

**MINUTES OF A REGULAR MEETING**  
**REGULAR MEETING OF THE BOARD OF COMMISSIONERS**  
**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWRA)**  
**June 15, 2017**

**CALL TO ORDER:** Chair Jim Kennedy called the meeting to order at 8:00 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 Kennedy, 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**  
**David Wylie, Communications & Safety Officer**  
**Robert Coromina, Director of Administration**  
**Eugene Davis, Acting Director of Operations**

**Kristi Casteel, Secretary to GM/Board**  
**Alton Anderson, Construction Manager**  
**Chieko Keagy, Accounting Supervisor**  
**Robert Townsend, EC Inspector**  
**Ryan Love, Lead Operator**  
**Marcos Avila, Lead Mechanic**

**Others Present:**

**Jim Cox, City of Victorville**  
**Carl Coleman, MWA**  
**Walter Linn, Rep for Congressman Cook**  
**Brian Gengler, City of Victorville**  
**Doug Robertson, City of Victorville**

**Nils Bentsen, City of Hesperia**  
**Frank Robinson, Town of Apple Valley**  
**Mike Cady, Town of Apple Valley**  
**Chandrikaa Balendhran, HDR**  
**Keith Metzler, City of Victorville**

**CLOSED SESSION**

**PUBLIC COMMENTS- CLOSED SESSION AGENDA**

Chair Kennedy 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 Rigney made a motion to enter into Closed Session, which was seconded by Commissioner Nassif

Chair Kennedy: Yes

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Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**REGULAR SESSION**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**

Chair Kennedy called the meeting to order at 8:41 am.

**REPORT FROM CLOSED SESSION**

Nothing to report

**PUBLIC COMMENTS- REGULAR SESSION AGENDA**

NONE

**ANNOUNCEMENTS AND CORRESPONDENCE:**

**5. Possible conflict of interest issues**

Commissioner Nassif abstained from any disbursements to Napa Auto Parts.

**6. Article: Sewage Saved This Man's Life. Someday It Could Save Yours**

**7. Project Profile: Upper Narrows Pipeline Replacement**

**8. Article: Southern California Gas Company**

**9. Government Finance Officers Association Award**

**CONSENT CALENDAR:**

**10. Approve May 2017 Disbursement Registers**

Commissioner Nassif abstained from any disbursements to Napa Auto Parts.

**11. Approve Minutes from the May 18, 2017 Regular Meeting**

**12. Recommendation to Approve Professional Services For Biogas Engines**

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**REPORTS & PRESENTATIONS:**

**13. Presentation: 2017-2018 Budget**

Chieko Keagy gave a presentation on the 2017-2018 Budget

Commissioner Nassif asked if projections have been made to continue to run the subregionals. Manager Olds stated that has been done and we do have a very conservative engineering estimate on what it would cost and staff has gone through the numbers. These numbers are pretty conservative. Chair Kennedy said that he believed Commissioner Nassif was asking for the whole year. Commissioner Nassif confirmed that he was asking about a full year and subsequent years thereafter. If both facilities were being operated as intended verses shutting them down. Manager Olds stated that it is about \$1.2 million per year, per facility based on the information that VVWRA has. The accuracy of that number is unknown until they are actually operated. Commissioner Nassif asked if there was any income related to the subregionals. Manager Olds stated that the subregional revenue would be \$35 an acre foot. The max revenue that could be produced from the subregionals is a maximum of \$105 per day, per facility. The cost to operate these facilities is significantly more than \$105 per day. Commissioner Nassif asked if there was any other revenue source. Manager Olds said that there are a number of different ways to address this. A presentation was given to the City Managers Committee in 2007 on a number of the different options on how to address funding utilities. This utility and the member agencies have utilized a cost structure wherein you essentially are placing the cost of producing recycled water at the very tail end of the process. That is why it's just the cost to pump it and the O&M associated with that and the \$35 an acre foot. Chair Kennedy stated that he didn't think you could use connection fees to operate a subregional. Manager Olds said no, you cannot use connection fees to operate the subregionals. Manager Olds suggested scheduling a finance committee meeting to discuss these issues and the options that are there. Commissioner Nassif asked that a Finance Committee Meeting be scheduled.

