"In order to comply with legal requirements for posting of agendas, only those items filed with the District Secretary's office by noon, on Wednesday prior to the following Thursday meeting, not requiring departmental investigation, will be considered by the Board of Directors."

OPENING CEREMONIES

Pledge of Allegiance
Opening Prayer
Call to Order
Roll Call of Board Members

ADOPT AGENDA

PUBLIC PARTICIPATION

Any person wishing to speak to the Board of Directors on matters listed or not listed on the agenda, within its jurisdiction, is asked to complete a Speaker Card and submit it to the District Clerk. Each speaker is limited to three (3) minutes. Under the State of California Brown Act, the Board of Directors is prohibited from discussing or taking action on any item not listed on the posted agenda. Comments related to noticed Public Hearing(s) and Business Matters will be heard during the occurrence of the item.
CONSENT CALENDAR

All matters listed under the Consent Calendar are considered routine and will be enacted by one vote. There will be no separate discussion of these items unless a member of the Board of Directors, Staff Member, or any member of the public request a specific item(s) be removed for separate action.

Consideration of:

1. Minutes of October 5, 2017 Board meeting.


PUBLIC HEARING

BUSINESS MATTERS

Consideration of:

1. Approve a Change Order to Contract with Rogers, Anderson, Malody & Scott, LLP (RAMS) in the amount of $15,750.


3. Approval of the Sole Source Purchase of Water Meters and Meter Transceiver Units from Aqua-Metrics Sales Company in an amount not to exceed $250,000.


REPORTS - LIMITED TO 5 MINUTES MAXIMUM (Presentations or handouts must be provided to Board Members in advance of the Board Meeting).

1. Board Members

2. Legal Counsel

3. General Manager

4. Assistant General Manager

5. Chief Financial Officer

6. Operations Manager

7. Engineering Services Manager
8. External Affairs Manager

9. Human Resources/Risk Manager
   - 1,093 Days Without a “Lost Time” Claim.

10. Business Systems Manager

11. Board Secretary

UPCOMING MEETINGS

1. November 8, 2017 – West Valley Water District Board of Directors Engineering and Planning Committee meeting, District Headquarters, 5:45 p.m.

2. November 9, 2017 – West Valley Water District special Board of Directors meeting, District Headquarters, 6:00 p.m.

3. November 13, 2017 – West Valley Water District Board of Directors Human Resources Committee meeting, District Headquarters, 6:00 p.m.

4. November 13, 2017 – Association of San Bernardino County Special Districts Monthly Membership meeting, hosted by Mojave Water Agency at the Wood Grill Buffet in Hesperia, CA, 92345; 6:00 p.m.

5. November 15, 2017 – West Valley Water District Board of Directors Finance Committee meeting, District Headquarters, 5:45 p.m.

6. November 16, 2017 – West Valley Water District Board of Directors regular meeting, District Headquarters, 6:00 p.m.

7. November 22, 2017 – West Valley Water District Board of Directors External Affairs Committee meeting, District Headquarters, 6:00 p.m.


FUTURE AGENDA ITEMS

INFORMATION

CLOSED SESSION

1. APPROVAL OF CLOSED SESSION MINUTES (UNRESTRICTED): Regular meeting October 19, 2017.


4. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION - Pursuant to Government Code Section 54956.9(b): Miguel Rodriguez, Claim Number 18-0260 (WVWD).

5. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION - Pursuant to Government Code Section 54956.9(a): Southern California Edison v. Fontana I Medical Properties, et al; San Bernardino County Superior Court Case No. CIVDS1621129.

6. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION - Pursuant to Government Code Section 54956.9(a): San Bernardino Valley Municipal Water District, et al., v San Gabriel Valley Company, et al; San Bernardino County Superior Court Case No. CIVDS1311085 / Fourth District Court of Appeal Division Two, Case No. E063180.


8. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION – Pursuant to Government Code Section 54956.9(a): FPPC Complaint, Clifford O. Young, Sr. v. West Valley Water District and Linda Gonzalez, Complaint No. COM-06092017-01044.

ADJOURN

DECLARATION OF POSTING:

I declare under penalty of perjury, that I am employed by the West Valley Water District and posted the foregoing Agenda at the District Offices on October 27, 2017.

Shanae Smith, Board Secretary
Please Note:

Material related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 855 W. Baseline, Rialto, during normal business hours. Also, such documents are available on the District’s website at www.wvwd.org subject to staff's ability to post the documents before the meeting.

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in the above-agendized public meeting should be directed to Shanae Smith, at least 72 hours in advance of the meeting to ensure availability of the requested service or accommodation. Mrs. Smith may be contacted by telephone at (909) 875-1804 ext. 704, or in writing at the West Valley Water District, P.O. Box 920, Rialto, CA 92377-0920.
MINUTES
REGULAR BOARD MEETING
of the
WEST VALLEY WATER DISTRICT
October 5, 2017

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Present</th>
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<tr>
<td><strong>Board Members</strong></td>
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<td>Donald Olinger, President</td>
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<td>Linda Gonzalez, Vice President</td>
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<td><strong>Staff</strong></td>
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<td>Matthew Litchfield, General Manager</td>
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<td>Greg Gage, Assistant General Manager</td>
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<td><strong>General Legal Counsel</strong></td>
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<td>Michael D Davis, Gresham Savage Nolan &amp; Tilden, PC</td>
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<td>Derek Hoffman, Gresham Savage Nolan &amp; Tilden, PC</td>
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VISITORS

June D. Hayes, Director, SBV Municipal Water District
Anthony and Diana Araiza, Residents

OPENING CEREMONIES

The Regular meeting of the Board of Directors was called to order by Donald Olinger at 6:00 p.m. at the District Headquarters, 855 W. Baseline Road, Rialto, CA.

WVWD
Minutes: 10/5/17
ADOPT AGENDA

Following discussion, a motion was made by Vice President Gonzalez to adopt the Agenda as presented, seconded by Director Bourland.

RESULT:  APPROVED [UNANIMOUS]
MOVER:  Linda Gonzalez, Vice President
SECONDER:  Robert Bourland, Director
AYES:  Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

PUBLIC PARTICIPATION

This item was taken out of order.

Ms. June D. Hayes, Director of the San Bernardino Valley Municipal Water District ("Valley District") commented that on the third Tuesday of the month, the Utilities Commission will be hearing the California Water Fix presentation or one very similar to it, and it will be videotaped.

CONSENT CALENDAR

Director Young, Sr. requested that the Minutes of the September 21, 2017 be amended by striking the last paragraph on Page 14, as it does not refer to policy issues, but personal attacks on individuals and should not be reflected in the record. After discussion, it was agreed that the last paragraph did not belong in “Future Agenda Items.” Following discussion, Director G. Young made a motion to Approve the balance of the Consent Calendar and to consider Item No. 2, Approval of the August Cash Disbursements Reports separately, seconded by Vice President Gonzalez with discussion. Following discussion, the motion passed by the following vote:

RESULT:  ADOPTED [4 TO 1]
MOVER:  Gregory Young, Director
SECONDER:  Linda Gonzalez, Vice President
AYES:  Donald Olinger, Linda Gonzalez, Clifford Young, Robert Bourland
ABSTAIN:  Gregory Young, Director

APPROVAL OF AUGUST 2017 CASH DISBURSEMENTS REPORT

Director G. Young led a discussion regarding his concern for a payment of $11,300 made to Maria Kennedy, as she has not been under contract for a year and that invoices had not been brought before the Board for approval, as they always have in the past. General Manager Matthew Litchfield

