

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MAY 16, 2018, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Regular meeting to order at the hour of 5:01 p.m.

Director Martin led the pledge of allegiance.

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

Staff Present: General Manager Pruim  
Legal Counsel Gilpin  
Administrative Services Manager Emmanuel  
District Engineer Gumpel  
Finance Manager Owen  
Operations & Maintenance Manager Pedrazzi  
Capital Facilities Senior Engineer Hubbard  
Development Services Senior Engineer Scholl  
Public Information/Conservation Supervisor Robbins  
Financial Analyst Arthur  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF MAY 16, 2018

18-05-05 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Regular Board Meeting of May 16, 2018.

PRESENTATIONS

Chris Palmer, Public Affairs Field Coordinator with the California Special Districts Association presented the District with the “District Transparency Certificate of Excellence” award from the Special District Leadership Foundation.

Jo MacKenzie, SDLF Board of Director, stated that out of 60 independent special districts, only five have the District of Distinction award, which Vallecitos Water District has. There are only eleven agencies who have gone above and beyond and received the Transparency award. She stated a lot of credit goes to the staff as it is a lot of paperwork and time to pull all the documents together. She distributed a handout to the Board which explains the levels of accreditation.

Maureen Stapleton, General Manager, San Diego County Water Authority (SDCWA), provided an update on water issues, challenges and opportunities. She provided an overview on how far the SDCWA has come over the last 25 years; water reliability – now and into the future; California WaterFix; and, the Metropolitan Water District litigation. The presentation included the following:

- SDCWA's 25-year Journey
- Water Reliability: Interim Long-Range Water Demand Forecast
- Need for Interim Demand Forecast
- Interim Demand Forecast Reset (TAF)
- Water Supply Portfolio
- Normal Year Forecast (TAF)
- Multiple Dry Year Forecast (TAF)
- California WaterFix Update: Cost Impact
- Key Points
- Timeline
- MWD's Recent Actions
- MWD's April Board 10
- Second Tunnel Doesn't Increase MWD Yield
- Cost implications to the Water Authority and Region's Ratepayers
- Ratepayer impact if Water Authority Buys 60,000 AF of MWD water in 2035
- Different Assumptions and Future Decisions Could Change Impact
- MWD Rate Litigation
- MWD Rate Litigation Outcome
- Water Stewardship Rate Litigation Outcome
- Water Stewardship Rate (WSR) Rate Benefits from Litigation
- Key Issues Yet to be Decided
- Total Estimated Financial Stakes for the San Diego Region
- Assumptions: Impacts on Water Authority
- Calculation Steps: Calculating Cost to MWD; Calculating Cost to Water Authority
- Calculating Cost to the Water Authority/Calculating Cost to our Ratepayers
- MWD assigns WaterFix costs on Supply
- MWD assigns WaterFix costs on Transportation
- Where MWD Recovers WaterFix Costs Matters to Water Authority
- Communicating Cost Impacts
- Unanswered Questions from Last Review

Question and answer took place following the presentation. This presentation was provided for information only.

### CONSENT CALENDAR

18-05-06 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar as presented.

#### 1.1 Approval of Minutes

- A. Finance/Investment Committee Meeting – April 25, 2018
- B. Regular Board Meeting – May 2, 2018

- 1.2 Warrant List through May 16, 2018 - \$3,259,756.53
- 1.3 Financial Reports
  - A. Water Meter Count – April 30, 2018
  - B. Water Production/Sales Report – 2017/2018
  - C. Water Revenue and Expense Report – April 30, 2018
  - D. Sewer Revenue and Expense Report – April 30, 2018
  - E. Reserve Funds Activity – April 30, 2018
  - F. Investment Report – April 30, 2018
- 1.4 Final Acceptance for Craven Road Sewer Replacement (Brookfield Rancho Coronado, LLC)
- 1.5 Approval of Temporary Off-Site Water Service Agreement for Case Single Family Residence (Liontribe, LLC)

Mike Hunsaker, member of the public, addressed the Board on Item 1.3, referencing discussion on water sales, residential irrigation and agricultural. He stated the meters information appears to be representative of a whole as to where the water goes. There are two-inch meters mainly serving apartments. He further indicated that the State wants almost all water rationing and conservation done by single family dwellings and may largely exempt many multi-family dwellings from any rationing. He asked how the Board was going to start rationing these multi-family units on single master valves. He further stated it would be appropriate now to ban the use of master meters on new development. He thanked the Board.

#### ACTION ITEMS

#### REQUEST FOR AGRICULTURAL WATER TO REPLACE SINGLE FAMILY RESIDENCE RATE AT APN: 187-560-16 (LIONTRIBE, LLC)

Public Information/Conservation Supervisor Robbins provided history on the agricultural water discount program which began with Metropolitan Water District (MWD) in 1958, subsequently ending the discount in October 2008. In January 2013, MWD cancelled their agricultural program. The San Diego County Water Authority (SDCWA) Board voted to implement an agricultural program and have extended it several times. The current ordinance with the SDCWA extends their temporary special agricultural water rate through December 31, 2020.

Neither the SDCWA nor Vallecitos Water District (VWD) has granted new accounts into the agricultural water rate programs. Agricultural accounts are typically grandfathered into the billing system per requirements contained in the Annual Certification and Enrollment Form. The SDCWA does not grant their Transitional Special Agricultural Water Rate (TSAWR) to accounts that were not enrolled in the Interim Agricultural Water Program (IAWP) as of January 1, 2009. VWD has no ability to change SDCWA

requirements. TSAWR customers receive a reduced agricultural water rate, however, in times of drought they must reduce their consumption by the same percentage as any mandated water supply reductions.

