

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting

Monday, April 5, 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, District Engineer Grabbe, Director of IT Pilve, Director of Operations and Facilities Lovelady Senior Engineer Lyuber, Project Manager Sandoval and Executive Assistant Peraino; with Director of Finance Pugh, Safety and Regulatory Compliance Supervisor Olson, Manager of Accounting Velasquez, General Counsel de Sousa and Jacqueline Howells (HGR) teleconferencing.

Other Attendees: David Drake, ACWA-JPIA Executive Committee Member; Baron "Barry" T. Willis, San Diego LAFCO Executive Officer; Kirsten Plonka, Project Manager, Water Systems Consulting; and Dr. Lon House, Ph.D., Water and Energy Consulting.

PUBLIC COMMENTS

- Annually, the Joint Powers Insurance Authority (JPIA) returns excess premiums collected after an annual analysis determines specific requirements have been met by a member. This year, Valley Center Municipal Water District will receive a Rate Stabilization Fund (RDF) refund of \$96,612.95. To that end, Director David Drake, JPIA Executive Committee Member, attended the virtual Board meeting on behalf of the JPIA and thanked the Board and staff for their training efforts and commitment to safety.
- Barry Willis, Commissioner, San Diego LAFCO Executive Officer, joined the virtual meeting and extended an open invitation for the Board Members to reach out.

CONSENT CALENDAR

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

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1. Minutes of the Board meeting held March 15, 2021.
2. Audit demands check numbers 159732 through 159868 for March 5, 2021 through March 25, 2021 and wire disbursements for March 2021.
3. Adoption of Resolution No. 2021-11 - Affirming the District's Authorized Debt Limit per Ordinance No.171, Effective January 1, 2021.
4. Issuance of Concept Approval for Eagle's Noel Line Extension project to serve APN 133-324-38, 44 ,47, 48 & 49 and grant authorization for the General Manger to enter into a Standard District Facilities Agreement with the property owner.

ACTION AGENDA

5. Date and Time Established to Conduct a Public Hearing to Consider Revised Meter Connection Charges – Modify Pricing on MXU and General Cost Update:

Proposed revisions to various meter connection charges and project facility letters were presented by Senior Engineer Lyuber for Board discussion, input and direction. If proposed increases are approved and adopted after the Public Hearing, the new rates would go into effect May 24, 2021. Beginning in 2018, staff committed to reviewing the fixed meter installation and related costs on an annual basis to stay current on material and labor costs by making incremental adjustments where needed, as explained by Senior Engineer Lyuber. Prior fees and charges fell short of actual costs due to significant increases in lead free brass and copper parts and appurtenances.

As in prior years, the evaluation entails comparing current material and labor costs to those that were used last year to establish the fees currently in effect; increases are recommended based on this difference. Based on this calculation, staff found that the majority of the items had difference of less than 10%; these increases are due to increases in material and labor cost over the past year. Five items had a significant increase in material cost, resulting an overall price increase in the 11% to 23% range. The following item had a significantly greater increase due to the changes in material requirements for the category.

1-inch Drop-in Fire Service Meter - An MXU was added to the component list for this item. It was found that the 2-Port MXU would not support the 3/4 -inch Ally domestic meter and individual1-port MXUs were required.

Current Charge- \$341, Recommended Charge- \$571; a 67% increase.

Staff has determined that the proposed meter connection charges are based on the actual cost estimated as of July 1, 2021 and include an allowance for inflation based the Engineering News Record Construction Cost Index (ENR-CCI) for the timeframe of January 2020 to January 2021, 2.07%. The current and proposed fees and charges for all categories were shown table form.

Staff also evaluated the time spent on processing County Project Facility Availability (PFA) and Commitment (PFC) Letters and determined the current fee does not cover the actual costs. Average cost to process a County PFA or PFC Letters are just over \$150 per letter. Staff is recommending the current \$128 charge be increased to \$150, a 17% increase.