WVWD

Minutes: 10/5/17
stated that Maria Kennedy had a contract with the District some time ago and outstanding invoices
were paid and honored per contract, and in amounts well within his authority per the contract.
Director Young asked whether the invoices could be provided to the Board. Director Young, Sr.
requested that a detailed invoice and who signed the check be provided to the Board this evening
and that a break be taken to allow the General Manager to gather the data. Vice President Gonzalez
commented that Ms. Kennedy was one of our consultants who did a lot of work and wrote the grant
for the WaterSmart program. Ms. Kennedy was under contract for $55,000 for state local grants and
$55,000 for representation at the federal level, for a total of $110,000. The grant which was a
miracle, went through. Vice President Gonzalez commented that Ms. Kennedy told her that she
submitted the invoices and Director Young, Sr. held those invoices and placed them at someone’s
desk and that she was not paid. This is not fair because we paid Director Young, Sr.’s friend, Mr.
William Lawry, the federal lobbyist, and flew him in for the celebration. Ms. Kennedy did the work
and she should get paid. Director Bourland inquired whether the invoice was within the General
Manager’s signing authority. Mr. Litchfield answered “yes” and that he will review the policy for
clarification. Following a lengthy discussion, Director G. Young made a motion to postpone
Consent Item No. 2 Approval of August 2017 Cash Disbursements Report to the end of the agenda
in order to give Staff a sufficient amount of time to find the information requested, seconded by
Director Young, Sr. Director Bourland amend the motion to authorize Staff to postpone
presentation of the necessary information to substantiate the invoice that had already been approved
and paid to Kennedy Communications until the next meeting, seconded by Vice President Gonzalez.
Director Young, Sr. commented that he did not want to delay, but to preserve whatever
documents are available for this particular invoice and that he did not want the opportunity for new
documents to come in or for the present documents to be altered in any way and that Director
Bourland’s amendment would delay those records. Director Bourland asked that the General
Manager and the Chief Financial Officer (“CFO”) state that they will only bring information that
had already been provided and not seek to gather additional information. Director Young, Sr.
requested that General Legal Counsel Mr. Michael D. Davis ensure before the evening is up that the
records are preserved and clarified that the Board needed to take action on the balance of the item.
General Counsel Davis agreed to stay following the meeting to collect and receipt the information
presently existing and to present it to the Board at the next meeting. As clarified, the motion passed
by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Robert Bourland, Director
SECONDER: Linda Gonzalez, Vice President
AYES: Donald Olinger, Linda Gonzalez, Robert Bourland, Clifford Young, Gregory
Young

Following discussion, Director Bourland made a subsequent motion to Approve the balance of the
August 2017 Cash Disbursements Report, with the exception of the Kennedy Communications
invoice, seconded by Director Young. The motion carried by the following vote:

WVWD
Minutes: 10/5/17
RESULT: APPROVED [4 TO 1]
MOVER: Robert Bourland, Director
SECONDER: Gregory Young, Director
AYES: Donald Olinger, Linda Gonzalez, Gregory Young, Robert Bourland
ABSTAIN: Clifford Young, Director

PUBLIC HEARING
None.

BUSINESS MATTERS

1. CALIFORNIA WATER FIX PRESENTATION – BY SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT - Mr. Litchfield introduced Mr. Douglas Headrick, General Manager of the San Bernardino Valley Municipal Water District ("Valley District"), who presented the California Water project. Mr. Headrick described the history of the State Water Project ("SWP") water, water supply reliability issues we are facing that the project solves through infrastructure, operations for water supply and the costs and affordability associated with the project. Following the presentation, Mr. Headrick answered questions from the Board. The Board thanked Mr. Headrick for a great presentation.

2. RECEIVE AND FILE THE OTHER POST-EMPLOYMENT BENEFITS (OPEB) ACTUARIAL ENDING JUNE 30, 2016 AND APPROVE THE ALLOCATION OF $543,000 TO CONTRIBUTE TO THE CERBT TO BEGIN PREFUNDING OF THE DISTRICT'S OPEB – Director Young, Sr. made a motion to receive and file the Other Post-Employment Benefits ("OPEB") Actuarial Ending June 30, 2016 and Approve the Allocation of $543,000 to Contribute to the CERBRT to Begin Prefunding of the District’s OPEB, seconded by Director Young. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Clifford Young, Director
SECONDER: Gregory Young, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

3. APPROVAL OF COMPENSATION AGREEMENTS WITH THE CITY OF RIALTO Director Young, Sr. made a motion to Approve the Compensation Agreements with the City of Rialto, seconded by Director Young. The motion passed by the following vote:
4. APPROVAL OF PAYMENT TO LARSEN O'BRIEN, LLP FOR PROFESSIONAL SERVICES RENDERED THROUGH AUGUST 31, 2017; INVOICE NO. 3838; $2,632.50 - Director Young, Sr. made a motion to Approve Payment to Larson O'Brien, LLP for Professional Services rendered through August 31, 2017; Invoice No. 3838, seconded by Director Young. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Clifford Young, Director
SECONDER: Gregory Young, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

5. APPROVAL OF PAYMENT TO GRESHAM SAVAGE NOLAN & TILDEN, PC FOR PROFESSIONAL SERVICES RENDERED THROUGH AUGUST 31, 2017; STATEMENT NO. W1582 - ALL MATTERS; TOTAL AMOUNT OF $39,334.72 Director Young, Sr. made a motion to delay consideration of Approval of Payment to Gresham Savage Nolan & Tilden, PC until after Closed Session of the Board meeting, seconded by Director G. Young with discussion. Director Young, Sr. clarified his rationale, and commented that at the last Board meeting that he attended, he had indicated there were a number of questions that he needed to ask General Legal Counsel that cannot be done in Open Session. Director Bourland amended the motion by requesting Approval of Item No. 5 as is, with the understanding that after any discussion, if there are any disputed items that come up in question with any of the Directors, the item could be put on hold and later rectified, as to not delay approval of the work that had already been completed, seconded by Vice President Gonzalez. Discussion continued. Following discussion the amended motion passed.

RESULT: APPROVED [3 TO 2]
MOVER: Robert Bourland, Director
SECONDER: Linda Gonzalez, Vice President
AYES: Donald Olinger, Linda Gonzalez, Robert Bourland
NAYS: Clifford Young, Gregory Young

WVWD
Minutes: 10/5/17
REPORTS - LIMITED TO 5 MINUTES MAXIMUM (Presentations or handouts must be provided to Board Members in advance of the Board Meeting).

1. Board Members

Director G. Young reported on the following:

a. Thanked Valley District for attending the meeting and making the presentation.

b. Thanked External Affairs Manager Ms. Wendy Strack for attending the Bloomington Municipal Advisory Council ("MAC") meeting.

c. Requested that everyone continue to pray for Sergeant Powers, who was wounded in Las Vegas over the weekend. He is one of our deputies who patrols the Bloomington/Fontana area, which covers portions of our District. He has been in critical condition since then and it a very grievous wound to his pelvis, as well as the Ontario Police Officer who was shot in the head and also in critical condition.

Director Bourland had no report.

Vice President Gonzalez reported on the following:

a. Oct. 2nd - Thanked everyone who was involved with the process of putting the packet together for the Code of Ethics Policy meeting. It was a very successful meeting and she is very happy that we finally have a Code of Ethics Policy. She has been here almost four (4) years and did not like the idea that there was nothing in place.

b. Oct. 3rd - Attended the Bloomington MAC meeting where the speaker was very informative and discussed disaster planning tips. He talked about extra things regarding earthquakes she had not heard before.

c. Thanked the General Manager and External Affairs Manager for their attendance at an early morning Kiwanis meeting. Mr. Litchfield presented a PowerPoint presentation on the West Valley Water District, where it is now, and where it's going in the future.

d. Thanked President Olinger for conducting our meetings very well done and thanked the public for attending the meeting.

