

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, AUGUST 18, 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 (5:03 p.m.)
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
Accounting Supervisor Rathsam
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Systems Administrator Drummond
Administrative Secretary Johnson

Director Hernandez led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF AUGUST 18, 2021

21-08-08 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried 4 – 0, with Director Boyd-Hodgson absent, to adopt the agenda for the Regular Board Meeting of August 18, 2021.

PUBLIC COMMENT

Gayle Martin, member of the public, stated the Zoom application for the meeting was not working.

Director Boyd-Hodgson joined the meeting at 5:03 p.m.

CONSENT CALENDAR

Director Pennock had questions about item 1.6 of the Consent Calendar regarding the use of local businesses for District projects. Director Boyd-Hodgson had questions concerning items 1.4 and 1.5. regarding construction agreements and the timing of the collection of capacity fees, and how the District verifies that contractors are paying prevailing wage. Staff responded to the Directors' questions.

The consensus of the Board was to place the subject of construction agreements including the timing of capacity fee collection on a future Board agenda for further discussion.

21-08-09 MOTION WAS MADE by President Sannella, seconded by Director Elitharp, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Closed Session Board Meeting – August 4, 2021
- B. Regular Board Meeting – August 4, 2021
- C. Public Awareness/Personnel/Policy Committee Meeting – August 9, 2021

1.2 Warrant List through August 18, 2021 - \$3,970,622.95

1.3 Financial Reports

- A. Water Meter Count – July 31, 2021
- B. Water Production/Sales Report – 2021/2022
- C. Per Capita Water Consumption – July 31, 2021
- D. Water Revenue and Expense Report – July 31, 2021
- E. Sewer Revenue and Expense Report – July 31, 2021
- F. Reserve Funds Activity – July 31, 2021
- G. Investment Report – July 31, 2021
- H. Legal Fees Summary – July 31, 2021

1.4 Approval of Construction Agreement for San Marcos Highlands Phase 2 Improvements (KB Homes Coastal, Inc.)

1.5 Approval of Construction Agreement for San Marcos Highlands Phase 3 Improvements (KB Homes Coastal, Inc.)

1.6 Award of Construction Contract for the Repair of Asphalt Roads

ACTION ITEM(S)

WATER SUPPLY CONDITIONS UPDATE

Public Information/Conservation Supervisor Robbins facilitated a presentation, Update on Water Supply Conditions, as follows:

- U.N. Report on Climate Change
- Colorado River Shortage Declared
- Metropolitan Water District Declares a Water Supply Alert
- Historic Drought Threatens California Farms Supplying Much of U.S. Food

- Northern Sierra 8-Station Precipitation Index
- Snowpack Water Content
- California Reservoir Storage
- Colorado River Status
- Three-Month Temperature Outlook
- Three-Month Precipitation Outlook
- New Ordinance and Video
- Conclusion

General discussion took place.

This item was presented for information only.

DISCUSSION REGARDING SEWER LINE EXTENSION ALONG PROPERTY LINE FRONTAGE FOR MISSION VILLAS IMPROVEMENTS (KB HOMES COASTAL, INC.)

District Engineer Gumpel provided background information regarding conditions related to the Mission Villas project currently under construction. The developer, KB Homes Coastal, Inc. (KB), is requesting the Board waive or modify a condition of the construction agreement for the project which the Board approved at the June 16, 2021, Board meeting, specifically the requirement of a 203 linear foot sewer extension. District staff determined that the full frontage extension was required on Woodward Street as one or more additional properties may benefit in the future from an extension of the sewer along Woodward Street. This policy was established years ago in cooperation with the City of San Marcos allowing each property owner to construct their pro-rata share of road and utility facilities to serve their project. Staff has met with the developer several times and provided several options. Staff is not willing to waive the sewer extension requirement without a guarantee that the District and its rate payers will not be held liable for the extension in the future. Working with KB, an agreement was prepared for KB and the Reza Shera property to the north, agreeing that the Reza Shera owner will sewer their future development to the north. The agreement also provides that if Reza Shera sewers to the south, the District is not responsible for extending or contributing financially toward the extension and that KB will pay for a sewer study for the Reza Shera property showing the viability of sewerage to the north.

