

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, OCTOBER 5, 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 Hernandez led the pledge of allegiance.

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

Staff Present: Interim General Manager Scaglione  
Legal Counsel Scott  
Administrative Services Manager Emmanuel  
District Engineer Gumpel  
Finance Manager Fusco  
Operations & Maintenance Manager Pedrazzi  
Development Services Senior Engineer Scholl  
Financial Analyst Arthur  
Executive Secretary Posvar  
Administrative Secretary Johnson

ADOPT AGENDA FOR THE REGULAR MEETING OF OCTOBER 5, 2016

16-10-03 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of October 5, 2016.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board thanking them for postponing consideration of approval of the Water Supply Assessment. He expressed concerns regarding the timing of the item on the agenda, Governor Brown's re-implication of water restrictions, and the lack of support and protection of the ratepayers. He thanked the Board.

CONSENT CALENDAR

16-10-04 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Regular Board Meeting – September 21, 2016
- B. Special Board Meeting – September 22, 2016
- C. Special Board Meeting – September 27, 2016

1.2 Warrant List through October 5, 2016 - \$1,978,394.58

### ACTION ITEMS

#### APPROVAL OF A REVISED WATER SUPPLY ASSESSMENT AND VERIFICATION REPORT FOR THE NEWLAND SIERRA SPECIFIC PLAN (COUNTY OF SAN DIEGO)

Director Evans stated she lives in close proximity to the Newland Sierra development but does not see that as a detriment. She received a letter questioning whether she has the approval of the Fair Political Practices Commission (FPPC) to vote on this matter. At the advice of Legal Counsel Scott, she recused herself from listening to this item or voting on it. She hopes to receive the FPPC's answer in the next month or so. She would like to be involved as there are many issues concerning this project should it move forward.

Legal Counsel Scott confirmed he had advised Director Evans and also advised all of the Board members to obtain guidance from the FPPC.

Director Evans left the meeting at 5:05 p.m.

Development Services Senior Engineer Scholl provided a presentation on the Newland Sierra Water Supply Assessment and Verification Report (WSA&V Report) which included:

- Newland Sierra Background
- WSA&V Report Purpose
- WSA&V Report Findings
- WSA&V Report Conclusions

Staff recommended the Board approve the Revised Water Supply Assessment and Verification Report for the Newland Sierra Specific Plan.

Question and answer took place.

Eric Armstrong of Fuscoe Engineering addressed the Board stating he is a professional engineer and his company has been retained by Newland Communities to work on the Newland Sierra project. He provided a presentation on the Water Supply Assessment and Verification Report and Summary of Water Conservation Study which included the following:

- California's Water Challenges
- Primary Laws and Regulations Dictating Water Conservation Today
- Water Supply Assessment and Verification
- GSI Solution's Technical Memorandum on Newland Sierra demands, including:
  - Newland Sierra Total Demand (gal/day)
  - Newland Sierra Indoor/Outdoor Demands (gal/day)

- Newland Sierra Demand Reduction Compared with WSA&V
- Newland Sierra Demand Reduction with General Plan (No Project Alternative)

Mr. Armstrong stated that the GSI Solutions Technical Memorandum demonstrates that through water conservation efforts, the Newland Sierra project will be one of the most efficient planned communities in San Diego County. HDR's WSA&V documents the projected water demands for the District and project area. Based on that data, HDR has determined there is a sufficient supply over a 20-year planning horizon to meet the projected demand of the Newland Sierra project and the existing and planned development projects within the District's service area. He asked that the Board follow staff's recommendation to approve the WSA&V update for this project.

Chris Garrett addressed the Board stating he is an attorney with Latham & Watkins representing the Golden Door. He provided information on changes that have taken place since the original WSA&V was approved by the Board in January 2016: a disagreement by Newland about the water demand factors used in the revised WSA&V; the District adopted the 2015 Urban Water Management Plan (UWMP) in 2016; the District adopted the water demand factors last month; and Latham & Watkins changed their comments to address what they think is the most recent forecast from the District of where things are headed. He stated the District is the only district out of 411 urban water management districts around the state which shows a deficit for every planning year out to 2040 between supply and demand in the UWMP. Because of the deficit, he feels the District is not in the position to approve new large scale residential projects until something is done to address the deficit.