Director Young, Sr. reported on the following:

a. Thanked Mr. Headrick for the presentation and that he flipped him as a supporter based upon the presentation on where the funds are coming from in terms of repairing our system.

b. Have made several requests as a Board member that have not been received. One being clarification to the Staff of what their responsibilities are in terms of the political activities. Inquired whether the memorandum went out. Mr. Litchfield clarified that he has legal counsel working on it, and that he is in the process of putting it into a policy format.

WVWD

Minutes: 10/5/17
Director Young, Sr. commented that it is basic state law and what is the delay and that employees of this District should know what their responsibilities are. We are in the middle of a political season, and the request should have been handled and that he did not know what the delay is. General Legal Counsel Mr. Davis clarified there is a statutory legal requirement that the Board adopt a specific policy covering certain portions of what had been requested. That had not been done in the past and that it had been prepared and presented to the District for consideration. A discussion ensued regarding District personnel policy and state law. Following discussion, Director Young, Sr. requested that the General Manager provide his expense reports by credit card, and his calendar be provided, rather than going through a public records request where games are played, as a Board member he is requesting that. For the last three months, expenses of the General Manager and the executive employees and their calendars, as the Board has a right to know what executive staff, including the Clerk of the Board are using rate payers’ resources for and share it with all the Board members, as they have a right to know that.

c. Thanked Board members for his absence at the last meeting. If he can be here, he will be here. If he can't, he cannot.

President Olinger thanked June D. Hayes, Director of Valley District and that he considers the General Manager the authority on the California Water Fix and requested progress reports, as this is a long-range project. President Olinger also apologized for the demeanor of the meeting.

2. Legal Counsel

a. Mr. Davis referenced the legal status report on the dais. Director G. Young renewed his request for a copy of the General Legal Counsel contract that he asked for several meetings back, as he is unclear what is considered routine, as there seems to be a lot of activities that should be routine that aren't. Mr. Davis clarified that he transmitted a clean, executed copy to all directors, but that he could resend it. Vice President Gonzalez acknowledged receipt of the transmission to the Board. Mr. Davis will present copies at the next meeting.

3. General Manager

Mr. Litchfield reported on the following:

a. Draft Board of Directors Handbook - The draft handbook has been completed, which are need to pursue the California Special Districts Association ("CSDA") Transparency Certificate of Excellence awarded by the CSDA Leadership Foundation. Staff will be reaching out in the near future to schedule a special meeting to discuss the handbook.

4. Assistant General Manager

Mr. Greg Gage reported on the following:

a. Mosquito Infestation - Working with County Vector Control on vegetation abatement in the Cactus Basin No. 2 related to mosquito population in that basin. The work had been completed in the last week of September and the District has filed a completion report with the United States Army Corp of Engineers ("USACE"), some forty-two pages in length to WVWD

Minutes: 10/5/17
terminate its emergency work on October 2nd. The work has been completed and copied to a variety of regional and state agencies. Mr. Gage acknowledged Ms. Joanne Chan, who worked very diligently on this for several weeks. The permits required to accomplish the work, were very significant and challenging to obtain and we are now setting about to obtain a long-term permit, as the infestations are occurring across the area.

5. **Chief Financial Officer**

Ms. Marie Ricci had no report.

6. **Operations Manager**

Ms. Joanne Chan reported on the following:

   a. The Oliver P. Roemer Water Treatment Plant (“ORWTP”) is producing 6.5 mgd, up 8%.

   b. Afterbay - Lytle Creek Flow is down this month for improvement and cleaning.

   c. State Water Project (“SWP”) water flow is at 5.8 mgd, up 36%.

   d. The FBR Water Treatment Plant is treating 2.9 mgd, its maximum capacity.

7. **Engineering Services Manager**

Ms. Linda Jadeski had no report.

8. **External Affairs Manager**

Ms. Strack had no report.

9. **Human Resources/Risk Manager**

Ms. Karen Logue reported on the following:

   a. Oct. 12th - Year - End Supervisor Training to ensure supervisors have the necessary tools to perform their jobs.

10. **Business Systems Manager**

Mr. Jon Stephenson had no report.

11. **Board Secretary**

Ms. Shanae Smith reported on the following:

   1. Oct. 16th - Association of San Bernardino County Special Districts Monthly Meeting.
FUTURE AGENDA ITEMS

Director Young, Sr. stated the Board voted without going out to public bid for legal counsel and that he would like the matter to be resubmitted and he will make a presentation. We were quoted state law above the ordinance of this District, which is incorrect and that he would like an opportunity to speak to that and for it to be placed back on the agenda.

INFORMATION

None.

CLOSED SESSION

At 7:29 p.m. the Board convened to Closed Session to discuss several items. At 8:07 p.m., the Board reconvened to Open Session. Mr. Davis reported on the following:

1. APPROVAL OF CLOSED SESSION MINUTES (RESTRICTED): Regular meeting of July 6, 2017.
   Approved by a vote of 3-0, with Vice President Gonzalez and Director Young, Sr. excused.

2. APPROVAL OF CLOSED SESSION MINUTES (UNRESTRICTED): Regular meeting of August 17, 2017
   Approved by a vote of 4-0-1, with Director Young, Sr. abstaining.

   Approved by a vote of 4-0-1, with Director Young, Sr. excused.

   Approved by a vote of 3-0-2, with Vice President Gonzalez and Director Young, Sr. excused.

5. APPROVAL OF CLOSED SESSION MINUTES (UNRESTRICTED): Regular meeting September 21, 2017.
   Approved by a vote of 3-0-2, with Director Young and Director Young, Sr. abstaining.

   Approved by a vote of 3-0-2, with Director Young, Sr. and Director Young abstaining.

WVWD
Minutes: 10/5/17
Approved the (C. YOUNG AND L. GONZALEZ RESTRICTED) minutes by a vote of 3-0-2, with Vice President Gonzalez and Director Young, Sr. excused.

7. APPROVAL OF REJECTION LETTER - Ljot Inglis, Claim Number 18-18-0079 (WVWD). – No reportable action.

8. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION - Pursuant to Government Code Section 54656.9(a): FPPC Complaint, Clifford O. Young, Sr. v. West Valley Water District and Linda Gonzalez, Complaint No. COM-06092017-01044. - No reportable action.

9. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION - Pursuant to Government Code Section 54956.9(a): Suzanne Cook v. West Valley Water District & Clifford O. Young; San Bernardino County Superior Court Case No. CIVDS1713213. No reportable action.


11. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION - Pursuant to Government Code Section 54956.9(a): San Bernardino Valley Municipal Water District, et al., v San Gabriel Valley Company, et al; San Bernardino County Superior Court Case No. CIVDS1311085 / Fourth District Court of Appeal Division Two, Case No. E063180. No reportable action.


13. CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION - Pursuant to Government Code Section 54956.9(b): Jesus Campos Ugalde, Claim Number 178-0503. No reportable action.

14. CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION - Pursuant to Government Code Section 54956.9(b): Chantelle Washington, Claim Number 17-0433 (WVWD) and 17-053 (CCS). No reportable action.
15. CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION - Pursuant to Government Code Section 54956.9(b): Brandon Erwin, Claim Number 17-0433 (WVWD) and 17-053 (CCS).

No reportable action.

16. CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION - Pursuant to Government Code Section 54956.9(b): Roland Vasquez, Claim Number 18-0072 (WVWD).

No reportable action.

THERE BEING NO FURTHER BUSINESS, DIRECTOR YOUNG MOVED TO ADJOURN THE MEETING AT 8:07 P.M., SECONDED BY DIRECTOR BOURLAND.

