

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JUNE 21, 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 Sannella led the pledge of allegiance.

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

Staff Present: General Manager Pruum
Assistant General Manager Scaglione
Legal Counsel Scott
Administrative Services Manager Emmanuel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Owen
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JUNE 21, 2017

17-06-08 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of June 21, 2017.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board regarding the District's Water Quality Report, inquiring about allowable limits of perchlorate, why it wasn't included in the report, and if the protocol for testing and timing of tests is specified in the report. He thanked the Board.

President Elitharp encouraged Mr. Hunsaker to meet with staff to address his questions.

PRESENTATIONS

Meena Westford, Special Projects Manager for Metropolitan Water District (MWD), facilitated a presentation providing background on MWD and its perspective on litigation the San Diego County Water Authority (SDCWA) has brought against MWD regarding cost allocations in MWD's transportation charges for delivery of water from the State Water Project to member agencies.

Maureen Stapleton, General Manager for the San Diego County Water Authority (SDCWA), facilitated a presentation regarding the SDCWA's view on the key issues in its current litigation with MWD.

Ms. Westford and Ms. Stapleton were given time for rebuttal of each other's comments during which question and answer took place.

CONSENT CALENDAR

17-06-09 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Engineering/Equipment Committee Meeting – June 1, 2017
- B. Regular Board Meeting – June 7, 2017
- C. Finance/Investment Committee Meeting – June 14, 2017

1.2 Warrant List through June 21, 2017 - \$961,919.40

1.3 Financial Reports

- A. Water Meter Count – May 31, 2017
- B. Water Production/Sales Report – 2016/2017
- C. Water Revenue and Expense Report – May 31, 2017
- D. Sewer Revenue and Expense Report – May 31, 2017
- E. Reserve Funds Activity – May 31, 2017
- F. Investment Report – May 31, 2017

1.4 Resolution Establishing Appropriations Limit for Fiscal Year 2017/18

1.5 Surplus Personal Property Listing

ACTION ITEMS

RESOLUTION ELECTING TO HAVE SEWER SERVICE FEES FOR IMPROVEMENT DISTRICT "A" FOR FISCAL YEAR JULY 1, 2017 TO JUNE 30, 2018 COLLECTED ON THE TAX ROLL

General Manager Pruim 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, as prescribed by Ordinance No. 184, the District elects to have its sewer service fees collected on the County tax roll in the same manner and at the same time together with general property taxes.

Staff recommended the Board adopt the resolution which sets the Public Hearing for the Regular Board meeting on July 19, 2017.

Mike Hunsaker, member of the public, addressed the Board questioning why the District does not annex these areas into their sewer system, and in not doing so, is the District providing a service without collecting a capacity fee? He thanked the Board. General Manager Pruim responded that these areas are in the District's sewer service area, but do not receive water service.

17-06-10 MOTION WAS MADE by Director Sannella, seconded by Director Evans, and carried unanimously, to adopt the resolution.

Resolution No. 1519 - the roll call vote was as follows:

AYES: Evans, Hernandez, Martin, Sannella, Elitharp

NOES:

ABSTAIN:

ABSENT:

ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER
INDIRECT COSTS FOR FISCAL YEAR 2017/18

General Manager Pruim stated the District establishes administrative charges annually to recover the indirect cost for the services it provides. Using the methodology provided in a 2013 Cost of Service Study, the recommended overhead rate of 221% for the coming fiscal year was derived by dividing budgeted indirect costs by direct labor costs. The fiscal year 2016/17 overhead rate was 205%.

Staff recommended the Board consider the recommended overhead rate of 221% and adopt the ordinance repealing Ordinance No. 199 and adjusting the overhead rate.

