

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, February 4, 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 de Sousa Mills, District Engineer Grabbe, Director of Operations Hoyle, Director of Finance and Administration Pugh, Director of IT Pilve, Manager of Accounting Velasquez, Project Manager Williams, Safety & Regulatory Compliance Supervisor Olson, and Executive Assistant Johnson. Spectators present were John Christopher – Louis Berger, and Megan Anderson – HGR.

CONSENT CALENDAR

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

- Minutes of the Board meeting held January 22, 2019
- Audit demand check numbers 153379 through 153496 for January 11, 2019 through January 24, 2019
- Treasurer's Report for month ending November 30, 2018
- Quarterly report of employees' expense reimbursements for the quarter ending December 31, 2018

ACTION AGENDA

2. Adoption of January 2019 Water Master Plan and CEQA Exemption:

The updated Water Master Plan, prepared by staff with assistance from John Christopher of the Louis Berger Group, was reviewed at the regular Board of Directors' meeting of November 19, 2018. The Plan focuses on the replacement of the existing water infrastructure and prioritizes replacement of facilities based on age and current condition. After reexamining the projects targeted for replacement within the next five years, Project Manager Williams presented the 2019 Water Master Plan for adoption.

Staff is pursuing Drinking Water State Revolving Fund financing for several of the projects recommended for replacement in the next five years that meet the funding criteria. Where necessary, staff will coordinate construction schedules affected by the County's capital improvement projects.

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As the Master Plan is a planning tool for the repair and replacement of existing District facilities and does not commit the District to any of the identified projects, staff has determined that the Water Master Plan is exempt from environmental review under the California Environmental Quality Act. Individual projects identified in the Master Plan will be subject to future environmental review.

Approval of Resolution No. 2019-01, adopting the Water Master Plan, finding it exempt from CEQA and authorizing staff to file a Notice of Exemption with the County Clerk was recommended.

Upon motion by Ferro, seconded by Smith and unanimously carried, the following resolution, entitled:

RESOLUTION NO. 2019-01

**RESOLUTION OF THE BOARD OF DIRECTORS
OF VALLEY CENTER MUNICIPAL WATER DISTRICT
ADOPTING THE JANUARY 2019 WATER MASTER PLAN AND
FINDING SUCH ACTION EXEMPT UNDER THE CALIFORNIA
ENVIRONMENTAL QUALITY ACT**

was adopted by the following vote, to wit:

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

NOES: None

ABSENT: None

3. Funding Strategy to Reduce District CalPERS Pension Plan Unfunded Accrued Liability:

Information on the District's Employee Pension Plan (CalPERS) and funding options for increasing the District's Funded Ratio and reducing the Unfunded Accrued Liability (UAL) was presented by Director of Finance Pugh.

The District's CalPERS percent funded factor is currently 60.9% which is considered low compared to most CalPERS agencies in the San Diego Region, and below average by bond rating agencies and investors. This could have adverse effects on the District's credit worthiness and the ability to secure future debt. Although not required, a higher funded ratio has the following benefits:

- Indicates the overall health of the District and its Pension Plan, as it is now required to be reported in the annual financial documents;
- Is looked upon favorably by bond rating agencies; and
- Can lead to potential future interest savings on the long-term bond financing market.

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Staff reviewed strategies for raising the Funded Ratio to the 70% to 85% range, and commensurately lowering the Unfunded Accrued Liability (UAL). Over time, this will also lower the related annual payment for the District's CalPERS Account.

In FY 2015-16, CalPERS began collecting the UAL payments as whole dollars rather than a percentage of payroll. Additionally, CalPERS lowered the Discount Rate assumption, or long-term anticipated rate of return, from 7.5% to 7.0% using a three-year phase-in. This will increase both the normal cost and UAL employer contribution cost beginning in FY 2018-19.

The District has already taken some measures to help mitigate cost increases including being one of the first to require employee's to pay the full 8.0% of their share. However, staff recommends that the District establish a Pension Funding Policy with a desired funded ratio range that could be accomplished within a set time frame. Next, the funding mechanism(s) to achieve the range within the agreed upon time frame should be determined. Potential funding sources to smooth the impact over time may include:

- Issue debt to fund CIP projects and use proceeds or existing reserves to reduce the UAL balance;
- Budget additional discretionary payments (ADP); and/or
- Consider applying unanticipated one-time revenues.

Mr. Pugh conveyed that there are many variables involved in determining the CalPERS costs on a year to year basis, most of which are out of the District's control. For this reason, staff thinks it would be prudent to set a goal rather than a target.

The Board was asked to consider affecting a more rapid increase in the Percent Funded Factor and reducing the UAL. If that is their desire, what does the Board view as a reasonable funded ratio, how soon would they like to achieve it, and by what mechanism(s)?

After review and discussion, staff will come up with a matrix to reach the 75 to 80% range within 10, 12 and 15 year time frames for future consideration.

4. ACWA-JPIA President's Special Recognition Award for the Liability and Property Programs:

The District was recognized by ACWA-JPIA with the "President's Special Recognition Award" for having a low "Paid Claims and Case Reserves" to "Deposit Premiums" for both the Liability and Property insurance programs for the three year policy period.

The District has an outstanding track record with ACWA-JPIA for its low loss record. These recognitions lead to refunds of deposit premiums which have amounted to \$619,000 for VCMWD over the last 10 years.

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GENERAL MANAGER'S AGENDA

5. San Diego County Water Authority's Board Meeting Summary:

General Manager Arant provided a summary of the Water Authority's Board meeting of January 24, 2019. He conveyed that it contained only routine business items.

CLOSED SESSIONS

6. A closed session was called by President Polito at 3:18 p.m. pursuant to:

- **Government Code §54957.6 – Conference with Labor Negotiators:**

Agency Representative:	Gary Arant, General Manager
Employee Organization:	Valley Center MWD Employee Association

RECONVENE

7. The regular Board of Directors meeting reconvened at 3:48 p.m. There was no reportable action.

ADJOURNMENT

8. Upon motion by Haskell, seconded by Smith and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:49 p.m.

ATTEST:

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President

Secretary

Approved at a regular meeting of the Board of Directors on February 19, 2019