

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MARCH 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 Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Evans (Arrived 5:06 p.m.)
Director Hernandez
Director Martin
Director Sannella

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

ADOPT AGENDA FOR THE REGULAR MEETING OF MARCH 15, 2017

17-03-01 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to adopt the agenda for the Regular Board Meeting of March 15, 2017.

PUBLIC COMMENT

None.

CONSENT CALENDAR

17-03-02 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, with Director Evans absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Closed Session Board Meeting – February 15, 2017
- B. Regular Board Meeting – February 15, 2017
- C. Finance/Investment Meeting – February 22, 2017

1.2 Warrant List through March 15, 2017 - \$3,458,686.66

1.3 Financial Reports

- A. Water Meter Count – February 28, 2017
- B. Water Production/Sales Report – 2016/2017
- C. Water Revenue and Expense Report – February 28, 2017
- D. Sewer Revenue and Expense Report – February 28, 2017
- E. Reserve Funds Activity – February 28, 2017
- F. Investment Report – February 28, 2017

1.4 Winter 2017 Between the Pipes – Vallecitos Water District Quarterly Newsletter

ACTION ITEMS

Director Evans arrived to the meeting at the beginning of the discussion regarding the pump zone charges.

PUMP ZONE CHARGES

General Manager Pruim stated this item was previously discussed by the Board at the January 18, 2017 Board meeting. Notices were sent to affected residents prior to that meeting. Feedback received from affected residents was the basis for the discussion at this meeting.

General Manager Pruim provided a presentation regarding pump zone charges which included the following information:

- What is a Pump Zone?
- District Pump Zone Map
- Costs Associated with Pump Zones
- How Do We Allocate the Costs?
- Assumptions
- Alternatives Considered
- Timing of Charges
- Staff Recommendations

General discussion took place during which Director Sannella requested historical information on the pump zone charges.

General Manager Pruim asked the Board for direction on what percentage of pump zone costs is the District trying to capture through pump zone charges, how will those costs be spread across District customers, and when should the new charges be effective?

Thirteen members of the public addressed the Board stating their opposition to potential pump zone increases. They expressed their concerns regarding the dramatic rate increases in a short period, electricity costs, lack of adequate planning to anticipate increases, the legality of charging different rates depending on where customers live, use of solar to reduce energy costs, over development, cutbacks to agricultural customers, cost and maintenance of fire hydrants and easements, meter sizes, accuracy of staff's calculations, and leadership/management of the District. The Board and staff responded to their concerns.

General discussion took place during which the option of leaving existing pump charges as they are and spreading the charges for the deficit funds among all customers was also considered. General Manager Pruim clarified that the District is currently collecting approximately 40% of the pump zone costs and the deficit is roughly \$240,000. This amount is already being apportioned among the District's remaining 19,000 – 20,000 customers who are not benefiting from the service directly.

Director Sannella stated he was in favor of charging all non-pump zone customers a \$.03 or \$.04 per unit pumping charge to make up the deficit and keeping the current rates as is for the customers in the pump zones.

William Mansfield, member of the public, addressed the Board stating he agreed with Director Sannella and suggested the Board send a letter to all customers to see how others feel about it.

General discussion took place during which the consensus of the Board was to direct staff to calculate what the actual numbers would look like for the option of sharing the pump zone charges throughout the District, determine when pump zone charges were last discussed (before January 2017) and what the charges were at that time. Director Hernandez requested a letter be sent to all District customers prior to the meeting at which this topic will be addressed again. General Manager Pruim stated the cost of mailing a letter to all customers will be approximately \$10,000.

The Board scheduled a Workshop meeting to further discuss new alternative pump zone charges on Thursday, April 20 at 5:00 p.m. The Board requested staff provide figures on the cost of operations and maintenance in the pump zones as well.

CHANGE ORDER REQUEST FOR MEADOWLARK WATER RECLAMATION FACILITY (MRF) TERTIARY MEDIA FILTER REPLACEMENT

Capital Facilities Senior Engineer Hubbard stated the tertiary filters are six concrete basins that process secondary wastewater effluent into recycled water. A District study determined the current media profile was too coarse and needed to be replaced with finer media to assist in removing smaller particles from the secondary wastewater effluent thereby improving turbidity and the quality of the recycled water. The new media will also reduce chemical use and costs, and increase efficiency of the filters.