Chair Kennedy asked if there was a reason the Board could deal with item 18 before moving on. Manager Olds stated that the budget reflects some of the changes that were discussed and advocated by the Finance Committee the resolutions need to be adopted so that it flows correctly.

**ACTION & DISCUSSION ITEMS:**

- 14. Resolution 2017-05: Reconciliation of Fund Balances**
- 15. Resolution 2017-06: Interfund Loan**
- 16. Resolution 2017-07: Funding of Repair and Replacement, Fund 07**
- 17. Resolution 2017-08 Revisions to Reserve Policy**

Chair Kennedy stated that the title of the resolution deals with fund balances. Based on everything in this resolution, and in paragraph one does not allocate fund balances but it should be cash balances. Manager Olds said that it allocates cash balances to the respected funds. Chair Kennedy said exactly, it allocates cash balances. Fund balance is more commonly used as a net position term. Chair Kennedy does not believe fund balance should be used in paragraph one, it is too vague. It should say cash balances. Manager Olds said that he was not opposed to that change. Chair Kennedy also said that it should not say generally accepted accounting principles and auditing procedures, auditing procedures have nothing to do with this resolution. It should say generally accepted accounting principles. Manager Olds asked Piero Dallarda if there were any issues with those changes. Piero Dallarda said that the reason for the part about auditing procedures is because of the auditors. Chair Kennedy said that this is a resolution for our organization and we do not do auditing, we do accounting. All of this is based on page 14-9. The top section, left column is existing cash balances that appear back in another worksheet and this is how they will be broken apart: capital outlay and operations and maintenance. Manager Olds clarified that Chair Kennedy was speaking of the \$4,971,837 in O&M and \$ 3,013,791 for capital outlay in the first section on 14-9. Chair Kennedy said also, 15-3 this is a resolution on the authority's Interfund loan. The only paragraph in here that deals with the Interfund loan is the third "where as". Then it has this paragraph that deals with cash balances being allocated and then we have a resolution that again allocates the cash balances and Chair Kennedy believes that the language in paragraph one needs to change. Then in paragraph two it says the Board directs staff and legal counsel to take the appropriate steps to implement these findings. Chair Kennedy believes that paragraph is referring to page 14-9, the second item on the page. It is an analysis of the due to, due from. Chair Kennedy believes this is a journal entry that is being proposed. This journal entry is going to wipe out \$107 million of Interfund loans. Chair Kennedy said that he has been on this Board for five years and doesn't ever recall a conversation on the Board about \$107 million of Interfund loans. With one journal entry, this number is going to go away. Chair Kennedy said that he is requesting from staff the information regarding this account. He would like to know how the account ever came about, what kind of entries go into it, the changes in the account since 2000 and what is happening in that account. Also, How did it get there, why has it never been brought up before and why are we going to make it go away. Manager Olds said that the issue Chair Kennedy is addressing has been raised in all of our audits. This issue has been going on since before Manager Olds was here. When Chair Kennedy was talking about due to and due from, and discussing the issue with the repair and replacement account, it has to do with how

the accounting procedures were going into and being taken out of that fund. That why staff is trying to address that one specific account. There was a very specific process taken to identify the Interfund loan. Manager Olds feels that staff will need to provide more clarity on the issue in fund 07, which is why staff is trying to clean up this mess by doing these activities. It is fund 07 that is creating that issue. Chair Kennedy said that there are two general ledger accounts in this system. One is the due to and the other is the due from and there is \$107 million off setting each other. Chair Kennedy said that he would like to know how they got there. Manager Olds said that is no problem. It is an issue that the accounting supervisor has been working on with the auditors. We will schedule a time with the auditor present so that he can go through and discuss the auditing issues. Commissioner Kennedy stated that he also has an issue with these resolutions because they all are formed as a result of audit findings. When derived from audit findings, the auditors are doing accounting work that staff should be doing as a result, it becomes part of our accounting system and the auditors work becomes impaired. They would be auditing their own work. Commissioner Rigney recommended that these resolutions be brought back before the Finance Committee and then bring it back to the Board. Manager Olds said that the only issue would be that any expenses from fund 07 would need to be delayed.

