

VALLEY OF THE MOON WATER DISTRICT
REGULAR MEETING AGENDA
June 3, 2003

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Tuesday, June 3, 2003, in the Board Chambers of the District Office at 19039 Bay Street, El Verano, California.

1. CALL TO ORDER - PLEDGE OF ALLEGIANCE - ROLL CALL

President Ron Prushko called the meeting to order at 6:30 P.M. Roll Call by **Deputy Secretary Shari Walk** noted the following present:

Directors Present:	Mark Bramfitt Ed Kenny Sanford Smith Michael Woods Ron Prushko
Directors Absent:	None
District Personnel:	Shari Walk, Office Supervisor
General Manager:	Lee Harry
Board Secretary:	Shari Walk
Public Present:	The Michael Cornwall Family, Allan Highstreet, Steve Perry, Jim Schneider, David Willer, and Sandi Hansen, Sonoma Index-Tribune,

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT CALENDAR

- A.** Receive and Approve Minutes of May 13, 2003
- B.** Cancel June 17, 2003 Board Meeting
- C.** Adopt Resolution No. 030601 Accepting Easement Grant Deed from David J. Busby

Motion by **Director Bramfitt**, seconded by **Director Smith** and carried unanimously by a voice vote to adopt the Consent Calendar, as shown.

President Prushko took the agenda out of order at this time to consider Item 8.A on the meeting agenda.

8. OLD/NEW BUSINESS

A. Discuss/Direct Staff:

Request to Annex Real Property Located at 12160 Flicker Hill Road, APN 053-160-035

General Manager Lee Harry explained that in 1989 two properties owned by Mr. Cornwall were being served by the VOMWD because it was the belief at that time that the properties were situated within the boundaries of the VOMWD. He noted that since water had been provided to the sites as if they were located within the VOMWD, District Counsel had advised that the sites had been grandfathered into the VOMWD. Since an out-of-service agreement could have been employed for the sites at that time, he estimated the monetary benefit to the property owners for that service to the two properties at \$10,000 based on an error of the VOMWD at that time. A further request to subdivide the property had since exacerbated the situation.

Mr. Harry stated that in 1998 the County had approved another lot split creating three lots on the original 16-acre property. A cost estimate to provide VOMWD water service to the parcel had been provided as part of the lot split process. The fact that the property was outside the VOMWD was still unknown at that time. The property owner had been advised that when the building permit was issued water service would be provided upon payment of the required fees. The property in question was currently being sold and according to Mr. Cornwall, the potential buyer of the property was expecting the availability of public water service. When the potential buyer had requested confirmation of public water service availability, only then had it been discovered that the property was situated outside the current boundaries of the VOMWD, as were the three other parcels.

To further exacerbate the situation, **Mr. Harry** stated that the VOMWD had been unaware of a new State law that required the VOMWD not to serve water outside its boundaries or its sphere of influence (SOI) unless the need for water was to correct an existing public health problem.

Mr. Harry stated that he had contacted the real estate agent to inform the property owner, Mr. Cornwall, of the situation. In speaking with District Counsel, he noted that the erroneous information provided to the property owner had been based on the best information available at that time and there had been no knowledge that the parcel was not located within the VOMWD. He added that District Counsel had opined that to grant the request to serve the properties without an annexation and SOI amendment process would be illegal under existing State law.

As a result, **Mr. Harry** stated that Mr. Cornwall had requested that the parcels be annexed to the VOMWD. He pointed out the parcels in question on the map displayed in the Boardroom. He added that because the Sonoma County Local Agency Formation Commission (LAFCO) would conduct a Municipal Service Review (MSR) this summer to consider all aspects of the VOMWD, consistent with the new State law, including the SOI, to annex the parcel(s) in question prior to that time would be premature. If considering a change to the SOI, he stated that additional properties might be considered as part of such a proposal, although the issues with the Sonoma County Water Agency (SCWA) and the VOMWD's entitlements would need to be resolved since current infill requirements could not be met based on ultimate buildout within the existing VOMWD boundaries.

