AGENDA FOR A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
THURSDAY, JANUARY 9, 2020, AT 5:00 P.M.
at the District Office
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT EVANS

PLEDGE OF ALLEGIANCE

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 SPECIAL MEETING OF JANUARY 9, 2020

PUBLIC COMMENT

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. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Executive Secretary prior to the start of the meeting, if possible. Public comment should start by stating name, address and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

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 (pp. 4-18)

A. CLOSED SESSION BOARD MEETING – DECEMBER 11, 2019
B. SPECIAL BOARD MEETING – DECEMBER 11, 2019
C. REGULAR BOARD MEETING – DECEMBER 18, 2019

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes
1.2 WARRANT LIST THROUGH JANUARY 9, 2020 – $617,459.96 (pp. 19-20)

Recommendation: Approve Warrant List

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

ACTION ITEM

2.1 2020 PUBLIC RATE HEARING NOTICE (pp. 21-25)

   Ratepayers must receive notification of any proposed rate increase at least 45 days in advance of a public hearing to consider rate increases.

Recommendation: 1) Approve Public Rate Hearing Notice; 2) Set Public Hearing for February 27, 2020

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

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

3.4 ENCINA WASTEWATER AUTHORITY
   - Capital Improvement Committee
   - Policy and Finance Committee

3.5 STANDING COMMITTEES

3.6 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS

4.1 MEETINGS (pp. 26)

   Southern California Water Coalition Quarterly Luncheon
   January 24, 2020 – Double Tree Hotel Ontario Airport, Ontario, CA
   Estimated Cost to Attend Per Person: $375.92

*****END OF OTHER BUSINESS*****
5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*****END OF DIRECTORS COMMENTS/FUTURE AGENDA ITEMS*****

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.

Audio and video recordings of all Board meetings are available to the public at the District website www.vwd.org

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 5:00 p.m., Wednesday, January 8, 2020.

_____________________________________
Diane Posvar
MINUTES OF A CLOSED SESSION MEETING
OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 11, 2019, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Evans called the Closed Session meeting to order at the hour of 4:03 p.m.

Legal Counsel Gilpin led the pledge of allegiance.

Present:  Director Elitharp  
          Director Evans  
          Director Sannella  
          Director Martin (4:25 p.m.)

Absent:  Director Hernandez

Staff Present:  General Manager Pruim  
                Legal Counsel Gilpin  
                Executive Secretary Posvar

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF DECEMBER 11, 2019

19-12-02 MOTION WAS MADE by Director Elitharp, seconded by Director Sannella, and carried unanimously, with President Martin and Director Hernandez absent, to adopt the agenda for the Closed Session Meeting of December 11, 2019.

PUBLIC COMMENT

None.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
(Per Government Code Section 54956.9 (a)) – Sten v. Vallecitos Water District et al., San Diego County Superior Court Case No. 37-2019-00028758-CU-OE-NC

19-12-03 MOTION WAS MADE by Director Sannella, seconded by Director Elitharp, and carried unanimously, with President Martin and Director Hernandez absent, to move into Closed Session pursuant to Government Code Section 54956.9 (a).

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 4:32 p.m. There was no reportable action from the Closed Session Meeting.
ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:33 p.m.

A Special Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 11, 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
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
Development Services Senior Engineer Scholl
Accounting Supervisor Glenn
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Senior Accountant Olsen
Executive Secretary Posvar

Others Present: Shannon Ayala, DavisFarr LLP

ADOPT AGENDA FOR THE SPECIAL MEETING OF DECEMBER 11, 2019

19-12-04 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Special Board Meeting of December 11, 2019.

PRESENTATIONS

President Martin recognized retiree, Cheryl Minichilli, Water Systems Operator II, for her years of service with the District.

General Manager Pruim announced that the District received two awards, one from La Costa Meadows Elementary School and one from La Mirada Academy, in recognition of the District’s efforts in “Helping Construct the Future of San Marcos Unified School District.”
PUBLIC COMMENT

Robert Wilmott, member of the public, addressed the Board stating the District has approved detachment of his property at 28616 Champagne Boulevard from the District as there are no VWD facilities to his property. The District has informed him that he will be charged water detachment fees in the amount of almost $2,000 in addition to $1,000 he has already paid for administrative expenses. He requested the Board waive the additional fees as his property has never received any services from VWD since the house was built in 1982 to the present. He thanked the Board.

