AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 15, 2015, AT 4:00 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 REGULAR MEETING OF JULY 15, 2015

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 - JULY 1, 2015

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH JULY 15, 2015 – $2,962,238.24

Recommendation: Approve Warrant List
1.3  FINANCIAL REPORTS

A. WATER METER COUNT – JUNE 30, 2015
B. WATER PRODUCTION/SALES REPORT – 2014/2015
C. WATER REVENUE AND EXPENSE REPORT – JUNE 30, 2015
D. SEWER REVENUE AND EXPENSE REPORT – JUNE 30, 2015
E. RESERVE FUNDS ACTIVITY – JUNE 30, 2015

1.4  APPROVAL OF CONSTRUCTION AGREEMENT FOR SHANE PARK PLAZA, APN: 219-074-24 (RSF ASSOCIATES, LLC)

The project is located on the west side of Rancho Santa Fe Road between 8th and 9th Streets.

Recommendation:  Approve Construction Agreement

1.5  APPROVAL OF CONSTRUCTION AGREEMENT FOR EASTGATE, APN: 219-270-45 & 61 (CITY OF SAN MARCOS)

The project is located north of Creekside Drive between Grand Avenue and Bent Avenue south of San Marcos Boulevard.

Recommendation:  Approve Construction Agreement

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

PUBLIC HEARING

2.1  PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT “A” FOR THE FISCAL YEAR JULY 1, 2015 TO JUNE 30, 2016

The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees.

Recommendation:  
1)  Hold Public Hearing
2)  Adopt Resolution

ACTION ITEMS

3.1  DROUGHT UPDATE

Recommendation:  For information only
3.2 2014 MASTER PLAN WATER AND WASTEWATER DUTY FACTOR PRESENTATION

*The 2014 Master Plan will update the District’s water and wastewater profile, will identify and evaluate various water supply alternatives that may be available to the District now and in the near future, and will meet several Strategic Plan strategy items.*

**Recommendation:** For information only

3.3 OVERHEAD RATE/ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS FOR FISCAL YEAR 2015-2016

*The District accepted a Cost of Service Study which included a recommended method to calculate an annual overhead rate to recover indirect costs.*

**Recommendation:** Establish overhead rate for fiscal year 2015-2016

3.4 FINANCIAL INSTITUTION REGISTRY AND AUTHORIZATION

*The District conducts transactions with various financial institutions throughout the year.*

**Recommendation:** Adopt resolution

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

REPORTS

4.1 GENERAL MANAGER

4.2 DISTRICT LEGAL COUNSEL

4.3 SAN DIEGO COUNTY WATER AUTHORITY

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

4.5 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS
5.1 MEETINGS

WEF Northern California Tour
October 21 – 23, 2015 – Begins/Ends at Sacramento Airport

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

6.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

CLOSED SESSION

7.1 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

7.2 CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957
PUBLIC EMPLOYEE PERFORMANCE EVALUATION – GENERAL MANAGER

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

8.1 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, July 10, 2015.

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

Assistant General Manager Scaglione 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
              Administrative Services Manager Emmanuel
              District Engineer Gumpel
              Finance Manager Fusco
              Operations & Maintenance Manager Pedrazzi
              Capital Facilities Senior Engineer Hubbard
              Development Services Senior Engineer Scholl
              Public Information/Conservation Supervisor Robbins
              Executive Secretary Posvar
              Administrative Secretary Johnson

Others Present: Scott Lynch, Black & Veatch
               Kyle McCarty, Black & Veatch

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 15, 2015

15-07-04 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 15, 2015.

ORAL COMMUNICATIONS

Mike Hunsaker, member of the public, addressed the Board stating he is a Board member of the Property Owner Defense League and the Twin Oaks Property Owners’ Association, and that they are concerned about the water and sewer requirements for the Newland and San Marcos Highland Estates proposed projects. Nothing they have seen allays their fears that they are going to end up paying as rate-payers for the facilities for these big developers. He thinks this needs to be addressed. There is also concern about the new water plan and how it is to be done. One of the concerns is the simplistic approach to apartment usage. A one, two, or three bedroom apartment uses a lot more water than the one apartment usage that appears to be in the Master Plan. This needs to be approached with care. There is also the increasing issue of how do we define community gardens: where are these established?; are they commercial?;
are these paid through some Master Plan which intermixes agricultural water from landscaping?; do residents pay for the water and commercial individuals get the fruits of the agriculture? These are all issues that they would like to see addressed, but most of all, they want to make sure that these new developers are paying their fair share for all of the new facilities that are required. They understand the sewer account is already in the hole, so exempting them from impact fees does not seem to be fiscally responsible. He thanked the Board.

