

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting
Tuesday, February 16, 2021
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 VCMWD 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.

ROLL CALL

Board Members Present: President Polito, Vice President Ferro, Director Haskell and Director Smith, with Director Holtz teleconferencing.

Board Members Absent: None.

Staff Members Present: General Manager Arant, Director of IT Pilve, Director of Finance Pugh, Manager of Accounting Velasquez, and Executive Assistant Peraino; with Director of Operations and Facilities Lovelady, Safety and Regulatory Compliance Supervisor Olson, District Engineer Grabbe, General Counsel de Sousa and Jacqueline Howells (HGR) teleconferencing.

Other Attendees: Tashonda Taylor, *SDG&E Vice President of Customer Operations*; Brian D'Agostino, *SDG&E Director of Fire Science and Climate Adaptation*; and Chris Nanson, *SDG&E Senior Account Executive of Business Services* teleconferencing.

PUBLIC COMMENTS

President Polito established for the record the process by which public comments are 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.

CONSENT CALENDAR

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

1. Minutes of the Board meeting held January 19, 2021
2. Audit demands check numbers 159300 through 159540 for January 8, 2021 through February 4, 2021
3. Treasurer's report ending December 31, 2020

PRESENTATION

4. Informational Presentation by San Diego Gas & Electric on Infrastructure Resilience and Future Planning:

General Manager Arant introduced Guest Speakers from San Diego Gas & Electric (SDG&E) - Tashonda Taylor, *Vice President of Customer Operations*; Brian D'Agostino, *Director of Fire Science and Climate Adaptation*; and Chris Nanson, *Senior Account Executive of Business Services* who provided a PowerPoint Presentation on the 2020 Public Safety Power Shut-off (PSPS)/load curtailment recaps (rolling blackouts), improvements to the system for additional resilience within the Valley Center area, 2021 PSPS/load curtailment planning, and strategic initiatives moving forward.

SDG&E Director of Fire Science and Climate Adaptation D'Agostino commented on the significant measured increases in wind speeds in Valley Center since 2013; sharing the peak gusts in 2020 for 3 areas in Valley Center – Hellhole Canyon recorded 84 mph, Thudernut recorded 68 mph and Valley Center High Point recorded 54 mph. D'Agostino further summarized the installation of ten new weather stations in the Valley Center community in 2020.

SDG&E Senior Account Executive of Business Services Nanson reviewed goals for 2021, SDG&E is committed to regular touchpoints with VCMWD staff and the SDG&E team; will investigate Power Your Drive for Fleets, EV Infrastructure, and the Self Generation Incentive Programs; assess expanded availability of natural gas; offer On-Bill Financing, low and interest free options for energy resilience; identify funding for high efficiency pumps; conduct a full rate review and optimal rate assessment; and enroll VCMWD in applicable Demand Response Programs.

Action: This item was presented for information only.

ACTION AGENDA

5. Establishment of a 5-Year Phase in Monthly Service Charge for Inactive and / or Locked-Off Meters:

At the regular Board Meeting on October 5, 2020, staff proposed the establishment of a monthly service charge for inactive and / or locked-off meters; based on feedback from the Board, a phased in approach was requested. Manager of Accounting Vanessa Velasquez presented and reviewed in detail alternatives to implement the monthly charge, including two phased-in approaches.

The purpose of the fixed monthly service charge is to cover a portion of infrastructure and maintenance/operating costs required to ensure the water system is ready to serve customers 24 hours a day / seven days a week / 365 days a year (regardless if any water is consumed at all). Staff received 12 responses from a survey of local water districts; with an overwhelming majority of water agencies charging the full rate for inactive and / or locked off meters – Olivenhain MWD and VCMWD were the only respondents indicating “no charge”.

Manager of Accounting Velasquez noted the District currently has approximately 913 inactive meters (with the majority being domestic). If the District were to implement a

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charge on inactive and / or locked-off meters at the full rate, projected revenue generated would be \$717,900. In the 3-year phase in would take 3 years to reach projected revenue of \$717,900 and would take 5 years to reach the same projected revenue for the 5-year phase in.