Director Martin asked if the District is reimbursed 100% for costs associated with recycled water at MRF. General Manager Prum stated the District's agreements to sell recycled water are based on the costs to produce that recycled water. Legal Counsel Scott clarified that the District recovers all its costs per the recycled water agreements.

Capital Facilities Senior Engineer Hubbard further stated that during removal of the existing media in the first three tertiary filters, the epoxy coating of the concrete walls showed significant signs of failure below the elevation of the media that was not detected until the media was removed. Although District Ordinance No. 146 Section 4.1.1 requires Board approval for change orders exceeding 10% of the contract value, staff requested the contractor begin repairs to the coating system under a contract change to prevent significant additional cost to repair the coating system later and construction delay costs, as well as to prevent delays to the construction schedule which is affecting MRF returning to full operational capacity. Full operational capacity is necessary to meet contractual obligations, especially for the upcoming spring and summer months when recycled water demands increase. A budget adjustment is not requested at this time and will be evaluated after the project is complete.

Staff recommended the Board approve the change order to Carbon Activated Corporation in the amount of \$153,803 for the MRF Tertiary Media Filter Replacement, subject to provisions of the contract.

General discussion took place.

17-03-03 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the change order to Carbon Activated Corporation in the amount of \$153,803 for the MRF Tertiary Media Filter Replacement, subject to provisions of the contract.

2017 COST OF SERVICE AND RATE STRUCTURE STUDY REVIEW AND UPDATE

Assistant General Manager Scaglione provided an update regarding the current progress on the development of the 2017 Cost of Service and Rate Structure Study. As directed by the Board, staff proceeded with a water rate structure tiered by customer classes according to meter size, basing the highest of the three tiers on average maximum use, leaving some committed desalinated water purchases in Tier 3 and moving some from Tier 3 to Tier 2. Staff has completed a spreadsheet documenting methodologies, processes and calculations for the study, which will be the basis for the rate model and final report. The Finance/Investment Committee will be reviewing the rate model in detail at their next meeting.

Assistant General Manager Scaglione briefly discussed the draft 2017 Cost of Service and Rate Structure Study which includes information on water rate history, how customer classifications were determined, demand projection, how the tier structure was developed, and cost allocation.

General discussion took place regarding the Finance/Investment Committee and its purpose. Consensus of the Board was to cancel the Finance/Investment Committee meetings scheduled on March 22 and 29, and schedule a Finance/Investment Committee meeting on March 27 at 3:00 p.m. to discuss budget line items. A Board workshop will be held on March 29 at 5:00 p.m. to discuss the 2017 Cost of Service and Rate Structure Study and an additional Board workshop will be scheduled for April 26 at 5:00 p.m.

Mike Hunsaker, member of the public, addressed the Board regarding his concerns about the dramatic shift in rate structuring. He stated the public needs to be a part of this and that there is still much to be resolved concerning multi-family units and agriculture. He asked what determines when a Prop. 218 process begins? He asked if it is because a certain class of individuals are affected or if it is the whole class. Legal Counsel Scott stated that in general, the courts have interpreted the rates to be a property-related fee. Mr. Hunsaker asked if pump zone costs were spread across the whole District, would that require a Prop. 218 process? Legal Counsel Scott responded that pump zone charges are one of the charges that are exempt.

This item was presented for discussion only.

RESOLUTION CONCURRING IN NOMINATION TO THE EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AGENCY (ACWA/JPIA)

General Manager Pruim stated the ACWA/JPIA is seeking nominations for their Executive Committee. San Bernardino Valley Water Conservation District is requesting Vallecitos Water District concur in the nomination of Melody McDonald. For a nomination to be made, a resolution in support of the nomination is required from three agencies.

General discussion took place.

17-03-04 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt a resolution concurring in the nomination of Melody McDonald to the Executive Committee of the ACWA/JPIA.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The District has tested water at three schools within the District boundaries. Requests were received for 15 additional schools to be tested for lead. Testing

will be completed by early next week. Director Hernandez requested information on the lead testing be included in the next District quarterly newsletter.

