

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, AUGUST 16, 2017, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Martin led the pledge of allegiance.

Present: Director Evans
Director Hernandez
Director Martin
Director Sannella

Absent: Director Elitharp

Staff Present: General Manager Pruim
Assistant General Manager Scaglione
Legal Counsel Scott
District Engineer Gumpel
Finance Manager Fusco
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Capital Facilities Engineer Santos
Accounting Supervisor Owen
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF AUGUST 16, 2017

17-08-01 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Elitharp absent, to adopt the agenda for the Regular Board Meeting of August 16, 2017.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board stating his concerns about the District's water and sewer capacity fee deficits, the need for more detail on the cause of the deficits, and what can be done to control the increase of debt. He thanked the Board.

Vice President Hernandez requested staff meet with Mr. Hunsaker to address his concerns.

CONSENT CALENDAR

Director Martin requested Item 1.3A be pulled from the Consent Calendar for further discussion.

17-08-02 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried unanimously, with Director Elitharp absent, to approve the Consent Calendar as presented with the exception of Item 1.3A.

- 1.1 Approval of Minutes
 - A. Closed Session Board Meeting – July 17, 2017
 - B. Closed Session Board Meeting – July 19, 2017
 - C. Regular Board Meeting – July 19, 2017
 - D. Finance/Investment Committee Meeting – July 24, 2017
- 1.2 Warrant List through August 16, 2017 - \$6,379,762.99
- 1.3 Financial Reports
 - B. Water Production/Sales Report – 2017/2018
 - C. Water Revenue and Expense Report – July 31, 2017
 - D. Sewer Revenue and Expense Report – July 31, 2017
 - E. Reserve Funds Activity – July 31, 2017
 - F. Investment Report – June 30, 2017 & July 31, 2017
- 1.4 Final Acceptance of Sewer Improvements for North City Drive Sewer Relocation (Quad SM, LLC)
- 1.5 Final Acceptance of Water and Sewer Improvements for North City East – Unit 1 (Block C), APN's 220-200-02, 43, 52, 79, 81 & 82 (Urban Villages San Marcos, LLC)
- 1.6 Final Acceptance of Water and Sewer Improvements for Redel Road Water and Sewer Relocations (Urban Villages San Marcos, LLC)
- 1.7 Final Acceptance of Water and Sewer Improvements for Shane Park Plaza, APN 219-074-24 (RSF Associates, LLC)
- 1.8 Approval of Construction Agreement for Rancho Coronado Park Crossings, APN's 222-080-09, 59 & 222-170-28 (Brookfield Rancho Coronado, LLC)
- 1.9 Construction Contract Award of North and South Pressure Reducing Station Upgrades
- 1.10 Resolution Adopting the District Pay Schedule

Discussion of Consent Calendar Item 1.3A took place as follows:

- 1.3 A. Water Meter Count – July 31, 2017

Director Martin asked if the Water Meter Count could be removed from future Board agendas. General Manager Pruiim stated the information is provided to help the Board understand the amount of facilities the District maintains. The consensus of the Board was to continue including the Water Meter Count on Board agendas.

- 17-08-03 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Elitharp absent, to approve Item 1.3A of the Consent Calendar as presented.

ACTION ITEMS

APPROVAL TO DISPOSE OF SURPLUS LAND CONSISTING OF THE UNDEVELOPED PORTION OF THE DISTRICT HEADQUARTERS SITE (APN 220-220-06)

General Manager Pruim stated this item was discussed in a Closed Session Board meeting during which the Board directed staff to start the process of disposing of the District's undeveloped "Hillside Property." In order to do so, the Board must declare the property surplus land. In accordance with Government Code 54222, should the Board declare the property surplus land, it must first be offered for sale or lease to other local public agencies such as the City of San Marcos or the San Marcos School District for the purpose of developing low-moderate-income housing, or for park and recreational purposes, or for open-space purposes.

Staff recommended the Board approve the disposition of the Hillside Property as surplus land consisting of approximately 32.7 acres of undeveloped property and direct staff to provide written offers to sell or lease the property to applicable public agencies in accordance with Government Code 54222.

General discussion took place during which Director Martin expressed his concern with directing staff to provide written offers to sell or lease the property to applicable public agencies. Legal Counsel Scott explained the process which would begin the negotiation process with interested parties.

- 17-08-04 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried unanimously, with Director Elitharp absent, to approve the disposition of the Hillside Property as surplus land and direct staff to provide written offers to sell or lease the property to applicable public agencies.