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The water meter connection fees and charges are shown in the following Administration Code sections:

- Section 160.4(a) – Meter Installation (*1-inch Fire Tee & Service Meter Charges are affected the most, with a 67%*)
- Section 160;12 – Backflow Devices (*majority of charges affected are less than 10%, with some increasing between 11-23%*)
- Section 160.20(c) – Pressure Reducing Valves (PRVs) (*increase of 12% and fewer*)
- Sections 160.22 and 171.10 – Project Facility Availability and Comment Letters (PFAs & PFCs) (*increase of 17%*)

Action: Upon motion from Ferro, seconded by Smith and unanimously carried, the Public Hearing to consider modifying the AMI Meter MXU and General Meter cost increases was set to Monday, April 19, 2021 at 2pm.

6. Date and Time Established to Conduct a Public Hearing to Consider Proposed Increases to the Backflow Inspection and Testing Charge – to Include Maintenance, Repairs, and New Device Installation Costs:

Director of Operations and Facilities Lovelady gave an outline of the proposed increase to the Backflow Charge and as well as the expansion of services not previously included. The District has a very active / comprehensive inhouse Backflow Prevention Program to comply with Title 17; as the Program approaches testing 5,000 devices annually, staff felt it appropriate to review the fee levels and how the costs are passed on to the customer. To set public hearing date Monday, May 3, 2021 to consider increasing the Annual Backflow Charge for the Service Meter Backflow Device from \$45.00 to \$51.00 and increase Fire Meter Backflow Device Charge from \$30.00 to \$34.00, effective July 1, 2021. The proposed new charges would include Backflow maintenance, repairs (parts and labor) and the labor (only) associated with the installation of a replacement or new backflow device, in addition to device inspection and testing.

The last increase was in 2004, from \$35.00 to \$45.00 per test. A recent survey of fees charged by private testers was completed, fifteen responses to the survey were received and the average inspection / test charge was \$72.87; indicating that District fees are well below the average device testing fee in the private sector. Director of Operations and Facilities Lovelady explained, in 2015 the procedure changed to bill customers 1/12th of the annual fee every month (\$45 fee is split into \$3.75 monthly payments and the \$30 Fire Meter fee is billed \$2.50 monthly).

Staff recommended that to improve overall program administration, labor efficiency and customers convenience, the annual backflow service fee cover the following: Administration; Inspection / Testing of Devices; Repair Labor and Parts; and Installation Labor for a New Device to Replace a Damaged or Worn Devices. The cost of the new device itself would be the responsibility of the customer but an option would be offered to bill for the device over a period of months (3 to 6), at no interest.

Current annual \$45.00 charge for the Service Meter Device and \$30 for the Fire Meter Device will fall short of covering our program costs in FY 2020-2021 by a projected \$27,000. It is estimated that 13% increase in revenue is needed. A 13% increase would impact fees as follows:

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- Service Meter Backflow Device *Proposed Monthly Cost Increase:* 0.50¢
- Fire Meter Backflow Device *Proposed Monthly Cost Increase:* 0.35¢
- For Customers with Both Devices *Proposed Combined Monthly Cost Increase:* 0.85¢

A review of the results of the proposal were given by Director of Operations and Facilities Lovelady; including a modest increase in the fees which had not been adjusted since 2004; an expansion of services provided in the revised monthly fees; increased efficiencies in program administration; protection for customers from one-time maintenance, repair charges associated with maintenance, repair and new device re-installation by outside serviced providers.

Action: Upon motion from Ferro, seconded by Haskell and unanimously carried, the Public Hearing to consider the proposed increase in the annual Backflow Inspection and Testing Fee along with expansion of services provided by the fee was set to Monday, May 5, 2021 at 2pm.

7. Corporate and Lower Moosa Canyon Solar Array Projects – Update, Recommendation and Possible Action:

A status update on the Corporate and Lower Moosa Solar Array Projects and request final approval to move forward with the projects, was provided by General Manager Arant. Under the authority granted to the General Manager at the February 16, 2021 Board Meeting, High Mountain Investments, LLC, now associated Watthub, was granted a conditional 180-day extension for “Commencement of Installation” for the Corporate Facility and Lower Moosa Canyon PPA Solar Agreements executed on August 4, 2020. Granting of the extension was based on the effort and progress made between the February 16, which and March 4, 2021 was significant. The granting was conditioned based upon the proviso that the Board would have to approve any requested modifications to original agreements, such inclusion of Watthub and the requested PPA price change.

