

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, November 17, 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, Baker, Ness, and Stehly.*

Board Members Absent: *Director Holtz.*

Staff Members Present: *General Manager Leahy, Former 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, General Counsel de Sousa, and SDCWA Principal Construction Manager Airey 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, October 20, 2025;**
2. **Audit Demands and Wire Disbursements;**
3. **Treasurer's Report for Month Ending September 30, 2025; and**
4. **Financial Statements for the Quarter Ended September 30, 2025.**

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

PRESENTATION

5. **Informational Presentation by San Diego County Water Authority on the San Diego Aqueduct Bifurcation Project:**

Ms. Valerie Airey, Principal Construction Manager, provided the Board with an overview of the First Aqueduct Treated Water Bifurcation Structures and Hubbard Hill Vents Rehabilitation Project.

Valley Center Municipal Water District Board of Directors' Meeting Minutes

Project Overview:

Ms. Airey reviewed the regional aqueduct system layout, highlighting:

- First and Second Aqueduct alignments
- Pipeline 1 and Pipeline 2 delivery points
- Major tunnel segments including Lilac, Red Mountain, Oat Hills, and Rainbow tunnels
- Hubbard Hill overflow and vent structures
- Existing bifurcation structures requiring rehabilitation

Project Purpose & Objectives:

The project includes critical seismic and structural upgrades to meet current code requirements. Work elements include:

- Rehabilitation of six (6) bifurcation structures at three tunnel locations
- Upgrades to two (2) vent structures at Hubbard Hill
- Improvements to access points for personnel, water sampling, and O&M functions
- Various site enhancements to support long-term operational reliability

The project is designed to increase seismic resiliency, improve safety for field personnel, and ensure consistent operational performance.

Construction Impacts & Expectations:

Ms. Airey described anticipated construction activities and potential impacts to nearby residents and businesses, including:

- Standard work hours: Monday–Friday, 7:00 AM–5:00 PM
- 24/7 shutdown work for approximately 10 days each in:
 - January 2026
 - January 2027
- Equipment and material deliveries
- Use of heavy machinery, including units with backup alarms
- Temporary equipment staging areas
- Construction signage
- Periodic noise and dust
- Use of public and private roads for construction access

Public Outreach Plan:

To minimize community impacts and ensure accurate communication, outreach efforts include:

- Direct outreach to nearby residents and businesses
- Distribution of Water Authority Public Affairs business cards
- Postcard mailers sent to all residents within 1,000 feet of work zones
- A Frequently Asked Questions (FAQ) sheet prepared for VCMWD staff

These efforts are intended to maintain transparency and support timely communication throughout the construction process.

Action: Informational item only; no Board action required

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

ACTION ITEM(S)

6. Ratify Execution of Recycled Water Use Agreement with San Pasqual Economic Development Council (SPEDC) dba Native Oaks Golf Club, adopt Resolution No. 2025-30, and Authorize Filing the Agreement with the County:

Mr. Arant presented an overview of the updated Recycled Water Use Agreement between the District and the San Pasqual Economic Development Council (SPEDC), DBA Native Oaks Golf Club (NOGC). Staff noted that the Agreement replaces the previous arrangement with Woods Valley Country Club, Limited Partnership, whose interests have since transferred to SPEDC.

The purpose of the action was to:

- Ratify the former General Manager's execution of the updated Agreement; and
- Authorize filing of the executed Agreement with the San Diego County Recorder's Office.

Summary of Negotiations & Key Agreement Updates

Staff reviewed the negotiations undertaken with SPEDC to update the Agreement in order to:

- Reflect the change in ownership/party structure; and
- Allow for expanded recycled water deliveries to Native Oaks Golf Club, up to the permitted treatment capacity of the Woods Valley Ranch Water Reclamation Facility (WVRWRF).

Water Quality Considerations – Nitrates & TDS (Section 3)

Issue:

Increased volumes of recycled water deliveries elevate the need for soil and turf amendments due to nitrates and total dissolved solids, resulting in increased golf course operational costs.

Response: Staff presented a cost-balancing proposal addressing delivery rate impacts:

- **Current Rate Structure:**
 - District charges **50% of the imported water rate** for the first **40,000 gallons/day** (~44.8 AFY).
 - Deliveries above this threshold are charged at **115%** of the imported water rate.
 - Generates approximately **\$105,000 annually**.
- **Proposed Adjustment:**
 - Maintain **50% rate** for the first 40,000 gallons/day.
 - **Waive charges** for deliveries above 40,000 gallons/day.
 - Generates approximately **\$73,000 annually**, a decrease of about **\$32,000**, but still covers delivery-related power and O&M costs.

Timing of Deliveries & Course Playability (Section 11)

Issue:

Over-saturation of turf during peak play periods adversely affects course conditions and player experience.

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

Resolution:

- Deliveries will be **strategically coordinated** using:
 - On-course storage facilities
 - District seasonal reservoirs
- This approach supports optimized irrigation timing and improves course playability.
- The section also acknowledges the potential for **future expansion of on-course storage** to increase operational flexibility and provide additional emergency storage capacity for District needs.