____________________________
Donald Olinger
President of the Board of Directors
of West Valley Water District

ATTEST:

____________________________
Shanae Smith, Board Secretary

WVWD
Minutes: 10/5/17
MINUTES
REGULAR BOARD MEETING
of the
WEST VALLEY WATER DISTRICT
October 19, 2017

Attendee Name | Present | Absent |
--- | --- | --- |
**Board Members**
Donald Olinger, President | ☑ | ☐
Linda Gonzalez, Vice President | ☑ | ☐
Clifford Young, Director | ☑ | ☐
Gregory Young, Director | ☑ | ☐
Robert Bourland, Director | ☑ | ☐
**Staff**
Matthew Litchfield, General Manager | ☑ | ☐
Greg Gage, Assistant General Manager | ☑ | ☐
Marie Ricci, Chief Financial Officer | ☑ | ☐
Karen Logue, Human Resources/Risk Manager | ☑ | ☐
Wendy Strack, External Affairs Manager | ☐ | ☑
Linda Jadeski, Engineering Services Manager | ☑ | ☐
Joanne Chan, Operations Manager | ☑ | ☐
Jon Stephenson, Business Systems Manager | ☑ | ☐
Shanae Smith, Board Secretary | ☑ | ☐
**General Legal Counsel**
Michael D Davis, Gresham Savage Nolan & Tilden, PC | ☐ | ☑
Derek Hoffman, Gresham Savage Nolan & Tilden, PC | ☑ | ☐
Kevin K. Randolph | ☑ | ☐

VISITORS
Scott Olson, Republican Central Committee
Anthony and Diana Araiza, Residents

OPENING CEREMONIES

The Regular meeting of the Board of Directors was called to order by Donald Olinger at 6:00 p.m. at the District Headquarters, 855 W. Baseline Road, Rialto, CA.

WVWD
Minutes: 10/19/17
ADOPT AGENDA

Vice President Gonzalez made a motion to Adopt the Agenda as presented, seconded by Director Bourland. The motion passed by the following vote:

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<tr>
<th>RESULT:</th>
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<td>SECONDER:</td>
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<tr>
<td>AYES:</td>
<td>Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland</td>
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</tbody>
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PUBLIC PARTICIPATION

There were no public speakers.

CONSENT CALENDAR

Vice President Gonzalez made a motion to Approve the Consent Calendar, seconded by Director Bourland. Director Young led a discussion regarding the Minutes of October 5, 2017 and whether the Cash Disbursement item indicated the correct vote. A discussion ensued as to the accuracy of the minutes. Director Young amended the original motion to Approve the Consent Calendar, and table the approval of the Minutes of the October 5, 2017 regular meeting to the next regular meeting in order that he may have an opportunity to review the audio for accuracy and to determine if the minutes accurately reflected the motions that the Board took on the action. Following discussion, the motion passed by the following vote:

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<tr>
<th>RESULT:</th>
<th>ADOPTED [UNANIMOUS]</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOVER:</td>
<td>Linda Gonzalez, Vice President</td>
</tr>
<tr>
<td>SECONDER:</td>
<td>Robert Bourland, Director</td>
</tr>
<tr>
<td>AYES:</td>
<td>Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland</td>
</tr>
</tbody>
</table>

PUBLIC HEARING

None.

WVWD
Minutes: 10/19/17
BUSINESS MATTERS

1. APPROVAL OF A WATER SYSTEM INFRASTRUCTURE INSTALLATION AND
CONVEYANCE AGREEMENT WITH THE NORTH FONTANA INVESTMENT
COMPANY, LLC - Following discussion, Director Young made a motion to Approve the
Water System Infrastructure Installation and Conveyance Agreement with North Fontana
Investment Company, LLC, pending any legal counsel comments that would authorize Staff to
enter into an agreement once we receive those comments, seconded by Director Bourland. The
motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Gregory Young, Director
SECONDER: Robert Bourland, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert
Bourland

2. APPROVAL OF GUIDELINES AND PROCEDURES FOR IMPLEMENTING THE
PROVISIONS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT -
Following discussion, Director Bourland made a motion to Approve the Guidelines and
Procedures for Implementing the Provisions of the California Environmental Quality Act
("CEQA"), seconded by Director Young. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Robert Bourland, Director
SECONDER: Gregory Young, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert
Bourland

3. APPROVAL OF AGREEMENT FOR PROFESSIONAL SERVICES AND TASK
ORDER NO. 1 WITH TKE ENGINEERING, INC. FOR THE DESIGN OF THE 24-
INCH WATERLINE IN PEPPER AVENUE AT THE UNION PACIFIC RAILWAY-
Following discussion, a motion was made by Vice President Gonzalez to Approve an
Agreement for Professional Services and Task Order No.1 with TKE Engineering, Inc.,
seconded by Director Bourland. Following discussion, the motion passed by the following vote:

WVWD
Minutes: 10/19/17
RESULT: APPROVED [UNANIMOUS]
MOVER: Linda Gonzalez, Vice President
SECONDER: Robert Bourland, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

4. APPROVAL OF AN AGREEMENT WITH RITE-WAY ROOF CORPORATION FOR DISTRICT HEADQUARTERS ROOF REPAIR AND COATING PROJECT - Following discussion, Director Young made a motion to Approve an Agreement with Rite-Way Roof Corporation for District Headquarters Roof Repair and Coating Project, seconded by Director Bourland. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Gregory Young, Director
SECONDER: Robert Bourland, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

5. APPROVAL OF AN AGREEMENT WITH ERS INDUSTRIAL SERVICES, INC. FOR OLIVER P. ROEMER WATER FILTRATION FACILITY FILTER MEDIA REPLACEMENT AND COATING PROJECT - Following discussion, Director Young, Sr. made a motion to Approve an Agreement with ERS Industrial Services, Inc. for the Oliver P. Roemer Water Filtration Facility, seconded by Director Young. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Clifford Young, Director
SECONDER: Gregory Young, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

WVWD
Minutes: 10/19/17
6. **APPROVAL OF AN AGREEMENT WITH CRB SECURITY SOLUTIONS FOR THE EXPANSION OF THE ACCESS CONTROL SYSTEM TO THE FBR TREATMENT PLANT AND BUILDING C** - Following discussion, Director Bourland made a motion to Approve an Agreement with CRB Security Solutions to Expand the Access Control System, seconded by Director Young. Vice President Gonzalez inquired of the Engineering Committee members as to why the item had been forwarded to the full Board for approval. Director Young commented that it is the natural order of the process. Mr. Litchfield also clarified that due to amount of the contract, which exceeds his authority of $25,000, the item needed to come before the full Board for approval. The motion passed by the following vote:

<table>
<thead>
<tr>
<th>RESULT:</th>
<th>APPROVED [UNANIMOUS]</th>
</tr>
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<tr>
<td>MOVER:</td>
<td>Robert Bourland, Director</td>
</tr>
<tr>
<td>SECONDER:</td>
<td>Gregory Young, Director</td>
</tr>
<tr>
<td>AYES:</td>
<td>Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland</td>
</tr>
</tbody>
</table>

7. **EXECUTIVE MANAGEMENT STAFF EXPENSE REPORTS AND CALENDARS FOR THE PERIOD COVERING JULY 3, 2017 THROUGH OCTOBER 5, 2017 (RECEIVE AND FILE)** - Following discussion, the item was received and filed.