In February and early March, High Mountain and Watthub expressed that the projects were not economically viable at the prices contained in the original PPA agreement, 0.116/kWh fixed for Corporate and 0.0749/kWh, or a composite, weighted rate of 0.0894 for both projects. At this time, High Mountain Investments / Watthub have requested a single fixed rate of 0.14/kWh for all the solar energy generated by the two projects. Along with general cost inflation, part of the upward pressure on the PPA rate is the reduction in the Investment Tax Credit for Solar Projects.

General Manager Arant provided the Board with an analysis, provided by Dr. Lon House, demonstrating increased savings to the District. Though the requested kWh price has increased significantly, 21% for Corporate and 87% for Lower Moosa Canyon in the new proposal, the Lifetime, 2021 Dollars and Net Present Value Savings for both projects combined in the new proposal has increased significantly: The original proposal showed a Combined Lifetime / NPV of \$419,771 / \$295,384 with the current proposal showing a Combined Lifetime / NPV of \$5,225,516 / \$1,571,715.

General Manager Arant pointed out the following details from the analysis conducted by Dr. Lon House:

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- The price of power purchased from SDG&E has gone up almost 50% since the original financial analysis was done in 2018;
- A higher rate of projected future increases in SDG&E rates has been used, 4.5% vs. 3.0% in the original PPA analysis, the higher rate reflecting actual increase in SDG&E rates 2013-2020 and CPUC projections for the future;
- The overall Lifetime, 2021 Dollars and NPV savings reflect an initial delta of \$0.05 between the PPA rate and the SDG&E rates, where the original agreement started off with a \$0.02 delta.

Dr. House's analysis and recommendation is attached, and he recommends that we move forward with the new High Mountain Investments LLC / Watthub Proposal based upon the anticipated savings during the 25-year term of the agreement and future savings once the term has ended and the projects come under District ownership. Finally, as required by statute, staff finds that the projects still produce a net benefit over the lease value of the projects occupying District land and structures.

From staff's perspective, given the recent events and changes of circumstances, the least complex route administratively would be to simply reject the current proposal and terminate the two existing PPA Contracts with High Mountain Investments LCC, and consider next steps. However, that route forgoes the financial benefits to the District from the current proposal and the potential success in starting and completing a new RFP process is in question. Given long the history of this effort, the general lack of competition in both previous RFP processes, and the fact that it has been analyzed that the two projects will provide significant financial benefits to the District with the new proposal, staff concurs with Dr. House's recommendation.

After review and discussion, General Manager Arant provided the following three options for consideration of approval:

- 1) Move forward with High Mountain Investments LLC and Watthub to develop a revised PPA with the core changes discussed in this memo; or
- 2) Reject the new PPA proposal and initiate a new RFP process; or
- 3) Reject and new PPA proposal and terminate activity on the Corporate Facility and Lower Moosa Canyon Solar Array projects at this time.

Action: Upon motion from Holtz, seconded by Ferro, and unanimously carried, the Board chose option 1) to move forward with High Mountain Investments LLC and Watthub to develop a revised PPA with the core changes presented by General Manager Arant.

INFORMATIONAL ITEMS

8. Provide the Board with Completion Report for the West Bear Ridge / Paradise Mt. No. 1 Reservoir Painting and Re-coating Project:

Project Manager Sandoval provided the Board with the Completion Report for the West Bear Ridge / Paradise Mt. #1 Reservoir and Re-Coating Project, which consisted of the cleaning, remedial repair, interior coating, and exterior painting of each reservoir.

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The Project began construction on May 5, 2020, was completed December 18, 2020 and final payment was released February 8, 2021.

