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 REGULAR MEETING OF JANUARY 19, 2015

INTRODUCTION

Human Resources Technician Bridget Anderson will introduce new employee, Jessica Ruiz, Cashier/Receptionist.

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 - JANUARY 7, 2015

   Approved minutes become a permanent public record of the District.

   Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH JANUARY 19, 2015 – $2,638,620.24

   Recommendation: Approve Warrant List
1.3 FINANCIAL REPORTS

A. WATER METER COUNT – DECEMBER 31, 2014
B. WATER PRODUCTION/SALES REPORT – 2014/2015
C. WATER REVENUE AND EXPENSE REPORT – DECEMBER 31, 2014
D. SEWER REVENUE AND EXPENSE REPORT – DECEMBER 31, 2014
E. RESERVE FUNDS ACTIVITY – DECEMBER 31, 2014

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

ACTION ITEMS

2.1 SAN DIEGO NORTH ECONOMIC DEVELOPMENT COUNCIL MEMBERSHIP

Ordinance No. 190, adopted December 10, 2013, established the business guidelines the Board operates under, including District memberships and per diems.

Recommendation: Request Board direction

2.2 COMMUNICATION AND OUTREACH PROGRAM – DRAFT CUSTOMER SURVEY

The survey will be conducted via telephone of 300 residents within the Vallecitos service area.

Recommendation: Approve the draft customer survey

2.3 REQUEST FOR PROPOSAL FOR INDEPENDENT AUDIT SERVICES FOR FISCAL YEAR 2014/15 AND SUBSEQUENT YEARS

The District is required to have an annual audit per California Government Code Section 26909.

Recommendation: Authorize staff to release Request for Proposals

2.4 DISCUSSION ON CAPITAL FACILITY FEES

The District has identified capital facilities in its 2008 Water, Wastewater and Recycled Water Master Plan (Master Plan), adopted by the Board on August 3, 2011.

Recommendation: Request Board direction

2.5 DROUGHT UPDATE

For information only.

Recommendation: No action required
*****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 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS

4.1 MEETINGS

   CASA Washington, DC Conference
   February 23 – 25 – Renaissance Mayflower Hotel

   ACWA Washington, DC Conference
   February 25 – 26 – Liaison Hotel

*****END OF OTHER BUSINESS*****

5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

CLOSED SESSION

6.1 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)
   Citizens Development Corporation, v. County of San Diego, et al.
   United States District Court, for the Southern District of California
   Case No. 12CV0334 IEG RBB

*****END OF CLOSED SESSION*****

7.1 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., Thursday, January 15, 2015.

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

Director Elitharp led the pledge of allegiance.

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

Staff Present: General Manager Lamb
Assistant General Manager Scaglione
Legal Counsel Scott
Director of Engineering & Operations Gerdes
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Public Information/Conservation Supervisor Robbins
Human Resources Technician Anderson
Executive Secretary Posvar
Administrative Secretary Johnson

Others Present: Tina Malott, Katz and Associates, Inc.
Dr. Richard Parker, Rea and Parker Research
Dr. Louis Rea, Rea and Parker Research

ADOPT AGENDA FOR THE REGULAR MEETING OF JANUARY 19, 2015

Director Martin requested Action Item 2.4 be moved up as the first discussion item.

15-01-10  MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Regular Board Meeting of January 19, 2015, as amended.

INTRODUCTION

Human Resources Technician Bridget Anderson introduced new employee, Jessica Ruiz, Cashier/Receptionist.

ORAL COMMUNICATIONS

None.
CONSENT CALENDAR

15-01-11 MOTION WAS MADE by Director Sannella, seconded by Director Elitharp, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes
   A. Regular Board Meeting – January 7, 2015

1.2 Warrant List through January 19, 2015 - $2,638,620.24

1.3 Financial Reports
   A. Water Meter Count – December 31, 2014
   B. Water Production/Sales Report – 2014/2015
   D. Sewer Revenue and Expense Report – December 31, 2014
   E. Reserve Funds Activity – December 31, 2014

ACTION ITEMS

DISCUSSION ON CAPITAL FACILITIES FEES

President Evans stated that this item was placed on the agenda at the request of Director Sannella. Director Sannella stated that he wanted to have an overview of Ordinance No. 177 pertaining to sewer densification fees provided to the Board in order to clear up confusion around the issue.