8. **ADOPT RESOLUTION NO. 2017-27 OF THE BOARD OF DIRECTORS OF THE WEST VALLEY WATER DISTRICT APPROVING A POLITICAL ACTIVITIES POLICY** - Following discussion, Director Young made a motion to Adopt Resolution No. 2017-27, Approving a Political Activities Policy, seconded by Director Bourland. Vice President Gonzalez requested that Legal Counsel clarify for the record, the employees' rights regarding the activities outlined in the Political Activities Policy. General Legal Counsel Kevin K. Randolph explained that employees certainly would not conduct private activities on the weekend while in company uniform and just show up in sponsorship. However, in terms of other activities where they are doing their own private thing on weekends, after hours, they are free to do that. In the solicitation of campaign contributions from existing employees or District officers would apply at all times. Other types of fundraising would not be prohibited. Most of what is thought of, in terms of political activities is likely to occur at work and the policy prohibits that. When they leave and go home on the weekends, in their own personal space, wearing their own clothes, then they retain the right, both constitutionally and statutorily to engage in these types of protected activities. Mr. Randolph also clarified that the policy applies to all District property, including the break-rooms. President Olinger asked Mr. Litchfield how the policy would be promulgated to staff. Mr. Litchfield announced that he would make a presentation to staff regarding the policy and that each staff member would sign an acknowledgment form indicating they understand the policy to be placed in the employees' individual files. Director Young, Sr. inquired if the effective date is the date of the policy and is there a reason why we did not cite any federal or state statutes within the policy, which were in effect prior to the Board's review and consideration of the policy. Legal Counsel stated the policy is consistent with state law, however, in terms of its effectiveness and ability to be enforced, the policy must be adopted by the Board first, and that nothing in the policy changes the law. Following discussion, the motion failed by the following vote:

WVWD

Minutes: 10/19/17
RESULT: DEFEATED [UNANIMOUS]
MOVER: Gregory Young, Director
SECONDER: Robert Bourland, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

Director Young, Sr. amended the original motion to Adopt Resolution No. 2017-27, Approving a Political Activities Policy to include that Legal Counsel cite the citations, particularly for the state which are behind the policy, seconded by Director Bourland. The motion passed by the following vote:

RESULT: APPROVED [UNANIMOUS]
MOVER: Clifford Young, Director
SECONDER: Robert Bourland, Director
AYES: Donald Olinger, Linda Gonzalez, Clifford Young, Gregory Young, Robert Bourland

9. APPROVAL OF PAYMENT TO KENNEDY COMMUNICATIONS - CHECK NO. 70666 - Director Young, Sr. inquired about the payment of the Kennedy Communications invoice and questioned why it did not follow the normal process of coming before the Board for approval. Mr. Litchfield stated that he had a discussion with the Finance Committee regarding his ability to approve contract invoices, within his authority, with the exception of legal bills, as they were clogging up the Board agendas and that the contracts had been pre-approved by the Board during the adoption of the operating budget. Director Young, Sr. led a discussion regarding the Board's ability to approve the payment and whether the federal lobbying work had been complied with. President Olinger suggested that Director Young, Sr. meet with Mr. Litchfield and Legal Counsel to discuss his concerns regarding contractor compliance. Vice President Gonzalez stated that she recalled that before this person was hired, Director Young, Sr. met with the consultant and ex-General Manager privately before Ms. Maria Kennedy had been hired and that he knew exactly what Ms. Kennedy was going to do, which was exactly what he asked her to do and that this had been stated to her after. Vice President Gonzalez also commented with regard to the federal issue and stated that Bill Lawry of Innovative Federal Strategies had the qualifications or status that Director Young, Sr. is referring to, and that Ms. Kennedy worked with Mr. Lawry and that she recalled on many occasions that Ms. Kennedy made it very clear she was not a federal lobbyist. Director Young stated for the record that the business of the Board should be done in full transparency and that he is very upset that the invoices were paid in the dead of night and not openly discussed by members of the Board on the dais. Director Bourland recommended for the state of clarity that the Executive Committee meet to discuss the General Manager's signature authority and report back to the full Board. The Board agreed that the original motion to approve the item would be withdrawn and to refer the item for discussion at a meeting coordinated by the General Manager, and for the Executive Committee to review the General Manager's authority.

RESULT: REFERRED TO COMMITTEE
11. GRESHAM SAVAGE NOLAN TILDEN, PC UPDATED GENERAL LEGAL COUNSEL AGREEMENT

President Olinger recommended that the item be taken up during the meeting that would be coordinated to discuss item No. 9. Director Bourland requested to be included in the meeting. Director Young, Sr. clarified that he recognizes that we have Legal Counsel, however, he is questioning the process of how we got there without a bidding process.

RESULT: REFERRED TO COMMITTEE

REPORTS - LIMITED TO 5 MINUTES MAXIMUM (Presentations or handouts must be provided to Board Members in advance of the Board Meeting).

1. Board Members

Director Young, Sr. had no report.

Director Young reported on the following:

a. Thanked everyone for coming out tonight.

b. Thanked those members of the community who reached out with well wishes for his mother’s speedy recovery, who has been in the hospital since the past weekend.

Vice President Gonzalez reported on the following:

a. Oct. 9th - Attended the Human Resources Committee meeting.


c. Oct. 12th - Attended the Executive Committee meeting.

d. Oct. 13th - Attended the Grace Vargas Senior Citizen event.

e. Oct. 17th - Attended the San Bernardino Valley Municipal Water District ("Valley District") Board of Directors meeting.

f. Oct 18th - Attended the Kiwanis meeting where they were presenting scholarships to local schools for the “Student of the Month” award, including three high schools in located the Rialto area.

g. Wished everyone a safe Halloween and encouraged everyone to protect their children.

Director Bourland reported on the following:

WVWD

Minutes: 10/19/17
a. Commented that 2/3 of the Board packet was from the Engineering Committee meeting and thanked Engineering Services Manager, Linda Jadeski and her team for all the great work put forth on the items.

2. **Legal Counsel**

Mr. Rudolph reported on the following:

a. Referenced the update of legal activities on the dais for the Board. President Young thanked Mr. Randolph for substituting for Mr. Michael D. Davis.

3. **General Manager**

Mr. Litchfield reported on the following:

a. In the External Affairs Report at the dais is an article in the September issue of the Municipal Water Leader Magazine highlighting the District's FBR treatment plant and the District's pursuit of additional groundwater activities.

4. **Assistant General Manager**

Mr. Gage had no report.

5. **Chief Financial Officer**

Ms. Ricci had no report.

6. **Operations Manager**

This item was taken out of order.

Ms. Chan reported on the following:

a. The Oliver P. Roemer Water Treatment Plant ("OPRWTP") is treating 6.5 mgd.

b. Lytle Creek flow is still down due to the improvement and cleaning at the After-bay.

c. State Water Project ("SWP") water flow is at 5.8, same as the last report.

d. The FBR Treatment Plant is treating 2.9, its maximum capacity.

7. **Engineering Services Manager**

This item was taken out of order:

Ms. Jadeski had no report.

8. **External Affairs Manager**

WVWD

Minutes: 10/19/17
Ms. Strack was absent.

9. Human Resources/Risk Manager

Ms. Logue had no report.

10. Business Systems Manager

Mr. Stephenson had no report.

11. Board Secretary

Ms. Smith reported on the following:


FUTURE AGENDA ITEMS

Ms. Logue announced that the HR Committee meeting scheduled for November 6th had been rescheduled for November 13th.

INFORMATION

a. President Olinger commented on an email forwarded from Ms. Smith to the Board regarding the Association of San Bernardino County Special Districts ("ASBCSD") upcoming election for Board of Directors and inquired whether any District Board members were interested in the position.

CLOSED SESSION

At 6:55 p.m. the Board convened to Closed Session to discuss several items. At 7:30 p.m., the Board reconvened to Open Session. Mr. Randolph reported on the following reportable actions:

The board approved Items, 2, 3 & 4. There were no other reportable actions.

