

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting

Monday, September 19, 2022 – 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 PM, via teleconference and in-person. 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 remotely clearly, and that all votes would be taken by a roll call vote pursuant to the provisions of the Brown Act. The meeting was also livestreamed.

ROLL CALL

Board Members Present: President Polito, Vice President Ferro, and Director Smith.

Board Members Absent: Directors Holtz and Ness.

Staff Members Present: General Manager Arant, Director of IT Pilve, District Engineer Grabbe, Executive Assistant/Board Secretary Peraino, Director of Finance and Administration Pugh, Director of Operations and Facilities Lovelady, Senior Engineer Lyuber, and Project Manager Carrillo; with Manager of Accounting Velasquez, General Counsel de Sousa, and Federal Consultant Howells (HGR) teleconferencing.

Guests Present: Shannon Ayala (Davis Farr LP).

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.

CONSENT CALENDAR

Action: Upon motion by Ferro, seconded by Smith; and carried with three 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, August 15, 2022;**
3. **Audit Demands for Check Nos. 163555 – 163814 from August 5 through September 9, 2022 and Wire Disbursements for the month of August 2022;**
4. **Treasurer's Report for Month Ending June 30, 2022;** *and*
5. **Auditor's Communication with Those Charged with Governance (SAS 114) Letter.**

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ACTION AGENDA

6. Adoption of Resolution No. 2022-29, Authorizing a Budget Adjustment and Awarding the Construction Contract for the Reid Hill & Meadows Paint and Recoat Project to Capital Industrial Coatings, LLC:

Senior Engineer Lyuber provided the Board with a presentation on the Reid Hill & Meadows Paint and Recoat Project ("Project"). The Project generally consists of the cleaning, structural repair, interior coating and exterior painting of:

- Meadows No. 1 Reservoir – a 93-foot diameter by 40-foot tall (base to roof) 2.0-million-gallon above ground welded steel potable water reservoir (constructed in 1965 and last recoated/repainted in 2006); and
- Reid Hill Reservoir – a 70-foot diameter by 35-foot tall (base to roof) 1.0-million-gallon above ground welded steel potable water reservoir (constructed in 1978 and last recoated/repainted in 2007).

These reservoirs are two of three that serve the Meadows Pressure Zone, along with Meadows No.2. Under normal conditions, the zone can be served by one reservoir. The timing of this project will coincide with a series of San Diego County Water Authority 10-day shutdowns of the First aqueduct. Dec 5th, Jan 23rd, Feb 27th. In order to maintain sufficient storage during those outages, two of the three reservoirs must be available at all times. Therefore, the contract requires the contractor to be finished with one reservoir before taking the other offline.

In accordance with the formal bidding procedures set forth in Article 140.2(b) of the District's Administrative Code, the District received bids for the Project on August 10, 2022. The District received four (4) bids:

- Capital Industrial Coatings – \$1,987,546
- Amp United – \$2,056,320
- Advanced Industrial Services – \$2,006,600
- Paso Robles Tank – \$2,315,130

The apparent low bidder was Capital Industrial Coatings, LLC., with a total bid of \$1,987,546; 1% less than the second bid and 47% higher than the engineer's estimate (\$1,350,000 at the time of bid). The engineer's estimate and project budget were based 2021 prices, the most current available at the time of budgeting for the FY 2022-23 projects. Staff experienced a similar 30% increase on the Burnt Mtn & Reidy Canyon bid held in March of this year. So this is Project is on par with that trend. However, given the tight spread of 3.5% amongst all bids, it supports this as a fair price in today's market.

An overview of project funding was also presented by Mr. Lyuber. Project budget is insufficient, requiring an amendment to the FY 2022-23 Annual budget in the amount of \$725,000. Funds are proposed to be transferred from District's CIP reserves, which lowers the CIP reserve to approximately \$600K. The funds will be replenished after final budget approval of 2020 pipeline SRF Loan. Award of this project is subject to authorization of the proposed budget amendment. Additional funding is included for an Inspection Consultant with a resulting minor reduction in staff time and additional funding to bring contingency up to 10% of the of the contract amount.

