

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MAY 19, 2021, AT 5:00 PM, VIA TELECONFERENCE

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

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
Information Technology Technician Todd
Executive Secretary Posvar

Others Present: Ana Schwab, Best Best & Krieger
Scott McClelland, Encina Wastewater Authority
Lora Carpenter, Fieldman Rolapp & Associates

Director Elitharp led the pledge of allegiance.

President Sannella announced Item 1.5 of the Consent Calendar was to be pulled and would be placed on a future agenda.

ADOPT AGENDA FOR THE REGULAR MEETING OF MAY 19, 2021

21-05-07 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the agenda for the Regular Board Meeting of May 19, 2021 as amended.

PUBLIC COMMENT

Gayle Martin, member of the public, asked the Board to approve staff's recommendation regarding debt issuance and requested a new Master Plan study be added to the proposed budget. She stated the June 30, 2020 Audited Financial Statements do not show the developer fund deficit and requested a revision of the District's reserve policy

and a buy-in component to the developer capital facility fees be placed on the next Board agenda.

Heather Conklin, Mission Resource Conservation District Board member, stated she is running for the Special District Representative Alternate position with the San Diego Local Agency Formation Commission. Ms. Conklin spoke of her qualifications and priorities.

PRESENTATION

Ana Schwab, Director of Government Affairs with Best Best & Krieger, facilitated a presentation on federal funding programs available to the District as follows:

- New Administration/New Congress/What's Next?
 - COVID-19 Relief
 - Return of Earmarks
 - Composition of Congress
 - Infrastructure Plan
 - Tax and Economic Changes
 - New Administration Priorities
- Top Water Priorities of the Biden Administration
 - Environmental Justice
 - PFAS & Other Contaminants
- Biden Administration Infrastructure Proposal
- Outstanding Issues from the Prior Administration
- 2021 Calendar

General discussion took place regarding the steps necessary to secure available funding. Ms. Schwab will work with staff to identify various federal and local funding programs.

CONSENT CALENDAR

21-05-08 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to approve Items 1.1, 1.2, 1.3, and 1.4 of the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Public Awareness/Personnel/Policy Committee Meeting – May 3, 2021
- B. Regular Board Meeting – May 5, 2021
- C. Board Workshop Meeting – May 6, 2021

1.2 Warrant List through May 19, 2021 - \$3,173,737.80

1.3 Financial Reports

- A. Water Meter Count – April 30, 2021
- B. Water Production/Sales Report – 2020/2021
- C. Per Capita Water Consumption – April 30, 2021
- D. Water Revenue and Expense Report – April 30, 2021
- E. Sewer Revenue and Expense Report – April 30, 2021
- F. Reserve Funds Activity – April 30, 2021
- G. Investment Report – April 30, 2021
- H. Legal Fees Summary – April 30, 2021

1.4 Spring 2021 Between the Pipes – Vallecitos Water District Quarterly Newsletter

1.5 Approval of Construction Agreement for Nguyen Single Family Residence, APN: 222-360-35 (Duy and Petra Nguyen)

ACTION ITEM(S)

CHANGE ORDER 2 FOR THE SAN MARCOS INTERCEPTOR PROJECT, PHASE 2

Capital Facilities Senior Engineer Morgan provided background on the San Marcos Interceptor Project, Phase 2, which is anticipated to be completed within the next couple of months within budget. The Board approved a construction agreement with TC Construction (TC) for the project on June 17, 2020. During construction between July 2020 and January 2021, additional unforeseen underground utilities delayed the progress approximately two months due to required sewer pipeline on San Marcos Boulevard and Pacific Street tunnel alignment redesign and approvals. Staff received Change Order No. 1 from TC in the amount of \$310,916 in December 2020 for additional work related to the alignment redesign and other improvements. After revisions and negotiation of the additional work, staff authorized Change Order No. 1 on January 14, 2021 in the amount of \$259,654 which is less than the 5.0% contingency allocated to the project per District Ordinance No. 146.