Mr. Harry therefore did not recommend that the property be considered for annexation at this time.

Michael Cornwall, 12160 Flicker Road, Glen Ellen, explained that he had owned the property since the 1970's when it had been zoned a five acre minimum. He explained that a lot split had later been allowed and

he had sold his house based on the understanding that public water service was available and that he could build his dream home. After that time, he had an accident that had forced him to sell the home.

Mr. Cornwall commented that the lack of public water service to the property has created significant damages to him and that nothing could be done with the lot at this time because of that situation. He added that he had relied on the VOMWD's previous expectation that water service would be provided to the property.

Mr. Harry recommended that the Board deny the request to annex the subject property. He noted that if the Board were to grant the request, the cost to the VOMWD had been estimated to be well in excess of \$30,000 given the need for an Initial Study and an Environmental Impact Report (EIR), along with the associated LAFCO fees. He added that there was no method in place to recover those fees at this time.

Director Woods sought a clarification of the parcel involved and **Mr. Harry** pointed out the property in question and identified the other properties requested by Mr. Cornwall to be annexed into the VOMWD.

When asked if it was feasible to place a well on the property, **Mr. Cornwall** stated that was possible. He noted however that the setbacks from the mound and the slope made that possibility very slim.

Director Woods suggested if a well was conceivable that could be cheaper than the fees and quicker to provide. In addition, he was not convinced that an annexation request would require an EIR, although he noted that the Initial Study would identify whether or not that would have to occur. He suggested the likelihood was that if an annexation request made sense it would require more property and require more environmental review.

Mr. Harry commented that an EIR might be required because of the growth inducing impacts and the issues it could raise in the community, where the Initial Study/Mitigated Declaration might not be sufficient to address those concerns.

Director Woods explained that State law now required that to serve a property outside the VOMWD boundaries under an outside service agreement the property must be within the VOMWD's SOI, although the property did not have to be within the VOMWD's boundaries.

Mr. Harry clarified that an SOI request would be different from an annexation request. He noted if LAFCO found that it made sense to expand the VOMWD's SOI, that amendment might be expanded for adjacent properties as well.

Director Woods noted that if including properties within the VOMWD's SOI, was applied for it would be likely that the Board would want to establish a procedure to consider annexations. He clarified that there were no procedures in place since that had not come up since the last annexation request in the late 1980's.

Steve Perry, Glen Ellen, commented that there was some language in the current General Plan that spoke to not expanding services beyond the current boundaries, which he suggested might be another hurdle to resolve. He stated that he would make that information available to VOMWD staff.

Ms. Cornwall noted that the promise to Mr. Cornwall had been made prior to the change in State legislation, although **Mr. Harry** disagreed since the legislation had been in place since 1995 prior to any promise made to Mr. Cornwall. The amendment to the Health and Safety Section of State code had occurred in 2000.

Director Woods did not see how service through an out-of-service agreement could be provided unless the property was annexed to the VOMWD. With respect to the question of what could be done, Director Woods noted that if the Board, the applicant and other members of the community might be interested in amendment to the SOI, that might then be considered.

Director Woods emphasized that an SOI amendment would not be within the VOMWD's control in that LAFCO would act on the request. While the VOMWD provided the environmental review for a SOI Amendment, LAFCO would not have to accept it. That situation would involve cost and time, potentially a year or more. He also noted that if it had been determined that a well was impossible on the property that would be relevant to him. He clarified that while there had been some discussion on the Board with respect to an SOI amendment related to a health and safety issue, those discussions had been in the context of existing occupied dwellings where wells had failed. The discussions had not addressed properties that had not yet been developed.

Mr. Cornwall noted that the County had sought a source of water, which was the condition on which the lot split had been based. He commented that the situation had ruined him financially.

