

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, APRIL 17, 2019, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Martin called the Regular meeting to order at the hour of 5:00 p.m.

Finance Manager Owen led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Sannella
Director Martin

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Public Information/Conservation Supervisor Robbins
Human Resources Analyst Anderson
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF APRIL 17, 2019

19-04-03 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Regular Board Meeting of April 17, 2019.

PUBLIC COMMENT

Mike Hunsaker, member of the public and President of the Twin Oaks Valley Property Owners Association, addressed the Board commenting on the recent Finance/Investment Committee meeting at which capital facility fees and deficits were discussed. The word deficit especially related to charging future development for what appears to be past deficits is going to be inflammatory to some developers. The fact that deficits exist at all is going to be inflammatory to many rate payers who will say why should they have to pay for future development if they are not going to get paid back. Deficits and how they get handled have been redefined. In the past if new development was using a certain amount of a pipeline, reservoir or water, they had to pay a proportionate amount of fees in order to be developed. Now, if the District completes a facility, it doesn't charge the people who are going to use the facility in a large degree. He thinks it is wise the District is approaching this tenderly and to make sure past promises are kept on how this deficit is going to be minimized in the past and in the future. He thanked the Board.

INTRODUCTION

Human Resources Analyst Bridget Anderson introduced new employee Timothy Sheppard, Purchasing/Warehouse Assistant.

PRESENTATION

Public Information/Conservation Supervisor Robbins presented a video, "How to Read Your Water Meter."

CONSENT CALENDAR

Mike Hunsaker, member of the public, addressed the Board regarding Item 1.7, stating there were annexation and facilities fees for sewer, however he did not see any water facility fees. Where is the water coming from and does the District have an exchange agreement with another agency?

Development Services Senior Engineer Scholl responded that one of the two properties is located in the District's Improvement District A for sewer and does not require annexation. Both properties are technically outside of the District's water service area. Per District policy, all property is required to be annexed into water that will also be served by sewer; however, Rincon Del Diablo Municipal Water District (RDDMWD) will be serving water to the properties as RDDMWD has infrastructure fronting the development. Vallecitos will be providing sewer service only.

19-04-04 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Board Training Workshop Meeting – March 13, 2019
- B. Board Workshop Meeting – March 13, 2019
- C. Closed Session Board Meeting – March 13, 2019
- D. Finance/Investment Committee Meeting – March 14, 2019
- E. Regular Board Meeting – March 20, 2019
- F. Closed Session Board Meeting – March 27, 2019

1.2 Warrant List through April 17, 2019 - \$3,468,175.02

1.3 Financial Reports

- A. Water Meter Count – March 31, 2019
- B. Water Production/Sales Report – 2018/2019
- C. Quarterly Financial Report – March 31, 2019
- D. Per Capita Water Consumption – March 31, 2019

- E. Water Revenue and Expense Report – March 31, 2019
 - F. Sewer Revenue and Expense Report – March 31, 2019
 - G. Reserve Funds Activity – March 31, 2019
 - H. Investment Report – March 31, 2019
 - I. Legal Fees Summary – March 31, 2019
- 1.4 Operations & Maintenance Metrics Quarterly Report – March 31, 2019
- 1.5 Adoption of Resolution Ordering the Annexation of Certain Property Designated as the "Menchaca Annexation" (APN 228-130-31) into the Vallecitos Water District and Sewer Improvement District
- 1.6 Request for Annexation of Certain Property Designated as "Orchard Hills Annexation" (APN 218-220-10 & 17) into the Vallecitos Water District for Water and Sewer Service (Warmington Residential California, Inc.)
- 1.7 Request for Annexation of Certain Properties Designated as "Sunrise Orix" (APN 228-312-09 & 228-312-10) into the Vallecitos Water District and APN 228-312-10 into the VWD Sewer Improvement District (Sunrise Gardens Project Owner, LLC.)
- 1.8 Position Reclassification of Mechanic Assistant to Mechanic

ACTION ITEMS

CONSTRUCTION CONTRACT AWARD OF SCHOOLHOUSE TANK REFURBISHMENT

Capital Facilities Senior Engineer Hubbard stated that upon inspection in 2015, the existing interior lining of the Schoolhouse Tank was determined to have deteriorated and needed refurbishment. The project was included in the budget; however, due to budget constraints at that time, it was deferred to the 2017 budget. The project will remove and replace the existing interior lining and upgrade the anti-corrosion system as well as repair ceiling rafters and make equipment upgrades necessary to meet current standards of the American Water Works Association and Division of Occupational Safety and Health.

