

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, May 15, 2017
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, Finance Director Pugh, Director of Operations Hoyle, IT Director Pilve, District Engineer Grabbe, Manager of Accounting Velasquez, Safety and Regulatory Compliance Supervisor Olson, Construction Maintenance Supervisor Lovelady and Executive Assistant Johnson. Spectators present were Meena Westford – MWD and Jacqueline Howells - HGR.

AGENDA CHANGE

Upon motion by Polito, seconded by Ferro and unanimously carried, agenda item six (6) was moved up to follow the consent calendar.

CONSENT CALENDAR

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

- Minutes of the Board meeting held May 1, 2017.
- Audit demand check numbers 148524 through 148662 for April 14, 2017 through May 4, 2017 and wire disbursements for April 2017
- Treasurer's Report for month ending March 31, 2017

ACTION AGENDA

2. **Request to Support San Diego County Water Authority's Long-Term Water Supply Plan and Litigation Against the Metropolitan Water District:**

On April 17, 2017, Maureen Stapleton, San Diego County Water Authority General Manager, addressed the Board and requested the District adopt a resolution supporting their efforts to implement a long-term water supply plan and the rate

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litigation against MWD. This was followed by a presentation from Jeff Kightlinger, General Manager of MWD, at the May 1st regular meeting, as a rebuttal to SDCWA's presentation and to answer any questions or concerns from the Board.

Staff modified the pro-forma resolution provided by SDCWA and submitted it as a draft for Board review at the May 1st meeting. It was modified again and presented as another draft at today's meeting for further review.

Ms. Meena Westford of MWD addressed the Board and asked that they oppose the resolution and its criticisms of MWD.

Following board discussion, the resolution was tabled for further modification and will be brought back for possible approval at a future meeting.

President Broomell became indisposed and turned the meeting over to Vice President Polito.

3. Ratification of Emergency Funding Authorization by General Manager to Repair 60" Culverts, Roadway, Headwall and 250' of New Pipeline:

A significant leak occurred on April 18, 2017 on a 12" mainline beneath two large sections of culverts in the Hell Hole Canyon area. Due to the high pressure and extent of the ruptured pipe, the leak caused two sections of RCP culvert and roadway to collapse and break apart. Since the mainline was inaccessible, crews constructed a bypass road around the damaged area and installed a temporary highline over the ruptured section. An emergency funding declaration was authorized by the General Manager for the repairs in the amount of \$65,000.

Construction/Maintenance Supervisor Lovelady presented an overview of the damage and the required repairs. Staff is seeking ratification of the Emergency Funding Authorization. Funds for these repairs are available from the Unspecified Pipeline Replacement account.

Upon motion by Haskell, seconded by Aleshire and unanimously carried, the General Manager's Emergency Funding Authorization was ratified.

4. Revenue and Expense Projections for the Proposed FY 2017-18 Budget and Review of Budget Policies:

An overview of the District's preliminary revenue and expense projections and capital projects for the proposed 2017-18 budget was presented by Director of Finance Pugh. He reported on the following items:

Operating revenues are projected to exceed operating expenses and capital projects in 2017-18 for a budget surplus of \$2,043,000. This surplus will be utilized for future capital improvements and replacement projects.

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Woods Valley Ranch is projected to have sufficient revenues to meet all anticipated costs with a projected surplus of \$461,000.

Moosa operating expenses and capital projects are projected to exceed the revenues for a deficit of \$530,000 and will require the use of CIP reserves.

Water sales for 2017-18 are budgeted at 20,000 AF, the same amount as projected and anticipated for 2016-17.

Pass through wholesale increases from MWD and SDCWA are estimated to be 3.8% for Domestic and 4.1% for TSAWR customers. Included in this are fixed charges from MWD/SDCWA of almost \$5M that the District must pay regardless of how much water is purchased. An increase in the local component of 5% is also proposed to be effective February 1, 2018 and will generate approximately \$221,000 of additional revenue on an annual basis.

Pumping rates are proposed to increase 10% to offset the increasing costs from SDG&E. As was anticipated, the pumping rate stabilization reserve will be consumed during the current budget year.

The monthly meter service charge is proposed to increase by 5%. This would raise the cost for the ¾-inch meter from \$39.93 to \$41.93 per month.

Other revenues include a 1.30% return on investments, property taxes of \$2,273,000, and water availability charges (\$10/per acre) of \$585,000.

Staffing is proposed at 62 full-time equivalents with a cost of living adjustment of 2% in FY 2017-18.

Total 2017-18 operating expenses, excluding source of supply, are projected at \$11,689,419. This is 3% higher than the current budget due to higher labor, benefits, outside professional services and liability insurance rates.

The Lower Moosa monthly wastewater service charge and low pressure wastewater collection system maintenance fee are proposed to increase by 5% to cover operating expenses and capital replacements.

The Woods Valley Ranch sewer service charge and sewer standby fees are collected on the tax roll and are not proposed to be changed at this time.

Capital projects being proposed for 2017-18 are budgeted at \$2,115,070; of that \$1,128,771 are new appropriations. Water projects total \$1,968,000 with \$586,000 being funded by SDCWA to complete their energy storage project. Wastewater projects total \$797,500 for Moosa improvements and \$210,000 for Woods Valley.

The District's budget policies are codified in Administrative Code Section 50.2. No changes to current policy are proposed for the new fiscal year. The FY 2017-18 Budget will be submitted for Board approval in June.

