President Martin called the Special meeting to order at the hour of 5:00 p.m.

Public Information/Conservation Supervisor Robbins led the pledge of allegiance.

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

Staff Present:
General Manager Pruim
Legal Counsel Gilpin
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Glenn
Public Information/Conservation Supervisor Robbins
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE SPECIAL MEETING OF JUNE 13, 2019

19-06-03 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Special Board Meeting of June 13, 2019.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board stating he hopes the sale of the District's 38-acre parcel will be used for the best benefit of the ratepayers. He commented on a recent meeting he attended at which discussion took place on how the Port of San Diego is handling its land use, that it is leasing land and charging 11% of the revenue for the lease. The City of San Marcos gets about 7% of revenue above the rental for the Creekside Market. High density development on this property could be a major revenue source and return to the ratepayers. He trusts the District is not going to be giving the property away at a low price and that it will consider the ratepayers' best interest in this. He thanked the Board.

CONSENT CALENDAR

19-06-04 MOTION WAS MADE by Director Evans, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.
1.1 Approval of Minutes

A. Finance/Investment Committee Meeting – May 13, 2019
B. Closed Session Board Meeting – May 15, 2019
C. Regular Board Meeting – May 15, 2019

1.2 Warrant List through June 13, 2019 - $1,466,083.53

ACTION ITEMS

VALLECITOS WATER DISTRICT RECOMMENDED FISCAL YEAR 2019/2020 BUDGET

General Manager Pruim provided a brief background on the budget process and stated the revised draft fiscal year (FY) 2019/2020 budget was sent to the Board on June 7 for their review. He noted that the recommended budget contains five-year forecasting for planning purposes; however, the Board will be asked to consider only the one-year FY 2019/2020 budget. Any rate or capital facility fee increases will be addressed separately at subsequent Board meetings. The recommended budget includes payments required by CalPERS for District employees as well as accelerated payments of its share of CalPERS for Encina Wastewater Authority employees. The recommended budget also includes funds for accelerated payments that will be made to CalPERS for District employees in accordance with the discussion that took place at the Board Workshop meeting on May 29, 2019 and one new position proposed to focus on the District’s aging infrastructure.

General Manager Pruim stated the District’s finances are in very good shape. The District is meeting all of its CalPERS and debt obligations, required operations are fully funded, facilities are being repaired/replaced/built as needed, reserves are healthy and the District’s credit rating remains strong at AA+.

Financial Manager Owen facilitated a presentation on the Recommended FY 2019/2020 Budget including Board requested information along with Financial Analyst Arthur who addressed water purchases, water sales, and sewer revenues as follows:

- Budget Process & Calendar
- 2019/20 Budget - $98,131,000
- 2019/20 Water Operating Expense Budget - $44,306,000
- Operating Budget – Water
- 2019/20 Wastewater Operating Expense Budget - $14,245,000
- Operating Budget – Sewer
- Salary & Benefits Budget-to-Budget Comparison
- Operating Budget – Salaries & Benefits
General question and answer took place during the presentation to which staff responded.

Staff recommended the Board approve the Vallecitos Water District CalPERS Unfunded Accrued Liability Funding Policy and the Recommended FY 2019/2020 Budget which reflects the CalPERS UAL Funding Policy.

Mike Hunsaker, member of the public, addressed the Board stating the District's action concerning the pension liability is very unusual and a pleasant surprise even if it is expensive. He asked if the District is receiving desal water now, stating that according to the San Diego County Water Authority (SDCWA), the District did not receive any desal water last year but was required to pay for it. He commented that when comparing the 2011/2012 budget with the proposed budget, he feels costs have increased dramatically. He looks forward to seeing what the District will do in capital improvements because according to his understanding of state law, you can only charge for capital improvement fees that cover the next three years of their particular usage. Plans are typically five years. It seems like there is a bit of a disconnect on how to set capacity fees.

General Manager Pruim confirmed the District did not receive desal water in 2018. The connection was reestablished in March 2019. The District is currently involved in discussions with the SDCWA regarding this matter.

District Engineer Gumpel addressed Mr. Hunsaker's question regarding state law pertaining to capital facility fees, stating that if an agency does not have an adopted
planning document such as a Master Plan that follows strict guidelines and an associated Programmatic Environmental Impact Report, the agency can only charge capital facility fees for a limited time. If an agency does have adopted planning documents, they do not have the same time limitation in regard to the capital facility fees.

Finance Manager Owen clarified that the total budgets for FY 2010-2011 and FY 2011-2012 were $95.9 Million and $99.4 Million respectively. The total Recommended FY 2019/2020 Budget is $98.1 Million.

Director Elitharp expressed his concern in assuming a rate increase effective January 1, 2020. General Manager Pruim stated that staff will work with a rate consultant and anticipates holding a Proposition 218 public hearing in October or early November, after which a final rate determination will be made in December.

19-06-05 MOTION WAS MADE by President Martin, seconded by Director Evans, and carried unanimously, to approve the Vallecitos Water District CalPERS Unfunded Accrued Liability Funding Policy and the Recommended FY 2019/2020 Budget.

