

**MINUTES OF A REGULAR MEETING**  
**REGULAR MEETING OF THE BOARD OF COMMISSIONERS**  
**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWRA)**  
**May 18, 2017**

**CALL TO ORDER:** Chair Jim Cox called the meeting to order at 8:06 am; in Conference Room D at Victorville City Hall, located at 14343 Civic Drive, Victorville California, with the following members present:

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

**Jim Cox**, Alternate Chair  
**Russell Blewett**, Vice Chair  
**Jeff Rigney**, Secretary  
  
**Scott Nassif**, Treasurer

**VWRA Staff and Legal Counsel:**

**Logan Olds**, General Manager  
**Piero Dallarda**, Legal Counsel (BB&K)  
**Angela Valles**, Director of Finance  
**Robert Townsend**, EC Inspector  
**Xiwei Wang**, Accountant  
**Robert Coromina**, Director of Administration

**Kristi Casteel**, Secretary to GM/Board  
**Alton Anderson**, Construction Manager  
**Chieko Keagy**, Accounting Supervisor

**Others Present:**

**Doug Robertson**, City of Victorville  
**Walter Linn**, Rep for Congressman Cook  
**Frank Robinson**, Town of Apple Valley  
**Bob Sache**, ACOME  
**Keith Metzler**, City of Victorville

**Nils Bentsen**, City of Hesperia  
**Greg Snyder**, Town of Apple Valley  
**Chandrikaa Balendhran**, HDR  
**Brian Gengler**, City of Victorville

**CLOSED SESSION**

**PUBLIC COMMENTS- CLOSED SESSION AGENDA**

Piero stated that item 8 from announcements and correspondence needed to be moved to action items. An emergency arose last night at the plant due to low voltage from Edison that requires action. The Board may want to take action on purchasing equipment and other matters that the General Manager will be presenting. Under Government Code Section 59954.2 it qualifies as an emergency but also because it was on the agenda and it is being moved from announcements to action.

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Commissioner Cox made a motion to move Item 8 from announcements to an action item, which was seconded by Commissioner Blewett and approved by unanimous voice vote.

Chair Cox 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 Blewett made a motion to enter into Closed Session, which was seconded by Commissioner Cox and approved by unanimous voice vote.

**REGULAR SESSION**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**

Chair Cox called the meeting to order at 9:20 am.

**REPORT FROM CLOSED SESSION**

None

**PUBLIC COMMENTS- REGULAR SESSION AGENDA**

None

**ANNOUNCEMENTS AND CORRESPONDENCE:**

**6. Possible conflict of interest issues**

Commissioner Nassif abstained from any disbursements to Napa Auto Parts.

**7. General Managers Report**

**8. WWTP Low Voltage Issues – moved to action items**

**9. SCE Reduction in Standby Fees for VVWRA will Save Ratepayers \$76,043.00**

**10. Article: A New Zealand River Now Has The Legal Rights of A Human**

**11. Article: Danish Urine Beer**

**12. CWEA Awards**

**CONSENT CALENDAR:**

**13. Approve March and April 2017 Disbursement Registers**

Commissioner Nassif abstained from any disbursements to Napa Auto Parts.

**14. Approve Minutes from the March 16, 2017 Regular Meeting**

**15. Recommendation to Approve Access Agreement With High Desert Power Plant**

**16. Recommendation to Approve Proposal for Desert Knolls Wash Environmental Study**

**17. Recommendation to Approve VVWRA Energy Policy**

Commissioner Blewett 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 Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**REPORTS & PRESENTATIONS:**

**18. Presentation: FY 2017-2018 Budget**

Chieko Keagy gave an overview of the proposed FY 2016-2017 Budget. She explained the Operations, Capital, and Replacement Funds. Manager Olds stated that as Commissioner Kennedy requested, the value of depreciation is being shown and it is a tool to address the ups and downs of VVWRA's fiscal issues as a way to stabilize it.

Commissioner Cox stated that the actual expenses are the true expenses, cash out and the depreciation is for booking purposes for assets.

Manager Olds said that Commissioner Cox was correct.

Manager Olds said an overview was just given on this fiscal year and last fiscal year. This identifies very clearly what the fiscal issues are with VVWRA. For end of fiscal year 2018 it is anticipated that entity wide, there is a positive cash flow of \$2.6 million with \$1.7 million in fund 01 and \$844,000 in fund 09. This includes the debt service associated with fiscal year 2018 but the issue is with 2019. In fiscal year 2019 there is a negative \$50,622 entity wide with a positive \$136,381 in fund 01 and negative \$187,004 in fund 09 due to the impending debt load. Going

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back to 2018, the subregionals have been pulled out, and to operate for a partial year for performance testing only. By operating the subregionals for the year, it drives VVWRA into the negative \$350,000 overall with a negative 1.1 million in fund 01 and a positive \$844,725 in fund 09. In 2019 it gets worse, negative \$3.2 million overall with negative \$3 million in fund 01 and negative \$187,004 in fund 09. If the subregionals are operated, VVWRA will default on the debt service for the subregionals.

