

VALLEY CENTER MUNICIPAL WATER DISTRICT

MINUTES

Regular Meeting of the Board of Directors

Monday, June 5, 2023 – 2:00 P.M.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Polito at 2:00 PM. In the Board Room at 29300 Valley Center Rd.; Valley Center, CA 92082. Additionally, the Board Meeting was livestreamed for those who wish to observe remotely.

ROLL CALL

Board Members Present: *President Polito, Vice President Ferro, Directors Holtz, Smith, and Ness.*

Staff Members Present: *General Manager Arant, Director of IT Pilve, District Engineer Grabbe, Director of Finance and Administration Pugh, Director of Operations and Facilities Lovelady, Manager of Accounting Velasquez, Project Manager Carrillo, Project Manager Powers, Senior IT Specialist Day, Executive Assistant/Board Secretary Peraino, General Counsel Nick Norvell, and Federal Consultant Howells (HGR) present in-person.*

PUBLIC COMMENT(S)

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 ITEM(S)

1. **Minutes of the Regular Board Meeting Held Monday, May 15, 2023;**
2. **Audit Demands for Check Nos. 166080 – 166292 from April 28, 2023 thru May 25, 2023;**
3. **Treasurer's Report for Month Ending April 30, 2023;**
4. **Board of Director's Request for Reimbursement of Expenses and Report of Expense Reimbursements per Government Code Section 53065.5; and**
5. **Adoption of Resolution No. 2023-17 Setting the District's FY 2023-24 Appropriation Limit for Proceeds from Taxes per Article XIIIB of the State Constitution.**

Action: Upon motion by Smith, seconded by Ness; and unanimously carried, the previously listed consent calendar items were approved.

PUBLIC HEARING ITEM(S)

6. **Public Hearing to Consider Adoption of Proposed Misc. Water Meter Fees/Charges for FY 2023-24 and Adoption of Ordinance No. 2023-04 Amending the District's Administrative Code:**

A public hearing was opened by President Polito at 2:07 P.M. to consider adopting revisions to Administrative Code Article 160, increasing meter connection and component charges for FY 2023-24, and incorporating updates that will align the code with procedures and policies that reflect current needs. District Engineer Grabbe stated that staff advertised the Public Hearing ten days in advance through appropriate publications, with notice posted on May 18, and 15, 2023. It was announced that no public comments were received.

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Mr. Grabbe 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 a 7-8% increase from last year, and the District's 4.5% COLA salary increases for FY 2023-24 pursuant to the Employee Association Memorandum of Understanding is scheduled to take effect July 1, 2023. Staff found the majority of the costs remained stable, with the exception of backflow devices, experiencing up to 50% increases, attributed to the continued market volatility of those parts.

The miscellaneous water service fees and charges shown in the District's Administrative Code are recommended to be increased to match the actual material, labor, and equipment costs of the various items as follows:

- Material costs are based on the average cost of the District's material inventory plus 3% to account for an estimated 6% annual increase in the average inventory cost over the next year.
- Current "Top of Range" labor rates were used in the evaluation and were increased by 4.5% to reflect the proposed COLA increase for next year pursuant to the employee association Memorandum of Understanding.
- Equipment rates are based on standard cost values published by Caltrans.

Certain categories denoted with no change are being recommended to remain the same as currently in effect. These particular categories consist of both labor and material costs, although labor increased with COLA, some materials had a slight decrease in cost offsetting the labor impact, yielding insignificant change overall. Material pricing is based on the average cost of the existing inventory at the time of evaluation. The average cost of materials is adjusted only when new components are purchased and added to inventory.

The following sections of the Administrative Code reflect the proposed revisions and increases:

- **§160.2 Water Service Applications and Installations:**
 - Clarified the Water Meter Application Approval and Installation and Six-Month Grace Period for completing Application requirements.
 - Clarified that additional costs incurred to install a service lateral in excess of 40 feet would be charged on a time and material basis.
- **§160.4 Connection of Service:**
 - Updated the Fees and Charges, and
 - Clarified Meter Manifold options for installation of multiple meters at one location.
- **§160.8 Meter Relocation:**
 - Updated the Fees and Charges, and
 - Clarified Additional Costs Associated with a Meter Relocation.
- **§160.12 Back Flow Prevention Devices:**
 - Updated the Fees and Charges.

Following discussion, the public hearing was closed at 2:15 P.M. Staff recommended the adoption of Ordinance No. 2023-04, amending the Administrative Code to increase the various meter connection and component charges to be effective July 10, 2023.