District Engineer Gumpel stated a sewer study was performed and it was determined that the Reza Shera property could sewer to the south or north. KB decided to move forward with the construction agreement requiring the sewer extension. The construction agreement was approved at the June 16, 2021, Board meeting. Staff's intent is that once the signed agreement is received from Reza Shera, staff will bring it to the Board to remove the sewer extension requirement. To date, Reza Shera has not signed the agreement. On July 21, 2021, KB informed District staff that it does not intend to construct the sewer extension even though it is included in the approved construction agreement and they are legally obligated to build it. KB was given three options to resolve this: construct the extension per the executed construction agreement between the Board and KB, supply the KB/Reza Shera

agreement, or provide a deposit for the current construction value of the extension to be held by the District and used as contribution toward future development. KB did not agree to any of the options and requested this be brought to the Board for consideration.

Steve Ruffner of KB discussed his concerns of the unviability of the Reza/Shera project sewerage to the south due to the presence of solid granite on the property. Mr. Reza has refused to sign any type of agreement with KB, refuses to indicate whether he intends to sewer north or south, and does not have any entitlements to build on his property. Mr. Ruffner asked the Board to consider allowing KB to construct their frontage with their current design and if Mr. Reza ever gets his entitlements, request that he go to the north.

General discussion took place.

The Board directed staff to bring back an amendment to the existing construction agreement for Mission Villas/KB at the next Board meeting to consider waiving the condition for the sewer extension.

PROJECT ACCEPTANCE OF THE MEADOWLARK WATER RECLAMATION FACILITY (MRF) HEADWORKS IMPROVEMENT PROJECT

Capital Facilities Senior Engineer Morgan stated the previous mechanical augers in the headworks were installed in 2006 and showed decreased efficiency in grit removal, causing operations and maintenance deficiencies throughout several treatment processes at the District's Meadowlark Reclamation Facility. The project replaced the existing augers and control panels with new augers, electrical materials and control panels. Jamison Engineering was awarded the \$397,829 contract at the November 4, 2020, Board meeting. Construction began on June 14, 2021, and was completed on August 11, 2021, with one change order resulting in an increase of \$1,600 to the contract. The project totaled \$444,235, with a budget surplus of \$30,765.

Staff recommended the Board accept the project and authorize the General Manager to file a Notice of Completion and release of retention funds to the contractor following the 60-day notice period, provided no claims are filed in conformance with the contract documents.

General discussion took place.

21-08-10 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to accept the project and authorize the General Manager to file a Notice of Completion and release of retention funds to the contractor following the 60-day notice period, provided no claims are filed.

CAPITAL IMPROVEMENT PROGRAM ANNUAL REPORT

Capital Facilities Senior Engineer Morgan demonstrated how to find information regarding Capital Improvement Program (CIP) projects on the District's website and presented the CIP 2020/2021 Fourth Quarter Update and 2020/2021 End of Year Report which included:

- 2020/2021 Project Summary
- Projected vs. Actual
- Change Order Total vs. Industry Standard
- Actual 2020/2021 Completed Projects Change Order Impact
- District Wide Solar
- San Marcos Interceptor Phase 2
- North Twin Oaks Tank No. 1 Tank Refurbishment

This item was presented for information only.

COVID FINANCIAL REPORTING PRESENTATION

General Manager Pruim stated when preparing the Fiscal Year (FY) 2020/2021 budget, staff developed a series assumptions to estimate the financial impact COVID-19 may have on the District. When that budget was approved, the Board directed staff to track the actual financial impacts and provide regular updates. The presentation at this meeting was the last update for FY 2020/2021 and reflects the entire year.

