AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, SEPTEMBER 04, 2013, AT 4:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT HERNANDEZ

PLEDGE OF ALLEGIANCE – GENERAL MANAGER LAMB

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 SEPTEMBER 04, 2013

INTRODUCTION

Water Operations Supervisor Pedrazzi will introduce new San Diego County Water Authority Intern – Alla Mason.

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 – AUGUST 21, 2013

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes
1.2 WARRANT LIST THROUGH SEPTEMBER 04, 2013 – $ 3,357,767.45

Recommendation: Approve Warrant List

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

ACTION ITEMS

2.1 ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS

The District adopted Cost of Service Study Report reviewed existing policy and included a recommendation for revised overhead rates.

Recommendation: Adopt the proposed ordinance rescinding Article 16 of Ordinance 88 and establishing a new overhead rate

2.2 CHANGING BASE METER STANDARD SPECIFICATION TO 3/4” iPerl

The District adopted Cost of Service Study Report recommended the District consider the standard for a minimum size meter be a ¾” iPerl.

Recommendation: Change the standard meter specification of a base meter to the 3/4” iPerl meter

2.3 2014 CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) COMMITTEE AND EXPERT TEAM PARTICIPATION

CSDA is asking for volunteers to participate and contribute on one or more of their Committees and/or Expert Feedback Teams to assist in shaping CSDA.

Recommendation: Provided for Board discussion and direction

2.4 ACWA REGION 10 ELECTION FOR THE 2014-2015 TERM

ACWA Region 10 is holding its election for officers and Board members who will represent and serve the members of Region 10 for the 2013-2014 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
3.4 ENCINA WASTEWATER AUTHORITY
3.5 DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS

4.1 MEETINGS

ACWA 2013 Fall Conference & Exhibition
December 3 - 6, 2013 - JW Marriott LA Live, Los Angeles, CA

*****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 3:00 p.m., Friday, August 30, 2013.

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

General Manager Lamb led the pledge of allegiance.

Present:
- Director Evans
- Director Martin
- Director Poltl
- Director Hernandez

Absent:
- Director Ferguson

Staff Present:
- General Manager Lamb
- Assistant General Manager Scaglione
- Legal Counsel Scott
- Director of Engineering & Operations Gerdes
- Administrative Services Manager Emmanuel
- Finance Manager Fusco
- Principal Engineer Gumpel
- Capital Facilities Engineer Scholl
- Water Operations Supervisor Pedrazzi
- Accounting Supervisor Owen
- Public Information Representative Webb
- Executive Secretary Posvar
- Administrative Secretary Rogers

ADOPT AGENDA FOR THE REGULAR MEETING OF SEPTEMBER 4, 2013

13-09-01  MOTION WAS MADE by Director Evans, seconded by Director Poltl, and carried unanimously, with Director Ferguson absent, to adopt the agenda for the Regular Board Meeting of September 4, 2013.

PRESENTATION

Water Operations Supervisor Pedrazzi provided a brief presentation on the San Diego County Water Authority’s Internship Program and introduced new intern, Alla Manson.

General discussion took place.

ORAL COMMUNICATIONS

None.
CONSENT CALENDAR

13-09-02  MOTION WAS MADE by Director Martin, seconded by Director Poltl, and carried unanimously, with Director Ferguson absent, to approve the Consent Calendar as presented.

1.1   A.  Regular Board Meeting – August 21, 2013

1.2  Warrant List through September 4, 2013 - $3,357,767.45

Director Hernandez addressed the August 21 minutes stating that the minutes reflect a consensus on the time for Committee meetings, however, he didn’t see in the minutes where there was a consensus on holding another Board meeting.

General Manager Lamb stated that no direction was given. It was left that if another meeting was needed, it would not be called a Committee meeting; he would call for a Special Board meeting. A Special meeting requires 24 hour notice only.

Legal Counsel Scott stated that if a meeting is held on a particular day every month, it really is being turned into an additional regular meeting. This is fine, however, they need to be noticed that way if regularly scheduled meetings are going to be held.

General Manager Lamb provided background on the Committee meetings in general and the District’s Ordinance No. 178 which governs the business of the Board and establishes the regular Board meetings

General discussion took place on the differences between the regular Board Meetings and the Special Board meetings of the Whole Committee. During general discussion, General Manager Lamb stated that there wasn’t need for a third Board meeting. All business would take place at the two regularly scheduled Board meetings. Should the need arise to hold a special meeting, one would be scheduled.