Action: Upon motion by Holtz, seconded by Ness; staff's motion to approve the following Ordinance passes unanimously:

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ORDINANCE NO. 2023-04

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE 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, Smith, and Ness*
NOES: *None*
ABSENT: *None*

7. Public Hearing to Consider Adoption of Proposed Water Availability Charges for FY 2023-24 and Adoption of Ordinance No. 2023-05 Amending the District's Administrative Code:

A public hearing to receive written and oral input on the adoption of Ordinance No. 2023-05, regarding proposed revisions to Water Availability Charges for FY 2023-24, was opened by President Polito at 2:17 PM. Annually, the District holds a public hearing to receive public testimony on the water availability charge of \$10 per acre with a \$10 per parcel minimum, reported Manager of Accounting Velasquez. This charge has been in place at the same rate since FY 1995-96. The availability charge will generate a dedicated source of revenue of approximately \$573,000 for FY 2023-24 which will be used for the District's debt service and ongoing capital requirements.

Notice of the public hearing was published in the local paper on May 11, and 18, 2023 (as required by law). Letters were also mailed on April 14, 2023, to all new property owners within the District. The District received no written protests but noted that the District received four (4) new deferral applications (all from the same owner). The opportunity was provided for public comment and there was none. The public hearing was closed at 2:24 PM.

Action: Upon motion by Ferro, seconded by Smith; staff's motion to approve the following Ordinance passes unanimously:

ORDINANCE NO. 2023-05

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT ESTABLISHING WATER AVAILABILITY
CHARGES FOR FY 2023-24 ON ALL PROPERTY WITHIN THE DISTRICT**

Was adopted by the following vote, to wit:

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

ACTION ITEM(S)

8. Set Public Hearing Date for July 17, 2023 to Consider Collecting the Woods Valley Ranch Sewer Service Charges (Service Areas 1 & 2) and the Woods Valley Ranch Grinder Pump Maintenance Charges (Service Area 2) on the FY 2023-24 Tax Roll, and Preview of the FY 2023-24 Annual Assessments for the Woods Valley Ranch Sewer Standby Fee (Service Areas 1 & 2), Annual Assessments for Assessment District No. 2012-1 and the Annual Special Taxes for Community Facilities District No. 2020-1:

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The date for a public hearing to receive input and consider collecting the FY 2023-24 Woods Valley Ranch (WVR) annual Sewer Service Charge (Service Areas 1 and 2) and the annual WVR Grinder Pump Maintenance Charge (Service Area 2) on the tax roll, was requested by District Engineer Grabbe. Notification of the public hearing on Monday, July 17, 2023, will be published in the local newspaper.

District's Sewer Service Charges

The sewer service charges and grinder pump maintenance charges for the Woods Valley Ranch Sewer Service Areas have been collected annually on the County of San Diego property tax roll (tax roll). The service charges provide for the operation, annual maintenance, and ultimate replacement of the District owned and operated collection, treatment, and seasonal storage facilities and are levied on those properties connected to the wastewater collection system as of the end of the fiscal year. These charges consist of the following:

- WVR Service Area 1 Annual Sewer Service Charge:
 - No Change from the prior year (\$1,183.20 per year per EDU)
- WVR Service Area 2 Annual Sewer Service Charge:
 - No Change from the prior year (\$1,183.20 per year per EDU)
- WVR Service Area 2 Annual Grinder Pump Maintenance Charge:
 - 5.18% increase:
 - Simplex Unit: \$581.04 per year per EDUs to \$611.16 per year per EDU.
 - Duplex Units:

EDUS	ANNUAL FEE
1	\$752.04
2	\$917.16
3	\$1,073.64
4	\$1,223.40
5	\$1,365.60
6	\$1,500.24
7	\$1,627.08
8	\$1,744.80
9	\$1,856.28
10	\$1,960.08
11	\$2,056.20
12	\$2,144.52
13	\$2,223.96
14	\$2,297.04
15	\$2,362.44
16	\$2,419.92
17	\$2,469.96
18	\$2,512.20
19	\$2,545.56
20	\$2,572.44

District Engineer Grabbe previewed the FY 2023-24 annual assessments for the Woods Valley Ranch Sewer Standby Fee, the annual assessments for Assessment District No. 2012-1 (AD 2012-1 / Woods Valley Ranch Wastewater Expansion Project), and the annual special tax levy

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for Community Facilities District No. 2020-1 (CFD 2020-1). The District's Sewer Service Fee responsibility is just under \$3,550 based on the 3 EDUs connected to the wastewater system at the Corporate Facility Site stated Mr. Grabbe. The resolutions approving the assessments and levies for the FY 2023-24 tax roll will be presented to the Board for approval at the July 17, 2023 Board Meeting and are due to the County by August 10, 2023, stated Mr. Grabbe.

