

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, July 7, 2025 — 2:00 P.M.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Ferro at 2:00 PM. In the Board Room at 29300 Valley Center Rd.; Valley Center, CA 92082, and livestreamed on the District's website at www.vcmwd.org.

ROLL CALL

Board Members Present: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*

Board Members Absent: *None.*

Staff Members Present: *General Manager Arant, District Engineer Grabbe, Director of Finance and Administration Pugh, Director of I.T. Pilve, Director of Operations and Facilities Lovelady, Special Projects & Regulatory Compliance Manager Nichols, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; Senior I.T. Specialist Day, Executive Assistant/Board Secretary Peraino, and General Counsel Paula de Sousa present in-person.*

PUBLIC COMMENT(S)

President Ferro 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 ITEMS

Consent calendar items will be voted on together by a single motion unless separate action is requested by a Board member, staff or member of the audience.

1. **Minutes of the Regular Board Meeting Held Monday, June 16, 2025; and**
2. **Audit Demands for Check Nos. 171771–171867 from June 7–27, 2025;**
3. **Treasurer's Report for Month Ended May 31, 2025;**
4. **Auditor's Communication with Those Charged with Governance (SAS 114) Letter; and**
5. **Survey of General Counsel Services Costs.**

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

PUBLIC HEARING ITEM(S)

6. **Public Hearing to Hearing to Consider Approving Proposed Revisions to Water Meter Capacity Fees and Annexation Charges for Fiscal Year 2025-26 and Request Adoption of Ordinance No. 2025-06 to Amend the District's Administrative Code:**

A public hearing to consider the proposed increases in Water Meter Capacity (including Specific Benefit Area Charges) and Annexation Charges, was opened by President Ferro at 2:05 PM.

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Special Projects and Regulatory Compliance Manager Alisa Nichols reminded the Board that the initial review of the proposed updates was presented to the Board at its June 2, 2025 Board Meeting and the presentation and minutes are incorporated into the public record. In addition to the San Diego County Water Authority Meter Capacity and Annexation Charges (which are set independently from the District), the District's Water Meter Capacity Charges are collected for new water meters purchased from the District and a per acre District Annexation Charge is collected from properties requesting annexation to the District.

Modifications to the approach since last year include the following:

- Added Value of Capital Improvements completed during the year.
- Updated Asset Values to reflect the current Replacement Cost New Less Depreciation value.
- Updated the percentage of the Water System Asset Values related to Usage-Based Revenue versus Land-Based Revenue.
- Updated the Equivalent $\frac{3}{4}$ -inch Meter count to exclude inactive meters.

The last adjustment to Meter Capacity and Annexation Charges was approved in June 2024. Staff recommended the following increases, based on estimated water system and non-facility asset values as of June 30, 2024:

- 8.7% increase in the base Meter Capacity Charge from \$5,705 to \$6,203 for a $\frac{3}{4}$ -inch meter.
- An average 0.56% increase in the Incremental Capacity Charges, which are only added to the Meter Capacity Charge if within a Specific Benefit Area and apply to District and Developer projects:
 - High Mountain (0.61% Increase),
 - Wilkes Rd (0.54% increase), and
 - Via Piedra Waterline Extension (no increase).
- 2.6% decrease in the Annexation Charge, from \$1,433 per acre to \$1,406 per acre.

Meter Capacity Charges:

The Meter Capacity Charge reflects the costs of providing and maintaining the capacity in the water supply and distribution system for the capacity rating of the meter size being purchased. These Meter Capacity Charges are developed using a two component Buy-In approach; 1) a base Buy-In component to District-wide beneficial facilities; and 2) an incremental Buy-In component for capital improvement projects benefitting specific portions of the District's service area. Revenue received from the Meter Capacity Charges can be utilized for the replacement, upgrade, and upsizing of the existing water facilities.