Clif Williams addressed the Board stating he is a Land Use Analyst with Latham & Watkins. He discussed a memo provided to the Board that analyzes the water assessment. He stated the District projects a deficit in normal years and cannot verify water in planning documents if those documents begin in a deficit. He also noted that the District's UWMP provides water demand factors; however, the demand is significantly different from the demand projected by the County Water Authority. The District's UWMP indicates that 35% conservation is needed to create the supply to fill the demand gap.

Andrew Yancey addressed the Board stating he is with Latham & Watkins representing the Golden Door, a Vallecitos customer in District 1. He further stated the District's UWMP projects out until 2035, in every scenario, a supply deficit. The required conservation included in the WSA&V is not included in the UWMP. Additionally, the applicant of the project is now questioning the water duty factors used in the UWMP. Finally, if all of the information contained in the WSA&V is taken at face value, it still shows the project fails to meet their required demand in the year 2020 when comparing the existing zoning to the project zoning.

Development Services Senior Engineer Scholl responded to the presenters regarding the deficit in the UWMP, the project's conservation requirements, grey water systems,

District-wide perpetual conservation requirements, and duty factors. He stated the WSA&V shows a range of conservation, approximately 26% to 36%, that is required to balance the supply and demand.

General discussion took place during which Development Services Senior Engineer Scholl clarified the misunderstood notion of District-wide water rationing in order to supply water for the Newland development. This is not correct. Newland Sierra's proposed conservation measures to lower their projected demands will help the District meet its water supply as stated in the UWMP. He stated the San Diego County Water Authority's UWMP water demands projection for the District included conservation whereas the District's UWMP does not, which explains why the SDCWA's numbers are much lower than the District's.

General discussion took place.

Tom Kumura, member of the public, addressed the Board stating he didn't know who to believe regarding whether or not conservation can be a part of the UWMP. A law firm says it shouldn't be used and District staff is not sure. He thinks the District should find out what the statute says. He didn't think the Board could make a decision tonight on the WSA&V. He further stated that a lot of assumptions are being used. As pointed out by Director Hernandez, currently on this property of over 1,985 acres, no water is being used, but the applicant says it projects water use of 200 acres per day. When they say at the project level it uses so much water, and then when you look at the Newland project, under the WSA&V, it's going to save 11%. How can that be unless you are taking paper numbers when you are not utilizing any water at all? Some of the assumptions about the home builder, foundation studies of four occupants per home, those are old facts. He knows people that are cramming into homes because of the current economy. Some of the factors or assumptions that are being used have to be reviewed. In terms of conservation of water, in the past he tried to capture rainwater, but with the outbreak of Zika and other mosquito-borne illnesses, he doesn't think people are going to do that as much. When he's at the Lake San Marcos Kiwanis Club meeting with fellow members, some of them are still active at 80 or 90 years old. How much more water can you ask them to conserve? He doesn't think it's fair. In terms of trying to meet the supply and demand gap, we're going to do it through conservation or demand management, but the District's own staff couldn't even come up with what are the things to get you there? That's a concern he has. Tiered rates – you're going to punish people for conserving right now and then punish them even more with higher rates or putting in drought standards that they have to meet. One of the comments was, if you do something wrong, the District is going to be out of luck. It's not the District that's going to be out of luck; it's the people that live in the District and outside the District because they're going to have to help figure out how the District is going to get water. Water is life. It should not be treated lightly, it's not a joke. Take the time to study it, which the District is, but if the District doesn't have the facts, get the facts. He thanked the Board.

Dawn Lenzi, member of the public, addressed the Board stating that she is a recent homeowner in that community. In the approximate 3 ½ years that she has owned her home she wasn't told that there were 2,100 homes basically going in across her street. It wasn't disclosed to her during the purchase of the home. She bought her home because she wanted a rural community and to make sure she had a nice country quiet environment. That's not what she's going to get if this project goes through. She knows that from the District's perspective, it's more of a water situation. She has a concern that before the water was put in and this community was built, we can't even get the roads to get the people in there. We can't get people out of it safely. She is joining the sponsor group to try to make sure that before all decisions are made, that everything is considered, that there's due diligence. She stated she has been an accountant for 23 years. She works at Calloway Golf. She has spent her entire working life basing everything on numbers, facts and statistics. She takes everything, historical information and puts it into trends; she can give the District forecasts. She spent an hour reading through the WSA&V and found dozens of mistakes. She implored the Board to take the time, do their due diligence, and get all the facts. The first thing she noticed in the report is that it is based upon 2008 statistics and it is noted in the report that very few changes have occurred. Few means three to her. Does that mean two changes have occurred since 2008? It's hard to believe that we're going to base a lot of information and make a lot of decisions for future for a lot of people off of a 2008 report. She hopes information can be put together to realistically prove and have some facts behind it that support it before any decision is made.

