

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**MINUTES**  
**Regular Meeting of the Board of Directors**  
Monday, August 18, 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 (arrived late at 2:02 p.m.).*

**Board Members Absent:** *Vacancy in Election Division Three (3) Seat.*

**Staff Members Present:** *General Manager Arant, District Engineer Grabbe, Director of Finance and Administration Pugh, Director of Operations and Facilities Lovelady, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; Director of IT Pilve, Administrative Assistant/Assistant Board Secretary Williams, Special Projects and Regulatory Compliance Manager Nichols, 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, August 4, 2025;**
2. **Minutes of the Special Board Meeting Held Friday, August 8, 2025;**
3. **Audit Demands and Wire Disbursements;** *and*
4. **Treasurer's Report Month Ending June 30, 2025.**

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

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

5. **Water Capital Improvement Program (CIP) Capital Financing Model Workshop:**

District Engineer Grabbe presented the Capital Financing Model Workshop, which outlined funding requirements and proposed solutions to sustain the District's Capital Improvement Program (CIP) over the next 20 years.

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**Key elements of the presentation included:**

- Baseline Results: Without new funding sources, the CIP Reserve would turn negative (\$3.6M deficit) within five years.
- Revenues Assumed: Water availability charges (\$565k annually, flat), property taxes (\$3.529M annually, with 2% annual escalation), meter capacity charges (projected \$3.65M over 20 years), interest earnings at 3%, and potential capital improvement charges.
- Expenses: Net revenue/minor CIP projects (beginning \$1M, growing at 5% annually for 15 years), current debt service for the Cool Valley Reservoir SRF, 2020 Water Facility SRF Loan (Gordon Hill/Lilac Road/Oat Hill/Alps Way improvements), and the proposed Old Castle Pipeline and North Broadway SRF loans), ongoing CIP projects (Cole Grade, Ridge Ranch, Rodriguez Road, four reservoir recoats), and future CIP projects (estimated \$5M annually beginning in Year 6 with 3% annual escalation).

**Funding Alternatives Discussed:**

- \$10M Interim Loan at 5% for 10 years to bridge gaps between expenses and reimbursements from SRF and EPA sources.
- Monthly Capital Improvement Charge applied to all active meters, prorated by meter size, with comparisons of \$5, \$10, \$15, and \$25 levels. While a \$25 charge created long-term stability, staff recommended starting at \$15, in conjunction with debt financing, but advised that the Capital Improvement charge would be to periodically increased to reduce dependence on debt financing and save interest costs
- Debt Financing Strategy for future 5-year project groupings at 0%, 30%, or 50% of the total cost of the 5-year project. Debt Financing leverages CIP revenues to provide funding for capital projects when otherwise not available and reduce the immediate need for a higher capital improvement charge.
- Charge Phasing: Three options to implement the \$15/month Capital Improvement Charge beginning in January 2026 were presented; a) all at once, b) over two years, or 3) over three years. Staff noted outcomes were similar, with reserve balances decreasing slightly as the implementation of the Capital Improvement Charge was extended.

Staff Recommendation: Approve the concept of a \$15 per month Capital Improvement Charge, authorize initiation of the Proposition 218 process, and obtain interim financing for current CIP projects.

**Action:** Staff will return at the next Board meeting with a revised financing model reflecting a \$10 per month Capital Improvement Charge, as well as an alternative model phasing in a \$5 per month charge for the first two years.

**6. General Information:**

An overview of the District Status report for the month of May was provided.

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

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

*None.*

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

*None.*

**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).*

**7. A Closed Session was called by President Ferro at 3:19 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

**RECONVENE**

**Action:** The Board came out of closed session at 3:50 PM with no reportable action.

**ADJOURNMENT**

**Action:** Upon motion by Holtz seconded by Stehly; motion passed with 4 affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:54 PM.

**ATTEST:**

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Coral L. Williams, *Acting Board Secretary*

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Enrico P. Ferro, *President*

**Approved at a regularly scheduled Board Meeting on Tuesday, September 2, 2025**