

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MARCH 17, 2021, AT 5:00 PM, VIA TELECONFERENCE

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

Director Hernandez led the pledge of allegiance.

Present: Director Boyd-Hodgson
Director Elitharp
Director Hernandez
Director Pennock
Director Sannella

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
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Systems Administrator Drummond
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF MARCH 17, 2021

21-03-09 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Elitharp, and carried unanimously, to adopt the agenda for the Regular Board Meeting of March 17, 2021.

PUBLIC COMMENT

General Manager Pruim stated written comments were received by Gayle Martin, Tomme Arthur, Patrice Thompson, and Dennis Walsh, members of the public. President Sannella stated he believes it is inappropriate for staff to read written public comments aloud during meetings as that has not been the Board's past practice prior to the COVID-19 pandemic which necessitated virtual meetings. Director Boyd-Hodgson did not concur with President Sannella, stating that if the Board wants to discontinue the reading of written public comments, the notice to the public regarding public comments should be updated, and that the 5:00 p.m. start time for Board meetings may be difficult for some who wish to attend.

Dennis Walsh, member of the public, offered to read the letter he submitted on behalf of Healthbreads, Inc./Oasis Breads. President Sannella suggested the topic of Mr. Walsh's letter be placed on a future Board agenda for discussion as it is a highly complex issue and is related to the letter submitted by Tomme Arthur. Mr. Walsh agreed to this and did not read his written comments aloud. General Manager Pruim stated the topic of Mr. Walsh's and Mr. Arthur's letters would be placed on the agenda for the April 7 Board meeting.

Gayle Martin, member of the public, inquired about the nature of Mr. Walsh's and Mr. Arthur's letters. General Manager Pruim stated they relate to capacity for their businesses. Ms. Martin read aloud her written comments regarding the District's 2020 Comprehensive Annual Financial Report, and strongly encouraged the Board to consider issuing immediate credits to customers from the lawsuit settlement proceeds (Action Item 2.3). She expressed her opinion that public comments should be read aloud during Board meetings.

CONSENT CALENDAR

21-03-10 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Closed Session Board Meeting (Revised) – February 24, 2021
- B. Public Awareness/Personnel/Policy Committee Meeting – March 1, 2021
- C. Closed Session Board Meeting – March 3, 2021
- D. Regular Board Meeting – March 3, 2021
- E. Engineering/Equipment Committee Meeting – March 8, 2021

1.2 Warrant List through March 17, 2021 - \$3,683,769.60

1.3 Financial Reports

- A. Water Meter Count – February 28, 2021
- B. Water Production/Sales Report – 2020/2021
- C. Per Capita Water Consumption – February 28, 2021
- D. Water Revenue and Expense Report – February 28, 2021
- E. Sewer Revenue and Expense Report – February 28, 2021
- F. Reserve Funds Activity – February 28, 2021
- G. Investment Report – February 28, 2021
- H. Legal Fees Summary – February 28, 2021

1.4 COVID-19 Testing of Employees During an Outbreak

1.5 Position Reclassification of Engineering Technician I/II to Engineering Services Assistant

1.6 2020 Year In Review

ACTION ITEM(S)

DESIGN ENGINEERING PROFESSIONAL SERVICES AGREEMENT AWARD FOR THE
16-INCH EMERGENCY BYPASS PIPELINE REHABILITATION

Capital Facilities Senior Engineer Morgan stated the existing 16-inch diameter Emergency Bypass Sewer (Bypass) pipeline was installed in 1969, consists of Techite pipe, and spans 4,000 feet between Rancho Santa Fe Road and Melrose Drive. The Bypass pipeline is considered a critical infrastructure asset, serving as a relief sewer in the District's system; however, it is currently considered inoperable due to the risk of failures and regulatory issues associated with sanitary sewer overflows. There have been four failures over the past five years. This project is an operational priority for the District in the Fiscal Year 2020/2021 Capital Improvement Program (CIP) budget. A feasibility study initiated in the summer of 2020 identified a significant potential savings opportunity to the District by expanding the scope of the project to include the parallel 12-inch diameter Meadowlark Failsafe Outfall (Failsafe) pipeline into the project improvements. The ductile iron Failsafe pipeline, installed in the early 1980's, conveys secondary effluent or tertiary-treated recycled water from the Meadowlark Reclamation Facility to the Ocean Outfall at the Encina Water Pollution Control Facility. The Failsafe pipeline is located five feet offset of the Bypass pipeline in a common trench within the District easement throughout most of the project corridor. Many of the construction costs for both projects such as mobilization, survey, excavation, and contractor overhead could be shared if the projects were constructed concurrently.

