

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting

Monday, October 17, 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, Directors Holtz, Smith, and Ness.

Board Members Absent: None.

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

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 Smith, seconded by Ness; and unanimously carried, 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, October 3, 2022;**
3. **Audit Demands for Check Nos. 163941 – 164452 from Sept. 23 through Oct. 6, 2022;**
4. **Expense Reimbursement Disclosures (July 1 – Sept. 30, 2022) per GC §53065.5; and**
5. **Treasurer's Report for Month Ending August 31, 2022**

ACTION AGENDA

6. **Adoption of Resolution No. 2022-33, Awarding the Construction Contract for the San Gabriel Reservoir No. 1 Paint, Recoat and Refurbishment Project:**

Senior Engineer Lyuber gave a history on the San Gabriel Reservoir No. 1 Paint, Recoat and Refurbishment Project ("Project"), a 5.0-million-gallon, 142-foot diameter by 40-foot tall above ground welded steel water reservoir. The reservoir was constructed in 1973 and was last recoated 1994. The Project generally consists of the cleaning, structural repair, interior coating and exterior painting of San Gabriel No. 1 Reservoir.

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

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 October 6, 2022 (with a bid duration of 30 days). There were eight contractors that attended the two mandatory pre-bid meetings, but only four submitted bids. The apparent low bidder was AMP United, LLC with a total bid of \$1,622,365, approximately 17% less than the second bid and 4% lower than the engineer's estimate (\$1,690,420 at the time of bid).

Mr. Lyuber noted that there will be sufficient funding to award the contract is available in the current Fiscal Year 2022/23 Annual Budget for the project and no additional funds are required

Staff recommended adoption of Resolution No. 2022-33 awarding the construction contract for the San Gabriel Reservoir No. 1 Paint, Recoat and Refurbishment Project to AMP United, LLC for their low bid amount of \$1,622,365.

Action: Upon motion by Ferro, seconded by Ness; the following Resolution was unanimously approved:

RESOLUTION NO. 2022-33

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE VALLEY CENTER MUNICIPAL WATER DISTRICT
AWARDING THE CONTRACT FOR THE SAN GABRIEL NO. 1
RESERVOIR PAINTING AND RECOATING PROJECT
[PROJECT NO. 01-06-78-51403]**

was adopted by the following vote, to wit:

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

7. Adoption of Resolution No. 2022-34, Awarding the Construction Contract for the Lilac Road Pipeline Replacement Project:

Senior Engineer Lyuber gave a history on the Lilac Road Pipeline Replacement Project ("Project"), a replacement of approximately 4,200-LF of 6-inch Asbestos Concrete pipe with 8-inch PVC new water pipeline within Lilac Road between Hunza Hill Terrace and Hideaway Lake Road, as well as 1,800-LF of 12-inch PVC from Hunza Hill Terrace to Betsworth Road.

The Project involves excavation, backfill and compaction of new 8- and 12-inch PVC waterline, including new gate valves, fittings, and appurtenances, such as air/vacuum valves, fire hydrants, blow offs, and service laterals. In order to maintain uninterrupted service to customers during construction, sections of temporary waterlines will be installed and utilized during construction.

The project is last of three included in the "2020 Pipeline Replacement Program" funded by the State Revolving Fund (SRF) loan which was approved by the State Water Resource Control Board in March 2022. As such, contract documents included specific requirements the contractor must satisfy to comply with the terms of the SRF loan, including performing Good Faith Outreach to Disadvantaged Business Enterprises to perform subcontract work and utilizing materials that are compliant with the American Iron Steel Act, stated Mr. Lyuber.

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

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 September 8, 2022 (with a bid duration of sixty days). The apparent low bidder was Cass Construction, Inc. with a total bid of \$2,364,994.50, approximately 10% less than the second bid and 0.6% lower than the engineer's estimate (\$2,350,000 at the time of bid).

Mr. Lyuber reminded the Board that funding for the project is included in the 2020 Pipeline Replacement Program, through the State Revolving Fund (SRF) Loan, approved in March 2020. District will be reimbursed for all actual project costs by the loan. Loan will be repaid over a 30-year term at 1.2% interest rate.

