

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 18, 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 Evans led the pledge of allegiance.

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

Staff Present: Legal Counsel Gilpin
District Engineer Gumpel
Administrative Services Manager Emmanuel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Accounting Supervisor Glenn
Public Information/Conservation Supervisor Robbins
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 18, 2018

18-07-01 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 18, 2018.

INTRODUCTIONS

Administrative Services Manager Emmanuel introduced new employees Anthony Glenn, Accounting Supervisor, and Arturo Sanchez, Wastewater Treatment Plant Operator I.

PRESENTATION

President Hernandez presented Arturo Alvarez, Meter Services Worker II, with his Certificate for Cross-Connection Control Specialist from the American Backflow Prevention Association.

PUBLIC COMMENT

None.

CONSENT CALENDAR

Director Elitharp requested Item 1.1B be pulled for discussion.

18-07-02 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented with the exception of Item 1.1B.

1.1 Approval of Minutes

- A. Closed Session Board Meeting – June 20, 2018
- B. Regular Board Meeting – June 20, 2018
- C. Finance Committee Meeting – June 25, 2018

1.2 Warrant List through July 18, 2018 - \$6,217,471.09

1.3 Financial Reports

- A. Water Meter Count – June 30, 2018
- B. Water Production/Sales Report – 2017/2018
- C. Quarterly Financial Report – June 30, 2018
- D. Water Revenue and Expense Report – June 30, 2018
- E. Sewer Revenue and Expense Report – June 30, 2018
- F. Reserve Funds Activity – June 30, 2018
- G. Investment Report – June 30, 2018

1.4 Operations & Maintenance Metrics Quarterly Report – June 30, 2018

1.5 Final Acceptance of Water and Sewer Improvements for San Elijo Hills Town Center (SEH Lifestyle Center, LLC)

Director Elitharp suggested a correction to Item 1.1B, minutes of the June 20, 2018 Regular Board meeting. It is stated in the minutes that Motion 18-06-14 carried unanimously 3-1. He recommended deleting the word “unanimously” from the minutes.

18-07-03 MOTION WAS MADE by Director Elitharp, seconded by Director Martin, and carried unanimously, to approve Item 1.1B of the Consent Calendar as amended.

PUBLIC HEARING

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, 2018 TO JUNE 30, 2019

President Hernandez opened the hearing as duly noted and posted to collect sewer service fees on the tax roll. The hearing was opened at 5:06 p.m.

District Engineer Gumpel stated the Board adopted Resolution No. 1540 on June 20, 2018 electing to collect sewer service fees on the tax roll for Improvement District "A" which includes all parcels that receive sewer service but do not receive water service. The sewer service fees will be collected by the County of San Diego and then transferred to the District. The purpose of the hearing was to receive public input on the sewer service fees collected on the tax roll for Improvement District "A."

Staff recommended the Board adopt the resolution authorizing the sewer service fees for Improvement District "A" to be collected on the tax roll.

There being no persons wishing to address the Board, President Hernandez closed the hearing at 5:07 p.m.

18-07-04 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to adopt the resolution authorizing sewer service fees for Improvement District "A" to be collected on the tax roll.

Resolution No. 1541 - The roll call vote was as follows:

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

ACTION ITEMS

ORDINANCE ESTABLISHING PUMP ZONE CHARGES FOR FISCAL YEARS 2018/19 AND 2019/20

Financial Analyst Arthur stated that on May 17, 2017 the Board of Directors adopted pump zone charges to recover the cost of electricity related to pumping water to customers in higher elevations. Only the cost of electricity is included in the pump zone charges and only customers directly benefiting from the additional cost of pumping are charged. The Board's direction was to smooth the charges over a three-year period with a step approach. Cost recovery is estimated to be 62% in Fiscal Year (FY) 2017/18, 77% in FY 2018/19, ultimately reaching 95% in FY 2019/20 and beyond.

Financial Analyst Arthur facilitated a presentation on the District's ten pump zones which included the following:

- SDG&E Recovery %
- Pass Through Charges – Current
- Pass Through Charges – FY 2018/19
- Pass Through Charges – FY 2019/20

Staff recommended the Board adopt the ordinance establishing pump zone charges for Fiscal Years 2018/19 and 2019/20. The charges for FY 2018/19 would be effective as soon as administratively practical. The charges for FY 2019/20 would be effective July 1, 2019.

General discussion took place during which it was noted that charges for several pump zones have decreased. Financial Analyst Arthur explained that previously the charges were set separately for each individual pump zone. The charges are now calculated homogenously using the weighted lift volume approach (how high the water has to be lifted).

18-07-05 MOTION WAS MADE by Director Evans, seconded by Director Elitharp, and carried unanimously, to adopt the ordinance establishing pump zone charges for Fiscal Years 2018/19 and 2019/20.

