

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, April 4, 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, Haskell and Ferro. Staff members present were: General Manager Arant, General Counsel de Sousa Mills, District Engineer Grabbe, Director of Operations Hoyle, Finance Director Pugh, IT Director Pilve, Accounting Manager Velasquez, and Assistant Executive Assistant Lovelady. Spectators present were Jacqueline Howells – HGR, and Harlan Beck.

CONSENT CALENDAR

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

- Minutes of the Board meeting held March 21, 2016
- Audit demand check numbers 143421 through 143525 for March 11, 2016, through March 24, 2016
- Treasurer's Report for month ending February 29, 2016

ACTION AGENDA

2. **Cool Valley Reservoir Cover/Liner Replacement Project – Request Adoption of Resolution Pledging Funds and Revenues for Repayment:**

The Board approved \$4.25M in capital funds for replacement of the Cool Valley Reservoir Cover/Liner Replacement Project (Project) with the FY 2015-16 Budget. In September 2015, the Board adopted Resolution No. 2015-36 authorizing staff to prepare and submit to the State Water Resources Control Board (SWRCB) a Drinking Water State Revolving Fund (DWSRF) Program financial assistance application. The final Board action needed to complete the application for the DWSRF loan is approval of the proposed Pledged Funds and Revenues Resolution (PRF).

The PFR Resolution is a standard form SRF Resolution, reviewed by BBK, comprised of the following three main actions:

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1. Authorizing General Manager or his Designee to sign and submit all documents,
2. Pledging the District's Water Enterprise Fund and Net Water Revenues for Repayment of DWSRF Loan, and
3. Ratifying and affirming prior actions of the Authorized Representative and confirming SWRCB reliance on the provisions of the resolution.

District Engineer Grabbe reported that SWRCB approval of the DWSRF loan application could take up to 3 to 4 months and that the State would not reimburse construction funds expended prior to the SRF loan approval. Pending DWSRF financing approval, the project is scheduled to start, best case - June 27, 2016; worst case – August 22, 2016. Allowing for a construction contract time of 200 calendar days, plus an estimated 30 days for water quality testing, puts the reservoir back on line, best case - February 12, 2017; worst case – April 9, 2017.

Mr. Grabbe further reported that the current terms for DWSRF loans is 20 years at 1.6% interest; resulting in an estimated \$250,000 annual debt service for the project.

Adoption of Resolution 2016-11, authorizing and directing the General Manager (the "Authorized Representative"), or designee to execute the financing agreement along with any amendments, pledging and dedicating net water revenues and the water enterprise fund to the repayment of the DWSRF financing for the Project; and ratifying and affirming all acts authorized hereunder and performed prior to the date of this resolution and confirming SWRCB reliance upon the provision of the resolution, was recommended by staff.

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

RESOLUTION NO. 2016-11

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT**

AUTHORIZING THE GENERAL MANAGER OR DESIGNEE TO:

- 1) SIGN FINANCING AGREEMENT, AMENDMENTS, AND CERTIFICATION FOR FUNDING UNDER DRINKING WATER STATE REVOLVING FUND (DWSRF);**
 - 2) APPROVE CLAIMS FOR REIMBURSEMENT;**
 - 3) EXECUTE BUDGET AND EXPENDITURE SUMMARY; AND**
 - 4) SIGN THE FINAL RELEASE FORM AND THE CERTIFICATION OF PROJECT COMPLETION; AND**
- PLEDGING AND DEDICATING NET WATER REVENUES AND THE WATER ENTERPRISE FUND TO THE PAYMENT OF DWSRF FINANCING FOR THE COOL VALLEY RESERVOIR COVER/LINER REPLACEMENT PROJECT**

was adopted by the following vote, to wit:

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AYES: Directors Broomell, Polito, Aleshire, Haskell and Ferro