General discussion took place during which Director Martin asked if the recommended overhead rate increase had been previously presented to the Board. Director Evans stated that in 2013 the Board accepted the calculation formula recommended in the Cost of Service Study, agreeing to use the set formula each year to determine the overhead rate. General Manager Pruim clarified that this item is not intended for discussion to revisit the formula, but to apply the formula the Board had previously approved using numbers in the budget. Director Sannella further clarified the overhead rate increase is not an increase to be passed on to all customers; it is the cost that is charged, for example, to a contractor when District staff must make a repair for the contractor.

During further discussion, Director Hernandez suggested reviewing the calculation formula next year to ensure that it accurately reflects current costs of labor and materials. General Manager Pruim explained the formula and suggested in the future

that the Finance/Investment Committee review it before it is presented to the Board. Director Elitharp suggested reviewing the formula during the annual budget process.

The consensus of the Board was to table this item to a future meeting. Staff was directed to provide more information to the Board for further clarification on what types of activities would or would not be affected by the proposed overhead rate increase.

CONSUMER CONFIDENCE REPORT

General Manager Pruim stated the District is required to prepare an annual report which provides results of water quality testing of the drinking water provided to the District's customers. Postcards were mailed to customers informing them that the Consumer Confidence Report (CCR) would be available by June 30, 2017.

Operations & Maintenance Manager Pedrazzi briefly discussed the CCR stating that in 1998 the United States Environmental Protection Agency established a rule which requires all community water systems to prepare the CCR and mail it to the public before June 30 of every year. He responded to the public speaker's earlier question about perchlorate. Perchlorate is not listed in the CCR because it has never been detected at any of the District's treatment plants. It is sometimes found in water from the Colorado River, but is predominately a groundwater issue as its origin is ammonium perchlorate which is a component of rocket fuel.

Operations & Maintenance Manager Pedrazzi stated the wording and most of the formatting of the CCR are dictated by the State and Federal government. The CCR must be approved by the State Water Resources Control Board before it can be presented to the Board.

General discussion took place during which Director Martin commented that the postcard that was mailed to the public regarding the CCR could have had a friendlier tone. Staff will research the regulations to see if there are any restrictions on public noticing of the CCR.

17-06-11 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the 2016 Consumer Confidence Report.

2017 PUBLIC RATE HEARING NOTICE

General Manager Pruim stated a slight revision was made to the 2017 Public Rate Hearing Notice to change the date of the public hearing from September 6 to September 20. The Board was agreeable with the new date.

Mike Hunsaker, member of the public, addressed the Board stating his concerns about the new rate structure and how rates will be assessed. He finds the previous historical

use factor method much easier to follow and justify, and much less challengeable than going by meter size. He is also concerned about the large changes in the reserve policies and how money flows through VWD. He thanked the Board.

General Manager Pruim clarified that the only change made to the public notice was the date of the public hearing; no other changes were made.

17-06-12 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve the 2017 Public Rate Hearing Notice as presented.

CSDA SPECIAL DISTRICT 2017 BOARD ELECTIONS

General Manager Pruim stated the CSDA is holding its election to fill the CSDA Board of Directors in the District's Southern Network, Seat C position, for the term ending in 2020. The District is entitled to vote for one candidate to represent the Network in Seat C.

General discussion took place regarding the candidates seeking the position.

17-06-13 MOTION WAS MADE by Director Evans, seconded by Director Sannella, and carried unanimously, to vote for candidate Michael Mack.

ACWA NOMINATING COMMITTEE CALL FOR NOMINATIONS FOR STATEWIDE POSITIONS OF PRESIDENT AND VICE PRESIDENT

General Manager Pruim stated the ACWA Nominating Committee is accepting nominations for the positions of President and Vice President to the general membership. Nominations must be received in the ACWA office no later than September 1, 2017, and require a resolution of support from the member agency on whose Board the nominee serves.

This item was presented for information only. No action was taken.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- A video containing historical information about the District was recently posted to the District's website. Several thousand views have been logged via the website and social media, and is receiving a lot of good feedback on the video.
- Students from San Marcos Elementary School recently attended two District events, one at Jack's Pond and the other, the Splashpad. Encouraged by the

teachers and school administration, the students wrote a letter of appreciation to the District. General Manager Pruim acknowledged the good manners the students exhibited.

