

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 7, 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.

OATH OF OFFICE

Legal Counsel Scott administered the Oath of Office to elected Board members Betty Evans (Division 1), Mike Sannella (Division 4), and Hal Martin (Division 5) to fill the terms of Director ending in 2020.

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

Staff Present: General Manager Pruim
Assistant General Manager Scaglione
Legal Counsel Scott
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Capital Facilities Engineer Santos
Accounting Supervisor Owen
Financial Analyst Arthur
Executive Secretary Posvar
Administrative Secretary Johnson

Others Present: Scott Manno, Rogers, Anderson, Malody & Scott, LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 7, 2016

16-12-01 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to adopt the agenda for the Regular Board Meeting of December 7, 2016.

PUBLIC COMMENT

Mike Hunsaker, member of the public, congratulated the winners of the recent election and wished the Board a Merry Christmas and a happy New Year. He expressed concern regarding the new rate structure, the impact to multi-family customers, the Governor's concern for more conservation, Senate Bill 814 exemptions to individual metering for high

density apartments, and no rationing allowed for 380 to 390 acres of a fuel modification zone in the Newland Sierras project.

Mr. Hunsaker did more research into marijuana and found that in Pueblo, Colorado, the biggest marijuana farm is only 37 acres and produces \$22 million of revenue per year. He stated that marijuana only thrives below the thirty-fifth parallel, which includes southern California, and we are going to see a disproportionate amount of marijuana in our region and we don't have the water for it. He thanked the Board.

CONSENT CALENDAR

16-12-02 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Warrant List through December 7, 2016 - \$1,598,677.00

1.2 Investment Report – November 30, 2016

ACTION ITEMS

ANNUAL BOARD TRANSITION

General Manager Pruim stated that every year the Board appoints a new President and Vice President. Based on past practice of rotating the presidency, Director Elitharp is in line to become President and Director Hernandez is in line to become Vice President.

16-12-03 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to elect Director Elitharp President of the Board of Directors and to elect Director Hernandez Vice President of the Board.

President Elitharp presented Director Sannella with a book highlighting his term as President.

Director Sannella stated it was a pleasure serving as Board President and he looked forward to accomplishing much during the next four years on the Board.

COMMITTEE APPOINTEES AND REPRESENTATIVES

President Elitharp distributed a list of committee assignments to the Board, which the Board reviewed.

16-12-04 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the committee members as presented.

COMMITTEES

ENGINEERING/EQUIPMENT	Jim Hernandez (C), Craig Elitharp
FINANCE/INVESTMENT	Hal Martin (C), Mike Sannella
LEGAL/LEGISLATIVE AFFAIRS	Mike Sannella (C), Hal Martin
PUBLIC AWARENESS/PERSONNEL/POLICY	Betty Evans (C), Jim Hernandez
AD HOC	Will be assigned on as needed basis (C) = Chairperson

REPRESENTATIVES

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) BOARD OF DIRECTORS/REGION 10	Finance Liaison: Tom Scaglione
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) FINANCE COMMITTEE	Chair: Tom Scaglione
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) ENERGY COMMITTEE	Member: Hal Martin
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) GROUNDWATER COMMITTEE	Member: Jim Hernandez
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) MEMBERSHIP COMMITTEE	Member: Hal Martin
ACWA/JPIA	Delegate: Hal Martin Alternate: Betty Evans Finance & Audit Committee: Tom Scaglione, Vice Chair
CALIFORNIA ASSOCIATION OF SANITATION AGENCIES (CASA) – LEGISLATIVE COMMITTEE	Delegate: Craig Elitharp Alternate: Betty Evans
ENCINA WASTEWATER AUTHORITY	Delegates: Craig Elitharp & Jim Hernandez Alternate: Glenn Pruum
SAN DIEGO COUNTY WATER AUTHORITY (SDCWA)	Delegate: Betty Evans
SDNEDC	Delegate: Mike Sannella

FISCAL YEAR 2015/16 ANNUAL AUDIT REPORT

Finance Manager Fusco stated the District retained the auditing services of Rogers, Anderson, Malody & Scott, LLP in April 2015, for a three-year period to audit the District's annual financial statements beginning with the 2014/15 fiscal year.

Scott Manno of Rogers, Anderson, Malody & Scott, LLP provided a brief presentation on the objective of the audit, year-end audit field work performed, internal controls during the interim audit, and the auditor's responsibility. He discussed the audit letter detailing

management's responsibility for the financial statements and the auditor's responsibility as well as the auditor's opinion. He stated that the evidence they obtained is sufficient and appropriate to render their audit opinion and are rendering an unmodified opinion, which is the highest level of assurance possible.

General discussion took place during which Director Martin stated the Finance/Investment Committee, of which he is chair, will meet monthly beginning in January 2017 to stay abreast of the District's financial matters.

