

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday October 17, 2016
Time: 2:00 P.M.
Place: Board Room
29300 Valley Center Road
Valley Center, CA 92082

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Broomell at 2:00 P.M.

ROLL CALL

Board members present were: Directors Broomell, Polito, Haskell, Aleshire, and Ferro. Staff members present were: General Manager Arant, General Counsel de Sousa Mills, District Engineer Grabbe, Director of Operations Hoyle, Finance Director Pugh, IT Director Pilve, Manager of Accounting Velasquez, Project Manager Carrillo, Senior Electrician Olson and Assistant Executive Assistant Lovelady. Spectators present were: Jacqueline Howells – HGR, and Mr. Roy Grimes of Zions Capital Advisors.

CONSENT CALENDAR

1. Upon motion by Polito, seconded by Ferro and unanimously carried, the following consent calendar items were approved:

- Minutes of the Board meeting held October 3, 2016
- Audit demand check numbers 146841 through 146949 for September 23, 2016 through October 6, 2016 and wire disbursements for September 2016
- Quarterly report of employees' expense reimbursements for the quarter ending September 30, 2016

PRESENTATION

2. Review of the Valley Center Fire Protection District Insurance Services Offices (ISO) Report:

Every three to five years each community goes through an Insurance Services Offices (ISO) review to rate the Fire Agency/Fire Protection District for that community. The outcome of that rating was presented by General Manager Arant.

The ISO Report is used by insurance companies to assess fire loss risk based upon an assessment of fire response capabilities of a community's fire protection system and then set the fire insurance rates for the homeowners and businesses.

Out of the 100 ISO rating points the Water System accounts for 40 points, or 40% of the overall rating. For 2016, the Valley Center Fire Protection District (VCFPD)

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received an overall score of 75.17. As a result of that, their ISO rating went from 05/5x to 03/3x, an improvement of 2 rating levels. Of the 75.17 total points, the VCMWD water system accounted for 31.00 points, or 41% of the total awarded.

Water Supply is judged in three areas: 1) Water Supply System, which is the flow and storage capabilities of the system; 2) Hydrants, which is the number and placement of hydrants; and 3) Hydrant Inspection and Testing, which is the frequency of inspection and flow testing. In the latest rating the water system was rated as follows:

Water Supply	28 out of 30 Pts
Hydrants	3 out of 3 Pts
Hydrant Inspection/Testing	0 out of 7 Pts
For a Total of	31 out of 40 Pts

The Water Supply System and Hydrants were awarded 31 out of 33 possible points or 94%. "0" points were awarded on inspection and testing primarily due to the District's inspection cycle. Staff does inspect the District's hydrants but does it as part of the District's ongoing valve maintenance and system inspection. The ISO would like the District to inspect and flow test every hydrant, every year, to receive the 7 points. The District has stopped flow testing on a routine basis and reduced the frequency of inspections based on several reasons: 1) the cost of imported water has gone up 200% in the last 10 years; 2) State and Federal Regulations require special provisions for the control of potential water flows from hydrants; and 3) Emergency drought regulations. As a result of these three things staff has cut back on the District's flow testing.

Overall, the Fire Protection District is pleased with the District's water system. The District will be working with the Fire Protection District to come up with a modified flow testing system/program and talk about what the District can do to improve those test scores and ratings prior to the next review in three to four years.

3. Investment Strategy and Performance Results:

A review of the strategies used and performance results of the District's investment policy was presented by Mr. Roy Grimes of Zions Capital Advisors, per the Boards request.

The main objective of the District's Investment Policy, in order of priority, is the preservation of the District's capital, maintaining liquidity, and maximizing the District's return. As of October 5th of this year, the District had \$6.6 million in Certificates of Deposit and Federal Agency Securities under the management of Zions Capital Advisors.

A few years ago Zions changed the account from just being US Treasuries to FDIC CDs and US Government Agencies. Since making that change, the account performance has improved significantly over the last few years. The liquidity amount of \$10,000 is the amount that needs to be preserved to cover any small transactions.

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The average duration of the portfolio is around 2.5 years and the reason for this is so that the portfolio is ready in the event of any interest rate hikes allowing the portfolio to avoid being subject to interest rate risk.

The portfolio's overall yield as of October 5, 2016, is 1.351% for a very low risk return. The return has more than doubled what the Local Agency Investment Fund and Money Market accounts have earned.

