

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 14, 2022, AT 5:00 PM, AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Elitharp called the Special meeting to order at the hour of 5:00 p.m.

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

Staff Present: General Manager Pruim
Assistant General Manager Gumpel
Legal Counsel Gilpin
District Engineer Hubbard
Chief Financial Officer Owen
Chief Technology Officer Labarrere
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Morgan
Development Services Senior Engineer Lopez
Accounting Supervisor Coco
Principal Financial Analyst Arthur
Information Technology Analyst Todd
Senior Executive Assistant Flores
Executive Assistant Johnson

Others Present: Shannon Ayala, DavisFarr, LLP

Director Pennock led the pledge of allegiance.

OATH OF OFFICE

General Manager Pruim administered the Oath of Office to re-elected Board members Craig Elitharp (Division 3) and James Hernandez (Division 2) to fill the terms of Director ending in 2026.

ADDITIONS TO THE AGENDA

None.

ADOPT AGENDA FOR THE SPECIAL MEETING OF DECEMBER 14, 2022

22-12-01 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the agenda for the Special Board Meeting of December 14, 2022.

General Manager Pruim announced Director Sannella was recently elected to the San Marcos City Council and is no longer a member of the Vallecitos Board of Directors.

PUBLIC COMMENT

None.

PRESENTATION(S)

General Manager Pruim stated the presentation to recognize former Director Mike Sannella's years of service on the Board has been postponed until January.

Director Hernandez presented a plaque to Director Elitharp commemorating his service as 2022 Board President.

CONSENT CALENDAR

22-12-02 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. Regular Board Meeting – November 16, 2022
- B. Finance/Investment Committee Meeting – November 21, 2022
- C. Public Awareness/Personnel/Policy Committee Meeting – December 5, 2022

1.2 Warrant List through December 14, 2022 - \$7,520,903.71

1.3 Financial Reports

- A. Water Meter Count – November 30, 2022
- B. Water Production/Sales Report – 2022/2023
- C. Per Capita Water Consumption – November 30, 2022
- D. Water Revenue and Expense Report – November 30, 2022
- E. Sewer Revenue and Expense Report – November 30, 2022
- F. Reserve Funds Activity – November 30, 2022
- G. Investment Report – November 30, 2022
- H. Legal Fees Summary – November 30, 2022

1.4 Proposed 2023 Investment Policy Resolution

1.5 Authorization to Use Electronic Signatures

1.6 Approval of Construction Agreement for Mosqueda Single-Family Residence, 3242 Linda Vista Sewer Line Extension (Robert J. Mosqueda)

- 1.7 Approval of Temporary Off-Site Water Service Agreement for San Marcos High School Agriculture Farm (San Marcos Unified School District)
- 1.8 Final Acceptance of Water and Sewer Improvements for Alora Phase 1 Improvements (Alora Family Housing Partners, LP)
- 1.9 Final Acceptance for Murai Phase 1 Water and Sewer Improvements (Lennar Homes of California, LLC)
- 1.10 Final Acceptance for Discovery Village South Phase B Water and Sewer Improvements (Discovery SL, LLC)
- 1.11 Approval of a Fiscal Year 2022/2023 Capital Budget Amendment and Task Order for the Twin Oaks Valley Road Sub-Area Master Plan Study
- 1.12 Adopt Resolution to Approve an Addendum to the 2004 Initial Study/Mitigated Negative Declaration for the Meadowlark Water Reclamation Facility Conversion to Sodium Hypochlorite Project

ACTION ITEM(S)

ANNUAL BOARD TRANSITION

General Manager Pruim stated that each December the Board reorganizes and appoints a new President and Vice President. Based on the rotation of those offices as prescribed by Ordinance No. 221 and past practice, Director Hernandez would become President and Director Boyd-Hodgson would become Vice President.

22-12-03 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, to appoint Director Hernandez President and Director Boyd-Hodgson Vice President of the Board of Directors.

FISCAL YEAR 2021/2022 AUDIT AND ANNUAL COMPREHENSIVE FINANCIAL REPORT

Chief Financial Officer Owen introduced Shannon Ayala of DavisFarr, LLP. Ms. Ayala provided a presentation on the Audit Result for Fiscal Year Ended June 30, 2022, as follows:

- Audit Reports
- Audit Results
- Areas of Audit Focus
 - Implementation of GASB 87
 - Employee Expense Reimbursements
- Audit Report Changes

Ms. Ayala stated the auditors issued an unmodified opinion dated December 2, 2022, on the District's Annual Comprehensive Financial Report which is the highest level of audit opinion

that can be received. The financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

General discussion took place.

Chief Financial Officer Owen presented the Fiscal Year 2021/2022 Annual Comprehensive Financial Report (ACFR) which included:

- Contents
 - Financial Section
 - Introductory 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 2021/2022 ACFR.

The consensus of the Board was to accept the 2021/2022 ACFR.

WATER RATES FOR 2023

General Manager Pruim provided background on the Proposition (Prop) 218 process for multiple years that the Board approved on September 28, 2022, and the water rate increase effective October 1, 2022. The Prop 218 allows for proposed planned rate increases on January 1 for each succeeding four years.

Principal Financial Analyst Arthur facilitated a presentation, 2023 Water Rate Update, which included the following:

- Terms
- Cost of Service Study
- Current Fixed Charges
- Current Commodity Charges
- Estimated Pass-Through Increases
- Estimated Water Rates
- Estimated Water Bill

- Rate Survey – May 2022
- Rate Survey – December 2022
- Timing and Recommendation

Staff recommended the Board consider not imposing a rate increase effective January 1, 2023, and delay further discussion on increasing water rates until February 2023.

