

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, JUNE 15, 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 Sannella

Absent: Director Martin

Staff Present: Interim General Manager Scaglione  
Legal Counsel Scott  
Administrative Services Manager Emmanuel  
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  
Information Technology Supervisor Fisher  
Public Information/Conservation Supervisor Robbins  
Financial Analyst Arthur  
Mechanical Maintenance Worker II Toth  
Collection Systems Worker II Richardson  
Executive Secretary Posvar  
Administrative Secretary Johnson

ADOPT AGENDA FOR THE REGULAR MEETING OF JUNE 15, 2016

16-06-12 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Martin absent, to adopt the agenda for the Regular Board Meeting of June 15, 2016.

PRESENTATIONS

President Sannella presented Angelito "Lito" Santos, Capital Facilities Engineer, with his license certificate for Professional Engineer in Civil Engineering from the State of California Department of Consumer Affairs Board for Professional Engineers, Land Surveyors, and Geologists.

Information Technology Presentation

Information Technology Supervisor Fisher facilitated the presentation as follows:

- IT Team
- Department History
- Responsibilities
- Teamwork and Technology
- Recent Projects
- On the IT Horizon
- San Diego Municipal Information Systems Association of California

General question and answer took place during the presentation.

This presentation was for information only.

### PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board, stating that one of the searches we have is to end water waste. He stated we have a situation which affects low income individuals far more than most where waste is rewarded in a perverse way; apartment dwellers that are served by a master meter with no ability to track down to individual apartments where there is waste. He spoke of a study in San Francisco of how water is used by apartment dwellers, finding 17% of all water is from leaks, and suggested landlords have a financial interest in avoiding repairs to save money, sometimes include the water cost plus a 5% administration fee in rent, and profit from laundries that use a lot of water. He suggested the District require, as far as any new apartment buildings, that every apartment has its own separate meter, charge laundries commercial rates, and apartment dwellers their own meters with no administrative fee.

He thanked the Board.

### CONSENT CALENDAR

16-06-13 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Martin absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Regular Board Meeting – June 1, 2016

1.2 Warrant List through June 15, 2016 - \$3,666,293.83

1.3 Financial Reports

A. Water Meter Count – May 31, 2016

B. Water Production/Sales Report – 2015/2016

C. Water Revenue and Expense Report – May 31, 2016

D. Sewer Revenue and Expense Report – May 31, 2016

- E. Reserve Funds Activity – May 31, 2016
- F. Investment Report – May 31, 2016

1.4 Appropriations Limit for Fiscal Year 2016/17

ACTION ITEMS

DROUGHT UPDATE

Public Information/Conservation Supervisor Robbins stated the State Water Resources Control Board adopted a statewide water conservation approach that replaces the prior percentage reduction-based water conservation standard with a localized “stress test” approach that mandates urban water suppliers act now to ensure at least a three year supply of water to their customers under drought conditions. The localized “stress test” approach took effect June 1, with each agency expected to identify its conservation standard no later than June 22. Based on information received from the San Diego County Water Authority (SDCWA), it appears the District will not have a conservation standard from now until January 2017.

He provided the following update for the month of May:

- The District’s May 2016 water production increased 16% from May 2015 but decreased 28% from May 2013.
- In May 2016, customers used 86.3 gallons per day compared to May 2015, when customers used 72 gallons per day.
- Since May 5, 2015 when the State adopted new regulations and mandated a 24% reduction in potable water use for the District from 2013 demands, the District has achieved a 25.9% water conservation reduction.

General discussion took place.

Interim General Manager Scaglione stated many water agencies have quietly dropped their Level 2 drought restrictions as there is no longer a mandate to be at Level 2 from the SDCWA. He believes it would be appropriate for the District to rescind the Level 2 drought restrictions and return to the Level 1 drought restrictions.

He further stated that Public Information/Conservation Supervisor Robbins is in the process of writing a new drought ordinance which will be brought to the Board for consideration at the July 6 Regular Board meeting. Discussion will also take place at that meeting regarding rescinding the Level 2 drought restrictions and going to voluntary Level 1 drought restrictions.

This item was presented for information only.

Mike Hunsaker, member of the public, addressed the Board welcoming the reduction in the drought restriction and hoping for an end to unrestricted water for fire protection

zones. He expressed concern over the potential water consumption of the proposed Newland Sierra project's community garden.

