

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 11, 2019, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Martin called the Special 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 Sannella
Director Martin

Staff Present: General Manager Pruim
Legal Counsel Gilpin
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Glenn
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Senior Accountant Olsen
Executive Secretary Posvar

Others Present: Shannon Ayala, DavisFarr LLP

ADOPT AGENDA FOR THE SPECIAL MEETING OF DECEMBER 11, 2019

19-12-04 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Special Board Meeting of December 11, 2019.

PRESENTATIONS

President Martin recognized retiree, Cheryl Minichilli, Water Systems Operator II, for her years of service with the District.

General Manager Pruim announced that the District received two awards, one from La Costa Meadows Elementary School and one from La Mirada Academy, in recognition of the District's efforts in "Helping Construct the Future of San Marcos Unified School District."

PUBLIC COMMENT

Robert Wilmott, member of the public, addressed the Board stating the District has approved detachment of his property at 28616 Champagne Boulevard from the District as there are no VWD facilities to his property. The District has informed him that he will be charged water detachment fees in the amount of almost \$2,000 in addition to \$1,000 he has already paid for administrative expenses. He requested the Board waive the additional fees as his property has never received any services from VWD since the house was built in 1982 to the present. He thanked the Board.

President Martin stated that as this topic was not on the agenda, the Board was not able to address it at this meeting; however, this item will be placed on the agenda for the December 18 Board meeting.

Mike Hunsaker, member of the public and speaking as President of the Twin Oaks Valley Property Owners Association, expressed his concerns that SB 330 allows 20% greater density for every project that has been approved or will be approved as long as it is covered in some manner by the general plan of the district involved, there are restrictions on capacity fees and extractions, and there are time limits for preparation of a comprehensive list of extractions and fees. He thanked the Board.

CONSENT CALENDAR

Director Elitharp recused himself from voting on Item 1.8, stating he is one of the project proponents and one of the signatories to the construction agreement.

19-12-05 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar, with the exception of Item 1.8, as presented.

1.1 Approval of Minutes

- A. Closed Session Board Meeting – November 20, 2019
- B. Regular Board Meeting – November 20, 2019
- C. Finance/Investment Committee Meeting – November 25, 2019

1.2 Warrant List through December 11, 2019 - \$12,226,197.23

1.3 Financial Reports

- A. Water Meter Count – November 30, 2019
- B. Water Production/Sales Report – 2019/2020
- C. Per Capita Water Consumption – November 30, 2019
- D. Water Revenue and Expense Report – November 30, 2019
- E. Sewer Revenue and Expense Report – November 30, 2019

- F. Reserve Funds Activity – November 30, 2019
 - G. Investment Report – November 30, 2019
 - H. Legal Fees Summary – November 30, 2019
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- 1.4 Adoption of Resolution Ordering the Annexation of Certain Property Designated as the “University District Holdings Annexation” (APN 220-190-56) into the Vallecitos Water District Water Improvement Districts 1 & 2 and Detachment from Sewer Improvement District 5
 - 1.5 Approval of Temporary Off-Site Water Service Agreement for Bromage Residence, APN 178-210-41 (Jeffery Bromage, Trustee for the Linda A. and Jeffery Bromage 2000 Revocable Trust)
 - 1.6 Approval of Permanent Off-Site Water Service Agreement for Nadeau Residence, APN 178-210-40 (Stephen and Amy Nadeau)
 - 1.7 Adoption of Resolution Ordering the Detachment of Certain Property Designated as the “Gualtieri Detachment” from the Vallecitos Water District; APN 178-040-45 (Robert and Theresa Gualtieri)
 - 1.8 Approval of Construction Agreement for Sewer Main Extension, Walnut Hills Drive, APNs 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (Elitharp, Klima, Frost, Richardson & Nelson)
 - 1.9 Surplus Personal Property Listing
- 19-12-06 MOTION WAS MADE by Director Hernandez, seconded by President Martin, and carried unanimously, with Director Elitharp abstaining, to approve Item 1.8 of the Consent Calendar, as presented.

