

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 5, 2018, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Regular meeting to order at the hour of 5:05 p.m.

President Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Martin
Director Sannella
Director Hernandez

Staff Present: General Manager Pruim
Legal Counsel Gilpin
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Executive Secretary Posvar
Administrative Secretary Johnson

Others Present: Jennifer Farr, DavisFarr LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 5, 2018

18-12-03 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to adopt the agenda for the Regular Board Meeting of December 5, 2018.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board stating the Bureau of Reclamation has published a 24-month projection indicating a 56% chance that Lake Mead will be below 1,075 feet at the end of the year which will trigger an international drought response. He expressed his concern of data used in the projection and the draining of Lake Powell to keep Lake Mead at levels that do not trigger reductions. He further stated 75% of the county's water comes from the Colorado River and that Lake Powell and Lake Mead produce most of our sustainable energy for southern California. If we lose the Colorado River and that power, we're in deep trouble. He thanked the Board.

CONSENT CALENDAR

18-12-04 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Finance/Investment Committee Meeting – November 19, 2018
- B. Closed Session Board Meeting – November 21, 2018
- C. Regular Board Meeting – November 21, 2018

1.2 Warrant List through December 5, 2018 - \$3,993,317.65

1.3 North Twin Oaks Tank No. 1 Refurbishment

1.4 Award of Construction Contract for the OSHA Compliant Ladder Climb Safety Systems

ACTION ITEMS

EMERALD HEIGHTS HOMEOWNERS ASSOCIATION WATER SERVICE CONCERNS

Development Services Senior Engineer Scholl reviewed the results of discussions between staff and representatives of the Emerald Heights Homeowners Association (EHHOA) since the November 7 Board meeting. At that meeting, EHHOA's requests for the District's assistance regarding water rate increases, water meter relocations, and brush and road maintenance responsibilities were discussed. The Board directed staff to find amicable solutions for each item and gather additional information on costs and level of efforts needed to resolve them. The following summarizes staff's findings:

- Road maintenance responsibilities – EHHOA received an updated quote in the amount of \$9,387.00 for slurry seal and repair work on the looped easement road. Staff could support a one-time only 50/50 contribution to the road slurry seal and repairs not-to-exceed \$4,693.50.
- Brush maintenance activities – EHHOA requested the removal of brush encroaching in the looped easement road and maintenance on an annual basis. Staff could support performing a brush clearing event during the 2019 calendar year and would continue to clear the easement as needed to ensure access by District vehicles and equipment. The timing of the one-time clearing will depend on the availability of the work crews that routinely perform District easement vegetation clearing. The availability of these crews is currently being affected by the wildfires that have impacted California in recent months. Staff did not recommend the District commit to annual maintenance of the looped easement road.
- Maintenance and repair of the northern access gate – EHHOA inquired if the District was willing to participate in the maintenance and repair of the access gate that links to the High Point development on the north end of Emerald Heights. Staff was not interested in participating in this gate's maintenance and EHHOA has agreed to drop this request.

- Reducing EHHOA's irrigation costs – Staff's analysis indicates that swapping four of the EHHOA's existing smaller 1 ½-inch meters with larger 2-inch meters could potentially reduce the amount of water being charged at the highest tier 3 rates by approximately \$20,000 per year. Dan Cannon, President of the EHHOA, requested the District perform these meter swaps. The District can perform six of the eight meter exchanges for approximately \$2,450.87 per meter. However, staff has discovered that two of the service lines from the water meter to the water main would need to be upsized to handle the demands of the bigger 2-inch meters. District construction personnel have estimated the cost of these two meter exchanges at \$9,168.30 and \$12,686.30, mainly for the work involved in re-laying the new service lines, bringing the total estimated cost for the meter exchanges to \$36,559.82. After discussing the costs with the EHHOA, the EHHOA requested that the District allow the continued use of the undersized service lines with the larger 2-inch meters. The EHHOA would agree to reimburse the District its costs for repairing these service lines if they break in the future. This would reduce the total estimated cost for the meter exchanges to approximately \$19,606.96, of which \$11,309.76 is for District labor and overhead.

Staff requested the Board's direction on the EHHOA's meter exchange request.