Sewer Standby Fee Annual Assessment

Staff recommended the current Annual Sewer Standby Fee (\$550.32 per EDU) be continued for FY 2023-24 and collected on the County property tax roll. It is levied on those parcels in the service area that have a capacity reservation but are not connected to the wastewater collection system as of July 1, 2023. The standby fee provides funding for the following costs for the Woods Valley Ranch Water Reclamation Facility and Collection System, a) certain fixed maintenance cost items, b) operation support, and c) replacement reserve contribution; all of which are necessary to maintain a parcel's capacity commitment until the parcel is developed and connected to the wastewater collection system.

The Woods Valley Ranch Water Reclamation Facility Service Area is comprised of two separate areas, the Woods Valley Service Area ("Service Area 1") and the Woods Valley Ranch Water Reclamation Facility Service Area 2 ("Service Area 2"). The District's Sewer Standby Fee responsibility is just over \$24,200, based on 35 EDUs for the VCMWD Lilac Road Site and 9 EDUs of the 12 EDUs allocated to the Corporate Facility Site (3 EDUs are considered connected and are subject to the Sewer Service Charge).

Assessment District No. 2012-1 Annual Assessment

The annual assessments of AD 2012-1 are used to fund the debt service repayment of the three California State Water Resources Control Board SRF Loans and two 1915 Act Limited Obligation Improvement Bonds (Bonds) used to finance the Expansion Project and a portion of the Orchard Run Lift Station construction.

Proposed annual assessments totaling approximately \$1.87M (including the CFD 2020-1 share funded from its annual special tax levy) are estimated for FY 2023-24. Costs for the Expansion project were allocated to seven Benefit Areas (A through G) based on the benefit received as defined in the Engineer's report for the assessment district. In the current FY 2022-23, modifications to the assessments included the transfer and reallocation of 5 EDUs. The modifications will be included in the assessments for the FY 2023-24 tax roll.

The Valley Center Municipal Water District has a total capacity reservation of 47 EDUs; 35 EDUs reserved for the future Lilac Road corporate facility site and 12 EDUs for the Valley Center Road Corporate Facility Site. The annual assessment for VCMWD's capacity reservation totals approximately \$75,000.

Community Facilities District No. 2020-1 Special Tax Levy

The amount of the annual CFD 2020-1 Special Tax levy is established and determined by the Rate and Method of Apportionment (RMA) document prepared by Koppel & Gruber Public Finance, is approved with the formation of the community facilities district, and allows for a maximum 2% annual increase in the special tax levy. The Special Tax Levy is based on whether the property is undeveloped (without a building permit) or developed (with a building permit) as of May 15th. The Special tax for the developed property is further dependent on the characteristics (square footage) of the home permitted for the parcel and its development Zone, as defined in the RMA. The special tax levy for FY 2023-24 is estimated at approximately \$871,400. Of this amount, \$545,600 is allocated to the CFD 2020-1's share of AD 2012-1 debt

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and administration fees with the balance, \$326,800, available for the debt service on the proposed Series 1 bond and administration fees. Staff indicated that the special tax revenue requirements anticipated for the future Series 1 and Series 2 bonds will require the maximum allowable increase in the special tax levy to continue for the foreseeable future.

Action: Upon motion by Smith, seconded by Ness; motion to set July 17, 2023 as the public hearing date was unanimously approved.

9. Adoption of Resolution No. 2023-18, Awarding the Construction Contract for the Moosa Clarifier No. 1 Upgrade Project:

Project Manager Carrillo provided a summary of the Moosa Clarifier No. 1 Upgrade Project (Project). The Lower Moosa Canyon Water Reclamation Facility (Moosa) has been in operation since 1974. Over the years, the Moosa facility has had equipment and software upgrades allowing the facility to operate more efficiently. This project is an upgrade to the clarifier rake system that was installed for the original facility.

The Project consists of the demolition and disposal of the existing clarifier rake system. Once the existing rake system has been removed, the contractor will make concrete repairs to all of the walls within the 33-foot diameter clarifier. After repairs are complete, a protective coating will be applied on concrete walls and effluent trough surfaces. This protective coating will provide longevity to the existing concrete clarifier structure. The contractor will install a new District furnished clarifier rake system per the manufacturer's installations manual. All components to the new system have been delivered and are on site ready for the contractor to install. As part of the installation, the contractor will connect all electrical and influent/effluent piping to the existing facilities. The start-up will occur with the manufacturer's representative on site to insure proper installation.