FULL METER SERVICE CHARGE ALTERNATIVE:

Meter Size	No. of Meters	Monthly Service Charge	Monthly Revenue	Annual Revenue
Fire ¾"	2	\$ 8.96	\$ 18	\$ 216
Fire 1"	139	\$ 12.54	\$ 1,743	\$ 20,916
¾"	279	\$ 42.77	\$ 11,933	\$ 143,196
1"	161	\$ 58.43	\$ 9,407	\$ 112,884
1 ½"	81	\$ 87.65	\$ 7,100	\$ 85,200
2"	144	\$ 116.86	\$ 16,828	\$ 201,936
3"	73	\$ 175.29	\$ 12,796	\$ 153,552
CONS	34	N/A	-	-
TOTAL	913	-	\$ 59,825	\$ 717,900

3-YEAR PHASE IN ALTERNATIVE:

Year	Effective Billing	Percent of Full Rate	Estimated Revenue ¹
1	February 1, 2022	50.0%	\$358,950
2	February 1, 2023	75.0%	\$538,425
3	February 1, 2024	100.0%	\$717,900

5-YEAR PHASE IN ALTERNATIVE:

Year	Effective Billing	Percent of Full Rate	Estimated Revenue ²
1	February 1, 2022	50.0%	\$358,950
2	February 1, 2023	62.5%	\$448,688
3	February 1, 2024	75.0%	\$538,425
4	February 1, 2025	87.5%	\$628,163
5	February 1, 2026	100.0%	\$717,900

Manager of Accounting Velasquez explained the distinction between the different types of service discontinuances: Temporary Discontinuance, Permanent Discontinuance and Abandonment, and noted the challenges with implementing each alternative presented.

After analyzing the current practices, surveying local agencies and carefully looked at each alternative, staff recommended approval of the 5-year phase in alternative to be included in the revenue projections for the FY 2021-22 budget.

Action: Upon motion from Ferro, seconded by Haskell and unanimously carried, the Board authorized the approval of the Inactive / Locked-Off Meter 5-year phase in alternative (starting 1/1/2022) to be included in the revenue projections for the Fiscal year 2021-2022 Budget per staff's recommendation.

¹ Estimated Revenue is based on current rates and number of meters. No inflation or escalators were included.

² Estimated Revenue is based on current rates and number of meters. No inflation or escalators were included.

6. **Lower Moosa Canyon / Corporate Facility Solar Array Project Status Report / General Manager Authority to Grant Performance Extension Based on Assessment of Progress Granted:**

General Manger Arant gave a brief overview of the progress of the Lower Moosa Canyon / Corporate Facility Solar Array Project; noting a Notice of Termination was sent to High Mountain Investments on February 1, 2021 citing termination due to non-compliance with Section 2(d) "Termination by Purchaser Delay" with a possible cure if Commencement of Installation (defined as "physical installation of the system on premises," in Section 5(c) of the contracts), began before the end of the 30-day notification period on March 4, 2021. "Commencement of Installation," as defined therein, is not possible. High Mountain, LLC, was informed that providing more flexibility with respect to the "Commencement of Installation," was a Board level decision.

In response to the Notice of Termination, staff was contacted by Trever Gerdes of High Mountain Investments and a remote meeting to discuss the progress made on the two projects was scheduled. General Manager Arant summarized the result of the February 5, 2021 meeting, stating High Mountain showed more substantial effort and progress than at any other point since executing the contracts. General Manager Arant further expressed, given all the factors today, prior investment, recent display of effort and progress, the presence of finance and implementation partner, and the timely opportunity to address some of the infrastructure needs which will come with the CARB Clean Fleet regulations, and recommended Board approval to provide the General Manager the authority to grant up to a 180-day (August 31, 2021) extension to the Commencement of Installation date.

Action: An initial motion was made by Director Smith to reduce staff's recommendation of a 180-day extension to 120 days, but there was no second. A second motion from Ferro was made, seconded by Holtz to authorize the General Manager to grant 180-day extension of the Commencement of Installation Date based on the General Manager's assessment of the progress of commitments made by High Mountain and Watt Hub / Stores Batteries between February 5, 2021 and March 4, 2021, motion passed 4-1 with Director Smith voting No.

