

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MAY 15, 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.

Director Sannella led the pledge of allegiance.

Present: Director Elitharp  
Director Evans  
Director Hernandez  
Director Martin

Staff Present: General Manager Pruum  
Legal Counsel Gilpin  
District Engineer Gumpel  
Finance Manager Owen  
Operations & Maintenance Manager Pedrazzi  
Development Services Senior Engineer Scholl  
Financial Analyst Arthur  
Human Resources Analyst Anderson  
Executive Secretary Posvar

Others Present: Genny Lynkiewicz, CFA, VP, Portfolio Manager  
Mia Corral Brown, SVP, Relationship Manager

ADOPT AGENDA FOR THE REGULAR MEETING OF MAY 15, 2019

19-05-11 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt the agenda for the Regular Board Meeting of May 15, 2019.

INTRODUCTION

Human Resources Analyst Anderson introduced new employee, Ted Decoteau, Electrical/Instrumentation Technician.

PRESENTATIONS

President Martin presented the H.R. LaBounty Safety Award to Jeremy Scott, Senior Wastewater Collections Systems Worker.

Human Resources Analyst Anderson presented a video on the San Marcos High School Future Fair.

CONSENT CALENDAR

19-05-12 MOTION WAS MADE by Director Sannella, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Finance/Investment Committee Meeting – April 29, 2019
- B. Closed Session Board Meeting – May 1, 2019
- C. Regular Board Meeting – May 1, 2019

1.2 Warrant List through May 15, 2019 - \$2,465,448.84

1.3 Financial Reports

- A. Water Meter Count – April 30, 2019
- B. Water Production/Sales Report – 2018/2019
- C. Per Capita Water Consumption – April 30, 2019
- D. Water Revenue and Expense Report – April 30, 2019
- E. Sewer Revenue and Expense Report – April 30, 2019
- F. Reserve Funds Activity – April 30, 2019
- G. Investment Report – April 30, 2019
- H. Legal Fees Summary – April 30, 2019

1.4 Request for Annexation of Certain Property Designated as “San Marcos Highlands” into the Vallecitos Water District and the Sewer Improvement District (Vista San Marcos, LTD.)

1.5 Request for Detachment of APN 172-091-28 from the Vallecitos Water District (Wilmott)

ACTION ITEMS

ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING ENCINA WASTEWATER AUTHORITY'S FISCAL YEAR 2020 OPERATING AND CAPITAL IMPROVEMENT BUDGET

General Manager Pruim stated the District is party to the Encina Joint Powers Basic agreement for the acquisition, construction, ownership, operation, and maintenance of the Encina joint sewer system. The Encina Basic Agreement requires unanimous approval of the Encina Wastewater Authority (EWA) budget by member agencies prior to the budget becoming effective.

On March 5, 2019, the Policy Development Workshop of EWA met and obtained clear policy direction to pay the entire CalPERS pension liability off over the next three years. The CalPERS Pension Funding Policy was developed and incorporated into the proposed budget for FY 2020. The fiscal year ending 2020 budgets are \$4.1 million for the total CalPERS pension funding policy budget, \$22.5 million for the total capital budget, and \$17.2 million for the total operating budget. The proposed EWA CalPERS pension funding, operating, and capital program budgets total approximately \$43.8 million. Vallecitos Water District's share of the EWA budget is dependent upon the demands placed on EWA facilities and the ownership percentage currently held by the

District. Vallecitos' share of the proposed 2020 CalPERS Pension Funding Policy is \$788,954 and the share of the Proposed 2020 Operating budget is \$2,725,302 which is \$51,575 (1.9%) less than the FY 2019 Operating budget. Vallecitos' share of the Proposed 2020 Capital budget is \$4,847,867 which is \$53,190 (1.1%) more than the FY 2019 Capital budget.

General Manager Pruim recommended the Board approve the resolution.

19-05-13 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt a Resolution approving the EWA FY 2020 recommended CalPERS Pension Funding Policy, Operating and Capital Improvement budgets.

