

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**MINUTES**  
**Regular Meeting of the Board of Directors**  
Monday, July 21, 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](http://www.vcmwd.org).

**ROLL CALL**

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

**Board Members Absent:** Director Smith (Division 3) announced his resignation, effective today.

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

**CHANGES TO THE AGENDA**

To regretfully receive the resignation of Director Oliver Smith, Division Three (3); and to provide the Board an overview of the process to fill the Board vacancy created by the resignation and retirement of Director Oliver Smith. This just came to the attention of the District (after the posting of the agenda).

**Action:** Upon motion by Holtz, seconded by Ness; and carried with four (4) affirmative votes, an item will be added to the agenda (after Agenda Item No. 9).

**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. The Board had one request to speak, in person, from Sachin "Zak" Chawla, who expressed his interest in the General Manager position.

**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, July 7, 2025; and**
2. **Audit Demands for Check Nos. 171868 – 171957 from June 28 – July 11, 2025 and Wire Disbursements for the Month Ended June 30, 2025;**
3. **Quarterly Expense Reimbursement Disclosures (April 1–June 30, 2025) per Government Code Section 53065.**

**Action:** Upon motion by Stehly, seconded by Ness; and carried with four (4) affirmative votes, the previously listed consent calendar items were approved.

Valley Center Municipal Water District  
Board of Directors' Meeting Minutes

**ACTION ITEM(S)**

**4. Adoption of Ordinance No. 2025-07 Setting the Fiscal Year 2025-26 Fixed Charge Special Assessments for Unpaid Charges for Water and Other Services:**

Adoption of Ordinance No. 2025-07 setting the FY 2025-26 fixed charge special assessments and unpaid charges for water and other services, was requested by the Manager of Accounting/ Deputy Director of Finance Velasquez. Water Code authorizes the District to add delinquent and unpaid charges for water and other services to the property taxes of the property using the water or service. To go on the tax roll, the delinquency must be unpaid for at least 60 days on July 1, 2025, and have had a lien recorded against the property with the County Recorder. Fifty-five (55) parcels with a delinquency of \$211,433.18 are eligible to go on the tax roll for 2025-26. Ms. Velasquez noted that the property owners have another week to pay their balance before District Staff send the certified list to the County. If a customer(s) pays the delinquent balance before then, their assessment will be removed from the list and will not be placed on the tax roll.

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

**ORDINANCE NO. 2025-07**

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER  
MUNICIPAL WATER DISTRICT PLACING FIXED CHARGE SPECIAL  
ASSESSMENTS FOR 2025-26 FOR UNPAID CHARGES FOR WATER AND  
OTHER SERVICES PURSUANT TO WATER CODE §72094, §72100, §72102  
ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL**

Was adopted by the following vote, to wit:

**AYES:** *Directors Ferro, Holtz, Ness, and Stehly*

**NOES:** *None*

**ABSENT:** *Director Smith (Division 3) announced his resignation, effective today*

**5. Adoption of Resolution No. 2025-21 Approving Change Order No. 5 to the Construction Contract with Orion Construction Corporation for the North County Emergency Storage Project – Valley Center Improvements & 14-inch Replacement and Relocation (NCESP–VC):**

Engineering Services Supervisor Jeson Nikrasch provided background information on the North County Emergency Storage Project (NCESP) – Valley Center Improvements & 14-inch Replacement and Relocation scope. Mr. Nikrasch reminded the Board that the construction contract consists of two bid schedules (for billing purposes): Schedule A: NCESP Improvements funded by the SDCWA, and Schedule B: 14-inch Replacement and Relocation funded through the District's Capital Improvement budget. A summary of the construction contract with Orion Construction Corporation ("Orion") was given, stating that Orion was awarded the contract on April 3, 2023, for their low bid amount of \$8,796,000. The Notice to Proceed for the 560-calendar day contract was issued on June 15, 2023.

Four (4) change orders have been processed so far, for a cumulative amount of \$686,876 and an additional 259 calendar days. Change Order No. 5 is for the addition of various scope of work items, consisting of seven parts, for an increase of \$227,994 and an additional 137 calendar days. The revised total contract amount is \$9,710,870 and 956 calendar days, with the Project expected to be complete by January 27, 2026.

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

The Project's funding comes from two sources: the SDCWA and the District. The SDCWA funds items related to the NCESP's scope of work (Schedule A), while the district funds items associated with the 14-inch Replacement and Relocation (Schedule B) portion's scope of work. The proposed Change Order No. 5 affects schedule A, with the respective allotted project contingencies being sufficient to fund the change order. The total amount of the Project budget remains unchanged.