The Board awarded Harper & Associates Engineering a purchase order on July 19, 2017 for design and inspection of the tank. Staff received and reviewed bids from four contractors on March 21, 2019. All of the bids came in higher than the Engineer's Estimate of \$462,000; however, it was determined that the bids were consistent with current industry construction costs. West Coast Industrial Linings was identified as the lowest responsive, responsible bidder.

Capital Facilities Senior Engineer Hubbard reviewed the total estimated cost of the project which has a budget shortfall of \$192,000 mainly due to the increase in construction costs and that the budget for the project was established in March 2018.

Staff recommended the Board increase the project budget by \$192,000 and authorize the General Manager to execute a construction contract with West Coast Industrial Linings in the amount of \$535,000, subject to the provisions of the contract.

General discussion took place.

19-04-05 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve an increase of \$192,000 to the project budget and authorize the General Manager to execute a construction contract with West Coast Industrial Linings in the amount of \$535,000.

REQUEST FOR APPROVAL OF A PURCHASE ORDER TO INFRASTRUCTURE ENGINEERING COMPANY FOR PIPE ASSESSMENT SERVICES AT HIGH POINT SUBDIVISION

District Engineer Gumpel stated the High Point Subdivision project has been idle since 2008 when the project went into receivership. At that time construction of water and sewer facilities was nearly complete. CalWest has proposed to develop the project in partnership with TrueLife Communities, the current owner of the project. The District must be satisfied that the water facilities are in good condition before accepting them which will require a pipe assessment. Infrastructure Engineering Corporation and their subcontractor, PICA, have provided a scope of work and cost estimate to test and assess the integrity of the most vulnerable portions of the water main. All costs of the pipe assessment including staff time for inspection and engineering review will be paid by the developer as well as the cost of repairs.

Staff recommended the Board authorize the General Manager to approve the purchase order to Infrastructure Engineering Corporation in the amount of \$102,685.00 for their portion of the work.

General discussion took place during which District Engineer Gumpel stated that if staff is not comfortable with the results of the pipe assessment, the District is not committed to accept the pipeline as is and full replacement will be required. Director Sannella requested staff provide a report to the Board after the pipe assessment has been completed. General Manager Pruiim suggested staff create a video on pipeline condition assessment.

19-04-06 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, to authorize the General Manager to execute a purchase order with Infrastructure Engineering Corporation in the amount of \$102,685.

AD HOC COMMITTEE RECOMMENDATION RELATED TO THE DISTRICT'S HILLSIDE PROPERTY

General Manager Pruim provided background on the District-owned hillside property adjacent to the District Administrative Facilities. With the Board's approval, an Ad Hoc Committee was established to oversee the development of the property, and President Martin and Director Hernandez were appointed to the Committee. The Committee has determined that it would be in the District's best interest to hire an outside consultant that has expertise in land development, particularly with property owned by a public agency within the City of San Marcos. The Committee interviewed two consultants, Rick W. Gittings and Paul Malone, a representative of EvCon Associates, LLC., and reviewed the consultants' proposals.

General Manager Pruim stated that the Committee recommended the District retain the services of Rick W. Gittings. General Manager Pruim requested the Board authorize him to enter into a Professional Services Agreement with Mr. Gittings. A budget of \$50,000 will be established from water and wastewater reserve funds to cover the initial development costs.

General discussion took place during which President Martin stated one of many options the Committee will consider is leasing the land to produce a revenue stream that would benefit the rate payers. Director Hernandez stated that the Committee will keep the Board apprised of options available to the District and if additional funds are needed.