He further stated he is concerned about the three year stress test, new development, water projection in the Urban Water Plan and continued drought. He thanked the Board.

#### RESOLUTION ADOPTING THE 2015 URBAN WATER MANAGEMENT PLAN

Development Services Senior Engineer Scholl stated he presented the District's 2015 Urban Water Management Plan (UWMP) during a public hearing held on June 1, 2016 at the Regular Board meeting.

He further stated the District hired Ken Weinberg Water Resources Consulting under a peer review contract for the 2015 UWMP. Mr. Weinberg recommended improvements to the UWMP to emphasize what the District has done regarding conservation efforts for its customers and local supplies such as the desalinated water purchase agreement. To date, no comments have been received from the public.

Upon the Board's approval of the 2015 UWMP, copies of the document will be sent to the Department of Water Resources, the California State Library, and to the land use agencies within the District's jurisdiction by July 1, 2016. A copy of the document will be made available for public review as well.

Staff recommended the Board approve and adopt the 2015 Urban Water Management Plan.

Mike Hunsaker, member of the public, addressed the Board speaking as spokesman for the Twin Oaks Valley Property Owners Association, stating concerns over the availability of water.

He further stated his organization is particularly interested in the annexation of the Newland Sierra project, the lack of resources noted in the Urban Water Management Plan, the needs for capacity, and who is going to pay for it. He thanked the Board.

Development Services Senior Engineer Scholl responded to Mr. Hunsaker's concerns, explaining how the UWMP is written in regard to historical and projected demands, local and wholesale supplies, demand management measures and contingency planning. He stated the UWMP is not meant to address the elimination of agency fees.

16-06-14 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, with Director Martin absent, to adopt the resolution.

Resolution No. 1494 - The roll call vote was as follows:

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

PROJECT ACCEPTANCE FOR TWIN OAKS RESERVOIR: ON-SITE GENERATION OF SODIUM HYPOCHLORITE

Operations & Maintenance Manager Pedrazzi stated the project included the installation of brine and bleach storage tanks, sodium hypochlorite (bleach) generation equipment, SCADA for process monitoring and control, and injection pumps. The bleach produced by this system is used to maintain the water quality inside the Twin Oaks Reservoirs and the distribution system. Switching from chlorine gas to this system removed the acute hazard from the site. The District is no longer required to maintain the safety equipment or the regulatory programs associated with chlorine gas.

He further stated all work has been completed with one change order resulting in a budget deficit of \$8,105. The change order was requested by the District in order to install a larger and stronger concrete pad for the brine tank and necessary upgrades to the SCADA system for monitoring and controlling the onsite generation equipment.

Staff recommended the Board increase the budget \$8,105, 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.

16-06-15 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Martin absent, to increase the budget \$8,105, 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.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT ELECTING TO HAVE SEWER SERVICE FEES FOR IMPROVEMENT DISTRICT "A" FOR FISCAL YEAR JULY 1, 2016 TO JUNE 30, 2017 COLLECTED ON THE TAX ROLL

Interim General Manager Scaglione stated Sewer Improvement District "A" is a special service area where Vallecitos provides sewer collection services and another water agency provides domestic service and fire protection. For these areas, the District elects to have its sewer service fees collected on the tax roll. The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees for Improvement District "A". These fees are added to the tax bill of each

resident and are paid through the regular property taxes. The County of San Diego then transfers this revenue to the District. As part of this procedure, the District is required to hold a Public Hearing.

Staff recommended the Board adopt the resolution which sets the Public Hearing for the Regular Board meeting on July 20, 2016.

16-06-16 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, with Director Martin absent, to adopt the resolution.

Resolution No. 1495 - The roll call vote was as follows:

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

MEMORANDUM OF UNDERSTANDING WITH EMPLOYEES' ASSOCIATION FOR FY 2016/17, FY 2017/18, AND FY 2018/19

Assistant General Manager Scaglione stated negotiations on a new Memorandum of Understanding (MOU) with the Employees' Association were initiated in March 2016. A series of three offers and three counter offers were made. On May 18, the Board issued a Last, Best, and Final Offer which was approved by the Employees' Association on May 31.

He stated, in Director Martin's absence and on his behalf, that Director Martin did not recall a lump sum offset for PERS being offered.

