

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, December 1, 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, Baker, Ness, and Stehly.*

Board Members Absent: *None*

Staff Members Present: *General Manager Leahy, Former General Manager Arant, District Engineer Grabbe, Manager of Accounting/Deputy Director of Finance & Administration Velasquez, Director of Operations and Facilities Lovelady, Director of IT Pilve, Administrative Assistant/Assistant Board Secretary Williams, Special Projects and Regulatory Compliance Manager Nichols, and General Counsel de Sousa.*

Guest Presenter(s): *Auditor Shannon Ayala with Davis Farr, LLP., the District's Certified Public Accountant.*

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, November 17, 2025; and**
2. **Audit Demands.**

Action: Upon motion by Ness, seconded by Stehly; and carried with 5 affirmative votes, the previously listed consent calendar items were approved.

PRESENTATION

3. **Review, Receive and File of the District's Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) 2024-25 and Review of Appropriation Limit Worksheet:**

The District's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2025, was presented for the Board's review. Deputy Director of Finance Velasquez provided a summary of the ACFR financial highlights.

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Water Purchases and Sales

Water sales for FY 2024-25 totaled **13,885 acre-feet (AF)**, an increase of **2,392 AF** or **20.8%** over the prior fiscal year, primarily due to significantly lower rainfall (8.2 inches compared to 20.8 inches in FY 2023-24). Water purchases increased **20.1%**, from 12,236 AF to **14,691 AF**.

Agricultural deliveries represented **55.7%** of all water sold. Sales to Certified Agricultural customers increased by **1,373 AF** (21.6%).

Agricultural discounts passed through from the SDCWA under the Permanent Special Agricultural Water Rate (PSAWR) totaled **\$2,697,478**. For Calendar Year 2025, PSAWR customers paid **\$2,193/AF**, which is **29%** or **\$909/AF** less than domestic/commercial customers at **\$3,102/AF**.

Combined Revenues

Total combined revenues (excluding capital contributions) for FY 2024-25 were **\$59,129,215**, an increase of **\$10,652,769 (22.0%)** over the prior fiscal year. Key revenue changes included:

- **Water Sales & Pumping Charges** increased by **32.0% (\$8.84M)** due to higher sales volume driven by dry conditions.
- **Meter Service Charges** increased **8.7% (\$713k)**, reflecting:
 - The new **MWD Fixed Charge Passthrough** implemented January 1, 2025
 - A **5.1% increase** to monthly meter service charges
 - An increase of **41 active meter services**, to 11,854 total
- **Meter Installation Fees** decreased **23.8% (\$113k)** due to reduced development activity as the Park Circle project neared completion.
- **Other Water Operating Revenues** increased **106% (\$717k)**, including a **\$520,000 reimbursement** from CFD bond proceeds for the Orchard Run Lift Station.
- **Wastewater Charges** increased **5.2% (\$236k)** due to:
 - Full-year collection of the Capital Improvement Charge implemented January 2024
 - A 5.1% increase to wastewater service rates
 - A slight increase in active wastewater EDUs
- **Property Taxes & Assessments** increased **4.0% (\$180k)**, largely driven by assessed valuation increases from Park Circle buildout.
- **Investment Income** increased **7.7% (\$158k)** due to higher average yields (4.4% vs 4.1%).

Capital contributions totaled **\$9,394,341**, more than double the prior year, reflecting developer-funded infrastructure and completion of the Orchard Run Lift Station.

Combined Expenses

Total expenses for FY 2024-25 were **\$55,744,484**, an increase of **19.0% (\$8.9M)** from the prior year. Major expense changes included:

- **Cost of Water Sold** increased **29.4% (\$7.0M)** due to higher purchase volumes and increased wholesale water costs.
- **Energy and Pumping Costs** decreased **0.7%**, reflecting the 25% SDG&E rate decrease in March 2024, partially offset by increased pumping needs from higher sales.
- **Water System Operations** increased **8.5% (\$539k)** due to higher labor, benefits, and facility maintenance.

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- **Wastewater Collection & Treatment** increased **11.1% (\$205k)**, driven by labor, benefits, maintenance, and outside services.
- **Engineering Expenses** increased **9.1% (\$214)**, reflecting higher capital planning efforts.
- **General & Administrative Expenses** increased **18.2% (\$716k)** due to labor, benefits, OPEB adjustments, legal services, and insurance.
- **Depreciation** increased **3.6% (\$185k)** from new equipment and completed capital projects.
- **Interest Expense** increased **12.2% (\$60k)** from construction-period SRF loan interest for the 2020 Pipeline Projects.

