

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
THURSDAY, FEBRUARY 27, 2020, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Martin led the pledge of allegiance.

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

Staff Present:         General Manager Pruim  
                              Legal Counsel Gilpin  
                              Finance Manager Owen  
                              Principal Financial Analyst Arthur  
                              Executive Secretary Posvar

ADOPT AGENDA FOR THE SPECIAL MEETING OF FEBRUARY 27, 2020

20-02-16         MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Special Board Meeting of February 27, 2020.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board speaking as President of the Twin Oaks Valley Homeowners Association stating that charging 5/8-inch meter homeowners the same rates as 3/4-inch meters is unfair. He believes the District has increased the burden on small homeowners for fire service capacity they do not receive and that the detachment fees are also unfair.

PUBLIC HEARING

PUBLIC HEARING TO CONSIDER WATER SERVICE RATE CHANGES

President Evans opened the hearing as duly noticed and posted to consider water service rate changes. The hearing was opened at 5:04 p.m.

General Manager Pruim stated the purpose of the public hearing was to consider changes to the District's water rates and charges. The hearing is required by Proposition 218 (Prop 218) that is incorporated into Articles 13.C and 13.D of the California Constitution. Prop 218 requires that agencies proposing to increase water rates provide notification to their customers at least 45 days before the public hearing to consider increased rates. The Board

approved the Prop 218 Notice of Public Hearing during a Special Meeting on January 9, 2020 and notices were mailed on January 13, 2020, satisfying the 45-day notification requirement. In order for the proposed rates not to become effective, there must be a majority protest by the District's customers. The protest must be in writing and must include the name and address of the protesting customer. Prior to the start of tonight's meeting, the District received 57 official written protests, well short of the more than 11,000 protests needed to satisfy the protest requirement. Of those 57 letters, 48 appeared to be a form letter that had been distributed. The Board was asked to adopt Ordinance No. 215 establishing the rates included in the notice that was sent to the District's customers. Those rates would become effective March 1, 2020.

General Manager Pruim further stated the Board would hear a presentation from staff and the District's professional rate consultant explaining the reasons for the rate increase, how the rates were established and how the rates will affect a typical customer. The only rates and charges being considered were those required to operate the existing water system.

Finance Manager Owen facilitated a discussion as follows:

- Customer Questions
- District Reserves
- Capacity Reserves
- Reserve Policy
- Water Replacement Reserves – Budgeted
- Rate Increases
- 2019/20 Water Operating Expense Budget - \$44,306,000
- Budgeted Replacement
- Capital Replacements Costs
- Conclusions

Todd Cristiano, Senior Manager with Raftelis, the District's rate consultant, provided a presentation on the Water Cost of Service Review and Update which included:

- Study Goals
- Study Approach and Assumptions
  - Revenue Requirement
  - Cost Allocation
  - Rate Design
- Findings and Conclusions

Principal Financial Analyst Arthur presented the following information:

- Definitions & Notes
- Average Single-Family Residence (5/8") Usage and Tier Structure

- Average Single-Family Residence Bill
- Agency Comparison 13 Units Single-Family Residence

General question and answer took place during the presentations.

Nine members of the public addressed the Board opposing the rate increase which included comments regarding the use of rate payers' money to subsidize developers who fund political campaigns, the reserve amount in relation to the developer deficit, capacity fees, charges for master meters, unaffordable rate increases, fees included in customer bills, possible mail-in customer feedback forms included with future notices of rate increases, Newland Sierra development's affect on the District, damaged water meter due to high water pressure, tiered rates, desalinated water, and reserves.

There being no other persons wishing to address the Board, President Evans closed the hearing at 6:52 p.m.

General discussion took place during which General Manager Pruim stated rate payer funds do not help subsidize development in the Vallecitos service area. There is currently a deficit in the developer fund; however, the recently approved capital facility fees were increased which will erase that deficit.

### ACTION ITEMS

#### ORDINANCE ESTABLISHING RATES, RULES, AND REGULATIONS FOR WATER SERVICE RATE INCREASE

20-02-17 MOTION WAS MADE by Director Elitharp, seconded by Director Hernandez, and carried unanimously, to adopt Ordinance No. 215 Repealing Ordinance No. 207 and Establishing Rates, Rules, and Regulations for Water Service.

Ordinance No. 215 - The roll call vote was as follows:

AYES: Elitharp, Hernandez, Martin, Sannella, Evans  
NOES:  
ABSTAIN:  
ABSENT:

Mike Hunsaker, member of the public, addressed the Board commenting that just about every single-family home is paying its full share for capacity. His concern is with multi-family high-density rental units. He is also concerned about the large amount of small agricultural water users in the District. The previous policy provided that if you had agricultural land and a home on it, the first 26 units were charged to the home before the agricultural rate came into effect. Shouldn't that be reflected in the ordinance? The problem is not the single-family dwelling. What about leasing fees? How do they go up?

During general discussion it was noted that Section 5.4 of Ordinance No. 215 addresses special agricultural water rates. There haven't been any changes to the ordinance in that regard.

OTHER BUSINESS

President Evans stated the San Diego County Water Authority (SDCWA) Board of Directors held a meeting earlier today regarding the Metropolitan Water District litigation. The SDCWA has made a good offer to resolve some of the litigation. They recommended to dismiss without prejudice claims related to payments of the water stewardship rate on supply purchases only and the unquantified claims in the stayed cases relating to cost of service grounds and the rate model.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Special Meeting of the Board of Directors at the hour of 7:12 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 4, 2020, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District