

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, NOVEMBER 6, 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.

Public Information/Conservation Supervisor Robbins led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin

Absent: Director Sannella

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

Others Present: Kevin Ross, Vice President, TerraVerde Energy

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 6, 2019

19-11-03 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, with Director Sannella absent, to adopt the agenda for the Regular Board Meeting of November 6, 2019.

PUBLIC COMMENT

Michael Hunsaker, member of the public, addressed the Board commenting on the District's environmental approach of not requiring plastic cups for drinking. He doesn't think it is a wise idea. Only about 25% of our trash is recycled. Most of it is shipped or buried. Straws are almost universally ignored. Plastic bags are available almost anywhere. He believes plastic cups for drinking water is a good idea. This District and many others have made a note that it is improper for a restaurant to serve a glass of water because it takes seven glasses of water to clean the glass after use. Forgoing plastic cups means you either have to forgo washing which presents a health danger or you do something that is more symbolic than useful, and you undermine your own water conservation program. He does not believe the health of the rate payers and citizens, nor the environment, nor our water, should be compromised to be politically correct. He thanked the Board.

PRESENTATION

Public Information/Conservation Supervisor Robbins presented the District's recent video, "Imagine a Day Without Water," a national effort to raise awareness, educate communities, and a call for action to invest in our nation's water infrastructure.

CONSENT CALENDAR

19-11-04 MOTION WAS MADE by Director Elitharp, seconded by Director Evans, and carried unanimously, with Director Sannella absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Closed Session Board Meeting – October 16, 2019
- B. Regular Board Meeting – October 16, 2019
- C. Public Awareness/Personnel/Policy Committee Meeting – October 22, 2019

1.2 Warrant List through November 6, 2019 - \$4,334,756.66

1.3 Operations & Maintenance Metrics Quarterly Update – September 30, 2019

1.4 Final Acceptance of Sewer Improvements for Firestine Residence, 862 Rock Springs Road, APN: 226-012-46 (Ryan Firestine)

1.5 Project Acceptance for OSHA Compliant Ladder Climb Safety Systems

PUBLIC HEARING

PUBLIC HEARING TO CONSIDER A POWER PURCHASE AGREEMENT AND RESOLUTION TO ADOPT FINDINGS REQUIRED BY GOVERNMENT CODE SECTION 4217.12 REGARDING ANTICIPATED ENERGY COST SAVINGS AND OTHER BENEFITS THE DISTRICT MAY RECEIVE

President Martin opened the hearing as duly noticed and posted to consider a resolution to adopt findings required by California Government Section 4217.12 regarding anticipated energy cost savings and other benefits, and to consider approval of a Power Purchase Agreement (PPA). The hearing opened at 5:14 p.m.

General Manager Pruim stated a Special Board meeting was held earlier today to address two items associated with the PPA. During the Special Board meeting, the Board adopted the Mitigated Negative Declaration (MND) and authorized the General Manager to enter into a Cost Reimbursement Agreement (CRA) subject to the approval of the PPA. He further stated the Board considered the PPA at a Board Workshop held on October 31, 2019.

District Engineer Gumpel provided a brief presentation similar to what was presented at the October 31, 2019 Board Workshop highlighting the main points of the Solar PPA Project as follows:

- Lift Station 1
- Twin Oaks Reservoir
- PPA Overview
- Saving Potential – Projected vs. PPA Rate
- PPA Risks and Options
- Recommendations

District Engineer Gumpel discussed the two proposed sites and solar system sizes. The Lift Station 1 (LS1) site has two system size options, 230kWdc and 168 kWdc. The Twin Oaks Reservoir site would have a 1,900 kWdc system. He explained that the PPA is a third-party partnership with the District. The PPA rate is \$0.0779/kWh and is fixed for 25 years with 0% escalation during those years. There is no capital expense to the District and the PPA provider will reimburse the District for all development costs for both sites. The PPA includes buy out options at years 10, 20 and 25 based on fair market value. If the Board decides not to proceed with the LS1 site, there would be no change in the PPA rate at Twin Oaks. Any site development conditions imposed by the City of San Marcos would be paid 100% by the PPA contractor.