Resolution No. 1551 - The roll call vote was as follows:

AYES: Elitharp, Evans, Hernandez, Martin, Sannella  
NOES:  
ABSTAIN:  
ABSENT:

#### UPDATE ON WATER AND WASTEWATER CAPITAL FACILITY FEES

District Engineer Gumpel stated the Board, at the May 1 Board meeting, approved the 2010 Master Plan and certified the PEIR. The Master Plan is a foundation document that addresses the capital projects, timing and the estimated costs. This is the foundation of what the capacity fees are based on. The fees were brought to committee as early as February 25 to discuss the initial draft. Staff hired the Keyes Group. Karen Keyes is an expert in the capacity field and is preparing the fees for our agency as well as the City of Austin metro fees.

Staff worked with and met twice with the BIA, had another meeting with local developers and consultants at which questions were answered, worked with Finance Manager Owen and financial team to go back to the financial advisors as well as comments from Karen Keyes. Both are consistent – the initial interest rate assumptions were a little high. Staff began working on the study, updated the model interest rates to the proper assumptions and came back to the Finance Committee on April 25 with recommendations. Staff reviewed the presentation that was given to the Finance Committee meeting on April 25 which shows the initial presentation, as far as assumptions, on what the capacity fees are from the original February meeting and the three options, which is the original Option A, Option B that is considered the staff recommended option which is based on input from the Keyes Group and our financial advisors as well as a third option, Option C, which is the below the floor option.

District Engineer Gumpel reviewed the capital projects expansion portion, capacity fee options, water CIP projects, wastewater CIP projects, water and sewer capacity comparison, water CAP fee comparison, sewer CAP fee comparison, and combined

CAP fee comparison.

Staff anticipates bringing this item to the Board in mid to late June for adoption of fees. General question and answer took place.

#### PROPOSED 2019 INVESTMENT POLICY RESOLUTION

Finance Manager Owen stated that it's District policy to submit the investment policy annually for Board approval. In April of 2018, the District brought on investment advisor Chandler Asset Management. One of their services is to review the District's investment policy and provide recommendations on an annual basis. On April 29, 2019, Genny Lynkiewicz with Chandler Asset Management, presented to the Finance Committee their policy changes as well as an economic update. There were no additional changes to the policy recommended by the Finance Committee.

Ms. Lynkiewicz addressed the Board stating that she will be presenting their material investment policy recommendations. She stated that the District's policy is very well written and it follows State code. There were a few changes she recommended that reflect recent changes to California Code and also updates to challenge best practices. She stated that after comparing the investment policy to California Government State Code and Chandler's best practices, she provided a summary of material recommendations. The recommended changes were as follows:

- Time of purchase language addition that specifies credit rating minimums in the policy apply at the time of purchase.
- Change to Government Code in 2017 suggests when purchasing securities they must be in the A category or better.
- Recommended increasing the percentage of the portfolio that may be invested in a single US Agency issuer from 10% to 25% to allow the District to increase exposure to a high-quality investment category.
- Added language that clarifies commercial paper must have an "A" category long-term rating only if the issuer has long-term ratings which is consistent with Government Code Section 53601(h).
- Removed the issuer rating minimum of "A" category or higher by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The change became effective 1/1/19. The minimum AA category rating by a NRSRO at the security level still applies.
- Recommend clarifying language that allows California public agencies to purchase money market mutual funds up to 20% per issuer in accordance with Government Code Section 53601(l).
- Recommended adding language limiting exposure to any individual issuer, except where otherwise specified in the policy.
- Adjusted the restriction on callable securities limiting them to 30% of the portfolio to allow capacity for the purchase of bonds with call provisions just prior to maturity.
- "Make Whole Call" was added to the glossary section of the investment policy.

Finance Manager Owen stated that compliance review is performed on a monthly basis. The policy complies with all categories. Staff's recommendation was to adopt the Investment Policy resolution for 2019.

19-05-14 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, to adopt the Resolution.