President Martin stated that as this topic was not on the agenda, the Board was not able to address it at this meeting; however, this item will be placed on the agenda for the December 18 Board meeting.

Mike Hunsaker, member of the public and speaking as President of the Twin Oaks Valley Property Owners Association, expressed his concerns that SB 330 allows 20% greater density for every project that has been approved or will be approved as long as it is covered in some manner by the general plan of the district involved, there are restrictions on capacity fees and extractions, and there are time limits for preparation of a comprehensive list of extractions and fees. He thanked the Board.

CONSENT CALENDAR

Director Elitharp recused himself from voting on Item 1.8, stating he is one of the project proponents and one of the signatories to the construction agreement.

19-12-05 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve the Consent Calendar, with the exception of Item 1.8, as presented.

1.1 Approval of Minutes

A. Closed Session Board Meeting – November 20, 2019
B. Regular Board Meeting – November 20, 2019
C. Finance/Investment Committee Meeting – November 25, 2019

1.2 Warrant List through December 11, 2019 - $12,226,197.23

1.3 Financial Reports

A. Water Meter Count – November 30, 2019
B. Water Production/Sales Report – 2019/2020
C. Per Capita Water Consumption – November 30, 2019
D. Water Revenue and Expense Report – November 30, 2019
E. Sewer Revenue and Expense Report – November 30, 2019
F. Reserve Funds Activity – November 30, 2019  
G. Investment Report – November 30, 2019  
H. Legal Fees Summary – November 30, 2019

1.4 Adoption of Resolution Ordering the Annexation of Certain Property Designated as the “University District Holdings Annexation” (APN 220-190-56) into the Vallecitos Water District Water Improvement Districts 1 & 2 and Detachment from Sewer Improvement District 5

1.5 Approval of Temporary Off-Site Water Service Agreement for Bromage Residence, APN 178-210-41 (Jeffery Bromage, Trustee for the Linda A. and Jeffery Bromage 2000 Revocable Trust)

1.6 Approval of Permanent Off-Site Water Service Agreement for Nadeau Residence, APN 178-210-40 (Stephen and Amy Nadeau)

1.7 Adoption of Resolution Ordering the Detachment of Certain Property Designated as the “Gualtieri Detachment” from the Vallecitos Water District; APN 178-040-45 (Robert and Theresa Gualtieri)

1.8 Approval of Construction Agreement for Sewer Main Extension, Walnut Hills Drive, APNs 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (Elitharp, Klima, Frost, Richardson & Nelson)

1.9 Surplus Personal Property Listing

19-12-06 MOTION WAS MADE by Director Hernandez, seconded by President Martin, and carried unanimously, with Director Elitharp abstaining, to approve Item 1.8 of the Consent Calendar, as presented.

ACTION ITEMS

ANNUAL BOARD TRANSITION

President Martin stated the Board reorganizes annually at the first Board meeting in December. He recommended Director Evans for President and Director Sannella for Vice President.

19-12-07 MOTION WAS MADE by President Martin, seconded by Director Elitharp, and carried unanimously, to elect Director Evans President and Director Sannella Vice President of the Board of Directors.

COMMITTEE APPOINTEES AND REPRESENTIVES

President Evans distributed a list of committee assignments for 2020 to the Board.
19-12-08  MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, to approve the committee and representative assignments for 2020.

Director Sannella expressed his interest in the San Diego County Water Authority (SDCWA) representative position. He referenced District Ordinance No. 212, Section 1.9 C, which allows for each elected Director to have an opportunity to hold a position on the Encina Wastewater Authority (EWA) or SDCWA Boards at least once during their four-year term if they wish to do so.

Legal Counsel Gilpin explained that Ordinance No. 212 conflicts with the SDCWA’s appointment process which is for a six-year term. In order to change the current appointment, it would be necessary to remove the current representative and the Board would then nominate and appoint a new representative. This process would need to be placed on a future Board agenda.

General discussion took place regarding the SDCWA’s six-year term and the District’s past practice of including the SDCWA and EWA representative appointments with the District’s standing committee assignments. General Manager Pruim suggested this be clarified in Ordinance No. 212 in the future. Legal Counsel Gilpin recommended placing the appointment of the SDCWA representative on the next Board agenda.