The apparent low bidder was Jennette Company, Inc. with a total bid of \$237,360, approximately 19% less than the second bid and 17% lower than the engineer's estimate (\$290,000 at the time of bid). Sufficient funding to award the contract is available in the current fiscal year (2022-23) annual budget, and no additional funds would be required. The contract allows for one hundred twenty (120) calendar days for the project, with an estimated completion date of November 9, 2023.

Staff recommended adoption of Resolution No. 2023-18, awarding the construction contract for the Moosa Clarifier No. 1 Upgrade Project to Jennette Company, Inc. for their low bid amount of \$237,360.

Action: Upon motion by Smith, seconded by Holtz; staff's motion to approve the following Resolution passes unanimously:

RESOLUTION NO. 2023-18

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT AWARDING THE
CONTRACT FOR THE MOOSA CLARIFIER NO. 1 UPGRADE PROJECT**

Was adopted by the following vote, to wit:

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

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10. **Adoption of Resolution No. 2023-19, Ratifying Staff's Approval of Amendment No. 2 to the Professional Services Agreement with CSI Services, Inc. for the Meadows No. 1 and Reid Hill Reservoirs Painting and Recoating Project:**

Project Manager Powers presented background on the professional services agreement with Coating Specialist and Inspection Services, Inc. ("CSI"). The District entered into the Agreement with CSI on November 2, 2022, for providing inspection services for the Meadows No. 1 and Reid Hill Reservoirs Painting and Recoating Project ("Meadows and Reid Project"); for the initial amount of \$44,690.

On December 5, 2022, the Board approved an amendment for additional inspection services related to the San Gabriel No. 1 Reservoir Painting and Recoating Project in the amount of \$59,860. The initial funding for inspection services related to the Meadows and Reid Project has been expended, mostly with the inspection of the Meadows Reservoir. To minimize delays to the projects, staff approved an amendment to CSI's agreement for continued inspection on the Reid Hill Reservoir in the amount of \$49,200, resulting in a revised total agreement amount of \$153,750.

Initial estimates for the costs of the inspection services were based on 8-hour days with many days being split between the two projects when the project schedules overlap. As the two projects progressed, it was found that on days when both projects require technical inspection, the inspector is required for 10 hours. To keep on schedule and ensure that the reservoirs could be brought back online as soon as possible, the contractors frequently worked Saturdays. However, the high volume of Saturdays worked was not anticipated in the initial estimates, which added approximately 50% more labor time.

The total project budget for the Meadows and Reid Project was established at \$2,315,000 when the project was awarded by Resolution No. 2022-29 on September 19, 2022. Within that total, \$44,690 was allocated to funding an inspection consultant and has largely been expended. Amendment No. 1 to the CSI Professional Services Agreement was funded through the San Gabriel Project budget. Additional funding for Amendment No.2 to the CSI Professional Services Agreement is available from the project contingencies for the Meadows and Reid Project.

Staff recommended that the Board of Directors adopt Resolution No. 2023-19 ratifying the staff approval of Amendment No. 2 for \$49,200 to the professional services agreement with CSI Services, Inc. resulting in a revised total contract amount of \$153,750.

Action: Upon motion by Ferro, seconded by Ness; staff's motion to approve the following Resolution passes unanimously:

RESOLUTION NO. 2023-19

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT APPROVING AMENDMENT NO. 02 TO THE
COATING SPECIALIST AND INSPECTION SERVICES INC. PROFESSIONAL
SERVICES AGREEMENT FOR INSPECTION SERVICES FOR THE MEADOWS NO. 1
AND REID HILL RESERVOIRS PAINTING AND RECOATING PROJECT**

Was adopted by the following vote, to wit:

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

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GENERAL MANAGER'S ITEM(S)

11. General Information:

A review of General Informational items reported on by General Manager Arant.

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S ITEM(S)

None

BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED

CLOSED SESSION ITEM(S)

At any time during the regular session, the Board may adjourn to closed session to consider litigation, personnel matters, or to discuss with legal counsel matters within the attorney-client privilege. Discussion of litigation is within the attorney-client privilege and may be held in closed session. *Authority: Government Code §54956.9.*

12. A Closed Session was Called by President Polito at 3:17 PM, Pursuant to:

Government Code Section 54957 – Public Employee Performance Evaluation

Title – General Manager

RECONVENE

Action: The Board came out of closed session at 3:28 p.m. with no reportable action.

ADJOURNMENT

Action: Upon motion by Smith, seconded by Ness; motion passes unanimously, the regular meeting of the Board of Directors was adjourned at 3:29 p.m.

ATTEST:

ATTEST:

Robert Polito, President

Kirsten Peraino, Secretary

Approved at a regularly scheduled Board Meeting on Monday, June 19, 2023