges were incurred; stated that he preferred that those line items not be visible unless the customer was charged the corresponding fee
- General Manager explained that the proposed utility bill would be programmed as a form overlay within the Incode system; added that the line items would be displayed every time the form was printed
- Vice President Hernandez commented on the size of the font being used in the template; requested that the font be enlarged when the programming was completed
- General Manager responded that the template was just a draft; agreed that the font was too small for the billing statement; added that she would work with Incode to enlarge the font during the programming and implementation phase
- President Contreras stated that the District accepted Visa, MasterCard, American Express, and Discover; asked how the customer would indicate what type of card they intended to use if paying my credit card on the statement
- Finance & Customer Manager explained that Visa, MasterCard, and Discover accounts had sixteen digits; added that the District would be able to process those accounts through the Incode cash collections system; stated that American Express accounts only had fifteen digits
- General Manager responded that the Incode system did not require the operator to indicate the type of credit card being used; added that the Incode system recognized credit cards based on the credit card account number
- Vice President Hernandez stated that the first four digits of the credit card account number identify the credit card type
- General Manager reviewed the cost proposal provided by Tyler Technologies; stated that the total cost for all required licenses and programming fees was a one-time investment of \$11,600.00; added that the annual maintenance expense for the form support and maintenance would be \$2,150.00; explained that with the addition of the new utility billing form, the annual maintenance expense for the outdated utility billing form would be removed, which currently totaled approximately \$1,000.00; stated that the annual net cost to the District would be approximately \$1,150.00
- President Contreras clarified that the \$11,600.00 was a one time fee that would be paid by the District; commented that moving forward the District would be required to pay an additional \$1,150.00 to maintain the form, which was approximately \$3.00 per day; explained that he viewed this as a positive because the customers would be provided more information about their account and water usage than they were currently receiving
- Vice President Hernandez commented on the language being used on the proposed utility billing statement with respect to the comparisons made for water usage; requested that the General Manager and Finance & Customer Service Manager use alternative language for “Previous Year” and “Current Year”
- Capital Improvements & Rates Committee consented to recommend the proposed utility billing statement and Incode custom bill form proposal to the Board of Directors for consideration at the meeting scheduled for Monday, November 9, 2015

4. *Update on other 2015/2016 Capital Improvement Projects*

- General Manager stated that at a previous meeting of the Board of Directors, there was a request for an update pertaining to the schedule and progress on the reservoir storage project and the Operations Headquarters improvements; reported that she and the Operations & Maintenance Manager met with Civiltec Engineering to review the approved 2015/2016 Capital Improvement Budget; reviewed that the District was scheduled to complete the projects identified as “Reservoir Storage Project – Clinton O. Nixon Booster Pump Station (Design, Bid, Contract)” and “Operations Headquarters – 15250 Arrow Highway Planning and Improvements Projects” within the 2015/2016 fiscal year; added that with regards to the reservoir storage project, the District would not be engaging in any construction, but rather would be investing time in the planning, designing, and bidding the

Clinton O. Nixon Booster Pump Station; referred to the capital improvement schedule developed as part of the Water Master Planning efforts completed in 2014; stated that the District was on schedule with the 7-year plan; explained that the goal of the current Board of Directors was to continue to fund the improvements as they took place rather than acquire debt; commented that based on the 7-year plan, she believed this would be achievable

- Operations & Maintenance Manager reported that the Clinton O. Nixon East Well served as a well and a booster pump station – pumping the water from the ground, then boosting it directly into the distribution system; stated that there was nothing wrong with operating this way, but mentioned that it limited the ability of the District to alter operations, if needed; explained that a better way of operating would be for the Clinton O. Nixon East Well to pump directly to the storage tanks and fluctuate flow based on the reservoir water level set-point; added that the booster pumps would then operate based on system demand and pressure
- Vice President Hernandez thanked the General Manager and Operations & Maintenance Manager for their reports; stated that he was pleased that management was sticking with the plan that was approved by the Board of Directors for implementing the capital improvement projects
- President Contreras expressed concern regarding the use of one engineering firm to complete the design work; questioned why Civiltec Engineering was the only engineering firm being considered; stated that this was something that the District could be questioned on in the future
- General Manager responded that Civiltec Engineering was the retained District engineer; added that Civiltec Engineering maintained all of the system computer models, plant design drawings, and operations configurations; explained that the District approved a contract with Civiltec Engineering to complete general engineering requests for minor system improvements and maintenance; stated that the contract outlined that any large projects proposed by the District for completion would need to be approved by the Board of Directors; stated that separate bids for the scope of work to be completed could be obtained if preferred by the Board of Directors; explained that if separate proposals were requested from other engineering firms, the cost to the District would be higher and the time frame for completion would need to be expanded; reported that the District would then need to work with Civiltec Engineering to get all of the District information transferred to the alternate engineering firm
- Operations & Maintenance Manager stated that he agreed with the General Manager; added that the construction portion of the project would be bid to a number of contractors
- President Contreras commented that he understood that the policy of the District was to obtain three bids for professional services; thanked the General Manager and the Operations & Maintenance Manager for their clarifications; stated that he did not want to breach any of the District policies
- General Manager stated that the Civiltec Engineering contract retaining them as the District Engineer was considered and approved by the Board of Directors in 2013/2014; added that Civiltec Engineering would be preparing the proposal for the Reservoir Storage Project – Clinton O. Nixon Booster Pump Station for consideration by the Board of Directors; commented that the other project slated for the 2015/2016 fiscal year was the Operations Headquarters – 15250 Arrow Highway Planning and Improvements; referred to the conceptual layout completed by Civiltec Engineering; explained that the plan was still conceptual and provided the District with a resource for planning some of the minor improvements to be completed within the 2015/2016 fiscal year, such as security fencing, access paving, and utilities; noted that she believed it was prudent for the District to plan based on consolidating the Administrative Offices with the Operations Offices in the event things ideas, plans, or other things changed; stated that it would be important to have a conceptual layout that could accommodate all of the District functions and employees; added that the conceptual space plan as designed provided the appropriate space and work areas; reported that the size and layout could be reduced once the District entered into the final design phase
- Operations & Maintenance Manager commented that he understood that the layout as designed was too large for just the Operations employees; stated that it provided a footprint for how the facility would be structured; reviewed the access points for the facility; explained that a block wall along with wrought iron fencing would surround the entire property; outlined the area for installing the water main and water utilities, which would be completed by District employees; showed where the surveying, grading, and paving would be completed on the property to provide appropriate access
- Vice President Hernandez requested information regarding the proximity of residences to the District property
- Operations & Maintenance Manager stated that there were residences on the north and south side of the District property and then sporadically lined on Lante Street

- President Contreras requested that the garages be constructed to include thru access in both directions to avoid potential safety hazards and accidents associated with moving in reverse

5. *Other Business*

- Capital Improvements & Rates Committee consented that there was no Other Business to discuss.

C. **ADJOURNMENT**

The meeting of the Capital Improvements & Rates Committee held Tuesday, October 20, 2015 was adjourned at 7:13 pm by Vice President Hernandez.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)