Mike Hunsaker, member of the public, addressed the Board stating that while we talk about non-irrigation of open spaces, we do not talk about the community gardens and the irrigated fire protection zones. Under the District's drought measures, the District exempts these areas from any water restrictions period. This provides almost 400 acres of competing agricultural land with no restrictions at all. How do you have a water management system that puts such great gaps in the whole system? He stated the UWMP does not fairly and accurately measure potential demand. It leaves out the new density bonuses. The plan was based on zoning allowances and did not include density bonuses. He further stated that developers read the District's reports. They know the District is nearing the 30% moratorium level very quickly. We now have a frenzy of overbuilding going on, going far beyond the 30% level. It is imperative that we look at what is already permitted and what is coming online. He went to the San Marcos Planning Commission and asked for a list of the new projects in progress, it was six pages long. The District has instituted an overbuilding frenzy with massive requirements for conservation. This conservation is not conservation; it is impairment of the water rights of the existing rate payers. They are going to get these transferred to new developers at little costs to themselves. We need to go beyond just this issue of Newland Sierra. We need to look at the whole picture of development.

Tony Eason, member of the public, addressed the Board stating he is a resident of the Deer Springs Oak Mobile Home Park located directly across the road from the proposed project. The cooperatively owned community has been there about 60 years. He and many other residents are concerned about such a large project going in so close to

them; specifically, what the water demands of such a large project will require in the face of an ongoing drought in the State and the major conservation measures required very recently. The version of the UWMP that he reviewed did not include the Newland proposal. It showed a significant shortfall projected for every year for normal, single dry and multiple dry years for the next 20 plus years. The calculated things in order to meet the demand – acquiring desalinated water from outside which is very expensive water, as well as other outside resources, and the SDCWA document he read as existing and planned supplies - to him, those things are not only expensive but they are pretty vague. In order to balance the books in the supply and demand table that he read, about 30% of the demand was accounted for by conservation. 30% of conservation in addition to the roughly 25% to 30% that the State and County has had to do just in the last year is an awful lot to ask for conservation to account for it. Is that possible? According to the District's books, it says that the 30% conservation isn't really possible. It says that conservation should account for about 17% of the demand reduction by 2020. His concern is that we need to reduce future demand. To him, that would mean no development should be considered unless we have adequate, confirmed, affordable water into the future. Otherwise, in the face of the ongoing increasing conservation demands, increasing costs of the additional water you have to bring in from desal plants and things like that is going to make major changes in the lifestyle of a lot of the residents in the area. His community is fixed-income seniors. He thanked the Board.

Stefanie Schubert, member of the public, addressed the Board stating she has been the Special Assistant Director of a church located on Sarver Lane for three years. The church owns 25 acres and has been there for approximately 50 years. The church focuses on meditation. They are very concerned about the development. Their interests are very similar to the Golden Door in preserving nature, silence and keeping the area rural. She stated the church's Board President is a developer and Managing Director of single and multi-family housing with a large Orange County company. He is very strongly opposed to this particular development and way of developing. He is also supporting all of the points made by Latham & Watkins. All of their members are very concerned about this. Before the September 21 proposed meeting, the District received a lot of emails. Today the public is not properly represented because of the change of date, the time of 5:00 p.m., and a lot of traffic. She further stated she worked as an architect previously and could offer a broad outside view of this kind of development. What she is seeing is that we are selling our land cheaply to developers that get the land cheap, knowing that they don't have to listen to the General Plan paid by taxpayers, that they don't have to listen to how much water is really there and they can still more or less get approved for whatever they want. It is starting to get more difficult though, which she believes is a very good thing. No new development saves water; however, obviously as an architect she is not against development. She has a lot of experience in Europe in big developing areas where the focus is on clustering multi-family housing near public transportation. Since the water supplies are limited, she is wondering if the District should not keep the water for these kinds of developments. If we give all the water away now to developments with big outside spaces, later on we are going to run out of space for recreation, housing and we won't have enough water to support more conserving, progressive development. She thanked the Board.

