

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, APRIL 19, 2017, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Evans 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
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Meter Supervisor Kirby
Public Information/Conservation Supervisor Robbins
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF APRIL 19, 2017

17-04-03 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of April 19, 2017.

PUBLIC COMMENT

None.

CONSENT CALENDAR

Director Martin requested Items 1.6, 1.7, 1.10, and 1.12 be pulled from the Consent Calendar for discussion.

17-04-04 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve Items 1.1, 1.2, 1.3, 1.4, 1.5, 1.8, 1.9, 1.11, 1.13 of the Consent Calendar as presented.

- 1.1 Approval of Minutes
 - A. Board Workshop Meeting – March 29, 2017
 - B. Regular Board Meeting – April 5, 2017
- 1.2 Warrant List through April 19, 2017 - \$1,082,352.72
- 1.3 Financial Reports
 - A. Water Meter Count – March 31, 2017
 - B. Water Production/Sales Report – 2016/2017
 - C. Quarterly Financial Report – March 31, 2017
 - D. Water Revenue and Expense Report – March 31, 2017
 - E. Sewer Revenue and Expense Report – March 31, 2017
 - F. Reserve Funds Activity – March 31, 2017
- 1.4 Approval of Construction Agreement for Montessa – APN: 218-110-05 (Calatlantic Group, Inc.)
- 1.5 Approval of Construction Agreement for Borden Road 22 Improvements, APNs: 224-040-11, 224-040-28 & 224-040-29 (Borden Road 22, LLC)
- 1.8 Final Acceptance of Water and Sewer Improvements for San Elijo Hills, Phase 3, P.A. “T”, Unit 9, APNs: 679-330-01, 679-330-02, 679-330-03 & 679-330-04 (Davidson Communities)
- 1.9 Adoption of Resolution Ordering the Annexation of Certain Properties Designated as the “Kovachy Annexation”, APN: 226-320-28 into the Sewer Improvement District
- 1.11 Resolution Declaring National Public Works Week
- 1.13 Quarterly Investment Report

Discussion of the remaining consent calendar items took place as follows:

- 1.6 Approval of Temporary Off-Site Water and Sewer Service Agreement for Broemmelsiek Property, APN: 226-020-79 (Ray Broemmelsiek)

Director Martin requested verification of the property location to which staff responded. Director Martin stated he pulled this item in error.

17-04-05 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve Item 1.6 of the Consent Calendar as presented.

1.7 Approval of Temporary Off-Site Water and Sewer Service Agreement for Dream Home Investment Property, APN: 182-150-46 (Dream Home Investments, LLC)

Director Martin confirmed the existing water main for the property. He further asked if there is a reason why temporary service is established in lieu of an actual agreement. Development Services Senior Engineer Scholl stated that staff avoids permanent offsite whenever possible in case there happens to be an entire reconfiguration of properties adjacent to the project property that may require development in the future. If it turns out there is absolutely no possible way, at that point staff might consider a permanent offsite.

17-04-06 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve Item 1.7 of the Consent Calendar as presented.

1.10 Resolution in Support of the Association of California Water Agencies' (ACWA) Policy Statement on Bay-Delta Flow Requirements

Director Martin requested clarification on what the Board is being asked to support. General Manager Pruim stated ACWA has adopted a strong policy statement to address what the State is doing regarding unimpaired flow definitions for the Bay-Delta Watershed which, in ACWA's opinion, is leaning more toward environmental protections without recognizing the water supply benefits. ACWA is requesting support for their position against the State's approach.

17-04-07 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Item 1.10 of the Consent Calendar as presented and adopt Resolution No. 1513 in support of ACWA's policy statement on Bay-Delta flow requirements.

1.12 Amendment to the General Manager's Employment Agreement

Director Martin stated he believes General Manager Pruim should be treated completely different than all other District employees and any consideration of a Cost of Living Adjustment (COLA) should be done when his employment contract is negotiated. Given that General Manager Pruim's contract was negotiated last fall, he suggested the Board consider a bonus for a job well done rather than a COLA as General Manager Pruim hasn't been employed at the District for a full year.

General discussion took place during which Director Sannella suggested if the Board approved a COLA for General Manager Pruim, it should be effective on the first day of the next fiscal year (July 1, 2017), or January 1, 2018, or at the same time the District employees receive a COLA (generally in March).

