

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 21, 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
Information Technology Supervisor Labarrere
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Administrative Secretary Johnson

Others Present: Tish Berge, San Diego County Water Authority
Lora Carpenter, Fieldman Rolapp & Associates
Johnathan Guz, Stradling Yocca Carlson & Rauth
Douglas Brown, Stradling Yocca Carlson & Rauth

Director Elitharp led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 21, 2021

21-07-03 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 21, 2021.

PUBLIC COMMENT

None.

PRESENTATION

Tish Berge, San Diego County Water Authority Assistant General Manager, provided a presentation, "Regional Collaboration for a Resilient Future," as follows:

- Water Authority Serves a Vibrant Region
- Water Reliability Through Diversification
- Innovative Investments in Supply Reliability
- Advocating for the Region
- Providing Resources and Tools

- Preparing and Recruiting Talent
- 1991 Drought Headlines
- Today's Drought Headlines
- Our Region is Prepared

General discussion took place after Ms. Berge's presentation.

CONSENT CALENDAR

Director Boyd-Hodgson requested Item 1.9 be pulled for discussion.

21-07-04 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to approve Items 1.1 through 1.8 and 1.10 of the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Regular Board Meeting – June 2, 2021
- B. Public Awareness/Personnel/Policy Committee Meeting – June 7, 2021
- C. Engineering/Equipment Committee Meeting – June 7, 2021
- D. Closed Session Board Meeting – June 16, 2021
- E. Regular Board Meeting – June 16, 2021
- F. Legal/Legislative Committee Meeting – June 24, 2021
- G. Finance/Investment Committee Meeting – June 28, 2021

1.2 Warrant List through July 21, 2021 - \$6,880,361.58

1.3 Financial Reports

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

1.4 Operations & Maintenance Metrics Quarterly Report – June 30, 2021

1.5 Approval of Construction Agreement for Alora Apartments, APN 220-032-05 (San Marcos Gardens, LP)

1.6 Approval of Construction Agreement for Discovery Village North City Drive, APNs 221-080-18, 24 & 28 (Discovery SL, LLC)

- 1.7 Approval of Construction Agreement for Richland Elementary School Rebuild (San Marcos Unified School District)
- 1.8 Authorization to Execute a Three Year Contract with Total Resource Management for IBM Maximo Software Licensing
- 1.9 General Counsel Services Agreement Extension
- 1.10 Resolution Adopting the Annual Pay Schedule with the Cost of Living Salary Adjustment for Fiscal Year 2021/22

Regarding Item 1.9, Director Boyd-Hodgson stated she did not have sufficient time to review Legal Counsel Gilpin's past performance evaluation as she had just received it, and suggested this item be tabled to allow the Board more time to evaluate Mr. Gilpin's performance.

21-07-05 MOTION WAS MADE by Director Boyd-Hodgson to table Item 1.9 of the Consent Calendar for further discussion after all Board members have had the opportunity to review Mr. Gilpin's performance. There being no second, the motion failed.

General discussion took place clarifying that the extension of the General Counsel Services Agreement with Best Best & Krieger (BBK) would extend the current agreement which expired on March 1, 2021, to March 31, 2022. The initial agreement was for three years with options for two one-year extensions. The Board was considering the first one-year extension. An item to consider extending the second extension will be placed on a Board agenda in September or October 2021. The Legal/Legislative Committee met on June 24, 2021, to discuss the extension of the agreement. The Committee supported staff's recommendation to award the one-year extension to BBK for legal services.

21-07-06 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried 4 - 1, with Director Boyd-Hodgson voting no, to approve Item 1.9 of the Consent Calendar as presented.

Gayle Martin, member of the public, commented that documents from the June 28, 2021, Finance/Investment Committee were not made available to the public. She also expressed concerns regarding Item 3.7, Revised Debt Management Policy Resolution.

PUBLIC HEARING

PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT "A" FOR THE FISCAL YEAR JULY 1, 2021, TO JUNE 30, 2022.

President Sannella opened the hearing as duly noticed and posted to consider the collection

of sewer service fees on the tax roll. The hearing opened at 5:45 p.m.

Finance Manager Owen stated that on June 16, 2021, the Board adopted Resolution No. 1593 electing to collect the sewer service fees on the tax roll for Improvement District "A" for the Fiscal Year July 1, 2021, to June 30, 2022. The purpose of the hearing was to receive public input regarding the method of collecting the sewer service fees on the tax roll and the adoption of a resolution approving the collection of the fees.

