

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting

Monday, May 16, 2022 – 2:00 P.M.

Place: Board Room

29300 Valley Center Road; Valley Center, CA 92082

Due to the COVID-19 State of Emergency, this Board Meeting is being conducted via Web Conference and Live Stream pursuant to Government Code §54953(e)(1)(A), which provides waivers to certain provisions of the Brown Act during a proclaimed state of emergency when state or local officials have imposed or recommended measures to promote social distancing, and allows some or all of the District's Directors to participate in the meeting telephonically or via video conference.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Polito at 2:00 P.M. President Polito established for the record that all Directors were able to hear the proceedings, that all members of the Board were able to hear the Directors participating by teleconference clearly, and that all votes would be taken by a roll call vote pursuant to the provisions of the Brown Act.

ROLL CALL

Board Members Present: President Polito, Vice President Ferro, and Director Smith, with Director Holtz teleconferencing. *Noting vacancy in Division 2 Director Seat.*

Staff Members Present: General Manager Arant, District Engineer Grabbe, Director of IT Pilve, Senior Engineer Lyuber, Manager of Accounting Velasquez, and Assistant Board Secretary Williams; with Director of Operations and Facilities Lovelady, Safety and Regulatory Compliance Supervisor Olson, Executive Assistant/Board Secretary Peraino, General Counsel de Sousa, and Federal Consultant Jacqueline Howells (HGR) teleconferencing.

Guest Speakers Present (Virtual): Craig Miller, General Manager of Western MWD, Riverside County, and co-founder of the "Solve the Water Crisis" Project.

PUBLIC COMMENTS / QUESTIONS

President Polito established for the record the process by which public comments are received by the Board; this process was also described in the Agenda for the meeting. It was announced that no comments or requests to speak were received.

CONSENT CALENDAR

Action: Upon motion by Smith, seconded by Ferro; and carried with four affirmative votes, the following consent calendar items were approved:

1. **Make Findings Necessary to Continue Teleconferenced Board Meetings Pursuant to Assembly Bill 361 (AB 361)**
2. **Minutes of the Regular Board Meeting Held Monday, May 2, 2022;**
3. **Audit Demands Check Nos. 162751–162849 for April 22 – May 5, 2022, and Wire Disbursements for the Month of April 2022;**
4. **Treasurer's Report for Month Ending March 31, 2022;** *and*
5. **Quarterly Financial Report Ending March 31, 2022.**

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

ACTION AGENDA

6. Public Review of the "Solve the Water Crisis" Project:

A brief background on the "Solve the Water Crisis" Project, and a rundown of the California retail and wholesale water managers involved in the organization and launch of the project was given by General Manager Arant. As proposed, this project would focus on forming a coalition across water agencies, businesses, and industries to directly communicate the dire nature of California's water crisis to Legislators, State Agencies, and Thought Leaders. Further, the project will emphasize that the time for action is now and that action is not to ask for more water use efficiency or take more water away from California's vital industries, such as agriculture. It is time to take the positive action needed to invest in the water infrastructure critical to helping California adapt to a rapidly changing hydrology.

Currently, the project envisions a 6- to 7-month effort with a \$275,000 budget (with an estimated cost per agency in the range of \$15,000). Nine water agencies committed to participate in funding the project, 33 agencies have been contacted and/or are under consideration. There are sufficient funds in the General Manager's Unclassified Contingency Fund for FY 2021-22 to cover the cost of participation.

Craig Miller, General Manager of the Western Municipal Water District and founder of the "Solve the Water Crisis" Project, gave a brief virtual presentation to give more details and answer any of the Board's questions about the Project.

Action: Upon motion by Ferro, seconded by Smith; motion authorizing participation in the Project carried with four affirmative votes.

PUBLIC HEARING

7. Public Hearing on Proposed Miscellaneous Water Meter Fees and Charges Effective and Adoption of Ordinance No. 2022-07 Amending the District's Administrative Code:

A public hearing was opened by President Polito at 2:38 P.M. to consider adopting revisions to Administrative Code Articles 160 and 171, increasing meter connection and component charges for FY 2022-23. Sr. Engineer Lyuber stated that staff advertised the Public Hearing ten days in advance through appropriate publications, with notice posted on May 5, and May 12, 2022. It was announced that no public comments were received.

Sr. Engineer continued by describing the basis behind the proposed charge increases. Charges are analyzed yearly by comparing current charges to the actual material, labor, and equipment costs. Staff also takes into consideration industry standards such as Consumer Price Index for All Urban Consumers (San Diego-Carlsbad) (CPI-U), Engineering News Record (ENR), and Cost of Living Adjustment (COLA) to help determine the appropriate updates to the charges. ENR and CPI Indexes indicated an 8-9% increase from last year, and the District's 4.5% COLA salary increases for FY 2022-23 pursuant to the Employee Association Memorandum of Understanding is scheduled to take effect July 1, 2022. Staff found that current material costs have increased dramatically, likely caused by supply chain shortages and inflation being seen throughout all industries. Backflow devices have significantly risen in the range of 30-40%.

