AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MARCH 21, 2012 AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT GENTRY
PLEDGE OF ALLEGIANCE – DIRECTOR SHELL

ROLL CALL

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity which severely imperils public health, safety, or both. Also, items which arise after the posting of the Agenda may be added by a two-thirds vote of the Board of Directors.

ADOPT AGENDA FOR THE REGULAR MEETING OF MARCH 21, 2012

INTRODUCTION

Human Resources Technician Weaver will introduce new employee – Blake Bechtold, Plant Operator I.

ORAL COMMUNICATIONS

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy.

NOTICE TO THE PUBLIC

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case it will be considered separately under Action Items.

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES

A. REGULAR BOARD MEETING – MARCH 7, 2012
B. COMMITTEE MEETING OF THE WHOLE SPECIAL BOARD MEETING – MARCH 12, 2012

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes
1.2 WARRANT LIST THROUGH MARCH 21, 2012 - $2,299,692.65

Recommendation: Approve Warrant List

1.3 FINANCIAL REPORTS

A. WATER METER COUNT – FEBRUARY 29, 2012
B. WATER PRODUCTION/SALES REPORT – 2011/2012
C. WATER REVENUE AND EXPENSE REPORT – FEBRUARY 29, 2012
D. SEWER REVENUE AND EXPENSE REPORT – FEBRUARY 29, 2012
E. RESERVE FUNDS ACTIVITY – FEBRUARY 29, 2012
F. INVESTMENT REPORT – FEBRUARY 2012

1.4 SPRING 2012 SPLASH – VALLECITOS WATER DISTRICT QUARTERLY NEWSLETTER

Recommendation: Approve the Spring 2012 Splash Newsletter

******END OF CONSENT CALENDAR******

ACTION ITEMS

2.1 REQUEST FOR WATER AND SEWER ANNEXATION INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5 & 6 FOR WATER AND SEWER SERVICE—APN’S: 226-040-30 & 31 (WESPAC ONE, LLC)

The property is located at the southeast intersection of El Norte Parkway and Bennett Avenue.

Recommendation: Approve annexation with conditions

2.2 RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES

An Inducement Resolution allows for reimbursement of project costs from proceeds of a future bond issuance.

Recommendation: Adopt Resolution

2.3 CAPACITY AND IMPACT FEE STUDY (FINAL REPORT)

A Capacity and Impact Fee Study has been completed.

Recommendation: Approve the Capacity and Impact Fee Study Final Report
2.4 CSDA BOARD OF DIRECTORS CALL FOR NOMINATIONS – SEAT A

The Elections and Bylaws Committee is looking for Independent Special District members who are interested in serving for the 2013-2015 term.

Recommendation: Request Board direction

*****END OF ACTION ITEMS*****

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY
   - News & Notes – March 2012

3.4 ENCINA WASTEWATER AUTHORITY

3.5 ACWA/REGION 10

3.6 LAFCO

3.7 DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

*****END OF REPORTS*****

OTHER BUSINESS

4.1 MEETINGS

WateReuse Annual Water Use & Desalination Research Conference
June 4 – 5, 2012 – Hyatt Regency, San Diego, CA

ACWA Region 1 Program and Tour – Take it From the Tap: Developing a Regional Drink Local Water Campaign
June 22, 2012 – Santa Rosa Utilities Field Office, Santa Rosa, CA

*****END OF OTHER BUSINESS*****
CLOSED SESSION

5.1 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95 LIABILITY CLAIM – CLAIMANT: Kathryn Tilton

AGENCY CLAIMED AGAINST: Vallecitos Water District

*****END OF CLOSED SESSION*****

6.1 ADJOURNMENT

*****END OF AGENDA*****

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 3:00 p.m., Friday, March 16, 2012.

Diane Posvar
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MARCH 21, 2012, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Gentry called the Regular meeting to order at the hour of 4:00 p.m.

Director Shell led the pledge of allegiance.

Present: Director Ferguson
         Director Hernandez
         Director Poltl
         Director Shell
         Director Gentry

Staff Present: General Manager Lamb
              Legal Counsel Scott
              Finance Manager Scaglione
              Administrative Services Manager Caudle
              District Engineer Gerdes
              Principal Engineer Gumpel
              Capital Facilities Engineer Scholl
              Engineering Technician Koonce
              Public Information Representative Webb
              Public Information Representative Yerman
              Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF MARCH 21, 2012

12-03-07 MOTION WAS MADE by Director Hernandez, seconded by Director Ferguson, and carried unanimously, to adopt the agenda for the Regular Board Meeting of March 21, 2012.