Staff recommended the Board adopt the resolution authorizing the sewer service fees for Improvement District "A" to be collected on the tax roll for the Fiscal Year July 1, 2021, to June 30, 2022.

General Manager Pruim stated no written public comments were received. There being no persons wishing to address the Board, President Sannella closed the hearing at 5:47 p.m.

21-07-07 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, to adopt the resolution.

Resolution No. 1595 - The roll call vote was as follows:

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

NOES:

ABSTAIN:

ABSENT:

ACTION ITEM(S)

CLOSED CAPTIONING FOR BOARD AND COMMITTEE MEETINGS

Public Information/Conservation Supervisor Robbins stated Verbit software for closed captioning services was tested during several Board and Committee meetings. The cost commitment for Verbit ranges between \$15,000 and \$25,000 per year. The Zoom closed captioning application is currently being used during public meetings. The quality of the Zoom application is not as good as Verbit; however, it is free. On July 12, 2021, the Public Awareness/Personnel/Policy Committee discussed closed captioning options and agreed with staff's recommendation to continue using the free Zoom closed captioning application.

WATER SUPPLY CONDITIONS UPDATE

General Manager Pruim stated staff will be providing monthly updates on water supply conditions.

Public Information/Conservation Supervisor Robbins stated Governor Newsom added nine counties to the regional drought emergency on July 8, 2021; however, San Diego County was not included. Californians are being asked to voluntarily reduce their water use by 15%. A possible return of La Nina conditions threatens another winter with little rain or snow in the

western states.

Public Information/Conservation Supervisor Robbins further stated Lake Oroville and San Luis Reservoir are both at 30% capacity. Lake Mead is currently 35% full and Lake Powell is 45% full. Locally, the National Weather Service/NOAA three-month temperature outlook indicates the San Diego area will probably have higher than normal temperatures. Should an actual drought be declared in San Diego County, staff will include financial impacts to the monthly update.

This item was presented for information only.

AS-NEEDED ENGINEERING SERVICES TASK ORDER AWARD FOR THE LAS POSAS WATERLINE REPLACEMENT PROJECT

Capital Facilities Senior Engineer Morgan provided background information on the project. The existing 10-inch ductile iron pipeline was installed in 1981 in Las Posas Road under an existing concrete box culvert. The waterline ruptured on December 7, 2016, at which time a temporary repair was made. The Las Posas waterline is considered a critical water distribution asset and is recommended for permanent replacement. Replacement is included in the District's Fiscal Year 2021/22 budget. On April 26, 2021, staff solicited Request For Proposals from two firms on the District's As-Needed Civil Engineering List, NV5 and Murraysmith, based on their experience in similar infrastructure improvement work. Staff reviewed proposals received from both firms and NV5 was selected as the most responsive consultant with a total fee of \$79,246. This item was presented to the Engineering/Equipment Committee on June 7.

With the Engineering/Equipment Committee's support, staff recommended the Board authorize the General Manager to execute a task order with NV5 in the amount of \$79,246 for final design and professional engineering services for the Las Posas Waterline Replacement Project.

General discussion took place.

21-07-08 MOTION WAS MADE by Director Elitharp, seconded by President Sannella, and carried unanimously, to approve staff's recommendation.

ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "NORDAHL ROAD SUBDIVISION," APN 226-290-01, AND ORDERING ANNEXATION INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5, 6 & A (SAMANDARI/NAEEMI)

District Engineer Gumpel stated the Nordahl Road Subdivision property is within the District's Sphere of Influence but not within the water or sewer service boundaries of the District. The property currently receives water service from Vista Irrigation District (VID) and sewer service from Vallecitos. VID does not provide sewer service in this area. District

Ordinance No. 200 stipulates that annexations into the District's Sewer Improvement District must, as a condition of the annexation, also be annexed into the Vallecitos Water District.

District Engineer Gumpel provided the history of the project, stating there was a change in ownership of the property since the annexation process was finalized on October 3, 2019. The new owners, Reza Samandari and Sahar Naeemi, purchased the property in 2020. All conditions of the annexation were set with the new owners in August 2020.