Finance Manager Fusco reviewed management's discussion and analysis including the financial highlights, and the financial statements which included the statement of net position; statement of revenues; expenses and changes in net position; statement of cash flows; and notes to the financial statements and required supplemental information.

General discussion took place regarding the District's per acre cost to purchase water from the San Diego County Water Authority (SDCWA). Financial Analyst Arthur stated that the District's "all in cost" (fixed and commodity) was \$1,458 per acre foot in 2014/15 and \$1,716 per acre foot in 2015/16, which included desal water and water purchased from Olivenhain Municipal Water District as well as SDCWA.

Finance Manager Fusco discussed the net operating income loss of \$800,000 due to depreciation and decreased revenue. Revenues are starting to come back and have trended positively June through October.

Staff requested the Board accept the fiscal year 2015/16 audited financial statements.

16-12-05 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to accept the fiscal year 2015/16 audited financial statements.

FINANCIAL INSTITUTION REGISTRY AND AUTHORIZATION

Finance Manager Fusco stated the District conducts transactions with various financial institutions throughout the year. A registry of financial institutions and staff authorized to transact business on the District's behalf is provided to the Board annually. The District also conducts transactions with various authorized broker/dealers who provide services to assist staff in procuring investments in accordance with the District's investment policy. Between June and December 2016, the following changes are occurring:

- Addition of General Manager to investment pools: Local Agency Investment Fund and San Diego County Investment Pool.
- Addition of one authorized signor, General Manager, on the general checking account at Union Bank.
- Addition of the General Manager to access Union Bank Trust and Custody.
- Title change for the Assistant General Manager from Interim General Manager.

Staff recommended continuing with the current registry of authorized broker/dealers and amending authorizations of financial institutions as presented.

General discussion took place, during which Director Martin asked if the District's credit cards had been changed to cards that provide rewards points which could be used by the District. Finance Manager Fusco responded no. He discussed CAL-Card, a credit card program used by other governmental agencies. The program applies minimal discounts to invoices but does not award cash or points to be used toward other purchases or travel. It was clarified that airlines and hotels provide awards programs for individuals, not corporations.

Director Sannella commented that if it's not beneficial to change credit card companies, staff can make the decision to keep the current credit card company.

16-12-06 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the resolutions amending authorizations of financial institutions as presented.

Resolution Nos. 1503, 1504, 1505, and 1506 - The roll call vote was as follows:

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

RESOLUTION UPDATING THE DISTRICT CREDIT CARD POLICY

Finance Manager Fusco stated Resolution No. 1492 delineates the District credit card policy and designates specific staff member's authorization to utilize District credit cards in the course of conducting official District business. An updated resolution is to be submitted to the Board of Directors annually for any changes. The proposed resolution is to grant General Manager Pruim a credit card for District use.

Staff recommended the Board adopt the resolution to update the list of credit card users.

16-12-07 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to adopt the resolution.

Resolution No. 1507 - The roll call vote was as follows:

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

AWARD OF CONSTRUCTION CONTRACT FOR MEADOWLARK WATER RECLAMATION FACILITY (MRF) TERTIARY MEDIA FILTER REPLACEMENT

Capital Facilities Senior Engineer Hubbard stated MRF has six concrete tertiary filters that process secondary wastewater effluent into recycled water. The media in the basins was installed in 2005 during a plant upgrade. The current media profile consists of coarse anthracite on top of a gravel layer. The proposed media profile is composed of a finer anthracite on top of a layer of sand and gravel. The new media profile will 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 increase efficiency of the filters.

Bids were received from four contractors. Staff and counsel completed the evaluation of qualifications and determined that Carbon Activated Corporation was the lowest responsive, responsible bidder. District staff will provide inspection and construction management. Outside services will be utilized for specialized inspection.

Staff recommended the Board award the construction contract to Carbon Activated Corporation in the amount of \$250,753 for the MRF Tertiary Media Filter Replacement, subject to provisions of the contract.

General discussion took place.

16-12-08 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to award the construction contract to Carbon Activated Corporation in the amount of \$250,753 for the MRF Tertiary Media Filter Replacement, subject to provisions of the contract.

REPORTS

GENERAL MANAGER

General Manager Pruim stated he is very happy to be on board with the District and has found everyone to be very welcoming.

General Manager Pruim reported the following:

- Governor Brown issued Executive Order B3716 to ensure that conservation is more of the way of life in California. As part of the Executive Order, various state agencies have drafted a regulatory framework to detail how this will be implemented. The draft framework was released at the end of November. The District and other water agencies are currently reviewing the document and will be submitting comments that will hopefully influence the final framework.

- The District will be working with the County of San Diego to identify projects that would focus on storm water issues, possibly a regional storm water capture project. Projects that are approved would be eligible for funding under the State's storm water grant program.
- As Director Martin indicated earlier, the Finance/Investment Committee will be conducting regularly scheduled meetings beginning in January. The date for the January meeting has not been set.
- Due to a lack of pressing agenda items and the proximity to the holidays, the December 21 Regular Board meeting will be cancelled.