- 17-04-08 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried 3 – 2 with Directors Martin and Sannella voting no, to approve Item 1.12 of the Consent Calendar as presented, amending the General Manager's Employment Agreement.

ACTION ITEMS

EXECUTIVE ORDER B-40-17 AND FINAL PLAN TITLED "MAKING WATER CONSERVATION A CALIFORNIA WAY OF LIFE"

Public Information/Conservation Supervisor Robbins provided a chronology of drought-related events and discussed Governor Brown's Executive Order B-40-17, issued on April 7, 2017, which lifted the drought emergency in the State except in four counties. He facilitated a presentation on the following:

- California's Drought Dates
- Executive Order B-40-17
- Executive Order B-37-16
- Making Water Conservation a California Way of Life
 - Chapter 1 – Introduction
 - Chapter 2 – Directives implemented within existing authorities
 - Chapter 3 – Recommendations that require new and expanded authorities to implement
 - Chapter 4 – Implementing the conservation framework
 - Shortages
 - Use Targets
 - Commercial, Industrial and Institutional Measures
- Water Use Standards Development Timeline

General discussion took place regarding the District educating its rate payers about the State's conservation plan so they know what is coming, understand that the rules and regulations are mandated by the State, not the District, and what they can do about it.

This item was presented for information only.

RULES AND REGULATIONS GOVERNING CROSS CONNECTION CONTROL TO PROTECT THE PUBLIC WATER SYSTEM

Finance Manager Fusco stated the District's existing ordinance governing cross-connection control to protect the public water system was adopted on December 1, 1986. Advancement of technology and terminology have made it necessary to bring the existing ordinance in line with current standards. California County Water District Law of 1949, and Title 17, Chapter V, Sections 7583 through 7605, of the California Code of Regulations sets forth rules and regulations governing cross-connections which the

District must follow. Cross-connection is defined as, “any unprotected actual or potential connection between a potable water system used to supply water for drinking purposes and any source or system containing unapproved water or a substance that is not or cannot be approved as safe, wholesome, and potable.” Regulations require a backflow prevention device be placed where a condition of cross-connection exists or possibly exists.

Finance Manager Fusco reviewed the changes from the 1986 ordinance and the proposed ordinance which include: updating terminology and definitions; additional and updated facilities and use types; more detailed information regarding backflow prevention assemblies, air-gap separation and reduced pressure principle backflow prevention assemblies; and new sections on backflow prevention assembly removal, upgrading existing approved backflow prevention assemblies, fire detector checks and existing non-conforming fire detector check assemblies.

Staff recommended the Board approve and adopt the proposed ordinance which stipulates the rules and regulations governing cross-connection control to protect the public water system.

Director Martin inquired about the cost of the District’s backflow prevention program. Finance Manger Fusco stated the current fee is \$2.50 per month per backflow prevention device. The fee covers the District’s costs to notify customers who have backflow prevention devices when they are due for their annual test and maintain records from each test to show compliance with the State. The fee has not changed in the last 12 years and there is no need to increase the fee. The cost of installing and maintaining a backflow prevention device is the responsibility of the property owner.

General discussion took place.

17-04-09 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve the rules and regulations and adopt the ordinance governing cross-connection control.

Ordinance No. 204 – The roll call vote was as follows:

AYES: Evans, Hernandez, Martin, Sannella, Elitharp

NOES:

ABSTAIN:

ABSENT:

2017 COST OF SERVICE AND RATE STRUCTURE STUDY REVIEW AND UPDATE

Assistant General Manager Scaglione provided a presentation updating the Board on the Draft Cost of Service and Rate Structure Study, emphasizing that staff does not have a rate recommendation at this time as they are awaiting additional information. Information presented included:

- Cost of Service Study Process
- Objectives
- Hierarchy of Authority
- Demand Projection Table
- Proposed Changes to Tier Structure
- Tier Structure Comparison
- Customer Class = Meter Size
- Peaking Factors and Tier Allocations
- Allocate Capital Revenue Requirement
- Allocate Demand to Tiers
- Reduce Costs to Recover by Other Revenues
- Allocate Revenue Requirement to Ready-to-Serve (RTS) and Commodity Charges
- Calculate Unit Cost for RTS
- Calculate RTS Charge
- Calculate Commodity Charge
- Proposed Effective Dates

Question and answer took place during the presentation.

