



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE CAPITAL IMPROVEMENTS & RATES COMMITTEE HELD
THURSDAY, APRIL 24, 2014**

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

Staff Present: General Manager – Lynda Noriega
Operations & Maintenance Manager – Tom Mortenson

The regular meeting of the Capital Improvements & Rates Committee Meeting held on Thursday, April 24, 2014 was called to order at 6:02 pm by Director Hernandez.

1. Finalize DRAFT 2013 Water Master Plan and DRAFT Capital Improvement Project Priority List

- General Manager stated that the Committee reviewed the Draft 2013 Water Master Plan at the previous meeting and requested that the General Manager and the Operations & Maintenance Manager identify the areas requiring pipeline replacements and prioritize those areas based on pressure and fire flow requirements using the charts provided in the 2013 Water Master Plan; identified that the Puente Avenue Area, including Baldwin Park High School and Central Elementary School, did not meet the minimum fire flow requirements and therefore received the highest priority; recommended addressing the individual pipeline replacement recommendations, including Walnut Elementary School, prior to completing the larger areas, such as the Arrow Area and the Baldwin Corridor Area, which would take several years to complete
- Director Contreras asked if the District had already started work on the Puente Avenue Area pipeline replacement projects
- General Manager confirmed that the District completed the first two phases of pipeline replacements in the area and added that the third phase, identified as Navilla Place and Chetney Drive, was currently out to bid for completion within the current fiscal year
- Director Contreras expressed concern about the projected annual budget amounts; inquired about the amount of reserve funding needed to complete the anticipated capital improvement projects, which totaled more than \$18.5 million; stated that he would prefer to preserve the reserve funding of the District and utilize annual revenues from water sales for capital improvement projects; asked staff to prioritize the proposed projects in a way that would defer them until absolutely necessary in an effort to mitigate the use of reserve funding
- Operations & Maintenance Manager commented that the projects could be prioritized differently; added that it would depend on whether or not progress was made on the proposed reservoir project as part of the capital improvement project program
- Director Contreras asked if the Big Dalton Avenue property could be utilized to pump water rather than the District moving forward with the land acquisition for the reservoir project
- General Manager stated that she and the Operations & Maintenance Manager discussed potential uses for the Big Dalton Avenue property; explained that the site currently had an inactive well on it
- Operations & Maintenance Manager added that utilizing the Big Dalton Avenue facility would not solve the storage issue of the District
- Director Hernandez commented that he believed making the Big Dalton well operational would be costly to the District

- Operations & Maintenance Manager clarified that any cost related to fixing the facility would be the responsibility of the District; added that the District did not have an agreement in place for which the Cooperating Respondents would contribute to the costs incurred
- General Manager added that in order to reactive the Big Dalton well, a source water assessment would be required and treatment for volatile organic compounds and perchlorate would more than likely be required; commented that treatment for perchlorate would be costly to the District; explained that the need for reactivating this well was not a priority since the District was able to meet system water demands with its four active wells; added that additional benefits of operating the four active wells included the reimbursement of operations and maintenance expenses related to treatment of the source water by the Cooperating Respondents, effectively reducing the cost to the District; discussed the reserve funds of the District; clarified that reserve funds were intended to aid the District in the event of a major emergency; added that the most financially burdensome event would be the loss of one or more of the wells; explained that losing one or more of the wells would require the District to import water from Metropolitan Water District, which could be costly
- Director Hernandez requested to discuss how the current rate structure would impact the reserve levels; asked how the District intended to utilize the funds collected for completion of the prioritized capital improvement projects; suggested establishing a reserve policy as part of a systematic long range plan
- Director Contreras suggested grouping the various pipeline replacement projects by area in order to be more cost effective
- Operations & Maintenance Manager stated that the District has been in constant communication with the City of Baldwin Park, the City of Irwindale, and other utility agencies in order to be more cost effective with respect to ongoing construction and maintenance projects
- Director Hernandez requested an explanation of the proposal provided by Tesco in the agenda packet regarding the Supervisory Control and Data Acquisition (SCADA) telemetry upgrade
- Operations & Maintenance Manager reviewed the available options for SCADA telemetry in terms of implementation and cost
- General Manager asked the Operations & Maintenance Manager to elaborate on the anticipated benefits of the SCADA telemetry system
- Operations & Maintenance Manager explained that if the District were to move forward with a SCADA telemetry system it would be required to proceed with Tesco based on their previous equipment control installations at the Clinton O. Nixon Pump Facility and the Maine Street Pump Facility; stated that a SCADA system would allow the District to monitor the system, operate the pumps based on demands in the system, gauge trends from automated charts, and operate the system remotely
- Director Contreras asked if the District was violating the Administrative Code by not releasing a request for proposal for the purchase of the equipment
- Operations & Maintenance Manager explained that these types of systems were often proprietary; added that the District already utilizes Tesco communications equipment at its pump facilities
- General Manager stated that when the upgrade of the logic controllers was completed at the Clinton O. Nixon Pump Facility and the Maine Street Pump Facility, a request for proposal was completed; stated that she would review the issue with General Counsel once it was determined that the District would proceed with the purchase of the additional logic controllers and communication systems
- Director Hernandez recommended to fund the complete SCADA system in one year rather than completing it piecemeal; requested how to proceed with recommending the items to the Board of Directors
- General Manager suggested that the Committee recommend adoption of the 2013 Water Master Plan to the Board of Directors; suggested that the Committee also recommend adoption of the Capital Improvement Project Priority List developed from the 2013 Water Master Plan to serve as a strategic planning guide in the capital improvement program budgeting process
- Director Hernandez stated that the 2013 Water Master Plan would also serve as a project reference guide for the customers

