

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JANUARY 18, 2017, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Evans led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin
Director Sannella

Staff Present: General Manager Pruim
Assistant General Manager Scaglione
Legal Counsel Scott
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Public Information/Conservation Supervisor Robbins
Financial Analyst Arthur
Executive Secretary Posvar
Administrative Secretary Johnson

ADOPT AGENDA FOR THE REGULAR MEETING OF JANUARY 18, 2017

17-01-10 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Regular Board Meeting of January 18, 2017.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board regarding the marijuana water consumption figures provided by staff. He feels the report should be redone as he has major difficulties with the calculations pertaining to the amount of water the plant uses, how many plants can be planted per acre, and the amount of new development.

CONSENT CALENDAR

Director Martin requested Items 1.3C, 1.3D, 1.3E, 1.6, 1.7, and 1.9 be pulled from the Consent Calendar for discussion. Director Sannella requested Item 1.8 be pulled for discussion.

General Manager Pruim stated the January 4, 2017 Board minutes should reflect that Director Evans recused herself from Closed Session Item 6.3, Golden Door vs. Vallecitos Water District.

17-01-11 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to approve Items 1.1, 1.2, 1.4 and 1.5 of the Consent Calendar as presented.

1.1 Approval of Minutes

A. Regular Board Meeting – January 4, 2017

1.2 Warrant List through January 18, 2017 - \$681,762.83

Director Martin requested clarification on the warrant list with respect to payments made to Standard Insurance Company, APGN, Inc., and Visser Construction, to which staff responded.

1.3 Financial Reports

- A. Water Meter Count – December 31, 2016
- B. Water Production/Sales Report – 2016/2017
- C. Quarterly Financial Report – December 31, 2016
- D. Water Revenue and Expense Report – December 31, 2016
- E. Sewer Revenue and Expense Report – December 31, 2016
- F. Reserve Funds Activity – December 31, 2016
- G. Quarterly Investment Report

Director Martin requested clarification on the Quarterly Financial Report, Water Revenue and Expense Report, and Sewer Revenue and Expense Report, to which staff responded.

17-01-12 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Item 1.3 of the Consent Calendar as presented.

1.4 Adoption of Resolution Ordering the Detachment of Certain Property Designated as the “Roos Haller Detachment”, APN: 178-210-18, out of the Vallecitos Water District

1.5 Approval of Construction Agreement for North City East Sewer Replacement, APN: 221-100-20, 30, 55, 67, 68, 220-201-01, 02, 03, 04, 05 & 06 (Urban Villages San Marcos, LLC)

1.6 Operations & Maintenance Metrics Quarterly Report – December 31, 2016

Director Sannella asked if any changes in operations have been made as a result of data contained in the report. Operations & Maintenance Manager Pedrazzi responded that staff has been collecting data for over a decade and utilizes the data for benchmarking purposes and to ensure regulatory compliance.

Director Martin requested clarification on smoke testing, sewer cleaning goals, odor complaints, lift station flows, water quality sampling, water main breaks, hit fire hydrants, and OMWD and desalination water purchases, to which staff responded. He suggested the report be an Action Item on future agendas.

General discussion took place.

17-01-13 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Item 1.6 of the Consent Calendar as presented.

1.7 Water Main Break Report

Director Sannella asked if information contained in this report is useful to prevent or reduce the number of water main breaks, to which staff responded.

General discussion took place.

17-01-14 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to approve Item 1.7 of the Consent Calendar as presented.

1.8 Drought Update

Director Martin stated this report is no longer necessary and suggested it be changed to a quarterly conservation report.

General discussion took place during which Director Sannella asked about lifting Vallecitos specific water restrictions. General Manager Pruiem stated he will be providing a comprehensive report on drought conditions at the next Regular Board meeting.

Mike Hunsaker, member of the public, addressed the Board stating the State Water Control Board is updating its mandatory conservation standards using 2013 water levels to establish what additional restrictions would be applied in the event of another drought. He commented on a report the State Water Control Board issued on what constitutes a drought, the complexities of the calculations, and the impacts of previous droughts. He thanked the Board.

17-01-15 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to approve Item 1.8 of the Consent Calendar as presented.

1.9 2016 Year in Review

Director Martin commented that the 2016 Year in Review was great; however, it should not be included in the Consent Calendar. Going forward he would like to see it replace one of the Splash quarterly newsletters with the other three quarters concentrating on topics such as projects or information rate payers want to read.