19-12-09  MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried 4-1, with President Evans voting no, to approve the committee and representative assignments for 2020 with the exception of the SDCWA representative and to consider that position at the December 18 Regular Board meeting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Finance Manager Owen introduced Ms. Shannon Ayala of DavisFarr, the District’s audit firm. Ms. Ayala provided a presentation on the Audit Results for the Fiscal Year Ended June 30, 2019 as follows:

- Audit Reports Issued
- Audit Results
- Cash Disbursement Procedures
- Benford’s Law
- Other Procedures
- Upcoming Auditing Standards

Ms. Ayala stated DavisFarr issued an unmodified audit opinion on the District’s Comprehensive Annual Financial Report on December 3, 2019. The financial statements and footnotes are presented fairly, in all material aspects, in accordance with
generally accepted accounting principles. A recommendation was issued to enhance system controls over vendor management.

Finance Manager Owen stated comprehensive changes were made to the Basic Financial Statements now titled the Comprehensive Annual Financial Report (CAFR). The CAFR includes new introductory and statistical sections. He facilitated a presentation on the CAFR FY 2018/19 which included:

- Financial Statements
- Financial Highlights
- Current Year to Prior Year Analysis
- Restrictions, Commitments, and Limitations
- Next Year’s Budget and Rates
- Contents
- Introductory Section
- Statistical Section
- CAFR Process
- Recommendation

General question and answer took place during the presentation. Finance Manager Owen stated that fulfilling the requirements of the CAFR improves transparency and provides readers with more information as well as qualifies the District to apply for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Staff recommended the Board consider and accept the 2019 CAFR.

Mike Hunsaker, member of the public, addressed the Board inquiring how much of the CalPERS liability the District paid off, what caused the increase in reclaimed water sales, how new bonds and reimbursements will be handled in the future, and if the auditors examined capacity fee extractions in depth to make sure they are in conformance.

Finance Manager Owen stated the District paid $834,000 as an additional discretionary payment as of June 30, 2019. The budget for 2020 includes a three-year pay down policy where the District will pay $8 million in 2020, $4 million in 2021, and $4 million in 2022. Those three payments are not included in the CAFR. He stated the increase in reclaimed water sales was due to increased capital recovery, which is included in the charges, resulting in more revenue.

19-12-10  MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to accept the 2019 CAFR as presented.
HILLSIDE DEVELOPMENT PROJECT UPDATE AND POLICY DIRECTION

General Manager Pruim provided background information, stating the Ad Hoc Committee was established in April 2019. He introduced consultant Rick Gittings who was hired to assist the District with development of the adjacent hillside property. The original direction from the Board was to work with Mr. Gittings at minimal cost and use of resources to get development partners interested in the project. The Board authorized funding in the amount of $50,000 to pay for the consultant and preliminary biological work.

Mr. Gittings stated the hillside property consists of 32.7 acres. The goal of the project is to develop an ongoing revenue stream to help defray future costs to the District’s rate payers. He discussed the current zoning of the property, utilizing the City of San Marcos General Plan Update process to maximize density on the site, and necessary technical studies for CEQA entitlement of the project. He further stated the Ad Hoc Committee recommends the Board authorize an additional $100,000 to the project in anticipation of doing a number of CEQA documents so that when a development partner is selected the District may secure a higher value. There is a possibility that grant funding may be available for some or all of the CEQA documents though SB 2 or SB 50.

General discussion took place during which the consensus of the Board was to support moving forward with the project as recommended by the Ad Hoc Committee, General Manager Pruim and Mr. Gittings.

PROPOSITION 218 REVIEW

General Manager Pruim stated suggested revisions to the proposed Proposition 218 notice were discussed at the December 9 Board workshop meeting. Two revised options were distributed for the Board’s consideration. The revised notice incorporates the Board’s suggestion of adding a chart comparing the District’s rates with those of neighboring districts. The only difference between the two options is the placement of the comparison chart. Other changes to the notice were stressing the cost of imported water, removing references to wastewater rate increases, and incorporating the wholesale cost related to the increase in supply costs from the Colorado River and Northern California.