Capital Facilities Senior Engineer Morgan further stated the District finalized the feasibility study in January 2021 and used it as a basis of design in developing the Request for Proposals (RFP) for final design engineering services which includes a scope of work for the rehabilitation of both the Bypass pipeline and the Failsafe Outfall. The District submitted an RFP to three as-needed engineering firms on February 15 and received proposals from two firms. Upon review of the proposals, staff determined Infrastructure Engineering Corporation (IEC) is the most responsive and qualified consultant with a total fee of \$149,370 for design and bid phase engineering services.

Staff recommended the Board authorize the General Manager to enter into a task order authorization under the as-needed professional services agreement with IEC in the amount of \$149,370 for project design and bid phase engineering services.

General discussion took place regarding the project budget.

21-03-11 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to authorize the General Manager to enter into a task order authorization under the as-needed professional services agreement with IEC in the amount of \$149,370 for project design and bid phase engineering services.

ACWA/JPIA REFUND CHECK

General Manager Pruim stated the District is a member agency of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) which provides insurance to

the District. The ACWA/JPIA reviews individual member agencies' accounts annually to determine if an agency is eligible for a refund if claims are less than projected. For the fourth year in a row, the District will be receiving a refund due to its low workers compensation and liability claims history. The amount of the refund is \$149,764.

General Manager Pruum provided information on how previous ACWA/JPIA refunds have been used. In 2018, the Board designated a portion of the \$145,176 refund to provide \$1,000 bonuses to all eligible employees to reward their efforts in keeping claims low. In 2019, the Board directed staff to apply the bulk of the \$165,806 refund toward the CalPERS retirement unfunded accrued liability and to set aside \$5,000 for an Employee Appreciation Event which was planned for 2020 but delayed due to COVID-19. That event will be scheduled when the District reopens. In 2020, the \$95,247 refund was split between the water and wastewater reserve accounts due to the uncertainty of COVID-19 impacts.

Staff recommended the Board use the \$149,764 refund to pay for the unexpected COVID-19 testing costs in the amount of \$92,050 (Item 1.4 of the Consent Calendar approved earlier in the meeting), leaving a balance of \$57,714 to be used at the Board's discretion.

21-03-12 MOTION WAS MADE by Director Hernandez, seconded by President Sannella, to use \$92,050 of the refund to pay for the COVID-19 testing and divide the balance to provide a bonus to all employees excluding the Board.

General discussion took place.

21-03-13 AMENDED MOTION WAS MADE by President Sannella, to use \$92,050 of the refund to pay for the COVID-19 testing and divide the balance to provide a \$500 (gross) bonus to all employees excluding the Board and senior management.

General discussion took place. Director Hernandez was agreeable to President Sannella's amendment of his motion. Director Boyd-Hodgson suggested senior management be included in the bonus. General Manager Pruum stated he would exclude himself from receiving a bonus. Legal Counsel Gilpin suggested Director Hernandez's motion be withdrawn and the amended motion be restated for clarity.

21-03-14 AMENDED MOTION WAS MADE by Director Hernandez, seconded by President Sannella, and carried unanimously, to use \$92,050 of the refund to pay for the COVID-19 testing and divide the balance to provide a \$500 bonus to all employees excluding the Board of Directors and the General Manager.

