

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, August 20, 2018
Time: 2:00 P.M.
Place: Board Room
29300 Valley Center Road
Valley Center, CA 92082

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Polito at 2:00 P.M.

ROLL CALL

Board members present were: Directors Polito, Haskell, Broomell, Ferro and Holtz. Staff members present were: General Manager Arant, General Counsel de Sousa Mills, District Engineer Grabbe, Director of Operations Hoyle, Finance Director Pugh, SCADA/IT Systems Administrator Pham, Manager of Accounting Velasquez, Project Manager Williams, Safety and Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectator present was: Jacqueline Howells – HGR.

CONSENT CALENDAR

1. Upon motion by Haskell, seconded by Ferro and unanimously carried, the following consent calendar items were approved:

- Minutes of the Board meeting held July 16, 2018
- Audit demand check numbers 151925 through 152138 for July 6 through August 2, 2018 and wire disbursements for July 2018
- Treasurer's Report for month ending June 30, 2018
- Board of Directors' request for per diem compensation, reimbursement of expenses, and report of expenses

ACTION AGENDA

2. Comprehensive Annual Financial Report (CAFR) Awarded Certificate of Achievement for FY 2016-2017 by GFOA:

Each year staff submits its CAFR to the Government Finance Officers Association (GFOA) to be considered for the Certificate of Achievement for Excellence in Financial Reporting. This is the highest form of recognition in governmental accounting and financial reporting stated General Manager Arant. VCMWD's 2016-2017 CAFR has been judged to meet the high standards of the program for the 27th consecutive year.

3. Woods Valley Ranch Wastewater Expansion Project – Approval of System Development Charge:

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The System Development Charge is being established to create equity between the existing Woods Valley Ranch customers comprising Service Area 1 and the participants in the Expansion Project (Service Area 2), reported District Engineer Grabbe. The Service Area 1 customers have been paying service charges and standby fees since FY 2002-03. Some of those charges and fees have paid for assets that benefit the expansion participants for which they should make contributions to match the financial contribution level of the existing customers. The methodology for development of the \$2,202 per EDU System Development Charge is explained in a report prepared by John Christopher of the Louis Berger Group and was summarized by Mr. Grabbe.

Each Participant in the Expansion provided a \$5,000/EDU deposit to provide funding for the project expenses that were not eligible for the SRF loan and cash flow during construction. With the majority of the construction completed and ineligible costs identified, the balance of the participation deposits is sufficient to fund the remaining requirements of the System Development Charge.

This charge applies only to participation in the Expansion Project and would need to be reevaluated with any future expansion project creating additional capacity in the facility. The funds collected from the System Development Charge will be applied to the Woods Valley Ranch Water Reclamation Facility Replacement Reserves.

Staff recommended adoption of Resolution No. 2018-17 establishing the proposed System Development Charge at \$2,202 per EDU, applying the Participant's standby fee assessments for fiscal years FY 2016-17 and prior towards the System Development Charge, and deducting the balance of the System Development Charge from the original \$5,000 project participation deposit.

Upon motion by Broomell, seconded by Haskell and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2018-17

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
ESTABLISHING A SYSTEM DEVELOPMENT CHARGE FOR THE
WOODS VALLEY RANCH WASTEWATER EXPANSION PROJECT**

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

NOES: None

ABSENT: None

4. Old Castle Waterline Replacement Project Budget Reallocation Discussion:

The fiscal year 2018-19 annual budget included \$4.0M in funding for design and construction of improvements to the Old Castle Waterline Replacement Project. Following budget approval, staff was informed that the County was planning

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construction of road surface improvements to Old Castle Road, from Highway 395 to Pamoosa Lane, beginning November 2018. Since there is not time to complete the pipeline replacement project prior to the County's start date, staff is recommending that the portion of the replacement project within the resurfacing area be placed on hold until after the County's 3-year "no cut" policy expires in January 2022. Postponing that portion of the Old Castle project will free up the majority of the funds originally approved, potentially making \$3.37M available to be reallocated for other replacement projects. Eight proposed projects, estimated at \$4.5M, were summarized by Project Manager Williams as potential projects for reallocated funds.