ADJOURN

THERE BEING NO FURTHER BUSINESS, DIRECTOR BOURLAND MOVED TO ADJOURN THE MEETING AT 7:30 P.M.
Donald Olinger
President of the Board of Directors
of West Valley Water District

ATTEST:

Shanae Smith, Board Secretary
<table>
<thead>
<tr>
<th>EVENT DATE</th>
<th>DESCRIPTION</th>
<th>PRESIDENT OLINGER</th>
<th>VICE PRESIDENT GONZALEZ</th>
<th>DIRECTOR YOUNG, SR.</th>
<th>DIRECTOR YOUNG</th>
<th>DIRECTOR BOURLAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2nd</td>
<td>Bloomington Municipal Advisory Council</td>
<td>-</td>
<td>YES</td>
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<tr>
<td>November 2nd</td>
<td>WVWD Regular Board of Directors Meeting</td>
<td>VACATION</td>
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<td>November 9th</td>
<td>WVWD Special Board of Directors Meeting</td>
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<td>November 8th</td>
<td>WVWD Engineering/Planning Committee Meeting</td>
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<td>November 13th</td>
<td>WVWD Human Resources Committee Meeting</td>
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<td>November 16th</td>
<td>WVWD Regular Board of Directors Meeting</td>
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<td>November 21st</td>
<td>San Bernardino Valley Municipal Water District Board of Directors Meeting</td>
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<td>November 22nd</td>
<td>WVWD External Affairs Committee Meeting</td>
<td>-</td>
<td>YES</td>
<td>-</td>
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<td>YES</td>
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<tr>
<td>November 28th –</td>
<td>ACWA 2017 Fall Conference &amp; Exhibition</td>
<td>YES</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>YES</td>
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<tr>
<td>December 1st</td>
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DATE: November 2, 2017
TO: Board of Directors
FROM: Matthew H. Litchfield, P.E. General Manager
SUBJECT: APPROVE A CHANGE ORDER TO CONTRACT WITH ROGERS, ANDERSON, MALODY & SCOTT, LLP (RAMS) IN THE AMOUNT OF $15,750

BACKGROUND:

On April 6, 2017, the Board of Directors awarded a contract for financial audit services to Rogers, Anderson, Malody & Scott, LLP (“RAMS”) in the amount of $31,500. This amount included 300 hours of work that included Interim Testing, Year End Testing, and Reporting.

DISCUSSION:

RAMS has been actively working with the District to complete the required annual external audit and completion of the FY 2016-17 Comprehensive Annual Financial Report (CAFR) for distribution. Unfortunately, there has been a substantial amount of change and complex financial transactions that have occurred that require research to identify documents to support the financials. Over the past year, the District has had a significant amount of turnover in the Accounting Department, resulting in a new Chief Financial Officer, Accounting Supervisor and Accountant. Moreover, the District also settled and closed the Crestmore Heights Assessment District, Coyote Canyon Community Facilities District and refinanced the 2006A bond. Closure of the assessment districts were not included in the Request for Proposal. For these reasons, the auditors are unable to complete the audit within the initial proposed number of hours and price. RAMS is requesting a change order of $15,750, which will provide for 105 hours to complete the audit and develop and public the CAFR. The change order will be for this year only and will not affect the following 2 years audits in the amount of 32,400 for FY 2017-18 and

According to the District’s Purchasing Policy, the Board of Directors must approve change orders in excess of $10,000 or 25% for any existing professional services contract in the amount of $25,000 to $50,000.

FISCAL IMPACT:

The FY 2017-18 Operating and Capital Budget was adopted with a contingency of approximately $2.2 million for emergencies and unforeseen expenses. Sufficient contingency exists to fund the additional $15,750 requested for the change order.

STAFF RECOMMENDATION:
Staff recommends that Board of Directors approve the change order with Rogers, Anderson, Malody & Scott, LLP for financial audit services in the amount of $15,750 and authorize the allocation of $15,750 amount from the FY 2017-18 contingency to the operating budget.

Respectfully Submitted,

Matthew H. Litchfield, P.E.
General Manager

MR:ss

ATTACHMENT(S):
1. RAMS Request for Change Order

MEETING HISTORY:
10/18/17 Finance Committee REFERRED TO BOARD
September 29, 2017

West Valley Water District
855 West Base Line Road
P.O. Box 920
Rialto, CA 92377
Attention: Matthew H. Litchfield, P.E., General Manager

RE: Request for modification to agreement for professional services dated April 6, 2017 due to change in scope of services

Dear Mr. Litchfield,

We respectfully submit this request for authorization to perform additional services in accordance with Section 3 of the agreement for professional services dated April 6, 2017. Our audit team performed yearend fieldwork this week at the District, and we have shared the preliminary results of our audit work with the key leaders of the finance department.

After spending 4 days at the District in June during our interim audit fieldwork, we expected to complete our yearend fieldwork in 4 days. We encountered a number of challenges during yearend fieldwork this week that has increased the scope of work beyond our original proposal. In our proposal, we estimated the audit engagement to be 230 hours. After the fourth day of yearend fieldwork, we have invested 208 hours into the audit, leaving 22 hours remaining. Although we agree that the 230 hours is an estimate and the agreement was not structured to provide compensation for services on an hourly basis, we believe the additional out-of-scope work necessary to complete this project is significant, and warrants a change order. These hours do not include the customary first year setup of the financial statements and pre-audit consultations related to implementing and applying accounting standards, which has been approximately 40 hours, and is a cost born by our firm for maintaining a contract with the District.

District staff has been very helpful throughout the audit, and open to researching transactions and creating schedules and adjustments as necessary. Our initial assessment is that District staff is capable of preparing the necessary documentation and adjustments required for an audit but perhaps sufficient time or resources were not available to be allocated to all areas of audit preparation. The following areas presented challenges outside of the normal scope of work, which were discussed in more detail with the finance team: (1) CFD closeouts, (2) bond refunding, (3) capital assets, (4) construction in progress, (5) retentions payable, (6) bank reconciliation, (7) unbilled revenue and receivables, (8) prior year trial balance reconciliation to CAFR, (9) bonds payable, and (10) restricted cash and net position. We still have a number of audit areas that have not been examined yet due to time spent on other matters.
We will continue our audit fieldwork a fifth day today, and we estimate that an additional 35 hours of fieldwork are required to address the remaining audit areas. I believe that the time to complete the third and final segment of the audit, which is the synthesis of information and report preparation, should remain as originally planned, which is an estimated 70 hours. Accordingly, we request a change order in the amount of $15,750, which is an estimated 105 hours at a blended hourly rate of $150. This amount represents a 50% increase to the original contract for the audit of $31,500, which we understand requires board authorization. We believe that this additional out-of-scope work is unique to 2017, and we are not requesting modification to the contract for 2018 or 2019. Next year the District may consider allocating additional resources, either internal or external, to the yearend close process and audit preparation.

Based on our understanding of the District’s financial operations, we believe we are in a strong position to help the District complete the audit in a timely manner in 2017, and provide recommendations for next year.

Respectfully,

Brad Welebir, CPA
Partner
Rogers, Anderson, Malody & Scott, LLP
BOARD OF DIRECTORS
STAFF REPORT

DATE: November 2, 2017
TO: Board of Directors
FROM: Matthew H. Litchfield, P.E. General Manager
SUBJECT: ADOPT RESOLUTION NO. 2017-28 APPROVING THE DEBT MANAGEMENT POLICY

BACKGROUND:
On September 12, 2016, the Governor signed into law Senate Bill 1029 (SB1029), the California Debt and Investment Advisory Commission: Accountability Reports. The intent of this bill was to facilitate improved financial transparency and public accessibility to information regarding public debt. SB1029 requires that state and local agencies adopt comprehensive debt management policies that reflect local, state, and federal laws and regulations. It requires agencies to adopt debt management policies at least 30 days prior to the issuance of any new debt. The bill advises that public agency debt management policies reflect the recommendations of the Government Finance Officers Association (GFOA). Finally, the legislation requires all state and local debt issuance to be published in a single, transparent online database for public access. Moreover, in order to qualify and receive financial assistance from the State Water Resources Control Board, a Debt Management Policy is required.