Director Martin requested further discussion on Items 1.9 and 1.10 of the Consent Calendar that were previously approved by the Board.

Discussion of Consent Calendar Items 1.9 and 1.10 took place as follows:

- 1.9 Construction Contract Award of North and South Pressure Reducing Station Upgrades

Director Martin asked what the potential savings in staff time would be due to staff being able to monitor and control the pressure reducing stations remotely with the proposed upgrades. General Manager Pruim stated the main reason for the project is to enlarge

and modernize the facilities; however, it would also save staff time not having to travel to the pressure reducing stations. Staff will provide the Board with an estimate of the amount of staff time the upgrades will save.

1.10 Resolution Adopting the District Pay Schedule

Director Martin stated he did not recall having seen the District pay schedule previously or the Board discussing it. General Manager Pruiim stated this item is a formality required by the California Public Employees' Retirement System (CalPERS) that all agencies must have their pay schedules available and approved and adopted by their governing body in accordance with applicable public meeting laws. The District's pay schedule reflects actions taken by the Board including the change in pay ranges due to the Cost of Living Adjustment in the Memorandum of Understanding (MOU) with the Vallecitos Water District's Employees' Association that was approved on June 15, 2016, as well as position changes. The intent of the resolution is to memorialize the actions of the Board for the purposes of CalPERS.

Director Martin expressed his concern that the Board has not had the opportunity to discuss the pay schedule, and that he has many questions about it. General Manager Pruiim stated the Board could request this item be placed a future agenda for a Board meeting or Finance/Investment Committee meeting for further discussion. Legal Counsel Scott recommended the Board direct their questions to General Manager Pruiim and that the nature of the questions would determine if they should be discussed in open or closed session.

Director Martin requested this item be tabled to a future Board meeting.

General discussion took place during which it was clarified that the District's pay schedule is already in place with the current MOU, any concerns about the pay schedule would need to be addressed during the next MOU process, and that the Board had already approved Item 1.10 of the Consent Calendar earlier in this meeting.

17-08-05 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried 3 – 1, with Director Evans voting no and Director Elitharp absent, to reconsider the Board's approval of the Consent Calendar as presented.

17-08-06 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried 3 – 1, with Director Evans voting no and Director Elitharp absent, to table Item 1.10 of the Consent Calendar to a future Board meeting.

17-08-07 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, with Director Elitharp absent, to approve Items 1.1 through 1.9 of the Consent Calendar as presented.

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

General Manager Pruim stated the proposed ordinance establishes an overhead rate to facilitate the recovery of indirect costs via an administrative charge. This item was presented to the Board at the June 21, 2017 Board meeting and was discussed at the Finance/Investment Committee meeting on July 24. The overhead rate is calculated using the methodology provided in the 2013 Cost of Service Report which produces a factor when indirect costs are divided by the direct costs. The proposed overhead rate for Fiscal Year 2017-18 is 221% which is effectively an 8% increase over the current overhead rate of 205%.

Mike Hunsaker, member of the public, addressed the Board stating District documents estimate recovery of \$1.6 million. It seems to him that a great deal of that comes from reviewing plans. He also questioned the amount of the rate increase which he feels needs some explanation. He thanked the Board.

General Manager Pruim explained how the overhead rate increase was calculated, and stated indirect costs have increased and direct costs have decreased. When the numerator (indirect costs) increases and the denominator (direct costs) decreases, the percentage increases more rapidly than the inflation rate. He further stated \$1.6 million is only an estimate based on how many of the activities the rate is applied to have been completed in the past.

17-08-08 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried unanimously, with Director Elitharp absent, to adopt the Ordinance.

Ordinance No. 206 - the roll call vote was as follows:

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

ACWA COMMITTEE APPOINTMENT NOMINATIONS FOR THE 2018-2019 TERM

General Manager Pruim stated ACWA is requesting committee nominations from ACWA members for the 2018-2019 term. The committees need active, involved individuals able to expend the time and provide their expertise if appointed. The District is responsible for all costs associated with the participation of its representatives on committees. Nominations are due no later than September 29, 2017.

He further stated that President Elitharp has previous experience on the Energy, Water Quality, and Groundwater Committees, and would be happy to serve on any of those committees, particularly the Energy Committee. Currently, Director Hernandez serves on the Groundwater Committee and Director Martin serves on the Energy and

Membership Committees.

Director Martin stated he wished to withdraw from the Energy and Membership Committees, and recommended President Elitharp for the Energy Committee.