Staff recommended adoption of Resolution No. 2022-34, awarding the construction contract for the Lilac Road Pipeline Upsizing Project to Cass Construction, Inc. for their low bid amount of \$2,364,994.50.

Action: Upon motion by Smith, seconded by Ness; the following Resolution was unanimously approved:

RESOLUTION NO. 2022-34

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT AWARDING THE CONSTRUCTION
CONTRACT FOR THE LILAC ROAD PIPELINE UPSIZING PROJECT
[PROJECT NO. 01-06-78-51417]**

was adopted by the following vote, to wit:

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

INFORMATIONAL AGENDA

8. Review of the District's Cal-PERS Actuarial Report:

Manager of Accounting Velasquez reported on the recently received CalPERS Annual Valuation Report for period ending June 30, 2021 and provided a comparison to June 30, 2020. The report provides information regarding the Funded Status and amount of Unfunded Accrued Liability (UAL) for the Classic Employee Pension Plan. The UAL and Funded Ratio are assessments of the need for future employer contributions based on the actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. The UAL at June 30, 2020, was \$25,702,919 compared to \$20,484,438 as of June 30, 2021. The Funded Ratios were 61.5% and 71.5%, respectively.

Normal Cost is the cost of pension benefits accruing in one year for current District employees, or "active members." This is expressed as a percentage of payroll, currently 14.33% for FY 2021-22. The second part of this contribution is the UAL, or the liability for all prior service costs. Beginning in Fiscal Year 2015-16 CalPERS began collecting the UAL payments as whole dollars rather than a percentage contribution rate. This change is intended to reflect the effort to reduce and ultimately eliminate the underfunding of the plan over time. The UAL payment made for FY 2021-22 was \$2,117,403 (paid in July 2021).

Valley Center Municipal Water District Board of Directors' Meeting Minutes

The change in our Funded Ratio, 61.5% to 71.5%, and reduction in our UAL, \$5,218,481, can be contributed to the fact that CalPERS reported a 21.3% net return on investments for the 12-month period that ended June 30, 2021. CalPERS assets at the end of the fiscal year stood at a record of more than \$469 billion. The 21.3% 2020-21 FY return for the Public Employees' Retirement Fund (PERF) was driven by Private Equity and Public Equity, with net returns of 43.8% and 36.3%, respectively.

However, it was also noted by Ms. Velasquez that at June 30, 2022, CalPERS saw a negative return on investment of 6.1%. Stocks held by CalPERS were down 13.1% for the year, while the pension fund's private equity investments were up 21.3% at the same time. But since public stocks account for 79% of the total fund, they dragged down its overall performance. In addition, according to CalPERS, typically when stocks fall, fixed income investments do well, but last FY, "fixed income didn't help", they performed even worse than stocks, with -14.5% rate of return.

Action: Informational item only, no action required.

9. Update on the Financial Impacts of the COVID-19 for the Quarter Ending Sept. 30, 2022:

An update on the financial impacts of the COVID-19 Pandemic was provided by Manager of Accounting Velasquez. At the end of September 2022, outstanding balances of \$5,379,765 representing 8,006 accounts, with sales of 2,177.9-acre feet, compared to June 2022, which had sales of 1,673.4-acre feet with total outstanding balances of \$4,368,857 representing 8,316 accounts.

Total balances for quarter ending September 2022 (greater than 30 days) were \$513,401, 9.54% of the outstanding balance, that is up \$95,417 from June 2022. Total outstanding balances were up \$1,010,908 on increased sales volume in Sept. compared to June of 504.5-acre feet. Continued efforts to watch, contact, and ultimately send lien letters has been effective in getting our customers to pay, stated Ms. Velasquez.