ACTION ITEMS

ANNUAL BOARD TRANSITION

President Martin stated the Board reorganizes annually at the first Board meeting in December. He recommended Director Evans for President and Director Sannella for Vice President.

- 19-12-07 MOTION WAS MADE by President Martin, seconded by Director Elitharp, and carried unanimously, to elect Director Evans President and Director Sannella Vice President of the Board of Directors.

COMMITTEE APPOINTEES AND REPRESENTIVES

President Evans distributed a list of committee assignments for 2020 to the Board.

19-12-08 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, to approve the committee and representative assignments for 2020.

Director Sannella expressed his interest in the San Diego County Water Authority (SDCWA) representative position. He referenced District Ordinance No. 212, Section 1.9 C, which allows for each elected Director to have an opportunity to hold a position on the Encina Wastewater Authority (EWA) or SDCWA Boards at least once during their four-year term if they wish to do so.

Legal Counsel Gilpin explained that Ordinance No. 212 conflicts with the SDCWA's appointment process which is for a six-year term. In order to change the current appointment, it would be necessary to remove the current representative and the Board would then nominate and appoint a new representative. This process would need to be placed on a future Board agenda.

General discussion took place regarding the SDCWA's six-year term and the District's past practice of including the SDCWA and EWA representative appointments with the District's standing committee assignments. General Manager Pruum suggested this be clarified in Ordinance No. 212 in the future. Legal Counsel Gilpin recommended placing the appointment of the SDCWA representative on the next Board agenda.

19-12-09 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried 4-1, with President Evans voting no, to approve the committee and representative assignments for 2020 with the exception of the SDCWA representative and to consider that position at the December 18 Regular Board meeting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Finance Manager Owen introduced Ms. Shannon Ayala of DavisFarr, the District's audit firm. Ms. Ayala provided a presentation on the Audit Results for the Fiscal Year Ended June 30, 2019 as follows:

- Audit Reports Issued
- Audit Results
- Cash Disbursement Procedures
- Benford's Law
- Other Procedures
- Upcoming Auditing Standards

Ms. Ayala stated DavisFarr issued an unmodified audit opinion on the District's Comprehensive Annual Financial Report on December 3, 2019. The financial statements and footnotes are presented fairly, in all material aspects, in accordance with

generally accepted accounting principles. A recommendation was issued to enhance system controls over vendor management.

Finance Manager Owen stated comprehensive changes were made to the Basic Financial Statements now titled the Comprehensive Annual Financial Report (CAFR). The CAFR includes new introductory and statistical sections. He facilitated a presentation on the CAFR FY 2018/19 which included:

- Financial Statements
- Financial Highlights
- Current Year to Prior Year Analysis
- Restrictions, Commitments, and Limitations
- Next Year's Budget and Rates
- Contents
- Introductory Section
- Statistical Section
- CAFR Process
- Recommendation

General question and answer took place during the presentation. Finance Manager Owen stated that fulfilling the requirements of the CAFR improves transparency and provides readers with more information as well as qualifies the District to apply for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Staff recommended the Board consider and accept the 2019 CAFR.

Mike Hunsaker, member of the public, addressed the Board inquiring how much of the CalPERS liability the District paid off, what caused the increase in reclaimed water sales, how new bonds and reimbursements will be handled in the future, and if the auditors examined capacity fee extractions in depth to make sure they are in conformance.

Finance Manager Owen stated the District paid \$834,000 as an additional discretionary payment as of June 30, 2019. The budget for 2020 includes a three-year pay down policy where the District will pay \$8 million in 2020, \$4 million in 2021, and \$4 million in 2022. Those three payments are not included in the CAFR. He stated the increase in reclaimed water sales was due to increased capital recovery, which is included in the charges, resulting in more revenue.

19-12-10 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to accept the 2019 CAFR as presented.

