

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 15, 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 Martin led the pledge of allegiance.

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

Staff Present: General Manager Pruiam
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

Others Present: Mike Steinlicht, General Manager, Encina Wastewater Authority
James Kearns, Budget Manager, Encina Wastewater Authority
Joe Spence, Encina Wastewater Authority
Scott Goldman, Principal, RMC Water and Environment
Nathan Chase, RMC Water and Environment
Ken Weinberg, Retired, San Diego County Water Authority

ADOPT AGENDA FOR THE REGULAR MEETING OF FEBRUARY 15, 2017

17-02-12 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of February 15, 2017.

PRESENTATIONS

President Elitharp presented Ivan Murguia, Wastewater Treatment Plant Operator II, with his Certificate of Competence for Grade IV Wastewater Treatment Plant Operator from the State Water Resources Control Board.

President Elitharp presented David Joiner, Electrical/Instrumentation Technician, with his Certificate of Completion for Programmable Logic Controller II Certificate.

Mike Steinlicht, General Manager for Encina Wastewater Authority (EWA), introduced Scott Goldman, Principal, RMC Water and Environment, who along with Nathan Chase also of RMC and Ken Weinberg, retired from the San Diego County Water Authority, provided a presentation to update the Board on EWA's Water Pollution Control Facility (EWPCF) Water Reuse Feasibility Study which included the following:

- Project Feasibility Requirements
- EWPCF Projected Flows
- Available EWPCF Effluent in 2040
- EWPCF 2040 Projected NPR + IPR/DPR
- Projected Wastewater Flow (from North San Diego Water Reuse Coalition)
- Potential Recycled Water Demand (from NSDWRC)
- Regional Context for Reuse Project
- EWA Options for Reuse
- Portfolio of Options – 2040 Flows
- Screening Criteria for Potable Reuse Options
- Screening Criteria, Weighting, and Scoring
- Options Ranking
- Preferred Options for Further Analysis
- Stakeholder Outreach
- Water Reuse Project Considerations for EWA and Partnering Water Purveyor(s)
- Timeline of Stakeholder Activities

General discussion and question/answer took place.

Mr. Steinlicht introduced Joe Spence and James Kearns who provided a presentation on EWA's FY2018 Proposed Capital Program Budget detailing the following:

- Budget Process
- FY2018 Budget Summary
- EWA Operating Expenses
- Capital Program
- Capital Expense Categories
- EWA Capital Expenses
- Looking Forward
- FY2018 – 2023 Projects Overall Cost Summary
- CIP Budget Summary by Process Area
- FY2018 Projects Overall Cost Summary
- Summary of Capital Expenses

General discussion and question/answer took place.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board expressing his concerns regarding the amount of wastewater treatment the District has, the developer deferred fee payment plan, the public's ability to participate in the rate process, the amount of solid waste there is and the possibility of the Oroville Dam failing. He thanked the Board.

CONSENT CALENDAR

President Elitharp stated he received a request to speak on Item 1.1. Director Martin requested Item 1.3 be pulled from the Consent Calendar for discussion.

17-02-13 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Item 1.2 of the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Finance/Investment Committee Meeting – January 24, 2017
- B. Board Workshop Meeting – February 1, 2017
- C. Regular Board Meeting – February 1, 2017

Mike Hunsaker, member of the public addressed the Board stating that since there were two very long meetings of great importance, he checked the video archives to review what he and others said during those meetings. He found that as of last night, for about five weeks a lot of the archived video/audio has been "pending." He was informed there was an issue of whether or not there was a problem with the synchronization of the audio with the video and asked how much longer it would be before this problem was corrected. He has some potential discrepancies about the minutes he would like to discuss, but has no means of double checking exactly what he said. He'd like to have the minutes carried through until the videos and audio are available on the public website.

Executive Secretary Posvar responded to Mr. Hunsaker's concern, stating that the minutes are not posted on the District's website until they are approved by the Board. For example, the minutes included in today's Board agenda packet will be posted after they are approved. As for the archived videos, Director Sannella verified that they are up to date with the exception of the Board workshop which took place on February 13.

Director Martin stated that Item 1.1 C, section 1.3 of the minutes of the February 1, 2017 Regular Board meeting should be corrected to state that he had received a donation in the form of a check from Rancho Coronado, not Rachel Coronado.

17-02-14 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Items 1.1 and 1.3 of the Consent Calendar with the amendment to the February 1, 2017 minutes as discussed.

1.2 Warrant List through February 15, 2017 - \$1,701,240.20

1.3 Financial Reports

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

ACTION ITEMS

RESCINDING DROUGHT LEVEL 1

Public Information/Conservation Supervisor Robbins stated that on January 26, 2017, the San Diego County Water Authority (SDCWA) declared the drought over in San Diego County. Neither the SDCWA nor Vallecitos are experiencing supply shortages due to drought. The District met its mandatory savings target after the state imposed emergency regulations in 2015, and in May 2016, when the state updated its emergency regulation to a water supply “stress test” methodology that took actual levels of local supply reliability into account, the District showed sufficient supplies to avoid shortages even if it experiences three more dry years.

He further stated that as of February 1, 2017, the Sierra Nevada snowpack was 177% of the historic average, the largest amount in more than two decades. There is no need at this time to demand reductions from the District’s customers; however, District Ordinance No. 198 includes mandatory water use restrictions such as watering between the hours of 10:00 a.m. and 6:00 p.m., and restaurants only serving water upon request.