INTRODUCTION

Administrative Services Manager Caudle introduced new employee Blake Bechtold, Plant Operator I.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

12-03-08 MOTION WAS MADE by Director Ferguson, seconded by Director Shell, and carried unanimously, to approve the Consent Calendar as presented.
Minutes of the Vallecitos Water District Regular Meeting
March 21, 2012

1.1 Approval of Minutes

A. Regular Board Meeting – March 7, 2012
B. Committee Meeting of the Whole Special Board Meeting – March 12, 2012

1.2 Warrant List through March 21, 2012 - $2,299,692.65

1.3 Financial Reports

A. Water Meter Count – February 29, 2012
B. Water Production/Sales Report – 2011/2012
C. Water Revenue And Expense Report – February 29, 2012
D. Sewer Revenue And Expense Report – February 29, 2012
E. Reserve Funds Activity – February 29, 2012
F. Investment Report – February 2012

1.4 Spring 2012 Splash – Vallecitos Water District Quarterly Newsletter

ACTION ITEMS

REQUEST FOR WATER AND SEWER ANNEXATION INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5 & 6 FOR WATER AND SEWER SERVICES – APN’S: 226-020-30 & 31 (WESPAC ONE, LLC)

General Manager Lamb stated that this item was presented at the March 12 Board Committee meeting. Mr. Weston has requested annexation for water and sewer services. The property address for the existing house is 2189 El Norte Parkway (226-040-31), located at the southeast intersection of El Norte Parkway and Bennett Avenue. The properties are currently within Vista Irrigation District (VID) and VID has one existing water meter serving the address. The other parcel (226-040-30) is undeveloped.

Staff recommended approval of the annexation with the following conditions:

1. Payment of water annexation fee of $4,895.00 per acre (0.62 acre) = $3,034.90
2. Payment of sewer annexation fee of $7,043.00 per acre (0.62 acre) = $4,366.66
3. Payment of State Board of Equalization fee of $300.00.
4. Submit copy of title report showing ownership and a geographic description of the properties as one parcel including a plat map. (A geographic description is a State Board of Equalization requirement and is used to establish geodetic position and is not intended to establish property ownership in a court of law. The State Board of Equalization is not involved in issues relating to property ownership. Check the Board’s website at www.boe.ca.gov for complete details.)
5. No construction of or connection into District water and sewer facilities will be
allowed until completion of the annexation, payment of annexation fees, payment of water and wastewater capital facility fees and payment of all current fees and charges.

6. Initiate annexation proceedings with LAFCO within 90 days of initial Board approval. LAFCO phone No. (858) 614-7755.

7. Initiate detachment proceedings with VID. (760) 597-3100.

8. Concurrent detachment from VID.

9. The owner is responsible for coordinating with VID for the abandonment of the existing VID meter.

12-03-09 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to approve the annexation with conditions.

RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES

General Manager Lamb stated that this item was presented at the March 12 Board Committee meeting. An inducement resolution allows for reimbursement from the date the resolution is adopted of project costs from proceeds of a future bond issuance. An inducement resolution does not commit the District to incur indebtedness. Without an inducement resolution only expenditures incurred prospective of the date of a debt issuance are allowed to be funded from debt proceeds.

The District identified certain capital projects in the adopted 2011/12 budget including Linda Vista Sewer East and Rock Springs Sewer replacement projects. The proposed resolution also includes capital improvement projects for Encina Wastewater Authority.

Staff recommended the Board adopt the Resolution.

12-03-10 MOTION WAS MADE by Director Shell, seconded by Director Poltl, and carried unanimously, to approve the Resolution.

Resolution No. 1393 - The roll call vote was as follows:

AYES: Ferguson, Hernandez, Poltl, Shell, Gentry
NOES:
ABSTAIN:
ABSENT:

CAPACITY AND IMPACT FEE STUDY (FINAL REPORT)

President Gentry stated that he would like to declare that his company as a consulting firm, does represent clients who are affected or may be affected by the consideration of the capacity and impact fee, the study program and the eventual ordinance. It is unknown whether or not there would be a material effect on his ability to vote. Pursuant
to State policy as well as Board practice and policy, he recused himself from consideration during this item and any subsequent actions related to the capacity fee and impact study. He then turned the gavel over to Vice President Shell.