DISCUSSION:
SB1029 specifically requires that local debt management policies shall include five key components. The recommendations set forth by the GFOA also address these components:

1. The purposes for which the debt proceeds may be used;
2. The types of debt that may be issued;
3. The relationship of the debt to, and integration with, the District’s capital improvement program or budget, if applicable;
4. Policy goals related to the District’s planning goals and objectives; and
5. The internal control procedures that the District has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The proposed Debt Management Policy (Exhibit A) complies with the requirements set forth in SB1029 and the State Debt and Investment Advisory Commission. It also aligns with GFOA best practice recommendations.

FISCAL IMPACT:
There is no fiscal impact of adopting the Debt Management Policy. The policy will provide guidance for
the future issuance and management of the District’s debt.

RECOMMENDATION:
Staff recommends the Board of Directors adopt Resolution No. 2017-28 approving the Debt Management Policy.

Respectfully Submitted,

Matthew H. Litchfield, P.E.
General Manager

MR:ss

ATTACHMENT(S):
1. Resolution No. 2017-28 Debt Management Policy
2. Draft Debt Management Policy

MEETING HISTORY:
10/18/17 Finance Committee REFERRED TO BOARD
RESOLUTION NO. 2017-28
A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE WEST VALLEY WATER DISTRICT,
SAN BERNARDINO COUNTY, STATE OF CALIFORNIA
ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Board of Directors of the West Valley Water District (District) maintains prudent financial practices to assure the ongoing financial health of the District; and

WHEREAS, the Board of Directors has determined that it would be proper in the management of its financial affairs to establish policies of the District with respect to debt management; and

WHEREAS, the purpose of a debt management policy is to demonstrate potential lenders, rating agencies and the public the District’s commitment to long-term capital financial planning using a formal set of written guidelines; and;

WHEREAS, Senate Bill 1029 requires all California municipal entities issuing debt to adopt a debt management policy that provides for the following:
   1. Purposed for which debt may be issued.
   2. Types of debt.
   3. Relationship between debt and capital plan and/or budget.
   4. Goals related to issuer’s planning goals and objectives debt.
   5. Internal control procedures to ensure debt issuance proceeds are spent on intended use.

THEREFORE, the Board of Directors of the West Valley Water District does hereby adopt Resolution No. 2017-28 to approve the Debt Management Policy

The foregoing Resolution was duly adopted at a Regular Meeting of the Board of Directors of the West Valley Water District by motion made, seconded, and duly carried by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

Donald Olinger, President of the Board of Directors of the West Valley Water District
ATTEST:

_________________________
Shanae Smith
Board Secretary
POLICY STATEMENT

This policy documents the goals of the West Valley Water District (“District”) for the use of debt instruments and provides guidelines for the use of debt for financing District water and project needs. The District’s overriding goal in issuing debt is to respond to and provide for its infrastructure, capital project and other financing needs while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District held debt proceeds and makes debt service payments, acting with prudence, diligence and attention to prevailing economic conditions.

The District will pay for all infrastructure, projects, and other financing needs from a combination of current revenues, available reserves, if any, and prudently issued debt. The District believes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is the most cost-effective means available; (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iv) if there are other important policy reasons therefor. The District will not issue debt without the approval of the Board of Directors (“Board”).

Purpose and Use of Debt

The District will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term improvements and thus ensure that existing and future users pay their fair share. Long-term improvements include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. These improvements are typically included in the District’s Capital Improvement Budget and Water Master Plan. Bond proceeds can be issued to fund the planning, design, land acquisition, construction, attached fixtures or equipment and moveable pieces of equipment, or other costs as permitted by law.

Purpose of Policy

The purpose of this debt management policy is to:

- Establish parameters for issuing debt
- Provide guidance to decision makers:
  - With respect to all options available to finance infrastructure, capital projects, and other financing needs
  - So that the most prudent, equitable and cost effective method of financing can be chosen
• Document the objectives to be achieved both prior to issuance and subsequent to issuance
• Promote objectivity in the decision-making process
• Facilitate the financing process by establishing important policy decisions in advance

The District will adhere to the following legal requirements for the issuance of public debt:

• The state law which authorizes the issuance of the debt
• The federal and state laws which govern the eligibility of the debt for tax-exempt status
• The federal and state laws which govern the issuance of taxable debt
• The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance

Types of Debt

Revenue Bonds, Notes, Certificates of Participation, special tax or special assessment bonds, capital leases, commercial paper, bank loans, direct placements and lease-purchase financings will be treated as debt and subject to these same policies.

I. GENERAL PROVISIONS

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting processes. Necessary appropriations for annual debt service requirements will be routinely included in the District’s annual budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The District’s Debt Management Policy is integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the District’s approach to debt management:

• The District will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
• The District will not issue debt to cover operating needs, unless specifically approved by the Board.
• Debt issuance for a capital project will not be considered unless such project has been incorporated into the District’s adopted Capital Improvement Budget or as otherwise approved by the Board.
• Each proposal to issue debt will be accompanied by an analysis that demonstrates conformity to this Policy. This analysis will address the purpose for which the debt is issued and the proposed debt structure.

II. CONDITIONS FOR DEBT ISSUANCE

The following guidelines formally establish parameters for evaluating, issuing, and managing the District’s debt. The guidelines outlined below are not intended to serve as a list of rules to be applied to the District’s debt issuance process, but rather to serve as a set of practices to promote prudent financial management.

In issuing debt, the District’s objectives will be to:

• Achieve the lowest cost of capital
• Ensure ratepayer equity
• Maintain the adopted credit rating strategy, or a more effective credit rating strategy, and access to credit enhancement
• Preserve financial flexibility

Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term and to minimize rate volatility. The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

Debt Capacity

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the District. The District’s future borrowing capability is limited by the debt coverage ratio and additional debt limitations required by the existing bond covenants.
Financing Criteria

Each debt issuance should be evaluated on an individual basis within the context of the District’s overall financing objectives and current market conditions. The District will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

Credit Enhancement – The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve vs. Surety – If the issuance of debt requires a cash-funded debt service reserve fund, the District may purchase a surety policy or replace an existing cash-funded debt service reserve fund when deemed prudent and advantageous. The District may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any of its debt when it is approved by the Board.

Call Provisions – In general, the District’s securities should include optional call provisions. The District will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants – The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this policy.

Short-Term Debt – The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Variable Rate Debt – Variable rate debt products are rolling series of short-term investments that are resold periodically and are therefore priced at the short-end of the yield curve at low interest rates. If an issuer accepts the risks inherent in variable interest rates, the issuer can take advantage of some of the lowest rates available on the market. Variable rate debt may be appropriate for the District’s portfolio, especially in an environment where increased interest earnings on invested funds offset the increased cost of variable rate debt. Variable rate debt products include variable rate demand obligations, commercial paper, and auction rate securities. The District may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the District will analyze the risks associated with the variable rate debt products, including derivative products.
Use of Variable Rate Debt – The District may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the District will analyze, among other things, the risk associated with the variable rate debt and the impact on the District’s overall portfolio. Before issuing variable rate debt, the District will analyze its cash position; the District will not issue variable rate debt in an amount that exceeds 115% of its unrestricted cash position at the time of issuance of any variable rate debt.

Refinancing Outstanding Debt

The General Manager/Chief Financial Officer (“GM/CFO”) shall have the responsibility to evaluate potential refunding opportunities. The District will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The District shall establish a target savings level greater or equal to 3% of the par of debt refunded on a net present value (NPV) basis (after payment of all costs associated with the issuance). This figure will serve only as a guideline and the District may determine that a different savings target is appropriate; the District shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- Remaining time to maturity
- Size of the issue
- Current interest rate environment
- Annual cash flow savings
- The value of the call option
- Revision of restrictive or onerous covenants
- Other factors approved by the applicable member District

Restructuring – The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, to achieve a proper matching of debt service with revenues, release reserve funds, or comply with and/or eliminate rate/bond covenants.

