

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 1, 2021, AT 5:00 PM AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

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

Absent: Director Hernandez

Staff Present: General Manager Pruim
Assistant General Manager Gumpel
Legal Counsel Norvell
Administrative Services Manager Emmanuel
Finance Manager Owen
Capital Facilities Senior Engineer Morgan
Development Services Senior Engineer Lopez
Information Technology Supervisor Labarrere
Principal Financial Analyst Arthur
Systems Administrator Drummond
Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr, LLP

Director Boyd-Hodgson led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 1, 2021

21-12-01 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Regular Board Meeting of December 1, 2021.

PUBLIC COMMENT

Gayle Martin, member of the public, requested the District's website be updated to state that the public does not have the ability to speak while viewing public meetings remotely via Zoom.

CONSENT CALENDAR

President Sannella stated General Manager Pruim requested Item 1.6 of the Consent Calendar be pulled for separate discussion.

- 21-12-02 MOTION WAS MADE by Director Elitharp, seconded by Director Boyd-Hodgson, and carried unanimously, with Director Hernandez absent, to approve Consent Calendar as presented with the exception of Item 1.6.
- 1.1 Approval of Minutes
- A. Closed Session Board Meeting – November 17, 2021
- 1.2 Warrant List through December 1, 2021 - \$4,445,501.35
- 1.3 Request for Sewer Annexation Into the Sewer Improvement District (Mosqueda)
- 1.4 Approval of Construction Agreement for Woodspring Suites Water and Sewer Improvements (BSREP II WS San Marcos, LLC.)
- 1.5 Construction Contract Award for Palos Vista Pump Station Motor Starters Upgrade
- 1.6 Authorization to Execute a Three Year Agreement with Secureworks for Security Operations Services

General Manager Pruum stated that regarding Item 1.6, subsequent to posting the agenda, the need for a slight modification to the agreement with Secureworks was identified. He requested the Board's authorization to execute the agreement with the addition of an addendum to the agreement to include insurance requirements the General Manager and the District's legal counsel have approved and agreed upon with Secureworks.

- 21-12-03 MOTION WAS MADE by Director Pennock, seconded by Director Boyd-Hodgson, and carried unanimously, with Director Hernandez absent, to approve Item 1.6 of the Consent Calendar with the modification as presented.

ACTION ITEM(S)

ANNUAL BOARD TRANSITION

General Manager Pruum stated past practice has been to rotate the positions of Board President and Vice President annually in December. The usual rotation would suggest Director Elitharp be appointed President and Director Hernandez Vice President. He suggested the incoming office holders become effective at the December 15 Board meeting instead of during this meeting as has been done in the past, and making the committee assignments and representative appointments at that meeting as well.

- 21-12-04 MOTION WAS MADE by President Sannella, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to appoint Director Elitharp President and Director Hernandez Vice President of the Board of Directors effective December 15, 2021.

FISCAL YEAR 2021 AUDIT AND COMPREHENSIVE ANNUAL FINANCIAL REPORT

Shannon Ayala of DavisFarr, LLP provided a presentation on the audit results for the fiscal year ended June 30, 2021, during which she reviewed the audit reports, audit results, and areas of focus. The auditors issued an unmodified opinion dated November 12, 2021, the highest level of audit opinion that can be received, indicating that the financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles. No significant deficiencies or material weaknesses in internal controls were identified.

Finance Manager Owen presented the Fiscal Year 2021 Comprehensive Annual Financial Report (CAFR) which included:

- Contents
 - Introductory Section
 - Financial Section
 - Statistical Section
- Financial Section
 - Financial Highlights
 - Current Year to Prior Year Analysis
 - Restrictions, Commitments and Limitations
 - Next Year's Budget and Rates
- Introductory Section
- Statistical Section
 - Financial Trends
 - Revenue Capacity
 - Debt Capacity
 - Demographic and Economic Information
 - Operating Information
- Next Steps

Staff recommended the Board accept the 2021 Comprehensive Annual Financial Report.

21-12-05 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to accept the 2021 Comprehensive Annual Financial Report.

