

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Monday, June 15, 2020
Time: 2:00 P.M.
Place: Board Room
29300 Valley Center Road
Valley Center, CA 92082

Due to the COVID-19 State of Emergency and pursuant to waivers of certain Brown Act provisions under the Governor's Executive Orders, the Board Meeting was conducted via Web Conference and Live Steam.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Polito at 2:00 P.M.

President Polito established for the record that all Directors were able to hear the proceedings, that all members of the Board were able to hear the Directors participating by teleconference clearly, and that all votes would be taken by a roll call vote pursuant to the provisions of the Brown Act. President Polito further established for the record the process by which public comments would be received by the Board; this process was also described in the Agenda for the meeting. It was announced that no public comments had been received for this meeting.

ROLL CALL

Board members present were President Polito and Director Ferro, with Directors Haskell, Holtz, Smith, and General Counsel de Sousa teleconferencing. Staff members present were: General Manager Arant, District Engineer Grabbe, Director of Operations Hoyle, Director of Finance and Administration Pugh, Director of IT Pilve, Senior Engineer Lyuber, Manager of Accounting Velasquez, Safety & Regulatory Compliance Supervisor Olson, Construction & Maintenance Supervisor Lovelady, and Executive Assistant Johnson.

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 June 1, 2020
- Audit demand check numbers 157490 through 157597 for May 22, 2020 through June 4, 2020
- Treasurer's Report for month ending April 30, 2020

PUBLIC HEARING

2. Resolutions Approving the Lower Moosa Canyon WRF and Corporate Facility Solar Projects and Making Findings Required for Energy Services Contracting and Finding them Categorically Exempt from CEQA:

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A public hearing to receive input on adoption of Resolution No. 2020-21, regarding the Lower Moosa Canyon Water Reclamation Facility Photovoltaic Solar Project, was opened by President Polito at 2:08 p.m.

District staff and High Mountain Investments (aka Blue Max) have agreed on the general terms of Power Purchase Agreements for solar projects at Moosa and the Corporate facility reported General Manager Arant. The terms include a 25 year fixed energy price for the length of the agreements, with an annual savings starting at \$8,171 for Moosa and \$5,123 for the Corporate facility, and a provision to transfer ownership to the District at the end of the 25 year terms.

Each resolution makes certain financial findings, as required by Government Code, for the District to enter into Power Purchase Agreements, and approves staff's determination that each project is categorically exempt under the California Environmental Quality Act (CEQA). It also approves each project and directs staff to file Notices of Exemption with the County.

Staff recommended adoption of Resolution No. 2020-21 approving the Lower Moosa Canyon WRF Solar Project, supporting its financial and CEQA findings, and authorizing the General Manager to finalize the Power Purchase Agreement.

The public hearing was closed at 2:18 p.m.

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

RESOLUTION NO. 2020-21

RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL WATER DISTRICT MAKING FINDINGS REQUIRED FOR ENERGY SERVICES CONTRACTING FOR THE LOWER MOOSA CANYON WATER RECLAMATION FACILITY PHOTOVOLTAIC SOLAR PROJECT; APPROVING AN EXEMPTION UNDER CEQA; DIRECTING STAFF TO FILE A NOTICE OF EXEMPTION, AND APPROVING PROJECT

was adopted by the following vote, to wit:

AYES: Directors Polito, Haskell, Ferro, Holtz and Smith
NOES: None
ABSENT: None

A public hearing to receive input on adoption of Resolution No. 2020-22, regarding the Corporate Facility Photovoltaic Solar Project was opened by President Polito at 2:29 p.m.

Staff recommended adoption of Resolution No. 2020-22 approving the Corporate Facility Solar Project, supporting its financial and CEQA findings, and authorizing the General Manager to finalize the Power Purchase Agreement.

The public hearing was closed at 2:25 p.m.