Ordinance No. 208 - The roll call vote was as follows:

AYES: Elitharp, Evans, Martin, Sannella, Hernandez

NOES:

ABSTAIN:

ABSENT:

ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER
INDIRECT COSTS FOR FISCAL YEAR 2018/19

Finance Manager Owen stated the overhead rate moves a portion of operating costs to the cost of an appropriate project or asset, is required by Generally Accepted Accounting Principles (GAAP) and eliminates an unfair burden on the rate payers. He provided a presentation on the overhead rate as follows:

- Purpose
- Background/Methodology
- Methodology
- Current Year Calculation
- Prior Year Comparisons
- Recommendation

Finance Manager Owen further stated Black & Veatch prepared a 2013 Cost of Service Report which recommended using a single overhead rate to be applied to direct labor based on the approved budget effective July 1 of each fiscal year. The overhead rate applies to outside contractor costs, developer projects and miscellaneous billings, and is calculated by using budgeted indirect costs and employee benefits divided by direct labor costs. The proposed overhead rate for FY 2018/19 is 219.43% which is a decrease from 221.65% the previous fiscal year.

Staff recommended the Board adopt the ordinance establishing the new overhead rate of 219.43% for FY 2018/19.

General discussion took place.

18-07-06 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to adopt the ordinance establishing the new overhead rate.

Ordinance No. 209 – The roll call vote was as follows:

AYES: Elitharp, Evans, Sannella, Martin, Hernandez

NOES:

ABSTAIN:

ABSENT:

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) 2018 BOARD ELECTIONS – SEAT A

District Engineer Gumpel stated CSDA has provided a ballot for the District's use in voting to elect a representative to the CSDA Board of Directors in the District's network (Southern Network) for Seat A. The current Director serving Seat A, Jo MacKenzie, is running for re-election.

General discussion took place.

18-07-07 MOTION WAS MADE by Director Martin, seconded by Director Evans, and carried unanimously, to support Jo MacKenzie for Seat A on the CSDA Board of Directors.

REPORTS

GENERAL MANAGER

District Engineer Gumpel reported the following:

- The Engineering/Equipment Committee will meet on Monday, July 23. Items for discussion will include the Rock Springs sewer project, groundwater study scope and fee, locker room expansion project and Stargaze pilot project.
- A meeting to discuss the Strategic Plan is scheduled for Tuesday, July 24.
- The Board Room lighting/audiovisual upgrade project is on schedule to begin August 2. It is anticipated that the project will be completed prior to the August 15 Regular Board meeting; however, if delays occur, accommodations will be made for that meeting.
- The Employee Appreciation Luncheon is scheduled for August 2.
- The Stargaze and River Run pilot project involving the pipe lining was to be completed on July 23; however, delays and equipment problems have occurred.

The project is approximately one week behind schedule. Customers will be re-connected to the main line during the week of July 31. Measures will be taken to accelerate the project schedule if possible without further inconveniencing customers. Affected residents will not be responsible for the commodity charge during the time they are connected to the high line and will be receiving a letter regarding the schedule update and a reminder that the commodity charge is going to be waived.

- General Manager Pruiam will return from vacation on July 19.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated AB 2649 is moving forward. The bill would allow GSAs to apply to the State Board for temporary emergency permits for putting water into groundwater basins. The water bill, SB 998, has moved over to the Assembly side and is being considered by the Environmental Safety and Toxics Committee.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated it didn't appear the water tax was added to a trailer bill or had much support, but it is still alive and could be signed at the last minute. The Coca Cola Company is supporting the water tax.

Director Evans further stated the Metropolitan Water District voted to support the Delta fix; however, they were challenged for a Brown Act violation. A re-vote on the issue passed.

ENCINA WASTEWATER AUTHORITY

President Hernandez reported on his attendance to the Capital Improvement Committee meeting this morning at which a contract with Kennedy Jenks was approved to perform an assessment of EWA's assets. The Committee also reviewed capital improvements.

Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on July 10 at which the committee received and filed the annual auditor's communication and recommended a resolution to the Board appropriating funds for Fiscal Year 2019 operating and capital program budgets.

STANDING COMMITTEES

Director Martin stated the Finance/Investment Committee met on June 25 at which the Committee received an excellent review of overhead charges. He further stated Other Post Employment Benefits (OPEB) is fully funded now after making monthly payments of \$200,000 during the past nine months.

President Hernandez stated the Engineering/Equipment Committee will meet on Monday, July 23.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Evans reported that she has participated in three telephone conferences in preparation for the ACWA Region 10 event to be held on October 18. The theme will be removing barriers to innovation and moving forward.

Directors Elitharp, Hernandez, Martin, and Sannella reported on their attendance to the Council of Water Utilities meeting on July 17.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella requested an update on the District owned property adjacent to the District office.

Director Evans inquired about the August 1 Regular Board meeting. It was determined that there will not be a quorum for that meeting.

Director Evans commented on the recent heat wave and expressed her appreciation for staff who had to work in the hot conditions.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 5:37 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, August 1, 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:

James Gumpel, District Engineer
Vallecitos Water District