CONSENT CALENDAR

15-07-05 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Regular Board Meeting – July 1, 2015

1.2 Warrant List through July 15, 2015 - $2,962,238.24

1.3 Financial Reports

A. Water Meter Count – June 30, 2015
B. Water Production/Sales Report – 2014/2015
E. Reserve Funds Activity – June 30, 2015

1.4 Approval of Construction Agreement for Shane Park Plaza, APN: 219-074-24 (RSF Associates, LLC)

1.5 Approval of Construction Agreement for Eastgate, APN: 219-270-45 & 61 (City of San Marcos)

Director Martin requested clarification on the warrant list with respect to payments made to Buena Creek Gardens, Total Resource Management, Inc., and Southland Water Technologies, LLC, to which staff responded.

PUBLIC HEARING

President Evans opened the hearing as duly noted and posted to collect sewer service fees on the tax roll. The hearing was opened at 4:07 p.m.

General Manager Lamb stated the District elects to have the sewer service fees from sewer only customers collected on the tax roll. State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees.
Staff recommended the Board approve the resolution authorizing the sewer service fees to be collected on the tax roll.

General discussion took place.

There being no persons wishing to address the Board, President Evans closed the hearing at 4:11 p.m.

15-07-06 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the resolution authorizing sewer service fees to be collected on the tax roll.

Resolution No. 1476 - The roll call vote was as follows:

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

ACTION ITEMS

DROUGHT UPDATE

Public Information/Conservation Supervisor Robbins stated the District’s customers achieved a 38% reduction in water usage during the month of May and a 31% reduction in June. In an effort to achieve a successful reduction in July, the District has re-launched outreach efforts to top water users in its service area. The top 500 water users, those who consistently reach Tier 4, will receive a letter that informs them of their high usage, reminds them of drought restrictions, and urges them to take advantage of rebate and conservation programs. The conservation team is also making follow-up phone calls to offer personal assistance to customers. He commented that the response from customers has been very positive.

He noted the following:

- The District’s June 2015 water production decreased 30.62% from June 2014 and 31.17% from June 2013.
- In June 2015, customers used 84.6 gallons of water per person per day compared to June 2014, when they used 119.1 gallons per day.
- On May 20, 2015, the Board adopted emergency drought restrictions in Ordinance No. 195 limiting all outdoor irrigation, excluding certified agricultural or commercial growers, in the months of June through October to two unassigned days per week/eight minutes per station. Reminders of the restrictions have been printed on billing envelopes and on postcards that were sent to customers.
- The District received 340 drought and water waste related phone calls in June, compared to 344 calls received in May.
• Fiscal year-to-date water sales through June are 18.3% less than budgeted. The impact is mitigated by the $3.0 million favorable budget variance in water costs and other favorable operating variances.

General discussion took place.

This item was presented for information only.

2014 MASTER PLAN WATER AND WASTEWATER DUTY FACTOR PRESENTATION

Development Services Senior Engineer Scholl provided a brief status update on the 2014 Master Plan process. To date, approved land use has been assigned to all properties, water and sewer models have been created, and duty factors have been assigned to land use categories. The next steps are to generate future water and sewer demand projections and combine them with the District’s design criteria, establish project phasing and the Capital Improvement Program, generate Capital Improvement Program costs and complete the Master Plan, and create a program Environmental Impact Report.

He presented information on the following:

• Land Use
• Agencies Served by the District
• Duty Factors
  o Measured Water Usage and Proposed Water Duty Factors
  o Water Duty Factor Comparison with Past Master Plans
  o Sewer Duty Factor Comparison with Past Master Plans
• Mixed Use
• Projected vs. Actual Water Demands
• Projected vs. Actual Sewer Flows
• Duty Factors Summary
• Examples
  o Newer Mixed-Use Development in University District
  o Established Mixed-Use Development in Richmar Area
  o Very New Mixed-Use Development in University District
  o Mixed-Use Example Comparison
  o Hotel Examples
• Next Steps
  o Future Water Demand Projections
  o Future Sewer Flow Projections
• Master Plan Schedule

General discussion took place.

This item was presented for information only.
OVERHEAD RATE/ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS FOR FISCAL YEAR 2015-2016

Finance Manager Fusco 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)”, which included a recommended method to calculate an annual overhead rate to recover indirect costs. The report recommended a single overhead rate be applied to direct labor costs and the rate be adjusted annually using the approved District budget in accordance with methodology established in the Report.