Resolution No. 1552 - The roll call vote was as follows:

AYES: Elitharp, Evans, Hernandez, Martin, Sannella  
NOES:  
ABSTAIN:  
ABSENT:

#### AGRICULTURAL WATER ELIGIBILITY

This item was pulled and will be replaced on the next Board meeting agenda.

#### COLORADO RIVER WATER SUPPLY ALTERNATIVE CONVEYANCE FACILITY

General Manager Pruim stated on May 1, 2019, Sandy Kerl, Acting General Manager for the San Diego County Water Authority, addressed the Board providing the SDCWA's plans to study an alternative conveyance facility from the Colorado River to connect to the SDCWA's distribution system. At the end of the meeting, there was discussion amongst the Board and it was requested that this item be agendized for Board discussion.

Director Martin inquired when this item will be presented for vote. Director Evans stated the item will be included in the San Diego County Water Authority budget for \$3.9 million.

General discussion followed. During general discussion, General Manager Pruim stated the premise is that the SDCWA has rights to the Colorado River water. SDCWA has a quantification settlement agreement through the "IID", an improvement irrigation district who gave them access to a certain amount of water. SDCWA also has canal lining water. They have approximately 280,000 acre feet of water on an annual basis which needs to get from the Colorado River to San Diego County. The only way to do this now is through the Colorado River Aqueduct that is owned and operated by Metropolitan Water District (MET). Their assumption is there are local supplies of Colorado River water that is going to be their base loading. If other projects such as Pure Water or Padre Dam's Advanced Water Purification come on, the SDCWA will need to buy less water from MET. The regional conveyance facility is estimated to cost approximately \$3 billion. To transport the 280,000 acre feet of water at the current and projected rates that MET will charge for transportation, it will be approximately \$6 billion over the course of rights they have to the Colorado River water supplies. Ms. Kerl also showed what would happen if Water Fix is built and MET puts their share of water fix

costs on the transportation costs, then the transportation costs will go up considerably for all water that transported through the MET system in which SDCWA disproportionately hit. It would go from a \$6 billion cost up to a \$10 billion cost.

Director Evans stated that the SDCWA has 110 years of guaranteed water from IID, transfer water for 75 years, delivery agreement with MWD for 45 years, and conveyance is available. SDCWA is trying to get the right to store water in Lake Mead. If SDCWA is in control of the water, then the SDCWA can sell it to others if the SDCWA doesn't need it. Currently, the SDCWA is committed to the terms.

General discussion continued. During discussion, the Board members provided their opinions on this project to Director Evans.

General Manager Pruim stated he will work with Director Evans to obtain better clarity on the proposed phase-in.

#### ACWA REGION 10 NOMINATING COMMITTEE IS SEEKING REGION 10 BOARD CANDIDATES

Director Evans stated she is currently on the Region 10 Board and her term will complete at the end of the year. She would be interested in moving forward, however, would like time to consider and won't make a decision until June. The deadline to submit is June 28.

General Manager Pruim stated that any Board member interested would need to file a nomination form, have a resolution of support by the Board, and have to submit these to the committee by Friday, June 28.

This item will be re-agendized for a meeting in June.

#### REPORTS

##### GENERAL MANAGER

General Manager Pruim reported the following:

- The City of San Marcos recently announced they would be embarking on the General Plan. In order to focus the effort, they want to establish a general plan advisory committee. It will have up to 13 individuals representing various interests throughout the city and surrounding areas that they think will be affected by the update. The City identified the District as being one of those 13 members. They would like Vallecitos to sit on the advisory committee. They initially plan to meet monthly. Over time they may meet more or less frequently depending on how well things are going. The City intends to retain the services of a consultant. They are looking for representatives to engage in some fairly technical issues. It's up to this Board as to who we want to nominate. They did ask the District to

notify them by this Friday, May 17. General Manager Pruim asked if one of the Board members would like to be on this committee.

Director Martin stated he volunteers to participate on the committee.