General Manager Lamb stated that the Board was provided with the ordinance, policy, and background information on the fee structure (Master Plan, the Environmental Impact Report (EIR) that certified the Master Plan, and the Fee Study) and presented the historical background about why and how the fees were developed.

District Engineer Gumpel facilitated a presentation on the concepts and methodology of the Capital Facility Fees, noting the following:

- In March 1999, CDM prepared a Capital Facility Fee Study, utilizing the growth methodology as Vallecitos Water District is a growth agency as well as the most recent Master Plan.
- In November 2011, Atkins prepared a Capital Facility Fee Study, also using the growth methodology and the most recent Master Plan.
- A series of more than 22 meetings including Board Committee Meetings, Board Meetings, Workshops and Public Hearings were held between February 8, 2010 and March 2012 before the Updated Capital Facility and Impact Study was approved and Ordinance Nos. 175, 176 and 177 were adopted on April 18, 2012. It was noted that the numerous meetings and public workshops were well
attended by Building Industry Association (BIA) and development community representatives.

General discussion took place.

President Evans requested that members of the public speaking on this item limit their comments to three minutes.

15-01-12 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to allow up to fifteen minutes per speaker.

Michael McSweeney, representing the BIA, addressed the Board stating that he had information he wished to distribute to the Board, including copies of letters that the BIA sent to the District and a PowerPoint presentation that he and Steve Nielson of Dexter Wilson presented to the Board in April of 2013 as Directors Sannella and Elitharp were not in attendance for that presentation.

He thinks that the District is challenged by two competing interests – they don’t want to over build, they don’t want to under build. Trying to find the right balance is somewhat difficult. When you couple that with the District has a Master Plan, but the City also has growth management plans, they also have a general plan. Are those necessarily lined up or in sync? It seems to them that often times a District will have their plans here and the general plan here, but they don’t sync up. One is out of date, so you’re working off bad data.

He further stated that a couple of things that were in the presentation were reclamation and reuse. The Encina Wastewater is looking very seriously at reuse, turning sewage into potable water supply. That’s going to happen sooner rather than later. The Poseidon desalination plant can easily be turned to take the flows from Encina, run it through that plant, and make drinking water without some of the environmental challenges with taking the salt out of the seawater.

Mr. McSweeney then discussed the PowerPoint presentation he had provided to the Board. He stated that the first four or five slides are the District’s capacity and what’s been built as opposed to what the Master Plans are, the historical, and then the projection based on the historical. The historical basically smooth’s out the trend line the District had since the early 1980’s. The next five, six slides are the different capacity studies and where you thought you would be.

He stated that when you look at pages eight and nine, it shows you kind of how they feel this densification fee isn’t really fair. Mr. McSweeney then discussed several examples in the presentation he provided. He thinks that overall, he’d prefer to let some of the other folks share with the Board their specific examples, but what he’d ask the Board to consider is, give staff some direction to come back with a more equitable way to do this. He would recommend that the Board suspend Ordinance No. 177 until the next Master Plan is complete and let’s figure out working together, this is something that really needs to happen.
Discussion took place regarding whether the Board could take action on suspending fees at this meeting. Legal Counsel Scott recommended the Board bring back for consideration the topic of suspending Ordinance No. 177 at a future Board meeting. He also recommended that the public be notified under the Brown Act of the action the Board potentially is going to take, even though as an action item, the Board has broad discretion.

Mr. John Seymour, member of the public, addressed the Board stating that he is with National Community Renaissance, a 22-year-old nonprofit affordable housing developer, owner, operator and manager. They build senior housing, family low-income housing, veterans, and special needs. They fully understand the payment and development impact fees, and sewer and water fees. They’ve never come across a density fee like this before.

He stated he thinks it’s reasonable to suspend the fee right now, it’s reasonable to come back and look closely to see how it’s calculated; to let Mike McSweeney take a look at it, be involved in the process of the calculation of it rather than have the report come back and now he’s in a response mode to have to go back, it’s very difficult at that time.