Mike Hunsaker, member of the public and President of the Twin Oaks Valley Property Owners Association (TOVPOA), addressed the Board stating that the TOVPOA is very concerned about fire as the area has a large amount of brush. He advised the District to establish a program of more aggressive brush clearance. He thanked the Board.

Dan Cannon, representing the EHHOA, addressed the Board and thanked staff for all of the work they've done over the past couple of weeks. The EHHOA appreciates the District's assistance with the slurry seal and maintenance of the easement road, and requested the brush maintenance be performed before June, which is the start of fire season. Mr. Cannon stated the District did not charge for swapping meters in the past and that the EHHOA was previously told that if the lines in the road were not required to be replaced, the District would not charge for exchanging the meters. He hopes the District will perform the meter exchange at their cost or that some type of arrangement can be negotiated.

General discussion took place regarding the costs associated with exchanging meters. Aside from the labor costs which are already in the budget, the District would need to purchase approximately \$8,300.00 in materials and supplies. Further discussion took place regarding the possibility of cost sharing between the EHHOA and the District. General Manager Pruiim noted that if the EHHOA paid for the entire cost of exchanging the meters (approximately \$20,000) they would realize approximately that same amount annually depending on water rates and consumption.

Giampaolu Ganzamia, member of the public, addressed the Board stating he is a resident and homeowner in Emerald Heights and past President of the EHHOA. He

further stated an engineering report was prepared in February of 2011 which contains more details that may be helpful in making a decision about a cost sharing agreement.

During further discussion President Martin stated he concurred with the Board that the EHHOA should be responsible for the entire cost of exchanging the meters. Mr. Cannon asked if the EHHOA could pay those costs over time.

18-12-05 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve staff's recommendations regarding the first three items as discussed and stipulate that the EHHOA must pay for the entire cost of exchanging the meters which may be paid over a period of one year (12 payments) beginning January 2019.

FISCAL YEAR 2017/2018 ANNUAL AUDIT REPORT

Finance Manager Owen introduced Jennifer Farr of DavisFarr LLP, the firm that completed the District's annual audit. Ms. Farr provided a presentation on the audit results for the Fiscal Year ended June 30, 2018 which included audit reports, audit results, compliance results and areas of audit focus. The auditor's opinion states that the District's financial statements were accurate in all material aspects in accordance with government accounting standards. The District received an unmodified opinion which is the highest level of opinion possible.

General discussion took place.

Finance Manager Owen stated the financial statements are the responsibility of District management. He facilitated a presentation on the FY 2017/18 Audited Financial Report as follows:

- Contents
- Financial Highlights
- Current Year to Prior Year Analysis
- Restrictions, Commitments and Limitations
- Capital Assets
- Next Year's Budget and Rates

Mike Hunsaker, member of the public, addressed the Board stating that the London Interbank Offered Rate (LIBOR) is part of the District's debt and that it will be changing due to what's going on in the UK. He expressed his opinion that there will be a big upgrade to pension liabilities in January. He is concerned about the unrated securities, he did not see any discussion on capacity fees and the deficit in those accounts, nor any information on impact fees. His biggest concern is the sale of water capacity. The Mark San Marcos development has 416 apartments. According to facility fees, they should have paid for 40 2-inch meters; they put in 11. How is that financially appropriate? Under a law passed in 2016, submetering can be done. The owner of the

property only pays one capacity fee. Who pays for these meters, who have they been paying the true tier 3 water rates to over the last couple of years, and how many submeters have been attached and charged to the consumer?

18-12-06 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to accept the FY 2017/2018 audited financial statements.

President Hernandez expressed his gratitude to the Board for their support and guidance during this past year and thanked staff for their assistance.

ANNUAL BOARD TRANSITION

General Manager Pruim stated that although Ordinance No. 203 addresses reorganization of the Board following elections in even numbered years, past practice has been to reorganize annually at the first Board meeting in December. A schedule showing the President and Vice President appointments for the last six years was provided for the Board's reference.

18-12-07 MOTION WAS MADE by President Hernandez, seconded by Director Sannella, and carried unanimously, to elect Director Martin President and Director Evans Vice President of the Board of Directors.

President Martin presented Director Hernandez with a book highlighting his term as President.