REFUNDED PROCEEDS FROM THE RESOLUTION OF THE LAWSUITS BETWEEN SAN DIEGO COUNTY WATER AUTHORITY AND METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

General Manager Pruum stated the San Diego County Water Authority (SDCWA) and Metropolitan Water District of Southern California (MWD) have been involved in litigation for quite some time regarding how MWD sets its rates. Numerous lawsuits filed by SDCWA span

the years 2011 through 2020. MWD prepares biannual budgets and rate settings. The first two lawsuits filed by SDCWA covered the first two two-year rate setting cycles from 2011 through 2014. In January 2021, the San Francisco Superior Court ruled that MWD must pay \$44.4 million in damages to SDCWA, and that SDCWA is entitled to recover its attorneys' fees and costs in those cases. The determination of attorneys' fees is still to be determined; however, the \$44.4 million damage award has been paid to SDCWA. The SDCWA Board of Directors voted to return the \$44.4 million to its member agencies, allocated based on the water purchases made by member agencies during the 2011 through 2014 time period. The SDCWA wire transferred the District's share of the award, \$1,590,623.74, to the District on March 4, 2021. The funds were placed in the District's Water Replacement Reserves.

General Manager Pruim further stated staff was seeking Board direction on how the settlement funds should be used. As the funds were paid by rate payers for water, they cannot be used for wastewater or capacity. Allowable uses for the funds include operating costs such as personnel, electricity, materials and supplies; to defray the cost of water purchases; water replacement capital projects; District fleet needs; or to pay down the CalPERS unfunded accrued liability. Another option is to reimburse customers, but this could be very problematic administratively to try to determine who should be reimbursed and to what extent.

21-03-15 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, to divide the \$1,590,623.74 settlement proceeds equally among water service customers and issue them a check or a credit on their bill.

Director Boyd-Hodgson suggested business owners be included in the allocation of funds and that this item be tabled to the next Board agenda for consideration after the Board has heard from the business owners who submitted comments for this meeting.

21-03-16 AMENDED MOTION WAS MADE by Director Boyd-Hodgson, to amend Director Hernandez's original motion to table this item to the next Board agenda.

President Sannella clarified that Director Hernandez meant all water service customers, not just residential customers. He suggested staff be allowed to take the necessary time to research the best way to disburse the settlement funds to customers and present options for the Board to consider at a future Board meeting.

Directors Pennock and Elitharp suggested the Board further discuss options and have the Finance/Investment Committee also consider it through the budget process. General Manager Pruim stated this item could be included on the agenda for the March 22 Finance/Investment Committee meeting.

General Manager Pruim asked for clarification as to whether refunds or credits would be issued to all current customers or just customers during the lawsuit settlement years from 2011-2014. He also asked the Board to consider that credits issued to customer bills could be applied to balances in arrears. The \$1.6 million divided by the actual number of meters would result in a credit of \$72.50 for all water customers. Another option would be to use meter equivalents. Using this method, the average residential customer would receive \$55.16

and customers with larger meters that use more water would receive more than the \$72.50 in the first option. Legal Counsel Gilpin stated whatever method the Board chooses must comply with Proposition 218 as this is a refund of rate funds.

General discussion took place.

21-03-17 SUBSTITUTE MOTION WAS MADE by Director Elitharp, seconded by President Sannella, and carried 4 – 1, with Director Hernandez voting no, to table this item and send it to the Finance/Investment Committee for further discussion.

Gayle Martin, member of the public, asked the Board how rate payers will be informed that the discussion on what to do with the settlement funds will be on the Finance/Investment Committee agenda and also a Board meeting agenda.

General Manager Pruim stated the agendas for the Finance/Investment Committee and Board meetings will be posted as usual to provide notice. He noted that the Finance/Investment Committee cannot take action on the item.

CSDA BOARD OF DIRECTORS, SEAT A

General Manager Pruim stated the California Special Districts Association (CSDA), of which the District is a member, is seeking nominations to fill Seat A on their Board. Director Jo MacKenzie of the Vista Irrigation District currently occupies Seat A and has requested the Vallecitos Water District Board support her nomination.

Director Boyd-Hodgson stated her interest in serving on the CSDA Board.

General discussion took place.

Jo MacKenzie, Director for Vista Irrigation District, addressed the Board, providing background information on the CSDA and her service to the CSDA.