ACTION AGENDA

4. SCADA Capital Improvement Project Update:

Update on the SCADA Capital Improvement Project was presented by Ed Olson Senior Electrician.

The SCADA project started in 2005 and was divided into 7 Phases. The project was put on hold in 2008 and then restarted in 2009 utilizing District staff, which lowered the overall cost and provided valuable training. The implementation and development of a SCADA site is broken down into five phases: 1) Design and Purchasing of Equipment; 2) Site Construction; 3) Installation of Equipment and Programming; 4) HMI (Human Machine Interface) Development; and 5) Site Testing. In carrying out the SCADA process, multiple sites are routinely in different stages/phases of implementation at the same time. This allows staff to meet other department obligations and to advance the SCADA project forward as efficiently as possible.

The status of the remaining sites are as follows:

Design & Purchasing of Equipment

- McNally Booster
- VC 1A & B Aqueduct Connection
- Hauck Mesa Pump Station

Site Construction

Equipment Installation & Programming

- Ridge Ranch Pump Station
- VC 2 Aqueduct Connection

HMI Development

- Cantrell Corners Pump Station
- Via Cantamar Pump Station & Reservoir
- Montanya Pump Station & Reservoir

Site Testing

SCADA will be completed with future Station Upgrades

- Pala Loma Hydro Station
- Bingham Mesa Pump Station

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As part of SCADA, staff has installed 70 High Definition IP Cameras and 12 Network video recorders throughout the District. In addition to security purposes, the cameras are also used for remotely monitoring pump stations and reservoir sites, inspecting Capital Improvement Projects, and used in monitoring the District's lone workers as part of the District's Heat Illness Prevention Program.

The radio network and camera demonstration was presented by Director of IT Pilve. The presentation gave an overview of the District's advanced radio network, its business benefits, features and operation. Video surveillance capabilities were also covered by demonstrating the advantages of remotely operated cameras that can be controlled in real-time by District personnel.

GENERAL MANAGER'S AGENDA

5. ABM Energy Analysis and Proposal Status Report:

In July, ABM gave a presentation on their Energy Services Proposal. The proposal covered a number of areas: AMI conversion, system data integration and analytics, Automatic Remote Control of Strategic By-Pass Valves for Pump Storage, VFD's on Aerators at wastewater treatment plants (already complete), LED Lighting retrofits, Solar PV – Corporate Facility, Miller/Betsworth Pump Stations, and Moosa; battery energy storage (Corporate Facility), EV Charging Stations (Corporate Facility) and HVAC and Controls Retrofit (Corporate Facility). ABM estimated that these projects would cost \$11.386 million, have a savings of \$1.518 million annually with a simple payback over a period of 7.47 years. Staff continues to analyze ABM's report and staff has also monitored outside factors impacting the core financial and operative assumptions.

AMI Conversion - the savings was on the large meters and not the smaller meters (3/4", 1") and this can be achieved without a system wide AMI conversion. The long-term efficiency standards will not be in place until 2021, and not formally enforced until 2025. In addition, AMI technology is evolving rapidly in terms of capability and at a lower cost.

Solar Investments - ABM proposed 1.6 mW production for a cost of \$4.9 million with a net value of \$381,000/yr. However, the SDG&E General Rate Case, Phase II has moved forward and proposes to shift the peak energy pricing, lowering the value of net metered solar.

The contract with ABM has two Phases; the first being a discussion about ideas, and the second was telling them to move forward with the implementation of the more detailed report, which is what was presented in July. Per the contract, the District would owe ABM \$15,000 if it decides not to move forward.

Staff's recommendation is that the District postpone the overall AMI conversion and the solar investments at this time and defer action until the Spring 2017.

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Upon motion by Polito, seconded by Haskell and unanimously carried, the AMB Energy Proposal has been tabled to a later date.

6. Miscellaneous:

The following miscellaneous items were reported by General Manager Arant and the Department Heads:

- Letter from Jeffrey Kightlinger of MET is anticipated for an Extension of Time for Provision of Water Service to District A of the San Pasqual Indian Reservation.
- Contact was made by Bo Mazzetti of the Rincon tribe regarding another San Diego tribe being successful in getting legislation that essentially allows them to receive service from SDCWA and MET without annexing into SDCWA and MET. Rincon is going to pursue similar legislation for their tribe.
- Attending the UAG Policy meeting, ACWA, and Urban Advisory Group meeting with DWR and State Board Staff.
- Wilkes Road Pipeline Project contracts went out and the project should be under construction early November.
- Cool Valley Reservoir Cover/Liner Project is under construction and the loan agreement is expected from the state next week.
- UWMP Update was approved.
- Developments: Lilac Hills Ranch waiting on Measure B, Meadowood working with Developer on some of the development side aspects. South and North Village are pushing for Phase III development.
- Finance is in the process of updating the Utility Billing and it has been pushed back to December because consultant is out on leave.
- Year End is complete today and CAFR is to be presented second board meeting in December.

