

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, August 21, 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, Finance Director Pugh, IT Director Pilve, Director of Operations/Facilities Hoyle, Manager of Accounting Velasquez, Safety and Regulatory Compliance Supervisor Olson, Project Manager Williams, Administrative Assistant Williams and Sr. Administrative Assistant Lovelady. Spectators present were: Dexter Wilson and Kerry Garza – Touchstone Communities.

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 August 7, 2017.
- Audit demand check numbers 149406 through 149495 for July 28 through August 10, 2017 and wire disbursements for July 2017.

ACTION AGENDA

2. Cost Analysis and Timeline to Upgrade Existing Fire Hydrants to New Standard:

A presentation on the cost analysis to upgrade all of the District's existing fire hydrants with the new break-away Automatic Valve Shut-off (AVK) was given by Director of Operations/Facilities Hoyle. Director of Operations/Facilities Hoyle reported that the District has 1,547 fire hydrants and 1,480 still remain to be upgraded. Estimated cost to upgrade a fire hydrant to the new break-away AVK costs approximately \$3,100. Since 2004 staff has focused on upgrading the fire hydrants along Valley Center Road and fire hydrants that have been damaged by vehicle or equipment or have exceeded their life. In order to upgrade all of the fire hydrants to the new standard, Director of Operations/Facilities Hoyle discussed how staff would complete the upgrades in a two phase approach, 1) being areas of low

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

probability the fire hydrants are hit however they pose high liability costs; and 2) areas where the fire hydrants have a high probability of being hit, but a low liability cost. Director of Operations/Facilities Hoyle reminded the Board that the District is not liable when a fire hydrant is hit. The upgrades to the remaining hydrants in the District would cost approximately \$4,588,000, take approximately 7 years with a dedicated two man crew completing 230 fire hydrant upgrades a year. The District would also need to hire additional personnel to fulfill its existing maintenance obligations and emergency response repairs; and those figures are not included in the \$4,588,000.

Informational item only, no action required.

3. Community Facilities District Concepts for Funding Wastewater Capacity as Part of the Woods Valley Ranch Phase 3 Expansion Project:

A presentation on the Phase 3 Expansion Community Facilities District (CFD) concept was presented by District Engineer Grabbe. The primary goals of the CFD financing for the Phase 3 project are 1) to provide financial security for the repayment of future indebtedness for the construction of the Improvements, 2) Phase 3 Participants would need to match the Phase 2 Investments through a similar level of initial investment and funding of planning expenses, 3) No additional debt incurred by the district until Phase 2 debt lowered significantly and there is significant value generated in the service area; 4) Maximize future funding options, and 5) Once a Phase 3 home is purchased there would be no significant increase in their tax levy.

Currently, Touchstone Communities is a primary proponent for the Phase 3 Expansion project. The Phase 3 Expansion is needed to provide wastewater capacity for the remaining units not included in the Phase 2 Expansion Project (approximately 400 EDUs) over three separate projects (Park Circle, Orchard Run, & Shady Oak). Other Developers and property owners have expressed interest in participating.

A CFD provides flexibility in allocating the cost whereas with an Assessment District the District is limited to a strict cost per EDU benefit basis. With a CFD the cost can be allocated on a square footage basis; allowing larger homes to have a higher cost allocation than smaller homes. In addition, the Orchard Run project has 52 low income units which would not receive a cost allocation. Therefore, the cost for capacity for 52 units would be subsidized by the balance of the parcels in the three projects.

The Phase 3 improvements consist of the buy-in to Phase's 1 and 2, construction of the expansion, seasonal storage improvements, and recycled water transmission system. The buy-in to Phase 1 improvements include facilities that benefit all connected properties i.e. control room, purchase of the property, site improvements etc. The buy-in to Phase 2 improvements include facilities sized for future expansion. It is anticipated that the Phase 3 planning costs, formation costs,

Valley Center Municipal Water District Board of Directors' Meeting

environmental approvals, and obtaining a waste discharge permit would be funded by the developer.

As part of the CFD, the District is looking at an initial “undeveloped” special tax that would be levied after the formation of the CFD and a final “developed” special tax that would be levied prior to connection. The undeveloped levy would be comprised of the AD2012-1 annual assessment, buy-in to the Phase 1 improvements, buy-in to the Phase 2 improvements and the design of the Phase 3 Improvements. The developed special tax would include all of the undeveloped items as well as construction of the Phase 3 improvements, construction of the recycled water transmission system, and the completion of the recycled water use agreement for the proposed beneficial reuse areas. District Engineer Grabbe reiterated that the timing of the undeveloped tax levy is anticipated to be established immediately following the formation of the CFD, and the developed special tax would be levied prior to units being connected to the system; insuring that the developed special tax is in place prior to the units being sold to the initial occupant.