Director Hernandez stated he would like to continue his participation on the Groundwater Committee.

General discussion took place. No action was taken.

CAPITAL IMPROVEMENT PROJECTS YEAR END REPORT

Capital Facilities Senior Engineer Hubbard facilitated a presentation on the Capital Improvement Projects Year End Report for the Fiscal Year 2016-17. He demonstrated how to access information on the District's website which includes a map of active capital improvement projects with links to corresponding fourth quarter reports for each project. He discussed the project summaries which include information such as monthly tracking of contractor invoices, change orders, outside contracts, District purchased materials, and reimbursements.

Capital Facilities Senior Engineer Hubbard provided an overview of four projects that were completed in Fiscal Year 2016-17: Lift Station 1 Waterman Valves Replacement, Lift Station 1 Pump Improvements, Knoll Road Sewer Line Replacement, and MRF Tertiary Media Filter Replacement.

General question and answer took place during the presentation.

This item was presented for information only.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The San Diego County Water Authority has released its final draft of their Water Shortage Contingency Plan which will be presented to their Board at the end of August.
- The California Association of Sanitary Agencies (CASA) Annual Conference will be held next week in San Diego. Director Evans will be attending in President Elitharp's absence to cast the vote for the CASA Board of Directors election.
- The Newland Sierra project is in the environmental review phase. Staff submitted the District's comments to the Environmental Impact Report this week.
- A prison crew working with Cal Fire has been assisting the District with fire breaks and weed abatement on the adjacent hillside property.

- Planned night-time sewer cleaning on San Marcos Boulevard will begin on Sunday, August 20.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott commented that contingencies in public works contracts can be very tricky. In the competitive environment of the past ten years, many times contractors will underbid a project just to be able to catch up by issuing change orders. A hospital project he has been involved with recently resulted in almost 20% in change orders.

Legal Counsel Scott stated the CASA conference next week will include information on topics such as Proposition 218, regional notification revisions, CalPERS' statement regarding uniforms as compensation, and responsibility for replacing facilities in a right-of-way.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board recently discussed water treatment operations of desal and the Twin Oaks Valley Water Treatment Plant as well as the replacement of media filters in those facilities due to changing properties of the water, depending on its origin.

She further stated the Board recently approved a new administrative code prohibiting the use of personal electronics during closed session meetings.

The Board discussed the Oroville Dam, noting that the Oroville Dam will be repaired using roller compacted concrete, which is the same material that was used for the raising of the San Vicente Reservoir.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which he and other Committee members questioned a recent change order for engineering services that will be renegotiated. The next Board meeting is scheduled on August 23.

STANDING COMMITTEES

Director Martin stated the Finance/Investment Committee met on July 24.

Director Hernandez requested an Engineering/Equipment Committee be scheduled for an update on the locker room expansion project.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Evans reported on her attendance to the August 15 Council of Water Utilities (COWU) meeting.

Director Hernandez reported on his attendance to the COWU meeting, a SDCWA Roundtable meeting, and the Urban Water Institute Conference.

Director Martin reported on his attendance to the San Marcos Chamber Meet Your Elected Officials event, the San Diego North Economic Development Council's Public Policy Meeting, and the COWU meeting.

Director Sannella reported that he was a panelist for a North San Diego County Association of Realtors/Commercial Division event.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

This information was provided per Ordinance No. 203; no action required.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez requested the District's emergency action plan be placed on a future Board agenda for review.

Director Martin commented that the District has no way of knowing if private septic haulers are dumping waste into the District's sewer system and asked if there was a way to lock the manholes to prevent this from happening. General Manager Pruim stated there is a way to lock manholes; however, it impedes the monitoring and cleaning of the system. Staff does identify manholes that are highly likely to be tampered with and bolts them down, but does not bolt all of them down.

Director Hernandez stated that Encina will release a report in October that they will be able to open a station for delivery of waste safely and legally. Also, Stone Brewery has signed a contract with Encina to deliver all of their pulp and pulp from other craft breweries to Encina.

Director Martin requested a report on the hillside antennae adjacent to the District Office as to how much money per year over the last 10 – 15 years is being taken in and where this information is included in the budget.

Director Martin received a copy of a letter from a customer who believes they owe more for their sewer service than they have been billed for. He would like this topic placed on a future Board agenda to discuss District policy in a situation such as this.

ADJOURNMENT

There being no further business to discuss, Vice President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 6:31 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, September 6, 2017, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, Vice President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District