Capital Facilities Senior Engineer Morgan stated that during the installation of a 42-inch diameter sewer interceptor in San Marcos Boulevard between January and April 2021, the sewer alignment was offset due to a conflict with an existing water transmission line which identified an unforeseen condition in the trench. The roadway fill material was of poor composition and prone to caving. A seam in the roadway backfill in the No. 1 eastbound travel lane of San Marcos Boulevard was discovered, presumably from a previous City of San Marcos roadway widening project. This required additional excavation, backfill and paving. Change No. 2 in the amount of \$87,719 is for the additional work which when added to Change Order No. 1 is over the 5.0% contingency allowed per District Ordinance No. 146. Staff anticipates there will be a final closing change order for additional work such as groundwater dewatering in San Marcos Creek.

Staff presented this item to the Engineering/Equipment Committee on May 10. With the Committee's support, staff recommended the Board authorize Change Order No. 2 in the amount of \$87,719, subject to the terms of the contract for the San Marcos Interceptor Phase 2 Project.

General discussion took place.

21-05-09 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, to authorize Change Order No. 2 in the amount of \$87,719 for the San Marcos Interceptor Phase 2 Project.

ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING ENCINA WASTEWATER AUTHORITY'S FISCAL YEAR 2022 OPERATING AND CAPITAL IMPROVEMENT BUDGET

General Manager Pruim stated the District is one of six member agencies of the Encina Wastewater Authority (EWA) and is responsible for its proportionate share of EWA's cost of operation. The EWA Board approved their Fiscal Year (FY) 2022 budget on April 28. Unanimous approval of the EWA budget by the member agencies is required prior to the budget becoming effective.

Scott McClelland, EWA Assistant General Manager, facilitated a presentation, FY 2022 Proposed Pension Policy, Operating and Capital Budget, as follows:

- Budget Schedule
- FY 2022 Budget Summary
- Policy Brief – CalPERS Pension Liability
- Operating Program
- FY 2022 Proposed Operating Budget
- Operating Budget Revenue Summary
- Revenue Summary
- Vallecitos Water District
- Capital Program
- Summary of Capital Expenses
- FY 2022 Projects by Process Area (\$21.3M)
- Summary of Capital Allocation

The proposed FY 2022 Pension Policy, Operating and Capital Budgets total \$46,213,811, a decrease of 0.7% from the previous year. The District's share of the proposed FY 2022 Operating Budget is \$3,498,574, an increase of \$237,542 (7.3%). The District's share of the FY 2022 Capital Budget is \$4,620,502, a decrease of \$1,088,751, 19.1% less than was projected in FY 2021.

General discussion took place.

Staff recommended the Board adopt a resolution approving the Encina Wastewater Authority's Fiscal Year 2022 recommended CalPERS Pension Funding Policy, Operating and Capital Improvement Budgets.

21-05-10 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt a resolution approving the Encina Wastewater Authority's Fiscal Year 2022 recommended CalPERS Pension Funding Policy, Operating and Capital Improvement Budgets.

Resolution No. 1586 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella
NOES:
ABSTAIN:
ABSENT:

VALLECITOS WATER DISTRICT DRAFT PROPOSED FISCAL YEAR 2021/2022 BUDGET

General Manager Pruum stated the Draft Proposed Budget for Fiscal Year (FY) 2021/2022 would be presented for information only and is tentatively scheduled for approval at the June 2, 2021 Board meeting.

Finance Manager Owen provided a presentation on the Draft Proposed Budget for FY 2021/2022, along with Principal Financial Analyst Arthur who discussed water sales and purchases and sewer revenue, as follows:

- Budget Process & Calendar
- 2021/2022 Budget - \$93,445,000
- 2021/2022 Water Operating Expense Budget - \$45,581,000
- Operating Budget – Water
- 2021/2022 Wastewater Operating Expense Budget - \$13,772,000
- Operating Budget – Sewer
- Salary & Benefits Budget-to-Budget Comparison
- Operating Budget – Salaries & Benefits
- Directors' Salaries, Benefits & Expenses
- Water Sales – Distribution
- Water Sales – Volume
- Water Sales – Revenue
- Water Purchases – Reconciliation
- Water Purchases
- Sewer Revenue
- Capital Budget-to-Budget Comparison
- Capital Improvement Projects by Function Total

- Reserve Projections
- Reserve Balances
- Water Reserves – Replacement
- Water Reserves – Total
- Wastewater Reserves – Replacement
- Wastewater Reserves – Total
- Days in Cash

General discussion took place during and after the presentation.