District Engineer Gumpel stated the Board will be asked if they want to enter into a PPA, and if so, should LS1 be included? If LS1 is to be included, staff recommends the smaller 168 kWdc system for that site which would be a hedge against future rainy years where LS1 is used very little.

Staff recommended the Board conduct a public hearing per California Government Code Section 4217 to hear public comments, authorize the General Manager to enter into a PPA between PCI (SSA Solar of CA 5, LLC) and the District, and adopt California Government Code Section 4217 Board Resolution approving 4217 findings and the PPA.

General discussion took place regarding staff's recommendation to downsize the system at LS1 and whether the smaller system could be enlarged in the future. Director Hernandez questioned elements of the PPA such as the 85% output guarantee, clarification that TerraVerde Energy has no contractual connection with PCI (SSA Solar of CA 5, LLC), verification that prevailing wage applies as this is a project for a public agency, the construction schedule, liquidated damages related to delays, termination values paid to the provider should a project be cancelled, and metering tests. Director Hernandez recommended the PPA be modified to address the bifurcation of the two projects should the Board decide to eliminate the LS1 site. District Engineer Gumpel stated this issue would be in the contract per Board direction or the General Manager would not be authorized to sign it. Director Hernandez suggested the Board consider having the real estate firm Cresa search for other opportunities for the LS1 site before making a decision on that site.

Michael Hunsaker, member of the public, addressed the Board expressing his concerns that the state controls the cap and trade market and some of what's going on with renewable energy credits. He is not convinced because of the relatively small amount of money that we're getting, tens of thousands of dollars per year. He is concerned about just how valuable these credits are going to be and also the grandfathering of the time of use. If you have time of use, you may be paying \$.48 per kilowatt hour. Most of that is distribution costs. Why should we expect Sempra to continue subsidizing the distribution of our solar power? We have massive reserves. If this is a good idea, let's fund it and do it ourselves. He believes the PPA is not an agreement but is a template with no time limits that could be changed at any time by the General Manager or his designee.

District Engineer Gumpel responded that the value of the credits could vary from year to year and that the PPA is an agreement. The General Manager only has the authority to move forward based on the Board's direction and any change would need Board approval.

There being no additional persons wishing to address the Board, President Martin closed the hearing at 5:51 p.m.

19-11-05 MOTION WAS MADE by Director Hernandez to authorize the General Manager to enter into a modified PPA with language added regarding bifurcation of the project and requesting Cresa explore alternate uses for the LS1 site.

General Manger Pruiim expressed his concern regarding the deadline for signing the PPA. Real estate negotiations can take a long time. Kevin Ross of TerraVerde Energy stated that time is of the essence because of the investment tax credit value which will decrease from its current 30% to 26% beginning on January 1. An IRS rule stipulates how much of the project has to be started, and in this case, in terms of funds spent on engineering and materials.

19-11-06 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, with Director Sannella absent to authorize the General Manager to enter into the PPA.

General discussion took place whether to include the LS1 site in the PPA. If the Board decides to include the LS1 site and subsequently decides not to include LS1, the decision to bifurcate the project would have to be made within the next two weeks. The PPA contains provisions that would allow for the elimination of the LS1 site.

19-11-07 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, with Director Sannella absent, to include LS1 with the larger system in the PPA.

Further general discussion took place during which Director Hernandez requested a real estate firm be asked to look at alternate uses for LS1. Mr. Ross clarified that the District's decision to eliminate the LS1 site would have to be made before the PPA provider begins

funding the LS1 site, otherwise there would be an added cost to the District to do so. The process and cost of securing a real estate firm was also discussed.

19-11-08 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, with Director Sannella absent, to adopt findings required by California Government Section 4217.12 regarding anticipated energy cost savings and other benefits, and to consider approval of a Power Purchase Agreement.

Resolution No. 1560 - The roll call vote was as follows:

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

ACTION ITEMS

APPROVAL OF A JOINT USE AGREEMENT WITH THE SAN DIEGO COUNTY WATER AUTHORITY AND THE CITY OF ESCONDIDO FOR ACCESS TO DISTRICT FACILITIES AT THE VALLECITOS 2 FLOW CONTROL FACILITY

Development Services Senior Engineer Scholl stated the San Diego County Water Authority (SDCWA) is currently designing a replacement for the Vallecitos 2 Flow Control Facility connection to their aqueduct system. This connection is within a SDCWA easement on a property north of Rincon Avenue and east of North Broadway owned by the City of Escondido. During planning of the project, the SDCWA discovered no agreements or easements exist for the District's connection facility from Rincon Avenue to the Vallecitos 2 Flow Control Facility. The purpose of the proposed Joint Use Agreement between the District, the SDCWA, and the City of Escondido is to remedy this deficiency. There is no cost to the District associated with the agreement.