Funding in the amount of \$1.66M for the project was originally authorized with the FY 2019-2020 Annual Budget, noted Sandoval. In March of 2020, with award of the construction contract, the Board of Directors also approved an additional funding authorization of \$515,000, bringing the total project authorization to \$2.175M. The following table summarizes the Project costs:

Final Cost Allocation	Original Contract Amount	Change Orders	Final Contract Amount	Percentage of Final Contract Amount	Total Project Cost Allocation
West Bear Ridge Reservoir	\$1,169,000	\$155,975	\$1,324,975	71.6%	\$1,390,190
Paradise Mountain No.1 Reservoir	\$470,900	\$54,915	\$525,815	28.4%	\$551,695
Total	\$1,639,900	\$210,890	\$1,850,790	100.0%	\$1,941,885

A cost breakdown of the Project was reported by Project Manager Sandoval, stating the following allocation amounts to each reservoir based on a ratio of the final construction cost of each reservoir:

- West Bear Ridge Reservoir (71.6%) - \$1.389M
- Paradise Mountain No. 1 Reservoir (28.4%) - \$0.511M

Action: After review, the Board accepted and filed the Completion Report for the West Bear Ridge / Paradise Mt. No. 1 Reservoir Painting and Re-coating Project.

9. Initial Review of the Urban Water Management Plan and Water Shortage Contingency Plan:

Senior Engineer Lyuber gave an initial review of the Urban Water Management Plan and Water Shortage Contingency Plan and discussed the following summary of chapters that make up the plan, with brief descriptions of their contents. Senior Engineer Lyuber highlighted notable differences with the 2020 requirements, as compared to the previous 2015 UWMP guidelines related to each chapter in the presentation.

The Plan Adoption Roadmap was presented in detail by Senior Engineer Lyuber, including addressing the new requirements for this year's plan. Consultant for the UWMP Kirsten Plonka, Project Manager with Water Systems Consulting was available to answer questions. It was noted that the process is especially cumbersome and will require multiple actions to be taken by the Board of Directors as part of its overall adoption process. The following is a list of action items that will be presented for approval at a public hearing, currently planned for the June 7th, 2021 Board of Directors meeting:

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- 1) Delta Reliance amendment to the 2015 UWMP by Resolution;
- 2) 2020 UWMP adoption by Resolution;
- 3) Water Shortage Contingency Plan adoption by Resolution; and
- 4) Amend Article 230 *Water Use Efficiency and Drought Response Program* by Ordinance.

Action: No action required, informational item only.

10. Overview of Plan Performance Measures – Review of Results for 2020:

The Strategic Plan sets forth twelve measurable performance goals, which are reported to the Board after each calendar year. The following summary of results for calendar year 2020, was provided by General Manager Arant:

- **Customer Satisfaction** – *Performance Goal* “Meets” or “Exceeds” Customer Expectations – 100%
- **Unknown Water Loss** – *Performance Goal* “Met” (less than 5.1% of total water sold) – Measured in terms of percent of water sold, acre feet and value of water loss over last ten years
- **Discretionary Reserves** – *Performance Goal* “Met”
- **Return on Investments** – *Performance Goal* “Exceeded” – the weighted average yield was 1.058%, 669 basis points, or 172% above benchmark.
- **Local Share of Commodity Cost** – *Performance Goal* “Met” – at no time will the local rate be more than 15% of total commodity cost for Full Price (M&I) and 18% of the certified TSAWR supplies.
- **Pump Efficiency** – *Performance Goal* “Exceeded” with 108% of design efficiency
- **Solar Energy Production** – *Performance Goal* “Exceeded” with all of the District’s Solar Facilities Exceeding 90% of the scheduled kilowatt hour solar energy production for the current age of the photovoltaic panels.
- **Final CIP Project Cost** – *Performance Goal* “Not Met” – Three projects were completed in calendar year 2020; the low bid amount for two of the projects was considerably higher than acceptable performance goal range at 36% and 97% above the engineer’s estimates and the bid amount for the third project being within acceptable range at 9% lower than the engineer’s estimate. Change orders, while minimal and based primarily on scope changes, pushed the final contract amounts further outside acceptable range for the two projects.
- **Project Timelines** – *Performance Goal* “Met”
- **Water Service Reliability** – *Performance Goal* “Exceeded” – There were 1980.5 hours of unplanned outage during 79,435,680 service hours for an average of 9,068 active accounts; providing a service reliability factor exceeding 99.999%.
- **Lost Time Accidents** – *Performance Goal* “Met” – Lost time in 2020 equates to .46673% of hours worked, meeting the district’s standard of less than 1% of total hours worked.
- **Compliance with all State and Federal Regulations** – *Performance Goal* “Met” with 100% compliance.