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

RESOLUTION NO. 2020-22

RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL WATER DISTRICT MAKING FINDINGS REQUIRED FOR ENERGY SERVICES CONTRACTING FOR THE CORPORATE FACILITY PHOTOVOLTAIC SOLAR PROJECT; APPROVING AN EXEMPTION UNDER CEQA, DIRECTING STAFF TO FILE A NOTICE OF EXEMPTION, AND APPROVING PROJECT

was adopted by the following vote, to wit:

**AYES: Directors Polito, Haskell, Ferro, Holtz and Smith
NOES: None
ABSENT: None**

ACTION AGENDA

3. Amendment to Cable Television Site License Agreement with Mediacom California LLC for the Rincon Reservoir Site:

The District's Cable Television Site License Agreement with Mediacom for use of approximately 811 square feet at the Rincon Reservoir site has recently expired reported Finance Director Pugh. The lease currently generates \$31,062 annually.

Mediacom and staff desire to extend the lease for an additional twenty-year period, through December 1, 2039. The annual rent would be increased each year by the percentage indicated by the Consumer Price Index (CPI).

Staff recommended adoption of Resolution No. 2020-23 approving the amendment to Mediacom's site license agreement at Rincon Reservoir.

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

RESOLUTION NO. 2020-23

RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING A FIRST AMENDMENT TO THE SITE LICENSE AGREEMENT BETWEEN THE DISTRICT AND MEDIACOM CALIFORNIA LLC AT RINCON RESERVOIR AND AUTHORIZING THE GENERAL MANAGER TO SIGN

was adopted by the following vote, to wit:

**AYES: Directors Polito, Haskell, Ferro, Holtz and Smith
NOES: None
ABSENT: None**

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4. Approval of Design Contracts for the North County Emergency Storage Project – Valley Center Improvements:

A summary of San Diego County Water Authority's Emergency Storage Project (ESP) was provided by Senior Engineer Lyuber. The Valley Center Improvements are the final phase of this project to provide emergency water to the San Diego Region if a catastrophic earthquake severs all or a portion of the five pipelines making up the First and Second Aqueducts.

In October 2018, the District entered into an agreement with SDCWA and Yuima for funding the design of the ESP Storage Project Improvements in Valley Center and Yuima Water Districts. SDCWA will fund the pipeline and pumping improvements within the VCMWD system to enable the ESP supply to deliver emergency water to the VC 3 Flow Control Facility and Yuima's Flow Control Facility on the First Aqueduct. VCMWD is responsible for overseeing the design services and construction of the project.

Staff issued a Request for Proposals for design services from prequalified engineering firms and received three proposals: HDR, Michael Baker International (MBI), and Infrastructure Engineering Corporation (IEC). The proposals were evaluated for technical merit and interviewed by a review panel. After MBI was identified as the best choice, staff negotiated a final fee of \$758,947.

SDCWA recently approved an additional \$500,000 to the original \$580,000 appropriation, bringing the total revised budget to \$1,080,000, providing sufficient funding for the MBI design contract.

Staff recommends adoption of Resolution No. 2020-24, awarding the design contract to MBI and authorizing the General Manager to enter into a Professional Services Agreement for the North County Emergency Storage Project – Valley Center Improvements for MBI's negotiated amount of \$758,947.

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

RESOLUTION NO. 2020-24

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
AUTHORIZING STAFF TO ENTER IN A PROFESSIONAL
SERVICES AGREEMENT FOR THE DESIGN OF THE
NORTH COUNTY EMERGENCY STORAGE PROJECT
VALLEY CENTER IMPROVEMENTS [01-00-00-18045]**

was adopted by the following vote, to wit:

**AYES: Directors Polito, Haskell, Ferro, Holtz and Smith
NOES: None
ABSENT: None**

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5. Public Hearing Date Set for July 6, 2020 to Consider Proposed Revisions to Miscellaneous Water Meter Fees and Charges:

Proposed revisions to miscellaneous water meter fees and charges were presented by Senior Engineer Lyuber. To avoid the possibility of significant increases, staff has committed to reviewing these one-time fees and charges annually.

