

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 6, 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 5:05 p.m.

Director Sannella 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
District Engineer Gumpel
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Executive Secretary Posvar

Others Present: Scott Manno, Rogers, Anderson, Malody & Scott, LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 6, 2017

17-12-03 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Regular Board Meeting of December 6, 2017.

PUBLIC COMMENT

None.

CONSENT CALENDAR

17-12-04 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Engineering/Equipment Committee Meeting – November 13, 2017
- B. Finance/Investment Committee Meeting – November 14, 2017
- C. Regular Board Meeting – November 15, 2017

- 1.2 Warrant List through December 6, 2017 - \$3,896,493.50
- 1.3 Approval of Construction Agreement for Skyline Townhomes, APN 221-661-23 (Western Pacific Housing, Inc.)
- 1.4 Approval of Construction Agreement for Palomar Operations and Maintenance Complex, APN's 219-161-17, 18, 19 & 21 (Palomar Community College District)
- 1.5 Award of Construction Contract for the Repair of Concrete Driveway for Condominium Complex

ACTION ITEMS

ANNUAL BOARD TRANSITION

General Manager Pruim stated that every year the Board appoints a new President and Vice President. Based on past practice of rotating the presidency, Director Hernandez is next in line to become President.

17-12-05 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to elect Director Hernandez President of the Board of Directors.

17-12-06 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried 4 – 0, with Director Evans abstaining, to elect Director Martin Vice President of the Board of Directors.

President Hernandez presented Director Elitharp with a book highlighting his term as President.

Director Elitharp stated it has been an honor to serve the ratepayers as President for the past year.

COMMITTEE APPOINTEES AND REPRESENTATIVES

President Hernandez distributed a list of committee assignments to the Board, which the Board reviewed.

President Hernandez recommended the standing committee and representative assignments remain the same as last year with the exception of the ACWA Energy Committee as Director Martin wished to step down from that committee. Director Elitharp was assigned to the ACWA Energy Committee.

17-12-07 MOTION WAS MADE by President Hernandez, seconded by Director Martin, and carried unanimously, to approve the committee members as presented.

COMMITTEES

ENGINEERING/EQUIPMENT	Jim Hernandez (C), Craig Elitharp
FINANCE/INVESTMENT	Hal Martin (C), Mike Sannella
LEGAL/LEGISLATIVE AFFAIRS	Mike Sannella (C), Hal Martin
PUBLIC AWARENESS/PERSONNEL/POLICY	Betty Evans (C), Jim Hernandez
AD HOC	Will be assigned on as needed basis (C) = Chairperson

REPRESENTATIVES

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) BOARD OF DIRECTORS/REGION 10	Finance Liaison: Tom Scaglione
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) FINANCE COMMITTEE	Chair: Tom Scaglione
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) ENERGY COMMITTEE	Member: Craig Elitharp
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) GROUNDWATER COMMITTEE	Member: Jim Hernandez
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) MEMBERSHIP COMMITTEE	Member: Hal Martin
ACWA/JPIA	Delegate: Hal Martin Alternate: Betty Evans Finance & Audit Committee: Tom Scaglione, Vice Chair
CALIFORNIA ASSOCIATION OF SANITATION AGENCIES (CASA) – LEGISLATIVE COMMITTEE	Delegate: Craig Elitharp Alternate: Betty Evans
ENCINA WASTEWATER AUTHORITY	Delegates: Craig Elitharp & Jim Hernandez Alternate: Glenn Pruum
SAN DIEGO COUNTY WATER AUTHORITY (SDCWA)	Delegate: Betty Evans
SDNEDC	Delegate: Mike Sannella

FISCAL YEAR 2016/17 ANNUAL AUDIT REPORT

Accounting Supervisor Owen introduced Scott Manno of Rogers, Anderson, Malody & Scott, LLP, the firm retained to audit the District's annual financial statements. Mr. Manno provided a brief presentation on the objective of the audit, audit standards, and the responsibilities of management, the Board and the auditor. He stated the evidence obtained during the audit is sufficient and appropriate to render an unmodified opinion which is the highest level of assurance possible and that the financial statements are fairly stated in all material respects.

General discussion took place.

Accounting Supervisor Owen facilitated a presentation on the FY 2016/17 Audited Financial Report as follows:

- Contents
- Financial Highlights
- Current Year to Prior Year Analysis
- Restrictions, Commitments, and Limitations
- Capital Assets
- Next Year's Budget and Rates

General discussion took place during which Accounting Supervisor Owen stated the only recommendation the auditor made was that the personnel payroll data be entered through the human resources system rather than the payroll system as is currently done; however, there is no need to change the current practice.

Mike Hunsaker, member of the public, addressed the Board and asked questions concerning reserves, funding of the EWA investment, administrative credits and transfers, the purchase floor of CALPERS, capital improvement deficits, OPEB, and bonds.

President Hernandez requested staff meet with Mr. Hunsaker individually to provide answers to his questions.

Staff requested the Board accept the fiscal year 2016/17 audited financial statements.

17-12-08 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to accept the fiscal year 2016/17 audited financial statements.

AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY

District Engineer Gumpel stated the Board had expressed interest in exploring the possibilities of utilizing the San Marcos Groundwater Basin (Basin) for a new water resource for the District and delegated this matter to the Engineering/Equipment Committee (Committee) to pursue a consultant study to determine the Basin size, storage capacity, best use, and possible legal hurdles. Estimates of the cost of the study were between \$500,000 and \$650,000, not including legal components. The Committee then shifted their focus on determining funding opportunities for the study.