Previously, the Equivalent Meter Count included inactive meter accounts which artificially lowered the Meter Buy-In amount as revenue is not collected from inactive meter accounts. The calculation for $\frac{3}{4}$ -inch equivalent meters continues to use the Maximum Safe Operating Capacity ratio; however, inactive meter accounts were removed from the calculation. This adjustment resulted in a higher Meter Capacity Charge, bringing the District's charge more in line with the average of other agencies and more accurately reflecting the investment of current District customers, stated Ms. Nichols.

Incremental Charges:

An Incremental Component to the Water Meter Capacity Charge is added for projects that meet the following criteria: 1) Projects constructed by the District that benefit future connections in a specific area, or 2) Contributed Capital Projects (Developer Projects with Reimbursement Agreements) that

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benefit future connections in a specific area. In situations where an Incremental Component applies, a Specific Benefit Area (SBA) is established and the SBA Capacity Charge is separately approved; conceptually during the project approval process, based on estimated project costs (with final approval after project is completed, when all costs are known). The SBA Capacity Charge is only added to the Meter Capacity Charge for new meters on properties within the SBA.

Annexation Charge:

Annexation Charges are collected from properties requesting annexation to the District. Property owners outside of the District have not paid Availability Charges or tax revenues to the District, and as such, would need to Buy-In to the value attributed to those revenue sources to be on an equal basis as customers within the District. Changes in the methodology for determining the ratio of revenue attributable to the Annexation Charge have led to a reduced portion of the Water Facility Assets Value included in the Annexation Charge calculation, resulting in a slight decrease to the recommended Annexation Charge for FY 2025-26.

Administrative Code Modifications:

- Section 160.4(c) and (e) to implement an increase in Meter Capacity Charges, which includes Incremental Charges for Special Benefit Areas; and
- Section 220.2(e) to implement an increase in the Annexation Charge.

Notice regarding the recommended charges was published in the local print publication on June 19, and June 26. Ms. Nichols noted that the amendments would be effective August 6, 2025 to provide for a 30-day public protest period pursuant to Administrative Code §30.12(a). The Board Secretary noted that no comments were received, and the public hearing was closed at 2:25 PM.

Action: Upon motion by Ness, seconded by Smith; motion to approve the following Ordinance was unanimously passed:

ORDINANCE NO. 2025-06

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING ADMINISTRATIVE CODE
ARTICLE 160 INCREASING WATER METER CAPACITY CHARGES
AND ARTICLE 220 INCREASING THE ANNEXATION CHARGE**

Was adopted by the following vote, to wit:

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

7. Public Hearing to Consider Levying the Approved Woods Valley Ranch Water Reclamation Facility Sewer Service Charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 2) on the Property Tax Roll for Fiscal Year 2025-26:

A public hearing to consider levying the approved Woods Valley Ranch (WVR) Water Reclamation Facility (WRF) Service Area Sewer Service Charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 2) on the Property Tax Roll for FY 2025-26 was opened by President Ferro at 2:26 PM.

District Engineer Grabbe explained that the WVR WRF Service Area is divided into two service areas: Service Areas 1 and 2. Service Area 1 (established in 2002) encompasses the 270-lot

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WVR Subdivision and Golf Course (allocated a 10 EDU capacity demand), resulting in a total capacity demand of 280 EDUs. Service Area 2 (established in 2013) encompasses the parcels participating in the WVR Wastewater Expansion Project, with a total capacity demand of 1,465.5 EDUs.

Sewer Service Charges provide for the operation, maintenance, and ultimate replacement of District-owned & operated collection, treatment & seasonal storage facilities and are levied on those properties connected to the wastewater collection system as of June 30, 2025. The Board had previously approved a 5% increase from the prior year, from \$1,183.20 per EDU to \$1,242.80 per EDU.

Grinder Pump Maintenance Charge provides funding for maintenance, emergency call-out & repair services, as well as the replacement of the pump unit at the end of its service life. On-site private grinder pumps are required for properties connected to the Low-Pressure Sewer Collection System in Service Area 2. As of June 30, 2025, there were 26 units connected (16 Simplex and 10 Duplex units). The Board had previously approved a 5% increase from the prior year, from \$611.16 per unit to \$642.24 per unit (for Simplex units).