- General Manager thanked the committee for their contributions to the completion of the 2013 Water Master Plan; stated that once adopted the 2013 Water Master Plan would facilitate planning and moving forward with capital improvement projects
- Director Hernandez, on behalf of the Committee, recommended adoption of the 2013 Water Master Plan and recommended adoption of the Capital Improvement Project Priority List developed from the 2013 Water Master Plan to serve as a strategic planning guide in the capital improvement program budgeting process to the Board of Directors; confirmed that the Committee consented to the proposed recommendations

2. Discuss Current Water Utility Rates and Fees

- Director Hernandez stated that he requested for the Committee to discuss the current rates and fees structure based on the upcoming rate adjustment scheduled for September 2014; requested information on the purpose of the rate increase
- Director Contreras requested that the General Manager review the community presence and actions at the hosted public hearing when the rate increase was approved
- General Manager stated that there was a minor protest to the rate increase, both in written form and in attendance to the public hearing; estimated that there were about 15 people in attendance; stated that she gave a presentation regarding the proposed rate increase; added that the Board of Directors allowed for open discussions amongst the public present based on the small amount of people in attendance; explained that once the question and comment period concluded, the members of the Board of Directors discussed the proposed rate adjustment and a majority voted to adopt the rate structure as presented; stated that the public hearing was hosted at the City of Baldwin Park Arts and Recreation Center in order to accommodate the anticipated larger than normal audience
- Director Contreras stated that he was present at the hearing; recalled that although the percentage seemed high, the effect on the customer bill was small
- Director Hernandez stated that it was his understanding that a majority of the revenues from the rate increase were meant to fund the reservoir project
- General Manager stated that she disagreed with the notion that the revenues from the rate increase were primarily dedicated to the reservoir project; stated that the previous General Manager conducted a rate study based on the replacement water assessments, which increased from \$251.00 per acre foot in 2010 to \$773.00 per acre foot in 2014, more than 300%; explained that the cost associated with replacement water assessments represents nearly 1/3 of the current budget; attributed a majority of the rate increase to the increased cost of replacement water assessments, the installation of a new financial management system, and the proposed reservoir project, collectively
- Director Contreras clarified that there was never a specific percentage of the rate increase revenues dedicated to the reservoir project
- General Manager recalled that the previous members of the Board of Directors had intended to debt-finance the reservoir project; added that the City of Irwindale had been pushing for a timely purchase of their property; stated that the previous rate structure would not have supported the level of anticipated debt-financing coverage ratios
- Director Hernandez stated that the Long Range Financial Plan approved in 2012 indicated that the District could take on \$9.5 million in debt; inquired if the District has taken on any debt since the adoption of this report
- General Manager stated that the District did not have any debt liabilities; clarified that the District has self-funded all projects to date and has no debt liabilities; added that she would prefer to continue operations with this method of financing
- Director Hernandez asked the General Manager if she anticipated needing an additional rate increase considering the proposed assessment increases
- General Manager stated that considering the proposed increase in replacement water assessments, the proposed decrease in the operating safe yield, the proposed increase in the San Gabriel Basin Water Quality Authority assessments, and the proposed increase in the Upper San Gabriel Valley Municipal

Water District rate structure, the District could be faced with a \$1 million increase in expenses for the upcoming 2014/2015 fiscal year; explained that the current rate structure could support the anticipated increase in expenses, but added that it would require the District to reconsider its capital improvement program

- Director Hernandez asked for a survey of water rates for the local water agencies
- General Manager stated that she would also provide the presentation given at the public hearing for the rate increase

3. Other Business

- Director Hernandez requested to discuss the possibility of structuring low-income rate program
- Director Contreras stated that based on his experience in working with the water agencies for over 20 years, it was his believe that a low-income rate program would come at the expense of the other rate payers

The regular meeting of the Capital Improvements & Rates Committee held Thursday, April 24, 2014 was adjourned at 7:12 pm by Director Hernandez.

SIGNED:



President of the Board of Directors

ATTEST:



Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)