Director Hernandez stated that it appears he is under similar circumstances as President Gentry and recused himself from discussion on this item.

General Manager Lamb stated that this item was presented at the March 12 Board Committee meeting. He provided the following background on all the steps taken to this point:

- This is the 2008 Master Plan; it is the background of this document that is being brought forward.
- The 2008 Master Plan is a new Master Plan; it is not an update of the prior Master Plan.
- The 2008 date (in lieu of 2010-2011) is the date that data acquisition began.
- The Master Plan was adopted by the Board of Directors on August 3rd, 2011.
- The Master Plan EIR was certified on August 3rd, 2011, which included adoption of the PEIR finding and the approved Mitigation Monitoring Plan.
- The basis of the Master Plan is local planning and land use; projected land use.
- The growth estimates and projections were provided by SANDAG on growth that may occur within the planning horizon of the document.
- The capital facilities are based on the adopted land uses, the growth projections, and the results of water and sewer hydraulic modeling from the year 2010 through the year 2030.
- The capital facility costs are based upon reasonable engineering estimates of facilities over a 20 year horizon beginning in 2010.
- Over the past two years there have been over 25 meetings that have discussed the Master Plan, the fees, and the process; those have been workshops, Board presentations, and they’ve been meetings with specific organizations that included development representatives, consulting engineers, the Board as well as BIA representatives.
- The next scheduled meeting is April 4, which would be the day of consideration by the Board if they choose to move forward with adoption of the ordinances and act on the fees.

General Manager Lamb stated that the capital facility fee is being prepared in accordance with AB 1600 – Mitigation Fee Act, as have all past fee studies and master plans. It provides a financial tool for estimating projected water and sewer capital facility fees within a reasonable planning horizon. It identifies the assumptions utilized in long-term costs, interest rates, assumptions on when capital may be required, and assumptions on when growth may occur requiring these facilities. It is based upon the certified and adopted Master Plan and PEIR.
AB 1600, as it relates to water and sewer capacity facility fees, requires that the fees not exceed estimated reasonable costs of providing service with the fees that are imposed. The fees proposed in the study meet this test and they support only those improvements necessary and required for new development. They do not exceed the reasonable costs of constructing the improvements and they will not be used for maintenance and operation expenses.

The study was initiated in February of 2011 with the presentation to the Board of the final draft in November of 2011. There have been a few modifications of the study in working with the BIA. The accommodations were: 1) revision of the existing debt where there was an assumption of 6% over the life of the study; 2) modified the existing debt to be the actual; 3) revised the interest rate on the Phase 1 borrowing to a 4% assumption instead of 6% - will actually be whatever the actual rate is; 4) and, no longer subjecting the deficit to financing costs.

The existing water capacity fee is $5,341 per EDU. Based upon the study, the proposed water capacity fee is $6,650 per EDU; a net increase of $1,309 per EDU. The current sewer capital facility fee is $9,515. The proposed capacity fee is $8,343 – a reduction of $1,172 per EDU.

The additional element that has come into the study that was not in previous studies is a wastewater density impact fee. It provided adequate planning for projects that increase density beyond those identified in the adopted Master Plan, which is based upon land uses adopted by the local agencies. It is only required for EDU’s above and beyond that which is included in the Master Plan. The funds would be maintained in separate funds specifically for the purpose of wastewater expansion treatment. The proposed rate is $5,199 per EDU; this is above that which is allowed for in the Master Plan. The fee is needed to avoid redirecting the burden to future ratepayers or other developers and assures they pay their fair share based upon growth.

There are several BIA correspondences that have been received in the past few days. An updated staff memo has been provided to the Board which incorporates the response staff made to the BIA. The BIA submitted a request for comments on March 16, 2012. Staff responded on March 19. The updated staff memo includes Exhibit 1, which is the e-mail that was sent from the BIA and his response back to the BIA.

The BIA submitted additional comments on March 20th, reiterating their position on one of the items on the March 16 e-mail. Staff’s response has not changed and there was no response back on that e-mail. Staff received a formal protest by e-mail this morning; a hard copy of their protest has been provided to the Board. Staff anticipates responding to that formal request from the BIA, working through Counsel, sometime next week; staff does not intend to address it at this Board meeting.