General discussion took place.

The consensus of the Board was to approve staff's recommendation.

APPROVAL OF A FISCAL YEAR 2022/2023 CAPITAL BUDGET AMENDMENT FOR THE MOUNTAIN BELLE RESERVOIR FENCE AND HYDROSEED PROJECT (BUTLER PROPERTY)

District Engineer Hubbard reviewed details contained in the staff report regarding encroachments dating back to 2007 with the Butler property which is adjacent to the District's Mountain Belle Reservoir property. Many of the encroachments have been removed by the property owner. The next steps for the District are to 1) install a fence to establish the property lines and prevent future encroachments; and 2) restore natural vegetation to the area. This project was not included in the Fiscal Year 2022/2023 Capital Budget.

Staff recommended the Board approve an amendment to the Fiscal Year 2022/2023 Capital Budget in the amount of \$65,000 for the project.

General discussion took place.

22-12-04 MOTION WAS MADE by Director Pennock, seconded by Director Boyd-Hodgson, and carried unanimously, to approve staff's recommendation.

DETERMINATION OF THE PROCESS TO FILL THE BOARD VACANCY FOR DIVISION 4

General Manager Pruim reviewed two options for filling the vacant Division 4 seat as outlined in the staff report – appointment by the Board or conducting a special election. The cost of conducting a special election is estimated to be between \$250,000 and \$400,000. The earliest date for a special election is November 7, 2023. The seat would remain vacant until the election results are certified and the elected individual is sworn in. If the Board decided to fill the vacancy by appointment, General Manager Pruim recommended a Special Board meeting be held on January 11, 2023, to interview candidates and consider making an appointment. There would be minor costs associated with the appointment option such as posting the Notice of Vacancy.

Carol Gendel, member of the public, recommended the Board delay making an appointment until February due to the upcoming holiday season and requested the vacant seat be well advertised. She also requested the District find a way to make sure customers who live in mobile home parks receive notices from the District.

General Manager Pruim read aloud an email that was received from Kathleen Steel who stated she believes an election should be conducted.

General discussion took place regarding the possibility of delaying the appointment process as long as possible within the 60-day legal requirement to make the appointment.

22-12-05 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, to fill the vacant Division 4 seat by appointment at a Special Board meeting in February.

Further general discussion took place during which General Manager Pruim stated the January 4, 2023, Regular Board meeting will be cancelled and recommended a Special Board meeting be scheduled on January 11, 2023, for the sole purpose of the appointment for the Division 4 seat.

22-12-06 AN AMENDED MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, to fill the vacant Division 4 seat by appointment at a Special Board meeting on January 11, 2023.

FILL LEGAL/LEGISLATIVE COMMITTEE VACANCY

President Hernandez requested Director Elitharp fill the vacant seat on the Legal/ Legislative Committee on an interim basis as the Committee is in the process of receiving proposals for legal services. Director Elitharp was agreeable to this.

ACWA REGION 10 BOARD SEEKING REGION 10 BOARD CANDIDATES

President Hernandez stated the Association of California Water Agencies (ACWA) is seeking candidates to fill a vacant seat on the Region 10 Board of Directors. Interested candidates must submit a Nomination Form and a resolution of support from their Board of Directors to ACWA by December 16, 2022. The Region 10 Board will make their appointment shortly thereafter and will inform the region of the results.

Director Boyd-Hodgson expressed her interest in the vacant seat.

22-12-07 MOTION WAS MADE by Director Pennock, seconded by Director Elitharp, and carried unanimously, to adopt a resolution of support for Director Boyd-Hodgson's nomination to the ACWA Region 10 Board of Directors.

Resolution No. 1631 - The roll call vote was as follows:

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

WATER SUPPLY CONDITIONS UPDATE

General Manager Pruim facilitated a presentation, Update on Water Supply Conditions, as follows:

- Vallecitos Currently in a Level 2 – Drought Alert
- Winter Storms Are Helping
- Northern Sierra 8-Station Precipitation Index
- Snow Water Content
- California Reservoir Storage
- Colorado River Status
- Three-Month Temperature Outlook
- Three-Month Precipitation Outlook

This item was presented for information only.

REPORTS

GENERAL MANAGER

General Manager Pruim reported that the deadline for proposals for legal services was December 9. Staff is in the process of reviewing proposals received.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin reported that the limit on gifts will increase from \$520 to \$590 in 2023. He also commented on Senate Bill 1439 which relates to conflicts of interest created by political contributions. If a Director receives political contributions in excess of \$250 during a 12-month period and an item comes before the Board regarding a contract or such item related to the donor, the Director is required to recuse themselves from voting on the item. This only applies to contributions received after January 1, 2023.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp reported on actions the SDCWA Board took at their Regular Meeting on November 17.

ENCINA WASTEWATER AUTHORITY

President Hernandez stated the EWA Board made their transition of officers and received an update on capital improvement projects at their meeting this morning. The Capital Improvement and Policy and Finance Committees will not meet in January.

STANDING COMMITTEES

Director Boyd-Hodgson stated the Public Awareness/Personnel/Policy Committee met and discussed the implementation of another round of the water leadership program for fifth grade students.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Elitharp, Boyd-Hodgson, and Hernandez reported on their attendance to the Association of California Water Agencies Fall Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Special Meeting of the Board of Directors at the hour of 6:40 p.m.

A Special Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, January 11, 2023, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Prui, Secretary
Board of Directors
Vallecitos Water District