General Manager Pruim noted that the District may receive feedback from agencies included in the rate comparison chart if they feel the District misrepresented their rates. Legal Counsel Gilpin stated the disclaimer included at the bottom of the chart is sufficient. Director Sannella suggested the language of the wholesale cost needs further clarification and should be moved to the first page of the notice. Placement of the comparison chart and other formatting suggestions were discussed. General Manager Pruim stated staff will incorporate the Board’s suggestions into the final version of the Prop. 218 notice.

General discussion took place regarding the timing of the Prop. 218 process. General Manager Pruim stated the date for the first Regular Board meeting in 2020 falls on
January 1 which is a holiday. Scheduling conflicts were identified for January 8; however, January 9 was suggested as a potential meeting date.

Further general discussion took place regarding the proposed rate increase. General Manager Pruim clarified that without including wastewater, as was the Board's direction to staff, the rate increase will be 3.5% on the commodity charge.

REPORTS

GENERAL MANAGER

General Manager Pruim reported that night work is scheduled for this evening on Distribution Street to replace a water valve.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin provided an update on SB 330 which was brought up during public comment. The concern was what effect it might have on the District’s capacity fees that will go into effect on January 2, 2020. The District’s rate will apply as people will have to submit preliminary applications to permitting agencies for their developments. The preliminary applications are defined by the statutes. A development with a pending application will have to submit a new preliminary application.

SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated the SDCWA is dark in December; however, a Special Closed Session Board meeting is scheduled for December 19 to discuss litigation.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported the Capital Improvement Committee approved the deteriorating wall project, the purchase of a pneumatic forklift, and a SCADA contract. He received a plaque commemorating his service as President of the EWA Board this year.

President Martin reported the Policy and Finance Committee reviewed and adopted their audit.

STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee discussed the Cost of Service Study and rates at their November 25 meeting.
DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez reported on his attendance to the City of San Marcos’ groundbreaking ceremony for their San Marcos Creek project and the Association of California Water Agencies (ACWA) Fall Conference.

Directors Sannella, Martin, and Evans reported on their attendance to the ACWA Fall Conference.

Director Elitharp reported on his attendance to the California Association of Sanitation Agencies Board of Directors strategic planning retreat.

OTHER BUSINESS

Director Martin stated Cal Desal will be holding a two-day conference soon.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Special Meeting of the Board of Directors at the hour of 7:08 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 18, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Betty D. Evans, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 18, 2019, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Vice President Sannella called the Regular meeting to order at the hour of 5:00 p.m.

Director Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Hernandez
Director Martin
Director Sannella
Director Evans (Arrived 5:22)

Staff Present: General Manager Pruim
Legal Counsel Gilpin
District Engineer Gumpel
Development Services Senior Engineer Scholl
Human Resources Analyst Anderson
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 18, 2019

19-12-11 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, with President Evans absent, to adopt the agenda for the Regular Board Meeting of December 18, 2019.

PUBLIC COMMENT

Mike Hunsaker, member of the public and speaking as President of the Twin Oaks Valley Property Owners Association, addressed the Board expressing his concerns regarding SB 330 and related preliminary applications, extraction process and requirements, density increase, and possible compensation for affordable housing.

INTRODUCTION

Human Resources Analyst Bridget Anderson introduced new employee, Marselino Sanchez, Water Systems Operator I.

PRESENTATION

Vice President Sannella acknowledged H.R. LaBounty Safety Award winner Dale Austin, Senior Pump and Motor Technician, recognizing his commitment to safety in the workplace.
CONSENT CALENDAR

19-12-12 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, with President Evans absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes
   A. Board Workshop Meeting – December 9, 2019

1.2 Warrant List through December 18, 2019 - $1,819,285.48

ACTION ITEMS

REQUEST TO WAIVE DETACHMENT FEES FOR APN 172-091-28 (WILMOTT)

General Manager Pruim stated that at the December 11 Special Board meeting, Robert Wilmott asked the Board to consider waiving fees the District is charging him to detach his property from the District’s service area.

Development Services Senior Engineer Scholl facilitated a presentation to explain detachment fees and address Mr. Wilmott’s request as follows:

- Detachment Fee Purpose
- How is the Detachment Fee Determined?
- Detachment Fee Calculation
- Detachment Fee Application
- Mr. Wilmott’s Property
- Request to Waive Detachment Fees
- Staff’s Standpoint
- Staff’s Recommendation

Staff recommended the Board deny Mr. Wilmott’s request to waive detachment fees for his property.

