

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, July 18, 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, Aleshire and Haskell. 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, Manager of Accounting Velasquez, and Executive Assistant Johnson. Spectators present were: Jacqueline Howells – HGR, Harvey Katzen, Todd Havelaar and Kecia Davison – ABM, and Joe Tait – MMG.

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 June 20, 2016.
- Minutes of the adjourned regular Board meeting held on June 27, 2016
- Audit demand check numbers 144182 through 144184 and 145951 through 146147 for June 10 through July 7, 2016 and electronic disbursements for June 2016
- Treasurer's Report for month ending May 31, 2016
- Quarterly Report of employee expense reimbursements for quarter ended June 30, 2016

PRESENTATION

2. ABM-ZNE Phase II Energy Services Proposal:

Following execution of an Energy Services Agreement with ABM Building Services (a partner of the ZNE Alliance), a "Comprehensive Energy Analysis Report" was presented to District staff in May, 2016. Staff conducted a detailed analysis of the report which required ABM to make several revisions to their initial findings. Those findings are being presented today.

Valley Center Municipal Water District Board of Directors' Meeting

ABM Representative, Harvey Katzen, reminded the Board that energy expense is one of the District's highest line items. The proposal's objectives were to provide long term operational savings, upgrade inefficient systems, maintain functionality and compatibility, increase revenue, incorporate renewable energy and reduce the District's carbon footprint. This could be obtained through a bundled energy savings approach by implementing nine projects:

- AMI conversion of water meters
- System data integration and analytics for enhanced operational management
- Automatic remote control of strategic by-pass valves for pump storage
- VFD's on aerators at wastewater treatment plants
- LED lighting retrofits at corporate, Woods Valley and Moosa
- Solar PV at four sites
- Battery energy storage at corporate facility
- EV charging station at corporate facility
- HVAC and controls retrofit at corporate facility

ABM estimated that this project bundle would have a combined capital cost of \$11.386 million; would generate annual revenues or operational cost savings of \$1.518 million; thus paying for itself within 7.47 years. With a 20-year life cycle of equipment, the payback/ongoing savings will provide a significant return on investment. In addition, ABM guarantees against savings shortfalls by making up the difference and guarantees the accuracy of the water meters at 98%.

The financial analysis and project financing was reviewed by Kecia Davison of ABM. Included in their analysis were alternative scenarios, requested by staff, in case of a 30% drop and 60% drop in water sales in the first three years. A tax-exempt lease-purchase financing instrument, recommended by ABM, is being evaluated by General Counsel.

Upon motion by Aleshire, seconded by Haskell and unanimously carried, with Polito and Ferro absent, the Board directed staff to continue working with ABM to refine the numbers and bring the final proposal back to the Board in the August/September timeframe.

ACTION AGENDA

3. Resolution No. 2016-24 Rescinding the Level 2, Water Supply "Alert" Condition of Article 230 and Implementing SWRCB End-User Requirements:

In response to actions taken by the State Water Resources Control Board and Metropolitan Water District, the San Diego County Water Authority took action, effective immediately, to rescind its call for member agencies to implement Level 2 of their respective drought response ordinances. This ends the use requirements to limit outdoor landscape irrigation to two days per week and ends the use restrictions for customers participating in the TSAWR program, reported Mr. Arant.

**Valley Center Municipal Water District
Board of Directors' Meeting**

District customers will still be encouraged to follow water conservation practices and to follow the State's mandatory end-user provisions. If adopted, staff will notify customers of the Level 1 "Watch" Condition, found in Article 230 of the Administrative Code, which will be in effect now through the end of 2016. The winter snowpack/rainfall of 2016-2017 could affect water use requirements for next year.

Upon motion by Aleshire, seconded by Haskell and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2016-24

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT
RESCINDING THE LEVEL 2 WATER SUPPLY "ALERT" CONDITION OF
ARTICLE 230 OF THE ADMINISTRATIVE CODE, THE WATER SUPPLY
SHORTAGE RESPONSE PROGRAM, AND ADOPTING THE
STATE WATER RESOURCES CONTROL BOARD'S END-USER
REQUIREMENTS IN THE PROMOTION OF WATER CONSERVATION**

was adopted by the following vote, to wit:

AYES: Directors Broomell, Aleshire, and Haskell

NOES: None

ABSENT: Polito and Ferro

GENERAL MANAGER'S AGENDA

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

General Manager Arant reported on the following items from the SDCWA Board of Directors' Meeting of June 23rd:

- The Water Authority adopted a rate increase of 6.6% for M&I customers and 8.0% for TSAWR customers for calendar year 2017;
- Adopted their 2015 Urban Water Management Plan which will be submitted to the State;
- Approved an Engineering contract with LEE & RO, Inc. for the design of the Hauck Mesa Storage Reservoir. District staff will be in discussions with SDCWA to finalize the transaction.

5. Miscellaneous:

The following miscellaneous items were reported by Mr. Arant or the Department Heads:

**Valley Center Municipal Water District
Board of Directors' Meeting**

- Lilac Ranch received enough signatures to qualify for the November ballot. The Board of Supervisors could decide to approve the project or allow it to be placed on the ballot.
- Received bids on the Cool Valley Reservoir liner project. Waiting on approval of the SRF loan before awarding contract.
- The Miller Solar Project was approved by SDG&E within the timeframe of the NIM1 project requirements.
- Finance and IT Departments moving forward with Springbrook conversion.

GENERAL COUNSEL AGENDA

6. General Counsel de Sousa Mills advised the Board of SB 1298 (Hertzberg), a gut and amend bill to legislatively attempt to modify Proposition 218 to allow storm water fees to be approved and considered in the same way as other water and sewer rates. It would define the term “reasonable cost” to include provision of community-wide services in an equitable manner, including life-line water rates, and also attempt to define that “fair and reasonable relationship” would include the equity that more affluent individuals benefit more from public services than non-affluent ones.

SB 1398 would require all water suppliers to compile, and submit to the State, an inventory of lead service lines used in its distribution systems.

BOARD OF DIRECTORS' AGENDA

7. Director Aleshire reported on attendance at the JPIA Benefits Committee Meeting to set rates for 2017 for its medical, dental and vision plans. The Anthem Blue Cross PPO and the Anthem Blue Cross HMO are expected to go up 12%. The Kaiser Plan will go up 5.96% in the northern part of the state and 2.41% in the south; this is because there are more participants in the south. No changes to rates for the dental or vision plans are expected.

ADJOURNMENT

8. **Upon motion by Aleshire, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:40 p.m.**

ATTEST:

ATTEST:

President

Secretary

Approved at a regular meeting of the Board of Directors on August 1, 2016