It was also requested to look at the numbers with the flow diversion. On an annual basis, this is our loss of operating income based on an analysis that Manager Olds completed with flow from reports to Lahontan from the City of Victorville. There is about \$2 million dollars being diverted from VVWRA. If there was no longer a flow diversion, looking at the numbers with operating the subregionals, VVWRA would be positive \$2.1 million overall with \$829,971 in fund 01 and it is believed that there is about \$500,000 of connection fees (based on the information given to VVWRA) which would be a positive \$1.3 million in fund 09. VVWRA would be able to operate the subregionals and still be net positive for 2018 if VVWRA had the funds from the flow diversion. For fiscal year 2019, and include the debt service, overall is negative \$730,688 with negative \$1 million in fund 01 and a positive \$312,996 in fund 09. Even with the flow diversion monies, if VVWRA operates the subregionals and tries to makes debit service we will still be in the negative.

If you look at four years past due, this is the amount of monies that have been diverted from VVWRA, a little over \$4 million. This flow diversion connection fees past due are an estimate of \$2.9 million and is a function of VVWRA and the City of Victorville have never reached consensus on the allocation of the connection fee permits associated with the former George Airforce Base. There is not a proper and true accounting for this so this is an unfunded liability on VVWRA's books for capacity that VVWRA does not know the dollar value or even the flow volume associated with it. This is just a rough estimate. If you include the \$4 million dollars it gives VVWRA a positive \$6.4 million overall with \$3.1 million in fund 01 and \$3.2 million in fund 09. This would be a one-time cash infusion though.

Going back to 2018 as part of VVWRA's review of the books, staff worked with the auditors to look at how much cash VVWRA has on hand. As of 6/30/15 VVWRA has \$7.9 million overall with \$4.9 million in fund 01 and \$3 million in fund 09. The Board does have the option to dip into those funds to operate the subregionals or to ensure that debt service is made but currently VVWRA's debt coverage ratio is 0.82 and we are supposed to be at a 1.1 ratio. Dipping into those funds would only be a temporary solution to an ongoing issue. Going back to 2019, ignoring the flow diversion because it is unknown how that will be resolved, using cash reserves, you could operate the subregionals and cover debt services and have a little left in the bank. The issue with this is that we have Desert Knolls Wash to complete and will be over \$1 million to complete. VVWRA does not have the ability to finance any debt right now with a 0.82 ratio no one will loan VVWRA money. VVWRA may have to seek assistance from the member agencies to loan VVWRA funds. VVWRA's only option to pay for that project is the cash reserves. In addition to the fact that the cash reserve is a 2015 number, the subregionals still need to be finished. There are some overages due to time that has been taken to complete those projects so that \$7.9 million will be closer to \$7.3 million by the time those projects are completed, minus \$1.5 million to complete Desert Knolls Wash, and you are looking at about \$5.8 million at the end of the next fiscal year. The situation is pretty significant. Manager Olds thanked the Board for continuing to work on the

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fiscal issues for VVWRA. Realistically, the Board has about 6 months to make a decision. Traditionally, in public agencies, fees are adjusted in steps. The longer it takes to make a decision, the more significant those steps will need to be. The Board may wish to consider loaning VVWRA funds in the short term so that it might be possible to mitigate the size of the increases.

VVWRA needs direction from the Board because there are not enough funds to do both. VVWRA cannot operate the subregionals and meet debt service. A choice needs to be made on which option VVWRA needs to pursue. There are funds, what has been budgeted is for three months of operation for both facilities to ensure that the equipment functions and works so that if there are any issues, the equipment is still under warranty and VVWRA can work with the vendors to fix the issues.

Chair Cox asked, since he is an alternate commissioner and does not attend every meeting, has the study been completed and the Board approved the rate increases so that VVWRA is authorized to move forward with the steps as needed.

Manager Olds said absolutely not. The last financial plan and rate study approved by the Board was in 2014. Those rates have been implemented. We are currently not conducting a financial plan and the reason given for not doing that is that the member agencies wanted to wait to see how the flow diversion issues were resolved. The first time Manager Olds brought this to the Board was prior to the rate study being approved in 2014 and it has been brought up three times with the City Managers. They were opposed to a new financial plan being done because they felt that until the issue with the flow diversion was resolved it would be difficult to identify a specific value. In the meantime, VVWRA moves forward with not operating the subregionals or defaulting on our debt.

