

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JANUARY 17, 2018, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Regular meeting to order at the hour of 5:00 p.m.

Director Elitharp led the pledge of allegiance.

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

Staff Present: General Manager Pruum
Assistant General Manager Scaglione
Legal Counsel Scott
Administrative Services Manager Emmanuel
District Engineer Gumpel
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Public Information/Conservation Supervisor Robbins
Human Resources Analyst Anderson
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JANUARY 17, 2018

President Hernandez stated he received a request to amend the agenda to address Action Item 2.3 before Action Item 2.1.

18-01-03 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Regular Board Meeting of January 17, 2018 as amended.

INTRODUCTIONS

Human Resources Analyst Bridget Anderson introduced new employees, Bryan Gallego, Wastewater Collections System Worker I, and Scott Banaitis, Control Systems Technician.

PUBLIC COMMENT

None.

CONSENT CALENDAR

President Hernandez stated he received a request from a member of the public to speak on Item 1.5 of the Consent Calendar.

Director Elitharp stated he would be abstaining from voting on Item 1.5 due to his employment relationship with Kennedy Jenks Engineers.

18-01-04 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve Items 1.1, 1.2, 1.3, 1.4, and 1.6 of the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Continued Closed Session Board Meeting – December 15, 2017
- B. Finance/Investment Committee Meeting – December 18, 2017
- C. Closed Session Board Meeting – December 20, 2017
- D. Regular Board Meeting – December 20, 2017
- E. Special Closed Session Board Meeting – January 4, 2018

1.2 Warrant List through January 17, 2018 - \$4,143,052.30

1.3 Financial Reports

- A. Water Meter Count – December 31, 2017
- B. Water Production/Sales Report – 2017/2018
- C. Quarterly Financial Report – December 31, 2017
- D. Water Revenue and Expense Report – December 31, 2017
- E. Sewer Revenue and Expense Report – December 31, 2017
- F. Reserve Funds Activity – December 31, 2017
- G. Investment Report – December 31, 2017

1.4 Winter 2018 Between the Pipes – Vallecitos Water District Quarterly Newsletter

1.6 CalDesal Conference Attendance Approval

Discussion of the remaining Consent Calendar item took place as follows:

1.5 Approval of As-Needed Engineering Services Agreements for Calendar Years 2018 and 2019

Mike Hunsaker, member of the public, addressed the Board stating he feels there should be dollar limits on short-term contracts in emergency situations. If an emergency requires spending over the limit, the General Manager should seek the Board's approval to go over the limit and report back to the Board at the next regularly scheduled meeting. He thanked the Board.

18-01-05 MOTION WAS MADE by Director Martin, seconded by President Hernandez, and carried unanimously, with Director Elitharp abstaining, to approve Item 1.5 of the Consent Calendar as presented.

ACTION ITEMS

DISTRICT PAY SCHEDULE

Administrative Services Manager Emmanuel stated this item was presented primarily for discussion on the format of the District's salary schedule. The District's current salary schedule complies with the California Public Employees' Retirement System's (CalPERS) requirements which includes pay rates for all positions as monthly salary ranges. The salary schedule is posted on the District's website along with a document titled, "Monthly Pay Ranges" which shows the approximate pay rate for each step within the salary ranges. For the purposes of retirement benefits calculation, CalPERS converts all payroll amounts to monthly. The pay rates for the District's salary schedule do not have to be shown as monthly; however, standard practice has been to show pay rates as monthly. It is the District's discretion as to how this information is displayed as long as the CalPERS requirements are met.

Administrative Services Manager Emmanuel further stated staff prepared a revised format for the District's salary schedule which combines the current District salary schedule and monthly pay ranges into one document titled, "Personnel Classification and Monthly Pay Schedule." Additional formats illustrating hourly and annual pay schedules were provided to the Board for consideration. If the Board selects an alternate format, the revised salary schedule would need to be adopted and approved by the Board via a resolution at a future meeting.

General discussion took place regarding the various format options for the District's pay schedule. The consensus of the Board was to direct staff to revise the current pay schedule utilizing the format as shown on page 62 of the agenda packet titled, "Vallecitos Water District Personnel Classification and Annual Pay Schedule," without the column indicating the salary range numbers.