VWD has a separate agricultural water rate that is not part of SDCWA's program. The program is "Certified Non-Participating Agricultural Water Rate" (CNPAWR). The rate for this program is not discounted to the same level as TSAWR water, but does not have mandatory restrictions in times of drought. In the past, VWD has followed the SDCWA's requirements and has not granted VWD's CNPAWR to accounts that were not enrolled in the IAWP as of January 1, 2009.

Public Information/Conservation Supervisor Robbins stated he was recently contacted by customer Robert Case who inquired about water service for his property as he wants to utilize 6 of his 13 acres for a vineyard. The property contains a 5/8 inch meter which is classified a residential account. Based on the SDCWA's requirements, Mr. Case would not be eligible for the TSAWR rate. Previous rate ordinances were restrictive of access to the CNPAWR, however, the current ordinance is silent on the subject of CNPAWR accounts.

General discussion took place.

Robert Case addressed the Board stating he purchased the property which was zoned A70. He attended commercial agricultural school at Escondido's Archie's Acres. He encountered the meter size issue when he started to develop the parcel. He does not have the option of the agricultural or the domestic agricultural rate which he is asking for. He doesn't feel it's right that the land is dedicated and zoned for agricultural use. His understanding under the letter of the law is that if someone comes in to an entity and applies for something and the law states one thing and as he understands it, the law sided on this issue, therefore he should be allowed to have his application accepted. He understands there are issues for the Board, but when a customer who is abiding by the letter of the law, wants to come in and pay money in exchange for the services, he doesn't see what the problem would be for someone who already has their application. He respectfully requested that the Board bring his issue back for discussion and a determination of his application.

Kazumi Ikeda addressed the Board and introduced his partner Brisch Ibarra. Mr. Ikeda stated he is responsible for managing the plant in San Marcos which was built ten years ago. All operations are conducted indoors, therefore, the water usage in the plant is pretty much stable. Recently, due to the drought situation, the rate has gone up considerably. He has compared the last five years and the rate has increased approximately 50% in that time while the usage has gone up. He is doing everything possible to shave the costs on electricity, water and natural gas to make the plant run efficiently. Minimum wage has gone up and continues to go up. He requested staff consider a more reasonable rate or the rate they used to pay five years ago. He thanked the Board.

General discussion took place. Following discussion, the consensus of the Board was to bring back Mr. Case's request to the Board next month for additional discussion.

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM INFORMATIONAL UPDATE

General Manager Pruim provided an overview of the elements to be discussed which includes what PERS is, defining the difference between classic employees and PEPRAs employees, funding sources, introducing important terms and what all this means to the District. The presentation consisted of:

- What is PERS?
- PERS Membership Breakdown
- PERS Retirement Benefits
- VWD PERS Membership Breakdown
- Funding Sources
- PERS Costs Timeline
- Unfunded Accrued Liability
- Plans Funded Status
- Unfunded Accrued Liability
- CALPERS Investment Earnings
- CAPERS Investment Performance
- Unfunded Accrued Liability
- Unfunded Accrued Liability Annual Payments – PERS 20-Year Schedule
- PERS Costs Timeline
- Normal Cost
- Normal Cost – Employee Share
- Normal Cost – District Portion
- Normal Cost – District Portion with EPMC
- Total PERS Annual Costs
- District PERS Annual Increases
- Employee PERS Annual Increases
- PERS Costs
- Next Steps

General discussion took place during and following the presentation. This presentation was provided for information only.

### REPORTS

#### GENERAL MANAGER

General Manager Pruim stated that in the latter part of June staff will be starting a pilot construction project. Staff are in the process of public outreach for the customers who

live along the streets to make them aware of what staff will be doing. He will be inviting the Board out to the site when construction actually starts.

Director Sannella inquired on the status of the award for the audio video upgrade. Principal Engineer Gumpel stated the contract has been awarded and staff is waiting for the final contracts to be signed by legal staff. Staff has begun talking about scheduling the preconstruction meeting and is working with the new IT Supervisor to bring him up to date on all the different attributes. He doesn't know if the pre-construction meeting has been scheduled yet, which is the next step. At that point, staff will begin requesting submittals and schedules.

#### DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated that Ken Calvert introduced a spending bill with the Interior Department to preclude environmental lawsuits. He also stated that Western Municipal Water District was sued recently on a budget based tier rate. Will continue to monitor this case.

#### SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board meeting is Thursday, May 24. She will be attending a Governance Committee meeting this week to discuss the ACWA JPIA agreement for the Water Conservation Garden; she will be attending a news conference on the 23<sup>rd</sup> as the representative for SDCWA on the consolidated united effort of opposition to the water tax proposals.

#### ENCINA WASTEWATER AUTHORITY

President Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which the Committee discussed the project status; have a coating opportunity for them to take due to salt and corrosiveness; an as needed general contract service took place; discussed the bioenergy and admission strategy plan; they are getting between 6 and 10 trucks per day; have an opportunity for increasing gas production; there is an issue with the permitting process; APCD permit doesn't allow generating on a pro-generation as well as wanted; the odor control issue that has taken place over the past two months is completely under control; and discussed the Technology System Implementation Plan. The next meeting is June 20.

Director Elitharp stated the Policy and Finance Committee will meet on June 12.

#### STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella, Martin, Hernandez, Elitharp and Evans reported on their attendance to the Council of Water Utilities meeting.

Director Martin reported on the ACWA JPIA meeting at the ACWA Conference as well as the ACWA Conference.

Director Elitharp reported on his attendance to the ACWA Conference.

Director Evans reported on her attendance to the ACWA Conference and the ACWA Region 10 meeting.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

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

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 8:07 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, June 6, 2018, 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 Pruijm, Secretary  
Board of Directors  
Vallecitos Water District