

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, OCTOBER 7, 2020, AT 5:00 PM, VIA TELECONFERENCE

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

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

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 Morgan  
Development Services Senior Engineer Scholl  
Information Technology Supervisor Labarrere  
Public Information/Conservation Supervisor Robbins  
Principal Financial Analyst Arthur  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF OCTOBER 7, 2020

20-10-03 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Regular Board Meeting of October 7, 2020.

PUBLIC COMMENT

General Manager Pruim read aloud written comments from two members of the public that were received prior to the start of the meeting. Dr. Jack Paxton expressed his opinion of the District's lack of transparency in regard to his requests for information on the quality and quantity of desalination water the District purchases each day from the Poseidon Desalination Plant, and asked when the District will determine its share of the over \$1 billion in repairs to the Oroville Dam. Cathy Robins suggested the Board rotate its assignments when a new Board meets after the election, and asked how much rate payer reserves the District has and how it compares to other San Diego County agencies.

Michael Hunsaker, member of the public, addressed the Board expressing his concerns regarding the lack of information on leased water facilities and whether it impacts waste treatment service fees, and large high density developments that are not paying for the correct amount of meters or are being given more exemptions than is appropriate.

CONSENT CALENDAR

20-10-04 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 Workshop Meeting – September 9, 2020
- B. Closed Session Board Meeting – September 16, 2020
- C. Regular Board Meeting – September 16, 2020
- D. Finance/Investment Committee Meeting – September 28, 2020

1.2 Warrant List through October 7, 2020 - \$4,642,568.03

1.3 Approval of Permanent Off-Site Sewer Service Agreement for Teri Campus of Life, APN 182-260-10 (Teri, Inc.)

1.4 Approval of Additional As-Needed Engineering Professional Services Agreements

1.5 Fall 2020 Between the Pipes – Vallecitos Water District Quarterly Newsletter

1.6 Vallecitos Water District's Representative to the San Diego County Water Authority

1.7 Consideration of Organizational Achievement Awards

ACTION ITEMS

REQUEST FOR ANNEXATION OF CERTAIN PROPERTIES DESIGNATED AS THE "MURAI RESIDENTIAL DEVELOPMENT," APNS 184-241-03, 217-050-36, 217-050-38 & 218-011-10, INTO VALLECIOS WATER DISTRICT'S SEWER IMPROVEMENT DISTRICTS 1, 2 & 6 (CR MURAI, LLC)

Development Services Senior Engineer Scholl provided a presentation, "Murai Residential Development Sewer Annexation," as follows:

- Murai Residential
- Developer's Annexation Request
- Annexation Per Ordinance No. 200
- Annexation – Southern Section
- Annexation – Northern Section
- Staff Recommendation

Development Services Senior Engineer Scholl stated the entire project is within the District's water service area and 4.01 of the 91.65 acres is within the District's sewer service area. The developer of the project has inquired about excluding from annexation 52.18 acres of

dedicated open space which will not be developed. Staff can support the exclusion of 24.06 acres of the project's open space located on the northern side of the property which abuts to the District's water service boundary and is adjacent to the future San Marcos Highlands open space dedication area which has been approved for exclusion from annexation. The Murai excluded area would consist of 20.73 acres of open space and 3.33 acres of non-dedicated open space that lies within a SDCWA pipeline easement. The open space dedications on the southern side of the Murai development are not contiguous to any proposed or existing open space dedications; therefore, staff does not support their exclusion from annexation in accordance with stipulations outlined in Ordinance No. 200.

Staff recommended the Board waive the requirements of Ordinance No. 200 to allow the exclusion of 24.06 acres of the Murai Residential Development from annexation into the sewer service area and approve the conditions for annexation of 67.59 acres of the development into Sewer Improvement Districts 1, 2 and 6 as detailed in the staff report.

General discussion took place.

20-10-05 MOTION WAS MADE by Director Elitharp, seconded by Director Sannella, and carried 4 – 1, with Director Hernandez voting no, to waive the requirements of Ordinance No. 200 to allow the exclusion of 24.06 acres of the Murai Residential Development from annexation into the sewer service area and approve the conditions for annexation of 67.59 acres of the development into Sewer Improvement Districts 1, 2 and 6 as detailed in the staff report.

#### CAPITAL FACILITIES EXPANSION (CAPACITY) FUND PRESENTATION

General Manager Pruim stated the District recently received numerous inquiries from a member of the public regarding capacity funds. He provided a presentation on capacity funds which include the four basic funds the District tracks: water capacity, water replacement, wastewater capacity, and wastewater replacement, explaining that replacement relates to the management of the existing system, and capacity relates to the management of system improvements required to accommodate future growth.

