

MINUTES OF A SPECIAL WORKSHOP OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 8, 2016 AT 4:00 PM AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Sannella called the Board Workshop to order at the hour of 4:00 p.m.

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

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

Others Present: Brian Jewett, Black & Veatch

ORAL COMMUNICATIONS

None.

DISCUSSION ITEM

PROPOSED WATER RATE STRUCTURES AND SCENARIOS BASED ON COST OF SERVICE STUDY

Finance Manager Fusco stated that on August 7, 2013, the Board accepted a Cost of Service Study (COSS) prepared by Black & Veatch (B&V) which became the foundation for the current water rate structure. The COSS established a four tier rate structure and continued the practice of allocating water usage charges across tiers by meter size.

He further stated that given the San Juan Capistrano decision, District staff and Counsel believe it is prudent to examine Vallecitos' current tiered water rate structure. In July 2015, the District engaged B&V to perform an updated Cost of Service Study for water and wastewater charges, paying close attention to legal defensibility of the current and any proposed rate structures. B&V was also tasked with developing multiple water rate structures and scenarios in order to show the effects of different rate structures.

Five scenarios were presented to the Board at their January 6, 2016 regular Board meeting, at which three scenarios were chosen for continued discussion. The purpose of this workshop was to select a rate structure scenario to move forward with and select a date for the next workshop.

Finance Manager Fusco introduced Brian Jewett of B&V who provided a presentation on Water, Wastewater Rates and Pump Zone Charges and Cost of Service, which included the following:

- Why a Proposed Change?
- Rate Structure Change vs. Rate Adjustments
- Cost of Service (COS) Process
- What are Revenue Requirements?
- Water – Structures & Rates
- Water Budgets

Financial Analyst Arthur presented the following information:

- Recap 1/6/16 Meeting
- Advantages/Disadvantages – All Scenarios
- Scenarios Side-by-Side
- Estimated Rates – Ready to Serve
- Estimated Rates – Water
 - Single Family Residence
 - Irrigation
 - Commercial/Industrial
- Pump Zone Charges

Brian Jewett presented information on estimated rates for wastewater.

Discussion took place during and after the presentation.

Following discussion, the consensus of the Board was to direct staff to provide additional information regarding the commodity cost without the ready-to-serve cost; the current rate model with flat rates for all customers; firm costs, including staff costs, to develop a water budget rate structure; and history of sewer rate increases from 2013/14 to 2017/18. The Board requested this topic be continued to the next Regular Board meeting.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Workshop of the Board of Directors at the hour of 7:21 p.m.

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

ATTEST:

Dennis O. Lamb, Secretary
Board of Directors
Vallecitos Water District