He recognized negotiator Dennis Richardson and Employees' Association President Dean Toth for their efforts in the negotiating process.

Staff recommended the Board adopt the resolution approving the MOU.

16-06-17 MOTION WAS MADE by President Evans, seconded by Director Hernandez, and carried unanimously, with Director Martin absent, to adopt the resolution.

Resolution No. 1496 - The roll call vote was as follows:

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

### VOLUNTARY LOW-INCOME RATEPAYER ASSISTANCE (LIRA) PROGRAM

Public Information/Conservation Supervisor Robbins stated the San Diego City Council approved a program earlier this year to help low-income water utility customers pay their utility bills. The voluntary program, "Help to Others Program" or "H2O Program" offers customers the option to round up their bill payment or include an additional dollar that would be used to subsidize water bills for low-income San Diegans. The program must be voluntary as state law requires utilities to charge their customers no more than the actual cost of the service provided. Proposition 218 forbids imposing higher rates for some customers to subsidize others. The City of San Diego will be issuing a Request for Proposal to find a suitable organization to manage the program.

He further stated he recently surveyed seven water utilities to see if they had implemented any programs such as the San Diego program and found that none had. He identified one of the primary challenges to implementing a voluntary Low-Income Ratepayer Assistance (LIRA) program is the need for seed money. Before accepting donations, the District would need to modify its bills and billing system to collect and properly identify the donated funds.

He discussed pending legislation AB 401 that addresses low-income assistance in California which was approved by Governor Brown. The bill requires the State Water Resources Control Board, in collaboration with the State Board of Equalization, to develop a plan for funding and implementing a LIRA.

General discussion took place.

Mike Hunsaker, member of the public, addressed the Board suggesting the District attempt to obtain funding from the San Diego North County Economic Development Council (SDNEDC) for the LIRA program. He thanked the Board.

This item was presented for information only.

### MAHR RESERVOIR RECYCLED WATER CUSTOMER FILL STATION PROJECT

District Engineer Gumpel provided background information regarding the regional permit obtained by the joining together of the District with surrounding recycled water agencies to be able to provide recycled water to their customers during the drought via fill stations. The Board had requested staff investigate the feasibility of tapping into the recycled water line and locating a customer fill station at the entrance to Mahr Reservoir. At the June 7, 2016 Engineering and Equipment Committee meeting, the consensus of the Committee was to bring this item to the full Board to consider moving forward with the Mahr Reservoir Recycled Water Customer Fill Station Project and adding the necessary funds to the proposed FY 2016/2017 budget.

He stated staff has reviewed the site for development of the fill stations. The site

already has good road access off of Rancho Santa Fe Road, is partially paved (additional paving would be required), and up to three fill stations could be installed. A four-foot retaining wall and storm drain to remove water around the site would be necessary. The cost of the project would be approximately \$105,000; however, there may be an opportunity to work with Olivenhain Municipal Water District, sharing the construction costs so that their customers could benefit from the fill stations. In addition to the construction costs, there would be operations and maintenance costs for a part-time attendant of approximately \$32,000 annually.

Staff agreed with the Engineering and Equipment Committee's recommendation to the Board to consider moving forward with the Mahr Reservoir Recycled Water Customer Fill Station project.

Interim General Manager Scaglione stated the Engineering and Equipment Committee met on the day before the Board rate workshop was held at which the Board directed staff to cut as much from the proposed budget as possible. He recommended postponing this project until 2018 if it is the Board's desire to move forward with this project.

Director Hernandez stated he believes this project would be an opportunity for the District to give something physically back to rate payers. He is concerned that this would increase the proposed budget; however, there may be ways to reduce the overall cost of this project by either participating with another agency and/or pursuing possible grants.

Director Hernandez requested the Board approve direction to staff to continue exploring collaboration with neighboring districts and to seek grant opportunities individually or through the North San Diego Water Reuse Coalition.

General discussion took place.

The consensus of the Board was to direct staff to pursue collaboration with other agencies and seek grants to fund this project for implementation in the future, not in the Fiscal Year 2016/17.

#### CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) 2016 BOARD ELECTIONS – SEAT B

Interim General Manager Scaglione stated that CSDA has six networks in which there are three seats from each network on the Board. This year the District's network has one seat open for election, Seat B. The current Director serving Seat B, Bill Nelson, is running for re-election. The Board was provided with statements from each of the three candidates for their consideration.