General discussion took place.

17-01-16 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Item 1.9 of the Consent Calendar as presented.

ACTION ITEMS

SAN DIEGO BUSINESS JOURNAL ECONOMIC TRENDS 2017 EVENT – MEETING ATTENDANCE PER DIEM/EXPENSE REIMBURSEMENT APPROVAL

General Manager Pruim requested Board direction regarding per diem/expense reimbursement totaling \$225.61 for Director Martin's attendance to the San Diego Business Journal (SDBJ) Economic Trends 2017 Event on January 5, 2017. The SDBJ is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 201; therefore, approval for per diem and expense reimbursement is required.

General discussion took place during which Director Hernandez stated he had attended the event as well, but was not seeking per diem/expense reimbursement.

17-01-17 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried 3-1, with Director Evans voting no and Director Martin abstaining, to approve Director Martin's per diem and expense reimbursement for this item.

SAN MARCOS STATE OF THE CITY ADDRESS – MEETING ATTENDANCE PER DIEM/EXPENSE REIMBURSEMENT APPROVAL

General Manager Pruim stated the San Marcos Chamber of Commerce is hosting the annual State of the City Address featuring the Chamber Board Installation & Awards Luncheon on February 28, 2017. The Chamber of Commerce is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 201; therefore, prior approval for per diem and expense reimbursement is required.

Director Evans stated past practice has been to reimburse only expenses for attendance to this event.

General discussion took place during which sponsorship of the event and purchasing a table at the event were discussed.

- 17-01-18 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to purchase a table of eight only if attendance to fill the table is confirmed and to authorize the registration fee only.

REVIEW OF ORDINANCE NO. 201, BUSINESS OF THE BOARD / BOARD REORGANIZATION AND ASSIGNMENT OF REPRESENTATIVES

General Manager Pruim stated this item was discussed at the January 4 Board meeting during which the focus was the process by which the President is assigned and how Board representatives are selected. He further stated he had spoken to representatives of the San Diego County Water Authority (SDCWA) and the Encina Wastewater Authority (EWA) who expressed a strong preference for continuity with regard to representation. Their organizations deal with very specific, complex issues requiring in-depth knowledge of the issues, therefore rotations are not preferable.

General discussion took place during which Director Hernandez suggested the ordinance be revised to simply follow the rotation of the Vice President becoming President. Director Sannella stated the current language concerning the reorganization of the Board is fine as is; however, he suggested similar language be added for the representative positions with other organization such as SDCWA and EWA so that each Board member has the opportunity to serve if they wish to do so at least once during their term.

General discussion took place.

- 17-01-19 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried 3-2, to direct staff to draft a revised ordinance adding language similar to the current reorganization of the President for representative positions to SDCWA and EWA in a fair and democratic election.

General discussion took place.

- 17-01-20 MOTION WAS MADE by Director Hernandez to specify that the positions of President and Vice President shall rotate on an annual basis.

General discussion took place.

- 17-01-21 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and failed 2-3, to modify his previous motion to state that the annual reorganization will provide that the Presidency and Vice Presidency shall rotate through the Board of Directors.

REVIEW OF ORDINANCE NO. 201, BUSINESS OF THE BOARD, MEETING START TIME

General Manager Pruim stated that at the January 4 Board meeting, the Board discussed the over-time cost associated with the 5:00 p.m. start time of Board meetings. At that meeting, the Board requested detailed information regarding how the cost impacts were calculated, the start time practices of other districts, and whether the later start time contributed to the District obtaining their Certificate of Transparency and District of Distinction Award. The requested information was provided to the Board. He further stated the later start time and televising meetings were not requested or noted on documents submitted for the Certificate of Transparency and District of Distinction Award.

General Manager Pruim suggested the Board consider hearing closed session items at an earlier time before the start of the open session of the Regular meeting. By doing so, cost savings could be realized in overtime for staff members and the extra time involved for highly paid consultants who must currently wait until the end of the meeting for the closed session to begin.

General discussion took place during which Director Hernandez stated the later start of Board meetings was agreed to in order to facilitate more public participation which has not increased except for matters of great interest to the public. He noted that recordings of Board meetings are televised and available on the District's website for all who are interested.