While he understood that situation, **Director Woods** commented that had the information been known that the property was not within the VOMWD's boundaries, there would have been no lot split.

Mr. Cornwall reiterated that the lot split had been based on promises.

Mr. Harry stated that any error made was his error given his understanding that the site could have qualified for an out-of-service agreement since he had been unaware of the change in State law. He stated that a will serve letter, a promise of water service, would not have been issued until the issuance of a building permit. He suggested that the original error had been made in the 1980's when the original property had been provided water service.

When asked if there was an ability to work with LAFCO on the issue, **Mr. Harry** stated that while there was an ability to work with LAFCO it would have to be through an SOI amendment process, which process would likely be held in abeyance until the General Plan had been finalized, potentially not within the next eighteen months.

Director Woods inquired whether or not there would be any interest in pursuing a single parcel annexation with LAFCO.

Director Bramfitt noted that there would have to be discussions with the community, particularly in Glen Ellen, given that the situation could represent a huge issue to the community.

In view of the time constraint, **Mr. Harry** suggested that he would again contact LAFCO to determine whether or not anything could be done if the situation was deemed to be a public safety and health issue. He would return the item to the Board for discussion at its next meeting to report on that possibility.

Mr. Cornwall stated that he was aware of the situation and he was aware of the constraints involved. He thanked the Board for any help that could be provided to him.

5. OPERATIONAL & COMMITTEE REPORTS

- A. Approve Current Financial Reports for March 2003

Motion by **Director Bramfitt**, seconded by **Director Kenny** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of April 2003 in the amount of \$230,159.48.

Given the hour of 7:00 P.M. and the fact that the agenda had set the public hearing for 7:00 P.M., **President Prushko** opened the public hearing. The Board considered Items A, B and C concurrently.

4. PUBLIC HEARING

- A. Proposed Water Rate Basic Service Fee Adjustment – Effective July 1, 2003
- B. Proposed Water Rate Commodity Charge Adjustment – Effective July 1, 2003
- C. Proposed Water Rate Commodity Charge Restructure – Effective January 1, 2004

General Manager Harry introduced Allen Highstreet of CH2MHill to introduce the item.

Allan Highstreet, Vice President and Senior Economist of the firm of CH2MHill, who had prepared the Rate Study, referenced the presentation offered at the last meeting to identify the four possible options to address water rates. The first option would be to keep the rates as is and consider the revenue needed, to consider zone rates by pumping zones, to consider one rate in a tiered rate structure with no basic water use included in the base fee, and to consider an alternative that had included water use in the base fee. Based on those discussions, he had recommended a tiered rate structure. When last discussed, it had been decided that a tiered rate to be implemented during the peak water season would be inappropriate given potential impacts due to the period of peak water use. It had also been recommended to continue with the current rate structure with the rates increased to accommodate the VOMWD's current revenue requirement, with a tiered rate structure to be implemented in January.

Mr. Highstreet recommended that the Board consider its future water needs and demands. He noted that one of the key points was that 10 percent of the VOMWD accounts used 30 percent of the water and the tiered rate structure was required to create incentives for conservation.

Mr. Harry stated that when the Board had directed staff to present the rate study, it was a requirement of the Temporary Impairment Memorandum of Understanding (MOU), although the Board had directed staff to consider a conservation oriented rate structure that would discourage the high water users from using the expensive water from the SCWA for irrigation purposes for large turf areas. A sustainable rate had also been an important requirement.

Mr. Harry stated that the 1.5 ratio between the 1st, 2nd, and 3rd tiers would be the sustainability factor so that in future years if cost of living increases were required all three rates could be based on the ratios presented by CH2MHill. He recommended that the public hearing be opened to solicit public input on the proposal for a two phased approach to increase the basic service fee effective July 1, 2003 from \$4.75 to \$5.00 and increase the commodity rate from \$2.75 to \$2.86. The inclining block rates would commence in January to restructure the water rate structure based on the three tiers recommended by CH2MHill. He noted that the first tier of ratepayers would experience a reduction, the second tier could see a break even or slight increase, and the third tier would see a substantial increase in water bills.