Staff recommended the Board rescind the Drought Level 1 – Drought Watch that asks for voluntary water conservation.

General discussion took place regarding how to announce the District’s rescission of Drought Level 1 – Drought Watch via press release, District newsletter, and social media as well as the need for emphasis on the importance of the permanent mandatory water use restrictions.

17-02-15 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to rescind Drought Level I – Drought Watch as recommended by staff.

WATER RATE STRUCTURE DEVELOPMENT UPDATE

Assistant General Manager Scaglione provided a presentation to update the Board on the progress of the water rate structure development which included:

- Cost Considerations
- Demand Projection Graph
- Demand Projection Table
- Demand by Source of Supply
- Determining Customer Classification – Meter Size vs. Customer Type
- Allocating Tiers to Customer Classes
- Tier Limits
- Alternative Tier Limits
- Tier Limit Comparison
- Cost Allocation
- Revenue Offsets
- Peaking Factors and Allocation
- Capital Replacement
- Allocating Capital Costs to User Charges (RTS and Commodity)
- Distribution of Costs
- Cost of Service and Rate Structure Study Time Line

General discussion took place regarding unbilled water during which Director Sannella suggested a review of District facilities such as sinks and toilets to identify inefficiencies in regard to unbillable water that is lost compared to the cost of upgrading facilities. Director Martin requested data on the District's cost to replace fire hydrants that have been hit or damaged and the District's cost recovery ratio, to which staff responded.

Assistant General Manager Scaglione asked for the Board's direction to proceed with determining customer classification by the current method, meter size, as it appears to be the most homogeneous grouping.

General discussion/question and answer took place. Consensus to move forward by tiers by meter size was given.

Assistant General Manager Scaglione asked for the Board's direction in determining tier limits. The consensus of the Board was to direct staff to proceed with staff's recommendation of splitting the desal between Tiers 2 and 3, with the Tier 1 limit capturing OMWD water, and the Tier 2 Limit equal to the average maximum demand.

Assistant General Manager Scaglione anticipates the Draft Cost of Service and Rate Structure Study will be complete and ready to present to the Board on April 19.

General discussion took place.

Mike Hunsaker, member of the public addressed the Board stating that over the years he has observed the District, he has found staff to be much more accurate than the County as far as water projections. It looks fairly reasonable provided that we have a reasonable amount of development. There may be an issue with Tier 1 if you are charging anyone for water that is below cost. He thinks it's important to note to the public that there is a reason why the water is costing much more than in a wet year. We pay for reliability. We have fixed contracts and pay fixed costs which help a lot in drought years and cost quite a bit in wet years. He suggested the use of graphs to illustrate minimum average use and maximum average use more easily. He complimented staff on using 2016 figures. He thanked the Board.

SAN MARCOS BOYS AND GIRLS CLUB ANNUAL AUCTION

General Manager Pruim stated this item was placed on the agenda for the Board's consideration of District support for the 2017 Boys and Girls Club annual auction on Saturday, April 29, 2017.

General discussion took place regarding whether or not to purchase a table at the event. In previous years it has been difficult to fill a table of ten attendees. Director Martin suggested if staff bring a spouse/significant other to the event, staff does not have to pay for their guest's ticket as allowable by law. Legal Counsel Scott stated Board members are required by law to pay for their spouse/significant other's attendance to the event.

17-02-16 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried 4-1, with Director Evans voting no, to tentatively approve the purchase of a table of ten only if attendance to fill the table is confirmed and no per diem is authorized.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The District completed lead testing within the San Marcos School District. The results of the testing have been forwarded to the School District so that they may take appropriate actions if necessary.
- The officials at Lake Oroville are trying to draw down the lake level as much as possible prior to the predicted storms.
- Due to the lack of a quorum and any urgent agenda items, he is cancelling the March 1 Regular Board meeting.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott reported on a local 218 case, Plantier vs. Ramona Municipal Water District. The case involves a challenge to the method the district uses to calculate sewer fees. The first phase relates to whether the Plaintiff properly challenged the fee and exhausted his remedies before filing suit. The case is pending before the Court of Appeals and is receiving state-wide attention.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next Board meeting is scheduled on February 23.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which capital improvement projects (digesters, regenerative thermal oxidizer) were reviewed, a potential contract for assessment of capital was discussed, and the meeting time was moved from 7:30 a.m. to 8:00 a.m.

President Elitharp reported on his attendance to the Policy and Finance Committee meeting on February 27 at which the Committee established meeting dates for 2017 and heard a report on the CalPERS discount rate reduction.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Evans, Hernandez, Elitharp and Martin reported on their attendance to the Urban Water Institute's Spring Water Conference.

Director Sannella reported on his attendance to the San Diego North Economic Development Council Investor meeting on February 9.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Martin commented there might be a need to reschedule the cancelled March 1 Board meeting. General Manager Pruiem will determine if there are any pressing items that cannot wait until the March 15 Board meeting.

Director Hernandez would like to schedule a time for the Board to tour the South Lake area. Legal Counsel Scott cautioned a tour such as this would be subject to the Brown Act if more than two Directors attend the tour at the same time and recommended the Board tour the South Lake facilities in groups of two, two and one.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 8:17 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 15, 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 Pruim, Secretary
Board of Directors
Vallecitos Water District