INFORMATIONAL ITEMS

7. **ACWA – JPIA Loss and Resource Review:**

An informational item was presented by General Manager Arant. On January 13, 2021, a Zoom conference was held by Peter Kuchinsky, Lead Risk Control Advisor for ACWA-JPIA with Director of Operations and Facilities Lovelady, Safety and Regulatory Supervisor Olson, and Human Resources Analyst Marchetta to conduct the annual "Loss and Resource Review." The recent loss history and the "Ex-Mods" of the District for the Workers Compensation, Property and Liability Programs was reviewed and the Ex-Mods for VCMWD were reflective of the District efforts at employee safety, risk transfer and loss control.

An "Ex-Mod" is reflective of an agencies loss ratio history compared to premiums paid and an Ex-Mod below 1.0 is desirable. For the **Liability Program**, the Ex-Mod is 0.94 and will result in a 6% discount in next year's premium. For **Workers Compensation Program**, the Ex-Mod is 0.84, resulting in a 16% reduction in the District Premium for this program in the coming year. Though there is no Ex-Mode for the **Property Program**, it

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was pointed during the conference with Mr. Kuchinsky, that the District has not had a Property Program loss in nine years.

Shortly after the January 13, 2021 conference with Mr. Kuchinsky, the District received a letter and certificate from ACWA - JPIA, notifying the Board that the District had achieved a low paid ratio of "Paid Claims and Case Reserves" to "Deposit Premiums" in the Property Program for the period of 4/1/2016 to 3/31/2019.

Action: No action required, informational item only.

8. Update on the Financial Impacts of COVID-19:

An update on the financial impacts of the COVID-19 Pandemic was provided Director of Finance and Administration Jim Pugh. The sales volume for January 2021 was 1,068.1-acre feet with outstanding balances of \$3,151,943 representing 7,802 accounts. January 2020 had sales of 467.8-acre feet with total outstanding balances of \$698,798 with 3,834 accounts.

Comparing January 2020 to 2021, the percentage of outstanding balances over 30 days was 15.1% in 2020 valued at \$105,541 compared to 10.69% and \$336,949 in 2021. The increase in the outstanding balance total is a direct correlation to an increase in the volume of water sold year over year. Director of Finance and Administration Pugh stated VCMWD customers continue to pay their water bills as they have always done with minimal financial impact at this time.

Action: No action required, informational item only. Staff will continue to monitor and report the results to the Board on a regular basis.

GENERAL MANAGER'S AGENDA

9. San Diego County Water Authority Board Meeting Summary

General Manager Arant reported that the SDCWA Board of Directors' meeting held on January 28, 2021 via teleconference consisted of general business items.

Action: No action required, informational item only.

10. Miscellaneous:

The December 2020 Monthly Status Report was received.

Action: No action required, informational item only.

DISTRICT COUNSEL'S AGENDA

General Counsel de Sousa reported on SB323 regarding legal actions on water and sewer service fees and charges and AB361 regarding the use of teleconferencing for meetings of legislative bodies such as meetings of the District's Board of Directors.

Action: No action required, informational item only.

BOARD OF DIRECTOR'S AGENDA

11. ACWA Region 10 Board Vacancy Election for the Balance of 2020-2021 Term – Adoption of Resolution No. 2021-04 Nominating the General Manager:

It was requested that the Board nominate General Manager Gary Arant, as a candidate for the vacant ACWA Region 10 Board position for the balance of the current 2020-2021 term, with adoption of Resolution 2021-04.

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

RESOLUTION NO. 2021-04

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
PLACING IN NOMINATION GARY T. ARANT AS A MEMBER
OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES
REGION 10 BOARD OF DIRECTORS**

was adopted by the following vote, to wit:

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

12. Adoption of Resolution No. 2021-03 Extending the General Manager's Previously Granted Emergency Powers During the Coronavirus/COVID-19 Pandemic Event:

General Manager Gary Arant gave a brief overview of the previously granted Emergency Powers and the accompanying resolutions, stating most recently, adoption of Resolution No. 2020-28 approved a 180-day extension of the Emergency Powers from August 3, 2020 to February 3, 2021. However, with its adoption, Emergency Power number five (5) contained in Resolution No. 2020-11, suspension of flow restrictions, terminations, and collection of delinquency charges was deleted as it had been superseded by Governor Newsom's Executive Order N-42-20, and was no longer needed.