Ms. Velasquez also noted that the June balance included 496 new accounts that made up customers that were being charged for inactive meters. The total outstanding balance at June 30, 2022, for these 496 accounts was \$49,666. Of this total, \$28,488 or 57.4% are greater than 30 days. The inactive meter charge was terminated on August 1, 2022; with all customers having paid the charge being reimbursed a total of \$69,969 on September 28, 2022. The accounts that had not paid were issued credits against their accounts totaling \$50,017.

Action: No action required, informational item only. Staff will continue to monitor and report the results to the Board quarterly.

GENERAL MANAGER'S AGENDA

10. General Information:

The August 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 pending legislation.

BOARD OF DIRECTORS' AGENDA

9. SDCWA Permanent Special Agricultural Water Rate (PSAWR) Program Communication, Public Outreach Efforts and Related Request from PSAWR Customer for Water Charge Credit:

General Manager Arant provided the Board with an overview of the District's communication/outreach efforts associated with the SDCWA Permanent Special Agricultural Water Rate (PSAWR) Program and summarized the related request from PSAWR Customer Dan Mathson regarding a credit for Water Charges.

After the SDCWA completed its PSAWR Handbook and conducted member agency training workshops in October 2020, VCMWD staff then began focusing its efforts on developing an outreach, communication, and transfer program to move the current TSAWR customers to the new PSAWR Program. Three mailers sent to (*then*) current TSAWR customers in December 2019, March 2020 and May 2020 and the program was also predominantly featured on the District's homepage and program landing page. A summary of the efforts made by the Valley Roadrunner, the SDCWA, and the San Diego Farm Bureau were also reviewed by Mr. Arant. Mr. Arant next summarized the issues raised by Mr. Mathson, outlining an email exchange between General Manager Arant and Mr. Mathson on August 19, 2022:

- Mr. Mathson took issue with the first 22 units of usage being charged at the full price and that as an operator of a small vineyard, usage would often not exceed the first 22-units (16,500-gallons of water), and;
- Mr. Mathson had contacted the District in "November/December" of 2020 concerning PSAWR but he was not placed in the program. He requested a retroactive adjustment effective date of the PSAWR Program which would have been qualified usage of over 22-units per month.

Mr. Dan Mathson was present at the Board Meeting and during the Public Comment Period expressed concern regarding the SDCWA PSAWR Program requirement of the first 22 units of usage being charged at the full price rate and requested retroactive adjustment to his utility bill.

As requested, staff did review Mr. Mathson's past water bills and calculated what he would have saved, had he been in the PSAWR from February 2021 – August 2022; 534 qualifying HCF Units which would have provided a discount of \$684.15 between February 2021 and August 2022.

It was noted, that by Mr. Mathson's own statement, he knew of the program in Nov./Dec. of 2019 when he received an email / letter about the program; but for unknown reasons he failed to proceed and register until just a few months ago and is now receiving the discounted rate. As with the level of domestic use units, the rules and regulations of the program are established by the SDCWA and any issue of retroactive application of the PSAWR discount would be determined by the SDCWA. It should be noted that under the TSAWR rate, that number was 26, reminded General Manager Arant.

Mr. Arant concluded his presentation stating, in staff's view, there were significant efforts by the SDCWA, Farm Bureau, Avocado Commission, and VCMWD, to provide outreach and communicate about the PSAWR Program to the public/agricultural community. In an effort to affect a timely transfer of its customers from the TSAWR to PSAWR Program, VCMWD made three direct mailings to all TSAWR customers in making the transition; however, staff did not make a blanket mailing to it 8,000 M&I customer base (which would have included Mr. Mathson).

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

Action: Upon motion by Smith, seconded by Ness; motion to deny the credit was approved with four (4) affirmative votes (Vice President Ferro voted nay).

BOARD OF DIRECTORS' REPORTS ON MEETINGS ATTENDED

None.

ADJOURNMENT

Action: Upon motion by Smith, seconded by Ness; motion to adjourn passes unanimously, the regular meeting of the Board of Directors was adjourned at 3:46 PM.

ATTEST:

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Robert A. Polito, *President*

Kirsten N. Peraino, *Secretary*

Approved at a regularly scheduled Board Meeting on Monday, November 7, 2022