COMMITTEE APPOINTEES AND REPRESENTATIVES

President Martin distributed a list of committee assignments for 2019 to the Board.

18-12-08 MOTION WAS MADE by Director Sannella, seconded by Director Elitharp, and carried unanimously, to approve the committee members as presented.

COMMITTEES

ENGINEERING/EQUIPMENT
FINANCE/INVESTMENT
LEGAL/LEGISLATIVE AFFAIRS
PUBLIC AWARENESS/PERSONNEL/POLICY
AD HOC

Jim Hernandez (C), Craig Elitharp
Mike Sannella (C), Hal Martin
Mike Sannella (C), Betty Evans
Hal Martin (C), Jim Hernandez
Will be assigned on as needed basis
(C) = Chairperson

REPRESENTATIVES

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) ENERGY COMMITTEE	Member:	Craig Elitharp
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) GROUNDWATER COMMITTEE	Member:	Jim Hernandez
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) MEMBERSHIP COMMITTEE	Member:	Hal Martin
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) WATER QUALITY COMMITTEE	Member:	Craig Elitharp
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) REGION 10 BOARD	Member:	Betty Evans
ACWA/JOINT POWERS INSURANCE AUTHORITY	Delegate: Alternate:	Hal Martin Betty Evans
CALIFORNIA ASSOCIATION OF SANITATION AGENCIES (CASA) – LEGISLATIVE COMMITTEE	Delegate: Alternate:	Craig Elitharp Hal Martin
ENCINA WASTEWATER AUTHORITY	Delegates: Alternate:	Jim Hernandez & Hal Martin Glenn Pruum
SAN DIEGO COUNTY WATER AUTHORITY (SDCWA)	Delegate:	Betty Evans
SDNEDC	Delegate:	Mike Sannella

APPROVAL OF GENERAL MANAGER'S EMPLOYMENT AGREEMENT

Legal Counsel Gilpin reviewed significant financial terms of the proposed First Amended Employment Agreement between Vallecitos Water District and General Manager Pruum as follows:

- The proposed agreement is for four years beginning on December 5, 2018.
- The General Manager's salary will increase by 3%.
- The General Manager will be eligible for merit-based salary increases in conjunction with an annual performance evaluation of up to 3% of his salary per year.
- The General Manager will remain eligible for the same cost of living adjustments as other employees of the District.
- The General Manager will receive 40 hours of Executive Leave per year.
- The General Manager will continue to receive benefits offered by the District at the same level as is offered to other District employees.

18-12-09 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve the First Amended Employment Agreement between the Vallecitos Water District and General Manager Pruim.

REPORTS

GENERAL MANAGER

General Manager Pruim reported that the Department of Water Resources has released its initial State Water Project "Table A" allocation of 10%. That amount may increase if weather conditions improve.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin briefly discussed the San Jose Decision, a Public Records Act case, which the Supreme Court adopted in 2017. The court found that officials' and employees' communications related to District business are public records, even if they are on their personal devices. He will be working with General Manager Pruim to assess any corrective steps the District needs to make concerning this in conjunction with the District's records retention policy.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board will meet on December 6.

ENCINA WASTEWATER AUTHORITY

President Hernandez stated the Capital Improvement Committee will meet next week. He further stated he will be serving as the President of the EWA Board of Directors beginning next week.

Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on December 4 at which the Committee considered a resolution establishing the Board of Directors meeting dates for 2019 and the Fiscal Year 2018 Comprehensive Annual Financial Report.

STANDING COMMITTEES

President Martin stated the Finance/Investment Committee received the same presentation on the Fiscal Year 2017/2018 Annual Audit Report at their November 19 meeting as the Board heard tonight.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Hernandez, Evans, Elitharp and Martin reported on their attendance to the Association of California Water Agencies Fall Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Directors Elitharp and Martin thanked Director Hernandez for his service as President of the Board during the past year.

Director Hernandez acknowledged that the equipment in the Boardroom is new; however, he hopes to have Board meetings begin on time. Director Sannella concurred with Director Hernandez. President Martin expressed his frustration on the new Boardroom equipment as well.

General Manager Pruum stated the equipment upgrades are near completion. Staff and the Board will receive training on how to use the equipment in the near future.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 6:21 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 19, 2018, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District