AGRICULTURAL WATER ELIGIBILITY

Public Information/Conservation Supervisor Robbins provided a presentation on the background to date on this item, which was discussed at the May 16, 2018 Board meeting as well as Public Awareness/Personnel/Policy (PAPP) Committee meetings on August 12, 2018, December 10, 2018, and April 11, 2019. The presentation included the following:

- Robert Case Request
- County Water Authority's (CWA) Agricultural Water Program
- CWA's Transitional Special Agricultural Water Rate (TSAWR)
- CWA TSAWR Conditions
- CWA & VWD TSAWR Conditions
- Vallicitos' Ag Water – Certified Non-Participating Agricultural Water Rate (CNPAWR)
- Ag Water "Grandfathered"
- Ordinance No. 207 and Best Best & Krieger
- Current Ag Water Requests
- Fiscal Impact
- Committee Recommendation
- Discussion and Direction

Public Information/Conservation Supervisor Robbins stated as discussed at the May 16, 2018 Board meeting, requests for the District's CNPAWR rate have been received;
however, the current Ordinance No. 207 does not address customers enrolling in the CNPAWR. He further stated that if the District were to allow access to the CNPAWR, the revenue impact would be a decrease of approximately $4.27 for each unit of Tier 3 water that is charged at the Tier 2 rate per the program. This could have a significant impact depending on the customer's usage.

General discussion took place.

Public Information/Conservation Supervisor Robbins stated the PAPP Committee's recommendation is to wait until the upcoming Cost of Service Study (COSS) is completed before making any decisions about the agricultural rate, development of a pilot program, or possibly irrigation rates, and to consider agricultural interests of both new and existing customers. Staff recommends that language in future ordinances clarify eligibility requirements for CNPAWR water and place limits on how much agricultural water is available.

Further general discussion took place about whether a discounted agricultural rate would cost other customers more and if this should be included in the COSS. General Manager Pruim agreed with the PAPP Committee's recommendation to research this during the COSS, to which the Board agreed.

CONSUMER CONFIDENCE REPORT

Operations & Maintenance Manager Pedrazzi briefly discussed the 2018 Consumer Confidence Report (CCR). The District updates the CCR yearly with the current population served by the District and any new facilities. The CCR is regulated by the state and federal government. Much of the language in the report cannot be changed by the District. He stated the District met and, in most cases, exceeded the state and federal regulations for water quality with no violations.

19-06-06 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to approve the 2018 Consumer Confidence Report.

Mike Hunsaker, member of the public, addressed the Board questioning the data for the Poseidon desal plant and stating the Total Dissolved Solids (TDS) level was quite high for desal water. He asked where the desal water is being blended and what the components of the TDS consist of. He stated the boron levels from Lake Skinner were very high.

Operations & Maintenance Manager Pedrazzi responded to Mr. Hunsaker's questions stating that although the District did not receive any desal water via the District's direct connection, the District did receive desal water throughout the year. Desal water is pumped up to the Twin Oaks Reservoir area to the SDCWA's Twin Oaks Valley
Treatment Plant where it goes into their clear wells and is blended with the water produced at their treatment plant. TDS for desal water is quite low compared to Colorado River water. The TDS in desal water are minerals that are added back to the water which are necessary to prevent damage to the pipe lines. Boron levels are typically higher in desal water.

ACWA REGION 10 NOMINATING COMMITTEE IS SEEKING REGION 10 BOARD CANDIDATES

General Manager Pruim stated nominations for the Region 10 Board election are due on June 28, 2019. Director Evans stated she will seek the nomination.

General Manager Pruim stated a resolution nominating Director Evans is required and will be presented to the Board for approval at the next Board meeting.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The District will be holding an Open House on Saturday, June 22, from 8:30 a.m. to 12:30 p.m. The Open House will be similar to the Water Academy without the field tour. As of this date, 80 individuals have signed up to attend.
- The State of California is approving its budget which does not include a water tax.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated that the third addition of the book, California Water, is now available. The Board will be receiving a copy of the book.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans reported the SDCWA has been holding a number of workshops recently concerning their budget. The SDCWA has applied for a patent on a virtual reality pipeline condition assessment tool they created. Three- and one-half years ago the SDCWA's goal was to generate $.5 Million per year from the energy created at their three hydro electric facilities. It is estimated $3.4 Million will be generated this year.

Director Evans commented on the possible de-annexation of Fallbrook Public Utility District from the SDCWA and the need for agencies to work together. She provided a brief update on the study concerning alternative conveyance options, stating that the majority of the Board is in favor of it.
Director Evans stated the budget will be considered for adoption on June 27. A public hearing on rates will also be held on that day.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee will meet on June 19.

President Martin reported on his attendance to the Policy and Finance Committee at which two transfers were proposed to cover cost overruns due to energy costs and a problem at the Agua Hedionda Pump Station. He commented on maintenance work involving parallel piping that is being performed at several wells.

STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee will meet on June 17 at 4:00 p.m.

Director Hernandez reported on the May 30 Engineering/Equipment Committee at which a preview of the groundwater study was provided to the Committee. The presentation will be provided to the Board at the end of July or early August. The Committee also received an update on the District-wide solar project.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

None.

OTHER BUSINESS

Director Evans provided a brief description on the ACWA Region 10 program scheduled on July 30 in Mission Viejo, California. The event will take place from 9:00 a.m. to 2:00 p.m. at the Arroyo Trabuco Golf Club.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

President Martin requested an update on the District-wide solar project at a future Board meeting.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Special Meeting of the Board of Directors at the hour of 6:50 p.m.
A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, June 19, 2019, 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 Pruim, Secretary
Board of Directors
Vallecitos Water District