

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, AUGUST 17, 2016, 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.

Director Martin led the pledge of allegiance.

Present: Director Evans
Director Hernandez
Director Martin
Director Sannella

Absent: Director Elitharp

Staff Present: Interim General Manager Scaglione
Legal Counsel Scott
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Owen
Public Information/Conservation Supervisor Robbins
Human Resources Analyst Anderson
Purchasing/Warehouse Assistant Minitier
Executive Secretary Posvar
Administrative Secretary Johnson

ADOPT AGENDA FOR THE REGULAR MEETING OF AUGUST 17, 2016

16-08-14 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Elitharp absent, to adopt the agenda for the Regular Board Meeting of August 17, 2016.

INTRODUCTION

Human Resources Analyst Bridget Anderson introduced new employee Fernando Mata, Wastewater Treatment Plant Operator I.

PRESENTATIONS

Accounting Department & Purchasing/Warehouse Department Presentations

Accounting Supervisor Owen facilitated the Accounting Department presentation as follows:

- Accounting Functions
- Cash Receipts/Accounts Payable & Accounts Receivable
- Payroll
- General Ledger
- Monthly Reporting

Purchasing/Warehouse Assistant Minitier facilitated the Purchasing/Warehouse Department presentation as follows:

- Warehouse/Purchasing Team
- Warehouse
- What We Do
- Regulatory Requirements
- Staff We Support
- Other Duties

General question and answer took place during the presentations.

The presentations were for information only.

PUBLIC COMMENT

Tanis Brown, member of the public, addressed the Board speaking about the work being done at Heritage Park and expressing appreciation for the District establishing and maintaining their native garden and collaborating on the “Hands on History” education program. District staff provides a presentation regarding the history of water in San Marcos for over 800 students that attend their program every year. In 2015, Heritage Park was the recipient of a beautification project by North Coast Church, for which, with the assistance of District staff, they installed a water wall that includes old signs, a water pump, windmill, and various water features that add to the ambiance of the backyard of Heritage Park. This year they have been partnering with the San Diego Sustainable Landscaping organization, hosting workshops. They are looking at how rainwater is collected at Heritage Park, and are installing a small garden between the welcome center and the entrance to the Mary Connors Building. A turf removal workshop is scheduled on August 26 and another workshop will be held on September 10. She invited the Board to visit Heritage Park.

Mike Hunsaker, member of the public, addressed the Board stating he has been asked whether or not there are new sources of water that might come in to offset the massive overdevelopment that may occur in the District. He elaborated on the definition, responsibility, and enforceability of offsets as well as the concerns of recharging aquifers with salty Colorado River water. He thanked the Board.

President Sannella asked if the District currently has any water offsets, to which Interim General Manager Scaglione responded no.

CONSENT CALENDAR

16-08-15 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, with Director Elitharp absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Regular Board Meeting – August 3, 2016
- B. Special Board Meeting – August 8, 2016
- C. Special Board Meeting – August 9, 2016

1.2 Warrant List through August 17, 2016 - \$4,704,384.29

1.3 Financial Reports

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

1.4 Final Acceptance of Sewer Improvements for Mission 316, APN: 220-210-10, 41 & 46 (KB Home California, LLC)

1.5 Drought Update

ACTION ITEMS

ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE "BATES ANNEXATION," APN: 226-310-27 INTO THE VALLECITOS WATER DISTRICT SEWER IMPROVEMENT DISTRICTS 5 & 6

District Engineer Gumpel stated the original request for annexation into the District's sewer service area was submitted and approved by the Board on June 1, 2016. The property is currently within the water district boundary and is receiving water service from the District; however, it is not within the District's sewer service area. The property owner has paid all required fees (including wastewater capital facility fees for the single family residence) and completed the conditions of the annexation per District policy.

Staff recommended the Board adopt the resolution to complete the Bates annexation.

General discussion took place.