General discussion took place during which Director Boyd-Hodgson stated she will inform General Manager Pruim of her final decision as to her interest in the CSDA Board position. If she seeks the nomination, a Special Board meeting will be scheduled before the March 29 nomination deadline for the Board to adopt a resolution of support on her behalf.

The Board took no action on this item.

LOCAL AGENCY FORMATION COMMISSION (LAFCO)

General Manager Pruim stated the LAFCO is seeking nominations for a vacant, unexpired term as alternate special district member on the LAFCO. The seat will expire on May 1, 2023. To be considered for the position, a nomination form signed by the Board President accompanied by a resume must be submitted to the LAFCO by Friday, April 23.

The Board took no action on this item.

RETIREE HEALTH PREMIUM REIMBURSEMENT PLAN FOR THE POSITION OF GENERAL MANAGER

Legal Counsel Gilpin stated this item is a continuation of a compensation item the previous Board approved on December 2, 2020 regarding a one-time lump sum contribution of \$12,000 to a retiree health premium reimbursement plan. He asked the Board to consider the adoption of a resolution to approve the establishment of the account so that the funds can be placed in the plan.

General discussion took place during which Legal Counsel Gilpin explained details of the retiree health premium reimbursement plan. This type of plan is a commonly used element in executive compensation. After conducting an annual performance evaluation for General Manager Pruim in 2020, the Board proposed the contribution to a retiree health premium reimbursement plan in lieu of a discretionary merit increase in salary.

21-03-18 MOTION WAS MADE by Director Elitharp, seconded by Director Hernandez, and carried 4 – 0, with Director Boyd-Hodgson abstaining, to adopt the resolution approving the adoption of the retiree health premium reimbursement plan.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- Water supply conditions statewide are not encouraging. Rain and snow fall are significantly below average. The state has set the initial State Water Project Table “A” Allocation at 10%.
- Plans are being made to begin returning administrative staff to the office as there have been no new COVID-19 cases. San Diego County recently moved into the red tier. The County established guidance that office workers should telecommute in the purple and red tiers and encourages telecommuting in the orange and yellow tiers. Administrative staff will be brought back to the office in phases every two weeks, starting April 5 with most employees back by early May.
- The San Marcos Promise will be hosting a virtual Future Fair March 22 – 26 from 4:00 p.m. to 6:00 p.m. each day. District staff will be participating in the event to provide high schools students information about water district jobs and the industry.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated he will be working with staff regarding email retention policies to ensure compliance. He suggested the Notice to the Public on agendas regarding written

comments be revised for clarity and encouraged the Board to contact him if they have legal questions concerning agenda items in advance of a meeting.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp stated the SDCWA Board has not met since the last District Board meeting. The next SDCWA Board meeting is scheduled on Thursday, March 25.

ENCINA WASTEWATER AUTHORITY

General Manager Pruum reported on his attendance to the Capital Improvement Committee meeting this morning at which the Committee received updates on the Capital Improvements Projects Status Report, Facilities Rehabilitation Projects final acceptance, and the climate control rehabilitation of the cogeneration building.

President Sannella reported on his attendance to the Policy and Finance Committee meeting last week at which discussion took place regarding EWA's budget process.

STANDING COMMITTEES

President Sannella stated the Finance/Investment Committee will meet on March 22.

Director Elitharp reported on the March 8 Engineering/Equipment Committee meeting. The Committee received updates on the Sage Canyon Tank, Emergency Bypass and the Failsafe (Buena Reach), and a presentation on enhancing GIS and maintenance management for field staff.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to an ACWA Groundwater Subcommittee meeting on March 4.

Director Boyd-Hodgson reported on her attendance to the EWA orientation for new Board members and the Women in Water Symposium.

President Sannella reported on his attendance to the EWA orientation for new Board members.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Boyd-Hodgson requested an agenda item regarding cyber security. General Manager Pruim stated that the Board, in Closed Session, decided not to discuss this in an open meeting, and instead, staff provided information to the Board.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:03 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, April 7, 2021, at 5:00 p.m. via teleconference.

Michael A. Sannella, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District