Mike Hunsaker, member of the public, addressed the Board stating that the District should waive the detachments fees for Mr. Wilmott.

General discussion took place.

19-12-13 MOTION WAS MADE by Director Elitharp, seconded by Director Martin, and carried 3 - 1, with Director Hernandez voting no and President Evans absent, to deny Mr. Wilmott’s request to waive detachment fees for his property.
General Manager Pruim stated Vice President Evans was elected President of the Vallecitos Board of Directors and Director Sannella was elected Vice President at the December 11 Special Board meeting. At that meeting President Evans provided her recommendations for committee and agency representative assignments for 2020. Director Sannella expressed his interest in the San Diego County Water Authority (SDCWA) position and made a motion to approve all of the committee and representative assignments with the exception of the SDCWA position, which was placed on the agenda for this meeting for further consideration.

General Manager Pruim further stated that Director Sannella’s contention is that District Ordinance No. 212 provides the opportunity for each elected Director to hold a position on the SDCWA or Encina Wastewater Authority (EWA) Boards at least once during their four-year term. President Evans’ six-year term on the SDCWA Board will expire in 2022. In order to replace President Evans on the SDCWA Board, the Vallecitos Board, by majority vote, would need to remove President Evans before appointing a new representative.

Director Sannella stated the SDCWA’s Board members serve at the pleasure of their member agencies and that the SDCWA’s practices are irrelevant to the District’s practices. Ordinance No. 212 dictates how SDCWA representatives are appointed and allows for Directors to hold a position on the SDCWA Board at least once during their term if they so desire. He believes any vote not to allow a Director who has expressed a desire to serve on the SDCWA Board to hold a position during their term would be a vote to violate Ordinance No. 212.

Director Elitharp stated he is also very interested in the SDCWA representative position. He has expressed his interest every year for the past five years and did so on December 9 at a meeting with Director Evans as incoming President. He further stated that he had heard very little interest from any of the other Directors in the SDCWA position until last week.

President Evans stated she purposefully made time for each Director to express their interest in various positions and presented possible alternatives. All Directors stated they would respect her decisions as President. Only Director Elitharp expressed an interest in the SDCWA position when she is ready to step down. President Evans further stated the importance of longevity to the SDCWA Board and described the position as a very time-intensive commitment with a long, sharp learning curve to get up to speed on the multitude of issues the SDCWA deals with and to earn the trust and respect of 24 member agencies. She stated she would prefer to finish her term with the present SDCWA Board President, Jim Madaffer, whose term ends on October 1, 2020, and hand over her position to Director Elitharp at that time because of his wealth of experience in the water industry.

General discussion took place during which Director Martin stated he understood President Evan’s request to finish out her term and agreed with her recommendation to appoint Director
Elitharp to the SDCWA position either now or on October 1, 2020. Director Elitharp stated he would be agreeable to assuming the position on October 1. Director Sannella expressed his opinion about the intent of Ordinance No. 212 and recommended the Board honor the language contained in Ordinance No. 212.

19-12-14  MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried 4-1, with Director Sannella voting no, to appoint Director Elitharp to the representative position on the SDCWA Board of Directors effective October 1, 2020. Until that time, President Evans will remain on the SDCWA Board.

REPORTS

GENERAL MANAGER

General Manager Pruim distributed the fourth-grade coloring contest calendars to the Board.

General Manager Pruim presented Director Martin with a book highlighting his term as President.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin suggested that he review Ordinance No. 212 and provide suggestions for improved clarification. Director Sannella recommended a full legal review of all ordinances, policies, and contracts be conducted. Legal Counsel Gilpin stated he has been working with staff on public contracts, especially those with greater risk to the District.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee has not met since the last Board meeting.

President Martin stated the Policy and Finance Committee has not met since the last Board meeting.

STANDING COMMITTEES

None.
DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin and Hernandez reported on their attendance to the Excellence in North County Economic Development Awards Luncheon.

OTHER BUSINESS

Director Elitharp noted that the Urban Water Institute Spring Conference scheduled for February 19-21, 2020 conflicts with the Regular Board meeting on February 19, 2020 and recommended the Board meeting be rescheduled as several Directors plan to attend the conference.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

It was announced that a Special Board meeting will be held on January 9, 2020 and a Regular Board meeting is scheduled for January 15, 2020.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 6:18 p.m.