Term/Final Maturity – The District may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the debt should not extend beyond the reasonably expected useful life of the asset being financed. The District may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity will guide these decisions.
Defeasance – Defeasance is when a debt financing is refinanced or paid off through an escrow where certain authorized investments and cash are deposited to pay the redemption price, principal and interest until such time the debt is fully redeemed. On the date when proceeds are deposited into the escrow, the debt will no longer be deemed outstanding and is defeased.

There are two types of defeasances: legal and economic. A legal defeasance ends all of the rights and interest of the debt holders provided under the governing documents, including the pledge of revenues or other security interest. An economic defeasance does not end the rights and interest of the debt holders until such debt is fully redeemed.

When evaluating an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.

Outstanding Debt Limitations

Prior to issuance of new debt, the District shall consider and review the latest credit rating reports and guidelines to ensure the District’s credit ratings and financial flexibility remain at levels consistent with the most highly rated comparable public agencies.

Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

*Competitive Sale* – In a competitive sale, the District’s debt shall be awarded to the bidder providing the lowest true interest cost (“TIC”), as long as the bid adheres to the requirements set forth in the official notice of sale.

*Negotiated Sale* – The District recognizes that some bond issues are best sold through negotiation with a selected underwriter or team of underwriters. The District has identified the following circumstances below in which this would likely be the case:
- Issuance of variable rate or taxable bonds

- Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process

- Market volatility, such that the District would be better served by flexibility in the timing of its sale, such as in the case of a refunding issue wherein the savings target is sensitive to interest rate fluctuations, or in a changing interest rate environment

- When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District

- As a result of an underwriter’s familiarity with the project/financing, that enables the District to take advantage of efficiency and timing considerations

*Private Placement* – From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

**Market Communication, Debt Administration and Reporting Requirements**

*Responsibilities* – For purposes of this policy the General Manager delegates responsibility to the AGM/CFO or his/her successor in position and in title.

*Rating Agencies* – The GM/ CFO shall be responsible for maintaining the District’s relationships with Standard & Poor’s Ratings Services, Fitch Ratings, and Moody’s Investors Service, as appropriate. The District shall, from time to time, deal with one, two or all of these agencies as circumstances dictate. In addition to general communication, the GM/CFO shall (1) meet, (either in person or via phone) with credit analysts at least annually, and (2) prior to each competitive or negotiated sale, offer conference calls or meeting(s) with rating analysts in connection with the planned sale.
Observance of Debt Covenants – The GM/CFO will periodically ensure that the District is in compliance with all legal covenants for each debt issue.

Continuing Disclosure – The GM/CFO will comply for all debt issued by required filing as covenanted in each debt issue’s Continuing Disclosure Agreement. The GM/CFO will maintain a calendar with the reporting deadlines and procedures for dissemination of annual reports and notices.

Record Keeping – A copy of all debt-related records shall be retained at the District’s offices or in an approved storage facility. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, the District shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.

Arbitrage Rebate – The District will comply with the administratively adopted policies and procedures regarding tax-exempt financings and tax-exempt financed property, as well as the tax and arbitrage certifications associated with each issue.

Internal Controls for Use of Proceeds – To ensure that the proceeds of debt issuances are used in accordance with the intended uses, staff will perform annual reviews with third party auditors.

Policy Review – This policy should be reviewed on a biennial basis by the Finance Committee and adopted by the Board.
BOARD OF DIRECTORS
STAFF REPORT

DATE: November 2, 2017
TO: Board of Directors
FROM: Matthew H. Litchfield, P.E. General Manager
SUBJECT: APPROVAL OF THE SOLE SOURCE PURCHASE OF WATER METERS AND METER TRANSCEIVER UNITS FROM AQUA-METRICS SALES COMPANY IN AN AMOUNT NOT TO EXCEED $250,000

BACKGROUND:
According to the American Water Works Association (AWWA), water meters should be replaced every 10-12 years. The District is currently working to change out meters that have reached the end of their useful life. There are approximately 21,500 meters in the system and the Meters Department intends to replace 1,500 for FY 2017-18.

DISCUSSION:
The District currently utilizes Sensus meters for residential and commercial customers. The sole source procurement is recommended to maintain compatibility with the vast majority of Sensus meters currently installed throughout the District. Standardization are imperative to the efficient and effective maintenance of water meters. Additionally, these meters are equipped with fixed metering capabilities should the District choose to implement Automated Metering Infrastructure (AMI).

According to the District’s Purchasing Policy, the Board of Directors may approve the purchase of a supply or service over $25,000 without competitive bidding if it has been determined that the supply or service is available from only one source. Further sole source justification is shown in Exhibit A.

FISCAL IMPACT:
Sufficient funds in the amount of $329,250 have been budgeted in the FY 2017-18 Capital Improvement Program Budget for Meter Replacement Project.

RECOMMENDATION:
Staff recommends that the Board of Directors approve the sole source purchase of water meters and meter transceiver units from Aqua-Metrics Sales Company in an amount not to exceed of $250,000.

Respectfully Submitted,
ATTACHMENT(S):
1. Exhibit A - Sole Source AMR Meters Purchase

MEETING HISTORY:
10/18/17 Finance Committee REFERRED TO BOARD
1. Why do we need to acquire the goods and services?

   As part of the AMR Meter Replacement Program we will need to purchase 750 ¾” meters and 750 MXU's. Meters are important because they measure the amount of water consumed by customers so that the District can generate revenue appropriately.

2. Why are the goods or services the only ones that can meet your needs?

   As we move forward with the AMR project we would like the ability to migrate our existing and future meters into an AMI system as technology improves. Some of the advantages of the AMI system allow hourly consumption data and leak detection monitoring with the ability to allow customers direct access to this information. In order to accomplish this the reading system must acquire data from the meter register with eight dials of resolution in order to capture hundredths of a cubic foot. We are currently reading our meters with four dials of resolution capturing hundred cubic feet (billing units). We have a majority of Sensus meters which are field programmable allowing us to change the resolution to eight dials when needed.

3. Were alternative goods/services evaluated? If yes, why are those unacceptable?

   The other meter suppliers evaluated do not allow field programing of the register. Additionally, the lack of standardization requires staff to troubleshoot different brands rather than be highly familiar with one brand. Lastly, the Sensus meters are compatible with the District’s Sensus reading system.

4. What efforts were made to get the best price?

   Staff continues to maintain a relationship with the vendor to ensure the best prices are provided to the District.

5. Why is price fair and reasonable?

   Staff continues to stay abreast of other types and brands of meters in the industry. The other brands of meters are within the same pricing.

6. What impact is there if the sole source is not used?

   Not purchasing Sensus meters may prove to be costly with meter replacements if the District opts to utilize an AMI system in the future. Additionally, since different brands of meters require different parts, staff will have to order multiple parts to keep in stock whereas with standardization, it will only require one brand of parts.

   Recommendation: We recommend purchasing Sensus meters and MXU radios so that we have the option of migrating to an AMI system in the future with full functionality.
DATE: November 2, 2017
TO: Board of Directors
FROM: Matthew H. Litchfield, P.E. General Manager
SUBJECT: APPROVAL OF LARSEN O'BRIEN, LLP FOR PROFESSIONAL SERVICES RENDERED THROUGH SEPTEMBER 30, 2017; INVOICE NO. 3889: $2,231.97

BACKGROUND:
Attached for the Board of Directors (“Board”) review and consideration is the invoice for Larson O'Brien, LLP for professional services rendered for the month of September, 2017.

FISCAL IMPACT:
This item is included in the FY 2017/2018 Administration/Legal budget.

STAFF RECOMMENDATION:
Approve Payment to Larson O’Brien, LLP for professional services through September 30, 2017 for the San Bernardino Valley Municipal Water District Matter; Invoice No. 3889; $2,231.97.

Respectfully Submitted,

Matthew H. Litchfield, P.E.
General Manager

MHL:ss