Elsa Morris, member of the public, addressed the Board stating she is a property owner in the District for over 30 years, a past customer of the District, and is now relying on groundwater. Her concern is whether or not the water supply verification the Board is considering complies with the government code as it relates to assessing and describing the impacts on groundwater for agricultural and industrial uses. She has agricultural uses on her property which abuts the project area on the northwest side. She has concerns about that. She asked that if a description in respect to groundwater was provided in the WSA&V, she would like to know where it is. She further stated that an irrigation assessment district was formed in the project area in the 1970's. The Vallecitos Water District installed a lot of infrastructure in the project area, and to her knowledge, none of it was used or at least now there is no agriculture planned for anticipated use in the project area. People are cutting down their trees, turning off their water, and avocados are pretty much out of the question. She thanked the Board.

Development Services Senior Engineer Scholl responded to the public comments regarding the District's demand management including the tiered rate structure, emergency allocations Stages 1-4, outreach, and education. He also addressed the irrigated fire protection zones of the proposed project, and the fact that the UWMP does not address density bonuses but is based on the approved land use of the various agencies. Water use projections in the UWMP are made using future to future comparisons, not present to future comparisons.

Legal Counsel Scott clarified that the District is not approving the Newland project; it is simply providing assessment and verification, based upon available information that it has, to the County. It will ultimately be decided whether the project moves forward based upon this assessment and verification. It will be approved by the land use body. The District is not a land use body. All of the information presented today will be a part of the Environmental Impact Report. The County will need to comply with the statutes in assessing the WSA&V.

General discussion took place.

16-10-05 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, with Director Evans absent, to approve the revised Water Supply Assessment and Verification Report.

Director Evans returned to the meeting at 6:48 p.m.

FINAL ACCEPTANCE OF WATER IMPROVEMENTS FOR DOUBLE PEAK ELEMENTARY SCHOOL OFFSITE & ONSITE, APN: 222-121-23, 24, 25, 26, 04, & 679-221-16 (SAN MARCOS UNIFIED SCHOOL DISTRICT)

Development Services Senior Engineer Scholl stated the San Marcos Unified School District, owner of project, has completed the installation of water facilities for their project. The onsite project constructed approximately 407 feet of 16-inch diameter steel water main, 117 feet of 8-inch PVC water main and abandoned an existing 16-inch

highline. The offsite improvements included 32 feet of 16-inch diameter steel water main along Attebury Road and connected to an existing 6-inch water main. All current fees and charges have been paid to date as well as all water capital facilities fees, and the annexation process has been completed.

Staff recommended the Board accept the project improvements and approve the filing of a Notice of Completion.

Director Hernandez confirmed with staff that the San Marcos Unified School District paid for all expenses of the project.

16-10-06 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to accept the project improvements and approve the filing of a Notice of Completion.

#### VALLECITOS WATER DISTRICT HEADQUARTERS SITE

District Engineer Gumpel provided a presentation on the options for and the feasibility of development of the approximately 32.7 acres of hillside on the District headquarters site which included:

- District Headquarter Facility
- Existing Undeveloped Hill
- Development Options
- Option Pros and Cons
- Environmental Conservancy
- Moderate Development with or without Environmental
- Maximum Development
- Maximum Development with or without Environmental
- Process

General discussion as well as question and answer took place, during which Legal Counsel Scott explained that the process to develop the site would start with declaring the property as surplus property. Once the property is declared surplus, it must be offered for sale or lease to the City of San Marcos and the school district. The District needs to have a sound understating of the potential and value of the property before declaring the property as surplus or entering into good faith negotiations.

16-10-07 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to direct staff to obtain Request For Proposals from certified appraisers for an appraisal of the property based on the options presented today.



ORDINANCE ESTABLISHING RATES, RULES, AND REGULATIONS FOR WATER SERVICE WATER RATE INCREASE

Interim General Manager Scaglione stated the proposed ordinance reflects the Board's action at the September 21, 2016 Board meeting to keep the current rate structure as is and to pass-through one half of the wholesale commodity increase imposed by the District's water purveyors effective January 1, 2017. There will be no change to the ready-to-serve charge, pumping charge or the sewer service charge.

