

**MINUTES OF A REGULAR MEETING
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWVRA)
July 19, 2018**

CALL TO ORDER: Chair Larry Bird called the meeting to order at 8:01 am; in Conference Room D at Victorville City Hall, located at 14343 Civic Drive, Victorville California, with the following members present:

**CITY OF HESPERIA
ORO GRANDE (CSA 42) AND
SPRING VALLEY LAKE (CSA 64)
TOWN OF APPLE VALLEY
CITY OF VICTORVILLE**

**Larry Bird, Chair
Jeff Rigney, Vice-Chair

Scott Nassif, Secretary
Jim Kennedy, Treasurer**

VWVRA Staff and Legal Counsel:

**Logan Olds, General Manager
Kristi Casteel, Secretary to GM/Board
Charity Schiller, Legal Counsel (BB&K)
Chieko Keagy, Controller
David Wylie, Safety & Communications Officer
Xiewi Wang, Senior Accountant
Robert Coromina, Director of Administration**

**Robert Townsend, EC Inspector
Mauricio Marin, IT Technician
Marcos Avila, Lead Mechanic
Eugene Davis, O&M Manager
Latif Laari, Business Application Manager
Bobby Hesse, Operator**

Others Present:

**Nils Bentsen, City of Hesperia
Greg Snyder, Town of Apple Valley
Julie Gilbert, Jericho
Keith Metzler, City of Victorville
Doug Robertson, Town of Apple Valley**

**Jim Cox, City of Victorville
Carl Coleman, MWA
Robert Deloach, Deloach & Associates
Armando Telles, Resident
Blanca Gomez, City of Victorville**

CLOSED SESSION

PUBLIC COMMENTS- CLOSED SESSION AGENDA

Chair Bird asked if there were any comments from the public regarding any item on the Closed Session Agenda. Hearing none, he called for a motion to enter into Closed Session.

Commissioner Nassif made a motion to enter into Closed Session. Seconded by Commissioner Rigney.

REGULAR SESSION

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Chair Bird called the meeting to order at 9:32 am.

REPORT FROM CLOSED SESSION

None

PUBLIC COMMENTS- REGULAR SESSION AGENDA

None

ANNOUNCEMENTS AND CORRESPONDENCE:

7. Possible conflict of interest issues

Commissioner Nassif is abstaining from any disbursements to Napa Auto Parts.

8. VVWRA Leadership Class

Robert Coromina made comments on the class. There were five that completed the course and asked if following the conclusion of the Board meeting, the Board would take a picture with the staff that completed the Leadership Class.

9. New Hire Introduction

Manager Olds introduced Bobby Hesse

10. Subregional Summary of Expenses and Revenues

Manager Olds said the summary reviews all of the project costs for the Commissioners. The total cost of the project was \$84 million for both facilities. Initially the State Revolving Fund (SRF) Loan Request was for \$76.8 million. The final SRF Loan amount was \$63 million and in total 25% of the cost of the entire project was paid for with grant funds. For both projects VVWRA was able to complete them significantly under the change order contingency that was allowed per the contract specifications.

11. Budget Update

Staff was unsure if the funds would actually come in or not so they were not budgeted for. Receipt of the funds came in following the Board meeting adopting

VVWRA Regular Meeting Minutes

Thursday June 21, 2018

Page 3

the budget. Also following the Board meeting, Manager Olds learned that VVWRA was not going to be able to use private funds to rebuild digesters 1 – 3 and repay them with the biogas regenerated by those digesters so that VVWRA had no out of pocket expense. The issue is digester domes 4 and 5 are compromised and staff is unsure of how badly they are compromised VVWRA still has to maintain a 15 day detention time to comply with EPA guidelines. There are two options: 1. Rebuild digesters 1-3 to maintain EPA compliance or 2. Degrade VVWRA's process to produce Class B biosolids. The only problem with that is Class B biosolids have very different rules for application which then creates issues with the agreement with American Organics. Now, VVWRA has the responsibility to rebuild digesters 1-3, which have not been in operation since 2008 and were barely operating then. It is estimated to rebuild them will be over \$ 1 million. This was not budgeted. Revenue has come in that was not expected and VVWRA has a significant expense that was not expected. Staff is also waiting for resolution on the Cal OES, OIG and FEMA issue. All of these issues will provide significant impacts to the budget.