General Manager Pruim discussed how capital facility fees, the fees paid by developers to cover the costs of infrastructure required for development, are calculated, stating it is common for costs to be incurred well in advance of fee collection. An example of this is that a water reservoir must be built well ahead of any homes being constructed. The capital facility fee calculation combines all capacity costs, including debt, revenue shortfall (deficit) and the amount of future growth and divides that total by the number of equivalent dwelling units. Staff is very confident that the capital facility fees established using this method will be sufficient to pay for all costs associated with growth, including addressing the revenue shortfall, which means rate payers are not subsidizing development and that growth pays for growth.

Finance Manager Owen facilitated a presentation, "Capital Facilities Expansion (Capacity) Fund," as follows:

- Purpose
- District Reserves
- Customer Rates
- 2020/21 Water Operating Expense Budget - \$42,726,000
- Cost of Service Study 2019
- Replacement Reserves
- District Reserves
- Capacity Reserves
- Capacity Shortfall Action Plan
- Conclusion

Finance Manager Owen stated replacement reserves are tracked separately from capacity reserves. The reporting requirements for replacement reserves are based on the District's reserve policy. The reporting requirements for capacity reserves are established by Government Code Section 66013. The capital facility fees were established during the capital fee study completed on July 9, 2019. Based on the results of the fee study, the capital facilities fees were increased 17.9% effective January 2, 2020. In addition, capital facility fees are increased annually through the construction inflation index, which has averaged an increase of 2.7% per year over the last five years.

Finance Manager Owen discussed the current capacity reserves shortfall which is a paper loan that pays interest into the replacement reserves, growth projects totaling \$45.6 million over the next five years, and planned future debt issuance of \$60 million, all of which is outlined in the budget. By never including the capacity shortfall when calculating water and sewer rates, and paying interest to the replacement reserves, the District has satisfied all necessary requirements for fiscal responsibility. Finance Manager Owen concluded that rate payers are not paying for development and that growth pays for growth.

General discussion took place.

General Manager Pruim read aloud written comments received from Tom Scaglione, member of the public, regarding rate payer's reserves, the developer capacity reserves deficit, and accommodations made by the Board to developers.

General Manager Pruim read aloud written comments received from Tim Shell, member of the public, expressing his opinion that the District has raised water rates high above the cost of service during the past six years, accumulating too much in rate payer reserves, and his concern regarding the capacity reserves deficit.

Gayle Martin, member of the public, addressed the Board asking questions regarding the developer fees deficit, when the next Master Plan will be started and completed, and what funds were used to pay the \$3.2 million developer fund debt service.

Dr. Tiffany Boyd-Hodgson, member of the public, addressed the Board requesting clarification on why developers pay capacity fees at occupancy, how and when that policy originated, and what the rationale is for reserves being closer to the ceiling than the floor.

Michael Hunsaker, member of the public, addressed the Board regarding his concerns about large high density developments paying delayed fees which he believes subsidizes new development and that they should have to pay up front. He stated more transparency is needed in regard to when occupancy is approved, a fee payment schedule, and calculation of the fees.

General Manager Pruim responded to the public's questions.

General discussion took place.

This item was presented for information and discussion only. No action was taken.

## REPORTS

### GENERAL MANAGER

General Manager Pruim reported wastewater collection staff will be performing system maintenance this evening in San Marcos Boulevard between Lift Station 1 and the Laurels subdivision.

### DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated Assembly Bill (AB) 922, which relates to the Brown Act restrictions on the use of social media, was signed into law by Governor Newsom. AB 922 applies to Internet-based social media platforms such as Facebook and Twitter, and allows public officials to communicate on those platforms to answer questions, and provide information to and solicit information from the public on matters within the District's jurisdiction without conflicting with the prohibition of serial meetings. The bill prohibits responses from other Directors, such as liking or retweeting a Director's comments, and considers such responses a discussion among Directors even if there is not majority, which would be considered a serial meeting.

### SAN DIEGO COUNTY WATER AUTHORITY

President Evans reported on her attendance to the SDCWA Board of Directors meeting on September 24 at which a new President, Vice President and Secretary were elected. The Board also adopted a new Permanent Special Agricultural Water Rate (PSAWR) program which will replace the Transitional Special Agricultural Water Rate program set to expire on December 31, 2020.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee will meet on October 21.

Director Martin stated the Policy and Finance Committee will meet next week.

STANDING COMMITTEES

Director Sannella reported that the Public Awareness/Personnel/Policy Committee met on October 6 at which the Committee discussed the SDCWA's new PSAWR program, the District's Certified Non-Participating Agricultural Water Rate program, and the fall Water Academy.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Elitharp reported on his participation in the virtual California Association of Sanitation Agencies Board of Directors' strategic planning session September 21-22.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 6:35 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, October 21, 2020, at 5:00 p.m. via teleconference.

---

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

ATTEST:

---

Glenn Pruim, Secretary  
Board of Directors  
Vallecitos Water District