PUBLIC HEARING OPENED

David Willer, a VOMWD ratepayer, expressed his surprise that 10 percent of the VOMWD accounts used 30 percent of the water. He supported a strong conservation rate system to avoid an unavoidable disruption of the VOMWD's water supply.

Mr. Willer noted that 10 to 15 days of the year the draft from the Aqueduct was marginal and at some point in the future there might be an insufficient amount of water to supply residents. He suggested that the rate structure would discourage heavy water use during peak periods. As a policy, he suggested that the VOMWD should do everything possible to avoid triggering the second aqueduct given that there would be a huge increase in the cost of water once the debt service was paid. He suggested that the proposed rate structure would therefore do what would need to be done.

Mr. Willer also noted that those who used large volumes of water would soon find out how expensive the water could be. He suggested that the 10 percent high water users be apprised of the situation. He stated that those high water users might consider building a small pond or a tank on his/her property to use that water during the 15 to 20 day maximum use per month. If the high water users were willing to do that, he suggested that a new structure could be arranged with those parties to fill those ponds during off-peak water periods.

Mr. Willer also suggested that high water users could be asked to reduce water use for 15 days with an incentive to encourage that to occur. He stated that anything that could be done to discourage high water use during the peak period was important to consider. He also noted that if it had taken five years to get a small portion of the Aqueduct built it would be 10 to 15 years before any additional aqueduct could be built. He urged and supported all efforts to reduce high water use during the peak periods.

Jim Schneider, a VOMWD ratepayer, commented that he had read the report and the study. He referred to Page 5-1, Section V, Cost Allocation Results and noted that the fixed cost of the VOMWD was 37 percent, the remaining was 63 percent and the current cost allocation of the VOMWD was based on a 13 percent cost. He noted that the high water users were subsidizing 25 percent of the current fixed costs. He suggested that without addressing the service charge that was not handling the fixed charge, there would be more weight placed on the highest users.

Emphasizing the importance of conservation, **Mr. Schneider** stated that no matter how much the VOMWD were to conserve, the City of Sonoma was at the end of the water line and would eventually force the VOMWD into a second aqueduct or some other source of water. He suggested that the VOMWD would have to join in at that time.

Mr. Schneider suggested that the issue should be approached on all facets. He questioned whether or not the City of Sonoma would use the VOMWD's rate tier or implement its own rate tier. He suggested that the Board should pursue a more comprehensive promotional effort to identify the proposal and to describe the impacts of the proposal. He also acknowledged that the current study identified the current rate structure as fair.

In response to the comments, **Mr. Highstreet** stated that the City of Sonoma currently utilized a tiered rate structure. He agreed with the suggestion that the water master plans of the City of Sonoma and the VOMWD be considered together to jointly create some proposals. In terms of fixed costs, he stated that the fixed costs were not all recovered through the basic fee. In terms of the larger users paying more he suggested that was appropriate. From a straight cost of service he added that a uniform rate where everybody paid the same was equitable, although with no incentive to change use, everyone would pay more because the next water source would be have to be accelerated. He emphasized that water supply was

critical to the area and conservation based rates should be part of the solution.

Mr. Harry thanked the two speakers for the information presented and explained that the original analysis was that the VOMWD was low on its basic service fee, which had been increased over the last few years.

Mr. Harry stated that it had been his recommendation at that time to continue to increase the basic service fee until it got close to recovering the total fixed cost of the system. He also noted that the VOMWD system was a unique water system with significant capital problems.

Although similar to Sonoma and sharing the same pipeline, **Mr. Harry** added that the VOMWD was different. He suggested by increasing the basic service fee those ratepayers on a fixed income using little water would be subsidizing the high water users. To get the basic service fee where it needed to be and to pursue conservation rates, the proposal would have to be ongoing for a couple of years to verify that what was intended to be accomplished was being accomplished. He added that the Board had directed staff to pursue an outreach program where all customers, particularly the highest water users, would be informed of the rate change.