A Special Meeting of the Vallecitos Water District Board of Directors has been scheduled for Thursday, January 9, 2020, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

__________________________________________
Betty D. Evans, President
Board of Directors
Vallecitos Water District

ATTEST:

__________________________________________
Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District
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<td>CDW Government Inc</td>
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<td>Real Quest Engineering Map Svc.s - Nov</td>
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<td>Backup Storage Tape - Nov</td>
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<td>Facility Permits - 5 District Facilities</td>
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<td>Directv Inc</td>
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<td>John Walker</td>
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<td>JCI Jones Chemicals Inc</td>
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<td>Kenneth Alexander</td>
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<td>Knight Security &amp; Fire Systems</td>
<td>Answering, Patrol, &amp; Monitoring Svc - Dec, Svc MRF Fire System</td>
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<td>803.19</td>
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<td>Lawnmowers Plus Inc</td>
<td>Extension Poles 10 For Vectors, Hardware Supplies</td>
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<td>655.36</td>
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<td>Liebert Cassidy Whithmore</td>
<td>Webinar B Anderson</td>
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<td>Shredding Svcs - Nov</td>
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<td>LIFE, LTD &amp; ADD Insurance - Dec</td>
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<td>Operator Cert Renewal - I Murguia</td>
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<td>T.S. Industrial Supply</td>
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<td>Industrial Salt - MRF</td>
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<td>UPS</td>
<td>Shipping Svcs - Nov</td>
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<td>Verizon Wireless</td>
<td>Ipad Svc - Oct</td>
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<td>Versatile Systems Inc</td>
<td>Retention Prj 20191-4, Svc - Double Peak Tank - Fall Protection System</td>
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<td>West Coast Industrial Coatings Inc. (WCIC)</td>
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<td>Westley Owen</td>
<td>Debt Symposium 11-01-19</td>
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<td>Yelila Morales</td>
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<td>Zebron Contracting Inc</td>
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<td>Air Pollution Control District</td>
<td>Emission Fee Renewal - 1495 Via Entrada</td>
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<td>Bonsall Petroleum Constr Inc</td>
<td>Svc Call - Fuel Island</td>
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<td>County of San Diego</td>
<td>Recording Fees - Nov</td>
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<td>3.52</td>
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<td>Dell Computers</td>
<td>Monitors 2, Docking Stations 2</td>
<td>118102</td>
<td>1,014.02</td>
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<td>Erich Wenkman</td>
<td>Deposit Refund Prj 20171-254</td>
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<td>Fleet Pride</td>
<td>Fleet Supplies</td>
<td>118104</td>
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<td>Grainger Inc</td>
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<td>Syntech Systems Inc</td>
<td>Fuel Master Maintenance 19-20</td>
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<td>Unifirst Corporation</td>
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<td>Woodward &amp; Curran Inc</td>
<td>Sepage Disposal Siting Study Prj 20201-508</td>
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<tr>
<td>Total Disbursements (133 Checks)</td>
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<td>617,459.96</td>
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Item 1.2
DATE: JANUARY 9, 2020
TO: BOARD OF DIRECTORS
SUBJECT: 2020 PUBLIC RATE HEARING NOTICE

BACKGROUND:
Due to cost increases, primarily in the cost of water purchased from the San Diego County Water Authority, current water rates are not adequate to fund District operations as adopted in the FY 2019-2020 budget. The District’s primary water revenue comes from the water rates charged to its’ customers. In order to increase water rates, all public agencies are required to comply with the process outlined in the California Constitution. In accordance with Article XIII D Section 6 (a) of the California Constitution, the District mails a Notice of Public Rate Hearing to all ratepayers in anticipation of any proposed rate increase. Ratepayers must receive the notification at least 45 days in advance of a public hearing to consider rate increases.

DISCUSSION:
The Public Rate Hearing Notice (Notice) presented herein reflects input received from the Board at the December 9, 2019, workshop and December 11, 2019, Special Board meeting. The public hearing is scheduled for February 27, 2020, at 5:00 p.m., which will allow time for processing and mailing the notice, along with the 45-day notice requirement prior to the public rate hearing.