Finance Manager Owen presented information on the District's California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability (UAL) Funding Policy. Policy objectives include a two-year payoff, annual policy revisions based on CalPERS' actuarial reports, maintaining flexibility, avoiding overpayment, and providing regular updates to the Finance Committee and Board. He provided data on CalPERS' historical investment returns and the pros and cons of balance payoff scenarios as follows:

- Option 1 – Pay off 100% of the estimated \$3.5 million balance which would result in interest savings of approximately \$2.8 million, reduction of the District's required UAL payment by \$1.2 million over five years, and the District could be fully funded by the end of 2021.
- Option 2 – Pay off the most expensive liability estimated to be \$2.6 million. This would result in interest savings of approximately \$2.7 million, reduction of the required UAL payment by \$1,083,000 over five years, and the District could be an estimated 99% fully funded.
- Option 3 – Pay off the balance over two years, resulting in interest savings of almost \$2.7 million, reduction of the required UAL payment by \$1,033,000 over five years, and the District could be approximately 98% funded.

Staff recommended Option 2 for the significant interest savings, reduction of required UAL payments, and flexibility. Staff requested the Board's input on the options presented. The Board concurred with staff's recommendation.

This item was presented for information only.

The Board took a brief break from 7:13 p.m. to 7:19 p.m.

POTENTIAL DEBT ISSUANCE

General Manager Pruum stated debt issuance was discussed at the May 6 Board workshop and that the next steps in the process would be discussed at this meeting.

Finance Manager Owen presented data on projected reserve levels if debt is not issued.

Lora Carpenter, Vice President of Fieldman Rolapp & Associates, stated her firm will be assisting the District with the debt issuance process over the next few months. Ms. Carpenter facilitated a presentation on capital funding as follows:

- Update on Progress
- Rates Are Still Near Historic Lows
- District Capital Improvement Program Needs
- Possible Debt Structures
- Next Steps

General discussion took place regarding fees associated with debt issuance, the District's current outstanding debt, and the transfer of reserve funds to the water and sewer capacity funds.

Finance Manager Owen presented a summary of factors considered regarding debt issuance which included:

- Credit Rating Risk
- Projected Capacity Shortfall FY 2022 = \$19,153,000
- Capacity Fee Model Includes \$18 Million at 6%
- \$28 Million at 2.65% = More Debt, Cheaper Payment
- Debt Service Cost Increase ≈ \$290,000
- In 2023-24 at 4% ≈ \$8 Million More in Interest

General discussion took place during which Director Boyd-Hodgson requested District Resolution No. 1450 be placed on a future agenda for review and revision as necessary to avoid capacity fund shortfalls in the future.

21-05-11 MOTION WAS MADE by President Sannella, seconded by Director Hernandez, and carried unanimously, to direct staff to obtain proposals and contracts necessary to move forward with issuing the 2021 bonds.

FINANCIAL INSTITUTION REGISTRY AND AUTHORIZATION

General Manager Prum stated the Financial Institution Registry delineates staff authorized to conduct certain financial transactions on behalf of the District.

Finance Manager Owen stated the Financial Institution Registry has been updated to remove the previous Accounting Supervisor Anthony Glenn and add new Accounting Supervisor Michael Rathsam, giving him authorization to transfer funds between the Local Agency Investment Fund and the District's operating account.

Staff recommended the Board adopt a resolution updating authorizations of financial institutions.

21-05-12 MOTION WAS MADE by Director Pennock, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the resolution updating authorizations of financial institutions.

