

# VALLEY CENTER MUNICIPAL WATER DISTRICT

## MINUTES

### Regular Meeting of the Board of Directors

Monday, October 2, 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, Director Holtz, and Director Smith.*

**Board Members Absent:** *Director Ness*

**Staff Members Present:** *General Manager Arant, District Engineer Grabbe, Director of IT Pilve, Director of Finance & Administration Pugh, Director of Operations and Facilities Lovelady, Safety and Regulatory Compliance Supervisor Olson, Senior Engineer Lyuber, Project Manager Powers, Executive Assistant/Board Secretary Peraino, and General Counsel de Sousa 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, September 18, 2023;**
2. **Audit Demands (Check Nos. 167142 – 167264 for September 8 – 21, 2023);**
3. **Board of Director's Request for Per Diem Compensation and Report of Expense Reimbursements per Government Code §53065.5; and**
4. **Bid Results and Approval of PO #115907 for Purchase of One New 2023 Vehicle.**

**Action:** Upon motion by Smith, seconded by Holtz; and carried with four affirmative votes, the previously listed consent calendar items were approved.

#### **GENERAL MANAGER'S ITEM(S)**

5. **San Diego Local Agency Formation Commission (LAFCO) Municipal Service Review (MSR) for Wholesale Water Agencies Serving San Diego County:**

San Diego Local Agency Formation Commission ("LAFCO") is seeking input, including from the SDCWA member agencies, as to what should be addressed in the upcoming Municipal Service Review ("MSR") for the wholesale water agencies serving San Diego County – Metropolitan Water District ("MWD") and the San Diego County Water Authority ("SDCWA"). General Manager Arant gave a brief introduction before passing the presentation off to Mr. Chris Cate, 3MC Strategies (on behalf of LAFCO).

Mr. Cate gave a brief history of LAFCO and provided background on the MSR. In regards to the MSR, LAFCO independently evaluates services with three outcomes in mind: serve as an

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informational resource to the general public, inform LAFCO's associated tasks to update all cities and special districts' spheres of influence every five years, and produce directly or indirectly – boundary changes and/or other local government changes (i.e. creating and consolidating special districts). As to why LAFCOs perform MSRs, Mr. Cate said LAFCOs prepare MSRs for cities and special districts prior to - or in conjunction with - sphere of influence updates (per Government Code §56430). MSRs also capture and analyze information about the governance structures and efficiencies of service providers, and identify opportunities for greater coordination and cooperation between providers.

General Manager Arant thanked Mr. Cate for his presentation, and proceeded with an overview of the two primary issues District Staff identified as needing to be addressed in the MSR—long-term financial stability and the governance/voting structure of each wholesale water agency. District staff recommended the following input to San Diego LAFCO regarding the MSR:

- LAFCO should explore how the revenue structures can be modified to deal with dropping water demand, against high percentages of fixed costs. Possible options should include the development of cost allocation metrics that identify how to support the legacy value of MWD's and the SDCWA's wholesale water systems, with truly fixed revenue sources that are insulated from the year-to-year water sales vagaries, as well as the declining trend of water commodity revenues.
- LAFCO should evaluate the voting structure, starting with the applicability of the pre-2016 SANDAG voting method (required an item to be passed by a majority of the weighted population vote, plus a majority of the cities). Mr. Arant detailed, that changing the voting structure, would:
  - Reduce the dominance of a handful of agencies with large weighted votes;
  - Encourage more effort at consultation, collaboration, and compromise within the MWD/SDCWA Board process to achieve consensus;
  - Give the smaller member agencies a voice that does not currently exist; and
  - Give all ratepayers an equal voice in actions at MWD and SDCWA which ultimately impact the availability, reliability, and cost of their water service.

Mr. Arant highlighted several other operational and financial concerns that could be explored in the MSR regarding MWD and the SDCWA. The Board was invited to share their perspectives and input on the issues that might be explored in the upcoming MSR.

**Action:** Board input to SD LAFCO for the proposed MSR for Wholesale Water Agencies Serving San Diego County was received and District staff was directed to proceed with providing input to LAFCO for the proposed MSR.

### **6. Review of the State Water Resources Control Board's Making Conservation a California Way of Life Regulations:**

An overview of the proposed Urban Water Use Objective as outlined in the State Water Resources Control Board's Making Conservation a California Way of Life Regulation ("Regulation") was presented by Project Manager Powers. In May 2016, Governor Brown issued Executive Order B-37-16, directing the Department of Water Resources and the State Water Resources Control Board ("SWRCB") to develop new water use targets as part of a permanent framework for urban water agencies. In April 2017, the framework for implementing E.O. B-37-16, Making Water Conservation a California Way of Life, was released. The Regulation is the result of two 2018 laws – SB 606 (Hertzberg) and AB 1668 (Friedman).

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Making Conservation a California Way of Life is a new regulatory framework that establishes individualized efficiency goals for each Urban Retail Water Agency, stated Mr. Powers. The proposed Regulation would require suppliers to annually calculate their Water Use Objective ("Objective"), which includes a residential indoor standard, residential and non-residential outdoor standards, water loss standards, variances, and a bonus incentive for potable reuse. Mr. Powers noted that compliance applies to the District as a whole and does not apply to individual households or businesses and that commercial agriculture is exempt from the Regulation.

Water loss performance standards are calculated for each urban water agency by the SWRCB. The standard for real water losses applies to water loss from a pressurized system and reservoirs up to the point of customer consumption. In regards to CII, the Regulation requires urban retail water agencies to classify CII customers into categories, implement CII performance measures, and quantify the measured total square footage of irrigated area of CII landscapes.

Beginning January 1, 2024, and every year thereafter, agencies must report annually to the SWRCB, the urban water use objective, actual urban water use, documentation of the implementation of CII performance measures, and description of progress made towards meeting the urban water use objective (per Water Code §10609.24). In preparation for the upcoming Regulations, District staff have evaluated the Landscape Area Measurement data, secured a variance to the Water Loss Standard, participated in ACWA workgroups and provided comments during the rulemaking process, evaluated data gathering processes at the District for suitability to new reporting requirements, and began the development of strategies for meeting reporting requirements as well as water use objectives including evaluation of the necessary resources.

Mr. Powers stated that staff will be monitoring and participating in the SWRCB Workshop on October 4, 2023, and will also submit a comment letter regarding the Regulations.

**Action:** Informational item only, no action required.

### **7. General Information:**

None

### **DISTRICT GENERAL COUNSEL'S ITEM(S)**

None

### **BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED**

Director Smith reported on his attendance at the LAFCO Regular Meeting of October 2, 2023.

### **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.*

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8. **A Closed Session was called by President Polito at 3:30 PM pursuant to:**

**Government Code §54956.9(d)(2)** – Conference with Legal Counsel, Anticipated Litigation

**Significant Exposure to Litigation:** *One potential case*

**RECONVENE**

**Action:** The Board came out of closed session at 4:02 PM with no reportable action.

**ADJOURNMENT**

**Action:** Upon motion by Holtz, seconded by Smith; motion passed with four affirmative votes, the regular meeting of the Board of Directors was adjourned at 4:03 PM.

**ATTEST:**

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**Robert A. Polito**, *President*

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**Kirsten N. Peraino**, *Secretary*

**Approved at a regularly scheduled Board Meeting on Monday, October 16, 2023**