GENERAL MANAGER'S AGENDA

5. 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 April 27, 2017:

- Requests for interest in the San Vicente Energy Storage Facility Study Project were sent out by SDCWA. Letters of interest were received from 19 different service providers for the 500 megawatt pump storage facility. Proposals will now be requested from full service providers for a range of services including owning and operating and paying a royalty to the Water Authority.
- SDCWA joined in opposition of the Friedman bills (AB 1667, 1668, & 1669) regarding agricultural efficiency, municipal efficiency and long term water supply planning.
- The Water Authority will co-sponsor AB 968 and AB 1654 (Rubio) to reflect the water community's language in regards to long-term water use efficiency standards and performance measures, and drought contingency plans.

6. Miscellaneous:

The following miscellaneous items were reported:

- An appellate court hearing on the rate litigation between SDCWA and MWD took place on May 10th. Two of the judges appeared to support MWD on the transportation matter and SDCWA on the rate integrity and stewardship charge.
- Notification was received from the U.S. Department of Interior that the District's FOA for a feasibility study for the "Lower Moosa Canyon Wastewater Recycling, Reuse, and Sub-regional Brine Disposal Project" was awarded a \$150,000 matching funds grant from the Bureau of Reclamation.

GENERAL COUNSEL AGENDA

7. Process for Sale of District Surplus Real Property:

General Counsel de Sousa Mills gave an overview of the process for selling District owned surplus real property. Once the Board has declared real property as surplus, the District must comply with specific requirements of California Government Code Sections 54220 et seq. This includes first providing written notice to certain public entities which provide housing for low to moderate income families, park and recreation space, open space, public schools, and housing and commercial development adjacent to transit stations.

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The District must also notify the San Diego County Planning Commission of its offer to sell and allow 40 days for them to determine if the sale would conform with the General Plan.

If no public entity is interested in purchasing the property, the District should establish a fair process for selling the surplus real property to the public.

BOARD OF DIRECTORS' AGENDA

- 8. Directors Aleshire and Ferro reported on their attendance to the ACWA/JPIA Spring Conference May 8th through 12th in Monterey, CA.

ACTION AGENDA (Continued)

9. APPROVAL OF CHANGE ORDER NOS. 6 AND 7 TO THE CONTRACT WITH CW ROEN CONSTRUCTION COMPANY FOR THE WOODS VALLEY RANCH WATER RECLAMATION FACILITY PHASE 2 EXPANSION PROJECT:

Adoption of Resolution No. 2017-16 was requested by Project Manager Carrillo to replace Resolution No. 2016-38 and approving Change Order No. 6, and adoption of Resolution No. 2017-17 approving Change Order No. 7 for the Woods Valley Ranch WRF Phase 2 Expansion Project.

Last December the Board approved Resolution 2016-38 for Change Order No. 6 which consisted of eight separate items that were not to exceed a total of \$100,000 and extending the contract time by 35 calendar days. At that time, all the costs or time requirements were not known. The final costs and time extension have been received and reviewed by staff and found that they exceed the amount previously approved. The final costs and time extensions for Change Order No. 6 total \$118,673.02 and added 84 calendar days.

Change Order No. 7, for \$265,000, consists of 18 separate, unrelated, extra work items that staff requested CW Roen to complete and extends the contract for 65 days. The 18 items fall into three categories: 1) design changes, 2) plant enhancements, and 3) transfer items taken from the Charlan Road and Collection System projects. The individual items are minor in nature and are in various stages of completion. Following is a summary of the change order requests:

CW Roen Contract	Calendar Days	Amount	Percent
Original Contract Amount	560	\$10,472,000	
Change Order Nos. 1 thru 5	50	\$107,521	1.03%
Change Order No. 6	84	\$118,673	1.13%
Change Order No. 7	65	\$265,000	2.53%
Total Change Orders	199	\$491,194	4.69%
Total Contract	759	\$10,963,194	

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The State Water Resources Control Board approved funding for the overall project from the SRF Loan for \$17,240,000, with \$10,472,000 approved for the construction contract. Additional funding for construction is available from the excess funds included in the Phase 1 Buy-in (\$276,580), and up to \$525,000 approved from the Woods Valley Ranch Service Area 2 Replacement Reserves for the portion of the construction contract replacing facilities constructed with Phase 1.

The project is currently 98% complete with an expected completion date of July 2, 2017. Staff recommends adoption of Resolution No. 2017-16, replacing Resolution No. 2016-38, for Change Order No. 6, and Resolution No. 2017-17 for Change Order No. 7 to the construction contract with CW Roen on the Woods Valley Ranch WRF Phase 2 Expansion Project.

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

RESOLUTION NO. 2017-16

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT REPLACING
RESOLUTION 2016-38 FOR THE APPROVAL OF CHANGE ORDER NO. 6
TO THE CW ROEN CONSTRUCTION COMPANY, INC.'S CONSTRUCTION
CONTRACT FOR THE WOODS VALLEY RANCH WATER RECLAMATION
FACILITY PHASE 2 EXPANSION PROJECT**

was adopted by the following vote, to wit:

AYES: Directors Polito, Aleshire, Haskell and Ferro

NOES: None

ABSENT: Broomell

and

RESOLUTION NO. 2017-17

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT AUTHORIZING
THE GENERAL MANAGER TO APPROVE CHANGE ORDER NO. 7 TO
THE CW ROEN CONSTRUCTION COMPNAY INC'S CONSTRUCTION
CONTRACT FOR THE WOODS VALLEY RANCH WATER
RECLAMATION FACILITY PHASE 2 EXPANSION PROJECT**

was adopted by the following vote, to wit:

AYES: Directors Polito, Aleshire, Haskell and Ferro

NOES: None

ABSENT: Broomell

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ADJOURNMENT

10. Upon motion by Aleshire, seconded by Ferro and unanimously carried, the regular meeting of the Board of Directors was adjourned at 4:08 p.m.

ATTEST:

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President

Secretary

Approved at a Regular Meeting of the Board of Directors on June 5, 2017