17-01-22 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, to change the meeting time of Regular Board meetings to 3:00 p.m. with the understanding that meetings which include public presentations would be moved to 6:00 p.m.

General discussion took place.

Director Sannella stated for the record that in the past speakers from the public have recommended Board meetings begin no earlier than 5:00 p.m., and one letter was received today regarding this matter.

General discussion took place regarding the need to upgrade the audio system in the Board Room for transparency purposes as it is often hard to hear what is being said during the meetings and especially when listening to a recording of a meeting.

Mike Hunsaker, member of the public, addressed the Board stating that shifting the meeting start times would introduce the politics of what constitutes a major issue and what doesn't. He agreed the audio quality is not very good. He stated that having the closed sessions before the start of the Regular meeting makes sense, as it is not just an issue of staff overtime, but also the cost of consultants. He believes in order to improve transparency the complete Board packets should be archived. He thanked the Board.

- 17-01-23 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to keep the time of Regular Board meetings and workshops at 5:00 p.m., and direct staff to schedule closed sessions when necessary before the start of the Regular Board meeting.

APPRAISAL PROFESSIONAL SERVICES AGREEMENT – DISTRICT HEADQUARTERS SITE

District Engineer Gumpel provided a brief background on the District-owned property stating Vallecitos Water District's current Administration, Operations and Maintenance buildings were constructed in 1997 on a parcel containing 62.1 acres. In 2006, the City of San Marcos acquired 14 acres of the District-owned property and built baseball fields in conjunction with San Marcos Youth Baseball. Of the remaining 48.1 acres, 15.4 acres have been developed as the District headquarters and approximately 32.7 acres remain as undeveloped hillside area.

At the Board's request, staff presented development options at the October 5, 2016 Board meeting which included environmental mitigation property, moderate development with and without a mitigation component, and maximum development. The Board directed staff to proceed to the next steps which included sending out Requests for Proposals to three local appraisal firms on December 22, 2016. Staff reviewed the two proposals received and based on completeness of the proposal and experience on similar projects, selected Hendrickson Appraisal Company as the most qualified firm for the amount of \$14,000.

Staff recommended the Board approve a professional services agreement with Hendrickson Appraisal Company in the amount of \$14,000 for the District headquarters site appraisal.

General discussion took place.

- 17-01-24 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to approve a professional services agreement with Hendrickson Appraisal Company in the amount of \$14,000 for the District headquarters site appraisal.

PROPOSED PUMP ZONE CHARGES FOR CALENDAR YEAR 2017

General Manager Pruim stated the primary objective of this item is to ensure that the District's costs are spread as fairly as possible, with those customers benefiting from a service paying for the service that's provided.

Finance Manager Fusco stated that in 1987 the District established pump zones (currently there are ten), servicing approximately 2,867 customers, to recover the cost of electricity required to pump water to higher elevation customers. Only customers directly benefiting from the additional cost of pumping are charged the actual power cost

for water delivered. Pump zone charges were last adjusted on July 1, 2015. Traditionally, adjustments to the pump zone charges occur every July.

Pump zone charges are determined by tracking the actual SDG&E power costs to provide the service to the respective pump zone. Previously, charges were applied to recover the power costs; however, when electricity costs were very volatile, the District made the decision to only pass through 1/3 of the increase because when electricity costs decreased and then increased, the costs were almost self-correcting. Over the past several years, the pump zone charges have not kept pace with the escalating cost of electricity required to pump water to the higher elevations, resulting in a deficit of approximately \$319,000 as of November 30, 2016. The deficit is growing by about \$20,000 per month.

Finance Manager Fusco presented two options for the Board's consideration:

- Currently the average customer in a pump zone has a combined water/sewer bill of approximately \$116.50 per month. Passing through the entire SDG&E expense effective January 1, 2017 would increase the average customer's bill by approximately \$2.40 per month.
- An alternative to full cost recovery would be to only pass through 2/3 of the difference between the actual SDG&E power cost and the existing pump zone charges effective January 1, 2017. The adjustment for the remaining 1/3 difference would be effective July 1, 2017. This alternative would increase the deficit by about \$11,000 per month for an overall projected deficit of \$414,000 at fiscal year-end.