Staff recommended the Board adopt Resolution No. 2025-21, approving Change Order No. 5 to the construction contract for the North County Emergency Storage Project – Valley Center Improvements & 14-inch Replacement and Relocation with Orion Construction Corporation in the amount of \$227,994 and an additional 137 calendar days.

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

**RESOLUTION NO. 2025-21**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING CHANGE ORDER NO. 5 TO THE CONSTRUCTION CONTRACT WITH ORION CONSTRUCTION CORPORATION, INC. FOR THE NORTH COUNTY EMERGENCY STORAGE PROJECT – VALLEY CENTER IMPROVEMENTS & 14-INCH REPLACEMENT AND RELOCATION [ACCOUNT NO'S. 01-00-00-18045 & 01-06-78-51200]**

Was adopted by the following vote, to wit:

**AYES:** *Directors Ferro, Holtz, Ness, and Stehly*  
**NOES:** *None*  
**ABSENT:** *Director Smith (Division 3) announced his resignation, effective today*

**6. Adoption of Resolution No. 2025-22 Awarding Sole Source Reservoir Coating for Reidy Canyon No. 1 Exterior and W. Bear Ridge Roof Project:**

Engineer Services Supervisor Jeson Nikrasch, presented the rationale for sole sourcing the coating repair work for Reidy Canyon Reservoir No. 1 and West Bear Ridge Reservoir to Advanced Industrial Services (AIS). Both reservoirs experienced premature coating failures despite recent overcoat projects completed by AIS through competitive bidding.

Reidy Canyon Reservoir (500,000 gallons):

- Coated in FY 2021–22.
- Experienced failure due to loss of adhesion between the 1956 lead-based primer and the steel substrate.
- Requires full containment due to hazardous material (lead).

West Bear Ridge Reservoir (4.3 million gallons):

- Coated in FY 2019–20.
- Roof coating delaminated within months; subsequent failures in 2022, 2023, and 2025.
- Manufacturer (Sherwin-Williams) cited insufficient surface prep as the root cause.

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

### Justification for Sole Sourcing:

- Warranty Coverage: Sherwin-Williams will provide all coating materials at no cost. AIS will perform all warranty-covered labor free of charge.
- Additional Scope: Required additional work (e.g., hazardous material handling, enhanced surface prep) is outside the warranty and will be negotiated directly with AIS for a total of \$309,400.
- Efficiency and Risk Reduction: AIS's familiarity with the reservoirs and their ongoing warranty responsibility ensures cost-efficiency and minimizes disruption or risk associated with third-party contractors.

### Financial Summary:

- Reidy Canyon Additional Work: \$196,000
- West Bear Ridge Additional Work: \$113,400
- Total Sole Sourced Work: \$309,400
- Funds are included in the FY 2025–26 District Budget

Staff recommended adoption of Resolution 2025-22, recognizing Advanced Industrial Services (AIS) and Sherwin-Williams as a sole source service provider and authorizing staff to enter into a contract with Advantage Reline in the amount of \$309,400 for the exterior coating replacement projects at Reidy Canyon Reservoir No. 1 and West Bear Ridge Reservoir.

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

### RESOLUTION NO. 2025-22

#### RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING SOLE SOURCE PROCUREMENT FOR COATING REPLACEMENTS AT REIDY CANYON RESERVOIR NO. 1 AND WEST BEAR RIDGE RESERVOIR AND FINDING THE PROJECT EXEMPT FROM CEQA [PROJECT NO. 01-06-78-51401]

Was adopted by the following vote, to wit:

**AYES:** *Directors Ferro, Holtz, Ness, and Stehly*  
**NOES:** *None*  
**ABSENT:** *Director Smith (Division 3) announced his resignation, effective today*

### INFORMATION ITEM / POSSIBLE ACTION ITEM(S)

#### 7. Status Update on the Woods Valley Ranch Water Reclamation Facility Wastewater Capacity Transfer Agreement:

District Engineer Grabbe provided an update on the Installment Purchase Agreement ("Agreement") to transfer the Woods Valley Ranch ("WVR") Water Reclamation Facility ("WRF") Capacity Allocation from the proposed Indian Creek Development ("Indian Creek") to Community Facilities District No. 2020-1 ("CFD"). This transfer, initially presented at the May 5, 2025 Board

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

Meeting, follows provisions in the Woods Valley Ranch Assessment District ("AD 2012-1") and aligns with the Capacity Allocation Transfer Policy in the District Administrative Code §171.11 (c).

