

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 17, 2016, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Sannella called the Regular meeting to order at the hour of 4:00 p.m.

Daniella Arditti, Britney Chen and Lauren Browne led the pledge of allegiance.

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

Staff Present: General Manager Lamb
Assistant General Manager Scaglione
Legal Counsel Jackson
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Financial Analyst Arthur
Customer Service Supervisor Saavedra
Public Information/Conservation Supervisor Robbins
Executive Secretary Posvar
Administrative Secretary Johnson

Others Present: Brian Jewett, Black & Veatch

President Sannella stated that before entertaining a motion to adopt the agenda, he needed to make the Board aware that an item arose subsequent to the posting of the agenda, but prior to the time of this meeting which he believed required the Board to take immediate action. He made a motion, under Government Code Section 54952.2(b)(2) to propose an additional item for Closed Session – Personnel Matters pursuant to Government Code Section 54957(b) – To consider appointment or employment of a public employee. In order to make this addition to the agenda, he needed a motion, a second, and a 4/5 vote.

16-02-06 MOTION WAS MADE by President Sannella, seconded by Director Martin, and carried unanimously, to add an additional item to the agenda for Closed Session pursuant to Government Code Section 54952.2(b)(2) – Personnel Matters pursuant to Government Code Section 54957(b) – to consider appointment or employment of a public employee.

ADOPT AGENDA FOR THE REGULAR MEETING OF FEBRUARY 17, 2016

16-02-07 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt the agenda for the Regular Board Meeting of February 17, 2016, as amended.

PRESENTATIONS

Public Information/Conservation Supervisor Robbins presented certificates to Daniella Arditti, Britney Chen, and Lauren Browne, the top three entrants in the Poster Contest selected to represent Vallecitos Water District in the North County Water Agency 2016 calendar.

President Sannella presented District Engineer James Gumpel with the American Council of Engineering Companies' 2016 Engineering Excellence Merit Award that was bestowed to the District and Infrastructure Engineering Corporation for the San Elijo Hills Pump Station.

Customer Service Department Presentation

Customer Service Supervisor Saavedra facilitated the presentation as follows:

- Key Responsibilities
- Daily Processes
- In Office/Over the Phone assistance to customers
- Billing Calendar
- Billing
- Payment Options
- Policy and Practice
- Online Statistics

General discussion took place, during which Director Hernandez suggested information about each department be included in future issues of SPLASH!, the District's quarterly newsletter.

This presentation was for information only.

ORAL COMMUNICATIONS

Mike Hunsaker, member of the public, addressed the Board stating that at a previous meeting, Director Evans mentioned the turmoil going on within the San Diego County Water Authority dealing with the situation of massive water waste. He would appreciate

an update and some immediate action from the San Diego County Water Authority and even the District. He thanked the Board.

CONSENT CALENDAR

President Sannella requested a motion to remove Item 1.4 from the Consent Calendar as there was a member of the public who wished to speak on it.

16-02-08 MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to remove Item 1.4 from the Consent Calendar and approve the Consent Calendar as amended.

1.1 Approval of Minutes

- A. Board Workshop Meeting – January 27, 2016
- B. Regular Board Meeting – February 3, 2016
- C. Board Workshop Meeting – February 8, 2016

1.2 Warrant List through February 17, 2016 - \$1,716,039.79

1.3 Financial Reports

- A. Water Meter Count – January 31, 2016
- B. Water Production/Sales Report – 2015/2016
- C. Water Revenue and Expense Report – January 31, 2016
- D. Sewer Revenue and Expense Report – January 31, 2016
- E. Reserve Funds Activity – January 31, 2016
- F. Investment Report – January 31, 2016

Mike Hunsaker, member of the public, addressed the Board stating he didn't have any objections to this action going forth as it is written. He is concerned about the coming sewage treatment capacity and the likelihood this will be oversubscribed in the near future considering the massive amounts of new developments in the works. He is interested in what is coming later in the meeting regarding the water and sewage fees. Resolution No. 1441 states that the fees will be related to ordinances that are in effect at the time that the permit for occupancy is to be opened up, and that no water or sewage capacity is reserved or in any way entitled by the District's action tonight. He wants to be sure that the new fees and such that are going to be developed, and the models that the District has, continue to take into account the financing portion of these facilities.

President Sannella asked Mr. Hunsaker for his comments specific to Item 1.4.

Mr. Hunsaker stated there is a brewery attached to this project. He wanted to make sure that since a brewery is a very heavy user of both water and sewage that it is taken into proper account; that it is being done here and that it will be done in the future. Another area of heavy water and sewer use is laundromats, which are frequent in very profitable businesses for rentals and student housing. He thinks those should be costed separately. This project is indicative of the need for such. He thanked the Board.

General discussion took place.