Director Martin also addressed the August 21 minutes specifically referencing the Cost of Service Study Report in which it was stated that staff recommended the Board accept the Report. He stated this item was discussed at length and the motion was made to accept the Report, not to adopt the Report.

President Hernandez affirmed that the minutes are correct but that the discrepancy is with this agenda’s items 2.1 and 2.2 in which it states the District adopted the Cost of Service Study Report.
ACTION ITEMS

ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS

Assistant General Manager Scaglione stated that on August 21, 2013, the District accepted a Cost of Service Study titled "Water Validation, Cost of Service & Rate Design Analysis; Wastewater Validation & Rate Analysis; Miscellaneous Fees & Overhead Rate Analysis (Report)". The Report reviewed existing policy and included a recommendation for revised overhead rates. The Report determined the overhead rates established in Ordinance 88 are not sufficient to recover actual indirect costs. The current overhead rates are 75% applied to direct labor cost and 15% applied to the cost of materials requisitioned. The Report recommended a single overhead rate applied to direct labor costs instead of two different rates. The proposed Ordinance maintains the District’s original desire to recover all of the administrative expenses incurred in connection with providing direct services. The recommended overhead rate of 195% was derived by dividing budgeted indirect costs by direct labor costs.

Staff recommended the Board adopt the proposed Ordinance rescinding Article 16 of Ordinance 88 and establishing a new overhead rate.

General Discussion followed. Director Martin referenced the staff report in which it stated on August 21 the District adopted a Cost of Service Study and stated that he thought the Board accepted it, not adopted it.

Assistant General Manager Scaglione stated he was correct and that the terminology in the staff report should have been accept. He further stated that the District was not adopting any rates or taking any action; it was just an acceptance of the Report.

General Manager Lamb stated that this item today is subsequent action to the Cost of Service Study. In addition, there are a few additional items that will be presented to the Board at future meetings that are also subsequent actions to the Cost of Service Study.

13-09-03  MOTION WAS MADE by Director Poltl, seconded by Director Evans, and carried unanimously, with Director Ferguson absent, to adopt the Ordinance.

Ordinance No. 182 - The roll call vote was as follows:

AYES: Evans, Martin, Poltl, Hernandez
NOES:
ABSTAIN:
ABSENT: Ferguson
CHANGING BASE METER STANDARD SPECIFICATION TO 3/4" iPERL

Assistant General Manager Scaglione stated that another item that resulted from the Cost of Service Study was a recommendation to change the base meter. The Report included an analysis on the minimum meter size utilized by the District. The current standard specification for the District’s base meter is the Sensus 5/8” SRII meter as well as a Sensus SRII 3/4”. The new 3/4” iPerl meter has a broader flow range for reading accuracy than the 5/8” SRII meters and the 3/4”. Changing the standard specification for the base meter to the 3/4” iPerl provides two specific benefits to the District and the ratepayers. First, the meter will more accurately track low flows, and secondly, accommodate new fire flow requirements for houses up to 3,000 square feet without having to record a Water Service Agreement and having to track water consumption.

General discussion followed. Director Martin reiterated that the Board accepted the Cost of Service Study Report, not adopted.

13-09-04 MOTION WAS MADE by Director Poltl, seconded by Director Evans, and carried unanimously, with Director Ferguson absent, to change the standard meter specification of a base meter to the 3/4” iPerl meter.

2014 CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) COMMITTEE AND EXPERT TEAM PARTICIPATION

General Manager Lamb stated that CSDA is asking for volunteers to participate and contribute on one or more of their Committees and/or Expert Feedback Teams. Any Board member interested in attending should complete the interest form and turn it in to himself or the Executive Secretary. The forms must be submitted by October 18, 2013.

ACWA REGION 10 ELECTION FOR THE 2014-2015 TERM

General Manager Lamb stated that ACWA Region 10 has distributed a ballot which includes the Region 10 Nominating Committee’s recommended slate as well as individual candidates running for the Region 10 Board. The Region 10 Chair and Vice Chair will serve on ACWA’s Board of Directors for the next two year term of office beginning January 1, 2014. The newly elected Chair and Vice Chair will also make the Region 10 Committee appointment recommendations to the ACWA President for the 2014-2015 term.

13-09-05 MOTION WAS MADE by Director Evans, seconded by Director Poltl, and carried unanimously, with Director Ferguson absent, to vote for the slate recommended by the Nominating Committee.
RATE ALTERNATIVES TO COST OF SERVICE STUDY RECOMMENDATIONS

Assistant General Manager Scaglione stated that alternatives to the rates proposed in the Cost of Service Study Report were discussed and prepared. The Cost of Service Study consultants confirmed that their study would support any of the alternatives.