The general discussion of what we’ve had, and explained at the March 12 Board
Committee meeting, there seems to be a big question on EDU’s; on the numerator of the equation versus the denominator. If one is changed, the other has to be changed. In essence, this has been staff’s response to the BIA.

The Master Plan and PEIR are studies. The fee studies are based upon reasonable engineering estimates, and facilities that are required. Estimated dates and projections are windows of when facilities are required and when the growth may or may not occur, and levels of service that are based upon land uses that are currently approved. What may or may not happen cannot be considered; only adopted land uses. Reasonable estimates are provided as a planning study only, for the purposes of the Board to provide financial stability moving into the future. Staff’s opinion, with legal opinion as well, is the capital facility and impact fee study clearly demonstrates and complies with AB 1600.

General Manager Lamb further stated that the approval of the study today, if approved by the Board, does not enact those fees. What would be approved is the study; the fees themselves have to go through a hearing process after which the Board can consider adoption of the fee Ordinances. If the Board adopts the Ordinances, the fees would become effective 60 days following adoption of the Ordinances.

Staff recommended approval of the study.

Vice President Shell proceeded with persons from the public who requested to address the Board on this item.

Mr. Michael McSweeney of the BIA addressed the Board. He stated that he is the Senior Public Policy Analyst for the Building Industry Association. They are a 75 year old trade and advocacy association representing 700+ companies and over 40,000 employees in San Diego County. He stated that with him today is his Association’s President and CEO, Borre Winckel.

Mr. McSweeney stated that he comes before the Board today to protest the action scheduled to be taken by adopting the Atkins Capacity and Impact Fee Study. The BIA and their consultants, DPF&G, have requested on at least three different occasions to have their questions answered satisfactorily regarding the water and wastewater EDU issues with supporting data that supports the justification for the proposed fee increases. This isn’t simply a matter of agreeing to disagree. They believe the underlying source information in the Atkins Study is flawed. Any action taken today based on this flawed data directly harms the Association’s members because the end product is not fair, equitable or reasonable. This is not a “the fee is too high” argument, but a call to realize that the aggressive move to increase fees comes at a time of continued anemic construction activity. The approval of this fee package shall dampen and extend the probability that no market recovery may occur in the near future.
Mr. McSweeney stated the District contacted them on November 29, 2011, seeking a meeting the following week to get their approval of the study. This came just days after they sent the District their annual notice of timely and proper notification of any changes to the fees. They asked for some time to notify their members to allow them the time to review the draft study. They hired DPF&G at the beginning of January to do a quick overview and comment to the District. Since the initial list of questions to the District at the end of January, the District held two additional public workshops and had a face to face meeting with the BIA exactly twenty-nine days ago, down the hall. The District takes two plus years to arrive at its conclusions and their industry and its members get 114 days to thoroughly analyze, discuss with the District, and then agree with the assumptions and conclusions. He asked how this is fair, equitable, and reasonable.

Mr. McSweeney stated to the Board that he handed out a letter from their attorney to them today. They’re just asking for an additional 60 days to continue working with staff to get their questions answered. Staff has been overall cooperative and timely in their responses to their inquiries since last November 29th. They would like to continue with that positive spirit of cooperation. Some of the issues they have pointed out have caused revisions to the study because they were fair, equitable, and reasonable.

Mr. McSweeney stated that in the last two weeks they have been feeling that the District has checked the box with regards to meeting with the BIA. He reminded the Board there has been one 2-hour face to face meeting with his association. Again, they are respectfully requesting an additional 60 days to continue their work with staff to resolve their issues with the flawed study. They think their request is fair, equitable, and reasonable accommodation to the final pairs of fees sought to be imposed on their members and their end customers - the very constituents the Board is elected to represent.

Mr. McSweeney thanked the Board in advance for accommodating their request for 60 additional days to work with staff. He then introduced their consultants from DPF&G, Chris Lightburne and Pete Mateo, to walk the Board through where they find themselves today with the draft study and hopefully the Board will understand where they are and why they need the additional time to rectify their issues. He stated he appreciates the time to address the Board.