16-02-09 MOTION WAS MADE by Director Elitharp, seconded by Director Martin, and carried unanimously, to approve Item 1.4.

1.4 Approval of Construction Agreement for Block F – Adaptive Re-Use (Urban Villages San Marcos, LLC)

ACTION ITEMS

DROUGHT UPDATE

Public Information/Conservation Supervisor Robbins stated that on February 2, 2016, the State Water Resources Control Board provided a mechanism for the San Diego region to receive drought-resiliency benefits from the Carlsbad desalination plant. With that facility now online, the Water Authority expects that state-mandated water-use targets for local water agencies will be reduced up to 8 percentage points. Under these new regulations, Vallecitos could see its water-conservation target closer to a 16 percent reduction. He noted the snow pack was measured at Echo Summit, CA on February 2. The survey showed the snowpack at 130 percent of normal for this site at this time of year; however, more recent data indicates the snowpack to be at approximately 91 percent of normal.

He provided the following update for the month of January:

- The District's January 2016 water production decreased 22.16% from January 2015 and 25.95% from January 2013.
- In January 2016, customers used 52.4 gallons per day compared to January 2015, when customers used 72.8 gallons per day.
- On May 5, 2015, the State adopted new regulations and mandated a 24% reduction in potable water use for Vallecitos from 2013 demands. Since the mandate, Vallecitos has achieved a cumulative 28.8% water conservation reduction.
- Budget-to-actual comparisons through January net out to a favorable budget variance of \$1.4 million in net operating income for the water division.

General discussion took place.

Public Information/Conservation Supervisor Robbins stated that on March 14, 2016 at 10:30 a.m., the District will be holding a joint event with Olivenhain Municipal Water District at the San Elijo Hills Pump Station to celebrate the “grand opening” of the pump station. He will forward information regarding this event to the Board.

Director Martin suggested a photo opportunity be planned on Cherokee showing the District ceremoniously turning the valve to make people aware that the District now has desalinated water, along with an article in the SPLASH! newsletter explaining the value of the desalinated water even though it is more expensive.

President Sannella requested a press release be issued when the credit to the District relating to the desalinated water is finalized. General Manager Lamb stated staff is already working on this and plans to post it on the District’s website as well.

This item was presented for information only.

WATER AND SEWER RATE MODEL PRESENTATION AND DISCUSSION

Finance Manager Fusco stated this item was presented as a continuation of the discussion that took place at the February 8 Board workshop regarding the various rate scenarios, and to answer questions and provide additional information the Board had requested at that workshop. He introduced Brian Jewett of Black & Veatch who presented the following information pertaining to water budgets:

- Residential Water Budgets
 - Indoor
 - Outdoor
- Irrigation & Commercial Water Budgets
- Cost & Effort Considerations

General discussion took place during and after Mr. Jewett’s presentation.

Assistant General Manager Scaglione stated that the defensibility of a water budget based rate structure is uncertain at this time as it is subject to the interpretation of the San Juan Capistrano court decision. He estimated the time line for implementation of the 218 process for a water budget based rate structure would be approximately one year, and the cost of the Cost of Service Study would be at least \$86,000 with an additional cost for the services of a consultant.

General discussion took place.

Financial Analyst Arthur provided a presentation based on proposed rate structure alternatives consisting of wastewater rates reflecting standard single family residence

increases (10 year); actual customer commodity water billing comparisons; relative comparison by commodity rates (no ready to serve charge) using existing rates and the three scenarios that have been presented to the Board; and, cost information on a water budget approach, as requested by the Board:

- Wastewater Single Family Rate History
- Uniform Tiered Structure
 - Customer Data
 - Tiered Usage
 - Projected Commodity
 - Existing Tiered Rates
 - Actual Bill Increase/Decrease
- Draft Rates
 - Single Family
 - Irrigation
 - Commercial/Industrial
- Comparison of Scenarios to FY 2015/16 Budget Presentation
 - Single Family Using 14 Units
 - Scenario 3 – Single Family 14 Units
 - Scenario 4 – Single Family 14 Units
 - Scenario 5 – Single Family 14 Units

General discussion took place during and after Financial Analyst Arthur's presentation.

16-02-10 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to direct staff to consider scenario 5 when moving forward with the Cost of Service Study.

Mike Hunsaker, member of the public, addressed the Board stating that water rights and such are probably the most complicated thing we can get into in the State of California. It is a lot easier in other states. He thinks a basis on per business type, per bedroom, is a much less invasive and much fairer system. There is also the issue of the ready-to serve costs. Shouldn't they be tiered as well? That is also an issue of equity and cost of service.

