AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, NOVEMBER 18, 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 NOVEMBER 18, 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 – NOVEMBER 4, 2015
B. FINANCE/INVESTMENT COMMITTEE MEETING – NOVEMBER 9, 2015

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH NOVEMBER 18, 2015 – $793,078.99

Recommendation: Approve Warrant List
1.3 FINANCIAL REPORTS

A. WATER METER COUNT – OCTOBER 31, 2015
B. WATER PRODUCTION/SALES REPORT – 2015/2016
C. WATER REVENUE AND EXPENSE REPORT – OCTOBER 31, 2015
D. SEWER REVENUE AND EXPENSE REPORT – OCTOBER 31, 2015
E. RESERVE FUNDS ACTIVITY – OCTOBER 31, 2015
F. INVESTMENT REPORT – OCTOBER 31, 2015

1.4 APPROVAL OF CONSTRUCTION AGREEMENT FOR DAVIA VILLAGE (DAVIA EAST DEVELOPMENT, LLC)

The project is located southwest of the intersection of Armorlite Drive and Bingham Drive.

Recommendation: Approve Construction Agreement

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

ACTION ITEMS

2.1 FISCAL YEAR 2014/15 ANNUAL AUDIT REPORT

Annual audit of the District's financial statements.

Recommendation: Accept Fiscal Year 2014/15 audited financial statements

2.2 ANNUAL BOARD TRANSITION AND DECEMBER 2015 BOARD MEETING DATE

Ordinance No. 194 provides guidance on the annual Board reorganization.

Recommendation: 1) Consider and appoint the incoming President and Vice President
2) Consider moving the December 2, 2015 Board meeting to the week of December 7, 2015

*****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 CASA Winter Conference
January 20 – 21, 2016 – Hilton Hotel, Palm Springs, CA

*****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 RB

7.1 ADJOURNMENT OF THE REGULAR VWD BOARD MEETING

*****END OF AGENDA FOR THE REGULAR VWD BOARD MEETING*****
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
- Administrative Services Manager Emmanuel
- District Engineer Gumpel
- Finance Manager Fusco
- Operations & Maintenance Manager Pedrazzi
- Development Services Senior Engineer Scholl
- Accounting Supervisor Owen
- Executive Secretary Posvar
- Administrative Secretary Johnson

Others Present:  
- Scott Manno, Rogers, Anderson, Malody & Scott, LLP
- Brianna Pasco-Schultz, Rogers, Anderson, Malody & Scott, LLP

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 18, 2015

15-11-03  MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 18, 2015.

ORAL COMMUNICATIONS

Mike Hunsaker, member of the public, addressed the Board stating that while viewing the District's website, he read a popup message that indicated irrigation is only allowed on two unassigned days per week. It did not define what those unassigned days are and what it means.
He questioned limitations and the possibility of using pressure washers. When you prepare to paint your house or resurface your driveway, you use a pressure washer. He agrees that people should not use a garden hose to wash off a driveway when they should be using a broom; however, a pressure washer is an industrial commercial item that you need for renovations and such. He would like clarification on when and if pressure washers are appropriate uses. He thanked the Board.

General Manager Lamb stated that staff will contact Mr. Hunsaker to address his questions.

CONSENT CALENDAR

15-11-04 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Regular Board Meeting – November 4, 2015
B. Finance/Investment Committee Meeting – November 9, 2015

1.2 Warrant List through November 18, 2015 - $793,078.99

1.3 Financial Reports

A. Water Meter Count – October 31, 2015
D. Sewer Revenue and Expense Report – October 31, 2015
E. Reserve Funds Activity – October 31, 2015

1.4 Approval of Construction Agreement for Davia Village (Davia East Development, LLC)

ACTION ITEMS

FISCAL YEAR 2014/2015 ANNUAL AUDIT REPORT

Finance Manager Fusco reviewed management’s discussion and analysis which included the financial highlights, and the financial statements which also included the statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; analysis of financial position and results of operations; current to prior year analysis for these positions; restrictions, commitments and limitations;
capital assets and long-term debt. He stated that in June 2015, Fitch Ratings reaffirmed the District's AA+ rating with a stable outlook and Standard and Poor's upgraded the District's AA rating to AA+ with a stable outlook.

General discussion took place.

Scott Manno of Rogers, Anderson, Malody & Scott, LLP provided a brief presentation on the objective of the audit, year-end audit field work performed, internal controls during the interim audit, and the auditor's responsibility. He discussed the audit letter detailing management's responsibility for the financial statements and the auditor's responsibility as well as the auditor's opinion. He stated that the evidence they obtained is sufficient and appropriate to render their audit opinion and are rendering an unmodified opinion, which is the highest level of assurance possible.

Director Sannella stated that he and Director Martin had asked the auditors to look at two randomly chosen areas separate from the financial statements: credit card awards/points and the District's legal expenses. The District does not use a credit card with awards/points associated with it. As for the legal expenses, trend data was provided, but he would like to receive information on the hourly average rate and total number of hours billed in 2014 by the three firms the District uses the most. President Evans requested this information be forwarded to all of the Board members.

Staff requested the Board accept the fiscal year 2014/15 audited financial statements.

The consensus of the Board was to accept, note and file the fiscal year 2014/2015 audited financial statements.