Resolution No. 1587 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella

NOES:

ABSTAIN:

ABSENT:

TRANSPARENCY CERTIFICATE OF EXCELLENCE AND DISTRICT OF DISTINCTION APPLICATIONS

Public Information/Conservation Supervisor Robbins stated the California Special Districts Association (CSDA) was formed in 1969 to promote good governance and improve core local services through professional development, advocacy, and other services for independent special districts. CSDA provides numerous programs including education and training, insurance programs, legal advice, industry-wide litigation and current information that is crucial to a special district's management and operational effectiveness. In 1999, the Special District Leadership Foundation (SDLF) was formed to provide recognition and certification opportunities to special district officials and employees to enhance service to the public. SDLF designed and implemented four programs: Transparency Certificate of Excellence; District of Distinction Accreditation (including upgrades to Silver, Gold and Platinum levels); Certificate in Special District Governance; and District Certified Special District Manager.

Public Information/Conservation Supervisor Robbins further stated the District initially received the Transparency Certificate of Excellence in April of 2014 and achieved the District of Distinction Accreditation in April of 2016 along with a renewal of the Transparency Certificate of Excellence. In March of 2018, the District renewed the Transparency Certificate of Excellence and received the District of Distinction, Silver Level, as the majority of the Board members and executive staff had completed the Special District Leadership Academy. The District's Transparency Certificate of Excellence and District of Distinction Silver Level Accreditation are due to expire on June 30, 2021. Staff have started renewal of the Transparency Certificate of Excellence. Board members and General Manager Pruiam will need to complete training for the District to once again be certified as a District of Distinction. Board training is mostly discretionary; however, ethics and sexual harassment prevention training are required by the state to be completed within six months of being elected and every two years thereafter.

Public Information/Conservation Supervisor Robbins discussed the training necessary for District of Distinction Accreditation recertification at the silver, gold and platinum levels.

General discussion took place regarding the level of certification the Board desires to achieve and the time commitment and related costs involved. The consensus of the Board was to strive for platinum level status.

Gayle Martin, member of the public, stated her approval of the Board's goal to achieve platinum status.

EXPRESSION OF INTEREST TO SERVE ON THE ACWA REGION 10 GOVERNING BOARD

General Manager Pruim stated the Association of California Water Agencies (ACWA) Region 10 Nominating Committee is currently seeking candidates to serve on the Region 10 Board. Interested Board members must complete a Region Board Candidate Nomination Form and obtain a Resolution of Support from their Board of Directors. The requested information must be submitted to ACWA by Wednesday, June 30, 2021.

Director Hernandez expressed his interest in being nominated to the Region 10 Board. A Resolution of Support will be presented at the June 16 Board meeting for consideration.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- A public hearing will be conducted at the June 2 Board meeting to consider adoption of the District's 2020 Urban Water Management Plan (UWMP). The purpose of the state-mandated document is to demonstrate that the District will have adequate water supplies over the next 20-year horizon. The UWMP estimates water demand in 5-year increments and identifies sources of water to meet the demand. The Board will also be asked to approve a state-required amendment to the 2015 UWMP. The public hearing has been publicly noticed.
- The FY 2021/2022 Budget will be presented at the June 2 Board meeting for adoption.
- A discussion of reconvening meetings in a public setting is planned for the June 2 Board meeting.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated Cal/OSHA is expected to issue its COVID-19 workplace regulations on May 20. He is working with staff to determine what impacts the changing regulations will have on meeting formats and if the Brown Act exceptions currently in place will continue.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp stated the next Board meeting is scheduled for May 27.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which the Committee reviewed CIP projects, added an as-needed general contractor, and discussed a draft project design award.

President Sannella reported on his attendance to the Policy and Finance Committee meeting last week at which the Committee discussed the Clean Energy Alliance, an alternative renewable energy provider to San Diego Gas & Electric.

STANDING COMMITTEES

Director Elitharp reported on the May 10 Engineering/Equipment Committee meeting. Agenda items included the proposed change order for the San Marcos Interceptor Phase 2 project, Las Posas waterline replacement project update, an overview of the District's Geographical Information System, the Sunrise Orix development project, and the UWMP.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the virtual ACWA Spring Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Boyd-Hodgson experienced technical difficulties at 8:16 p.m. and was not able to rejoin the meeting.

General Manager Pruim noted that Director Boyd-Hodgson had requested earlier in the meeting that District Resolution No. 1450 be placed on a future agenda for review and revision.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 8:20 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, June 2, 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