Steve Perry, Glen Ellen, commented that he had been impressed with the comments from the former Boardmembers. He agreed with most of those comments. He also noted that the high end users were getting the greatest benefit from the system and should pay a little more for that benefit. He commented that when he had signed on to the system he had been impressed at that time with the service, the information on water conservation, spigots to reduce flow and the like, which he suggested was the right direction to pursue. He also suggested that the rate structure, as proposed, was the right direction to pursue to facilitate further conservation and hopefully avoid other infrastructure issues that runaway usage could require.

PUBLIC HEARING CLOSED to consider the action item related to proposed water rate adjustments.

President Prushko called for Item 8.C to be considered out of order in conjunction with the Public Hearing.

8. OLD/NEW BUSINESS

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| C. Adopt: | Resolution No. 030602 Amending Regulation 8-2.21 and 8-2.19 Increasing the Basic Service Charge Effective July 1, 2003 and Water Usage Charge Effective July 1, 2003 |
| | Resolution No. 030603 Amendment Regulation 8-2.19 Restructuring the Water Usage Charge Effective January 1, 2004 |

Director Smith noted the comments where the proposed VOMWD rate structure was consistent with comparable areas. He suggested that the proposed rate structure would be competitive with other districts in the area with the exception of the highest tier. Since it appeared that the high-end water users were already willing to pay as much as they were paying, he suggested that the increase would have little to no effect on those highest users. He suggested that it was the Board's job to get people to institute practices that would benefit everyone and to apprise users that water was not a free commodity. It was his belief that the proposed resolutions at least laid the groundwork for doing that job.

Director Woods explained that the Board had consistently supported a move to a conservation oriented tiered rate structure, and it was known that there was a need to consider some type of rate structure as part of

the VOMWD's obligation under the Temporary Impairment MOU, for which a study had been commissioned. With the receipt of that study there was a fairly consistent consensus from the Board that a tiered rate system made the most sense. What had been underscored was the need for outreach to the public. He wanted to see more than a single effort, particularly for the highest users, with Bob Freeland to advise those highest users what conservation measures or alternative proposals might be considered to conserve water. He sought some way to implement cost savings in those cases.

Director Woods supported the resolution and expressed his appreciation for the comments, adding that he would have liked to have seen more members of the public participate in the process. He added that he was not indicating anything with regards to a secondary aqueduct at this point and noted that with the pursuit of the proposed rate structure there could be a forestalling for the reliance on capital projects to address future water needs.

On motion by **Director Smith**, seconded by **Director Bramfitt** and carried unanimously by a roll call vote to adopt and authorize the President to sign Resolution No. 030602 Amending Regulation 8-2.21 and 8-2.19 increasing the Basic Service Charge and the uniform commodity rate effective July 1, 2003.

On motion by **Director Bramfitt**, seconded by **Director Smith** and carried unanimously by a roll call vote to adopt and authorize the President to sign Resolution No. 030603, amending Resolution 8-2.19 restructuring the Water Usage Charge effective January 1, 2004.

5. OPERATIONAL & COMMITTEE REPORTS

B. Review/Comment on Current District Projects and Significant O & M Issues

Operations and Maintenance Supervisor Paul Gradolph presented the summary review of current VOMWD projects and significant operations and maintenance issues for May 2003. He reported that a number of projects had been completed. For the others:

- **Project #2855** - Glen Ellen Storage Tank: Placed on hold pending the result of a lawsuit;
- **Project #2863** – Sobre Vista Water Main Replacement: Recommended Award of Contract;
- **Project #2865** – Future Production Well at Arnold Drive and Felder Road: Consideration of a resolution approving the right of entry and land lease agreement;
- **Project #2869** - Highway 12 Main Relocation: Waiting for ground water level to drop to complete a section of 12-inch water main; and
- **Project #2872** – State Developmental Center Emergency Intertie. Seventy five percent complete, working to tap into the Development Center's water line, to be done within two weeks and using a portable pump to transfer water from one location to another in a metered process.