Mr. Chris Lightburne, Managing Principle at DPF&G, addressed the Board. He stated they are a national consulting firm in California and he has sat before and discussed/worked on these issues with a number of Boards and cities. He thinks their request for additional time is that it’s been a pretty aggressive schedule for a fee package of this magnitude, given the complexity. Why they’re here is to make sure that they have something that is fair, reasonable, equitable, and supportable. He thinks one of the unique things about this fee program is that 60% of it is related to debt and future debt. Their role is to help the District and its staff to get to something that is credible, supportable, and everyone feels good about. There is some simple math going on
here, where they take the cost - in this case the cost is the CIP - the existing debt, and the future financing cost and divide that by EDU’s over the planning period. The planning period in the Master Plan is from 2008 to 2030. The one main issue that they have unresolved is between 2010 and 2030, what is the right number of EDU’s? The Atkins Study took 2008 through 2010 and used the SANDAG data of 4200 units; as if 4200 units had hooked up to the Master Plan’s system that was designed. If they didn’t hook up, those units are still there to pay for those facilities. He thinks this is the fundamental difference they have - facilities stay the same but less people hooked up – the correct denominator should be those remaining units. The numbers were between 2008 and 2010 and were only 276 hookups to water as opposed to 4200. That is a very simple mechanical adjustment that they have the benefit of real world information. The study, as General Manager Lamb pointed out, it’s a study; it’s based upon the Master Plan, which is theoretical in nature. It’s based on SANDAG data. What they suggest to the Board is that where possible, actual data be used. They are very appreciative of staff and their consultants for taking into consideration the existing financing cost and adjusting those down. Such an example is where theoretical assumption, they were able to bring some reality into it, sharpen up their pencils, and get to something that seemed to make more sense. He has a revised document which responds as a follow-up to the staff report which he thinks will better clarify.

Mr. Lightburne stated that one of the things when they initially looked at this, and they often look at water and sewage, they have capacity, theoretical, and usage rates. When they looked at the revenue and rate case, they have seen over the last five or six years declining water usage in the District. Yet, projecting out in the Master Plan it’s actually going in the opposite direction. There is projection and actual usage. And actual usage has been substantially less, yet it is being projected that the Master Plan base, which one of the things they suggested to staff was that they looked at the Urban Water Management Plan which had actual rates that were significantly less. The question is do they end up with more facilities than needed? There is substantial existing capacity that exists today.

Mr. Lightburne stated that now is not the time – there is a short list of issues that need to be worked through – they are just requesting 60 days and they will meet on an expedited schedule to get through those issues. With sewer, there is existing capacity through 2030, yet the impact fee presumably there is no additional capacity today. For any project that has changed since 2008, it has to pay this additional fee when existing capacity exists through 2030. Based on current rates, there was a letter provided by an engineering firm that suggests that there is enough capacity to last through 2044 – 2050. They hope the Board will give them time to sharpen up their pencils and to consider some options and alternatives.

Mr. Peter Mateo, Manager Associate with DPF&G addressed the Board. He expressed the interest to go over the capacity example. The graphs show the existing capacity and the projected SANDAG data. The graph shows the projected VWD capacity today
– approximately 12.5 million gallons per day. Looking at SANDAG data, it looks like they will be kind of at par with existing capacity somewhere after 2040. Raising an impact fee and the capacity fee today when existing capacity is more than sufficient, would be very detrimental, would be costly, and would not be equitable and reasonable.

Mr. Mateo stated that there is approximately 61% of this fee program in existing debt and financing costs. To come up with a capacity impact fee that has such a large proportion of costs not associated with just the CIP, kind of tells them they need to relook at this program, sharpen their pencils and need to understand what is actually needed. If they have information from 2008 – 2010 that is actual data, then he thinks the information needs to be respected and see how the study can be updated to reflect current and actual data. They want to follow-up with coming to a solution with a fair, equitable, and reasonable capacity and impact fee. He thanked the Board.

Mr. Jim Simmons addressed the Board. He stated that he thinks pretty much everyone is aware that the development industry and building industry has been on life support for quite some time now. Land values have been struggling in a pretty difficult situation for quite a while and just beginning to emerge. Obviously this has a very large impact on all of them0. He has several clients that are affected and he has projects that he is part of that are affected as well. He does understand the District’s need to move forward in an orderly fashion and have things happen in a way that gets done in a timely and orderly process. However, he doesn’t think it’s unreasonable to give them another couple of months to see if they can work with staff to come up with a way to soften the blow a little bit – it’s going to be dramatic for all of them. They are going to have a huge impact and it’s going to slow down their ability to move into a market. That means their carry costs are going to go up and they are going to have a more difficult time marketing their products into a process that is already difficult to be part of. He doesn’t think it’s unreasonable to give them a bit more time. If the District is absolutely under the gun to have something approved by April 4th, then he doesn’t understand what it is and maybe somebody could explain to him what it is. If not, then working with them a little longer would give the development community time to step into this appropriately. He apologized that they haven’t been up to speed fast enough. If given a life support situation for most developers, hiring consultants and other people to look at this thing has been more difficult than paying rent. If the Board could look at it that way and just work with them a little bit longer, he thinks the whole thing would come out smoother and they may be able to come up with some ideas that would help the District get what it needs and help the development community move forward a little bit more smoothly. He thanked the Board.