At this time, the specific extension granted by Resolution No. 2020-28 has been expired by 13 days, though time period has been spanned with the more general authority under Administrative Code Article 222, "Emergency and Immediate Non-Emergency Action Authority Procedures," Section 225.3, "Emergency Authority." After review and discussion, staff expressed the importance of extending the emergency powers 317-days through to December 31, 2021 and recommended adoption of Resolution No. 2021-03 extending certain previously granted Emergency Powers of the General Manager to December 31, 2021.

Action: Upon motion by Smith, seconded by Haskell and unanimously carried, the following Resolution, entitled:

RESOLUTION NO. 2021-03

**RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT ADOPTING
SEEKING THE SECOND EXTENSION OF THE CERTAIN EMERGENCY POWERS
PREVIOUSLY GRANTED TO THE GENERAL MANAGER FOR USE
DURING THE COVID-19 PANDEMIC EVENT**

was adopted by the following vote, to wit:

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

13. Approval of Ordinance No. 2021-01 Amending the Employment Agreement for General Manager and Amending Administrative Code Section's 8.9 and 40.1:

General Counsel Paula de Sousa gave a brief synopsis of the General Manager's performance evaluation and contract negotiations six-month deferral (to January 2021), discussed at the Board's regular meeting of June 1, 2020, at which the Board's consensus was that the deferral was in the best interest of the District in light of the financial uncertainties of the COVID-19 Pandemic.

In January 2021 the Board conducted the General Manager's performance evaluation and contract negotiations. Based upon the General Manager meeting or exceeding his Strategic Plan Performance Measurements for Calendar Year 2019 and Fiscal Year 2019-20, the Board's discussion, and completion of successful negotiations, an amended Employment Agreement for the General Manager was presented, raising the General Manager's salary 2.4% from \$233,716 to \$239,325, effective retroactively to July 1, 2020, and awarding the General Manager a performance bonus of \$15,000 effective February 16, 2021. Amendments to Administrative Code Section 8.9 to reflect adjustment to the General Manager's Compensation and Section 40.1 to modify the timing of future General Manager performance and salary reviews, from June to January of each year, were also presented by General Counsel Paula de Sousa.

Action: Upon motion by Smith, seconded by Haskell and unanimously carried, approval of the Amended Employment Agreement for the District General Manager, Gary T. Arant effective February 16, 2021, and the following Ordinance, entitled:

ORDINANCE NO. 2021-01

**ORDINANCE OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT
AMENDING THE ADMINISTRATIVE CODE TO PROVIDE FOR
CHANGES IN THE AMENDED AGREEMENT FOR THE
GENERAL MANAGER FOR FISCAL YEAR 2020-21,
AND CHANGES TO THE GENERAL MANAGER'S
PERFORMANCE AND SALARY REVIEWS**

was adopted by the following vote, to wit:

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

CLOSED SESSION

14. A closed session was called by President Polito at 4:19 p.m. pursuant to:

- **Government Code §54956.9(d)(1) - Conference with Legal Counsel - Existing Litigation.**

Bonnie Kessner and Andrea McCartney-Page, et al. v.
City of Santa Clara et al., Santa Clara Co. Sup. Ct. Case Number 20CV364054

- **Government Code §54957 – Threat to Public Services or Facilities.**

Consultation with: Paula de Sousa, General Counsel

RECONVENE

The Board came out of closed session at 4:55 p.m. with no reportable action.

ADJOURNMENT

Upon motion by Smith, seconded by Haskell and unanimously carried, the regular meeting of the Board of Directors was adjourned at 5:00 p.m.

ATTEST:

ATTEST:

Robert A. Polito, President

Kirsten N. Peraino, Secretary

Approved at a regular meeting of the Board of Directors on February 16, 2021