After analyzing current charges as they relate to actual material, labor and equipment costs, staff considered industry standards such as the Consumer Price Index for All Urban Consumers (San Diego-Carlsbad) (CPI-U), and Engineering News Record (ENR) to determine the appropriate increases. Staff determined that all categories of materials, labor and equipment were consistent with the ENR index, and recommended they be increased by 1.66%. These include meter installation fees, backflow devices, pressure reducing valves, and fire meter tees. Charges for staff time with no material or installation costs were consistent with the CPI-U. Staff recommended these items be increased 2.4%, the same as the cost of living increase for FY 2020-21. These include Project Facility Availability and Commitment Letters. No changes were recommended for meter relocation fees.

Staff recommended a public hearing date be set for July 6th at 2:00 p.m. to receive input and consider adoption of the proposed fees and charges to be effective Aug. 10, 2020.

Upon motion by Smith, seconded by Haskell and unanimously carried, the public hearing date was set for July 6, 2020 at 2:00 p.m.

6. Water Sales and Rate Projections in the Proposed FY 2020-21 Budget and Review of New Capital Project Appropriations:

An update on the revenue and expense projections for FY 2020-2021 that was presented on May 4, 2020 was provided by Manager of Accounting Velasquez. Using data on proposed rate increases from SDCWA, staff re-evaluated expected sales and determined reasonable rate increases to pass through wholesale costs from SDCWA and cover local operating costs. It was noted that MWD and SDCWA are under pressure from their member agencies to lower their proposed increases due to the Pandemic. This could change these figures again in the coming months.

With the proposed increases, staff is projecting that water operating revenues and non-operating revenues will be sufficient to cover the District's operating expenses. New water capital appropriations are estimated at \$4,784,100; of that, \$1.4M will require use of Capital Reserve Funds. New wastewater capital projects are proposed at \$890,000 and will require use of Replacement Reserve Funds.

Water sales were previously estimated at 18,000 acre feet. This has been reduced to 17,000 to more realistically reflect current trends. A 15% water sales reserve for fixed charges has also been reduced to 10% because of the decreased sales estimate.

The estimated acre foot rates used to prepare the proposed budget consist of \$2,278.19 for domestic (4.4% increase), and \$1,723.63 for agricultural customers (6.7% increase). These include a local commodity rate increase of \$16.29 per ac. ft. (6.77%).

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Meter service charges are proposed to increase 6.77% and would generate \$276,930 in additional revenue annually.

With the proposed increases, the local operating costs would be 57% covered by meter service fees and 28% covered with revenue from the local commodity component. This will provide a total of 85% coverage with local revenues. The remaining 15% will come from non-operating revenues (investments, lease revenue and miscellaneous income).

Capital Projects: Staff has prioritized the proposed capital projects because of fiscal uncertainties due to the Pandemic. Some projects received multiple ratings, such as Priority 1 for design and 2 or 3 for construction.

- Priority 1: High importance or mandated for completion in FY 2020-21
- Priority 2: Important but may be deferred because of fiscal impacts
- Priority 3: Important but will be deferred pending approval of outside funding opportunities (State Revolving Fund Loan, Grants, etc.)

Each Department Head gave a short description of their proposed new capital projects. The most financially significant include:

- Weaver Reservoir Painting & Recoating - \$1,875,000 – Priority 1&2
- McNally Reservoir Feeder Replacement (Liner) - \$850,000 – Priority 1&2
- Couser Canyon Reservoir Paint & Recoating - \$745,000 – Priority 1&2
- AMI Technology - \$250,000 – Priority 1
- 2020 Urban Water Management Plan - \$175,000 – Priority 1
- New Vehicles - \$159,600 – Priority 2
- Risk & Resilience Assessment & Emergency Response Plan - \$151,000 – P. 1&2
- Oak Glen Reservoir Demolition - \$150,000 – Priority 1&2
- Moosa (Wastewater) Motor Control Center Replacement - \$650,000 – Priority 1&2

Of the proposed new water projects and capital projects currently in progress with a Priority 1 designation, \$1,888,677 is estimated for FY 2020-21. Current and proposed wastewater projects with a Priority 1 designation were estimated at \$225,000 for FY 2020-21.