Staff recommended the Miscellaneous Water Meter Fees and Charges be increased to match actual costs that the District is currently paying for its materials and labor rates to reflect the 4.5% COLA salary increase. The following sections of the Administrative Code reflect the proposed increases:

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

- Section 160.4(a) – Meter Installation Fees
- Section 160.4(a) – Fire Meter Tee
- Section 160.12(d) – Backflow Devices
- Section 160.20(c) – Pressure Reducing Valves
- Section 160.24 – Temporary Water Service

The following charges for Project Facility Availability & Comment Letters consisted primarily of staff charges with no material or installation costs and were recommended to be increased from \$150 per letter to \$170 per letter to reflect actual average costs and the 4.5% COLA:

- Sections 160.22 & 171.10 – Project Facility Availability & Comment Letters

The Temporary Water Service Section (Section 160.24) was last updated in FY 2009-10, resulting in the most significant increase this year. The total increase is 156% of the current fee, 99% increase in labor and equipment costs (a 6.3% average annual increase), and 57% is due to the backflow testing requirement. A majority of the change is attributed to updating the code to be consistent with current backflow practices. Each construction meter requires a backflow device; the proposed increases will adequately recover additional staff time associated with backflow installation, relocation, and testing, which was not previously accounted for.

Following discussion, the public hearing was closed at 2:50 P.M. Staff recommended the adoption of Ordinance No. 2022-07, amending the Administrative Code to increase the various meter connection and component charges to be effective June 20, 2022.

Action: Upon motion by Ferro, seconded by Holtz; motion to approve the following Ordinance passed with four affirmative votes:

ORDINANCE NO. 2022-07

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE ADMINISTRATIVE CODE
TO PROVIDE FOR MODIFICATIONS OF MISCELLANEOUS WATER METER
FEES AND CHARGES AND RELATED ADMINISTRATIVE CODE SECTIONS**

Was adopted by the following vote, to wit:

AYES: *Directors Polito, Ferro, Holtz, and Smith*
NOES: *None*
ABSENT: *None*

ACTION AGENDA

8. Authorization to Submit 2021 State Revolving Fund (SRF) Application:

The updated 2019 Water Master Plan included a strategy to fund certain projects utilizing the Drinking Water SRF Loans available through the SWRCB. Staff submitted the first application in 2020, titled the "2020 Pipeline Replacement Project". The 2020 application was successfully approved, and construction is underway. Meanwhile, staff has been preparing the documentation to submit the next application, titled "2021 Water Facility Replacement Project," consisting of Old Castle Pipeline Phase 2 Replacement, Broadway South Pipeline, and Ridge Ranch Interim Reservoir, and Pump Station Replacement.

The \$10,000,000 application amount includes costs for preparation of the application, project design, construction, construction management, various supporting services, and contingencies.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

If approved, the District would receive a DWSRF loan for the amount with the debt service spread over 30 years. Repayment of the loan would be from General Fund net revenues and appropriated accordingly within the capital improvement annual budgets, with an annual debt service of approximately \$399,000 for a 30-year term loan, based on the current 1.2% DWSRF 2020 Project interest rate. The start of construction expenditures for these projects will be coordinated around receipt of Final Budget Approval for the 2020 Pipeline Replacement, allowing those expenses to be reimbursed. The available working capital of about \$2.5M will be used to facilitate these projects similarly until reimbursements begin.

A resolution authorizing and directing the General Manager, or his designee, to sign and submit the application materials, along with a resolution declaring the District's intention to be reimbursed for expenditures paid for the 2021 Pipeline Replacement Projects from the proceeds of the SRF loan are required as part of this phase of the application package. Staff recommended the adoption of those resolutions to proceed with the application process.

Action: Upon motion by Smith, seconded by Holtz; motion to approve the following Resolution passed with four affirmative votes:

RESOLUTION NO. 2022-16

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT AUTHORIZING
SUBMITTAL OF A DRINKING WATER STATE REVOLVING FUND
FINANCIAL ASSISTANCE APPLICATION FOR THE 2021
WATER FACILITY REPLACEMENT PROJECT**

Was adopted by the following vote, to wit:

AYES: *Directors Polito, Ferro, Holtz, and Smith*
NOES: *None*
ABSENT: *None*

- and -

Action: Upon motion by Smith, seconded by Ferro; motion to approve the following Resolution passed with four affirmative votes:

RESOLUTION NO. 2022-17

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT DECLARING
INTENT TO REIMBURSE EXPENDITURES FOR THE 2021
WATER FACILITY REPLACEMENT PROJECT FROM PROCEEDS OF THE
STATE WATER RESOURCES CONTROL BOARD DEBT OBLIGATIONS**

Was adopted by the following vote, to wit:

AYES: *Directors Polito, Ferro, Holtz, and Smith*
NOES: *None*
ABSENT: *None*

GENERAL MANAGER'S AGENDA

9. Status Report on the Recently Implemented Inactive Meter Charge and Consideration of Possible Board Directed Amendments to Implementation:

A status report on the implementation of the Inactive Meter Charge (IMC) and a review of potential amendments to the IMC implementation was provided by General Manager Arant. The first IMC's went out with the March 2022 billings; this new charge generated many phone calls and written objections to the charge - all of which have been forwarded to the Board.

