

# VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting  
Monday, June 19, 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, District Engineer Grabbe, Construction/Maintenance Supervisor Lovelady, Finance Director Pugh, IT Director Pilve, Manager of Accounting Velasquez, Safety and Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectators present were: Jacqueline Howells – HGR, and Special Counsel Coburn - BBK.

## **CONSENT CALENDAR**

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

- Minutes of the Board meeting held June 5, 2017
- Audit demand check numbers 148833 through 148943 for May 25 through June 8, 2017 and wire disbursements for May 2017
- Board of Directors' request for per diem compensation, reimbursement of expenses, and report of expenses
- Resolution 2017-20 establishing the FY 2017-2018 Appropriation Limit as \$6,465,628.

## **ACTION AGENDA**

### **2. Approval of Fiscal Year 2017-18 Annual Operating and Capital Budget:**

Following a review of fiscal year 2016-17 accomplishments by the General Manager, the final Operating and Capital Budget for FY 2017-18 was presented by Director of Finance Pugh.

In summary, a total combined water and wastewater budget shows a surplus of \$3,101,164. That is comprised of \$1.1M for water operations, \$1.9M for water capital projects (which will be funded with property taxes), a \$360K loss for Moosa,

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and \$439K for the combined Woods Valley Ranch and Woods Valley Ranch Expansion.

Total expenses are budgeted at \$48,312,428 which is \$17.1M, or 26% lower than last year. This is mainly due to the decrease in capital spending on the Woods Valley Ranch Expansion.

Water operation revenues are budgeted at \$43,888,480, up 9.3% over the previous year. Water rates are budgeted to increase 3.3% for domestic and 3.6% for TSAWR customers in January 2018 due to rate increases anticipated from SDCWA and MWD. A 10% increase in the pumping rates to offset increases from SDG&E and a 5% increase in the monthly meter service charge are also included in the budget.

Summary of Anticipated Commodity Rate Increases to be Effective January 2018:

| Component            | Domestic          |                   | TSAWR             |                   |
|----------------------|-------------------|-------------------|-------------------|-------------------|
|                      | Current           | Proposed          | Current           | Proposed          |
| Imported Water Costs | \$1,826.60        | \$1,883.45        | \$1,276.61        | \$1,319.82        |
| VCMWD                | \$221.33          | \$232.39          | \$221.33          | \$232.39          |
| <b>Total</b>         | <b>\$2,047.93</b> | <b>\$2,115.84</b> | <b>\$1,497.94</b> | <b>\$1,552.21</b> |
| Proposed Increase    |                   | \$67.91/AF        |                   | \$54.27/AF        |
|                      |                   | 3.3%              |                   | 3.6%              |

Water sales are projected at 20,000 acre feet, same as the current year.

Staffing is budgeted at 62 full-time equivalent employees for 2018, down one from last year. Salaries include a 2% cost of living adjustment per the MOU with the Employees' Association. A new position title of "SCADA IT Administrator" has been added that will be filled from within.

Total operating expenses, excluding source of supply, increased 3.3% over last year.

Wastewater

The budget includes a 5% increase in the Moosa wastewater service charge and in the low pressure wastewater collection system maintenance fee.

The Woods Valley Ranch Service Area 1 sewer service charge and sewer standby fees are unchanged at \$98.60 per month.

The Woods Valley Wastewater Expansion Project, Service Area 2, sewer standby fees (for those not yet connected) will be \$550.32 per EDU and will be utilized to establish a replacement and operating reserve. In addition, sewer service charges and a grinder pump maintenance charge, for those properties requiring it, will be collected as a fixed charge special assessment on the property tax roll.

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### Capital Projects

Capital projects proposed in FY 2017-18 total \$1,970,070. New water projects total \$1,973,000 with \$586K being funded by the San Diego County Water Authority to reimburse the District for constructing the final phase of the energy storage project.

Other water capital projects include: Betsworth Forbay No. 1 and Red Mountain Reservoir painting and recoating at \$333,500 each, Unspecified Replacement Projects \$225,000, Administration Facility Improvements \$120,000, Comprehensive Energy Program Analysis & Strategic Plan \$100,000, Integrated Water Resources Management Plan \$75,000, and two truck replacements totaling \$78,000.

Wastewater projects for Moosa include the Rimrock LPS System Improvements \$450,000, Wastewater O&M Manual Development \$60,000, Moosa Master Plan \$50,000, and the Main MCC Replacement \$50,000.

Woods Valley Ranch Wastewater Facility improvements include Nitrogen/Ammonia Sensors \$125,000, and Wastewater O&M Manual Development \$90,000.

### Debt

The District currently has a State Revolving Fund (SRF) Loan commitment in the amount of \$30,735,000 at 2.2% interest. The funds are to be used solely for the Woods Valley Ranch Wastewater Expansion Project. Debt service payments against this loan for FY 2017-18 amount to \$1,593,290.

In addition, a California Drinking Water State Revolving Fund loan for the Cool Valley Reservoir Cover/Liner replacement has been obtained for \$4,250,000 at 1.6% interest. The first year debt service payment for FY 2017-18 is \$26,769.