Operating Results

Operating revenues totaled **\$51.9 million**, while total operating expenses were **\$55.2 million**, resulting in an **operating loss of \$3.3 million**, consistent with prior years OPEB and depreciation, which are - non-cash expenses are significant contributors.

Non-operating revenues (including property tax, investment income, and cellular leases) partially offset the operating loss.

Net Position at Year End

The District's Net Position at June 30, 2025 was **\$109,942,198**, an increase of **\$12,779,072 (13.2%)** over the previous year.

Of this increase:

- **\$9.39M** resulted from **capital contributions**.
- **\$3.38M** resulted from **income before contributions**, allocated as:
 - **\$2,403,497** – General Fund
 - **\$201,383** – Lower Moosa
 - **\$779,851** – Woods Valley Ranch

Water Operating Reserve

Consistent with Board policy requiring 3–6 months of operating reserves (excluding wholesale water and power), the District designated **\$6.5 million** to the Water Operating Reserve as of June 30, 2025. This represents **4.6 months** of budgeted operating and maintenance expenses.

Independent Audit and Appropriation Limit Worksheet

Auditor Shannon Ayala of Davis Farr LLP presented the Independent Auditor's Report, summarizing the audit of the FY 2024-25 financial statements. Davis Farr issued an unmodified opinion, the highest level of assurance, stating that the financial statements present fairly the financial position and cash flows of the District as of June 30, 2025.

The auditor reviewed:

- Responsibilities of Auditor
- Audit Reports
- Areas of Audit Focus
- Audit Results

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Ms. Ayala also presented findings from the Independent Accountants' Report on Applying Agreed-Upon Procedures for the Appropriations Limit Worksheet, confirming compliance with Article XIII B of the California Constitution. The District again received less than half of its allowable property tax limit.

Action: The Board received and filed the ACFR and the Appropriation Limit Worksheet.

ACTION ITEM(S)

4. Approve Professional Services Agreement with Interface Automation for System Integration Services for the Woods Valley Ranch WRF SCADA/HMI Software Upgrade:

District Engineer Grabbe presented the request for Board approval of a Professional Services Agreement with Interface Automation for system integration services related to the Human–Machine Interface (HMI) software upgrade at the Woods Valley Ranch Water Reclamation Facility (WRF).

Project Background

The existing HMI system at the Woods Valley Ranch WRF requires an upgrade to align with the Ignition Perspective platform, which is now the District standard for both water and wastewater systems. The upgrade will improve system reliability, compatibility, and long-term maintainability. Interface Automation previously configured the District's existing HMI for the Woods Valley Ranch facility and successfully completed the Moosa WRF upgrade from Wonderware to Ignition Perspective, providing significant system continuity advantages.

Consultant Selection

Two qualified system integrators were invited to submit proposals: Interface Automation and Enterprise Automation.

Consultant	Proposal Amount
Interface Automation	\$75,000
Enterprise Automation	\$325,272

Staff recommended Interface Automation due to:

- Their direct involvement in the existing WVR WRF HMI configuration
- Proven Ignition Perspective upgrade experience
- Existing knowledge of District systems, reducing implementation time and risk
- A significantly lower and more cost-effective proposal
- Although Administrative Code normally requires three quotes, staff recommended proceeding with Interface Automation based on their unique qualifications and prior system involvement.

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Fiscal Impact

Funding for the HMI upgrade is included within the FY 2025–2026 Annual Budget, with sufficient appropriations to cover the award.

Recommendation

Staff recommended adoption of Resolution No. 2025-31, authorizing the General Manager, or her designee, to enter into a Professional Services Agreement with Interface Automation in the amount of \$75,000 for the Woods Valley Ranch WRF HMI software upgrade.

RESOLUTION NO. 2025-31

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE VALLEY CENTER MUNICIPAL WATER DISTRICT
APPROVING A PROFESSIONAL SERVICES AGREEMENT
WITH INTERFACE AUTOMATION FOR THE HMI SOFTWARE UPGRADE
AT THE WOODS VALLEY RANCH WATER RECLAMATION FACILITY**

Action: Upon motion by Holtz, seconded by Stehly; motion to approve the following Resolution passed with five (5) affirmative votes:

Was adopted by the following vote, to wit:

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

5. San Diego Local Agency Formation Commission Special Districts Advisory Committee Call for Ballots:

Special Projects and Regulatory Compliance Manager Nichols presented the staff report dated December 1, 2025, regarding the San Diego Local Agency Formation Commission (LAFCO) Special Districts Advisory Committee (SDAC) Call for Ballots. On November 12, 2025, LAFCO issued a Call for Ballots for the election of seven representatives to serve on the SDAC, which provides feedback and recommendations to LAFCO on various topics related to special districts in San Diego County.