Legal Counsel Scott asked Mr. Simmons if he has ever seen a wastewater capital facility fee decrease. He further asked Mr. Simmons if he could give him an example.

Mr. Simmons responded no, he didn’t think he has ever seen any fees go down. But he has seen some fees go up less quickly than others. And the way that sometimes
happens is if you have some cooperation across the board with an industry that has resources, has the ability to look at these, and has experience in other districts besides this one. Sometimes they can bring some ideas to the table that work. He again apologized that they haven’t gotten this quick enough to fit into the schedule the District wants to meet today. It might be to everybody’s benefit to give them a little bit more time to catch up to that and then swallowing this will be a little bit more help.

Mr. Steve Bieri addressed the Board stating that what is going on here has caught his attention. He too apologized for being somewhat of a Johnny-come-lately but he has seen a lot of what has taken place recently. He had two comments: 1) he didn’t realize Richard Shulman was part of what was going on here; Mr. Shulman has written a letter to the District and he hoped they’ve had a chance to see it. He has known Richard personally for over 20 years and he is a very, very fine man. He saw what he said in the letter and he speaks the truth – there are issues with this report. Whether they can be all figured out in the next 60 days or not, he wasn’t sure. It’s clear from what the people said earlier – it’s not a confrontational thing with the staff and the BIA and people like himself that are in the business. It’s just trying to get to the right number. It seems like a little bit more time would be meritorious. One of the words that have been kicked around here a lot has been “reasonable”. They all try to be reasonable. The reason is a perception. He asked if it’s reasonable when you look at the charts you’ve seen and the fees are potentially 3 and 4 times higher than some of the other cities. He doesn’t know – maybe it is and maybe it isn’t. But it deserves looking forward to it not going too fast right now with these questions that are up there in the air, especially with some of the methodology. He echoed what the others have said before him in saying a little bit more time would be helpful. Hopefully the 60 days is enough. They all want to get to the right answer. He did when he was before the Board 25 years ago and he does today. From what he has seen, a little bit more time will not hurt anybody. He’s not aware of the schedule or what’s pressing the Board, but hopefully it’s not so pressing that it puts them into a precipitous decision prematurely. He thanked the Board.

Ms. Suzanne Charnley addressed the Board stating that she is representing Interval Communities. They are the owner and developer of Palomar Station. She wanted to voice her opinion in agreeing with the 60 day extension to look at these numbers is definitely warranted. They all agree that this is pretty convoluted information; it is a lot of data to absorb. She feels additional time to do that would be helpful. She doesn’t see the rush to make a decision tonight and it would be nice to have an additional 60 days. She thanked the Board.

Mr. Jason Simmons addressed the Board stating that he is representing several different clients and interested parties. He is interested in seeing the 60 day continuance to review a very complicated report. He sat in on several of the workshops that were done and staff did a very good job of explaining what it is that was happening. The difficult part is taking this all in and trying to figure out how that works for development going into the future. The City of San Marcos is going through a lot of
changes right now - a new General Plan, the Creek District, the University District. Those projects are new types of development that they have not seen here in San Marcos ever. That type of development is difficult to project and this report is based on assumptions and projections. He thinks the extra time to evaluate this and work with staff, the Board and the development community and the community itself is warranted and thinks it's the right decision for the Board to make today. He thanked the Board.

Mr. Ryan Dickie indicated there was no need for him to speak; he is here in support of a 60 day continuance.

Mr. Michael Hunsaker addressed the Board stating that he is speaking as a citizen. He has attended the last two workshops as a citizen's ratepayer and also supports a continuance, although for somewhat different reasons. The report and study of necessity has to make the past as a benchmark for determining where going in the future - you look at some trends. This program doesn't really take into account all the massive uncertainties that can occur that can dramatically change the appropriateness of the study. He thinks there needs to be more triggers. If, for example, we have a war over Iran, energy costs go up the roof and water goes up the roof. Greenhouse gas policies have just been adopted. These have very specific targets as to water and wastewater management and there is carbon taxes and restrictions that go along with them. He doesn't think this has been properly considered.