REQUEST FOR EXTENSION OF REQUIREMENTS FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "SAN MARCOS HIGHLANDS" (APN'S 182-110-02 & 03, 182-111-01, 184-240-13, 14, 15, 32 & 33, 184-101-14 AND 184-241-05, 06, 07, & 08) INTO THE VALLECITOS WATER DISTRICT AND THE SEWER IMPROVEMENT DISTRICT (VISTA SAN MARCOS, LTD)

Development Services Senior Engineer Scholl stated that on July 20, 2016, the Board approved the developer's request for annexation into VWD's Sphere of Influence (SOI) exclusive of the 222.0 acres of dedicated open space parcels that are outside the developable project area. The developer proposes to annex 44.06 acres of the developable project area into the District's SOI and water service area, and 66.53 acres into VWD's sewer service area. One of the conditions of the approved annexation was that the annexation must be completed in 180 days. Due to City of San Marcos and LAFCO annexation processing, the developer requested a one-year extension to January 3, 2018, which was approved by the Board on January 4, 2017. There have

been no changes to the project; however, because of an on-going CEQA lawsuit which is anticipated to conclude later this year, the developer has requested an additional one-year extension to January 17, 2019.

Staff recommended the Board approve a one-year extension for the completion of annexation requirements to January 17, 2019.

General discussion took place.

Mike Hunsaker, member of the public, addressed the Board expressing his concerns of whether the District will have enough wastewater capacity, the need for an updated master water plan, and if there will be enough water in a drought. He asked if the annexation fees do not include the capacity fees and when those are ultimately raised, especially for waste treatment, will they be required to pay the capacity fees that are in effect after the master water plan is complete?

Development Services Senior Engineer Scholl stated capacity fees would be due per District policy prior to occupancy and final building permits for all of the proposed 189 single-family homes.

18-01-06 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to approve a one-year extension for the completion of annexation requirements to January 17, 2019.

AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE DISTRICT WIDE SOLAR PROJECT

District Engineer Gumpel stated this subject was delegated to the Engineering/Equipment Committee (Committee) to explore potential solar energy opportunities and discuss savings on operational costs, return on investment, and savings for ratepayers. The Committee directed staff to move forward with releasing a Request for Proposal (RFP) for a consultant to study and represent the District on the development of various energy savings projects. On September 18, 2017, the District submitted an RFP to five solar energy consulting firms. Staff reviewed the three proposals that were received and unanimously selected Terra Verde Renewable Partners as the most qualified consultant.

District Engineer Gumpel further stated staff met with Terra Verde Renewable Partners on December 19, 2017 to discuss their proposed Scope of Services. Adjustments were made to the proposed services based on clarification of assumptions made in the proposal. The Scope of Services includes evaluation of all District sites, evaluation of energy demands and production potential, site selection, solar panels as well as battery-backup and other renewal energy savings measures, the design-build process (three sites), contract/regulatory, program and construction management, facility performance verification, and possible grant funding opportunities. The Scope of

Services and fees were revised and finalized for a not-to-exceed amount of \$212,322; however, this project is not budgeted within the current fiscal year budget or long-term projects.

Staff requested the Board, if it desires to move forward with this project, authorize a budget amendment of \$290,000 to the Fiscal Year 2017/2018 budget for the inclusion of the district wide solar project, and authorize General Manager Pruim to execute a professional services agreement with Terra Verde Renewable Partners in the amount of \$212,322.

General discussion took place. During general discussion District Engineer Gumpel estimated a draft of the consultant's evaluation will be available in approximately four months.

Mike Hunsaker, member of the public, addressed the Board commenting on solar distribution costs and Community Choice Aggregations (CC&A) coming into effect. He hopes the solar study will take into consideration distribution costs and power storage. He thanked the Board.

18-01-07 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to authorize an amendment of \$290,000 to the Fiscal Year 2017/2018 budget for the inclusion of the district wide solar project, and authorize General Manager Pruim to execute a professional services agreement with Terra Verde Renewable Partners in the amount of \$212,322.

PROPOSED 2018 INVESTMENT POLICY

Assistant General Manager Scaglione stated the District's investment policy is presented to the Board annually for adoption. With the Finance Manager position being left unfilled, the District is in need of contracted investment management services. Staff created the draft 2018 Investment Policy utilizing a model investment policy from the San Diego County Water Authority, which was produced by Chandler Asset Management (CM) and incorporates industry best practices. Staff produced the draft investment policy for the District considering the size of the District's investment portfolio, CM's model, ACWA JPIA's policy, and the California Government Code. Before requesting proposals for investment management services, the District's investment policy needs to be modified to accommodate an active investment strategy so that a successful proposer for investment management services will be within policy limits to appropriately invest and actively maintain the portfolio. The draft policy is not as restrictive as the District's current investment policy to allow the services of a professional investment firm; however, it is more restrictive than CM's model, which is more restrictive than California Government Code.