Finance Manager Fusco stated that the adopted budget for fiscal year 2016/17 included \$300,000 in pumping charge revenue. Adopting the pass through charges in the first option would recover pumping charges of approximately \$237,000, which is \$63,000 less than budgeted. Adopting the pass through charges in the second option would recover pumping charges of approximately \$211,000 which is \$89,000 less than budgeted.

Staff recommended the Board adopt one of the options to be effective January 1, 2017 for bills mailed after February 1, 2017 and authorize staff to adjust pumping charges annually on July 1, 2017 based on the actual prior 12 months to allow for full cost recovery.

General discussion took place, during which March 1, 2017 was suggested as the effective date for the increase to allow enough time to notify those customers who will be effected by the increase, explaining the reason for the increase in pump charges and when the last increase took place.

17-01-25 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the entire pass-through electric pump charges to be effective approximately March 1, 2017 after a 45-day notice has been mailed to effected customers.

ELECTION TO FILL FOUR EXECUTIVE COMMITTEE MEMBER POSITIONS OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AUTHORITY (ACWA/JPIA)

General Manager Pruim stated the ACWA/JPIA Executive Committee will hold an election during the JPIA's Board of Directors' meeting on May 8, 2017 to fill four Executive Committee member positions, each for a four-year term. Candidates for the election must be elected or appointed directors of the JPIA member that they represent and must have been appointed by that member to be on the JPIA's Board of Directors. The deadline to submit candidates' nominations is March 24, 2017.

General discussion took place.

The Board took no action.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The District will be conducting lead sampling tests on January 25 at three local schools that were selected by the school district. The purpose of the tests is to ensure the water being delivered to the schools is safe for the children. No specific concerns have been identified; this is just a proactive measure.
- Department of Homeland Security personnel will be at the District on January 23 to perform a site assessment for the District. Any recommendations that are reported will be shared with the Board and may be incorporated into the budget process if required.
- A well production test will be performed on the well located on the District's avocado grove property. This information may be helpful in future marketing of the property.
- The intent of the District's Finance/Investment Committee is to meet monthly to discuss issues such as the budget and water rates. Due to the critical nature of finance issues, General Manager Pruim recommended full Board workshops be conducted going forward with the budget process.
- A Board workshop to provide a Master Plan update will be scheduled in the first half of February. General Manager Pruim has met with the BIA and will continue to do so in order for them to provide their input.
- The San Diego County Water Authority (SDCWA) has been very successful in challenging Metropolitan Water District's (MWD) rates at the trial court level. The

case is now in the Court of Appeals. The primary issue SDCWA brought up is that they believe MWD is unfairly allocating supply costs through the transportation charges. Lawsuits have been filed against MWD's rates for the years 2010 through 2018. If SDCWA prevails on all of the claims at the Appeals Court, SDCWA estimates MWD will have to pay SDCWA over \$600 million. Any funds after legal expenses will be distributed to the member agencies. Looking forward, if MWD has to change its rate structure, \$8 billion in charges will be avoided over the next 30 years.

- A comprehensive overview of State drought regulations and restrictions will be provided at the February 1 Board meeting.
- Encina Wastewater Authority staff will be providing a presentation regarding their water reuse study at the February 15 Board meeting.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott provided a brief overview of AB 1661, a new law passed this year that requires harassment training for Board members. The training is specific and separate from the training supervisors and management personnel are required to obtain.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next Board meeting is scheduled on January 26.

ENCINA WASTEWATER AUTHORITY

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Sannella reported on his attendance to the San Diego North Economic Development Council (SDNEDC) Investors meeting and the Council of Water Utilities (COWU) meeting.

Director Martin reported on his attendance to the SDNEDC Investor and COWU meetings and the San Diego Business Journal Economic Trends 2017 Event.

Director Hernandez reported on his attendance to the COWU meeting and the San Diego Business Journal Economic Trends 2017 Event.

Directors Elitharp and Evans reported on their attendance to the COWU meeting.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez would like to begin the 218 process immediately.

Director Martin commented that he would like to agendize Finance/Committee meetings and requested the Board bring their calendars to future meetings to facilitate scheduling the meetings.

Director Sannella commented that the last few Board meetings have been argumentative due to the issues discussed, but he believes future meetings will be smoother and he looks forward to a productive year.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 8:34 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 1, 2017, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Craig Elitharp, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruiem, Secretary
Board of Directors
Vallecitos Water District