

# VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting  
Monday, November 6, 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 and Executive Assistant Johnson. Spectators present were: Warren Diven – BBK, Marilyn Jones – Nyhart, Robert Porr and Paul Pender – Fieldman-Rolapp, Kerry Garza - Touchstone, Jacqueline Howells – HGR, Steven Farmer – Senator Anderson's Office.

## **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 October 16, 2017
- Audit demand check numbers 149962 through 150128 for October 4 through October 26, 2017

## **ACTION AGENDA**

### **2. Approval to Initiate Proceedings to Consider Formation of a Community Facilities District (CFD) for the Woods Valley Ranch Water Reclamation Facility Phase 3 Expansion:**

A request to initiate proceedings to consider formation of a Community Facilities District to provide financial security for funding the Woods Valley Ranch Water Reclamation Facility Phase 3 Expansion, which is needed to provide wastewater service for the Orchard Run and Park Circle Developments, was presented by District Engineer Grabbe.

Fieldman-Rolapp representative Paul Pender explained how a Community Facility District works to levy special taxes to finance facilities and generate funds up front, in advance of new developments, and has the ability to tailor the levy each year

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based on project needs. CFDs are typically administered by a special tax consultant.

Touchstone Communities requested a CFD to provide the financial security needed to construct a Phase 3 Expansion for additional wastewater capacity required for their projects: Orchard Run (76 EDUs) and Park Circle (320 EDUs). Others have expressed interest in obtaining additional capacity and will be given an opportunity to participate.

Having the financial security for repayment of future indebtedness will allow participants in Phase 3 to use the available Phase 2 capacity. Construction of the Phase 3 Expansion would not begin until approximately 80% of the Phase 2 capacity is in use and the Phase 2 debt is significantly reduced, reported Mr. Grabbe.

It is anticipated that the developers would fund the Phase 3 planning and CFD formation costs, all necessary environmental approvals, and the waste discharge permit modification. The initial tax levy would be established for the fiscal year immediately following formation and will likely include the annual AD 2012-1 assessment, buy-in to the Phase 1 and Phase 2 improvements, and design of the Phase 3 improvements.

Staff recommended initiating proceedings to consider formation of a Community Facilities District to provide financial security for the Phase 3 Expansion; authorizing the General Manager to enter into an agreement with Touchstone for the advancement of deposits to pay all District costs associated with the CFD formation, the planning, design and construction of the facilities, and reimbursement of all, or a portion, of advanced funds if the CFD is formed and received funds from a future indebtedness.

**Upon motion by Aleshire, seconded by Ferro and unanimously carried, staff's recommendation was approved.**

### **3. Actuarial Valuation for Retiree's Health Benefits Plan:**

The Board was reminded that the Retiree's Health Benefit Plan is available for employees hired before July 1, 2008 when their age plus years of service equal 65 or greater at termination, reported Accounting Manager Velasquez. The biennial report is prepared in compliance with Government Accounting Standards Board (GASB) Statements No. 74 and 75.

The OPEB Actuarial Valuation Report was presented by Marilyn Jones of the Nyhart Company. The valuation serves two purposes; to provide the fiscal year recommended contributions to fully fund the benefits, and to comply with new accounting requirements. The retiree medical benefits are purchased through ACWA in a community pooled plan.

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The valuation process includes collecting current census information, medical coverage costs, and predicting in each future year how many retirees the District will have and be paying for, and determining those premium costs. The present value of District contributions as of June 30, 2017 is \$9,121,000. This includes accrued (past service) liability of \$7,902,000 (\$4,048,000 is funded, \$3,854,000 is unfunded).

Ms. Jones reported that the recommended contribution to fund the current year accrual, plus a 20 year amortization of the unfunded liability, is \$551,000 for fiscal year 2017-18, and \$556,000 for fiscal year 2018-19.

The actuarial report was received and filed.

### **4. 2017 Water Rate Survey Results:**

A survey of water rates and charges was recently conducted by staff. The District's rates and charges are compared to those of the 20 other retail water agencies in San Diego County from an overall perspective and then to a subgroup of eight agencies having the same water supply cost basis of 100% treated imported water paying all SDCWA charges.

#### **Overall Analysis:**

- Domestic Commodity Rate: 6<sup>th</sup> lowest (5<sup>th</sup> in 2016 survey), 22.9% below average.
- Ag Commodity Rate: 7<sup>th</sup> lowest (same as 2016), 19.9% below average.
- Monthly Meter Charge: 18<sup>th</sup> lowest (17<sup>th</sup> in 2016 survey), 34.4% above average.
- Domestic – 26 HCF: 13<sup>th</sup> lowest (same as 2016), 3.8% above average.
- Domestic – 100 HCF: 7<sup>th</sup> lowest (8<sup>th</sup> in 2016 survey), 16% below average.
- 1 AF of Ag Water: 7<sup>th</sup> lowest (same as 2016), 19.9% below average.

#### **Water Agencies with the Same Water Supply Cost Basis:**

- Domestic Commodity Rate: Lowest (same as 2016 survey);
- Ag Commodity Rate: 2<sup>nd</sup> lowest (same as 2016 survey);
- Monthly Meter Charge: 7<sup>th</sup> lowest (6<sup>th</sup> in 2016 survey);
- Domestic – 26 HCF: 5<sup>th</sup> lowest (4<sup>th</sup> in 2016 survey);
- Domestic – 100 HCF: 2<sup>nd</sup> lowest (3<sup>rd</sup> in 2016 survey);
- 1 AF of Ag Water: 2<sup>nd</sup> lowest (same as 2016).