- General Manager Pruim commended Operations & Maintenance Manager Pedrazzi and his staff for being the leading agency in educating the school district on the lead testing program.
- All above-ground repairs have been made to the area of the recent 16" sewer pipe failure.
- A well production test will be performed at the District's avocado grove on March 16. Results will be shared with the Board. Director Hernandez requested the well be tested for water quality as well.
- A water main break occurred on February 23 on Rancheros Drive near the freeway entrance. No customers were without service. Final repairs will be completed this evening.
- The San Diego County Water Authority (SDCWA) is beginning its water rates study and is expected to present information to their Board on April 27. Director Sannella would like to receive a brief report from SDCWA pertaining to cuts, efficiencies or reductions, if any, they have made in their operating processes in the last year or two. General Manager Pruim will request this information. Director Evans stated she spoke with SDCWA's General Manager about the possibility of providing a presentation to VWD's Board on rates, water fix issues, and efforts going on with Metropolitan.
- Smoke testing of the District's wastewater system will be conducted north of Palomar College due to a recent large flow increase in that area. The testing will be conducted on March 21.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott reported the San Diego Regional Water Quality Control Board met today and passed a resolution supporting the path forward for the nutrient load reductions in Lake San Marcos and San Marcos Creek Watershed. The Board required all parties to be in attendance to present their support or opposition. After listening to all parties, the Board moved forward and supported the resolution.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated all five committees presented their draft workplans for the calendar years 2017 and 2018. The SDCWA Board authorized their General Manager to enter into an agreement for solar power on a floating photo voltaic power system at Olivenhain Municipal Water District. The project will hopefully produce six megawatts of energy and will cover twenty acres. The system is expected to be operational in late 2018.

Director Evans reported the Hans Doe Foundation donated \$15,000 to the SDCWA. The funds were used to update the SDCWA's water display in the Fleet Science Museum.

Director Evans stated there were 2,500 legislative bills presented. She offered to send the information to interested Directors.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which engineering services for the E-Camp were approved. The Energy and Omissions Strategic Plan and Biosolids Management Plan were authorized in the hopes of finding more revenues similar to the efficiencies resulting from the Fats, Oils and Grease Program.

President Elitharp reported on his attendance to the Policy and Finance Committee meeting on March 7 at which the Committee reviewed the 2016 Annual Pre-Treatment Program Report and authorized the path to solicit proposals for the FY2017 Ocean Outfall Maintenance and External Inspection Services.

STANDING COMMITTEES

Director Martin reported the Finance/Investment Committee met on February 22. The Committee meetings are now being audio recorded.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the February 21 Council of Water Utilities (COWU) meeting, the California Association of Sanitation Agencies (CASA) and Association of Water Agencies (ACWA) Washington, D.C. conferences, and the San Diego North Economic Development Council (SDNEDC) Investor meeting.

President Elitharp reported on his attendance to the CASA and ACWA Washington, D.C. conferences.

Director Martin reported on his attendance to the ACWA Legislative Symposium held in Sacramento and the SDNEDC Investor meeting.

Director Sannella reported on his attendance to the COWU and SDNEDC Investor meetings.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez commended Director Sannella for the fine job he did at the Republican Caucus. He also commented on a National Geographic documentary televised last night regarding water and power.

Director Sannella commented on the 2016 Year in Review that was distributed to the Board, stating that it was very well done. General discussion took place as to the distribution of the report as only 100 are printed due to the high printing cost. General Manager Pruim stated the report will be available on the District's website. Suggestions were made to place copies in the lobby of the District office and public areas of San Marcos City Hall and the school district. Director Sannella suggested for future years possibly replacing one of the District's quarterly newsletters with the Year in Review to defray some of the cost of printing the report.

Director Martin congratulated staff on the new Between the Pipes quarterly newsletter which replaces the former SPLASH! newsletter. He concurred with Director Sannella that the Year in Review needs a wider distribution.

Director Sannella requested his District email address be added to his profile page on the District's website so that the public can more easily contact him.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 8:52 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, April 5, 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