

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Tuesday, January 19, 2016
Time: 2:00 P.M.
Place: Board Room
29300 Valley Center Road
Valley Center, CA 92082

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Broomell at 2:00 P.M.

ROLL CALL

Board members present were: Directors Broomell, Polito, Aleshire and Haskell. Staff members present were: General Manager Arant, General Counsel Martin, District Engineer Grabbe, Director of Operations Hoyle, Finance Director Pugh, IT Director Pilve, Safety and Regulatory Compliance Supervisor Olson and Executive Assistant Johnson. Spectators present were Michael Kinoshita – MKA, John Christopher – Louis-Berger, Jacqueline Howells – HGR, and Cor Shaffer - Resident.

CONSENT CALENDAR

1. Upon motion by Polito, seconded by Haskell and unanimously carried, the following consent calendar items were approved:

- Minutes of the Board meeting held December 21, 2015
- Audit demand check numbers 142544 through 142760 for December 11, 2015 through January 7, 2016 and wire disbursements for December 2015
- Treasurer's Report for month ending November 30, 2015
- Quarterly report of employee expense reimbursements for quarter ended December 31, 2015

ACTION AGENDA

2. Administrative Building Improvement Project and Discussion of Long-Term Corporate Facility Plan:

Proposed improvements to the front office of the District's Administrative building to provide added security for the employees and more convenience for the customers were discussed by Michael Kinoshita of MKA Architecture and Planning.

The new layout would allow customers to pay bills, conduct inquiries and sign up for new service at the front counter. Customer service staff from Finance would move to the front of the building and the Operations Administrative staff would relocate to the Finance area at the back of the building.

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Preliminary construction estimates to reconfigure the front entrance area range from \$97,000 to \$135,000. Currently, the Administrative Facility Improvements Project Account has a balance of \$79,780. In order to move forward with the project, a budget transfer of \$72,845 is needed to cover the cost and is available from the surplus balance of the Country Club Reservoir Improvements Project. Construction is expected to take 60 days.

Additional, less extensive, improvements to the current Finance area will be requested during the FY 2016-17 budget process.

Upon motion by Polito, seconded by Haskell and unanimously carried, staff was directed to move forward with the proposed improvements to the front entrance, and transferring surplus funds from the Country Club Reservoir Project to the Administrative Facility Improvements Project.

A Corporate Needs Assessment was completed in 2001 to determine the District's long-term facility needs, reported General Manager Arant. Several alternatives were considered before finally purchasing the Lilac Road site for a new facility. Since that time many factors in the assessment have changed such as: the number of full-time employees needed at full build out; sewer is now expected to be available on the current site with completion of the North Village segment of the Woods Valley Wastewater Expansion project; and Valley Center Road has been widened and the major intersections signalized. Staff believes that these significant changes warrant revisiting and re-evaluating the long-term Corporate Facility needs of the District.

The Board concurred with staff's recommendation to update the facility evaluation and staffing analysis by the end of 2016 and will return to the Board with all items to be considered.

3. Drought Response Program – 2015 Summary:

The Drought Response Program for domestic and commercial customers started on June 1, 2015 with mandatory 36% cutbacks compared to calendar year 2013. An update on the program through December 2015 was provided by General Manager Arant.

To achieve the reduction goals mandated by the state, the District implemented mandatory outside water use restrictions that were enforced with progressive fines for non-compliance. To date the District has collected \$2,650 in fines. Staff was given full discretion to work with customers on educating them in order to meet their goals.

TSAWR customers were requested to cut back 15% compared to FY 2013-14 beginning July 1, 2015. Commercial Ag Full Price (CAFP) was a special group assigned a 5% cut back compared to FY 2013-14. These customers were supplied a monthly allocation with the opportunity to move water, appeal for more, and earn back penalties with future conservation. Over-use penalties of \$2418/AF up to \$4294/AF, set by Metropolitan, were enforced. To date, fines amounting to

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\$556,447 have been collected, although this number goes up and down as customers earn credit for conserving in later months.

Field Department staff were focused on patrolling and issuing citations to educate customers on the mandatory use restrictions during June, July and August. Conservation results exceeded the state standard until October when outside watering diminished. However, with excess conservation through the summer, cumulative conservation totals are still above the standard.