- The District's annual Water Academy is tentatively scheduled for Thursday, October 19.
- The Appellate Court made its final ruling in the Metropolitan rate case. General Manager Pruim has requested information from the SDCWA as to what the numbers would mean if the Appellate Court's ruling stands.
- A Finance/Investment Committee meeting will be scheduled in July.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott stated that in 2000 a group of North County agencies, including Vallecitos, filed a lawsuit over the SDCWA's transportation charges. That group raised many of the same arguments that are being raised in the Metropolitan case. He will provide General Manager Pruim with information from the earlier case.

He discussed a recent class action suit that was filed against the Ramona Municipal Water District involving wastewater service charges. CASA, CSDA, the Association of County Governments and the League of Cities were all amicus curiae participants in the Appeals Court case. He will report back to the Board as information becomes available.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans reported the following:

- The SDCWA is being sued for holding meetings with MWD delegates for which a Public Records Request has been submitted for 27 areas of importance, including all correspondence, phone and text messages, etc. from January 1, 2016 to June 17, 2017.
- On June 20, the State Administration released its proposed budget trailer bills relating to the long-term water use efficiency plan.
- On June 22, the SDCWA Board will be considering two bills relating to water use efficiency standards and water shortages, and will be considering the SDCWA's budget for approval. Director Evans provided copies of the SDCWA's budget for the Board's information.
- The San Vicente Energy Storage project is moving forward. A survey revealed that 18 businesses and partners were interested in partnering with the SDCWA on this project.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported the Capital Improvement Committee met this morning and approved a survey for Resources and Management to take in additional sewage from both septic and construction sites, what it would take to implement, and how it could benefit EWA.

President Elitharp reported he was unable to attend the Policy and Finance Committee meeting on June 13. Topics to be discussed were the investment policy annual review and amendment of EWA's financial reserve policy.

STANDING COMMITTEES

Director Martin reported that the Finance/Investment Committee had a satisfactory entrance meeting with the firm conducting the District's annual financial audit. He noted that two exceptions were found concerning employee time cards. The auditors suggested a change to the process in which employee pay rate changes are made; however, the current system is working well, therefore there is no need to change it. The auditors will be back to do their final work later in the year.

Director Martin commented that after having read the minutes of the June 1, 2017 Engineering/Equipment Committee meeting, he would prefer the District not spend approximately \$15,000 on a study to determine the financial efficiency of the District's Meadowlark Reclamation Facility as compared to Encina Wastewater Authority in treating wastewater.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin and Hernandez reported on their attendance to the San Diego North Economic Development Council Public Policy meeting on June 13 and the Council of Water Utilities meeting on June 20.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella stated he would be in favor of a resolution or letter supporting the SDCWA's position regarding their lawsuit with MWD. The consensus of the Board was to direct staff to present such a resolution or letter to the Board for their consideration.

Director Martin asked about the status of the Board's request two weeks ago for information regarding the Diamond Environmental Federal investigation as to who knew what, when, and why the Board hadn't been informed of the investigation.

General Manager Pruim stated he would send what information is available to the Board. He further stated that staff were directed by Federal agents not to discuss the case because it is a Federal investigation. He would not expect staff to put themselves at risk for a Federal investigation or sanctions because they shared information they weren't supposed to.

President Elitharp suggested keeping this topic agendaized for future discussion at a Regular Board meeting or a Closed Session meeting if necessary.

Director Hernandez requested a Closed Session meeting be scheduled to discuss the District's adjacent Knoll Road property.

Director Hernandez stated the City of San Marcos is working on a plan for South Lake.

Director Evans expressed her appreciation to staff for all of the information they have been asked to provide to the Board.

Director Martin thanked staff for making major changes in the last few years in an effort to provide more transparency to the public than in the past.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 8:18 p.m.

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