

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, June 4, 2018
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 Polito at 2:00 P.M.

ROLL CALL

Board members present were: Directors Polito, Haskell, Broomell, Ferro and Holtz. 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, Safety and Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectators present were: Jacqueline Howells – HGR.

CONSENT CALENDAR

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

- Minutes of the Board meeting held May 21, 2018
- Audit demand check numbers 151539 through 151573 for May 11 through May 17, 2018
- Treasurer's Report for month ended April 30, 2018

PUBLIC HEARING

2. Public Hearing to Consider Adoption of Proposed Water Availability Charge for Fiscal Year 2018-2019:

President Polito opened the public hearing at 2:02 p.m. to receive input on the proposed water availability charge for Fiscal Year 2018-2019 on all property within the District.

The District holds a public hearing annually to receive public testimony on the water availability charge of \$10 per acre with a \$10 per parcel minimum, reported Manager of Accounting Velasquez. This charge has been in place at the same rate since FY 1995-96. The availability charge will generate a dedicated source of revenue of approximately \$582,000 for fiscal year 2018-19 which will be used for ongoing capital requirements. Notice of the public hearing was published in the local paper,

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as required by law. Letters were also mailed to all new property owners within the District. One written protest was received.

The public hearing was closed at 2:07 p.m.

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

ORDINANCE NO. 2018-07

**ORDINANCE OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
ESTABLISHING WATER AVAILABILITY CHARGES FOR
2018-2019 ON ALL PROPERTY WITHIN THE DISTRICT**

was adopted by the following vote, to wit:

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

NOES: None

ABSENT: None

ACTION AGENDA

3. Adoption of Fixed Charge Special Assessment for Unpaid Water and Other Services for Fiscal Year 2018-2019:

The Water Code authorizes the District to add delinquent and unpaid charges for water and other services to the property taxes of the property using the water or service. Currently, there are three parcels with delinquencies totaling \$1,142.36 eligible to go on the tax roll for 2018-2019 reported Manager of Accounting Velasquez.

Staff recommended adoption of Ordinance No. 2018-08 setting the FY 2018-2019 fixed charge special assessments for unpaid charges for water and other services on the San Diego County property tax roll.

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

ORDINANCE NO. 2018-08

**ORDINANCE OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL
WATER DISTRICT PLACING FIXED CHARGE SPECIAL ASSESSMENTS FOR 2018-
2019 ON PROPERTY FOR UNPAID CHARGES FOR WATER AND OTHER
SERVICES PURSUANT TO WATER CODE SECTIONS 72094, 72100, 72102 ON THE
SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL**

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was adopted by the following vote, to wit:

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

NOES: None

ABSENT: None

4. Public Hearing Date Set to Consider Woods Valley Ranch Annual Sewer Service Charge and Sewer Standby Fee (Services Areas 1 and 2), Grinder Pump Maintenance Charge (Service Area 2), and Assessment District 2012-1:

A public hearing date to receive input and consider the FY 2018-19 Woods Valley Ranch Annual Sewer Service Charge and Sewer Standby Fee (Service Areas 1 and 2), the annual Woods Valley Ranch Grinder Pump Maintenance Charge (Service Area 2), and the annual assessment for Assessment District 2012-1, was requested by Manager of Accounting Velasquez. Notification of the public hearing will be published in the local newspaper.

The grinder pump maintenance charge for Service Area 2 is proposed to go up 5%; all other charges are estimated to remain about the same.

Upon motion by Haskell, seconded by Holtz and unanimously carried, the public hearing date was set for Monday, July 16, 2018 at 2:00 p.m.

5. Revenue and Expense Projections for the Proposed FY 2018-2019 Budget and Review of Budget Policies:

An overview of expense and revenue projections and capital projects requested in the 2018-19 fiscal year budget was presented by Finance Director Pugh.

Staff is projecting the water revenues will exceed the operating expenses for a budget surplus of ~\$1.4M which will be used for capital expenditures. Total water capital expenditures are estimated at \$6,017,500 and will require use of the Capital Improvements Reserve to complete them as anticipated.

The Woods Valley Ranch WRF is expected to have sufficient revenues to meet all anticipated costs for the fiscal year, with a surplus of just under \$1.8M. Moosa operating revenues will exceed the projected expenses and capital projects for a budget surplus of \$131,000.

Final water sales for FY 2017-18 is estimated at 22,300 AF. However, the District is budgeting 20,000 AF for 2018-19 due to uncertainties associated with annual water demand.

Wholesale commodity rates from SDCWA are expected to increase by 0.9% for treated water. Fixed charges the District is required to pay SDCWA and MWD,

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regardless of amount of water sold, is budgeted at \$253,712, or 5.9% lower than calendar year 2018. As a result, the preliminary fiscal year 2018-2019 budget includes no increase in the District's current commodity rates.

There is no meter service charge increase budgeted.