Mike Hunsaker, member of the public, addressed the Board expressing concern regarding the adequacy of future sewer capacity and the need to track capacity. He thanked the Board.

General discussion took place during which District Engineer Gumpel addressed Mr. Hunsaker's concern, explaining that Encina Wastewater Authority (EWA) requires the District to provide them with a monthly total which includes flow totals and committed totals. If the District reaches a specified percentage, EWA requires the District to begin planning for future expansions.

16-08-16 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, with Director Elitharp absent, to adopt the resolution.

Resolution No. 1498 - The roll call vote was as follows:

AYES: Evans, Hernandez, Martin, Sannella

NOES:

ABSTAIN:

ABSENT: Elitharp

Before discussing the next agenda item, Finance Manager Fusco provided data on electronic bill paying which was discussed during the Accounting Department presentation. He stated 13,500 customers out of a total of 22,000 in the system are using the electronic bill paying system. Approximately 6,300 customers are receiving emailed bills, and of those, about 3,700 are paying their bills electronically.

General discussion took place during which Director Martin commented that customers who pay their bills electronically are less expensive customers and questioned if they receive a rebate. Finance Manager Fusco responded that when the cost of customer service and billing decreases, the overall cost of the District decreases; however, there is a cost for the electronic billing system.

Director Hernandez requested staff provide information to the Board as to the cost savings associated with customers utilizing the electronic billing system and the benefit to the customer.

PROPOSED PUMP ZONE CHARGES FOR 2016 THROUGH 2018

Finance Manager Fusco stated the District established ten pump zones, servicing approximately 2,850 customers, to recover the cost of electricity related to pumping

water to higher elevation customers. Only customers directly benefiting from the additional cost of pumping are charged the actual power cost for water delivered.

He further stated that historically, pump zone charges have been determined by dividing estimated power cost by estimated demand in each pump zone. When electricity costs were extremely volatile, the District implemented one-third of the necessary charge to avoid spikes followed by drops and vice versa. This practice worked well for many years, but recent years have seen only rising power costs. As a result, pumping charges have fallen behind. The proposed pump zone charges include a smooth ramp to bring the charge current at the end of fiscal year 2018/19 and avoid spiking in fiscal year 2016/17.

General discussion took place, during which it was suggested that review of the pump zone rates be incorporated into the annual budget process.

Finance Manager Fusco stated the proposed pump zone charges will be included in the draft Ordinance presented at the Public Hearing on September 21, 2016 to consider rate adjustments District-wide.

This item was presented for information only.

ADOPT REVISED EMPLOYEE HANDBOOK

Administrative Services Manager Emmanuel stated the revised Employee Handbook (Handbook) was approved at the Board meeting held on July 20, 2016. Ordinance No. 66-3 provides that rules, regulations, and procedures establishing hours of work, salaries and other conditions of employment will be established by resolution. The Handbook includes policies previously adopted by the Board and provisions of Memoranda of Understanding with the Employee Association. The proposed resolution adopts the revised Handbook and repeals resolutions containing policies that conflict with the updated language in the Handbook. There have been no changes to the Handbook since the Board approved it on July 20.

Staff recommended the Board adopt the resolution to adopt the Employee Handbook; repeal Resolution Nos. 740, 838, 882, 980, 1029, 1365, 1400, and 1410 in their entirety; and partially repeal Resolution No. 788, Sections 2 and 3, Resolution No. 843, Sections 3 and 4, Resolution No. 877, Section 6, Resolution No. 1258, Sections III, V, and VI, Resolution No. 1379, Sections VIII and XII, and Resolution No. 1419, Table 2 of Section VI and Section X.

General discussion took place.

16-08-17 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried unanimously, with Director Elitharp absent, to adopt the resolution adopting the Employee Handbook, repealing eight resolutions in their entirety, and repealing sections of six resolutions as presented.