Customer Issues:

After taking input from our customers, staff has concluded that the two most objectionable aspects of the IMC implementation are the Cost of Having the Service Removed and having to Relinquish Capacity. In analyzing and discussing the customer input, staff still expressed that the IMC sets on a solid and valid basis. However, staff has developed the following implementation amendments for the board's possible consideration:

Customer Implementation Options:

1. **Pay the IMC and sustain the ready access to the full capacity of the meter service.** IMC to remain at 50% of the full then Meter Service Charge for 2023 and will be reviewed by the Board for a possible adjustment to 62.5% in CY 2024 and 75% in CY 2025.
2. **Relinquish capacity rights with an agreement recorded against the property and cease paying the IMC.** The customer pays a reduced abandonment fee of \$2250 (one-half the average of the two fees \$5,400 and \$3700 for the removal cost) with the rationale for cost sharing based upon that fact removing older services which may fail is also a maintenance benefit to the District which helps avoid future emergency repairs and water loss.
 - VCMWD would apply up to 6 months of any unpaid charges to the cost of removal; and
 - If requested, the District will set up an interest-free payment plan for the removal fee for up to two years (24 months).
3. **Downsize the meter "virtually" with an agreement recorded against the property, and the customer then pays the downsized IMC going forward.** The original capacity is not relinquished as with Option 2, but retained for the meter account. Collection of the difference in the IMCs between the original meter size and downsized meter size is deferred until if and when an increased or original full capacity is ever needed for actual service at some point in the future.
 - If the customer resumes actual service at the downsized meter capacity, no deferred charges are due and normal service is resumed.

Staff is bringing these concepts to the Board for discussion and direction. In light of possible Board direction on implementation of the IMC, staff is not applying delinquency charges on outstanding balances and is not pursuing any collection actions.

Action: Informational item only, no action required.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

10. Overview of Executive Order N-7-22 and the Pending State Water Resources Control Board Regulations to be Considered for Implementation:

On March 28, 2022, Governor Newsom issued Executive Order N-7-22 in response to the worsening drought conditions statewide. Two provisions in the Executive Order will directly impact VCMWD: 1) the filing of a Preliminary Annual Water Supply Assessment by June 1, 2022, and (2) implementation of the District's Article 230, Water Use Efficiency and Drought Response Program, Level 2 Water Demand Reduction (§230.6) by June 10, 2022. The State Board issued a draft regulation, which will be considered for adoption on May 25, 2022, with an anticipated effective date of June 10, 2022.

The purpose is for retail water agencies to determine if there will be a shortage in the coming year and what actions will be taken to augment supplies/reduce demand. As VCMWD is 100% dependent on the SDCWA, the District's assessment will be based upon information from the Authority, reflecting that the SDCWA will have ample supplies to meet VCMWD's needs for the coming year, as well as four additional dry years into the future. While E.O. N-7-22 does not specify a percentage of reduction per se, it does require retail water agencies to implement the Level 2 provisions of their respective Drought Response Programs. When Level 2 is implemented, the Level 1 voluntary provisions become mandatory. The Level 1 and 2 mandatory provisions were detailed in Mr. Arant's presentation.

Staff will return on June 2, 2022, with a Board resolution and communications and enforcement plan for implementing the final SWRCB regulation, which will have been adopted on May 25, 2022.

Action: Informational item only, no action required.

11. San Diego County Water Authority's Board Meeting Summary:

A report on the San Diego County Water Authority's Board of Directors' Meeting of April 28, 2022, was provided.

Action: Informational item only, no action required.

12. General Information:

The March 2022 Monthly Status Report was received and filed by General Manager Arant.

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S AGENDA

General Counsel de Sousa reported on the following proposed pieces of legislation, all proposing amendments to the Brown Act:

- AB 2449 and AB 1944 (both regarding teleconferencing)
- AB 2647 (regarding public inspection of writings related to agenda items)
- SB 1100 (regarding orderly conduct at meetings)

Action: No action required, informational item only.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

BOARD OF DIRECTORS' AGENDA and REPORTS ON MEETINGS ATTENDED

Director Smith reported on his attendance at the following meetings:

- ACWA-JPIA Meeting on May 2, 2022,
- ACWA Energy Committee Meeting on May 3, 2022,
- ACWA Finance Committee Meeting on May 4, 2022, and
- ACWA Spring Conference May 3 – 5, 2022.

ADJOURNMENT

Action: Upon motion by Ferro, seconded by Smith; motion passed with four affirmative votes, the regular meeting of the Board of Directors was adjourned at 4:22 P.M.

ATTEST:

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Robert A. Polito, *President*

Kirsten N. Peraino, *Secretary*

Approved at a regularly scheduled Board Meeting on Monday, June 6, 2022