Staff facilitated a presentation, COVID-19 Financial Plan Update, as follows:

- Active Meters (By Size)
- Active Meters (By Type)
- Water Sales/Production
- Water Sales Comparison
- Water Sales/Production – FY 20 vs. FY 21
- Water Production Budget vs. Actual
- Summary
- Bill Aging
- Delinquency Fees Waived (COVID Related)
- Number of Delinquency Fees Billed
- Delinquency Charges – Year-to-Date
- Accounts Not Locked Due to COVID (June 2021)
- Lock Charges – Year-to-Date
- Bad Debt Expense – Year-to-Date

General question and answer took place during the presentation.

This item was presented for information only.

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) COMMITTEE APPOINTMENT NOMINATIONS FOR THE 2022-2023 TERM

General Manager Pruim stated ACWA is requesting committee nominations from ACWA members for the 2022-2023 term. The District is currently represented on three of the thirteen ACWA committees. Director Elitharp serves on the Energy Committee and Water Quality Committee, and Director Hernandez serves on the Groundwater Committee.

The Board expressed their interest in the following committees:

- Director Hernandez – Groundwater Committee
- Director Elitharp – Energy Committee and Water Quality Committee
- Director Boyd-Hodgson – Water Management Committee
- President Sannella – None
- Director Pennock – Finance Committee and Local Government Committee

Staff will submit the committee nominations to ACWA by the September 30 deadline. The incoming ACWA President will make the final committee appointments in December.

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) REGION 10 BOARD ELECTION FOR THE 2022-2023 TERM

General Manager Pruim stated the ACWA Region 10 has distributed a ballot which includes the Region 10 Nominating Committee's recommended slate of candidates for Chair, Vice Chair and Board members for the 2022-2023 term. The District is entitled to cast one vote, either the recommended slate or to cast its vote for an individual Region 10 Chair, Vice Chair and three to five Board members.

General discussion took place.

The consensus of the Board was to vote for the Region 10 Nominating Committee's recommended slate of candidates. Staff will submit the District's ballot to ACWA.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the District's \$28 million in bonds were sold at market last week. The final all-in interest rate is 2.24%. The District will receive the funds on August 19.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated the current law states the deadline for redistricting is 180 days before the next election, or in most cases May 11, for the November 8, 2022, election. Senate Bill 574 was amended yesterday to adjust the deadline for all special districts to 205 days before the election, or April 17, for the November 8, 2022, election. The bill would go into effect immediately if signed.

Legal Counsel Gilpin provided information regarding the Water and Wastewater Arrearage Payment Program that is being developed and implemented by the State Water Resources Control Board (SWRCB). The state legislature allocated \$985 million in federal funding to the SWRCB to provide relief to community water and wastewater systems for unpaid bills during the COVID pandemic. The SWRCB has scheduled a workshop for August 19, and has opened a survey of community water systems to gather information about statewide

arrearages and revenue shortfalls. Information about the survey deadline and the application for funding process is available on the SWRCB website.

General Manager Pruim stated staff will participate in the August 19 SWRCB workshop. President Sannella requested staff report back to the Board at the next Board meeting.

Gayle Martin, member of the public, asked what the District's COVID shortfall is and congratulated the District on the bond sale. Finance Manager Owen stated that as there are several components to the COVID shortfall such as available reimbursements, this information has not been determined.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp stated the next SDCWA Board meeting is scheduled for August 26.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which the Committee received a capital improvement projects update. Projects discussed included the digester and network improvements. A kickoff meeting with a consultant to hire a new General Manager is scheduled for August 23.

President Sannella stated he was unable to attend the Policy and Finance Committee meeting last week.

STANDING COMMITTEES

Director Boyd-Hodgson stated the Public Awareness/Personnel/Policy Committee met on August 9 and that the Committee is making great progress toward the implementation of an internship program with Palomar College.

President Sannella stated the Finance/Investment Committee is planning to meet this month.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the California Association of Sanitation Agencies Annual Conference August 11 - 13.

President Sannella reported on his attendance to the Council of Water Utilities meeting on August 17.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:39 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, September 1, 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