He stated that they are all about paying their fair share; that’s what they want to do, but it is having an aggravated effect on their ability to provide affordable housing. He thanked the Board.

Question and answer took place.

Mr. Jason Simmons, member of the public, addressed the Board, stating that he appreciated the Board’s and staff’s time, that he knows this is a tough topic. There is no easy answer here, but he thinks that part of this is just collaborating and understanding what they’re dealing with. He further stated that he wanted to go through a couple of examples, and is actually representing a bunch of clients; Intracorp is in attendance but D.R. Horton couldn’t make it today, but he has a letter to submit on their behalf.

Mr. Simmons then stated that he would like to use Intracorp as a perfect example of how they are stuck in a bit of a cycle here and how this translates and how things can change. Their project, which is known as Davia Village, is being constructed next to Palomar Station. It is high density next to transportation right down the street. Their project originally was industrial up until 2012 when the general plan was changed. In 2008 when you did your Master Plan, it was looked at as Industrial, but now in 2012 it’s in the new City general plan for 354 units. They actually increased the density on their approvals to 416, so they are a perfect example of everything that can happen in a process.

Question and answer took place.

He further stated that D.R. Horton paid their Sea Glass fees and their Mission Grove
project is the other fee that’s upcoming in the next few months. If there is a suspension of the fee or whatever happens with it, they request in the letter that they either get their money back if they pay it or if they do a fee deferral, that they are not obligated to that fee, depending on what happens to the fee since it is unknown today.

Question and answer took place.

Mr. Jim Simmons, member of the public, addressed the Board, thanking them for taking the time to do this. He stated that it’s an extremely important issue to the builders and development in this town - they turn their product into homes and futures for people who live here. The cost of those things is extremely important to be careful about. Alternatives are necessary. He remembers the low flow toilets and the low flow shower heads and all this stuff, so we’ve had big changes over the last 40 years as to how this all gets done. He thinks the most telling thing that they’ve heard tonight is that there isn’t anybody else in the industry doing this, so let’s go back and really look at the assumptions that were made here.

At this point he’d like the District to consider suspending it and then as we move into the plan, you’re not going to lose a lot, certainly Merriam Mountain is not getting approved in the next two years or built. The District has time to deal with that. So, let’s suspend it and work together on it. He thanked the Board.

General discussion took place.

15-01-13 MOTION WAS MADE by President Evans, seconded by Director Martin, and carried unanimously, to suspend the ordinance.

Discussion took place regarding possibly reimbursing those who have already paid their fees. President Evans suggested this topic be placed on a future agenda for discussion.

Director Sannella suggested that Item 2.2 be discussed next as there are other individuals in the audience for this item. The consensus of the Board was to discuss Action Item 2.2 before Action Item 2.1.

COMMUNICATION AND OUTREACH PROGRAM – DRAFT CUSTOMER SURVEY

Public Information/Conservation Supervisor Robbins stated that at the January 7, 2015 Board meeting, Tina Malott of Katz and Associates and Dr. Richard Parker of Rea and Parker Research facilitated a presentation to the Board regarding the customer survey which will guide the District in putting forth its new communication and outreach program. The survey will be conducted via telephone to 300 customers within the District’s service area. An independent contact list will be used for the survey in order to equally capture all residents in the area, including renters and other hard-to-reach audiences. Based upon feedback from the Board, the items that were going to be looked at were awareness of the breadth of services the District provides, awareness of
the value of water, customer perception related to the drought, water conservation and the desalinated water, as well as communication preferences specific to Vallecitos. Other items added in was willingness to pay higher housing costs, dual plumbing for gray water, and willingness to pay higher rates for alternative water supply developments such as indirect potable reuse. He further stated that the survey is designed to be completed in ten to twelve minutes, and adding more questions will cause some participants to drop out due to the extended length of time to complete the survey. The estimated time to conduct the survey as it is now is twenty minutes.

Dr. Parker discussed how the initial version of the survey has lengthened from twelve minutes to twenty, the probability that many people will not want to participate in a survey of that length or will drop out before the survey is completed, and the cost issues (approximately 50% higher) of conducting a longer survey.