Assistant General Manager Scaglione reviewed the sewer rates, water ready-to-serve rates, frugal user discount, water consumption rates, as well as three possible alternative tiers.

- Sewer rates for 2014/15 and 2015/16 are proposed using the existing rate model and result in an increase of $1.54 per month for a single family residence in each fiscal year.

- Staff assessed the impact to the 5/8" meter charge if the larger meter charges were held constant rather than decreasing, while still meeting the revenue requirement. The monthly 5/8" meter charge increased by $2.13 each year, rather than $2.60 as proposed in the Cost of Service Study Report.

- Black & Veatch, the consultants, recommended the elimination of the frugal use discount. The discount cannot be supported in accordance with Proposition 26 which requires funding for subsidies from sources other than user rates.

- Proposed increases in water consumption rates represent the most significant change which is the increase in Tier 2 and Tier 3 rate multiples. Based on an analysis of average and peak consumption patterns, the Tier 2 rate is proposed to be 1.4 times and the Tier 3 rates at 2.3 times the Tier 1 rate. A 3-year phase-in is proposed and considered in the rates proposed.

- Staff considered alternatives to the commodity charges in the Report in order to mitigate the impact of the loss of the frugal use discount. For all alternatives considered, a Tier 1 is established with a lower rate than the existing Tier 1 rate.

- Alternative 1 sets the Tier 1 rate to spread the 2013/14 estimated $490,000 in total frugal discounts among all Tier 1 usage.

- Alternative 2 sets the Tier 1 rate to enable a customer who uses 5 units or water to save $9.75, which is the current frugal use discount. Alternative 2 is not feasible considering the Tier 1 rate is less than the wholesale cost of water.

- Alternative 3 sets the Tier 1 rate to the wholesale rate.

- All alternatives increase the higher tiers in order to achieve revenue neutrality.
• All of the rate alternatives presented are revenue neutral; all will meet the revenue requirement projected in the adopted 2013/14 budget.

Discussion took place on each component.

Following discussion, the consensus of the Board was to move forward with Alternatives 1 and 3, and the alternative RTS charge for discussion and consideration at the September 18 Public Hearing.

REPORTS

GENERAL MANAGER

None.

President Hernandez asked for an update on the North San Diego Regional Recycled Water Group.

General Manager Lamb stated that nothing new has taken place following the meeting hosted at the District on August 13.

DISTRICT COUNSEL

Legal Counsel Scott reported on SB 594 which if passed would have severely restricted non-profit organizations like Association of California Water Agencies (ACWA), California Association of Sanitation Agencies (CASA) and California Special Districts Association (CSDA) from participating in campaign activities. The bill has been amended to narrowly target specific campaign reporting issues.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans reported that the bill which would have moved the drinking water program from the California Department of Public Health into the Water Resources Board died.

ENCINA WASTEWATER AUTHORITY

Director Poltl reported on the August 28 Board meeting stating that discussion took place on awarding the influent junction structure repair, engineering services, and final acceptance of the natural gas pipe line replacement project.
DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Martin reported on his attendance at the CASA Annual Conference. He stated that there was a lot of information presented in a short period of time.

Director Poltl reported on his attendance at the CASA Annual Conference. He stated the theme was “we are on the brink of monumental change” and that it is felt that water districts are going from energy neutral to energy generating.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez requested that capacity fees/payment timing be placed on a future agenda for discussion.

Director Martin inquired about the agenda for the next Board Committee meeting.

General Manger Lamb stated that there are no items for the agenda, therefore a meeting is not needed. He further stated that, as of now, there is nothing left on the rate study component for discussion.

Director Martin stated that he doesn’t understand the peaking component.

Assistant General Manager Scaglione stated that peaking is not having an impact on the rates; it is a way to create a nexus. The District had a revenue requirement with the way rates were traditionally set. That revenue requirement moved over to the Cost of Service Study and remained the same; peaking did not add any additional cost to the Budget already adopted by the Board as it is revenue neutral. The peaking component is part of the way monies are allocated to where they belong. Peaking has no impact on the rates other than to say tier premium revenues have a nexus.

General Manager Lamb stated that there will be subsequent items that will be presented to the Board for discussion/consideration. These items are the administrative policies add to the latitude of the Board in adopting fees to recover costs.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 6:02 p.m.
A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, September 18, 2013, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Dennis O. Lamb, Secretary
Board of Directors
Vallecitos Water District