Staff recommended the Board adopt the Investment Policy for 2018 and authorize staff to prepare and release a Request for Proposal (RFP) for investment management services.

General discussion took place during which Director Martin questioned adopting a new investment policy before hiring an investment firm. Assistant General Manager Scaglione stated two things to be considered are: 1) hiring an employee to perform investment management versus contracting outside services; and 2) the opportunity to increase the District's investment earnings, even considering the fees that would be paid to an outside investment firm. The proposed policy is flexible enough to work with either keeping the investment management in-house or contracting with an outside firm.

Further discussion took place during which General Manager Pruim recommended going forward with the release of the RFP for investment management services and asking the Finance/Investment Committee to review the proposed policy in more detail before making its recommendation to the Board.

Mike Hunsaker, member of the public, addressed the Board stating this is a period of time in which risk with even supposedly non-risky instruments is increasing. He asked that whatever firm the Board considers, they can be terminated for poor performance and should be reviewed annually. He also requested it be noted in future staffing reports that the District eliminated one position in order to hire outside consultants. He thanked the Board.

18-01-08 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, to authorize staff to prepare and release a Request for Proposal for investment management services.

ACWA REGION 10 BOARD SEEKING REGION 10 BOARD CANDIDATES

General Manager Pruim stated the Association of California Water Agencies (ACWA) is seeking nominations for ACWA members who are interested in serving on the ACWA Region 10 Board of Directors for the remainder of the 2018-2019 term.

A nomination form must be completed and a resolution of support from the candidate's Board of Directors is also required. Nominations are due by Friday, March 2, 2018.

Director Evans expressed her interest in serving on the ACWA Region 10 Board of Directors.

18-01-09 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to adopt a resolution of support for Director Evans' nomination to the ACWA Region 10 Board of Directors.

LAFCO CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD

General Manager Pruim stated that as part of the 2011 Budget Act, the California State Legislature approved the dissolution of the State's 400-plus Redevelopment Agencies. To facilitate the wind-down process at the local level, Successor Agencies (SAs) were established to manage redevelopment projects currently underway, make payments on enforceable obligations, and dispose of redevelopment assets and properties. Each SA has an Oversight Board (OB) that supervises its work. The OB is comprised of representatives of the local agencies that serve the redevelopment project area. One role of the OB is to determine how property tax revenues are allocated.

General Manager Pruim further stated that in September 2015, Senate Bill 107 was passed, mandating the consolidation of all 17 SAs in San Diego County by July 1, 2018. This consolidation will be carried out through a seven-member oversight board. The legislation also provides that one of the seven seats on the OB shall be filled by a special district representative. LAFCO is in the process of soliciting names of individuals interested in serving as the special district representative on the consolidated oversight board. Vallecitos Water District is one of 19 special districts eligible to nominate and serve on the oversight committee for the SAs for the 17 redevelopment areas in San Diego County.

Director Martin expressed his interest in serving on the LAFCO Consolidated Redevelopment Oversight Board.

18-01-10 MOTION WAS MADE by Director Sannella, seconded by Director Evans, and carried unanimously, to nominate Director Martin to serve on the LAFCO Consolidated Redevelopment Oversight Board.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- Director Evans has been named President of the Water Conservation Garden Joint Powers Authority, serving as the San Diego County Water Authority's (SDCWA) representative.
- The State Water Resources Control Board (SWRCB) is developing a document to address water waste prohibitions. The prohibitions would apply state wide. District staff has worked with other local districts and the SDCWA to provide comments to the document that's being developed by the SWRCB. The SWRCB will be releasing a revised draft final document on Monday, January 22, 2018. An adoption hearing has been tentatively scheduled for February. If approved, the new prohibitions would be in effect in April 2018.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board meeting is scheduled for Thursday, January 25.

ENCINA WASTEWATER AUTHORITY

President Hernandez stated the Capital Improvement Committee will not meet in January. The next meeting is scheduled for February 21.

Director Elitharp stated the Policy and Finance Committee will not meet in January. The next meeting is scheduled for February 13.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella, Martin, Elitharp, Evans and Hernandez reported on their attendance to the Council of Water Utilities meeting on January 16.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

President Hernandez commented on the loss of Title 16 monies the region was due to receive. The new Director of the Bureau of Reclamation is working on this issue.

Director Sannella stated he received information regarding the San Marcos Annual State of the City address scheduled for March 7. He suggested placing this item on a future agenda to discuss per diems and potential District sponsorship of the event.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 6:26 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 7, 2018, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Prui, Secretary
Board of Directors
Vallecitos Water District