Mr. Hunsaker stated that one of the factors that Tom Scaglione mentioned is that interest rates transfer the question of risk from the developers onto potentially the ratepayers. He would like a trigger place, more than annual, to consider what happens if there is explosive inflation coming in.

Mr. Hunsaker stated he would like to have another public open meeting after the developers have the chance to go in and present their case. If there are changes, they've argued that they had only 114 days, if there isn't any public meeting to consider whatever changes occurs and then there's the meeting, then the ratepayers haven't had a chance to do a proper analysis and study of the changes. He thanked the Board.

Mr. Mike McDonald stated that he is one of the managing partners for Urban Villages San Marcos, the master developer of the University District in San Marcos. They asked Dexter Wilson Engineering to prepare some information as it is impacted by what is being reviewed today. The principle purpose of his addressing the Board is to support a 60 day continuance so they can continue to work with the District on this issue. He referred to the graph on EWA's agencies sewer capacity fee stating this raises the issue of is any additional capacity needed in the Encina Plant? Today is working on only a fraction of that capacity and depending on assumptions used, the most likely thing is there is adequate capacity at least through 2030 and there is a reasonable probability that additional capacity will never be needed, therefore, there is not the need for the capacity charges required to upgrade the Encina plant. The graph, which is a
comparison of the fees which makes clear that the incremental fee that is being proposed, approximately $4500 per EDU, is greater than the existing fees charged by any of the other member districts that is the Encina plant. With this density increase this District is about 3 times higher than any other city. Between those issues, he thinks it raises concerns and there are also any number of assumptions that he thinks needs to be discussed with staff in this report before it is finalized. He thanked the Board.

Mr. Jack Selcer indicated he did not need to address the Board but is in accord with a postponement.

General Manager Lamb stated that he appreciated everyone coming to the meeting. He agreed with the BIA in that it has been a cordial working relationship. He thinks there are some concepts that have been described an exchanged in discussions between staff and the BIA. The bulk of these items are planned, projected, and they are estimates. To reiterate, to change the denominator with the understanding that that reduces the cost of fee because there are EDU’s left floating around. The misunderstanding appears to be that there is a believe that there are. The capacity fee and the facilities and the cost are from 2010 forward based upon projections of SANDAG. If you modify the denominator, as was referenced, you have to modify the numerator; you have to build additional facilities for those additional EDU’s. When looking at the infrastructure necessary to meet it, you raise one proportionately to what’s underneath and you come out with the same number. This is the topic staff has been trying to get across, that seems to be the topic of discussion.

General Manager Lamb stated that he does appreciate the request for the time. The hearing date proposed for April 4 establishes adoption of the proposed fees, the public review period of 60 days before they become effective, in concert with the District pursuing additional financing plus adopting the budget, which we are in the process now. Adopting the study today does not preclude additional conversations; it does not preclude additional work that may take place between now and then. It does not put the fees into effect. While he appreciates the desire to move forward and have 60 additional days, he believes any conversations needed can take place between now and the period proposed. The hearing does allow the proponents the additional time to speak and to bring any issues to the topic that need to be discussed. If at that time the Board feels there are additional items that need to be considered, they can continue the hearing at the next Board meeting to allow additional time. Staff recommended the Board approve the study.

Director Poltl addressed the members of the public stating that it seems we’ve had a lot of time for discussions, over 20 meetings, had 114 days and he thinks there have been a lot of good answers to questions, but thinks they just don’t like the answers. These discussions were started primarily because we were putting a timeline because we have to do our budget, therefore, April 4 is a serious date. When they talk about what’s going on in the industry, he realizes it is really tough out there, but our concern really isn’t the
building industry, our concern is the ratepayers. And our concern is that we plan appropriately for things to come and that we have money in the bank to do certain things. You talked about the capacity we have at Encina and thanked those for that because that means the people who preceded him on this Board did a good job. When you talk about the water industry or the sewer industry it’s about those people who did 100 year plans and how effective they were. To say that we may or may not have capacity at a certain time, he thinks is a compliment saying we have a lot of capacity, but we can’t plan on not needing capacity. We have to plan on what we think are good indicators and we’ve been given those. And those, granted, are projections and things have slowed down quite a bit but there is still going to be a need there in the future.