Resolution No. 1499 - The roll call vote was as follows:

AYES: Evans, Hernandez, Martin, Sannella

NOES:

ABSTAIN:

ABSENT: Elitharp

2017 CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) COMMITTEE AND EXPERT TEAM PARTICIPATION

Interim General Manager Scaglione stated that CSDA is asking for volunteers to participate and contribute on one or more of their Committees and/or Expert Feedback Teams to assist in shaping CSDA. Board members interested in participating should contact Executive Secretary Posvar before the October 14, 2016 deadline.

The Board took no action.

REPORTS

INTERIM GENERAL MANAGER

Interim General Manager Scaglione reported the following:

- Staff has reviewed options for solar power. One option would have cost over \$3 million which was not feasible when cuts were being made to the budget in order to keep rate increases lower. Another option was a Power Purchase Agreement (PPA); however, he recommended waiting to see what happens concerning the current litigation with San Diego Gas & Electric (SDG&E) regarding PPAs.

District Engineer Gumpel gave a brief timeline as to what a coalition made up of numerous water agencies is working on regarding the SDG&E rate case. He also discussed a report that was completed by a consultant utilizing the District's records to explore other options such as pooling power from various sites. Director Hernandez requested the report be provided to the Board for discussion at the next Regular Board meeting.

- Smoke testing was recently completed on Borden Road and Twin Oaks Valley Road.

- Two recent main line breaks occurred at Moon Valley Nurseries during excavation within an easement. Moon Valley Nurseries has been notified that they must restore the easement at their cost.
- The District previously sent a letter of opposition to SB 1298. The bill was opposed and re-written, and is now essentially a definition of what sewer is. The District has since withdrawn its opposition to the bill.
- Protest letters in regard to the 218 Notice have been received and will be provided to the Board for their review. Staff will send a personalized response letter to each person who sent a protest letter. President Sannella requested the Board be provided copies of the response letters.
- The Little Hoover Commission is active again. In 2000 special districts were targeted by this organization erroneously reporting special districts had \$19.5 billion in reserves. Although they corrected the error in their report, that figure still comes up now and then. Interim General Manager Scaglione will keep the Board apprised of the activities of the Little Hoover Commission as necessary.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott briefly discussed SB 163 which declares that it is a waste and an unreasonable use of water to discharge treated wastewater into an ocean outfall. The bill calls for 50% of wastewater to be reused by 2023; however, it does not address how to pay for it.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next Board meeting is scheduled for August 25.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting on August 17 at which the Committee accepted the aeration piping and diffuser replacement project, and authorized to award a contract to RMC Water and Environment to perform a water reuse feasibility study.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin and Hernandez reported on their attendance to the California Association of Sanitation Agencies annual conference August 10 - 12.

OTHER BUSINESS

ANNUAL REIMBURSEMENT REPORT FOR FISCAL YEAR 2015-2016

This item was presented for information only.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez requested the District's succession plan be placed on a future agenda for discussion.

President Sannella requested information on how much land the District owns on San Marcos Boulevard near Pump Station No. 1.

Director Martin inquired about the status of the District's avocado grove which is currently up for sale. Interim General Manager Scaglione stated the District received a counter to their latest offer; however, the counter was far too low to accept. The grove has fallen out of escrow twice. He will consider making improvements to the property to make it more marketable. Director Martin requested the grove be placed on a future agenda for additional information such as a plot layout and utility access.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a)
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)

Citizens Development Corporation, v. County of San Diego, et al.
United States District Court, for the Southern District of California
Case No. 12CV0334 IEG RB

PERSONNEL MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957(b)
– TO CONSIDER APPOINTMENT OR EMPLOYMENT OF A PUBLIC EMPLOYEE

16-08-18 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, with Director Elitharp absent, to move into Closed Session pursuant to Government Code Sections 54956.9(a) and 54957(b).

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 7:09 p.m. The Board, in Closed Session, was provided an update on the pending litigation and personnel matters. The Board took no action.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:10 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, September 7, 2016, 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:

Tom Scaglione, Secretary
Board of Directors
Vallecitos Water District