Director Sannella asked if this is limited to one person. General Manager Pruim stated yes, it is one person per agency. They are looking for someone who is willing to get into the technical issues. City staff stopped short of saying it should be a staff person, but that the individual needs to understand that it's complex technical issues. Ultimately, it's the agency's choice who serves on the committee.

Director Hernandez stated he would participate as part of the public. Director Evans stated she thought it would be great if the representative were a staff member who could deal with all the details.

Director Sannella requested General Manager Pruim follow up to determine if it's possible to have one staff and one Board member be part of the committee. If not, he would support President Martin serve in that capacity.

- General Manager Pruim stated beginning this evening at 8:00 p.m. Vallecitos staff will be working on repairs in San Marcos Blvd. westbound, before the Movement Church just east of Discovery intersection. The work will consist of two nights. The second night will be completed on the following Wednesday. Traffic will be removed by the time of morning rush hour.
- The Financial audit will be kicking off on June 17.

#### DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin reported on a federal case in Agua Caliente that raised an initial issue of whether tribes have reserved rights to groundwater. It is an old U.S. Supreme Court case (Winters). At the time, the government created reservations that they had reserved water rights to the tribes relative to riparian rights. It has never been litigated in California or anywhere else. The Court found that the tribe did have a reserved right to the groundwater. That led to a second phase where the tribe was seeking to collect damages from all the water agencies relative to over pumping, recharged with Colorado River water, etc. The court recently found that the tribe had not been damaged.

#### SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next meeting is on May 23, she has not yet received the agenda.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on the Capital Improvement Committee meeting stating staff met with the City of Carlsbad regarding the parcel they are trying to get revenue from. Good news is anything they want to do, they may do on a temporary basis while getting ready for a recycle facility. If they spend more than \$60,000, will have to go to the Coastal Commission which is a twelve to eighteen-month program.

President Martin stated he did not attend the Policy and Finance Committee due to attending the ACWA Conference.

STANDING COMMITTEES

Director Sannella stated the Finance Committee met on Monday, May 13. He stated the primary discussion was on the budget and pension liability. Staff presented a few options for consideration. All options will be presented to the full Board soon.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Hernandez, Elitharp and Martin reported on their attendance to the ACWA Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella stated that all Board members received an invitation on behalf of MiraCosta College, San Diego North Economic Development Council and the Encinitas, Carlsbad, Oceanside, and Vista Chambers of Commerce to a North County Coastal All Elected Officials reception on June 27 from 3:00 p.m. to 5:00 p.m. at MiraCosta's San Elijo Campus.

Director Hernandez stated he visited South Lake recently. Grading is taking place on the parking lot. Will be 60 – 90 days before the parking lot is paved. He would like to have the City Manager address the Board.

General Manager Pruim stated he spoke with Mr. Griffin and Mr. Griffin does not feel comfortable coming to the District to give an update on the status until we have the agreement amended.

Director Hernandez asked if there is any sense in having a meeting with the City. He also stated he would like to see if a Policy Committee meeting can be scheduled this month to discuss an agenda at that Committee meeting in addition to removing plastic cups and bottles from the District.



Director Sannella stated with the South Lake parking lot being near completion, it should be safe to say will be completed by end of summer. He stated he feels the District is doing a nice thing for the community by leasing the lake to the City for \$1 a year. He suspects that when the recreational area opens, there will be some sort of ribbon cutting ceremony. He feels the Board should be part of this.

Director Sannella stated there are a couple of new Council members at the City of San Marcos. He feels the new Council members would benefit from a tour of the District's facilities with two Board members participating.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 6:53 p.m.

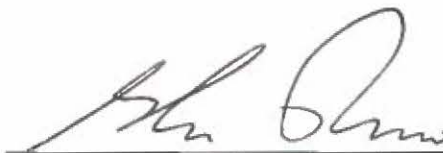
A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, June 5, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.



---

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

ATTEST:



---

Glenn Prui, Secretary  
Board of Directors  
Vallecitos Water District