Mike Hunsaker, member of the public, addressed the Board stating he is glad there is appreciation of some of the value of this property as it is within a half mile of a transit priority area that is to be established. He commented on a previous transaction Mr. Giddings was involved with that was greatly to the advantage of a non-profit. He stated that since the consultant will be working for the District, he assumes they will put aside any past associations and work they are currently doing to get the District a fair deal. He requested there be an upfront notice of any possible conflicts of interest they may have. He thanked the Board.

19-04-07 MOTION WAS MADE by Director Sannella, seconded by Director Elitharp, and carried unanimously, to authorize the General Manager to enter into a Professional Services Agreement with Rick W. Gittings and establish a budget of \$50,000 to cover initial development costs.

ELECTION TO FILL FOUR EXECUTIVE COMMITTEE MEMBER POSITIONS OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AUTHORITY (ACWA/JPIA)

General Manager Pruim stated the election for four ACWA/JPIA Executive Committee member positions will be held during the ACWA/JPIA's Board of Directors meeting on May 6, 2019. A list of qualified candidates was provided in the staff report.

Director Elitharp recommended candidates William E. Plummer of Rancho California Water District and Paul E. Dorey of Vista Irrigation District. General Manger Pruum recommended Mr. Plummer as well.

19-04-08 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to vote for William E. Plummer and Paul E. Dorey to the Executive Committee of the ACWA/JPIA.

ELECTION TO FILL TWO POSITIONS ON THE NEWLY FORMED CALIFORNIA WATER INSURANCE FUND BOARD

President Martin stated the election for two positions on the newly formed captive insurance company Board will be held during the ACWA/JPIA's Board of Directors meeting on May 6, 2019. A list of qualified candidates was provided in the staff report.

General Manager Pruum stated the Board adopted a resolution concurring in the nomination of Paul E. Dorey to the California Water Insurance Fund Board at the March 6 Board meeting.

19-04-09 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to vote for Paul E. Dorey to the California Water Insurance Fund Board.

REPORTS

GENERAL MANAGER

General Manager Pruum stated that at a previous Board meeting Director Hernandez had requested an update on the North San Diego Water Reuse Coalition (NSDWRC). He asked District Engineer Gumpel to provide an overview of the NSDWRC's activities.

District Engineer Gumpel stated the NSDWRC was formed in 2011. Its primary focus has been to increase water resources in the North County region. The group has successfully received two state grants totaling \$5 million. Vallecitos applied for the first grant in the amount of \$3.5 million and received \$90,000 directly which was utilized toward a chlorine contact design study and preliminary design at the District's Meadowlark Reclamation Facility (MRF). Each agency of the NSDWRC received \$90,000 of the \$3.5 million. The remaining funds paid for the programmatic Environmental Impact Report and feasibility study which is the base document used to secure grants. The second \$1.5 million grant was shared equally with all of the NSDWRC member agencies in the amount of \$343,000 each. The District used the funds to pay for improvements at the District's Lift Station 1 to increase pumping of sewer to MRF in order to produce more recycled water.

District Engineer Gumpel further stated no other grants have been awarded to the NSDWRC. Focus has been on \$20 million in federal grants for funds for projects such

as larger recycling projects, future direct and indirect potable reuse, and potential pilot studies. If the NSDWRC is successful in securing a \$20 million grant, that amount could be equal to up to four times that amount, or \$80 million for the region. Grants are normally paid at 75/25 or 50/50 matching funds. The NSDWRC is currently working on lobbying in Washington, D.C. in late April on several issues. If successful in obtaining another grant, the District is looking at expansion of the chlorine contact tank at MRF which will allow treatment of more recycled water. The main goal of the funding is to deliver wet water or save potable water. Delivery of wet water requires partnering with another agency. The District is looking at a future recycled water program as well as direct and indirect potable reuse water within its Master Plan document and also within a NSDWRC document.

General discussion took place.