This was an informational item. The final budget will be presented for possible adoption at the next meeting scheduled for July 6, 2020. Proposed final rate increases will be presented in the fall for possible adoption to be effective in 2021.

INFORMATIONAL ITEMS:

7. Financial Impacts of the COVID-19 Pandemic on the District:

An update on the financial impacts of Governor Newsom's directive against utility lock-offs and collecting late payment fees, in response to the COVID-19 Pandemic, was provided by Finance Director Pugh.

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A customer account analysis indicates that outstanding payments in the 30 to 60 day range total 2.88% for May, down from 11.54% in April. Customer account payments appear to be coming in at a normal rate.

Revenue losses through May 2020 are estimated at \$140,707, as shown below:

Flow Reduction/Lock-Off Fees	\$ 29,400
Delinquency Charges	\$111,307

Staff will continue to monitor this data and report on it monthly until the Governor declares the Pandemic is over and we can resume normal billing practices.

8. San Diego County Water Authority's Board of Directors Meeting:

General Manager Arant reported that the SDCWA Board of Directors' meeting held on May 28th (via teleconference) consisted of the following items:

- Pipeline 5 repairs were completed.
- Rate hearing set for June 25, 2020
- Water Authority adopted a resolution in opposition of the Fallbrook/Rainbow detachment unless certain financial requirements are met.
- Mission Resources Conservation District received a \$750K contract for their Ag Water Management Program irrigation evaluations.

GENERAL COUNSEL AGENDA

9. General Counsel de Sousa reported that the State Balanced Budget was due today (June 15th) to the Governor. If the legislature does not get it approved, they must continue to work on it without pay. They are estimating a \$64B deficit.

BOARD OF DIRECTORS' AGENDA

10. Amended Employment Agreement for the General Manager Effective July 1, 2020:

At the Board's regular meeting of June 1st, a six month deferral of the General Manager's performance evaluation and contract negotiations to January 2021 was discussed. The consensus was that it was in the best interest of the District in light of the financial uncertainties of the COVID-19 Pandemic.

An amended Employment Agreement for the General Manager to continue his current compensation for one year effective July 1, 2020 was presented for approval.

Upon motion by Ferro, seconded by Haskell and unanimously carried, the General Manager's Employment Agreement was extended to the end of FY 2020-2021 at his current salary with no merit/bonus consideration.

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11. Miscellaneous:

A presentation on the Lake Turner Dam 30-inch Valve Repair and Replacement was provided. Director of Operations Hoyle explained the history of Lake Turner Dam followed by a presentation by Construction and Maintenance Supervisor Lovelady on the repair and replacement of the 30-inch valve.

Access to the bell structure was through a 300 foot long, 36-inch wide tunnel. This was a permitted confined space entry with an air monitoring device attached to each employee. The 30-inch valve was surrounded by a 36-inch coupling which had to be cut into three pieces in order to remove it. Besides the very tight working conditions, several obstacles were overcome by sheer ingenuity of the staff, which were described by Mr. Lovelady. For their extraordinary efforts, the following employees received a Certificate of Commendation: Cliff Reeh, Jared Thomas, Shaun Woods and Kenneth "Benito" Wilson.

ADJOURNMENT

12. Upon motion by Ferro, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 4:49 p.m.

ATTEST:

ATTEST:

President

Secretary

Approved at a regular meeting of the Board of Directors on July 6, 2020