WVR sewer service charges (which include the grinder pump maintenance charge) are levied on the property tax roll. The collection of service charges requires a public hearing to consider collecting the service charges with the San Diego County property taxes; if there is a majority protest, the approved service charges would be collected on the monthly water bill. Staff recommended adoption of Resolution No. 2025-17 levying the sewer service charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 1), on the property tax roll for FY 2025-26. Staff noted that charges for any mid-year connections would be collected on the monthly water bill until the following fiscal year.

Mr. Grabbe reported that two notices were published in the local paper advertising this public hearing. An opportunity was provided for public comment. The Board Secretary noted that no comments were received and determined that there was no majority protest. The public hearing was closed at 2:33 PM.

Action: Upon motion by Holtz, seconded by Ness; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-17

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT
PLACING THE WOODS VALLEY RANCH WATER
RECLAMATION FACILITY SERVICE AREA ANNUAL SEWER
SERVICE CHARGE ASSESSMENTS AND ANNUAL
GRINDER PUMP MAINTENANCE CHARGE ASSESSMENTS
FOR FY 2025-26 ON PROPERTY WITHIN THE SERVICE AREA
ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL**

Was adopted by the following vote, to wit:

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

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ACTION ITEM(S)

8. Adoption of Resolution No. 2025-18 Levying the Approved Woods Valley Ranch Water Reclamation Facility Sewer Standby Fees (Service Areas 1 & 2) on the Property Tax Roll for Fiscal Year 2025-26:

Sewer standby fees are levied on parcels in the service area that have a capacity reservation, but are not connected to the wastewater collection system as of the close of the fiscal year, stated District Engineer Grabbe. These fees provide funding for certain fixed-cost maintenance items, operational support, and a replacement reserve contribution. This is necessary to maintain a parcel's commitment until it is developed and connected. Additional Parcels were connected to the Collection System in the prior year lowering the Total Sewer Standby Fee Assessments for FY 2025-26 but increasing the Sewer Service Charge Revenue. No adjustments to the existing Sewer Standby Fee of \$550.32 per Equivalent Dwelling Unit (EDU) were recommended.

- Service Area 1 – Encompasses the 270-lot Woods Valley Ranch Subdivision and Golf Course. The Golf Course is allocated a 10 EDU capacity demand, resulting in a total capacity demand of 280 EDUs for Service Area 1. As of June 30, 2025 only one lot remains not connected in Service Area 1.
- Service Area 2 – Encompasses parcels participating in the Woods Valley Ranch Wastewater Expansion Project located within Assessment District No. 2012-1 (90 connected and 731.5 not connected) and Community Facilities District No. 2020-1 (610 connected and 34 not connected), resulting in a total capacity allocation of 1,465.5 for Service Area 2. As of June 30, 2025, there were 765.5 EDUs of capacity reservations that remained not connected in Service Area 2.

Staff recommended the Board of Directors continue the current Sewer Standby Fee of \$550.32 per EDU for FY 2025-26, and direct that the Sewer Standby Fees be collected by the County of San Diego with the property taxes.

Action: Upon motion by Smith, seconded by Stehly; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-18

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT PLACING THE WOODS VALLEY RANCH WATER RECLAMATION FACILITY SERVICE AREA SEWER STANDBY FEE ASSESSMENTS FOR FY 2025-26 ON PROPERTY WITHIN THE SERVICE AREA ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL

Was adopted by the following vote, to wit:

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

9. Adoption of Resolution No. 2025-19 Approving and Levying the Annual Assessments for Assessment District No. 2012-1 on the Property Tax Roll for Fiscal Year 2025-26:

Assessment District 2012-1 ("AD 2012-1") was formed to provide financial security and funding for the Woods Valley Ranch Wastewater Expansion Project ("Project") to accommodate the planned development in the North and South Village Areas. AD 2012-1 was initially formed with 350 EDUs in 2013 and later increased to 1095 EDUs in 2015. The annual assessments of AD 2012-1 are used to fund the debt service repayment of the three California State Water

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Resources Control Board SRF Loans and two Limited Obligation Improvement Bonds used to finance the Expansion Project and a portion of the Orchard Run Lift Station ("ORLS") construction, reported District Engineer Grabbe. Annual Assessments started in FY 2016-17 and were based on the estimated loan amounts for the total \$30.735M Project costs. Annual Assessments varied by Benefit Area based on the final Engineers Report dated April 13, 2015, prepared by Koppel and Gruber Public Finance.

Since the initial assessments, loan amounts were finalized resulting in excess funds being collected, formation of Community Facilities District No. 2020-1 ("CFD 2020-1") in May 2020 provided additional capacity and participation for the Project; which generated a reduction in the cost per EDU for all participants (beginning in FY 2020-21). In addition, the annual assessment was further reduced by the allocation of \$724K of the Phase 2 Project costs for the portion of the improvements that were for the replacement and upgrade of existing facilities and not required for expanding the capacity of the facility, shifting a portion of the debt service responsibility to VCMWD.

The Annual Assessments in the initial years were based on the estimated total \$30.735M project cost, with the first year's assessment being allocated to a debt service reserve. Once the SRF loans were finalized, the total annual debt service was slightly less than anticipated, resulting in available excess funds greater than the one-year debt service requirement. The one-year debt service reserve would be used to make the final debt service payments and annual assessments are adjusted accordingly to incrementally utilize, over the term of the loans, the excess debt service reserve funds that were collected in the initial years.

Sources of funds for the annual revenue requirement include the following:

- \$ 526,769 CFD 2020-1 share of the current debt;
- \$ 45,149 WVRWRF Replacement Reserves;
- \$ 1,962 Excess Debt Service Reserve; and
- \$ 1,320,783 AD 2012-1 Annual Assessments.
- **\$ 1,894,633 Total**

The proposed assessments for each benefit area remain the same as the previous year and are set based on the cost allocation of the each of the SRF loans and Bond indebtedness in accordance with the methods established with the April 2015 AD 2012-1 Engineer's Report. Additional funds are available from previous years assessment to make up the slight difference in the total expense and total assessment, noted Mr. Grabbe.

Staff recommended adoption of Resolution No. 2025-19, approving the FY 2025-2026 Annual Assessment amounts to be collected in the same manner as ordinary ad *valorem* property taxes are collected and subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes for the parcels in AD 2012-1.

Action: Upon motion by Holtz, seconded by Ness; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-19

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT PLACING FIXED CHARGE SPECIAL ASSESSMENTS FOR FISCAL YEAR 2025-26 ON PROPERTY WITHIN ASSESSMENT DISTRICT NO. 2012-1 ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL

Was adopted by the following vote, to wit:

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

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10. Adoption of Resolution No. 2025-20 Approving and Levying Annual Special Taxes for Community Facilities District No. 2020-1 on the Property Tax Roll for Fiscal Year 2025-26:

Community Facilities District No. 2020-1 ("CFD 2020-1") was established to provide financial security and funding for the wastewater capacity improvements needed for the Park Circle East/West project. The improvements included assuming the AD 2012-1 indebtedness for the Park Circle Projects' participation in the Woods Valley Ranch Wastewater Expansion Project, construction of the Orchard Run Lift Station, future expansion of the Woods Valley Ranch Water Reclamation Facility, and future construction of additional recycled water seasonal storage and transmission facilities (per the terms & conditions of the CFD Financing Agreement dated May 18, 2020).