Development Services Senior Engineer Scholl further stated that a separate agreement is currently being drafted for the new Vallecitos 11 Flow Control Facility with the SDCWA. The Vallecitos 11 Flow Control Facility agreement will address the operation and maintenance responsibilities of the actual flow control facility. Staff anticipates this agreement will be ready for Board approval within a couple of months.

Staff recommended the Board approve the Joint Use Agreement with the SDCWA and the City of Escondido for its connection facilities to the Vallecitos 2 Flow Control Facility.

19-11-09 MOTION WAS MADE by Director Elitharp, seconded by Director Evans, and carried unanimously, with Director Sannella absent, to approve the Joint Use Agreement for access to District facilities at the Vallecitos 2 Flow Control Facility.

AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE MONTIEL LIFT STATION AND FORCE MAIN REPLACEMENT PROJECT

Capital Facilities Senior Engineer Morgan stated the Montiel Lift Station was constructed in 1985 as a temporary facility that was intended to be in operation for less than five years. The Montiel Lift Station pumps flows from the local sewershed through a 6-inch force main on Montiel Road, discharging into a gravity system at the intersection of Nordahl Road and Montiel Road. The 6-inch force main serving the Montiel Lift Station is in danger of failing and is in severe need of replacement. The existing 8-inch gravity sewer that transports wastewater from the 6-inch force main through the Nordahl Shopping Center is undersized and cannot serve additional development in the Montiel sewershed. These three projects are identified in the District's 2018 Master Plan at a total cost of \$2.1 million.

Capital Facilities Senior Engineer Morgan further stated the District previously worked with the City of Escondido in the early 2000's to evaluate the Montiel Gravity Outfall project which would redirect flows through gravity, decommission the lift station, and tie into the City of Escondido's sewer system. This idea was not endorsed by the City of Escondido. As a result, the existing Montiel Lift Station and force main will require replacement. The District submitted a Request for Proposal on July 17, 2019 to five firms requesting their experience in designing wastewater projects similar to the Montiel Lift Station and Force Main Replacement Project. On August 16, 2019 staff reviewed proposals received from four firms and selected Michael Baker International, Inc. as the most qualified. The not-to-exceed fee for design, bid and engineering services is \$522,172.

Staff recommended the Board authorize the General Manager to enter into a professional engineering services agreement with Michael Baker International, Inc. in the amount of \$522,172 for design, bid and engineering services during construction for the Montiel Lift Station and Force Main Replacement Project.

General discussion took place.

19-11-10 MOTION WAS MADE by Director Evans, seconded by President Martin, and carried unanimously, with Director Sannella absent, to authorize the General Manager to enter into a professional engineering services agreement with Michael Baker International, Inc. in the amount of \$522,172.

CONSTRUCTION CONTRACT AWARD FOR LAWRENCE WELK COURT WATER LINE REPLACEMENT

Capital Facilities Senior Engineer Morgan stated that on September 9, 2018 staff responded to a break underneath Lawrence Welk Court and attempted to excavate and repair a 12-inch concrete mortar lined and coated steel pipe. Staff excavated to a depth of 12 feet but were unable to reach the pipe. The pipe was isolated and a temporary highline was installed to place a resident back in water service. Staff planned and budgeted to relocate and realign the pipe in the 2019/2020 fiscal year. On October 17, 2019 staff invited four contractors to

the jobsite and conducted a pre-bid meeting. Staff received and opened bids on October 29, 2019. After staff and legal counsel completed their evaluation of qualifications, Southland Paving, Inc. was determined to be the lowest responsive, responsible bidder.

Staff recommended the Board authorize the General Manager to execute a construction contract with Southland Paving, Inc., in the amount of \$144,975 subject to the provisions of the Lawrence Welk Court Waterline Replacement Agreement and General Conditions.