GENERAL COUNSEL AGENDA

7. General Counsel de Sousa Mills provided a briefing on the following:

- Little Hoover Commission is going to have its second of two meetings in which it is going to be studying Special Districts. This meeting is going to focus on how special districts are investing their tax dollars to affect climate change.
- Ms. de Sousa Mills will be speaking at the California Local Formation Agency Conference.

BOARD OF DIRECTORS' AGENDA

8. Director Aleshire reported on his recent visit to the Lock Dam, Keokuk, IA.

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9. Amendments to the Appendix of the District's Conflict of Interest Code:

General Manager Arant reported that the District is required to review its Conflict of Interest Code every two years and, if necessary, to modify any job titles and ensure that the proper disclosure categories are assigned to District employees.

Upon motion from Aleshire, seconded by Haskell and unanimously carried, the following Resolution, entitled:

RESOLUTION NO. 2016-32

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE VALLEY CENTER MUNICIPAL WATER DISTRICT
AMENDING THE CONFLICT OF INTEREST CODE PURSUANT
TO THE POLITICAL REFORM ACT OF 1974**

was adopted by the following vote, to wit:

AYES: Directors Broomell, Polito, Aleshire, Haskell and Ferro

NOES: None

ABSENT: None

In an abundance of caution, President Broomell stated that he would be abstaining from participating in the following agenda item due to a potential conflict of interest. He turned the meeting over to Vice President Polito and excused himself from the room.

ACTION AGENDA (Continued)

10. Amendment No. 1 to Vertech's Professional Services Agreement for the Woods Valley Ranch Water Reclamation Facility (WVRWRF) SCADA Migration and Expansion Integration:

The District entered into a Professional Services Agreement with Vertech on September 2, 2016 to provide SCADA and Integration services for the WVRWRF Phase 2 Expansion.

In order to maintain consistency with programming techniques, District asked Vertech to submit a proposal for PLC programming for the Phase 2 Expansion, and installation and programming of a redundant PCL for the existing MBR. Vertech has demonstrated from project history that they have the expertise to perform the PLC programming.

Vertech's Change Order Request is broken down into 8 tasks totaling \$49,420. Task 1 is for Field Research and Part Confirmation, Task 2 Redundancy System Panel Drawing Module, Task 3 PLC Programming – Plant Expansion, Task 4 PLC

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Programming Redundancy Configuration, Task 5 Membrane System Redundancy Installation, Task 6 Field Testing Startup and Training, Task 7 Sequence of Operation Response Write Up, and Task 8 Mileage, for a total Change Order Request of \$49,420.

Funding for Tasks associated with the redundant MBR PLC (Tasks 2, 4, 5) totaling \$11,200 shall be funded from replacement reserves via the WVRWRF/HMI Replacement Project account. The remaining tasks totaling \$38,220 shall be funded from the Phase 2 Expansion Project account.

Staff recommends Board Adopt Resolution No. 2016-32 approving Amendment No. 1 in the amount of \$49,420 to the Professional Services Agreement with Vertech Industrial Systems for the WVRWRF SCADA Migration and Expansion Integration Project resulting in a revised total contract amount of \$190,460.

Upon motion by Aleshire, seconded by Ferro and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2016-29

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT
APPROVING AMENDMENT NO. 1 TO
THE PROFESSIONAL SERVICES AGREEMENT WITH
VERTECH INDUSTRIAL SYSTEMS CONSULTANTS FOR
THE WOODS VALLEY RANCH WRF SCADA MIGRATION
AND EXPANSION INTEGRATION PROJECT**

was adopted by the following vote, to wit:

AYES: Directors Polito, Aleshire, Haskell and Ferro

NOES: None

ABSENT: Broomell

ADJOURNMENT

11. Upon motion by Aleshire, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 4:00 p.m.

ATTEST:

ATTEST:

President

Secretary

Approved at a Regular Meeting of the Board of Directors on November 7, 2016