C. Water Source Report

Mr. Harry noted that the VOMWD was now into its full summer use. All wells were on line with exception of one, which had a pump issue.

Mr. Gradolph reported that 700,000 gallons a day were currently being produced, with some being pumped

into storage tanks for later use.

6. RECEIVE & FILE PRESIDENT'S AND DIRECTOR'S REPORTS OR COMMENTS

There were no reports or comments.

7. GENERAL MANAGER'S AND DISTRICT COUNSEL'S REPORTS

A. WAC Negotiation Meeting of May 19, 2003 and Regular Meeting of June 2, 2003

General Manager Harry highlighted the Water Advisory Committee (WAC) Negotiating meeting held on May 19 when information on the Environmental Impact Report (EIR) on the transmission system had been ruled by the courts to be inadequate, which would delay the construction of the South Transmission Project with Marin Municipal Water. He had clarified at that time that the Eldridge Madrone Pipeline Project had been handled under previous amendments, which should allow that project to proceed. Other issues with respect to Marin Municipal were also noted.

Mr. Harry also reported that the Chief Financial Officer had made a presentation at the SCWA on the financial reserves. He had been appointed to another subcommittee of the WAC to see if there would be any recommendations from the WAC on those reserves.

Mr. Harry also reported that the Sheriffs Department had apprehended those who had vandalized the Bolli Tank. Those involved were younger aged youth from Sonoma High School. The Sheriff had recommended some way to involve the parents of those involved to address the damage that had been done to the Tank. He stated that paint had been secured to address the cosmetic damage to the tanks. He also advised that the kids had apparently figured out the access code to the site. As a result, the access to the system would have to be secured and a better system would have to be pursued, potentially in conjunction with the vulnerability analysis. He added that he had a commitment from those involved that any damage to any other VOMWD facilities would require their prosecution to the full extent of the law. The Board would be kept apprised of the status of the situation.

8. OLD/NEW BUSINESS

B. Discuss/Award: Sobre Vista Water Main Replacement Project No. 2863 to Ashlin Pacific in the Amount of \$314,720

The item was deferred until after Closed Session.

D. Adopt Resolution No. 030604, Adopting 2003-2004 Fiscal Year Budget
Resolution No. 030605, Adopting 2003-2004 Capital Improvement Program Budget

On motion by **Director Woods**, seconded by **Director Bramfitt**, and carried unanimously by a roll call vote to adopt Resolution No. 030604 and authorize the President of the Board to sign the Resolution Adopting the 2003-2004 Fiscal Year Budget.

On motion by **Director Woods**, seconded by **Director Bramfitt**, and carried unanimously by a roll call vote to adopt Resolution No. 030605 and authorize the President of the Board to sign the Resolution Adopting the

2003-2004 Capital Improvement Program Budget.

E. Discuss/Direct Staff Contract for Painting the Hanna and Donald Tanks

Mr. Harry advised that the company that had painted the Temelec Tank had expressed an interest in painting the Hanna and Donald Tanks when the same unit price received for the prior tank would be charged. He noted that the individual was the only one who had bid on the tank.

Mr. Harry noted that a formal bid process could be pursued but he did not believe that a better price would be possible. He commented, for instance, that the City of Sebastopol had zero bids two months ago on two tanks. Acknowledging the opportunity, he recommended that staff be directed to negotiate an agreement, to be returned to the Board for approval. He added that a formal bid process could be pursued if desired by the Board.

On motion by **Director Woods**, seconded by **Director Smith**, and carried unanimously by a voice vote to authorize staff to solicit a proposal from Quality Painting and Maintenance, and if acceptable to place the proposal on the Board agenda for approval at a future meeting.