HILLSIDE DEVELOPMENT PROJECT UPDATE AND POLICY DIRECTION

General Manager Pruim provided background information, stating the Ad Hoc Committee was established in April 2019. He introduced consultant Rick Gittings who was hired to assist the District with development of the adjacent hillside property. The original direction from the Board was to work with Mr. Gittings at minimal cost and use of resources to get development partners interested in the project. The Board authorized funding in the amount of \$50,000 to pay for the consultant and preliminary biological work.

Mr. Gittings stated the hillside property consists of 32.7 acres. The goal of the project is to develop an ongoing revenue stream to help defray future costs to the District's rate payers. He discussed the current zoning of the property, utilizing the City of San Marcos General Plan Update process to maximize density on the site, and necessary technical studies for CEQA entitlement of the project. He further stated the Ad Hoc Committee recommends the Board authorize an additional \$100,000 to the project in anticipation of doing a number of CEQA documents so that when a development partner is selected the District may secure a higher value. There is a possibility that grant funding may be available for some or all of the CEQA documents through SB 2 or SB 50.

General discussion took place during which the consensus of the Board was to support moving forward with the project as recommended by the Ad Hoc Committee, General Manager Pruim and Mr. Gittings.

PROPOSITION 218 REVIEW

General Manager Pruim stated suggested revisions to the proposed Proposition 218 notice were discussed at the December 9 Board workshop meeting. Two revised options were distributed for the Board's consideration. The revised notice incorporates the Board's suggestion of adding a chart comparing the District's rates with those of neighboring districts. The only difference between the two options is the placement of the comparison chart. Other changes to the notice were stressing the cost of imported water, removing references to wastewater rate increases, and incorporating the wholesale cost related to the increase in supply costs from the Colorado River and Northern California.

General Manager Pruim noted that the District may receive feedback from agencies included in the rate comparison chart if they feel the District misrepresented their rates. Legal Counsel Gilpin stated the disclaimer included at the bottom of the chart is sufficient. Director Sannella suggested the language of the wholesale cost needs further clarification and should be moved to the first page of the notice. Placement of the comparison chart and other formatting suggestions were discussed. General Manager Pruim stated staff will incorporate the Board's suggestions into the final version of the Prop. 218 notice.

General discussion took place regarding the timing of the Prop. 218 process. General Manager Pruim stated the date for the first Regular Board meeting in 2020 falls on

January 1 which is a holiday. Scheduling conflicts were identified for January 8; however, January 9 was suggested as a potential meeting date.

Further general discussion took place regarding the proposed rate increase. General Manager Pruim clarified that without including wastewater, as was the Board's direction to staff, the rate increase will be 3.5% on the commodity charge.

REPORTS

GENERAL MANAGER

General Manager Pruim reported that night work is scheduled for this evening on Distribution Street to replace a water valve.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin provided an update on SB 330 which was brought up during public comment. The concern was what effect it might have on the District's capacity fees that will go into effect on January 2, 2020. The District's rate will apply as people will have to submit preliminary applications to permitting agencies for their developments. The preliminary applications are defined by the statutes. A development with a pending application will have to submit a new preliminary application.

SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated the SDCWA is dark in December; however, a Special Closed Session Board meeting is scheduled for December 19 to discuss litigation.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported the Capital Improvement Committee approved the deteriorating wall project, the purchase of a pneumatic forklift, and a SCADA contract. He received a plaque commemorating his service as President of the EWA Board this year.

President Martin reported the Policy and Finance Committee reviewed and adopted their audit.

STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee discussed the Cost of Service Study and rates at their November 25 meeting.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the City of San Marcos' groundbreaking ceremony for their San Marcos Creek project and the Association of California Water Agencies (ACWA) Fall Conference.

Directors Sannella, Martin, and Evans reported on their attendance to the ACWA Fall Conference.

Director Elitharp reported on his attendance to the California Association of Sanitation Agencies Board of Directors strategic planning retreat.

OTHER BUSINESS

Director Martin stated Cal Desal will be holding a two-day conference soon.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Special Meeting of the Board of Directors at the hour of 7:08 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 18, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Betty D. Evans, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District