On July 16, 2014, the Board adopted Ordinance No. 192 which includes the method by which the overhead rate is calculated, dividing budgeted indirect costs by direct labor costs. Using this formula, the overhead rate for fiscal year 2015/2016 was calculated to be 212%, as compared to 188% for the fiscal year 2014/2015. The increase is mainly due to the increase in employee benefits. However, staff reviewed cost increases that occurred this year that will level off next year, so the overhead rate was revised to 198%.

General discussion took place.

Staff recommended the Board establish the overhead rate for fiscal year 2015/2016 as 198%.

Mike Hunsaker, member of the public, addressed the Board inquiring how routine maintenance is covered in the indirect costs. He stated that he understands the District has a backlog in replacing old lines. Is this going to be in the Capital Improvement Program or is it an ongoing cost?

General Manager Lamb responded, stating that capital comes from capital facilities fees; if there is no need, funds are not spent. Replacement comes out of the current rate payers’ fees. Once a facility is built, committed, and the District takes possession of it and owns it for life, the only revenue comes from water and sewer rates.

15-07-07 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to approve the annual overhead rate of 198%.

FINANCIAL INSTITUTION REGISTRY AND AUTHORIZATION

Finance Manager Fusco stated the District conducts transactions with various financial institutions throughout the year. A registry of financial institutions and staff authorized to transact business on the District’s behalf is provided to the Board annually. The District also has a registry of various brokers/dealers who provide assistance to staff in procuring investments in accordance with the District’s investment policy. There were no changes to the broker/dealers during the calendar year 2015; however, there was one change of authorized staff for financial institutions due to retirement.
Staff recommended the Board authorize continuing with the current registry of authorized broker/dealers, amend the authorizations of financial institutions to remove Ken Gerdes’ name as he has retired, and adopt the proposed resolution removing the Director of Engineering and Operations position from transactions with Union Bank.

General discussion took place.

15-07-08 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the resolution.

Resolution No. 1477 - The roll call vote was as follows:

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

REPORTS

GENERAL MANAGER

General Manager Lamb stated he has asked staff to review water use every Monday to see how this is trending. During the first two weeks of July, water use reduction was approximately 35%.

He announced that the courts have ruled in favor of the San Diego County Water Authority (SDCWA) on Phase 2 of the litigation pertaining to the water rate. $188 million was awarded in damages plus interest and other preferential benefits. More information will be provided at the July 23 SDCWA Board meeting.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee will not meet in July.
Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on July 7 at which the first communication from the auditors was received for the annual audit process, and the Committee recommended a resolution to the Board for approval to appropriate funds for the fiscal year 2016 operating and capital program budgets.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella, Martin, Hernandez and Elitharp reported on their attendance to the San Diego North Economic Development Investors meeting on July 9.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez requested the following information be provided to the Board within the next 60 days:

- A study on connecting the condensate from the District office air conditioning system to the rain barrel. General Manager Lamb stated this was previously considered; however, it was found not to be feasible due to the fact the piping could not be installed from the utility room to the rain barrel without going through the middle of the building and the possibility of Legionnaires' disease developing.
- How long the lease at South Lake has been in place, how many times the lease has been renewed, and what the current cost is of the lease?
- A study on the cost to design and install solar panels on the Twin Oaks Reservoir facilities. What would the budget look like for this project, the cost of design and development, installation timeline, how much power could be generated and what type of payback could be expected? General Manager Lamb stated that staff is exploring this possibility. He will obtain additional information and report back.
- He requested the Board consider attending the WateReuse Association symposium scheduled for September.

Director Sannella stated he has been asked to provide opening and closing comments at the San Diego North Economic Development Council’s water summit on July 16.

Director Martin announced the San Marcos Chamber of Commerce is hosting a “Meet the Elected Officials” Sundowner event on July 23.

CLOSED SESSION

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
CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957 PUBLIC EMPLOYEE PERFORMANCE EVALUATION – GENERAL MANAGER

15-07-09 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to move into Closed Session pursuant to Government Codes 54956.9(a) and 54957.

The Board reconvened to Open Session at the hour of 6:27 p.m. The Board, in Closed Session, conducted an evaluation of the General Manager and found that his performance was satisfactory. His salary shall be adjusted in accordance with Resolution No. 1444, adopted March 19, 2014.

The closed session regarding existing litigation was not needed.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 6:28 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, August 5, 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