Staff recommended the Board adopt the resolution recognizing the annexation of the Nordahl Road Subdivision property into the Vallecitos Water District and ordering the annexation into Sewer Improvement Districts 5, 6 & A.

General discussion took place.

21-07-09 MOTION WAS MADE by Director Hernandez, seconded by President Sannella, and carried unanimously, to adopt the resolution.

Resolution No. 1596 - The roll call vote was as follows:

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

NOES:

ABSTAIN:

ABSENT:

ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION OF "SUNRISE ORIX" INTO THE VALLECITOS WATER DISTRICT AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICTS 1, 2, 5, 6 & A

District Engineer Gumpel stated the Sunrise Orix development consists of two parcels and is not within the District's water service boundary. One of the parcels, APN 228-312-09, is within the District's Sewer Improvement Districts 1, 2, 5, 6 & A. The other parcel, APN 228-312-10, will need to be annexed into the District's Sewer Improvement Districts 1, 2, 5, 6 & A. The property is within the Rincon Del Diablo Municipal Water District (RDDMWD) and the owner wishes to continue water service with RDDMWD.

District Engineer Gumpel further stated the previous owner of the property, Sunrise Gardens Project Owner, LLC obtained conditions for annexation from the District on April 17, 2019. Those conditions expired on April 17, 2020, and the owner re-applied and obtained new conditions for annexation on July 1, 2020. The property was sold to Lennar Homes on December 23, 2020.

Staff recommended the Board adopt the resolution recognizing the annexation of APNs 228-312-09 and 228-312-10 into the Vallecitos Water District and ordering the annexation of APN 228-312-10 into Sewer Improvement Districts 1, 2, 5, 6 & A.

General discussion took place.

21-07-10 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, to adopt the resolution.

Resolution No. 1597 - The roll call vote was as follows:

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

ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS FOR FISCAL YEAR 2021/22

General Manager Pruim stated the District establishes an administrative charge which is added to the direct charges for its services for the purpose of tracking project costs and to ensure the District is recovering costs for services it provides.

Finance Manager Owen stated this item is addressed annually following the adoption of the budget. He facilitated a presentation on the overhead rate for Fiscal Year (FY) 2021/2022 as follows:

- Purpose
- Background/Methodology
- Methodology
- Current Year Calculation
- Prior Year Comparisons

Finance Manager Owen stated the overhead rate for FY 2021/22 is 212.57%, an increase from last year's rate of 209.45%, mainly due to increased indirect costs.

Staff recommended the Board adopt the ordinance establishing the overhead rate for FY 2021/22.

General discussion took place.

21-07-11 MOTION WAS MADE by Director Boyd-Hodgson, seconded by President Sannella, and carried unanimously, to adopt the ordinance.

Ordinance No. 218 - The roll call vote was as follows:

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

REVISED DEBT MANAGEMENT POLICY RESOLUTION

Finance Manager Owen stated that as part of the District's current debt issuance process, it is necessary to update the District's existing debt management policy to ensure it is in compliance with Securities and Exchange Commission (SEC) rules regarding bond disclosure requirements.

Lora Carpenter of Fieldman Rolapp & Associates reviewed the proposed revisions to the District's existing debt management policy to be compliant with California Government Code and Federal securities laws. Debt policy requirements include explanation of the purpose of the debt issuance, types of debt issuances, information regarding how the debt is integrated with other public policy matters and documentations, and internal control procedures to identify adequate use of the proceeds.

Staff recommended the Board adopt the revised debt management policy resolution.

21-07-12 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the resolution.

Resolution No. 1598 - The roll call vote was as follows:

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

DEBT ISSUANCE UPDATE

Finance Manager Owen stated that on May 6, 2021, the Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation (COPS). Staff has engaged Morgan Stanley for investment banking/underwriting services, Stradling Yocca Carlson & Rauth for bond and disclosure counsel, and US Bank for trustee services. The first legal documents are currently under review. The initial draft of the Preliminary Official Statement (POS) was provided in the agenda packet for the Board's review and comment. Staff received training from bond disclosure counsel regarding *Disclosure Responsibilities Under the Federal Securities Law* on June 9. The District and the District's Municipal Advisor presented to Fitch Ratings and S&P today. Ratings are anticipated to be received during the week of August 2.