Staff recommended a Special Tax totaling \$909,841, the maximum allowable to be levied pursuant to the Rate and Method of Apportionment ("RMA") for CFD 2020-1, previously prepared by Koppel and Gruber Public Finance and approved by the Board of Directors. The RMA set the maximum annual tax rate increase at two percent 2%) for both developed and undeveloped property in each zone in the Park Circle East/West project. As of May 15, 2025, (the cutoff date for determining Developed Property and Undeveloped Property as defined in the RMA), 632 parcels and 1.36 acres of commercial property were developed in CFD 2020-1 and the 2.920-acre commercial parcel adjacent to the McDonald's restaurant was the only remaining undeveloped parcel.

Such Special Taxes levied on and collected from properties in CFD 2020-1 that are not required for payment of administrative expenses of the CFD 2020-1, debt service on the AD 2012-01 Indebtedness and Series 2024 Bond shall be held in a special, discrete fund established by VCMWD for the CFD 2020-1 ("Special Fund"):

• \$526,905	AD 2012-1 Indebtedness
• \$ 30,000	Administrative Expenses
• \$236,140	Series 2024 Bond
• <u>\$116,796</u>	<u>Special Fund/PayGo</u>
\$909,841	Total

Staff recommended approving the FY 2025-26 levy of special taxes to be collected in the same manner as ordinary *ad valorem* property taxes are collected and subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* taxes for the parcels in CFD 2020-1.

Action: Upon motion by Stehly, seconded by Holtz; motion to approve the following Resolution passed with four (4) affirmative votes:

RESOLUTION NO. 2025-20

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF
COMMUNITY FACILITIES DISTRICT NO. 2020-1 (PARK CIRCLE EAST/WEST)
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT LEVYING
SPECIAL TAXES TO BE COLLECTED FOR FISCAL YEAR 2025-26**

Was adopted by the following vote, to wit:

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

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11. Reconsideration of Exhibit A – State and Federal Representation to the Mutual Services Agreement and Request Board Participation in the Mutual Services Ad Hoc Committee:

On June 16, 2025, the Board initially approved Exhibit "A" of the Mutual Services Agreement for State and Federal Representation among Fallbrook PUD, Rainbow MWD, Yuima MWD, and VCMWD. However, subsequent developments require the Board's reconsideration. Here's what's changed:

Exhibit Renaming: It was noted that Exhibit "A" had been previously used by Fallbrook and Rainbow for an intertie agreement dated April 30, 2025, which VCMWD staff were not aware of at the time of the June 16, 2025, approval. Consequently, the relevant exhibit for the State and Federal Representation Agreement was re-designated as Exhibit "B."

Changes to Participation Levels: Yuima MWD modified its annual participation level from \$75,000 to \$30,000. This adjustment increased the annual participation level for the other three agencies (Fallbrook PUD, Rainbow MWD, and VCMWD) from \$75,000 to \$90,000 each. Even with this increase, the participation cost for VCMWD remained within its anticipated FY 2025-26 budget of \$100,000. Staff's recommendation for participation in the Agreement for State and Federal Representation was reaffirmed.

Ad Hoc Committee: The Board requested participation in an Ad Hoc Committee, composed of participating Board Members, to provide input and guidance on future functional areas to be evaluated and implemented under the Agreement. President Ferro volunteered to participate in this committee.

Action: Upon motion by Smith, seconded by Ness; motion to confirm participation in the State and Federal Representation with approval of Exhibit "B"; was unanimously carried.

INFORMATION ITEM / POSSIBLE ACTION ITEM(S)

12. San Diego County Water Authority (SDCWA) Board Meeting Summary:

A report on the SDCWA's Board of Directors' Meeting of June 26, 2025 was provided.

Action: Informational item only, no action required.

13. General Information:

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S ITEM(S)

None.

BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED

None.

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ADJOURNMENT

Action: Upon motion by Smith, seconded by Ness; motion passed unanimously, the regular meeting of the Board of Directors was adjourned at 3:19 PM.

ATTEST:

ATTEST:

Kirsten N. Peraino, *Secretary*

Enrico P. Ferro, *President*

Approved at a regularly scheduled Board Meeting on Monday, July 21, 2025