NOES: None

ABSENT: None

GENERAL MANAGER'S AGENDA

3. Metropolitan Water District (MWD) Proposed Fixed Treatment Charge:

MWD is not selling enough treated water to cover their debt service and operating cost on their treatment facilities. MWD is looking to recover 38% of their fixed cost (operations and maintenance costs, chemicals, and debt service) for treatment. The percentage comes from their cost of service study. Currently, 100% of treated costs are recovered by commodity charges. Because of alternative water methods and conservation, the commodity charges are no longer covering their treatment water demands. As currently proposed, MWD is going to look at treated water demands between 1998 - 2007 and fix the fixed treated water charge based upon relative use of water purchased during that time. SDCWA is projecting a 62-93% increase and, if passed directly through to member agencies, VCMWD will see a 20% increase in water rates in and by itself. General Manager to testify before MWD's Finance and Insurance Committee on Monday, April 11, 2016, and Board of Directors on Tuesday, April 12, 2016.

4. San Diego County Water Authority's Board Meeting Summary:

SDCWA currently refunding a lot of their debt, and saving upwards of 50 million dollars over the life of the bonds. SDCWA also modified their drought ordinance and they are backing off of the regional mandate of 2 days a week for outside ornamental landscape watering. The District will not change outside watering restrictions unless something comes from the State.

5. Report on Federal Advocacy Efforts by Howells Government Relations:

Update the Board on the efforts that are going on in DC and Statewide. Howells is currently working on Ag Funding efforts, SRF Funding, Prop 1, Legislative Language, USDOJ-BOR Feasibility Study, and ongoing FED efforts. VCMWD/NRCS /MRCD Partnership began in 2013. The results to date have been in 2014 \$68,556 in funding to 4 Ag producers increased in 2015 to \$280,601 in funding to 4 Ag producers. Regional Conservation Partnership Coalition program is new this year to discuss the possibility of pursuing funding for Ag customers.

HGR is currently advocating to keep SRF funding from Congress to the EPA and to the States. HGR did a letter writing campaign along with VCMWD. By virtue of qualifying for SRF funding it assists in qualifying for Prop 1 funding as well.

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Proposition 1 funding is used for Recycled Water projects and safe drinking water projects. Proposed \$625M, 50% for Grants and 50% for Loans. These grants are similar to Proposition 13 Loans and Grants which have essentially gone away. By qualifying for SRF funding we are able to qualify for Prop. 1 funding.

HGR is working on getting "Authorization" legislative language that would essentially state that "any water district whose projects are declared feasible by the Bureau of Reclamation are then, by virtue, able to compete for Prop. 16 funding". Applications for funding are due April 20, 2016.

Lastly, HGR is continually working on providing VCMWD with a Federal presence.

6. Miscellaneous:

General Manager Arant reported on the following miscellaneous items:

- State Water Resources Control Board to host a workshop on April 20th in Sacramento and will be taking input on what changes to make on the current Emergency Regulations.
- General Manger working with ACWA, CMUA, and California Urban Water Agencies to develop principles for long term regulations.
- Staff monitoring the actions taking place with the Groundwater Management and Groundwater Sustainability Agency because a small portion of our District is in the upper basin. Staff will be attending a meeting next week regarding the GSA.
- ABM/ZNE will be coming in with a preliminary analysis of rapid AMI and solar here at the facility.

CLOSED SESSION

7. A closed session was called by President Broomell at 2:53 p.m. pursuant to:

- **Government Code §54956.9(d)(4) – Conference with Legal Counsel, Anticipated Litigation.**

Initiation of Litigation: one case

- **Government Code §54957.6 – Conference with Labor Negotiators:**

Agency Representative: Gary Arant, General Manager
Employee Organization: Valley Center MWD Employee Association

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RECONVENE

8. The regular Board of Directors meeting reconvened at 4:02 p.m. There was no reportable action.

ADJOURNMENT

9. Upon motion by Aleshire, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 4:02 p.m.

ATTEST:

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President

Secretary

Minutes approved at a regular meeting of the Board of Directors on 04/18/2016