General discussion took place concerning questions that were added after Board discussion at the January 7 Board meeting including the topics of greywater, direct and indirect potable water, desalination, and customer satisfaction. General Manager Lamb suggested greywater, direct and indirect potable water, and desalination could be combined into one general question about alternative water resources. He stated that the San Diego County Water Authority (SDCWA) is currently working on their new survey, and hopefully the District will be able to glean water resource information from that survey as well as the communication component from the City of San Marco’s recent survey.

Further discussion took place regarding questions the Board would like eliminated from the draft survey in order to shorten the survey. The survey questions will be finalized and distributed to the Board before the commencement of the survey.

SAN DIEGO NORTH ECONOMIC DEVELOPMENT COUNCIL MEMBERSHIP

Director Sannella stated that the Board received information from staff outlining the different membership levels for the San Diego North Economic Development Council (SDNEDC) and that he recommends the District join at the Board level of $10,000. He further stated that representatives of the SDNEDC are willing to provide a presentation to the Board if the Board feels they need more information.

General discussion took place.

The consensus of the Board was to ask representatives from the SDNEDC to provide a presentation to the Board at a future Board meeting.

REQUEST FOR PROPOSAL FOR INDEPENDENT AUDIT SERVICES FOR FISCAL YEAR 2014/15 AND SUBSEQUENT YEARS

Finance Manager Fusco provided background on the purpose of an audit, why an audit is done, the rules and minimum requirements of an audit, as well as staff involved with
the District’s annual audit. He discussed the following elements of an audit:

- **Audit Opinions**
  - Unqualified (or Clean) – The financial statements present a fair and accurate picture of the company and comply with generally accepted accounting principles.
  - Qualified – The financial statements present a fair and accurate picture; however there is an exception somewhere within the financial statements.
  - Adverse – There are major exceptions and the auditor has concern that the entity is going to continue in business.

- **Concept of Materiality**
- **Financial Reporting Framework**
- **Rule**
  - The District is required to have an annual audit per California Government Code Section 26909.
  - Minimum requirements of an audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

- **Minimum Audit Requirements for Special Districts**

General discussion took place regarding specific elements of the audit process and methodologies.

Finance Manager Fusco stated that the District follows the Government Finance Officers Association’s best practice which states that government entities should enter into multiyear agreements of at least five years in duration when obtaining the service of independent auditors. Historically, the District has entered into contracts with auditors as a three-year initial term with two one-year options for extension.

He explained the proposed Request for Proposal (RFP) process and general discussion took place. The Board consensus was to allow the Finance Committee to be involved in the process as outlined in the staff memo, with the exception that the audit entrance meeting would be held with the full Board in lieu of the Finance Committee.

Staff recommended the Board authorize the release of the RFP.

15-01-14 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to authorize staff to release the RFP.

**DROUGHT UPDATE**

This item was not discussed and was continued to the next regular Board meeting.

**REPORTS**

**GENERAL MANAGER**
General Manager Lamb reported on a presentation provided at the January 13 Member Agency Managers’ Meeting at which the drought was discussed. The snowpack statewide is at 38% of normal and is a very dry type of snow, which means it will not produce much water. Other topics of the presentation included Colorado River hydrologic conditions, Metropolitan’s storage reserve, precipitation and temperature outlooks for January through March 2015, rainfall comparison, potable water usage, conservation trend, water supply allocation plan timing and tentative timeline for 2015 potential allocations.

General Manager Lamb stated that the District is going into one of the annual shutdowns to the aqueduct system starting at midnight, January 19 for up to ten days. Daily updates will be sent to the Board regarding the amount of water the District has in storage throughout the shutdown.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott stated that Ordinance No. 177 needs to be brought back to the next Board meeting for suspension of the Ordinance for the purpose of symmetry. He wants to assure that it is done appropriately.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella and Elitharp commented on their tour of the District’s facilities in the northern portion of the District.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez would like to be able to have Board Committee of the Whole meetings separate from the regular Board meetings once a month if needed and asked the General Manager and Counsel to provide some options for Board consideration.
CLOSED SESSION

The closed session was not needed and did not take place.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 8:24 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 4, 2015, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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