

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Tuesday, January 22, 2019
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, Ferro, Holtz and Smith. Staff members present were: General Manager Arant, General Counsel Norvell, District Engineer Grabbe, Director of Operations Hoyle, Director of Finance and Administration Pugh, Director of IT Pilve, Manager of Accounting Velasquez, Safety & Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectators present were Lance Andersen and Courtney Provo – MRCD, Michael Zizzi – Leaf & Cole, and Jacqueline Howells – HGR.

ELECTED OFFICERS FOR THE 2019-2020 TERM:

President – Robert Polito
Vice President – Randy Haskell

CONSENT CALENDAR

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

- Minutes of the Board meeting held December 17, 2018
- Audit demand check numbers 153087 through 153378 for December 7, 2018 through January 10, 2019 and wire disbursements for December 2018
- Treasurer's Report for month ending October 31, 2018
- Board of Director's request for reimbursement of expenses and report of expenses.

ACTION AGENDA

2. Regional Cooperative Partnership Program (RCPP) Status Report Presentation:

An update on the Regional Cooperative Partnership Program (RCPP) was presented by Lance Andersen, Agriculture Program Director for the Mission Resource Conservation District (MRCD). Approximately one year ago, the District partnered with the MRCD, the SDCWA, the San Diego County Farm Bureau and nine other retail water agencies in a 3-year program to provide funding to help growers increase on-farm irrigation efficiency and promote soil and resource conservation.

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Under the program management of the MRCD, funding for this program will be made by local financial and in-kind contributions from the participating agencies and a grant from the US Department of Agriculture's Natural Resources Conservation Service (NRCS). The participating agencies, representing 41,000 acres of farmland in the county, include the Cities of Carlsbad, Escondido, and Oceanside, Fallbrook PUD, Rainbow MWD, Rincon del Diablo MWD, San Dieguito WD, Vallecitos WD, Valley Center MWD and Yuima MWD.

Through participation in the RCPP, growers have been helped with irrigation system improvements, irrigation management, erosion control and mulching practices. There is \$600,000 available in the program for financial assistance. The MRCD will be issuing payments to growers under contract, who have implemented improvements, in the near future. There are currently 25 Valley Center growers participating in the program reported Mr. Andersen; the majority of which are in the soils sensor cost share program.

Valley Center MWD has the largest in-kind contribution and the largest grower participation in the local match. This program aims to keep growers economically viable, keep water costs manageable, increase farm conservation, help farmers avoid regulatory actions, and increase the number of growers eligible for these programs.

The water agencies primary in-kind contribution has been outreach to growers, newsletters, bill inserts, and website information. Because of RCPP outreach, the Water Authority's Agricultural Water Management Plan has seen an increase of 30% in the last fiscal year.

Mr. Anderson introduced the new District Manager of MRCD, Ms. Courtney Provo.

3. Comprehensive Annual Financial Report for Fiscal Year 2017-18 Review:

The District's Comprehensive Annual Financial Report for fiscal year ending June 30, 2018 was presented for the Board's review. Accounting Manager Velasquez provided a summary of the financial highlights including:

Water Purchases and Sales: The District's water sales volume increased 11.7% over the previous year for a total amount sold of 21,498 acre feet. Water purchases increased 11.4% for a total purchase amount of 22,526 acre feet. The average price of water increased \$33 per acre foot, or 2.5%. The average price is impacted by the fixed components paid to MET and SDCWA regardless of water sales.

Combined Revenues: Total revenues for FY 2018 were \$53.8M, up 15.3% over FY 2017. The most significant increases were in water sales and pumping charges (up \$6.6M or 20.6%), meter installation fees (up 13.5% or \$26K), investment income (up 104.5% due to higher investment yields and higher cash balances), and the gain on capital assets (up 420.3%, or \$99.8K, due to the sale of Hauk Mesa Reservoir as surplus property). In addition, capital contributions were up 93.3%, or \$192K, due to increased developer activity.