General Manager Pruium reported the following:

- The State Water Project Table A allocation has increased from approximately 10% at the beginning of the year to 70%. This means the state can satisfy up to 70% of demand.
- The water currently being delivered to the San Diego County Water Authority (SDCWA) service area is a blend of 55% State Water Project water and 45% Colorado River water. It is anticipated that the blend will increase to 75% State Water Project and 25% Colorado River.
- Most of the major reservoirs throughout the state are well above their average levels and at least 80% or more compared to their capacity. Once flood potential from snow melt runoff has eased, the levels will increase even more.
- The traditional last snow survey was conducted on April 1. Statewide, the snow/water content is at 150% of the average. Since the snowfall was so good this year, another survey will be conducted on May 1.
- Local water sales in the region are plummeting. The District's water sales are approximately 10% lower than last year at this time; however, they are expected to rebound as the weather warms up.
- At one time the San Marcos School District had expressed interest in the District's hillside property. They are no longer interested in the property.
- A new monitor has been installed in the lobby which shows the photovoltaic energy being produced with the panels in the parking lot, how much is being used, and how much is coming in off of the grid.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated a new bill was introduced in Sacramento which will impact surplus property in the future if it's adopted. Under AB 1486, any special district who wants to sell or lease property would be required to provide a right of first refusal to agencies such as affordable housing, parks and recreation, and schools. Current law would apply to the District's hillside property because it's already gone through the surplus property provisions in place.

Legal Counsel Gilpin commented on a situation involving the County of San Diego and Julian regarding compliance with the Brown Act. The Julian Fire District voted to dissolve, then a new Board came in and filed suit against the County and LAFCO relative to non-compliance with the Brown Act in terms of the initial approval of the dissolution. The judge found that there was a Brown Act violation and the lawyers are arguing that therefore everything that happened after that is null and void.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next Board meeting is scheduled for April 25. A special meeting of the Imported Water Committee was held on April 11 at which discussion took place on the water coming from the Colorado River and the State Water Project. There is still a lot of concern about Lake Mead. The SDCWA is again considering construction of a means to transport water directly from the Colorado River without going through Metropolitan Water District and will be voting on that venture. Director Evans suggested placing this item on a future agenda.

Director Evans stated that with the various water projects San Diego County has such as Pure Water, Padre Dam and desal, there is the possibility of creating more water at different times than is needed without a place to store it. The SDCWA is looking into getting permission to store water in Lake Mead and possibly having the ability to send water north.

Director Evans stated that there is a big push to get water to disadvantaged communities, a topic that will be discussed at the Region 10 event later this summer. Four water bills are going through legislation currently with two of them being related to the water tax.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee met this morning. The Committee discussed EWA's continuing capital improvement projects, recoding of service task numbers, changing out flow meters, demolition of a maintenance building, and the budget.

President Martin reported on his attendance to the Policy and Finance Committee at which the Committee decided to bring items discussed at a recent workshop to the full Board for a vote. One of the items was the decision to try to pay off EWA's offset for PERS in three years. When the breakdown of this was presented to the member agencies, Finance Manger Owen recalculated it and was able to save the District several hundred thousand dollars.

STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee met on April 15. The Committee received an update on capacity fees and staff's discussions with all of the various stakeholders. Staff presented the Committee with their recommendation on capacity fees; however, the Committee was not comfortable making a recommendation at that meeting and another meeting was tentatively scheduled for April 29 for further discussion. The Committee also discussed budget items including salaries and benefits and capital improvement projects.

Director Hernandez reported on the Public Awareness/Personnel/Policy Committee meeting on April 11 at which the Committee discussed rate structure for agriculture. The consensus of the Committee was to wait for the next Cost of Service Study to be completed to see if an agricultural rate could be included. Until then, any new requests to participate in the District's current program will be on hold.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the California Special Districts Association's Special District Leadership Foundation training April 7 – 10.

President Martin and Directors Elitharp and Evans reported on their attendance to the North County Economic Summit on April 10.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez inquired on the status of an update from the City of San Marcos regarding South Lake. General Manager Pruiam stated he has been communicating with the City Manager and is working with Legal Counsel Gilpin to make the final revisions to the agreement. He anticipates bringing the revised agreement to the Board at the same meeting that the City makes its presentation to the Board.

Director Hernandez suggested scheduling a joint meeting with the City of San Marcos and asked that this subject be placed on a future agenda for discussion.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 6:27 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, May 1, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.



Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:



Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District