He further stated he is hoping this presentation will be posted on the website. It is important. He is hoping that the District goes to 6:00 p.m. meetings or something so that the public can have an opportunity to look at this. As far as the system, how do you handle a swimming pool? You have evaporate transpiration which usually applies to plants. Does that mean a swimming pool is extra? When you paid for your home, you paid for the facility fees. The facility fees were for a certain degree of capacity. Do you give that excess capacity now because it is excess because of the economic rationing that you are imposing? He cannot conceive of ultimately a challenge not going before

the courts if these ready-to-serve charges are not in some way related to a nexus. He thanked the Board.

President Sannella clarified that ready-to-serve is directly tied to the cost of facilities. General Manager Lamb confirmed this.

PROJECT ACCEPTANCE FOR MEADOWLARK WATER RECLAMATION FACILITY (MRF) SOLIDS FORCE MAIN REPLACEMENT PROJECT

District Engineer Gumpel stated this project involved the replacement of approximately 5,900 feet of existing 6" DIP force main with a new 7,300 LF section of PVC pipeline from MRF to an existing 16" pipeline in Melrose Drive north of Carillo Way in the City of Carlsbad. This project also replaced 395 feet of gravity sludge pipeline and 65 feet of gravity sewer influent pipeline at MRF.

He further stated all work has been completed with a total of 9 change orders. Additive change orders included additional asphalt pavement replacement, changes due to utility conflicts, and cleanout modifications. Deductive change orders included portions of pipeline installed by directional drilling instead of open-cut, odor scrubber modifications, and a reduction in the amount of slurry seal. The net total of the change orders resulted in a credit towards the District in the amount of \$14,430.

Staff recommended the Board accept the project, file a Notice of Completion, and authorize release of retention funds to the contractor following the 60 day notice period, provided no claims are filed.

General discussion took place.

16-02-11 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to accept the project, authorize staff to file a Notice of Completion and release retention funds to the contractor following the 60 day notice period, provided no claims are filed.

ORDINANCE NO. 194, BUSINESS OF THE BOARD

President Sannella stated Ordinance No. 194, adopted by the Board March 18, 2015, defines the various rules for the business activities of the Board. He wanted to discuss specifically the start time of Regular Board meetings.

General Manager Lamb provided background on various start times of Regular Board meetings in the past.

General discussion took place.

During general discussion, the question was raised if there is a topic that the Board feels may garner more public turnout, could a meeting time be changed in that instance without changing the time for all Regular Board meetings? General Manager Lamb confirmed that could be done at any time.

Legal Counsel Jackson stated if the Board decides to change the start time of Regular Board meetings, it must be accomplished by adopting a new ordinance in accordance with the Brown Act.

Director Hernandez suggested the starting time of Regular Board meetings remain at 4:00 p.m.; however, Board workshops pertaining to matters of great interest to rate payers could start at a later time in an effort to give the public an opportunity to attend if they are interested in the particular subject.

16-02-12 MOTION WAS MADE by President Sannella, seconded by Director Martin, and carried 3 – 2 with Directors Evans and Hernandez voting no, to modify Ordinance No. 194 to change the starting time of Regular Board meetings from 4:00 p.m. to 5:00 p.m.

The ordinance will be placed on the agenda of the next Regular Board meeting for approval.

CASA CALL FOR CANDIDATES – BOARD OF DIRECTORS

General Manager Lamb stated CASA is requesting nominations from CASA for four open seats on the Board of Directors. Nominations must be submitted by March 1, 2016.

General discussion took place.

The Board took no action.

REPORTS

GENERAL MANAGER

General Manager Lamb stated he has already received information pertaining to the process for applying for the drought-resiliency credit from the San Diego County Water Authority.

General Manager Lamb stated divers are on site to repair the valve at South Lake, and estimated the repair would be completed in approximately two weeks.

General Manager Lamb stated the Agriculture Management Plan, created by nine agencies to be able to receive credit, was approved last night. It has been submitted to the State and will become the standard.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

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

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting that was held today, at which discussion took place regarding an issue with settlement in the digesters.

Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on February 9, at which committee meeting dates for 2016 were established and resolutions were moved for financial transactions authorizations to the Board for approval due to a personnel change.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin, Hernandez and Elitharp reported on their attendance to the Urban Water Institute's Spring Water Conference.

Directors Martin, Hernandez, Elitharp, Evans and Sannella reported on their attendance to the Council of Water Utilities meeting.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez asked if the District has a succession plan in place. General Manager Lamb confirmed that the District has a succession plan for each department which is updated annually.

Director Elitharp suggested public outreach be done pertaining to the water quality issue in Flint, Michigan, to explain what is happening there and why it is unlikely to happen here.

President Sannella suggested an article about the Flint, Michigan issue appear in the SPLASH! newsletter as well.

CLOSED SESSION

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

16-02-13 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to move into Closed Session pursuant to Government Code 54957(b).

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 8:33 p.m. The Board, in Closed Session, provided direction to staff.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 8:34 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 2, 2016, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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