General discussion took place.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott distributed information to the Board regarding Senate Bill 7 in response to Director Hernandez' request. He stated Senate Bill 7, passed and signed by the Governor on September 25, 2016, encourages water conservation in multifamily residential rental buildings. 46% of California's population lives in multi-family housing. Fewer than 20% of apartment residents are billed for their water use, so for 80% of California's apartment renters, there is no correlation between water usage and cost.

He further stated the bill is effective January 1, 2017; however, the portion of the bill relating to new construction and sub metering multi-family units is not effective until January 1, 2018. This bill complicates an already complicated situation.

General discussion took place.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board meeting is scheduled for December 8. She attended a pre-brief meeting on water planning this morning at which all of the things going on right now were discussed. The Water Control Board and Department of Water Resources are advocating for a budget of 55 gallons for inside use and cutting agriculture, but have not decided if this would pertain to land that is irrigated or land that is irrigable.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated a quorum was not met for the Capital Improvement Committee this morning due to a scheduling conflict with the San Diego North Economic Development Council's annual business breakfast meeting. The next Board meeting is scheduled for December 14.

President Elitharp reported on his attendance to the Policy and Finance Committee on December 6 at which Board meeting dates for 2017 were established and the Fiscal Year 2016 Comprehensive Annual Financial Report was reviewed and accepted.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the Association of California Water Agencies (ACWA) conference last week, during which he attended the Groundwater Committee meeting, the San Diego North Economic Development Council's (SDNEDC) annual business breakfast meeting this morning, and the California Special Districts Association (CSDA) quarterly dinner meeting on November 17.

Director Martin reported on his attendance to the ACWA conference, during which he attended ACWA/JPIA meetings and Energy Committee and Membership Committee meetings, the SDNEDC's annual business breakfast meeting, and the CSDA quarterly dinner meeting.

Director Sannella reported on his attendance to the SDNEDC's annual business breakfast meeting.

President Elitharp reported on his attendance to the ACWA conference, during which he attended the ACWA/JPIA Board of Directors meeting and Energy Committee meeting, and the CSDA quarterly dinner meeting.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella asked when the Board could expect an update on the possible development of the property behind the District offices. District Engineer Gumpel stated he is in the process of developing a Request for Proposal with legal counsel for a scope of work for appraisers to provide different options for purchasing and leasing the property. He anticipates being able to provide an update for the Board by the second Regular Board meeting in January.

Director Hernandez inquired about the status of the District's avocado grove, to which Assistant General Manager Scaglione responded he would be discussing this item with General Manager Pruiam.

Director Sannella commented there seems to have been numerous pipe breaks recently. He would like to receive trending data to compare this year to last year. Operations & Maintenance Manager Pedrazzi stated the Quarterly Operations and Metrics Report will be included on a January Board agenda. The report includes data for one year, but he

can also include prior years. Director Sannella requested data for the current year and the prior two years.

Director Martin stated that before tonight, he had not realized the District has never had an alternate delegate to the SDCWA. He asked that this be placed on the agenda for the next Regular Board meeting for further discussion regarding selecting an alternate delegate. Legal Counsel Scott stated the SDCWA does not allow alternates. Director Evans stated the SDCWA has a process that allows for proxy votes if necessary, and that Olivenhain Municipal Water District was selected as the District's proxy.

Directed Hernandez commented it appears the Water Resource Development and Reform Act is going to pass, which means there will be money available for projects. District Engineer Gumpel stated the North County Water Reuse Coalition (NCWRC) has already submitted a feasibility study to the U.S. Bureau of Reclamation for an \$80 million grant that would give \$8 million to each of the ten agencies in the NCWRC. Vallecitos is specifically focusing on moving forward with possible water reuse, future DPR if and when that becomes available, and the expansion of the chlorine contact tanks at the District's Meadowlark Reclamation Facility.

Director Hernandez requested information on marijuana and water usage.

Director Hernandez would like to set a date in the first quarter of 2017 to hold a joint meeting with the City of San Marcos. General discussion took place on this issue during which General Manager Pruim stated he is in the process of setting up a meeting with the City Manager to discuss common issues which may become items for a future meeting.

Director Hernandez requested Ordinance No. 201 be placed on the agenda for the next Regular Board meeting for discussion, specifically about the amount of overtime staff has worked due to the starting time of Board meetings, and separating public speakers from the important public meetings such as 218 and capacity workshops, which would be appropriate at the current 5:00 p.m. start time, and standard meetings.

President Elitharp stated he wanted to personally welcome General Manager Pruim. The Board is excited to have him on board.

General Manager Pruim stated that the topic of pump zone charges will be placed on an agenda for January.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 6:56 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, January 4, 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 Pruum, Secretary
Board of Directors
Vallecitos Water District