Staff was preparing a Drinking Water State Revolving Fund (SRF) loan application for the original \$4.0M Old Castle Pipeline Replacement Project and will continue to pursue and evaluate SRF funding for any projects selected for reallocation.

Staff recommended the Board direct them to further evaluate potential projects and prepare an amendment to the FY 2018-19 Budget to reallocate \$3.37M of the funding appropriated for the Old Castle Waterline Replacement project for consideration and approval at a future Board meeting

Upon motion by Ferro, seconded by Haskell and unanimously carried, the Board approved staff's recommendation.

GENERAL MANAGER'S AGENDA

5. New Water Conservation Laws and Implementation Overview:

Senate Bill 606 and Assembly Bill 1668 were adopted and signed into law imposing extensive water conservation reporting and implementation measures that will be put into place over the next 12 years. This includes an indoor water use budget of 55 gallons a day per person until 2021; it will then drop to 52.5 gallons a day. An analysis will be done to determine if the indoor usage can be even further reduced.

Over the next several years, each water agency will be provided a water budget by the State reflecting indoor water use based on population, outdoor water use based on irrigable acreage, and a commercial/industrial use budget for schools, governmental uses and commercial entities. This will not affect commercial agriculture.

Progressive enforcement of these regulations will begin in 2023 for noncompliance starting with an informational order, the following year a written notice, and in 2025 the agency will receive conservation orders directing them what they need to do to meet the standards. Civil liability penalties for noncompliance will begin in 2027.

Senate Bill 998, if approved, will dramatically change the way water accounts are managed in terms of interrupting service for nonpayment. It may be economically unfeasible to interrupt water service because of the costly, extended program being proposed.

Senate Bill 623 (Monning), the water tax to help disadvantaged communities, has now been modified to SB 845 which will require that customers have the opportunity to make a voluntary remittance on their water bills. On a monthly basis, the customer must

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choose to opt out. If paid, those funds will be sent to Sacramento. For those customers who pay their bill electronically or have it automatically deducted from their checking accounts, this will be especially challenging. Staff has sent letters opposing this bill to many legislators. The current legislative session ends August 31st.

6. Status Report on Long-Term Water Conveyance and Service Agreement with the San Pasqual Band of Diegueño Mission Indians:

Since the long-standing San Luis Rey River water litigation between the five Indian bands, Vista Irrigation District and the City of Escondido has been resolved, staff has been in discussions with the San Pasqual Band to establish a Long-term Water Conveyance and Service Agreement. This would replace the Emergency Water Service Agreement between the District and San Pasqual which is due to expire September 30, 2018.

Due to their geographic location, the San Pasqual Band expects it will be more cost effective to move their Settlement Water from the San Diego Aqueduct system through Valley Center's system. The District would charge them to move the water, treatment costs, pumping costs, meter service charges, etc. to tribal lands both inside and outside the VCMWD boundary. The water delivered, up to the settlement amount, would not be charged the MWD and SDCWA fixed and commodity costs but would charge a wheeling fee established by the Settlement Agreement.

District staff and San Pasqual representatives have gone through several iterations of the basic agreement framework which may be ready for Board review in September. It would then go to the respective legal counsels for final drafting. If formal approval goes beyond the expiration of the Emergency Service Agreement, deliveries can continue through the emergency meter as water owned by San Pasqual, under the terms of the Settlement Agreement.

7. San Diego County Water Authority's Board of Directors Meeting:

General Manager Arant reported on the following items from the SDCWA Board of Directors' Meeting of July 26, 2018:

- The Board authorized an Agreement for Water Service with the Sycuan Band of the Kumeyaay Nation. This virtual annexation applies to the Water Authority and Padre Dam without the Band giving up their sovereignty. Terms and conditions will be set up for payment of funds just as if they had annexed. This water is not part of the San Luis Rey Indian Settlement Agreement.
- The Water Authority has been asked to work with Metropolitan to achieve a more equitable allocation of the water stewardship rate and fees that go to funding local projects.

MISCELLANEOUS

8. Status Reports for May and June were provided for review.

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ADJOURNMENT

9. Upon motion by Ferro, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:00 p.m.

ATTEST:

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President

Secretary

Approved at a regular meeting of the Board of Directors on September 17, 2018