General discussion took place regarding the estimated cost of the project. Staff clarified the total budget was \$679,000; however, with an anticipated budget surplus of \$419,527 due to staff's ability to plan, design and perform construction management, the project cost is estimated to be \$259,473.

19-11-11 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, with Director Sannella absent, to authorize the General Manager to execute a construction contract with Southland Paving, Inc. in the amount of \$144,975.

REPORTS

GENERAL MANAGER

General Manager Pruum provided the Board copies of a calendar the SDCWA has developed as part of their "Faces of the Water Industry" public outreach campaign to inspire the public's confidence. Pictures of employees who work for member agencies are included in the calendar. Several of the District's employees are featured in the calendar: Administrative Services Manager Rhondi Emmanuel, Senior Water Systems Operator Richard Arballo, and Senior Pump/Motor Technician Dale Austin.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin clarified for Director Hernandez that in 2012 the legislature specifically amended the prevailing wage with provisions to include power purchase agreements. The District's solar project is on public property and the public entity is receiving benefit either from the energy generated or credits received.

Legal Counsel Gilpin stated the law firm of Driscoll and Omens, located in Northern California, set up a web page, waterbilloverpay.com, which has been taken down. It was a means to solicit plaintiffs to file Proposition 218 actions all across California. In the past month this law firm has started submitting claims to California water agencies. Vallecitos received a similar claim today. All of the claims submitted are generic and allege violation of Proposition 218 relative to the rates. He believes the intent of the law firm is to file all of these claims and then eventually file one gigantic class action suit.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans reported the Fiscal Sustainability Task Force had an update recently. Their last two meetings focused on the Transitional Special Agricultural Water Rate. They are considering making it a permanent rule. It was going to be available for new enrollees. They are looking at ways to accommodate the different types of agriculture there are today and will be presenting information in November. The Legislation and Public Outreach Committee commented that Governor Newsom signed 870 bills and vetoed 172 bills this legislative year. There were 2,600 plus bills introduced in 2019; 1,042 were sent to Governor Newsom and 1,583 became two-year bills and are still active in the legislation for next year.

Director Evans noted there is a citizen's water academy through the SDCWA. The current class will produce their 700th graduate. Vallecitos employees' pictures and write-ups from the "Faces of the Water Industry" calendar are posted at the SDCWA. She's been told that Vallecitos is the most active agency at pursuing grants.

Director Evans stated that interviews for the SDCWA General Manager position are scheduled for November 14 and asked the Board to forward any questions they would like her to ask to her or General Manager Pruiim.

Director Evans reviewed an article regarding Metropolitan Water District's (MWD) mid-cycle biennial budget review. MWD is forecasting that water sales next year will continue to track below budget through 2020, and without any additional financial management actions, they anticipate withdrawing more than \$135 million from reserves to cover the shortfall. To mitigate the forecasted fiscal year 2020 revenue gap and capital expenditures which are tracking at \$100 million above budget, MWD plans to issue \$190 million in unplanned debt to cover the capital expenditures and shift \$90 million in pay-as-you-go revenues to fund it. MWD issued unplanned debt in fiscal years 2015, 2016 and 2017 to reimburse itself for hundreds of millions in capital expenditures to free up the pay-as-you-go revenues to fund operating expenses and replenish unrestricted reserves. The last time MWD updated its long-range finance plan was in 2004.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee met this morning at which the status of capital projects was discussed. Final design of the network improvement project is taking place. Five bids for the solid thickening predesign were received. Two firms were selected for further consideration and allowed to display their equipment. This will be a four-year project after the equipment has been selected. The co-generation building shoring design has been completed and the project will go out to bid. The primary area improvement project, an \$11 million contract, is in the design phase. The project is anticipated to be completed in June of 2021. A design contract was awarded for additional services for digester improvements.

President Martin stated the Policy and Finance Committee met earlier this week. The Committee received the technical plant status report which will be presented at the next

EWA Board meeting and an update on the South Parcel. The Committee reviewed a revised established document amendment pertaining to PERS and who would pay their portion of PERS if EWA should disperse for any reason.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

None.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES (SEPTEMBER 30, 2019)

Recommendation: For information only

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*****END OF AGENDA*****

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 6:49 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, November 20, 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