Total revenues and capital contributions were up 15.7% (\$7.3M) over the previous year for a combined total of \$54,179,236 for FY 2018.

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Combined Expenses: Total expenses were up 18.2% over the previous year. This is due to an increase in the cost of water sold (up \$3.8M), General & Administrative costs were up \$3.1M, mainly due to new reporting standards for pensions (GASB 68) and postemployment benefits (GASB 75), and interest expense, up \$301K, due to the state revolving fund loans.

Net Position at Year End: Combining all of the District's funds, the overall change in net position was \$2.2M, down 23% from the previous year. The District standard of maintaining unrestricted and uncommitted reserves for a minimum of 3 months to a maximum of 6 months of the operations and maintenance budget was met.

Auditor's Report: An independent audit of the District's financial statements as of June 30, 2018 was completed by Leaf & Cole, LLP. The audit process was reviewed by Michael Zizzi who reported that, in the opinion of Leaf & Cole, the financial statements present fairly VCMWD's financial position and cash flows as of June 30, 2018, in conformity with generally accepted accounting principles.

The Statement of Cash Flows indicates a net increase of \$5.3M in cash and cash equivalents. This includes cash flows from investing activities, capital and related financing, non-capital financing and operations.

The 2017-18 CAFR was received and filed.

4. Development Project Update:

An update on the status of the major development projects in progress throughout the District was provided by District Engineer Grabbe as follows:

- Meadowood (844 Units) – Annexation complete. Preparing Addendum to EIR for proposed water and wastewater service options.
- Lilac Hills Ranch (1,746 Units) – Project on hold pending General Plan Amendment
- Park Circle (344 Units) – Tentative Map Approval received. Need to form CFD to secure Phase 3 Expansion costs.
- Orchard Run (300 Units) – Has Final Map Approval for Units 1 & 2. Need to form CFD to secure Phase 3 Expansion costs.
- Bear Peak (Shady Oak) (47 Units) – Sold to KB Homes. Need to complete concept approval and plan reviews when submitted.
- Butterfield Trails (71 Units) – Pending submittal of final plans prior to construction.
- Weston Towne Center (600 Units) – In planning stage, Expansion participant.
- North Village Station (200 Units) – In planning stage, Expansion participant.

GENERAL MANAGER'S AGENDA

5. FY 2018-19 to FY 2022-23 VCMWD Strategic Plan Status Report:

General Manager Arant reported that a tri-fold brochure of the District's current Strategic Plan had been created for possible insertion in the customer water bills. A more

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comprehensive report was also created to be printed in-house and made available for customers wanting a full report. The two draft brochures were provided for Board review and comment.

6. The following miscellaneous items were reported by General Manager Arant:
- The Groundwater Sustainability Agency Memorandum of Understanding was reviewed by General Counsel and signed by the General Manager for Phase I, Data Collection for development of a Groundwater Sustainability Plan for the Upper San Luis Rey Groundwater Subbasin.
 - The 1st Aqueduct shutdown by the Water Authority will be February 24 through March 5, 2019. Notifications to customers will indicate February 23rd to allow time to recharge the District's reservoirs. If weather remains dry, a plan will be in place to bring additional reservoirs back online. Staff will step up patrolling during the shutdown period.
 - District's Status Report for November 2018 was presented for review.

GENERAL COUNSEL AGENDA

7. General Counsel Norvell reported that comments on AB 401, which required the State Water Board to analyze and recommend options for how to provide low income water rate assistance, are due February 1st. Staff has submitted comments.

BOARD OF DIRECTORS' AGENDA AND REPORTS ON MEETINGS ATTENDED

8. Director Holtz attended the ACWA Conference in San Diego from November 26th to November 29th and reported the committee meetings and sessions he attended.

ADJOURNMENT

9. Upon motion by Smith, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:33 p.m.

ATTEST:

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President

Secretary

Approved at a regular meeting of the Board of Directors on February 4, 2019