### **ACTION & DISCUSSION ITEMS:**

#### **8. WWTP Low Voltage Issues – moved to action items**

Manager Olds stated that yesterday evening at approximately 7 PM, VVWRA experienced low voltage coming from Southern California Edison. The best way to describe what happened at the plant is to imagine that your body took a hard blow, and you are bleeding internally. You don't feel it at first but eventually your body starts shutting down. This is essential what happened electrically to the plant. There were successive failures, one of the transformers for the back wash system failed and it is believed that is what caused generator two not to come online. When generator two did not come online, the low voltage power from the entire plant was shut down, it was also peak nighttime flow and EQ basins one and two were filled very quickly and half way filled basin three before staff was able to get the treatment plant back online. Then the staff started to address the cascading failures. Unfortunately, the back wash tank over flowed but only for a few brief minutes. The flow volume was less than a thousand gallons and was therefore not a violation. Thank you to the Town of Apple Valley for their assistance in the investigation with the situation. Two- 100 horse power variable frequency drives for the percolation ponds were damaged beyond repair as well as the two- 100 horse power electric motors. Back wash also failed. Staff was able to get one of the back wash pumps running. There is a temporary pump there now. Multiple instrumentation controls failed and it is unknown at this point if they are

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permanently damaged by the low voltage issue or if they need to be rebooted. Staff went home around 2 am this morning and returned to site at 9 this morning. Load testing will begin at 10 am. It is unknown if there are additional drives or transformers that are damaged that could damage the generator. So as of right now we are solely dependent on Edison for our power, the low voltage issues could continue and cause a failure. There is not much time to handle the flows. Testing is being done on generator two to bring it online and start bringing key components of the treatment plant online sequentially so that staff knows that the generator is handling the load and also know if something fails that staff will be right there, shut it off and get the generator restarted. This testing will start at 10 am.

Commissioner Cox asked if it has been determined what the cost might be and who might be responsible for the cost?

Manager Olds stated that VVWRA does intend to file a claim with Edison. It is estimated at this point of about a quarter of a million dollars' worth of damage done with the first low voltage issue that occurred about two weeks ago and estimate that at least another hundred thousand possibly one hundred and fifty thousand from yesterday's incident.

Manager Olds said that he will also be calling a third party electrical specialist to determine what VVWRA's exposure is. One of VVWRA's \$300,000.00 pieces of equipment partially fried, and it needs to be determined if the UV system has been damaged.

Commissioner Blewett made a motion that an emergency has derived from low voltage issues, to avoid a danger to public health that could result from a discharge to the river that violates VVWRA's permits that the General Manager is to proceed with the emergency procurement process in order to obtain the type of equipment necessary to prevent such danger to public health and it will be ratified at the next board meeting, seconded by Commissioner Nassif.

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

### **19. CEMEX Request to Construct on VVWRA Easement and to Provide a New Easement for Future Construction of a Replacement Sewer Interceptor**

Manager Olds stated that CEMEX will be expanding their track and they have done a detailed analysis that VVWRA staff has reviewed and concurs with CEMEX's analysis.

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Rigney

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**20. South West Gas Engineering Study**

Manager Olds stated that he attended a seminar on renewable natural gas to learn if what Southwest Gas was proposing was accurate. Manager Olds reviewed with the Board several months ago, the amount of biogas that VVWRA produces and in reviewing that it was estimated that VVWRA flares about \$900,000.00 annually in biogas. Based on the brown and green renewable energy credits, Southwest Gas has confirmed that the value of the gas we are currently flaring is about \$970,000.00 a year. They would really like to do a project with VVWRA to do pipeline injection. To take the first step, we need to spend \$30,500.00 on an engineering study to determine if the project is possible. If we do the project with them, Southwest Gas will reimburse the \$30,500.00. The low end of interconnection fees in California for Southwest Gas and PG&E can cost \$1.5 million and goes up from there. Their current estimate is \$400,000.00. There is a grant that would pay for half of that. If we do a project with Southwest Gas, they would pay the other half. Manager Olds has also spoken about this opportunity with the company that VVWRA is working on the development agreement with to privatize the anaerobic digesters and they have expressed interest in this opportunity and VVWRA could possibly partner with them. The interconnect is not the problem, the engineering study is not the problem; it is cleaning up the gas and providing the pressure that is an issue. That equipment can cost millions of dollars. In order to determine what that number would be, the engineering study would need to be done. There could be a possible third party to finance the gas scrubbing system. This was not budgeted for so it would be an unbudgeted project from capital.