Staff recommended adoption of Resolution No. 2022-29, authorizing a budget adjustment for \$725,000 and awarding the construction contract or the Reid Hill & Meadows Paint and Recoat Project to Capital Industrial Coatings, LLC. For their low bid amount of \$1,987,546.

Action: Upon motion by Smith, seconded by Ferro; the following Resolution was approved with three affirmative votes:

RESOLUTION NO. 2022-29

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE FY 2022-23 ANNUAL BUDGET
TO AUTHORIZE ADDITIONAL FUNDING AND AWARD THE CONSTRUCTION
CONTRACT FOR THE MEADOWS NO. 1 AND REID HILL RESERVOIRS
PAINTING AND RECOATING PROJECT [PROJECT NO. 01-06-78-51404]**

was adopted by the following vote, to wit:

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

7. Adoption of Resolution No. 2022-30, Approving Amendment No. 13 to Professional Services Agreement with HDR Engineering, Inc. for Additional CEQA Compliance Monitoring:

An amendment to the Professional Services Agreement with HDR Engineering (“HDR”) to the preparation of a Mitigation Compliance Matrix, Preconstruction Bird Surveys, Environmental Awareness Training for the contractor, Cultural and Paleontological Resources Monitoring, and Stormwater Compliance Monitoring and Administration, was presented by Project Manager Carrillo. The proposed amendment will result in a revised, not to exceed, contract amount of \$895,839. A summary of the amendments made thus far was also presented.

The District entered into an initial professional services agreement with HDR on September 24, 2007, for \$151,309, responsible for providing environmental consulting services for the South Village WWCS project (“Project”). Since the initial agreement, twelve amendments totaling \$581,429 have been approved; including preparing draft and finalized EIR amendments for additional South Village Waste Water projects, pre-construction surveying, SWPPP Compliance, and Construction Monitoring for both the South and North Village WWCS projects.

Since the initial agreement with HDR has been amended multiple times to update the EIR as the project expanded to include the North Village area for the Woods Valley Ranch Expansion Project, expanded capacity for Park Circle, and provided CEQA compliance monitoring services for the various construction projects as they were implemented. Amendment No. 12 provided for the CEQA compliance monitoring of the Orchard Run Lift Station Project. Amendment No. 13 is for additional services that have become necessary as a result of the actual conditions encountered during construction.

Staff recommended the adoption of Resolution No. 2022-30, authorizing Amendment No. 13 in the amount of \$78,800 for construction services with HDR to include CEQA Compliance, Paleo, and Native American Monitoring for the Project.

Action: Upon motion by Smith, seconded by Ferro; the following Resolution was approved with three affirmative votes:

RESOLUTION NO. 2022-30

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT APPROVING AMENDMENT NO. 13 TO THE HDR
ENGINEERING INC. PROFESSIONAL SERVICES AGREEMENT FOR ENVIRONMENTAL
SERVICES FOR THE ORCHARD RUN LIFT STATION PROJECT**

was adopted by the following vote, to wit:

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

INFORMATIONAL AGENDA

8. Lower Moosa Canyon Master Plan, Financial Plan, and Capacity Charge Preview:

District Engineer Grabbe presented preliminary findings regarding the Lower Moosa Canyon Water Reclamation Facility Master Plan 2022 Update, as they relate to proposed capacity and service charges. The preliminary results indicated that flow rates were trending down as a result of water conservation efforts, reducing hydraulic requirements and allowing more EDUs in the existing facilities, but increasing solids handling requirements. After reviewing the service area capacity requirements and the collection, treatment, and disposal facilities, a facility improvement plan was presented consisting of four groups of proposed projects, each in the \$2-3M cost range over the next 10 to 20 years.