Following discussion, staff recommended approval of Resolution 2017-21 adopting the Final Operating and Capital Budget for FY 2017-18 and, if approved, adoption of Ordinance No. 2017-03 amending the Administrative Code to provide for changes in staffing levels and incorporating changes per the approved MOU. This is an urgency ordinance and shall take effect on June 23, 2017 at mid-shift.

Rate increases for water will be adopted by separate ordinances for implementation on February 1, 2018.

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

**RESOLUTION NO. 2017-18**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF VALLEY CENTER MUNICIPAL WATER DISTRICT  
ADOPTING THE FINAL OPERATING AND CAPITAL BUDGET  
FOR THE FISCAL YEAR 2017-2018 AND ESTABLISHING CONTROLS  
ON CHANGES IN APPROPRIATIONS FOR THE VARIOUS FUNDS**

was adopted by the following vote, to wit:

**AYES:** Directors Broomell, Polito, Aleshire, Haskell and Ferro  
**NOES:** None  
**ABSENT:** None

and;

Upon motion by Aleshire, seconded by Ferro and unanimously carried, the following ordinance, entitled:

**ORDINANCE NO. 2017-03**

**ORDINANCE OF THE BOARD OF DIRECTORS OF  
VALLEY CENTER MUNICIPAL WATER DISTRICT AMENDING  
THE ADMINISTRATIVE CODE TO PROVIDE FOR CHANGES IN  
AUTHORIZED STAFFING LEVELS PER THE FISCAL YEAR 2017-18 BUDGET  
AND TO INCORPORATE CHANGES PER THE APPROVED  
MEMORANDUM OF UNDERSTANDING WITH EMPLOYEES**

was adopted by the following vote, to wit:

**AYES:** Directors Broomell, Polito, Aleshire, Haskell and Ferro  
**NOES:** None  
**ABSENT:** None

**3. Approval of Amended Employment Agreement for General Manager Effective July 1, 2017:**

Prior to taking final action on an executive's compensation, an oral report summarizing the recommended action must be made in open session per the Brown Act. General Counsel de Sousa Mills reported that the Board had conducted its annual performance evaluation and compensation review of the General Manager at the regular meeting on June 5, 2017. Based upon the discussions and completion of successful negotiations, an amended Employment Agreement to be effective July

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1, 2017 increasing the General Manager's annual compensation from \$216,300 to \$220,300, along with a performance bonus of \$8,000, was presented for approval.

**Upon motion by Aleshire, seconded by Ferro and unanimously carried, the amended Employment Agreement was approved.**

**GENERAL MANAGER'S AGENDA**

**4. Update on Federal Advocacy Efforts:**

An update of federal advocacy efforts on behalf of VCMWD was provided by Jacqueline Howells of Howells Government Relations. She first reminded the Board of the long-term federal advocacy goals, which included: identifying the District's long-range funding priorities; crafting a well-defined strategy; establishing a strong presence in D.C.; monitoring funding opportunities; and securing federal legislative support and financial assistance for District projects and customers.

Successes to date have included USDA-NRCS funding for qualifying agricultural customers, the Regional Conservation Partnership Program made up of ten water agencies which has secured a federal grant for \$800,000, a Bureau of Reclamation Feasibility Study Grant for \$150,000, USEPA funding to the states which provided SRF loans for the Woods Valley Ranch Wastewater Expansion Project and, most recently, provided SRF loan approval for the Cool Valley Reservoir Cover/Liner Replacement. Efforts have also been successful in obtaining legislative language changes and getting "water" included in the Trump Administration's Infrastructure Legislation, thus improving the District's position to compete for future funding.

**GENERAL COUNCIL**

5. General Counsel de Sousa Mills reported that the Little Hoover Commission will be meeting on June 22<sup>nd</sup>. Their round table discussion topics regarding Special Districts include governance and transparency, as well as affecting climate change. Best, Best and Krieger will have a representative in attendance along with ACWA and the CSDA.

**CLOSED SESSION**

6. **A closed session was called by President Broomell at 3:21 p.m. pursuant to:**

- **Government Code § 54956.9(d)(1) – Conference with Legal Counsel, Existing Litigation:**

Case Name: Terrance J. Donahue, Chapter 7 Trustee for Western Industrial, Inc., dba West Industrial Painting, Inc. v. Valley Center Municipal Water District San Diego County Superior Court Case No. 37-2016-00039724-CU-BC-NC.

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- **Government Code §54957 – Public Employee Performance Evaluation:  
General Manager**
- **Government Code §54957.6 – Conference with Labor Negotiators:**

Agency Designated Representatives:  
Unrepresented Employee:

Board of Directors  
General Manager

**RECONVENE**

7. **The regular Board of Directors meeting reconvened at 3:39 p.m. There was no reportable action.**

**ADJOURNMENT**

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

**ATTEST:**

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**President**

\_\_\_\_\_  
**Secretary**

**Approved at a regular meeting of the Board of Directors on July 17, 2017**