The District's relative ranking between 2016 and 2017 remains static. It can be concluded that all 21 surveyed water agencies have raised rates and charges at a fairly uniform rate. The District's domestic commodity rate at the 26<sup>th</sup> HCF used is 3.8% higher than average and at 100 HCF is 16% less than average; this indicates that most other agencies have inclining block rates.

### **5. Discussion of Proposed Changes to Water and Wastewater Rates and Charges for 2018:**

In January 2018, wholesale costs from the San Diego County Water Authority and Metropolitan Water District will increase \$56.85 per acre foot, or 3.1% for domestic

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water sales and \$43.21 per acre foot, or 3.4% for Transitional Special Agricultural Water Rate (TSAWR) sales. These proposed increases were included in the 2017-2018 Operating Budget.

The District's local cost component is proposed to be \$232.39 per acre foot, a 5% increase over the current rate of \$221.32. If approved, this would generate \$221,000 of additional revenue annually. The following table shows the proposed charges per hundred cubic feet:

	<u>Current</u>	<u>Change</u>	<u>Proposed</u>
<u>Domestic/Commercial:</u>			
Wholesale: MWD/SDCWA	\$4.1933	\$0.1305	\$4.3238
VCMWD	<u>\$0.5081</u>	<u>\$0.0254</u>	<u>\$0.5335</u>
Total	\$4.7014	\$0.1559	\$4.8573
<u>Certified SAWR:</u>			
Wholesale: MWD/SDCWA	\$2.9307	\$0.0992	\$3.0299
VCMWD	<u>\$0.5081</u>	<u>\$0.0254</u>	<u>\$0.5335</u>
Total	\$3.4388	\$0.1246	\$3.5634
Reclaimed (50% of Domestic)	\$2.3507	\$0.0780	\$2.4287

Meter Service Charge:

A 5% increase in the monthly meter service charge is being proposed that would generate approximately \$272,000 annually to offset increases in local operating costs. No increase is proposed for fire protection meters.

<u>Meter Size</u>	<u>Current</u>	<u>Change</u>	<u>Proposed Eff. 2/1/18</u>	<u>No Change Fire Meter</u>
¾ inch	\$39.93	\$2.00	\$41.93	\$8.75
1 inch	\$54.55	\$2.73	\$57.28	\$12.25
1-½ inch	\$81.83	\$4.10	\$85.92	\$18.25
2 inch	\$109.10	\$5.46	\$114.56	\$24.25
3 inch	\$163.65	\$8.19	\$171.84	\$36.50

Pumping Rates

Included in the budget is a 10% increase in pumping rates to offset higher energy costs from SDG&E. As was anticipated, the Pumping and Rate Stabilization Reserve will be consumed during the current year and require additional increases over the next few years.

SDCWA Infrastructure Access Charge

The Water Authority annually assesses the District a fixed charge based on the number and size of active meters. This charge is passed through and collected from active customers. The new charge for a ¾-inch meter will be \$3.01, up \$0.14 or 5% from last year.

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### Construction Water Permit Fee

Fees for construction water are proposed to increase in conjunction with the proposed water rate increases. The new fees will range from \$290 for the smallest trucks to \$575 for a truck capacity of 5,000 gallons or more.

### Wastewater Monthly Service Charges

The Moosa sewer service fee is proposed to increase 5%, from \$53.76 to \$56.45 per month to offset increases in local costs. The Low Pressure Wastewater Collection System Maintenance Fee is also proposed to increase 5%, from \$44.36 to \$46.58 per EDU, per month.

No change is proposed at this time for the Woods Valley Ranch sewer service charge or sewer standby fees.

Staff will return for adoption of the rate increases by ordinance at the next meeting.

## **6. 2017 Lock-Off / Turn-On Fee Survey Results:**

A survey of lock-off/turn-on fees of 20 local retail water agencies, including after-hours fees, was conducted by staff. These fees act as a deterrent to help reduce the daily lock-offs and turn-ons and reduce District labor costs.

VCMWD's Lock-off/Turn-on fee is the 3<sup>rd</sup> lowest and the After-Hours Fee is the 6<sup>th</sup> lowest of all the agencies that have a fee. The average fee of agencies surveyed is \$67 which is \$22, or 49%, higher than the District's fee of \$45. The average After-Hours fee is \$125 which is \$45, or 56%, higher than the District's fee of \$80.

Staff's recommendation is to increase the Lock-off/Turn-on fee to \$75 during normal business hours and to \$120 for after-hour service. A public hearing to consider this proposed increase will take place in the near future.

## **GENERAL MANAGER'S AGENDA**

### **7. 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 October 26, 2017:

- The Chair of the Water Authority and the Chair of Metropolitan have each identified a five member group to meet in neutral territory to talk about the issues between them. They are attempting to find a non-litigious way of solving their differences.

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**MISCELLANEOUS**

8. The Engineering, Field and Finance Department Managers provided a brief report on their current department activities.

**BOARD OF DIRECTORS' AGENDA**

**9. Appointment of Proxy for ACWA General Session Election Vote:**

The current two-year ACWA leadership cycle ends December 31, 2017. There will be a General Session Election at the ACWA Fall Conference to elect the new ACWA President and Vice President. In addition, several proposed by-law changes will be voted on at the same session.

Each ACWA Member Agency is asked to appoint a proxy to cast its vote during the General Session.

**Upon motion by Aleshire, seconded by Polito and unanimously carried, Director Ferro was appointed as the District's proxy for this election vote.**

**ADJOURNMENT**

10. Upon motion by Polito, seconded by Ferro and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:30 p.m.

ATTEST:

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President

\_\_\_\_\_  
Secretary

**Approved at a regular meeting of the Board of Directors on November 20, 2017**