Commissioner Nassif asked that if these revenues were part of a loan that was borrowed from the State Revolving Loan fund they aren't actually revenues; they are just repurposing the loan. Correct? VVWRA is still obligated to pay that back? You are suggesting using those funds for another purpose. How does the State look at that? It isn't being used for the original purpose that the money was borrowed for.

Manager Olds stated that the way that VVWRA has performed all of their State Revolving Loans is that VVWRA has paid for all of the planning, design, environmental and the right of way. In order to submit an application to the State, to answer all of their questions, is an extensive process. It puts your application in a better light and more likely to provide grant funds if you have all of your planning through your 90% design completed. VVWRA provided all of that funding from our capital funds through the initiation of the loan. What the SRF allows you to do is they allow you to take those funds that were expended, incorporate them into the loan and then they reimburse you for your costs associated with those activities. This is the same technique that Manager Olds used with his former utility and it was also used to build VVWRA's Phase 3A Project. When the State reimburses the funds they can be utilized to fulfill the one year's worth of debt requirement that you must maintain in reserve (if you have not already done so) so that you are meeting that debt obligation or it goes back into your capital fund and you are able to use those funds for additional capital projects. The wrinkle with VVWRA is the possibility of an Interfund loan. VVWRA is refunding the capital account, where there are funds. Once the audit is completed and VVWRA sees how their funds are distributed between the two areas, it may be necessary for VVWRA to do an Interfund loan. With this project, it is not a capital project this is an R&R project. The digesters are being rebuilt to meet existing needs. Manager Olds said that there are several big revenues that are not accounted for in the budget. The FEMA/OIG issue is being resolved, the JPA issues will hopefully be resolved resulting in Hesperia paying the funds that are owed. His concern is that if the budget is revised now it will just have to be revised again in three or four months. Manager Olds hope is that the issues will be resolved by the mid-year budget review and the budget can be revised at that

VVWRA Regular Meeting Minutes

Thursday June 21, 2018

Page 4

time. It is up to the Commissioners if these issues are revised and addressed now or Manager Olds recommends that they are addressed once they have been resolved and utilize the cash that VVWRA has now and start making progress on the digesters.

Commissioner Kennedy asked if the \$3 million dollars of excess borrowing from SRF requires a specific approval from them to use it to reimburse ourselves for our capital investments.

Manager Olds said that the loan itself is the approval and the fact that they evaluated it at the end of the project with those pre-planning expenses and chose to fund them shows that they approved it.

Commissioner Kennedy asked if that was Manager Olds' opinion, the SRF's opinion or a legal opinion. He just did not want to see VVWRA in trouble over this.

Manager Olds said that this was his seventh SRF loan and every one of them had this issue. At the end of the project if there is the excess funding, they can choose to reimburse for the planning expenses. In this case they chose to reimburse VVWRA. Those are capital funds and automatically go back into the capital account. This is Manager Olds opinion.

Commissioner Rigney said that he had the same concern as Commissioner Kennedy.

Commissioner Kennedy asked how hard it would be to get specific approval for those funds to be used.

Manager Olds said he wasn't sure; he would have to ask that question. He said he could get a legal opinion on the issue from BBK.

Commissioner Kennedy said that he appreciated Manager Olds' assurances. He would feel better to hear it from SRF.

Manager Olds said this is why it is being brought to the Board. This is an unusual situation with a large dollar amount involved. Manager Olds said that he wanted to be completely certain that all involved were completely comfortable with the course of action, full transparency. The only issue is that staff will continue to work on the digesters. What they will do is not spend money in other areas until this issue is resolved.

Manager Olds said that he will contact SRF and speak with BBK about a legal opinion and the Board will have all the information they need to make a determination.

CONSENT CALENDAR:

12. Approve June 2018 Disbursement Registers

Commissioner Nassif is abstaining from any disbursements to Napa Auto Parts.

13. Approve Minutes from the June 21, 2018 Regular Meeting

14. Recommendation to Approve Open Purchase Order with Graham Equipment

Commissioner Kennedy made a motion to approve the consent calendar, seconded by Commissioner Rigney and approved by roll call vote with Commissioner Nassif abstaining from any disbursements to Napa Auto Parts.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

PUBLIC HEARING:

15. Desert Knolls Wash Mitigated Negative Declaration

Chair Bird opened the Public Hearing at 8:53 AM.