The impact to the average Vallecitos Water District customer results in a 3.3% increase of the water only portion of their bill to the average single-family residence. The average single-family residence is defined as a customer with a 5/8” meter using 13 units (approximately 9,724 gallons) of water per month. Water rate increases are detailed on Page 3 of the Notice. There are no proposed increases to the sewer service charges for calendar year 2020. A copy of the Cost of Service Study report is available for review at the District office.

FISCAL IMPACT:
The proposed increases are included in the FY 2019-2020 budget adopted by the Board in June 2019.

RECOMMENDATION:
Approve the Public Rate Hearing Notice for mailing and set the public hearing for February 27, 2020.

ATTACHMENT:
Notice of Public Hearing
NOTICE OF PUBLIC HEARING ON PROPOSED CHANGES IN WATER RATES

Date: Thursday, February 27, 2020
Time: 5:00 p.m.
Location: 201 Vallecitos de Oro, San Marcos, CA 92069

You are receiving this notice because you are a Vallecitos Water District customer. This notice is being furnished to you pursuant to the California Constitution Article XIIID, also known as Proposition 218. The February 27, 2020, public hearing will cover the proposed adjustments for water rates to become effective March 1, 2020. For a typical single-family residential water customer, your water bill will increase by approximately $2.94, or 3.3%, per month. This notice addresses why rate changes are necessary, what the water rates fund, and the basis for the proposed rates.

What is the impact to the average single-family residence?

EXAMPLE

The proposed rates will result in the following increases to the average single-family residential bill. Your resulting increase will vary depending on your water usage and meter size.

<table>
<thead>
<tr>
<th>Average Single Family Residential Customer Bill*</th>
<th>Increase</th>
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<tbody>
<tr>
<td>Water Commodity</td>
<td>Current</td>
</tr>
<tr>
<td>$54.16</td>
<td>$55.87</td>
</tr>
<tr>
<td>Ready-to-Serve</td>
<td>35.32</td>
</tr>
<tr>
<td>Total Water Bill</td>
<td>$89.48</td>
</tr>
</tbody>
</table>

*The average Single Family Residential Bill assumes a 5/8" meter using 13 units per month
(1 Unit of Water = 748 Gallons; 13 units = 9,724 Gallons)

Why are rate increases necessary?

Rate increases are necessary to continue to provide safe, reliable and sustainable water service to our customers and are required to cover the increased cost of wholesale water imported from the Colorado River and Northern California, electricity cost increases, inflationary cost increases, escalating costs to comply with increasingly stringent environmental regulations, replace aging infrastructure, fund an asset replacement program and meet debt service requirements.

Even with the proposed rate increases, Vallecitos is a public agency that does not operate for profit. Vallecitos is revenue neutral, so only those charges sufficient to support your service are billed to you. Each end user pays a fair share of the cost of water acquisition and delivery, as well as the rehabilitation, operation and maintenance of the public water facilities. As always, we will continue to honor our commitment to provide the most reliable service at the lowest possible cost. The District continually strives to be among the least expensive water service providers in San Diego County.
What do water rates fund?

The proposed rates are being considered solely for the purpose of covering costs incurred by the water system, which include treated water purchases, water system operation and maintenance, facility and equipment maintenance, water system rehabilitation, regulatory compliance, metering, billing, and account management. The rate structure is tiered to encourage conservation, fund conservation programs, comply with drought alerts and cover the costs of public awareness, education and outreach, and water reliability and diversification. The proposed rate increases cover rising costs of acquiring imported water from the Colorado River and Northern California which result in wholesale water cost increases from our wholesaler, the San Diego County Water Authority (CWA). CWA has adopted rate increases of 5.3% for calendar year 2019 and proposed rate increases of 3.4% for 2020 and these wholesale rates are passed through to our customers.

What is Vallecitos doing to control costs?

Vallecitos’ priority is to ensure financial stability and to control costs. In recent years, Vallecitos has restructured its organization and redistributed workload to maximize productivity and efficiency. The last three labor negotiations have resulted in cuts to employee benefits. Vallecitos contracted with the Olivenhain Municipal Water District for water treatment services at a cost 20% less than the San Diego County Water Authority's treatment charge. Vallecitos has engaged consultants to perform energy and operational efficiency studies and has implemented recommendations from the studies. Vallecitos has also obtained input from staff, including installing energy efficient lighting and pumping equipment, in-house mechanical and fleet maintenance, critical asset condition assessments, predictive asset maintenance and replacement, and strategic use of technology throughout field operations and customer billing. Staff evaluates the effectiveness of changes implemented and continuously improves efficiency of operations.