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Of the twelve Strategic Plan Performance Goals for the calendar year 2020 five goals were “exceeded” (compared to four in 2019), six goals were “met” (compared to eight in 2019), and one goal was “not met” (compared to none in 2019).

Action: No action required, informational item only.

GENERAL MANAGER'S AGENDA

11. San Diego County Water Authority Board Meeting Summary:

General Manager Arant reported that the SDCWA Board of Directors' meeting held on March 25, 2021 via teleconference consisted of the following:

- City of San Diego Changing Directors - with the new Mayor Gloria we are seeing City of SD Directors leave and new one coming on Board.
- Notice of Completion was received for the \$27 million Northern First Aqueduct Relining Project.
 - Groundwater was discovered leaking into the tunnel sections which will require relining in approximately two-years.
 - Four, 10-Day Shutdowns in relatively short period of time will required to complete the tunnel relining, affecting our service area.
 - First Aqueduct has two 48” barrels which both go into a common tunnel, complicating the shut-downs.
 - Second Aqueduct supplies, conservation, storage and the typically outstanding customer co-operation will be used to bridge the gap during the tunnel lining process.
- City of Oceanside appointed the VCMWD General Manager Gary Arant as their proxy at the SDCWA Board Meeting. Olivenhain MWD General Manager Thorner was originally selected, but her name was withdrawn after interaction between SDCWA consultant representatives and Oceanside Elected Officials.
- SDCWA Governance Workshops will be exploring the issue of proper Authority involvement in Member Agency policy issues and decision making.
- SDCWA used an out of context quote by Vice President Ferro made at SD FB Mtg in a SD LAFCO letter (copy at your places) as evidence that other MA's might want to detach from the SDCWA;
 - VP Ferro had qualified the comments as being his own as private citizen and did not represent the Farm Bureau or VCMWD; however, that fact was left out of the SDCWA letter. VP Ferro responded to correct the record at this morning's LAFCO Commission Meeting.
 - President Polito signed a response letter just prior to today's meeting and will be distributed to the SDCWA Board of Directors. President Polito's response sympathized with Vice President Ferro's frustration at water costs, but clearly stated that VCMWD was not contemplating leaving the SDCWA. It was also pointed out that this was the 2nd time that the SDCWA had intimated this in official documents to LAFCO.

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Action: No action required, informational item only.

DISTRICT GENERAL COUNSEL'S AGENDA

General Counsel de Sousa had no items to report.

BOARD OF DIRECTOR'S AGENDA AND REPORTS ON MEETINGS ATTENDED (AB1234)

12. Annual Review of Board Member Per Diem Compensation:

Per Board direction, the Board of Directors' per diem is reviewed annually for consideration of modification. Current law provides that the Board may increase its per diem amount by 5% for each calendar year since the last adjustment. The Board's last adjustment of the per diem was on February 16, 1993. A current survey of 24 District's was provided which indicated an average per diem rate of \$149 per day of Board business. VCMWD's per diem is currently at \$100 per day.

General Manager Arant asked for direction on whether the Board wanted to continue reviewing the per diem annually and if they want to schedule a public hearing to consider increasing the amount.

Action: The Board of Directors instructed staff to modify the schedule of the per diem rate review from annually to every 2 years (each odd year), but declined to initiate action to increase the amount at this time.

ADJOURNMENT

Action: Upon motion by Smith, seconded by Haskell, and unanimously carried, the regular meeting of the Board of Directors was adjourned at 4:26 p.m.

ATTEST:

ATTEST:

Robert A. Polito, President

Kirsten N. Peraino, Secretary

Approved at a regular meeting of the Board of Directors on April 19, 2021