F. Adopt Resolution No. 030606 to Enter into a Right of Entry and Ground Water Lease Agreement with the Valley of the Moon Fire Protection District

Mr. Harry stated that he and Director Kenny had been negotiating with the Valley of the Moon Fire Protection District and that the agreement had been approved in Closed Session and placed on the agenda for approval. The Valley of the Moon Fire District had approved the agreement. Upon Board approval, the exploration work of drilling the well would be able to proceed.

Director Woods thanked **Director Kenny** for being involved.

On motion by **Director Kenny**, seconded by **President Prushko**, and carried unanimously by a roll call vote to adopt Resolution No. 030606 authorizing the VOMWD to enter into the proposed Right of Entry and Ground Water Lease Agreement, and authorize the President to sign it.

President Prushko took a recess at 7:52 P.M. and adjourned into Closed Session at 7:55 P.M.

9. CLOSED SESSION

- A.** Conference with Real Property Negotiators Pursuant to Government Code Section 54956.8; Negotiate Price and Terms of Payment. Agency Negotiator: Lee J. Harry; Negotiating Parties: N/A. District Declared Surplus Properties: APN 056-583-017, Alberca Road.
- B.** Conference with Legal Counsel on Anticipated Litigation (under Government Code Section 54956.9(b)(3)(C).) - (1 Case)

10. RECONVENE IN OPEN SESSION

President Prushko reconvened into open session at 8:03 P.M. and advised that no action was taken..

- B. Discuss/Award:** Sobre Vista Water Main Replacement Project No. 2863 to Ashlin Pacific in the Amount of \$314,720

After discussion with the Board, **Mr. Harry** recommended the award of the construction project to Ashlin Pacific in the amount of \$314,720. He noted that Ashlin Pacific was the second low bidder. The low bidder, Terracon Pipeline had not conformed to the VOMWD's bid specifications. Based on the recommendations of District Counsel the low bid could not be awarded to Terracon as a result. Terracon Pipeline had been so advised and had not contested that determination. Ashlin Pacific's bid had complied with all VOMWD bid document requirements.

Director Woods verified that the bid from Terracon Pipelines had been rejected on the basis that the major material suppliers had not been listed nor had the subcontractors been listed. It was his understanding that no one had listed subcontractors, although he was advised by **Mr. Harry** that Ashlin Pacific had.

Mr. Harry verified that a listing of subcontractors was a VOMWD requirement where the listing of the materials suppliers was a State requirement.

Director Woods clarified therefore that the bid would be rejected on the independent basis of failing to provide a list of major materials suppliers regardless of the other grounds related to the lack of a subcontractor's list.

On motion by **Director Woods**, seconded by **President Kenny**, and carried unanimously by a roll call vote to award the Sobre Vista Water Main Replacement Project Contract to Ashlin Pacific in the amount of \$314,720 and authorized the Board President to sign the Contract.

11. REQUEST FOR FUTURE AGENDA ITEMS

Director Woods requested that staff return with recommendations on how to handle funds currently invested in the Local Agency Investment Fund (LAIF) Account given his understanding that 100 percent of the VOMWD's reserves and major liquidity, with the exception of operating funds, were in deposit with LAIF. He also understood that the State Legislature might attempt to freeze those funds as part of the solution to the State Budget crises. He advised that a number of agencies had removed or were considering a removal of funds from LAIF given the vulnerability to the taking or freezing of those funds.

There was consensus to consider some diversification for the placement of the VOMWD's funds.

Mr. Harry advised that the item would be placed on the meeting agenda for discussion, and should there be a need to do so, a special meeting could be called to address any immediate threat to the funds.

12. ADJOURNMENT

Motion by **Director Bramfitt**, seconded by **Director Kenny** and carried unanimously to adjourn the meeting at approximately 8:20 P.M. The next scheduled meeting is a Regular Meeting on July 1, 2003 at 6:30 P.M.

Shari Walk, Deputy Board Secretary