Director Poltl stated that he appreciated everybody coming to the meeting and the request for 60 more days, but he agrees with the General Manager in that we have time between now and April 4 to make additional answers to questions that have been presented. He doesn’t think there have been any new questions here and is kind of disappointed that he’s had apologies about not being able to meet the timeline when we’ve had over 100 days, and saying that staff has been cooperative – he knows they have been and knows the BIA has been cooperative, but business should have been gotten done by now. He is completely satisfied with the information he has gotten and thinks it’s justified.

Director Ferguson stated that she agrees with Director Poltl as well as the General Manager, but asked him to elaborate. If the hearing date is April 4, and we are only today adopting a document, not adopting the fees, correct?

General Manager Lamb responded that is correct.

Director Ferguson stated that between now and the hearing date, she is comfortable with that span of time allowing for people with concerns to sit down with the District and work out something that is going to be satisfactory to both parties; maybe not satisfactory to both parties but there is still the opportunity to sit down and discuss the fees. She further stated that she doesn’t appreciate being handed all the documents presented at the meeting when she can’t read it, can’t absorb it – it’s impossible. She hoped they will be giving all the information to staff and allowing them to take a look at it. She further asked members that when they come back to please not hand out documents to the Board to read when they are very intent on listening to what everyone of them have to say.

General Manager Lamb stated that Karen Keese from Atkins, the consultant who conducted the study, is here and staff will be available over the next couple of weeks to meet to answer any questions. The intent of AB 1600 - reasonable planning, with reasonable data, with reasonable cost for the benefit. He believes the District has met the nexus. If there are items that can be worked through with them that modifies something, adopting the study today does not mean this cannot take place; it just states
we are finished with the study. Anything else that needs to be considered between now and the hearing, if a resolution cannot be reached, the proponents are all provided the additional opportunity at the hearing to voice something else that may sway the Board one way or the other as far as adoption as not. He feels a resolution will be met as far as answering questions, he just doesn't know that the questions and the answers will be what they want to hear, but will do the best to continue working with them.

12-03-11  MOTION WAS MADE by Director Poltl, seconded by Director Ferguson, and carried unanimously, with President Gentry and Director Hernandez recused from this item, to approve the Capacity and Impact Fee Study Final Report.

President Gentry and Director Hernandez returned to meeting at this time.

CSDA BOARD OF DIRECTORS CALL FOR NOMINATIONS – SEAT A

General Manager Lamb stated that the Elections and Bylaws Committee is looking for Independent Special District members who are interested in serving for the 2013-2015 term. The deadline to submit nominations is May 25, 2012.

General Manager Lamb requested the Board’s direction.

The Board did not recommend any nominations at this time and voiced support of current representative Jo Mackenzie of Vista Irrigation District.

12-03-12  MOTION WAS MADE by Director Ferguson, seconded by Director Gentry, to support Jo Mackenzie as the incumbent.

REPORTS

GENERAL MANAGER

None.

DISTRICT COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

General Manager Lamb stated that the March 2012 News & Notes was provided in the Board agenda packet. He also stated that the Board meeting will take place on March 22.
Litigation is still ongoing between the SDCWA and Metropolitan Water District. There will also be a Closed Session on the entire issue of rates. MWD has requested an opinion from the Attorney General that they do not have to comply with discovery associated with the lawsuit. A ruling on discovery should come out this week.

ENCINA WASTEWATER AUTHORITY

Director Gentry reported on his attendance at the Capital Improvement Committee meeting.

Director Poltl reported on his attendance at the Policy and Finance Committee meeting.

ACWA REGION 10

President Gentry stated that he attended the ACWA Local Government Committee meeting last week and that his written report was provided.

LAFCO

Director Hernandez reported on the meeting he attended.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Gentry noted that written reports were provided electronically. The reports are on file.

OTHER BUSINESS

None.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95
LIABILITY CLAIM – CLAIMANT:
   Kathryn Tilton

Agency Claimed Against: Vallecitos Water District

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 5:13 p.m. The Board, in Closed Session, directed staff to take appropriate action.
ADJOURNMENT

There being no further business to discuss, President Gentry adjourned the Regular Meeting of the Board of Directors at the hour of 5:14 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, April 4, 2012, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Darrell Gentry, President
Board of Directors
Vallecitos Water District

ATTEST:

Dennis O. Lamb, General Manager
Board of Directors
Vallecitos Water District