Staff requested consensus from the Board to direct legal counsel to perform a detailed legal review of the 2017 Cost of Service and Rate Structure Study and to possibly obtain a peer-to-peer or consultant review as well.

General discussion took place regarding the effective date of the proposed RTS and commodity rate increases, either at the proposed calendar year dates (July for RTS and January for commodity) or both components at the same time once per year. This will be considered at the May 3 Board meeting along with the format of the Proposition 218 Notice.

The consensus of the Board was to direct legal counsel to perform a detailed legal review the 2017 Cost of Service and Rate Structure Study.

Mike Hunsaker, member of the public, addressed the Board expressing his concerns regarding deficiencies he has identified in this plan, specifically the lack of drought rates, RTS charges unfairly distributed by meter size, the cost of the District having to purchase more sewer capacity, and the District's management of excessive and wasteful water use. He thanked the Board.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The Board has been provided copies of initiation and engagement letters from Rogers, Anderson, Malody and Scott, the firm that will be conducting the District's annual financial audit.
- At the recent San Diego County Water Authority (SDCWA) General Manager's meeting, the SDCWA indicated the "Table A" allocation is increasing over 80%.
- The third quarter Capital Improvement Program (CIP) update is now available on the District's website. The fourth quarter CIP update will be presented to the Board in August.
- A Board workshop is scheduled for April 20 at 5:00 p.m. to discuss pump zone charges.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the next Board meeting is scheduled for April 27. On April 20, she will be the SDCWA's delegate for the Conservation Water Wise Garden which is associated with the Joint Powers Insurance Authority, and on April 21 she will be attending the San Diego Regional Chamber Congressional Luncheon.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which discussion took place regarding improvement projects and the budget. He stated he had been approached by a construction port-a-potty pumper to see if EWA could take their waste as they had done years ago. When that program stopped, it forced them to take their waste to La Mesa or Temecula. This could be an opportunity to generate revenue. The Committee approved Director Hernandez' motion to conduct a high-level study to examine this in more detail to see what the potential revenue could be.

President Elitharp reported on his attendance to the Policy and Finance Committee meeting on April 11 at which the Committee performed a first review of the FY2018 operating budget. The budget looks relatively flat with a 1.6% total increase overall; however, he noted VWD's portion is 6.6% because VWD's flow and sewage strength have increased.

STANDING COMMITTEES

Director Martin stated the Finance/Investment Committee met this week to review the Capital Improvement Program.

Director Hernandez stated he is in the process of scheduling a meeting of the Engineering/Equipment Committee to talk with Geoscience, the organization that is performing the groundwater study for Olivenhain Municipal Water District, to see if this is something the District would want to do.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Sannella reported on his attendance to the Council of Water Utilities (COWU) meeting and the San Diego North Economic Development Council (SDNEDC) Economic Summit.

Director Martin reported on his attendance to the WaterReuse Annual Conference and COWU meeting in March, and the California Water Policy Conference, SDNEDC Economic Summit, and COWU meeting in April.

President Elitharp reported on his attendance to the COWU meeting and the California Water Policy Conference.

Director Hernandez reported on his attendance to the North San Diego Water Reuse Coalition Legislative Outreach meeting in Washington, DC.

Director Evans reported on her attendance to the COWU meeting.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Evans praised staff for the thorough information they have provided on the budget and rates, to which President Elitharp concurred.

Director Hernandez requested a land inventory of all properties the District owns. General Manager Pruiem stated he is in the process of preparing an exhibit of all District-owned parcels with corresponding data on each parcel such as the assessor's parcel number, acreage, and when the property was acquired. He anticipates this information will be completed within the next two weeks.

Director Martin stated this was a great meeting and that he looks forward to the next Board meeting at which staff will begin to change numbers back and forth to see how they affect rates.

Director Sannella asked if the District has any concerns for the upcoming audit that it is not compliant with its policy as it pertains to competing contracts that surpass \$100,000 in spending per year? General Manager Pruim responded he was unsure if this would come up during the audit, and that a list of vendors who are paid over \$100,000 annually has been compiled and will be brought to the Board as soon as staff is able to do so.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 7:09 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, May 3, 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 Pruim, Secretary
Board of Directors
Vallecitos Water District