Another item of importance is the time frame for which the tax authorization is established. Assuming the District is looking at a 20 year payback on the future indebtedness, the District would want to make sure the Developed tax levies are in place with sufficient time to pay down the indebtedness. Thus, a tax levy authorization period of up to 30 to 40 years may be considered.

The District’s next step prior to bringing the project to the Board for concept approval would be to first meet with the District’s consultants Fieldman-Rolapp, Koppel Gruber, and Best, Best and Krieger. The District would also need to confirm that the CFD will meet the voting requirements of the District’s spending limit ordinance.

Kerry Garza with Touchstone Communities reported that Touchstone Communities concurred with the conceptual outline of the terms for the future CFD presented by District Engineer Grabbe.

Informational item only, no action required.

4. Update on the Lake Turner Dam Leak

A presentation by Director of Operations/Facilities Hoyle was given on the status of the Lake Turner Dam leak. In Lake Turner, about 280’ from the center of the road, is an intake structure. At the bottom of the intake structure is a 36” sluice gate. From the intake structure a 36” pipeline runs about 280’ to the west to the bell housing unit which is directly below the dam. In the bell housing unit is a 30” wafer valve and then a pipeline runs another 320 feet to the access vault. The access vault is where the equipment is housed for the 36” sluice gate, and 30” wafer valve. There is a dresser coupling on the discharge side of the line where (via a camera) staff saw water spraying from the dresser coupling area. Along the access vault there is an additional 36” pipe which is the access pipe, so that there is access to the bell housing unit. All of the valves are fully hydraulic and they all have indicators that indicate whether the valve is fully open or fully closed.

Valley Center Municipal Water District Board of Directors' Meeting

The leak at the 36" dresser coupling is where staff is seeing about a 250 gpm leak. This section has two 36" pipelines one is the discharge pipe from the reservoir and the other is the access pipe to the bell housing. Once staff controls the leak, materials for a repair can be purchased.

Initially, staff thought the leak was caused by a faulty hydraulic valve. Staff exercised the hydraulic valve and sent the wastewater camera up the access tunnel to verify the valve was fully operational which it showed it was. After staff exercised the valve a number of times and couldn't control the leak, staff decided to form a type of a balloon structure from some reservoir lining material to put over the inlet structure in the lake. Unfortunately, after hiring divers to apply the cover over the intake structure it was still leaking. As it is still leaking, this tells staff the sluice gate is not holding tight.

The District's next option is to pull the balloon structure off, hire a dive team to float a plug down the pipe, and inflate the plug to seal off the leak. Once the leak is controlled in the bell housing and isolates the flow, a crew can be sent into this bell housing unit. Right now this is a confined space with an ongoing leak. Once the leak is controlled then the water leaking from the bell is a non-issue and repairs can begin. The District's main goal is to control the leak.

Currently, the District has a controlled release of the lake at about 5,000-6,000 gpm to lower the level to make the troubleshooting and repair less challenging. Staff is looking at getting another remote camera down the pipe to view the area to see if there is any indication of where this leak might be coming from inside the 36" pipe and intake structure.

Informational item only, no action required.

5. Betsworth Reservoir Painting and Recoating Project – Request for Budget Amendment:

A presentation was made by Project Manager Williams requesting an amendment to the FY 2017-18 annual budget to request additional funding for the Betsworth Reservoir Painting and Recoating project. This is a follow up to the June 5, 2017 closed session item on the project that was presented to the Board. The purpose of this item is to finalize project accounting and request a budget amendment to fund project close out costs.

The project was awarded in December 2014 to Western Industrial, Inc. (Western), and construction occurred between February and August of 2015. There were several delays on the project related to awarding a separate contract for structural repairs of the rafters and Western's inadequacies in the provision and scheduling of staff and equipment throughout the work. The notice of completion was filed on August 3, 2015. After the project was complete, Western Industrial submitted a claim for approximately \$130,000 for extra work associated with supporting work related to the structural repairs. Shortly after filing the claim, Western filed for bankruptcy and the bankruptcy trustee took over processing the claim. On June 7th staff attended a

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

mediation meeting at Best, Best and Krieger's office that resulted in Western's bankruptcy trustee accepting a reduced settlement amount of \$38,000.