How are water rates determined?

A comprehensive Cost of Service Study was performed in 2017. One of the major goals of the study was to ensure equitable water rates that produce adequate revenues to meet the District’s financial needs, recognize customer costs of service and encourage water conservation in a resource-constricted environment. In 2019, the District retained an independent financial consultant to review and provide an addendum updating the Cost of Service Study. For more information, the Cost of Service Study and the addendum prepared by the District’s independent financial consultant is posted at www.vwd.org/rates.

How to provide comments or protest the rate adjustment.

You may comment or ask questions at any time by contacting Vallecitos Water District at (760) 744-0460 or vwd@vwd.org, or participating in the February 27, 2020, Public Hearing at 5:00 pm. However, if you wish to submit a formal protest against the adoption of the proposed water rates, please make sure to read the following information carefully to make sure your protest will count. Any record owner of a parcel upon which the water rates are proposed to be imposed and any tenant directly liable for the payment of water rates (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the Vallecitos Water District’s water rates; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed water rate increases; (2) provide the location of the identified parcel (by street address, assessor’s parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted in one of the following manners: (1) by mail to Vallecitos Water District, ATTN: Rate Hearing, 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received by Board Secretary of the Vallecitos Water District by 4:00 p.m. on February 27, 2020; (2) in person, addressed to the Board Secretary at 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received prior to 4:00 p.m. on February 27, 2020; or (3) at the Public Hearing on February 27, 2020, so long as the protest is received prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the Vallecitos Water District ATTN: Rate Hearing.

The Board of Directors will consider all written protests and all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as valid protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rate increases as described in this notice. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases.
The monthly **Ready-to-Serve Charge** is assessed to recover fixed charges paid by the District to the District's wholesaler, the San Diego County Water Authority, expenses associated with meters and service lines, operating expenses not directly related to the flow of water (general and administrative, engineering, information technology, etc.), and capital asset replacement costs of service lines, meters, and general facilities. These expenses are incurred by the District even if no water is delivered to our customers. Charges for Multiple Dwelling Units are on a per dwelling unit basis. Fire Line charges are imposed upon properties with a private fire line serving such property.

### Tier Allocations

**Tier Allocations** are based on average usage for each meter size. Water rates consist of three inclining tiers, with tier widths established based on the size of the meter serving the property. This rate structure, known as a "meter overlay," allocates greater amounts of water in tiers 1 and 2 to larger meters, to compensate for the additional capacity property owners with such meters serving their property have purchased in the water system through both previously-paid capacity charges and the ready-to-serve charge. This structure also reflects the unique demands placed on the water system by such meters.

### Water Commodity Rates

**Water Commodity Rates** recover the cost of water, expenses directly associated with water flow (transmission and distribution, water treatment, tanks and reservoirs, etc.), conservation costs, and capital replacement costs of assets directly associated with water flow (tanks and reservoirs, transmission and distribution, pumping, etc.). The rates increase with greater water use in order to pass on the marginal costs of water, including more expensive water purchase costs, peaking costs, and demands on the system.
Regional Water Cost Comparison for San Diego County

With the proposed rate increases, VWD is still more than 10% below the regional average.

SFR with a 5/8" (or 3/4") meter using 13 units per month water (1 unit = 748 Gallons)

For illustrative purposes only. Based on data gathered December 10, 2019.
Jan. 24, 2020: Quarterly Luncheon

Join the conversation at SoCal's premier water event

What will 2020 hold for Southern California? We don't have a crystal ball but we're going to bring our best insights into what we can expect in the new year for California water and the political climate.

Join us and you'll also get to network with the brightest leaders from water, business, nonprofits, agriculture and more. This can't-miss event is brought to you by our presenting sponsor Inland Empire Utilities Agency. Get your tickets now, and find out about event sponsorships, which are still available. More information on the luncheon program will be provided as we confirm the details!

Where: DoubleTree Hotel, 222 N. Vineyard Ave., Ontario, CA 91764
When: Friday, January 24, 12 to 2 p.m.