The Agreement is between the owners of 12 parcels, totaling 121.38 acres (north of Valley Center Rd.), the Valley Center Municipal Water District, and CFD No. 2020-1. Commitment to Transfer 218.5 EDUS over 10 years – 80 EDUs the first year, averaging 15 EDUs a year after the first year. Mr. Grabbe noted that this will be placed on the FY 2024-25 Tax Roll.

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

### **8. Update to the Long-Range Financial Strategy:**

An update to the November 2019 Long Range Financial Strategy ("2019 Strategy") was provided by General Manager Arant. The 2019 Strategy included recommendations for funding the District Operations and the Capital Improvement Program ("CIP") moving forward over the next five fiscal years ("FY") 2025-26 through 2029-30. Developing the 2019 Strategy necessarily involved making projections about local operating and maintenance costs, wholesale water costs, water demand projections, meter growth projections, and CIP implementation projections. Despite staff's best efforts at seeing into the future, the comparative results clearly demonstrate the difficulty in making projections over a five-year period.

Mr. Arant noted that during this five-year period, the District dealt with several challenges, such as the COVID Pandemic, which resulted in a modified CIP budgeting method in FY 2022-23. Dropping water sales revenue was also a factor. In fact, water sales were so low in 2023 and 2024 that no new major CIP projects were accomplished in FY 2023-24, and no new major CIP projects were even budgeted in FY 2024-25. Reduced water sales resulted in reduced CIP reserves to facilitate the upfront funding requirement of the State of California State Revolving Fund Loan Program.

Several key challenges that impact CIP funding include:

1. Changes in land use policies (i.e., County VMT Policy) and private development decisions eliminating major development projects (i.e., Lilac Hills) that reduce available Meter Capacity Fees.
2. Declining water sales have led to significant operating losses exceeding \$2 million in FY 2022-23 and 2023-24. This has resulted in a depletion of funds for the Capital Improvement Plan (CIP), requiring the use of operating reserves and property tax revenue to offset the losses.
3. SRF and Federal Grant funding offers low or no interest costs but requires the District to use its funds for project planning, design, and completion before seeking reimbursement from the government, which can take 6 to 12 months. This necessitates having cash reserves or financing to utilize these funds effectively.
4. Stable funding sources are necessary to secure and leverage short or long-term financing to front the cost of CIP projects until reimbursement comes from the State or Federal Government. Reimbursements can then be used to front the costs of additional projects, and/or secure additional leverage financing.
5. Any available operating and Meter Capacity Charge revenues can supplement CIP funding.
6. Future CIP funding must rely on stable revenue streams like Property Tax, Water Availability / Standby Revenue, and as previously discussed, a dedicated Water CIP Charge, to minimize reliance on variable water sales revenue.

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

Going forward, the challenge will be to structure and fund a CIP program less impacted by, or preferably isolated from, the vagaries and variability of water commodity sales revenue and more, or totally, based upon non-variable fixed revenue streams.

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

### 9. **General Information:**

An overview of the District's July Legislative and Regulatory report was provided.

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

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

*None.*

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

*None.*

### **BOARD OF DIRECTORS' AGENDA**

*ADDED AGENDA ITEM:*

*To regretfully receive the resignation of Director Oliver Smith, Division Three (3); and to provide the Board an overview of the process to fill the Board vacancy created by the resignation and retirement of Director Oliver Smith. This just came to the attention of the District before the Board Meeting, after the posting of the agenda.*

**Action:** Upon motion by Holtz, seconded by Ness; and carried with four (4) affirmative votes,  
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### **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 (per Government Code § 54956.9).*

### 10. **A Closed Session was called by President Ferro at 3:15 PM pursuant to the following two (2) items:**

- **Government Code §54957 – Public Employee Appointment:**

Title: General Manager

- **Government Code §54957.6 – Conference with Labor Negotiators:**

Agency Designated Representatives: Board of Directors

Unrepresented Employee: General Manager

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

**RECONVENE**

**Action:** The Board came out of closed session at 4:06 PM with no reportable action.

**ADJOURNMENT**

**Action:** Upon motion by Stehly, seconded by Ness; motion passed unanimously, the regular meeting of the Board of Directors was adjourned at 4:07 PM.

**ATTEST:**

**ATTEST:**

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

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**Enrico P. Ferro**, *President*

**Approved at a regularly scheduled Board Meeting on Monday, August 4, 2025**