The Board Secretary confirmed the posting of the public hearing.

Manager Olds stated that VVWRA received a couple of letters following the completion date of the comment period and would like it indicated in the record that the comments from those organizations were incorporated into the mitigated negative declaration. All letters received were commented on and incorporated.

Chair Bird asked if there were any comments from the public. Hearing none, he closed the Public Hearing at 8:56 AM.

ACTION & DISCUSSION ITEMS:

16. Resolution 2018-09: A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority Making Findings and Adopting a

Mitigated Negative Declaration Pursuant to the California Environmental Quality Act, and Approving the South Apple Valley Interceptor Project

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

17. Recommendation to Approve Scope Revision for Environmental for Desert Knolls Wash – Construction Phase

Manager Olds stated that the South Apple Valley Interceptor and Desert Knolls Wash are used interchangeably. The South Apple Valley Interceptor is throughout the Town of Apple Valley the specific section to which is being discussed is the Desert Knolls Wash portion adjacent to the Lewis Center. There are significant environmental issues located within this region this is going to result in significantly higher costs to mitigate those issues. The proposal that is before the Board from Jericho will address the issues indicated within the Mitigated Negative Declaration at an amount of \$174, 460.00. It is very important to mention that if an artifact is found and depending upon the nature of the artifact and where it is found, there may be additional costs.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Rigney and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

18. Authorization to Release Bid to Construct Desert Knolls Wash

Manager Olds stated now that formal action has been taken regarding the mitigated negative declaration and to the assurance that the terms of the mitigated negative declaration will be followed pursuant to that document, staff is recommending that

VVWRA Regular Meeting Minutes

Thursday June 21, 2018

Page 7

the construction bid to build Desert Knolls Wash be released. This item will not have a fiscal impact at this time. It is just to release the bid. In two or three Board meetings this item will return before the Board for action and discussion at that time with a proposed contractor for the project.

Commissioner Rigney made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

19. Resolution 2018-10: Amending Erroneous Date For Resolution 2015-7

Commissioner Rigney made a motion to approve the recommendation, seconded by Commissioner Nassif and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

20. Recommendation to Approve Purchase and Sale Agreement with San Bernardino County Flood Control- Mojave River and Apple Valley Parcels

Manager Olds stated that VVWRA has two parcels that have been surplus and provide no value to VVWRA. One of them is 60 acres located right in the middle of the Mojave River and cannot be built upon. Its best and suitable use is for the County Flood Control to be able to access and maintain that property. The second is located adjacent to Desert Knolls Wash and has no direct value to VVWRA. It was purchased as part of the Culbertson Ranch purchase with Clean Water Act funds so VVWRA has to repay the State. The value will be about \$87, 000, 12.5% must also go back to the State of California in addition to the 75% that goes to the Federal Government. The key is that VVWRA will no longer be responsible for those lands or any liability associated with them.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

21. Recommendation to Proceed with the Rebuilding of Digesters 1-3

Armando Telles made comments on the funds for the digesters and expressed concern for spending those funds.

Manager Olds stated that in 2008 VVWRA built two new digesters with a million gallon capacity per digester. This increased the capacity. What has occurred over time is that the community has grown and those digesters fill up. The problem is those digesters also require maintenance and there are federal laws that govern through regulation how we operate and maintain those digesters. In order for VVWRA to do what they do, the solids need to stay in those digesters for 15 days. The situation was that the old digesters were undersized because they were over capacity in 2008 and because the utility was building new ones investments were not made in upgrading and maintaining that infrastructure. It would have cost at the time \$250,000.00 to demolish and remove those digester from the site. Manager Olds made the decision not to expend those funds because they produce methane. Right now with our existing digesters, VVWRA is generating revenue, about \$250,000.00 a year through the gas that is being produced by the two digesters. VVWRA is currently looking at an agreement that may generate an additional \$300,000.00 a year from the gas from the existing digesters. VVWRA needs the capacity from these three digesters so that they can drain one; still meet the EPA required rules to meet the treatment requirements while they rebuild the digester. Once they rebuild the digester, they can take that volume and put it back in that digester and drain the other one and repeat the same process. At the end, when all five digesters are operating, they will be able to produce in excess of another 100 million cubic feet of biogas annually. Depending upon the federal and state rules at the time, VVWRA could electrify that gas or inject it into the pipeline. This would generate more revenue and offset the cost of rebuilding.