The first group (Group 1) of proposed projects had been included in recent budgets utilizing the available Moosa Replacement Reserve funds and are currently in various stages of completion. The remaining improvement groups would need to be funded from the Clean Water State Revolving Fund ("CWSRF") program, or another form of debt financing, by leveraging the net revenues of the service area. Annual debt service for each group of improvements was estimated at \$200,000, which would require increasing the net revenues from the current \$346,000 per year to \$600,000 per year. An increase in the current service charges of 2% over and above the annual CPI increase needed for inflation would be required to achieve this goal in the next 8 to 10 years.

An increase in the capacity charge was included in the preliminary findings for new units to buy into the existing facilities and fund the additional solids handling expansion facilities. Mr. Grabbe reviewed the Capacity Charge methodology, explaining the Buy-In Method, Incremental Cost Method, and the Combined Approach utilized in the recommendation for the capacity charge. Preliminary findings indicated that increasing the current \$8,935 per EDU Capacity Charge to \$10,400 per EDU may be appropriate to properly allocate the expansion facility cost needed for the new units. The proposed Capacity Charge includes both a Buy-In Portion (estimated at \$2,900 per EDU) and an Expansion Portion (estimated at \$7,500 per EDU).

The increase in the capacity charge could be spread over a two- or three-year period resulting in a more reasonable 5 to 8% increase each year. The solids handling expansion facilities were included in the Group 2 improvements planned for the 2024 timeframe. This facility group would need to be funded from a CWSRF loan with repayment primarily from net revenues, due to the uncertainty of when new capacity would be purchased. Capacity charge revenues would be applied to the debt service as collected. Provisions would need to be implemented to ensure that new customers were not double charged for the expansion facilities, initially through the capacity charge and subsequently through the service charge.

Lastly, the future steps were shared with the Board - complete the Master Plan Document (incorporating Board/staff comments); finalize projections and cost estimates; prepare a recommendation for Board adoption of the Master Plan Update; prepare a recommendation for capacity charge increase for Board approval, and prepare an application for CWSRF funding for Group 2 (2024) improvement projects.

Action: Informational item only, no action required.

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GENERAL MANAGER'S AGENDA

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

A report on the San Diego County Water Authority (SDCWA) Board of Directors' Meeting of August 25, 2022 was provided.

Action: Informational item only, no action required.

10. General Information:

The following general informational items were reported on by General Manager Arant:

- The July 2022 Monthly Status Report was received and filed.

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S AGENDA

General Counsel de Sousa gave a brief update on the following pending legislation:

- AB 2449, which amends the Brown Act Teleconferencing/ Remote participation provisions passed and will become effective on January 1, 2023; and
- SB 1439, is still pending the Governor's action. If it becomes law, it will make campaign contributions in excess of \$250.00 disqualifying interests for directors, in matters involving permits, licenses and other entitlements of use (except competitively bid contracts and personal employment contracts).

BOARD OF DIRECTORS' AGENDA

11. Adoption of Resolution No. 2022-31, Recognizing October 1-9, 2022 as Water and Wastewater Professionals Week:



General Manager Arant started his presentation with a “thank you” to staff, proposing the adoption of Resolution No. 2022-31, recognizing the week of October 1 through 9, 2022 as Water and Wastewater Professionals Week. This resolution officially recognizes the commitment, dedication, and contribution of water and wastewater professionals statewide and here in Valley Center.

Action: Upon motion by Ferro, seconded by Smith; the following Resolution was approved with three affirmative votes:

RESOLUTION NO. 2022-31

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER
MUNICIPAL WATER DISTRICT PROCLAIMING OCTOBER 1-9, 2022
AS WATER / WASTEWATER PROFESSIONALS APPRECIATION WEEK**

was adopted by the following vote, to wit:

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

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BOARD OF DIRECTORS' REPORTS ON MEETINGS ATTENDED

None.

ADJOURNMENT

Action: Upon motion by Ferro, seconded by Smith; motion passes with three affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:55 PM.

ATTEST:

ATTEST:

Robert A. Polito, *President*

Kirsten N. Peraino, *Secretary*

Approved at a regularly scheduled Board Meeting on Monday, October 3, 2022