Staff recommended the Board adopt the ordinance establishing water commodity rates.

General discussion took place.

16-10-08 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried 4 - 1, to adopt the ordinance.

Ordinance No. 202 - The roll call vote was as follows:

AYES: Elitharp, Evans, Hernandez, Martin  
NOES: Sannella  
ABSTAIN:  
ABSENT:

REPORTS

INTERIM GENERAL MANAGER

Interim General Manager Scaglione stated that District Engineer Gumpel has been attending the coalition meetings for water recycling and asked him to provide the Board with an update on the coalition's activities and grant opportunities.

District Engineer Gumpel stated the District is part of the North County Water Reuse Coalition. The coalition completed a feasibility study three times to comply with Federal and State laws and rules that have changed. The final document was adopted without challenge and was submitted to Dennis Grove of the U.S. Bureau of Reclamation. A response was received this week indicating that no additional edits were required. If and when the U.S. Bureau of Reclamation receives grant money, the District is already in line to receive funds. The Army Corps of Engineers' bill currently going through the House and Senate has passed. Each chamber passed a different version of the bill and has stated their differences are minor and not contradictory. However, funds for recycled or water reuse projects were excluded.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

Director Elitharp stated the Policy and Finance Committee has not met since the last Board meeting and is scheduled to meet on October 11.

Director Hernandez stated the Capital Improvement Committee has not met and is scheduled to meet on October 19.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin, Hernandez and Elitharp reported on their tour of Padre Dam's Advanced Water Purification Demonstration Facility and Santee Lakes.

Director Martin reported that he interviewed the two candidates individually for the General Manager position and is requesting per diem for these interviews. This item will be placed on the next Regular Board meeting agenda for Board consideration.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez requested the 218 process for 2017, the 1" water meter issue and power charges be placed on a future agenda when the new General Manager is in place.

President Sannella stated he did not agree that the 218 process needs to be discussed so soon after just having gone through it.

Director Evans concurred with Director Hernandez.

Director Martin stated that a Finance Committee meeting will be scheduled as soon as possible. He also requested Legal Counsel Scott to look into the way the Board conducts its committee meetings.

Legal Counsel Scott clarified that a standing committee that meets on a regular basis and is an ongoing committee has to be noticed and the Brown Act provisions must be followed. There is a provision however, that allows the President to appoint two Board members to an ad hoc committee which does not have to comply with the Brown Act. This would be a special committee with a specific task of minimum duration. Minutes should be taken at committee meetings, although it is not necessary that staff takes the

minutes.

Director Evans requested committee meetings be placed on a future agenda for discussion. She would prefer staff be included in committee meetings and that the meetings be recorded. When she and others were elected to the Board in 2012, they challenged that meetings were being held behind closed doors. She feels that committee meetings are being conducted behind closed doors if they are not willing to be recorded, and the public does not have the opportunity to view the meetings.

Director Hernandez asked the Finance Committee to consider expanding the committee to include selected members of the public.

Director Martin stated he would like to discuss budgetary cuts at the next Finance Committee meeting.

President Sannella asked Legal Counsel Scott for clarification as to why a Board member would have to recuse themselves from an agenda item.

Legal Counsel Scott explained a provision in the FPPC Act. If a matter is coming forward to a public official to make a decision on where there is potential that the matter may have a financial effect on their property, they have to consider recusing him or herself because of the potential conflict.

Director Martin commented that while attending a function recently, a family asked him why a Harley Davidson was in the back of a District vehicle. He inquired about the policy regarding personal use of a District vehicle.

Interim General Manager Scaglione stated that on-call duty staff are required to use their District vehicle no matter what, including personal use, while on duty to minimize response time.

Interim General Manager Scaglione stated two items will be brought back to the Board for consideration at the next Regular Board meeting: per diem for attendance to the Padre Dam reclamation tour and Director Martin's request for per diem for his interviews with two candidates for the new General Manager position.

### CLOSED SESSION

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

16-10-09 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to move into Closed Session pursuant to Government Code Sections 54957(b).

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 8:10 p.m. The Board, in Closed Session, directed Counsel to take appropriate action concerning the recruitment of a new General Manager.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 8:11 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, October 19, 2016, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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Michael A. Sannella, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Tom Scaglione, Secretary  
Board of Directors  
Vallecitos Water District