

AGENDA FOR A WORKSHOP MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 29, 2017, AT 5:00 P.M.  
AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT ELITHARP

PLEDGE OF ALLEGIANCE

ROLL CALL

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity which severely imperils public health, safety, or both. Also, items which arise after the posting of the Agenda may be added by a two-thirds vote of the Board of Directors.

ADOPT AGENDA FOR THE WORKSHOP MEETING OF MARCH 29, 2017

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Executive Secretary prior to the start of the meeting, if possible. Public comment should start by stating name, address and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

ITEMS FOR DISCUSSION

1. BUDGET AND RATES REVIEW

\*\*\*\*\*END OF DISCUSSION ITEMS\*\*\*\*\*

OTHER BUSINESS

\*\*\*\*\*END OF OTHER BUSINESS\*\*\*\*\*

\*\*\*\*\*END OF AGENDA\*\*\*\*\*

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

Audio and video recordings of all Board meetings are available to the public at the District website [www.vwd.org](http://www.vwd.org)

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:00 p.m., Friday, March 24, 2017.

\_\_\_\_\_  
Diane Posvar

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 29, 2017, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Elitharp called the Workshop meeting to order at the hour of 5:00 p.m.

General Manager Pruim led the pledge of allegiance.

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

Staff Present: General Manager Pruim  
Assistant General Manager Scaglione  
Legal Counsel Scott  
Administrative Services Manager Emmanuel  
District Engineer Gumpel  
Finance Manager Fusco  
Operations & Maintenance Manager Pedrazzi  
Accounting Supervisor Owen  
Financial Analyst Arthur  
Executive Secretary Posvar

ADOPT AGENDA FOR THE WORKSHOP MEETING OF MARCH 29, 2017

17-03-05 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously to adopt the agenda for the Workshop Board Meeting of March 29, 2017.

DISCUSSION ITEM

BUDGET AND RATES REVIEW

General Manager Pruim stated the purpose of the meeting is to review the draft 2017/18 budget and to give the Board an update on the rate model. All information is preliminary. The information being presented does not include the CIP budget, large equipment purchases, other capital items, or transfers to reserves. The operating budget (expenses only) is the focus of this meeting.

Finance Manager Fusco facilitated a presentation detailing the following:

- Departmental Budget to Budget Variance and Explanations
- Water Operations Draft Budget for the Year Ending June 30, 2018
- Wastewater Operations Draft Budget for the Year Ending June 30, 2018
- 2017-18 Budget Request Materials & Services Budget Amounts
- Draft 2017-18 Personnel Budget
- Draft Budget for the Year Ending June 30, 2018 Salary and Benefit Recap
- Graph – Budgeted to Actual Fulltime Equivalent Positions
- Graphs – 5 Year Budgeted to actual Comparison Water and Sewer Operations Expenses

General question and answer took place during the presentation.

Director Martin requested specific information for a future meeting: 1) review the contractual agreement for MRF to determine if the plant is sustaining or losing money; 2) what is MRF doing for the District – what are the savings vs. the costs?; 3) how long are the contracts – when are they negotiated; 3) what is the pass through and is it the right pass through for today's times; 4) how much money is spent annually on tuition reimbursement and how much of that goes to CSU San Marcos; 5) develop explanation of labor cost increase for 15/16.

Director Hernandez asked what the general feeling is for MRF – is the District making money, losing money, or breaking even?

Assistant General Manager Scaglione stated that sewer rates are subject to Prop. 218 the same as water rates, therefore, the District cannot charge more than the costs. District costs are being recovered. The District has a contractual obligation with specific calculations. He indicated staff will develop a report that would help the Board visualize those calculations.

Director Sannella asked if the MRF plant and lift station represent all the budgeted costs for MRF or are there other costs associated with the plant. He also requested a roll-up of all the numbers, the total for “other” items, and what percentage that “other” is of the total materials and services.

Assistant General Manager stated that certain costs of the MRF Plant, Lift Station 1, and Maher Reservoir are recovered from reclaimed water sales.

Assistant General Manager Scaglione facilitated the Cost of Service Study Update detailing the following:

- Fixed vs Variable Rates
- Costs Subject to Assumption for Fixed vs Variable Ratio
- No Correlation Associated with Water

- 69% of Costs remain Stable
- Direct to Commodity; Indirect to Ready to Serve
- CY 2018 Cost Allocation

General question and answer took place during the presentation.

Assistant General Manager Scaglione facilitated the 2017 Water Rate Model detailing the following:

- Tier Accumulation
- Units of Service and Peaking Factors
- Budget Input
- Miscellaneous Input and Assumptions
- Calendar Year Conversion
- Peaking Factors and Tier Allocations
- Revenue Offsets
- Capital Replacement Allocation
- FY 2017/18 Cost Allocation and Distribution
- CY 2022 Cost Allocation and Distribution
- Rates (data used is a placeholder to illustrate calculations and methodologies)
- Rate Alternative Sufficiency
- Rate Survey

General question and answer took place during the presentation.

Mr. Hunsaker addressed the Board on budget items related to treatment costs for desalinated water and the Colorado River, retirement costs, and post-retirement benefits. He also addressed the rate structure, how it may benefit high density developments, sub-metering requirements, and concerns regarding capacity reserve shortages. He thanked the Board.

Director Martin addressed staff referring to the rate survey's contained in the rate model and expressed concerns regarding the position of VWD's proposed rate.

Assistant General Manager Scaglione stated only 2017 rates are known for other agencies; this is currently all we have to compare with our 2018 proposed rates. All other agencies will also increase, but we don't know by how much.

#### ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Workshop Meeting of the Board of Directors at the hour of 7:26 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, April 5, 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