Commissioner Blewett made a motion to table items 14,15,16 and 17 and to bring them back before the Board after the Finance Committee can review them, seconded by Commissioner Rigney

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**PUBLIC HEARING:**

**18. Adoption of Fiscal Year 2016-2017 Budget**

Chair Kennedy opened the Public Hearing at 9:11 AM.

Chair Kennedy asked if there were any comments from the public. Hearing none, he closed the Public Hearing at 9:12 AM.

**ACTION & DISCUSSION ITEMS (continued):**

**19. Resolution 2017-09: Adopt FY 2017-2018 Budget**

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**20. Resolution 2017-10: FY 2017-2018 Holiday Schedule**

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**21. Recommendation to Ratify Low Voltage Power Emergency Purchases**

Manager Olds said generators one and two have been installed and on the 19<sup>th</sup> general electric will be onsite to sync the generators and bring them back online. Staff is working with Edison who has pulled their metering devices and reviewing the data. Staff is moving forward with upgrading both breakers and the control logic in our main system which will allow us, once the emergency generator is pulled onsite, to flick a switch to feed through our systems.

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**22. Resolution 2017-11: Appreciation for Frank Robinson**

Manager Olds read for the record:

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**WHEREAS**, Frank Robinson served as Town Manager for the Town of Apple Valley and provided valuable knowledge and guidance to the Board of Commissioners (“Commission”) for the Victor Valley Wastewater Reclamation Authority (“Authority”); and

**WHEREAS**, Mr. Robinsons background, knowledge, and experience while serving as Town Manager for the Town of Apple Valley were invaluable not only to the Apple Valley community but his service has impacted the entire High Desert Community; and

**WHEREAS**, Mr. Robinson performed his duties with the utmost diligence and distinction and with perceptive insight of community issues; and

**WHEREAS**, Mr. Robinson’s accomplishments and guidance have created significant positive and lasting impacts upon the Town of Apple Valley, the residents, and the entire High Desert Community.

**NOW THEREFORE, BE IT RESOLVED** that this Commission does hereby recognize and extend sincere gratitude and appreciation to Frank Robinson for his dedicated service and commitment to the Town of Apple Valley for his concern for the residents and the environment including construction of the Yucca Loma Bridge and passage of Measure F.

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**23. Recommendation to Cancel June 29<sup>th</sup> Board Meeting**

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

Chair Kennedy: Yes

Commissioner Blewett: Yes

Commissioner Rigney: Yes

Commissioner Nassif: Yes

**STAFF/PROFESSIONAL SERVICES REPORTS:**

24. **Financial and Investment Report –May 2017**
25. **Operations & Maintenance Report – May 2017**
26. **Environmental Compliance Department Reports – May 2017**
27. **Septage Receiving Facility Reports – May 2017**
28. **Safety & Communications Report – May 2017**
29. **Construction Report – May 2017**

**NEXT VVWRA BOARD MEETING:**

**Thursday, June 29, 2017 – Regular Meeting of the Board of Commissioners**

**Thursday, July 20, 2017– Regular Meeting of the Board of Commissioners**

**FUTURE AGENDA ITEMS**

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

**Leave Policy**

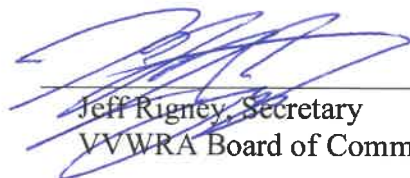
**COMMISSIONER COMMENTS**

**ADJOURNMENT**

**APPROVAL:**

**DATE:** 20 July 2017  
Approved by VVWRA Board

**BY:**

  
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Jeff Rigney, Secretary  
VVWRA Board of Commissioners