Total energy costs including electricity, natural gas, and pump and motor maintenance are budgeted at \$2.8M, while pumping revenues are estimated to be \$2.7M. It is estimated that the pumping rate stabilization reserve will have a balance of \$148,000 at the end of FY 2017-18 which will be used to offset the difference. No increase in pumping rates is recommended at this time.

Other income includes secured property taxes of \$2,287,000 for 2018-19 and Water Availability Charges of \$582,000.

Staffing is budgeted at 66 full-time positions including four new positions: Customer Service Assistant, Senior Engineer, Wastewater Systems Technician I, and a Landscape Maintenance Worker I. In addition, three employees will be retiring that will need to be replaced during the new fiscal year with some possible overlap. Also included in the budget is a 3% cost of living allowance per the current MOU with the Employees' Association.

Total operating expenses, excluding Source of Supply, are budgeted at \$12,629,477, a 7.5% increase over the current fiscal year.

Moosa Wastewater: The preliminary budget does not include an increase to the wastewater service charge or the low pressure wastewater collection system maintenance fee.

Woods Valley Ranch Wastewater: The Sewer Service Charge and Sewer Standby Fees will remain the same as last year.

Woods Valley Ranch Wastewater Expansion Project: Sewer standby fees for properties in the North and South Village Assessment District (Service Area 2) and not yet connected to the sewer system will be \$550.32 in the coming year. Sewer service charges for those connected will be \$1,183.20/year and a grinder pump maintenance charge (when required) will be \$558.96/year per EDU. These fees will be collected as fixed charge special assessments on the property tax roll.

Capital Projects being proposed in FY 2018-19 are budgeted at \$6.28M. They include Old Castle Waterline Replacement (\$4M), Reservoir Painting and Recoating Projects (\$1.3M), several new vehicles (\$242,500), and AMI Technology (\$220K). Wastewater CIP is proposed at \$204K for Moosa and \$60K for Woods Valley.

Debt: Three State Revolving Fund Loans in the amount of \$24.8M at 2.2% interest are being used solely for the Woods Valley Ranch Expansion Project. Debt service payments for FY 2018-19 are \$1,542,388. In addition, a Calif. Drinking Water State

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Revolving Fund loan for \$2.9M at 1.6% interest was used for the Cool Valley Reservoir Cover/Liner Replacement. Debt service for 2018-19 is \$170,912.

A portion of the Capital Improvements Reserve will be utilized to balance the budget. However, the reserve balances at the end of FY 2018-19 will still meet the requirements set forth in the District's Strategic Plan.

District Budget Policies were reviewed by Finance Director Pugh and are codified in Administrative Code Section 50.2. No changes to policy were recommended.

The FY 2018-2019 budget will be presented for possible adoption on June 18, 2018.

GENERAL MANAGER'S AGENDA

6. Update on Federal Advocacy Program:

The long-term Federal Advocacy Program goals and achievements were reviewed by Jacqueline Howells of Howells Government Relations (HGR). Successes include funding to agricultural producers through the USDA Natural Resources Conservation Service (NRCS) and a Federal Grant secured for the San Diego County Agriculture Partnership for Sustainability Project which is made up of a coalition of 10 retail water agencies, including VCMWD. In addition, a USDOI-Bureau of Reclamation (BOR) Feasibility Study Grant for \$150K was awarded in 2017. Once an official feasibility declaration is issued from the BOR, the District can apply for design and construction funding.

HGR continues to identify, monitor, and track federal legislation, regulatory activity and funding opportunities at the federal level and strives to advance federal legislation, regulatory relief and promote financial assistance for water infrastructure.

7. Adoption of District's 5-Year Strategic Plan – FY 2018-19 Through 2022-23:

Previously reviewed at the May 21, 2018 Board Meeting, the District's 5-Year Strategic Plan was presented with minor corrections for the Board's review.

Upon motion by Haskell, seconded by Ferro and unanimously carried, the Strategic Plan for Fiscal Years 2018-19 through 2022-23 was adopted.

8. Miscellaneous:

General Manager Arant reported on the following miscellaneous items:

- Governor Brown signed SB 606 and AB 1668 which address long term water conservation. A summary will be provided at a later date.
- A letter in opposition to the Water Tax bill was issued to Senator Anderson and Assemblymember Waldron today.
- Metropolitan approved the WaterFix and will be funding 67% of the project. MWD plans to build enough capacity to allow Central Valley Ag Districts to

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buy capacity in the future if they want to. General Manager Arant has drafted a letter to MWD asking them to give SoCal farmers the same option to participate or not in the WaterFix. This will be brought back for final action at a later date.

CLOSED SESSION

9. A closed session was called by President Polito at 3:20 p.m. pursuant to:

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

Agency Designated Representatives:	Board of Directors
Unrepresented Employee:	General Manager

RECONVENE

10. The regular Board of Directors meeting reconvened at 3:29 p.m. There was no reportable action.

ADJOURNMENT

11. Upon motion by Broomell, seconded by Haskell 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 June 18, 2018