Commissioner Blewett asked if it would be possible to get the \$30,500.00 from the people VVWRA would like to partner with.

Manager Olds said he had not thought of that and it could be a possibility. If the Board is interested in that, Manager Olds stated that he would like to amend his recommendation to be given the authority to propose having one of the potential private parties pay for the engineering study and in the absence of their interest the recommendation would still be to move forward with VVWRA paying for the study.

Commissioner Rigney made a motion to approve the Amended Recommendation to give Manager Olds the authority to propose having one of the potential private parties pay for the engineering study and in the absence of their interest the recommendation would still be to move forward with VVWRA paying for the study, seconded by Commissioner Nassif

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**21. Recommendation to Approve Wastewater Facilities Transfer Agreement**

Manager Olds stated that this transfer agreement goes back many years and has been discussed at various engineering committees over the years. The member entities have discussed this and to Manager Olds knowledge, they are in agreement.

Commissioner Nassif made a motion to approve the Recommendation, seconded by Commissioner Rigney

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**Interceptor**

Manager Olds stated that items 22-26 have all been reviewed by the Engineering Committee

**22. Recommendation to Approve Amended AECOM Contract**

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Nassif

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**23. Recommendation to Approve Nanticoke Change Order**

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Nassif



Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**Subregional**

**24. Recommendation to Approve Amended MWH Contract**

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Nassif

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**25. Recommendation to Approve Apple Valley Subregional Change Order**

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Nassif

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**26. Recommendation to Approve Hesperia Subregional Change Order**

Commissioner Blewett made a motion to approve the Recommendation, seconded by Commissioner Nassif

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

### **Flow Diversion**

#### **27. Recommendation to Approve Adhoc Committee**

Manager Olds stated that this was a request to form an Adhoc Committee to evaluate all options to VVWRA to comply with the advisory opinion including litigation. At the request of the City of Hesperia to form an Adhoc Committee to look into the numbers associated with the flow diversion.

Commissioner Nassif stated that if VVWRA moved into mediation, it doesn't make sense to have a committee because we will be in mediation and all parties would be represented during mediation.

Commissioner Blewett stated that he believed this was beyond an Adhoc Committee now.

Manager Olds stated that with permission from Commissioner Blewett, staff recommends tabling item 27.

Commissioner Rigney made a motion to table the Recommendation, seconded by Commissioner Cox

Chair Cox: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

#### **28. VVWRA Claim Against the City of Victorville**

Commissioner Nassif made a Substitute Motion. The Motion was to table filing a claim today, but to address the claim at the next regular Board meeting on June 15<sup>th</sup> because at that time there will be an expectation that the City of Victorville will get back to VVWRA with a decision on whether the City of Victorville will engage in mediation. If the City of Victorville indicates at the Jun 15th meeting that it is not interested in resolving the flow diversion through mediation, then the direction is for the General Manager and Legal Counsel is to file a claim against Victorville in connection with the flow diversion and

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related matters. If the City is interested in mediation, then mediation needs to be concluded by the end of July. If the mediation is not concluded by the end of July, then the direction is for the General Manager and Legal Counsel to file a claim against Victorville by then. Between now and the next Board meeting, the General Manager and Legal Counsel are to inquire about the availability of mediators for mediation so at the next Board meeting everybody will know what needs to be done to conduct mediation if that is what all parties would like to do. The motion is seconded by Commissioner Rigney.

Chair Cox: Yes

Commissioner Blewett: No

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**STAFF/PROFESSIONAL SERVICES REPORTS:**

- 29. Financial and Investment Report –April 2017**
- 30. Operations & Maintenance Report – March and April 2017**
- 31. Environmental Compliance Department Reports –April 2017**
- 32. Septage Receiving Facility Reports –April 2017**
- 33. Safety & Communications Report – April 2017**

**NEXT VVWRA BOARD MEETING:**

**Thursday, June 15, 2017 – Regular Meeting of the Board of Commissioners**

**FUTURE AGENDA ITEMS**

**Recommendation to Approve Proposal for South Apple Valley Interceptor (June)**


**Leave Policy**

**COMMISSIONER COMMENTS**

**ADJOURNMENT**

**APPROVAL:**

**DATE:** \_\_\_\_\_  
Approved by VVWRA Board

**BY:**  \_\_\_\_\_  
Jeff Rigney, Secretary  
VVWRA Board of Commissioners