Commissioner Kennedy made a motion to approve the recommendation, seconded by Commissioner Rigney and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

22. Recommendation to Approve Engineering Services to Merge the Biogas Systems for All Five Digesters

Manager Olds stated that item 22 relates to a professional service from Biogas Engineering. The primary system that is not married between the two that must be to transfer is the biogas system. When VVWRA switched to digesters 4 and 5 they never invested in digesters 1-3 to ensure that 1-3 could actually work with 4 and 5. This is the most specialized area of the integration process. Fortunately, Arnold Ramirez was involved in the biogas project to install the two generators. He is very familiar with VVWRA's gas conditioning system that cleans the biogas and the biogas blowers and pressure systems that feed all of that equipment. There is no one better that knows VVWRA's facility that is able to address that question. He can basically start looking at that system immediately. If VVWRA were to hire an engineering firm, they would have to go through and evaluate everything. It would cost this much money for them just to figure out how it works.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

23. Request Authorization to Issue an RFP to Perform a Condition Assessment on the Headworks

Manager Olds stated that staff had to rebuild one of the bar screens and it turned into a 14 hour long project that should have taken an average work day. The reason being that the concrete corrosion in the headworks has gotten to the point in which it has expanded and the rails that the equipment rides in bent the metal in so Staff was unable to put stuff in and take stuff out. The headworks have not experienced a makeover since 1998 or possibly 2002. This is where the hydrogen sulfite gas is exposed to the concrete the most and where all of the raw sewage comes into contact. Staff is concerned. They are already aware of piping issues and trying to deal with them. The Engineering Committee has been informed of the situation and Manager Olds expressed his concerns to them. Manager Olds is asking permission to issue an RFP to request engineering firms that have design experience with this type of structure to come in and take a look at the area and let Staff know how bad the situation is and what needs to be done. Staff needs to know what kind of project they are looking at. There is no cost associated with this. The proposals would be reviewed by the Engineering Committee and then would be brought back before the Board.

Commissioner Rigney made a motion to approve the recommendation, seconded by Commissioner Nassif and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

24. Organizational Performance Proposal

Tabled- It was the consensus of the Board to have the Administrative Committee review this item.

25. Resolution 2018-08: Amend and Approve 2018 CEQA Guidelines

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

26. Discussion: Move the October 25th Meeting to October 18th

Commissioner Kennedy made a motion to approve the recommendation, seconded by Commissioner Nassif and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

27. Election of Officers

Commissioner Rigney asked since Commissioner Kennedy has the experience in finance if he would like to switch committees with him. Commissioner Kennedy

VVWRA Regular Meeting Minutes

Thursday June 21, 2018

Page 11

would be on the Finance Committee and Commissioner Rigney would be on the Administrative Committee.

Commissioner Kennedy made a motion to approve the recommendation as revised, seconded by Commissioner Nassif and approved by roll call.

Chair Bird: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

STAFF/PROFESSIONAL SERVICES REPORTS:

28. Financial and Investment Report – June 2018

29. Operations & Maintenance Report – June 2018

30. Environmental Compliance Department Reports – June 2018

31. Septage Receiving Facility Reports – June 2018

32. Safety & Communications Report – June 2018

NEXT VVWRA BOARD MEETING:

Thursday, August 16, 2018 – Regular Meeting of the Board of Commissioners

FUTURE AGENDA ITEMS

Leave Policy

Rate Study (August 16, 2018)

COMMISSIONER COMMENTS

Commissioner Rigney requested to possibly have a meeting at the Plant with O&M giving a presentation on the facility to help the Commissioners better understand the day to day operations of the plant.

ADJOURNMENT

VVWRA Regular Meeting Minutes

Thursday June 21, 2018

Page 12

APPROVAL:

DATE: August 16, 2018 **BY:**

A handwritten signature in blue ink, appearing to read "Scott Nassif", written over a horizontal line.

Approved by VVWRA Board Scott Nassif,
Secretary VVWRA Board of Commissioners