Technical & Administrative Revisions

Staff emphasized that, aside from updates to correctly identify the parties, no substantive operational changes were made compared to the 2013 Agreement.

Recommendation

Staff recommended the Board:

1. Ratify the former General Manager's execution of the Agreement by adopting Resolution No. 2025-30; and
2. Direct the executed Agreement be filed with the San Diego County Recorder's Office.

RESOLUTION NO. 2025-30

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT RATIFYING THE FORMER GENERAL MANAGER'S EXECUTION OF THE RECYCLED WATER USE AGREEMENT WITH THE SAN PASQUAL ECONOMIC DEVELOPMENT COUNCIL, DBA NATIVE OAKS GOLF CLUB, INC., AND DIRECTING THAT THE AGREEMENT BE FILED WITH THE SAN DIEGO COUNTY RECORDER'S OFFICE

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

Was adopted by the following vote, to wit:

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

7. Request Approval of Woods Valley Ranch (WVR) Capacity Transfer Installment Purchase Agreement:

The District Engineer presented an overview of the proposed Installment Purchase Agreement (IPA) to transfer a portion of the Woods Valley Ranch Water Reclamation Facility (WVR WRF) treatment and seasonal storage capacity from the Indian Creek Associates (ICA) properties in the North Village to Community Facilities District (CFD) 2020-1 (Park Circle) in the South Village.

Valley Center Municipal Water District Board of Directors' Meeting Minutes

Purpose of the Agreement

The purpose of the IPA is to:

- Transfer 218.5 EDU of wastewater capacity from ICA to CFD 2020-1 over 13 years;
- Provide CFD 2020-1 with the treatment capacity needed in lieu of constructing Phase 3 Expansion Improvements at WVR WRF; and
- Authorize execution of the Agreement through adoption of Resolution No. 2025-26.

Background & Agreement Parties

Staff described the parties to the agreement:

- Indian Creek Associates (ICA) – Owner of 11 parcels (107 acres) north of Valley Center Road, holding 224 EDUs of allocated capacity.
- VCMWD – Owner/operator of WVR WRF.
- CFD 2020-1 (Park Circle) – Requesting transfer of treatment and seasonal storage capacity to support build-out.

Nine parcels were formerly the Westin Properties ("Maddox Field") and two belonged to Valley Center View Properties, LP.

Capacity Transfer Terms & Conditions

Transfer Quantity and Schedule

- Total Transfer: 218.5 EDUs.
- First Year Transfer: 55 EDUs.
- Remaining Average: ~15 EDUs per year thereafter.
- Actual transfer pacing is dependent on available Special Tax revenue.

What Capacity Transfers / What Does Not

- **Transfers:**
 - Base Treatment Capacity
 - Seasonal Storage Capacity
- **Does Not Transfer:**
 - Collection System Capacity (remains with ICA parcels)
 - Park Circle has already fully funded its share of collection system improvements.

Relationship to Phase 3 Expansion

Staff explained that the transfer of capacity eliminates the need for CFD 2020-1 to construct Phase 3 Expansion Improvements at the WVR WRF.

- The Park Circle Developer previously posted \$3,770,000 in security for its share of Phase 3 costs affecting parcels outside the CFD.
- Because Phase 3 is no longer required, the security deposit is no longer needed and will be made available for reimbursement to the developer upon execution of the IPA.

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

Cost, Reimbursements & Administrative Code Requirements
Administrative Code Section 171.11

Staff reviewed how the District's Administrative Code governs capacity transfers, including:

- Eligibility for reimbursement of capacity-related costs;
- Limitations tied to Special Tax revenue availability;
- Required multi-year transfer schedules.

Cost Comparison

- **Capacity Transfer Total Cost: ≈ \$3.64 million**
- **Estimated Phase 3 Expansion Cost to CFD: ≈ \$6.0 million**

The capacity transfer option is **significantly less costly** for CFD 2020-1 property owners.

Initial Reimbursement Components

Upon execution of the IPA, ICA will receive an initial reimbursement of **\$329,280**, consisting of:

- **\$224,280** – Standby Fees (FY 2024-25 & FY 2025-26)
- **\$58,828** – Principal assessment component for 55 EDUs (FY 2024-25)
- **\$46,142** – Principal equity component + interest

Funding sources:

- **WVR WRF Replacement Reserve** – Standby fee reimbursement
- **CFD Special Tax Fund** – Principal and interest reimbursements

AD 2012-1 assessment liens are **not released**; ICA remains responsible for assessments based on current capacity allocations.

Ongoing Reimbursement Structure

- Annual AD 2012-1 assessments continue to be paid by ICA.
- The District reimburses ICA from excess Special Tax revenue for the transferred capacity.
- The equity component accumulates until the special tax revenue is sufficient for reimbursement.
- Interest accrues at the State Revolving Fund (SRF) rate of 2.2%.