Governor Brown extended emergency drought conditions through October 31, 2016. The SWRCB issued a modified framework that is expected to be adopted on February 2, 2016. Adjustments for climate, growth, and drought resilient supply development are anticipated. Mr. Arant will draft a letter of comment on the proposed framework and will be at the SWRCB hearing to provide testimony. The District will also recommend the State develop a protocol for going into and out of future droughts, which will inevitably occur.

4. District Auditor Selection Process Review:

The accounting firm of Leaf & Cole, LLP has performed the District's annual audit since FY 2002-03. Their current three year contract expired with completion of the 2014-15 audit, reported Finance Director Pugh. With their workmanship, the District has received the Certificate of Achievement in Financial Reporting from the Government Finance Officers of America annually since 2002-03.

After reviewing the pros and cons of hiring a new auditor, Mr. Pugh requested Board direction on whether to issue a Request for Proposals from other audit firms or to extend Leaf & Cole's contract.

Upon motion by Aleshire, seconded by Haskell and unanimously carried, the Board approved extending Leaf & Cole's contract as auditor for 3 more years with a rotation in the managing partner.

5. Declaration of Hauck Mesa Reservoir Site as Surplus Property:

With completion of the Country Club Reservoir upgrade improvements, the Hauck Mesa Reservoir and its 0.44 acre site are no longer necessary reported District Engineer Grabbe. The reservoir has a base elevation much lower than the Country Club Reservoir, making only half its volume usable. For the amount of storage the reservoir provides, it is costly to maintain. The San Diego County Water Authority has expressed an interest in acquiring the site as part of their Valley Center Pump Station improvements to increase the amount of water that can be delivered to the First Aqueduct via the 2A Pipeline. Board approval was requested to declare the property as surplus and authorize the General Manager to offer the property for sale in accordance with Administrative Code Article 140.8(h).

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Upon motion by Aleshire, seconded by Polito and unanimously carried, the following Resolution, entitled:

RESOLUTION NO. 2016-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT DECLARING THE
HAUCK MESA RESERVOIR AND ITS SITE SURPLUS PROPERTY
AND AUTHORIZING AND DIRECTING THE GENERAL MANAGER
TO OFFER THE PROPERTY FOR SALE [ACCOUNT NO. 01-1510.26]**

was adopted by the following vote, to wit:

AYES: Directors Broomell, Polito, Aleshire and Haskell

NOES: None

ABSENT: None

6. Energy Services Contract Negotiations with Zero Net Energy Alliance/ABM Building Services – Status Report:

After three negotiation sessions with ABM Building Services, all of the contract issues have been resolved reported General Manager Arant. Execution of the contract will allow ZNE/ABM to put together a list of projects envisioned for Phase 1 of the program. A financial pro forma will also have to be submitted to show how the proposed projects will pay for themselves. Staff will return to the Board for approval before beginning Phase 2.

GENERAL MANAGER'S AGENDA

7. Miscellaneous:

The November 2015 status report was submitted for review.

BOARD OF DIRECTORS' AGENDA

8. Board Vacancy Process Determination:

The Board has three options for filling the Board vacancy in Division 4 created by the retirement of Director Stone: 1) Make an appointment, 2) schedule a special election, or 3) do nothing and let the Board of Supervisors decide. If a decision is not made by the end of February, the Board of Supervisors will step in.

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Upon motion by Aleshire, seconded by Haskell and unanimously carried, an appointment will be made to complete the current term in Division 4. Interviews of potential candidates will be conducted at the February 16, 2016 regular meeting.

9. San Diego Local Agency Formation Commission – Special Districts Election:

San Diego County Special Districts have two seats on the San Diego Local Agency Formation Commission (LAFCO). In addition, a Special District Advisory Committee assists and makes input to the full commission on special district related issues. Currently up for election are one of the Special District Regular Seats, the Special District Alternate Seat, and eight seats on the 16-member Special District Advisory Committee. Nomination forms and letters of support for the various candidates were provided to the Board along with the Nominating Committee's recommendations.

A ballot was also included to vote on extending the term of current Regular Member Jo MacKenzie to 2020, and extending the term of the currently open Regular Member seat to 2019. These extensions are recommended as cost saving measures to avoid conducting elections for Regular Members again in 2016 and 2017.

Upon motion by Aleshire, seconded by Polito and unanimously carried, the Board elected to vote per the Nominating Committee recommendations.

ADJOURNMENT

10. Upon motion by Aleshire, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:31 p.m.

Minutes Approved by the Board of Directors at their meeting on February 16, 2016