Finance Manager Owen further stated staff anticipates a resolution authorizing the debt issuance, the POS, and other legal documents necessary to issue the bonds will be presented for adoption at the August 4, Board meeting. The POS will be posted and distributed on August 5, and the COPS are scheduled to price on or around August 12 and close on August 19, at which time the District will receive the bond proceeds.

This item was presented for information only.

CALIFORNIA ASSOCIATION OF SANITATION AGENCIES ELECTION, DESIGNATION OF AGENCY REPRESENTATIVE, AND CONSENT TO ELECTRONIC TRANSMISSION

General Manager Pruim stated the District is a member of the California Association of Sanitation Agencies (CASA). CASA is seeking to fill four vacancies on their Board of Directors and will ask its membership to vote on a slate of four nominees at its annual business meeting on August 12, 2021, during their annual conference. Director Elitharp is one of the nominees for the CASA Board seats. As the District's CASA representative, Director Elitharp will be casting the District's ballot, which also includes the annual membership dues resolution carrying forward the dues from the current year with no increases. CASA is also asking for consent to send and receive official communications electronically and an updated designation of agency representatives.

Director Elitharp stated he was elected to a three-year term on the CASA Board of Directors in 2018 and plans to serve one more term.

General discussion took place regarding designating alternate representatives to CASA. Director Hernandez will continue to be the first alternate. Director Pennock expressed his interest in serving as the second alternate.

21-07-13 MOTION WAS MADE by Director Boyd-Hodson, seconded by Director Pennock, and carried unanimously, to approve the slate of candidates for the CASA Board of Directors, designate Director Elitharp primary agency representative, Director Hernandez first alternate representative and Director Pennock second alternate representative to CASA, and approve the consent for electronic communication transmission.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- District crews will be performing valve maintenance tonight on portions of Twin Oaks Valley Road, San Elijo Road and San Marcos Boulevard which may involve short term lane reductions but no full road closures or detours. District crews will be conducting sewer cleaning operations along Las Posas Avenue on the evening of July 28.
- Additional work associated with the San Marcos Interceptor Project is necessary on San Marcos Boulevard. The work will include sewer rehab and lining work beginning the week of August 2 and will involve closure of the outside westbound lane until August 13. In addition, an existing sewer line in McMarr Street will be abandoned during the week of August 9 – 13. The new line is now completed and operational.
- Proceeds from the San Diego County Water Authority/Metropolitan Water District of Southern California lawsuit settlement have been refunded to 99.3% of the District's eligible customers. The refunds total \$1,579,631.86.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin briefly discussed rules pertaining to limitations and exceptions in regard to Board members accepting gifts and honoraria.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp provided a summary of actions the SDCWA Board of Directors took at their June 24 regular meeting including approval of a two-month extension to the six-month temporary eligibility period granted to previous Transitional Special Agricultural Water Rate program customers for access to the Permanent Special Agricultural Water Rate program.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee met this morning at which the Committee discussed the outfall survey and the status of various improvement projects.

President Sannella stated the Policy and Finance Committee received a presentation from EWA's auditing firm at its meeting last week.

STANDING COMMITTEES

Director Elitharp stated the Engineering/Equipment Committee met on July 12. Items discussed included a project review of Palisades Estates Phase 1 and 2 Escrow Agreement, and updates on the Asset Management Plan, Sunrise Orix development, District wide solar, and several projects at the Meadowlark Reclamation Facility.

Director Boyd-Hodgson stated the Public Awareness/Personnel/Policy Committee met on July 12. Discussion items included closed captioning of public meetings and a possible partnership with Palomar College to spark interest in water and to create a pathway to careers in the water industry.

President Sannella stated the Finance/Investment Committee met on June 28. The committee received a presentation from DavisFarr, the District's auditor, and discussed the District's reserve policy and COVID related past due accounts.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Boyd-Hodgson stated she was a panelist on the North County Climate Change Alliance. She recommended viewing a documentary, *Rivers End*, regarding California's water sources.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Elitharp thanked staff for adding an additional report, the Wastewater Flow Summary, to Consent Item 1.4, Operations & Maintenance Metrics Quarterly Report.

Director Boyd-Hodgson requested copies of presentations provided during Board meetings be made available on the District's website after the meetings.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:09 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, August 4, 2021, at 5:00 p.m. via teleconference.

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

ATTEST:

Glenn Pruijm, Secretary
Board of Directors
Vallecitos Water District