

# VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting  
Monday, March 2, 2020  
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, 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: Megan Anderson – HGR and Allen Kashani – Pardee Homes.

## **CONSENT CALENDAR**

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

- Minutes of the Board meeting held February 18, 2020
- Audit demand check numbers 156698 through 156805 for February 7, 2020 through February 20, 2020

## **ACTION AGENDA**

2. **Request by Pardee for Out-of-Agency Services Agreement Between Rainbow MWD and Valley Center MWD for the Meadowood Project:**

Staff received a letter from Pardee Homes, dated February 19, 2020, requesting an Out-of-Agency Agreement between Rainbow and Valley Center MWDs to provide water and wastewater services for the Meadowood Development. This is a prelude to the eventual detachment of the project from VCMWD and annexation to RMWD reported General Manager Arant.

The history of Pardee seeking water and wastewater services for their Meadowood Development project goes back to the late 1990s. At one point, Pardee had a pre-annexation agreement with Rainbow. However, in the early 2000s significant political changes on the Rainbow Board led to staff instability and a new “no growth” majority took action to undo the pre-annexation agreement and eventually joined in litigation in an attempt to stop the Meadowood project. Litigation ended in 2004-05 with Pardee securing an agreement that RMWD would not hinder the Meadowood Development.

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

After a series of events, Pardee eventually approached VCMWD for annexation in 2006. This was halted in 2008 due to the Delta Smelt Decision which resulted in water supply reductions. However, work was resumed on the annexation process in 2012 and, in April 2014, the Meadowood project was annexed into Metropolitan, the San Diego County Water Authority and Valley Center MWD.

Initially, VCMWD expected that it would establish a new connection on the 1<sup>st</sup> San Diego Aqueduct which runs near the Meadowood project. However, the SDCWA would not allow the new connection because of the very low flow. After analyzing numerous alternatives, it was determined that the most cost effective way to serve Meadowood is from and through water and wastewater facilities owned and operated by RMWD.

Following a jointly funded engineering study by RMWD's consultant, it was revealed that Rainbow would be basing its water and wastewater service costs on a policy requiring it charge developments outside its service area the same capital, capacity, O&M and service costs as it would if the development were inside its service area and also charge VCMWD a monthly service fee based upon the number of connections. This would lead to significantly higher water and wastewater fees for new Meadowood customers over that of VCMWD customers and their neighbors in the Rainbow service area.

Pardee thought it might be able to competitively secure direct water and wastewater from VCMWD. However, this approach would require 3+ miles of water main, 6+ miles of high pressure sewer main, an upgrade and expansion to the Moosa Treatment Plant, and two 2-million gallon emergency storage reservoirs. This approach also raised concerns about long term operation and maintenance. Pardee then decided it was time to "bury the hatchet" and go back to Rainbow.

To date, VCMWD has expended \$231,009 in staff and legal costs on the project for the annexation process and project planning. Pardee has reimbursed the District \$224,540 to date with the balance billed and pending. In addition, Pardee has paid \$56,907 in annexation fees and \$2670 in annual standby/availability charges to the District.

If the Board grants Pardee's request, it has the authority to set Terms and Conditions of Annexation including paying all VCMWD's staff and legal costs associated with developing an interim Out-of-Service Agency Agreement, processing fees for the future LAFCO detachment and annexation, and not seeking reimbursement for the annexation fees previously paid to the District.

**Upon motion by Smith, seconded by Ferro and unanimously carried, the Board approved entering an Out-of-Agency Service Agreement with Rainbow to provide water and wastewater service to the Meadowood project.**

### **3. Valley Center Area Municipal Service Review – Final Report:**

The LAFCO Commission adopted the Valley Center Area Municipal Service Review (MSR) at their hearing this morning. General Manager Arant attended the meeting to provide some final comments.

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

The MSR reviewed all aspects of VCMWD's water, wastewater and recycled water service provisions and found no service or capacity deficiencies. No recommendations for changes in the agency organization, service delivery, or current sphere of influence were made by LAFCO.

A summary of the comments previously made on the draft MSR and how they were addressed in the Final MSR were reviewed by Mr. Arant. Overall, LAFCO's assessment of VCMWD was very positive and staff was satisfied with the final MSR document.

### **GENERAL MANAGER'S AGENDA**

#### **4. Miscellaneous:**

The following miscellaneous items were discussed:

- Coronavirus response plan being developed to keep the District functioning in the event that a large number of employees become sick;
- Jacqueline Howells is in Washington DC trying to secure federal funds for the District's projects.

### **GENERAL COUNSEL AGENDA**

#### **5. General Counsel de Sousa reported on the following items:**

- The San Diego County Water Authority will dismiss, without prejudice, litigation with Metropolitan Water District and certain other claims. The lawsuits from 2014, 2016, 2017 & 2018 still remain.
- In response to SB 401 (Dodd) and two years late, the State Board issued their plan to the legislature on water rate assistance for low income households. Their plan, Direct Water Bill Credits, will cost the state \$600M/year to implement. It would require water agencies to issue credits to low income ratepayers and then apply to the state for collection of the funds.

### **CLOSED SESSIONS**

#### **6. A closed session was called by President Polito at 3:01 p.m. pursuant to:**

- **Government Code Section 54956.9 (d)(1) – Conference with Legal Counsel, Existing Litigation**

Name of Case: Bonnie Kessner and Andrea McCartney-Page, et al. vs. City of Santa Clara et al., Santa Clara Co. Sup. Ct. Case Number unspecified.

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

**RECONVENE**

7. The regular Board of Directors meeting reconvened at 3:15 p.m. There was no reportable action.

**ADJOURNMENT**

8. Upon motion by Smith, seconded by Holtz and unanimously carried, the regular meeting of the Board of Directors was adjourned at 3:16 p.m.

**ATTEST:**

\_\_\_\_\_  
**President**

**ATTEST:**

\_\_\_\_\_  
**Secretary**

**Approved at a regular meeting of the Board of Directors on March 16, 2020**