REDISTRICTING PROCESS UPDATE

Assistant General Manager Gumpel provided an update on the redistricting process, schedule, and division population and Director changes from 2012 to 2016 to 2020. The 2020 Census population data overall is equal to or closer, division by division, than the estimated 2016 population from the 2010 Census. At staff's request, the District's legal counsel reviewed the current divisions to see if they meet the requirements set for redistricting without modifications and found that the current divisions do not require modification.

Staff asked for a consensus of the Board for no change to the existing division boundaries based on the analysis of the 2020 Census data and to move forward with the public redistricting process. If a consensus was reached, staff would proceed with public outreach explaining no change to the division boundaries.

General discussion took place.

Gayle Martin, member of the public, expressed her concern that not all of the data may have been received yet.

The Board directed staff to move forward with public outreach to customers that will include existing division maps and population information without a recommendation of not changing boundaries. Information on two planned public hearings for public input on the redistricting process will also be included in the outreach.

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

General Manager Pruim provided background on the resolution of lawsuits between the San Diego County Water Authority (CWA) and Metropolitan Water District of Southern California (MWD) for the years 2015-2017. The District's share of the lawsuit proceeds is \$1,248,828.17. Several options for disbursement of the funds were presented to the Board at their November 17, 2021, meeting. The Board directed the Finance/Investment Committee to further discuss this item at the November 22 Committee meeting. The Committee recommended the proceeds be returned to the District's customers in the same manner as previous lawsuit proceeds, as a credit to customers of record based on meter size. Using this method, average single family customers will receive a one-time credit of approximately \$43.28 as of December 1, 2021, on their next billing cycle.

Gayle Martin, member of the public, urged the Board to use the lawsuit proceeds to offset the upcoming rate increase for one year.

General discussion took place.

21-12-06 MOTION WAS MADE by Director Boyd-Hodgson, seconded by President Sannella, and carried unanimously, with Director Hernandez absent, to provide the one-time credit to customers based on meter size.

ADJUSTMENT TO GENERAL MANAGER'S COMPENSATION

Legal Counsel Norvell stated the Board recently conducted a performance evaluation for General Manager Pruim. Following the evaluation, the Board and General Manager Pruim engaged in negotiations for potential changes to his compensation package. Proposed changes to General Manager Pruim's existing employment agreement include the following:

- Provide a one-time contribution to General Manager Pruiim's Health Retirement Account (HRA) in the amount of \$13,287.20;
- Allow General Manager Pruiim to convert the first 160 hours of vacation leave per calendar year to a HRA contribution; and
- Increase the allotment of Executive Leave from 40 hours per year to 50 hours per year.

21-12-07 MOTION WAS MADE by President Sannella, seconded by Director Elitharp, and carried unanimously, with Director Hernandez absent, to approve the adjustments to General Manager Pruiim's compensation as presented.

REPORTS

GENERAL MANAGER

General Manager Pruiim reported the following:

- Staff has completed the application for the State arrearages program to assist customers who fell behind in their utility bills. The District expects to receive \$276,082.05 from the program which will benefit 336 customers via bill credits.
- Construction for the Tesla batteries has begun at two of six District sites. The batteries will provide operational resilience and lower the District's operation costs.
- The Vallecitos Water District Financing Corporation will convene immediately after this Board meeting adjourns this evening.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp provided a summary of actions taken at the November 18, 2021, CWA Board meeting.

ENCINA WASTEWATER AUTHORITY

None.

STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee met on November 22. Topics of discussion included the refund of CWA/MWD lawsuit proceeds, the CAFR and audit, and the upcoming Cost of Service Study.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Sannella reported on his attendance to the California Special Districts Association San Diego Chapter quarterly dinner meeting on November 18.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

This item was provided per Ordinance No. 216; no action required.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Boyd-Hodgson announced a charitable cause she is involved with during the holidays. She will post information on her personal Facebook page pertaining to donations for menstrual products for those in need.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 6:20 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, December 15, 2021, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

Glenn Pruiam, Secretary
Board of Directors
Vallecitos Water District