The Board reviewed the list of nominees and supporting candidate biographies included in the LAFCO ballot materials. Board President Ferro presented his recommended slate of seven candidates for the District's vote, based upon qualifications, experience, and representation across district types.

The recommended candidates were:

- **Mike Sims**, Bonita–Sunnyside Fire Protection District
- **James Gordon**, Deer Springs Fire Protection District
- **Erica Wolski**, Ramona Municipal Water District
- **Jack Beebe**, Fallbrook Public Utility District
- **Kurt Worden**, Lower Sweetwater Fire Protection District
- **Lindsay Leahy**, Valley Center Municipal Water District

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- **Albert C. Lau**, Santa Fe Irrigation District

Staff reviewed the ballot completion and certification requirements, noting that the signed Election Ballot and Vote Certification Form must be submitted to LAFCO by the December 22, 2025 deadline.

Action: Upon motion by Ness, seconded by Holtz, the Board approved the recommended seven candidates as presented, President Ferro directed staff to complete and submit the Election Ballot and Vote Certification Form to LAFCO by the required deadline.

INFORMATIONAL ITEMS

6. Water Use Efficiency and Water Loss Performance Standards Update:

Special Projects and Regulatory Compliance Manager Nichols presented an informational update on the District's current compliance status and implementation progress related to the State Water Resources Control Board's (State Board) Water Use Efficiency and Water Loss Performance Standards.

Legislative & Regulatory Background

Staff provided an overview of the "Making Conservation a Way of Life" regulatory framework established through the Water Conservation Act of 2009 (SBx7-7), Senate Bill 555 (Water Loss), and Senate Bill 606 and Assembly Bill 1668 (Water Use Efficiency), which together form the long-term Water Use Efficiency and Water Loss Performance Standards and associated reporting and compliance requirements urban water suppliers must meet.

Water Use Efficiency Standards & Compliance

The District's Urban Water Use Objective (UWUO), which is a supplier-specific water budget based on indoor and outdoor residential use, outdoor Commercial, Industrial, and Institutional (CII) use, and real system water loss was reviewed. Based on historic demand, the District's UWUO is 29,343 acre-feet per year. The District received a Compliance Summary from the State Board confirming that the District met the UWUO for FY 2023–2024 and is in compliance with all UWUO regulatory requirements. Staff noted that formal compliance with the UWUO began July 1, 2025, and will be reported on the UWUO Report due to the State Board by January 1, 2027.

Staff also reviewed implementation status of the required CII Performance Measures, which include classification of CII customers into 22 sector-specific categories, installation of dedicated irrigation meters or in-lieu technologies and development of sector-specific best management practices (BMPs). Staff reported that CII Classifications are expected to be completed well before the June 30, 2027 deadline and sector-specific BMPs are currently under development.

Water Loss Performance Standards & Compliance

Staff provided an overview of the State Board's Water Loss Performance Standards, which require suppliers to meet both Real Loss (pipeline leaks and breaks) and Apparent Loss (meter inaccuracies, billing errors, and data handling) Performance Standards. The District's Real Loss Performance Standard is 1,448.6 gallons per mile per day and the Apparent Loss Performance Standard is 57.4 gallons per connection per day.

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The regulations also require annual validated Water Loss Audits, the development and submission of a pipeline Break Registry and submission of questionnaires related to data quality, pressure and asset management to the State Board. Staff noted concerns with the State Board's draft Break Registry Specifications, particularly regarding data transparency requirements that could inadvertently disclose sensitive operational or infrastructure details. The District is coordinating with the San Diego County Water Authority (SDCWA) and the Association of California Water Agencies to submit formal comments.

As part of the SDCWA's Regional Water Loss Control Workgroup, the District received a detailed Compliance Summary evaluating the likelihood of exceeding Water Loss Performance Standards based on historic audit results. The Compliance Summary also identified recommended areas to support ongoing compliance, including data improvement, billing data analysis and consumption prorating and a small customer meter testing program.

Overall, the District remains in compliance with all standards and is on track to meet all regulatory deadlines. District staff will continue evaluating internal data collection and operating procedures to ensure proper tracking, reporting, and continued compliance with all state requirements.

Action: Informational item only; no Board action required

7. 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

8. General Information:

An overview of the District Status report for the month of October 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).

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

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- **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 3:12 PM with no reportable action.

ADJOURNMENT

Action: Upon motion by Stehly seconded by Ness; motion passed with 5 affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:12 PM.

ATTEST:

ATTEST:

Coral L. Williams, *Acting Board Secretary*

Enrico P. Ferro, *President*

Approved at a regularly scheduled Board Meeting on Monday, December 15, 2025