District Engineer Gumpel further stated staff met with consulting firm Woodard and Curran (formerly RMC Consultants) to discuss the best approach to identify and apply for funding sources. Woodward and Curran identified several funding options depending on how the groundwater is to be used, either recycled water, potable water

or water reuse. Each option would need to be evaluated to determine the cost per acre foot of water, length of time involved, legal ramifications, and funding potential. This information would be presented to the Board for further consideration. The study is not included in the Fiscal Year 2017/18 budget.

Staff requested direction from the Board concerning authorization of a budget amendment in the amount of \$126,000 to move forward with the Groundwater Basin Study and approval of a professional services agreement with Woodard and Curran in the amount of \$70,222 for preparation of the study.

General discussion took place during which District Engineer Gumpel clarified that the proposed study would evaluate the three options for water usage and their corresponding funding options. The study should provide the Board with sufficient information to decide whether to pursue development of the Basin.

Further discussion took place regarding how to pay for the cost of the study, either by cutting from the current budget or delaying the study and incorporating it into the 2018/19 budget.

17-12-09 MOTION WAS MADE by President Hernandez, seconded by Director Sannella, and carried unanimously, to direct General Manager Pruum to identify savings in the current budget that could be utilized to pay for the cost of the Groundwater Basin Study.

Mike Hunsaker, member of the public, addressed the Board expressing his opinion that the study is not practical. He questioned what effect a drought would have on the District's investment, how would the basin be recharged if necessary and who would own the water if recharged, and increasing power costs. He thanked the Board.

General discussion took place regarding the groundwater injection process.

METROPOLITAN WATER DISTRICT LOCAL RESOURCE PROGRAM APPLICATION

General Manager Pruum stated Metropolitan Water District of Southern California (MWD) provides funding opportunities through its Local Resource Program (LRP) to encourage the development of local water supplies in order to lessen the demand on imported water supplies from the Bay-Delta area and the Colorado River. Staff believes the District's purchase of 3,500 acre-feet of desal water per year qualifies the District for the LRP.

General Manager Pruum further stated MWD's LRP is only available to its member agencies at MWD's discretion. The District would need to submit an application for the LRP to the San Diego County Water Authority (SDCWA) who in turn would need to sponsor the District's application. Staff has been speaking with SDCWA regarding the application process and recommended the District partner with the City of Carlsbad who has an agreement to purchase 2,500 acre-feet of desal water per year. Both agencies

have retained a consultant to assist with preparation of the application and to help move the application along in the processes of both SDCWA and MWD. There is no cost to submit the application and no financial risk; however, there are costs for the consultant which are included in the current budget. If the District is successful in obtaining the full incentive amount, it could receive \$1,662,500 per year of MWD's LRP incentive funds.

Staff recommended the Board authorize staff, in coordination with the SDCWA, to submit an application to MWD for the LRP incentive program for the District's purchase of desalinated water supplies.

General discussion took place.

Mike Hunsaker, member of the public, addressed the Board stating he supports the application as it could be very profitable for the District and it is worthwhile trying. He expressed his opinion that the program could increase the competition for desal water, and asked if the incentive money would go directly to the District or is it some sort of offset. He thanked the Board.

General Manager Pruim stated the incentive funds go directly to the agency.

17-12-10 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to authorize staff to submit an application for funding through MWD's Local Resources Program.

REPORTS

GENERAL MANAGER

General Manager Pruim commended Operations & Maintenance Manager Pedrazzi for being proactive in having his staff maintain higher than usual water levels in the District's reservoirs in preparation for possible fires breaking out in this area.

General Manager Pruim reported the following:

- District crews will be working this evening along San Marcos Boulevard in front of Churchill's to repair a fire hydrant that was knocked down. One of the eastbound lanes will be closed beginning at 8:00 p.m. but will be open in time for the rush hour traffic tomorrow morning.
- The public scoping meeting for environmental documents of the water and sewer Master Plan will be held tomorrow, December 7, at 5:00 p.m.
- Staff completed their review of the solar energy project proposals and reached unanimous consensus on their first choice. Staff will present their recommendation for the award of an agreement to the Board at the January 3, 2018 Board meeting.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott stated he's been made aware of rumors circulating that the SDCWA has filed a new lawsuit against Metropolitan Water District (MWD) over MWD's refusal to turn over its 2016 rate models. SDCWA's general counsel is very upset about the rumors and has stated the rumors are completely false. A lawsuit was filed in 2016 over the rate models, and the court system is finally catching up with the law in motion as well as other filings.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the SDCWA Board will be meeting on December 7 to decide on whether to extend the QSA so that the arrangements with Metropolitan Water District and Imperial Irrigation District for the transfer agreement follow suit and time.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the December 6 Capital Improvement Committee at which discussion took place regarding the completion of the plant expansion.

Director Elitharp reported on his attendance to the December 5 Policy & Finance Committee at which the Committee established the Board of Directors meeting dates for 2018, reviewed the Fiscal Year 2017 Comprehensive Annual Financial Report, and reviewed the status of the five-year Strategic Business Plan.

STANDING COMMITTEES

Director Martin stated the Finance/Investment Committee reviewed the Fiscal Year 2016/17 Annual Audit Report and recommended its acceptance to the Board.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Sannella reported on his attendance to the California Special Districts Association (CSDA) San Diego Chapter quarterly dinner meeting on November 16.

Directors Martin, Elitharp, Evans, and Hernandez reported on their attendance to the ACWA Fall Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

President Hernandez stated he would like to be able to give more direction on conversations during Board meetings so that two people are not speaking at the same time.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 6:58 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 20, 2017, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District