Staff is requesting a formal budget amendment in the amount of \$240,000 that includes \$97,000 for the settlement costs (\$38,000 to Western and \$59,000 in legal and staff costs) and \$143,000 in costs related to the structural repairs and additional inspection. Staff recommended the Board approve Resolution No. 2017-22 amending the Fiscal Year 2017/2018 Annual Budget to transfer \$240,000 from the capital reserves to the Betsworth Reservoir Painting and Recoating Project.

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

**RESOLUTION NO. 2017-22
RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE FY 2017/18 BUDGET TO
APPROPRIATE FUNDS FOR THE BETSWORTH RESERVOIR PAINTING AND
RECOATING PROJECT**

was adopted by the following vote, to wit:

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

NOES: None

ABSENT: None

6. Proposed Methodology for Setting the 2017 Water Meter Capacity Charge and Annexation Fee:

A presentation by District Engineer Grabbe was given on the proposed methodology for setting the 2017 Water Meter Capacity Charge and Annexation Fee. Previously, the water meter capacity charge was established using a forward looking (Incremental) approach by dividing the cost of future projects by the number of future connections. In 2014, the District converted to a backward looking (Buy-In) approach which bases the meter capacity charges on the current facility value and number of units served. The total asset value is divided by the number of meters.

The asset value is determined as the current replacement cost of the water facilities less depreciation. New considerations for calculating water meter capacity charges for 2017 include the following: 1) contributed capital was deducted from the asset value, 2) the estimated amount of the asset value funded from taxes and availability charges was also deducted, and 3) a closer evaluation of the service life was performed. The asset value funded from taxes and availability charges represents a basis of the annexation fee when divided by total acreage. Staff looked at, and considered, the allocation of the total revenues and the source of revenues for capital improvements. In reviewing the revenue data, staff found that 40% of the funds for capital improvements came from taxes and availability charges and 60%

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

came from other sources such as water sales, meter service charges, and other miscellaneous sources. Since property owners purchasing meters have paid taxes and availability charges, the percentage of the asset value funded from taxes and availability charges should not be included in the calculation of the meter capacity charge. Thus, 60% of the asset value would be the basis for the meter capacity charge and 40% of the asset value would be the basis for the annexation fee.

Staff estimates there will be a small percentage increase of approximately 3-5% for the water meter capacity charge this year. The annexation fee will be approximately \$1,000 per acre. There will also be incremental charges for certain areas of the district in accordance with special benefit projects and reimbursement agreements approved by the Board. Staff is currently preparing and completing a recommendation for the meter capacity charge and annexation fee for presentation in early October.

Informational item only, no action required.

GENERAL MANAGER'S AGENDA

7. Miscellaneous:

General Manager Arant directed the Board to the activities report page 10 which shows that the District has collected and passed through \$130,147,764 in Agricultural discounts since 1994.

Senate Bill 623, by Senator Monning, is proposing a water tax be placed on all water bills in California. The water tax would go to a special fund to be administered by the State Water Resources Control Board then reallocated out to disadvantaged communities to make improvements to their water supply systems. The District sent out a letter in strong opposition to the bill. While the District agrees the issues should be addressed, it is a general social problem and should be addressed by the general fund of the State of California.

BOARD OF DIRECTORS

8. ACWA Region 10 Election for the 2018 and 2019 Term:

General Manager Arant presented the ACWA Region 10 Slate. The current two-year term is drawing to a close and ACWA is in the process of preparing for calendar years 2018 and 2019 in electing a new chair, new vice chair, and new committees. The nominations for Region 10 are: Chair – Cathy Green (Orange County Water District), Vice Chair - DeAna Verbeke (Helix Water District), Director – Jim Atkinson (Mesa Water District, Orange County), Director – James Murtland (Rincon del Diablo MWD), Director – Richard Vasquez (Vista Irrigation District), and Director – San Diego County, Vacant. Once the Region 10 board is elected they will seek interest in the vacant position. General Manager Arant recommended the slate as presented.

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

Upon motion by Aleshire, seconded by Haskell and unanimously carried, the Board approved the ACWA Region 10 slate as presented.

ADJOURNMENT

9. Upon motion by Aleshire, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:45 p.m.

ATTEST:

ATTEST:

President

Secretary

Approved at a regular meeting of the Board of Directors on September 18, 2017