Mike Hunsaker, member of the public, addressed the Board stating there are a couple of items that need to be addressed. He has seen notations about deficits in the sewer and water facility funds, and wonders how these deficits were calculated since we are supposedly having everyone pay their fair share. That may or may not be in the audit report, but he will be unable to see to read it for a couple of weeks.

He stated that we are going to be using desalinated water. There are indications that we are going to have stricter rationing in February. This will drive down our use of water, but we have an obligation to buy desalinated water no matter what. It is far more expensive. Are we going to have to buy desalinated water and forego the ability to buy cheaper water from the Colorado River or Metropolitan?

The other issue that concerns him is that the pension liabilities are going to become progressively larger. He thinks this should be addressed at some point in a long-term fiscal analysis of pension costs.
He further stated that another thing which needs to be added is a discussion of the effects of inflation. Desalinated water is extremely sensitive to inflation. Poseidon’s investors are looking for inflation driven investments. This desalinated water is expensive to begin with. If we have to buy this water regardless and it is sensitive to inflation and the carbon credits, this will also go up dramatically. He thinks this long term impact should be addressed. He thanked the Board.

General Manager Lamb responded to Mr. Hunsaker’s questions. Staff will follow up with Mr. Hunsaker to explain how the deficit is a tracking of funds and that a lot of it is already spent and committed in bonds. He stated that the CALPERS pension issue is out of the District’s hands. In respect to the desalinated water, there is a 2% cap per year on power. That is the maximum amount possible the rate can increase to the District.

ANNUAL BOARD TRANSITION AND DECEMBER 2015 BOARD MEETING DATE

President Evans stated that before discussing the Board transition, she had a question concerning Ordinance No. 194, Section 1.9, B., specifically about the wording that defines a Director’s first term as a four-year period. She stated that she feels the wording is too restrictive and unintentionally limits the opportunity for all of the current Board members to serve as President in their first term. She asked if it was possible to modify Ordinance No. 194, Section 1.9, B., during the meeting to remove the words “four year” between the words “first” and “term” as she believes at the time the Ordinance was last modified there was no thought of Directors’ terms other than a four-year term.

Counsel Scott stated that as Ordinance No. 194 was referenced in the agenda, it is the Board’s prerogative to modify the ordinance if they chose to do so.

General discussion took place.

15-11-05 MOTION WAS MADE by President Evans, seconded by Director Martin, and carried unanimously, to modify Ordinance No. 194, Section 1.9, B., removing the words “four year” before the word “term.”

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

President Martin nominated Director Sannela as incoming President and Director Elitharp as incoming Vice President.
Minutes of the Vallecitos Water District Regular Meeting
November 18, 2015

15-11-06  MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to elect Director Sannella as President and Director Elitharp as Vice President of the Board beginning the first Board meeting in December 2015 through 2016.

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

General Manager Lamb stated that the ACWA Fall Conference scheduled for December 1-4 conflicts with the regularly scheduled Board of Directors meeting on December 2 and that a quorum would not be met for the Board meeting. The consensus of the Board was to reschedule the December 2 Board meeting to December 8, 2015.

REPORTS

GENERAL MANAGER

General Manager Lamb stated the closed session would not take place due to the postponement of previously scheduled mediation to a later date.

General Manager Lamb provided each Board member with a zip drive containing copies of the updated outreach materials such as videos, PowerPoint presentations, and examples of handouts for the Board’s review prior to scheduling a workshop meeting to discuss the items.

General Manager Lamb stated that a requirement of the CSDA District of Distinction certification is that all Board members receive the AB 1825 sexual harassment training. The training can be obtained online or at the ACWA Fall Conference.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated that Governor Brown has issued a new Executive Order pertaining to the drought which calls for the State Water Resources Control Board (SWRCB) to extend restrictions until October 31, 2016 should the drought continue through January 2016. The SDCWA responded in an email stating that they were very encouraged to see that the order recognizes the need for potential modifications to the
SWRCB's existing restrictions due to hydrology and lessons learned from the current restrictions.

ENCINA WASTEWATER AUTHORITY

Director Hernandez reported on his attendance to the Board meeting today at which the recent inspection of 5,500 feet of 48-inch pipe and 2,300 feet of 72-inch pipe was discussed. General Manager Lamb will arrange for the Board to view the video of the inspection.

Director Elitharp stated that he had attended the Board meeting today as well with nothing additional to add.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin, Sannella and Evans reported on their attendance to the San Diego North Economic Development Council's Information/Communication Technology Annual Luncheon on November 13 and the Council of Water Utilities meeting on November 17.

Director Martin reported on his attendance to a meeting with ACWA Executive Director Tim Quinn held on November 18 at the Helix Water District.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella suggested a workshop meeting be held in mid to late January to educate the Board on the Master Plan process. He requested a progress report from the District's consultants who are working on the Master Plan before the workshop meeting and a summary of the progress report be posted on the District’s website. Director Martin inquired about the updated outreach materials that were provided to the Board. General Manager Lamb stated that a workshop will be scheduled to discuss the materials.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)

The closed session did not take place due to the postponement of previously scheduled mediation to a later date.
Minutes of the Vallecitos Water District Regular Meeting
November 18, 2015

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 5:26 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Tuesday, December 8, 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