General discussion took place.



16-06-18 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Martin absent, to vote for Bill Nelson for Seat B on the CSDA Board.

### BUDGET UPDATE

Interim General Manager Scaglione provided an update since the budget workshop on June 8. Information requested by the Board at that workshop was provided, including:

- Additional information on two staff positions eliminated by attrition that are not being filled and reclassifications, resulting in a savings of \$148,000.
- Detailed data on the District's budget-to-actual expenses in recent years, which indicates the District has budgeted conservatively and realized favorable budget variances.

He stated that in preparation for the budget/rates Board workshop scheduled for June 27, staff has been working with the consultants to ensure the rate models are performing correctly to show the effects of budget cuts to the rates in different scenarios. Staff is considering which Capital Improvement Projects (CIP) could be deferred in order to trim the budget.

Director Hernandez requested CIPs that could be deferred be listed in the order of importance, identifying projects that could most easily be deferred and projects that are more critical to the water and sewer systems.

Director Evans suggested the Board review Ordinance No. 194 pertaining to District memberships and per diem expenses to discuss reducing or eliminating some of them. Legal Counsel Scott clarified that the Board may discuss those items and direct staff to bring the ordinance back to the Board if they wish to make changes to it, after the budget is finalized.

Director Hernandez asked the Board to consider postponing hiring a new General Manager until December or January if by doing so cost savings would significantly impact the rate outcome.

Interim General Manager Scaglione discussed the impact of deferring CIPs which increases the potential for repairs. The District has been striving to move from preventive maintenance to predictive maintenance; now the District is going in the direction of reactive maintenance.

He addressed other areas in which to reduce the proposed budget, such as a hiring freeze (except for Plant Operator positions and current offers that have already been extended), limiting employee travel, and reducing District memberships and consulting fees.

Staff is preparing detailed budget information for the Board's review at the June 27 Board workshop. CIPs will be reviewed in detail, particularly ones that affect user fees, and rates will be discussed as well.

General discussion took place.

Director Evans proposed scheduling a Special Board meeting after June 27 at which the Board could approve the budget by June 30. The consensus of the Board was to tentatively schedule a Special Board meeting on June 29 at 5:00 p.m.

## REPORTS

### INTERIM GENERAL MANAGER

Interim General Manager Scaglione reported the following:

- The District has received two engineering awards for the Linda Vista East sewer replacement and upgrade project. The awards presentation will take place at the July 6 Regular Board meeting.
- An offer has been received for the District-owned avocado grove; however, the offer is lower than the appraised value of the property.
- The District wrote a letter of opposition to SB 163. The bill mandates 100% of water being sent to the ocean has to be reused. There is no provision for funding in the bill.
- Judy Hanson won the position of alternate Director for LAFCO in their recent election.
- The audit is officially underway. The interim audit work has been completed with no findings. The auditors will be back in September to do their final field work with a goal of having the audit complete and ready to be presented to the Board on November 16.

### DISTRICT LEGAL COUNSEL

None.

### SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated she attended a workshop on June 9 at which it was agreed the SDCWA would be the regional representative for conservation. She also attended a workshop at which discussion took place regarding how future issues with Metropolitan Water District will be addressed.

Directed Evans stated she attended a Legislative Roundtable on June 10 at which changes in the legal system were discussed.

Directed Evans stated the next Board meeting is scheduled on June 23.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting today at which discussion took place regarding authorization for an engineering services water reuse feasibility study. He will be participating on the interview panel for selection of an engineering firm to perform the study. The Committee received a white paper regarding Encina and San Elijo Joint Powers Authority integrating personnel for possible cost savings.

Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on June 14 at which the Committee voted to forward the Annual Investment Policy Review to the Board for approval.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Hernandez and Sannella reported on their attendance to the San Diego North Economic Development Council (SDNEDC) Investor meeting on June 9.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez inquired about the status of the District's ground water study.

District Engineer Gumpel provided a brief update. He stated that the consultant's scope of work is currently under review for the study which will include ground water, water resources, conservation and adjustment of the CIP. A finalized addendum will be presented for the Board's consideration at the July 20 Regular Board meeting.

CLOSED SESSION

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

The closed session was not needed and did not take place.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:11 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 6, 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