Good Faith Estimate (Required Disclosure)

As the Installment Purchase Agreement constitutes a debt obligation of the CFD, Government Code requires public disclosure of key financing terms.

Good Faith Estimate:

- Principal Amount: \$4,985,539
- Term: 16 years
- Interest Rate: 2.2%
- True Interest Cost: 0.91%
- Total Interest: \$543,164
- Total Payments: \$5,558,703

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

- Finance Charge: \$30,000 (estimated third-party costs)

Recommendation

Staff recommended that the Board adopt Resolution No. 2025-26 approving the Installment Purchase Agreement for funding the multi-year transfer of Woods Valley Ranch WRF capacity from the North Village Area for use by Community Facilities District No. 2020-1 in accordance with the Capacity Reservation Transfer Policy (Administrative Code Section 171.11).

RESOLUTION NO. 2025-26

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING AN
INSTALLMENT PURCHASE AGREEMENT WITH RESPECT TO FINANCING
THE PURCHASE OF WASTEWATER CAPACITY IN AN AMOUNT NOT TO
EXCEED \$5,470,000 THROUGH SPECIAL TAXES LEVIED WITHIN
COMMUNITY FACILITIES DISTRICT NO. 2020-1 (PARK CIRCLE
EAST/WEST) OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT AND
OTHER MATTERS PERTAINING THERETO**

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

Was adopted by the following vote, to wit:

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

8. Old Castle Pipeline Replacement—DWSRF Good Faith Estimate Approval and Loan Document Authorization:

The District Engineer requested Board approval of Resolution No. 2025-29, which authorizes execution of the required Drinking Water State Revolving Fund (SRF) Installment Sale Agreement with the State Water Resources Control Board (SWRCB) for the Old Castle Pipeline Replacement Project – Phase 2.

District Engineer Grabbe reviewed the project purpose and status:

- The Old Castle Pipeline Replacement Project includes
 - **Phase 1:** 1,900 LF of 12-inch pipeline (completed in 2019)
 - **Phase 2:** 10,800 LF of 12-inch pipeline
- **Total Project Cost:** \$9,300,000
 - **\$5,525,000** SRF Loan
 - **\$3,775,000** EPA Community Grant
- The SRF loan has been approved by the SWRCB; EPA grant approval is in progress.
- Construction start is currently anticipated for May 2026.

Valley Center Municipal Water District Board of Directors' Meeting Minutes

District Engineer Grabbe noted that while the Board previously authorized staff to submit the SRF application and execute financing documents, California Government Code 5852.1 requires public disclosure of financing terms before entering into a debt obligation. The Good Faith Estimate, included in Resolution No. 2025-29, fulfills that requirement.

Good Faith Estimate – Key Terms

- **Principal:** \$5,525,000
- **Term:** 30 years
- **Interest Rate:** 1.9%
- **Total Interest:** \$1,968,452
- **Total Payments:** \$7,493,452
- **Finance Charge:** \$11,000 (estimated third-party costs)
- **Estimated Annual Payment:** ~\$250,000

Next Steps & Estimated Schedule

- Grant approval: **December 2025**
- Bridge loan approval: **December 2025**
- Budget amendment: **January 2026**
- Advertise for bids: **January–April 2026**
- Bridge loan closing: **April 2026**
- Construction contract award & NTP: **May 2026**
- Construction duration: **24 months** (completion ~June 2028)

Recommendation

Staff concluded by recommending adoption of Resolution No. 2025-29, approving the Installment Sale Agreement and authorizing staff to enter into the SRF Loan.

RESOLUTION NO. 2025-29

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING A FINANCING AGREEMENT WITH THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

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

Was adopted by the following vote, to wit:

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

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

INFORMATION ITEMS

9. Legislative and Regulatory Report:

Special Projects and Regulatory Compliance Manager Nichols updated the Board on state-level legislation and regulatory developments affecting District operations.

Action: Informational item only; no Board action required

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

A report on the SDCWA's Board of Directors' Meeting of October 23, 2025 was provided.

Action: Informational item only; no Board action required

11. General Information:

An overview of the District Status report for the month of September 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.

CLOSED SESSION ITEM

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).

12. A Closed Session was called by President Ferro at 3:07 PM pursuant to the following item:

- **Government Code §54956.9 (d)(1) – Conference with Legal Counsel – Existing Litigation:**
HOLLOWAY V. SAN DIEGO GAS & ELECTRIC COMPANY et al.,
Case No. 37-2023-00053167-CU-OR-NC.

RECONVENE

Action: The Board came out of closed session at 3:24 PM with no reportable action.

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

ADJOURNMENT

Action: Upon motion by Ness seconded by Stehly; motion passed with 4 affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:24 PM.

ATTEST:

ATTEST:

Coral L. Williams, *Acting Board Secretary*

Enrico P. Ferro, *President*

Approved at a regularly scheduled Board Meeting on Monday, December 1, 2025