

VALLEY CENTER MUNICIPAL WATER DISTRICT

Regular Board Meeting

Monday, September 20, 2021 - 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 Stream.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by Vice President Ferro at 2:00 P.M. Vice President Ferro 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: Vice President Ferro and Director Smith; with Director Holtz teleconferencing.

Board Members Absent: President Polito and Director Haskell.

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

PUBLIC COMMENTS

Vice President Ferro 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.

SPECIAL STAFF ACKNOWLEDGEMENT

General Manager Arant presented a service award to *Water Systems Supervisor* Thad Klimas, retiring September 30, 2021, for his 35 years of service.

CONSENT CALENDAR

Action: Upon motion by Director Holtz, seconded by Director Smith; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence; the following consent calendar items were approved:

1. **Minutes of the Regular Board Meeting Held Monday, August 16, 2021**
2. **Audit Demands Check Nos. 160,859 – 161132 for August 6, 2021 – September 9 , 2021 and Wire Disbursements for July 1 – 31, 2021**
3. **Treasurer's Report for Month Ending July 31, 2021**

ACTION AGENDA

4. Approval to Include Monthly Service Charges for Inactive and/or Locked Off Meters in the Prop 218 Public Hearing Notice for the 2022 Proposed Water Rate Changes:

On February 16, 2021, the Board approved a 5-year phase-in of a fixed charge for inactive and/or locked off meters; beginning with a charge of 50% of the regular monthly service charge to be included in the revenue projections for the Fiscal Year 2021-2022 Budget, stated Manager of Accounting Velasquez. The Monthly Service Charge is a fixed charge, based on the size of the water meter serving the property, which recovers a portion of the District's fixed costs. California courts have upheld the ability of a public agency to impose a charge for fixed costs, so long as the public agency could provide the necessary services; and it's the unilateral act of the customer, either by request or failure to pay.

Per Board Policy, the revenue generated by the charge is used to recover at least 60% of the District's "Local Operating Costs"; which include, but are not limited to, the costs of operating and maintaining the water system, meter service support, and maintenance, the collection of meter reads, billing and collections, customer service, and other related services. Having ready access to reliable water service is a major component of, and contributor to the value of any property; therefore benefit to the property owner. The rules and regulations have been designed to regulate the affairs of the District in such a way as to provide water service to the customers at the lowest possible cost and to provide for an equitable distribution of costs from those benefited. Even though a meter is inactive to the customers' benefit, the costs of operating and maintaining the District's water system are ongoing.

The District's Fixed Local Operating Costs are estimated at \$11,689,000 and are recovered through a variety of revenue sources, but there are 2 primary sources. Monthly Service Charge 57.1% or \$6,673,000 and the Local Commodity Rate 26.8% or \$3,123,000; totaling 83.9% or \$9.8M. The remaining 16.1% or \$1.9M in fixed local operating costs are recovered with non-operating revenues including investment income, lease revenue, and other miscellaneous non-operating income. Both revenue estimates included a 5.5% increase to both the Monthly Service Charge and the Local Commodity Rate.

A review of the approved 5-year plan was given by Ms. Velasquez, stating charges would start at 50% of the full service charge; but would increase over 5 years to 62.5%, 75%, 87.5%, and then 100% of the regular monthly service charge. For a ¾" meter the charge would begin at \$21.39.

The justification for charging any amount for inactive and/or locked off meters stems from the fact that the District must cover a portion of infrastructure and maintenance costs needed to ensure that the water system is ready-to-serve customers 24 hours a day, 365 days per year; regardless of how much water is consumed. Furthermore, that the portion of total local operating costs, which do not vary with consumption, should be covered by each party who causes the District to incur costs in order to be ready to serve at their convenience. When an account is inactive and/or the meter is locked off, water service is immediately available to the customer; all that they have to do is request their account be made active and/or the lock on their meter removed.

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Ms. Velasquez stated, as of June 30, 2021, the District had a total of 898 inactive meters; 94 PSAWR (ag customers), 668 Domestic (M&I), and 136 Fire. Currently, the District does not charge a monthly service charge for inactive and/or locked-off meters. Policy regarding inactive meters varies widely between water agencies; ranging from no charge to charging the full regular monthly service charge. The current budget for Fiscal Year 2021-2022 estimates that the monthly service charge will recover an estimated \$158,000.

Staff recommended including the monthly service charges for inactive and/or locked-off meters in the Prop 218 Public Hearing Notice for the 2022 Proposed Water Rate Changes, which will be mailed out to all parcels within District boundaries no later than November 19, 2021.

Action: Upon motion by Director Holtz, seconded by Director Smith; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence, staff recommendation is approved.

5. Award of Contract for WaterSmart Software and Approval of Purchase Order #201033:

Manager of Accounting Velasquez reviewed the three different software programs previously presented to the Board on April 19, 2021 - Civic Pay, Aquametric, and WaterSmart. Staff determined that WaterSmart best meets the current and future needs of the District. In all categories of the evaluation criteria including integration capabilities, single sign-on, mobile device capability, and ease of use, WaterSmart consistently exceeded expectations.

The District's goal is to expand and enhance online customer account access and bill paying options with a combination of the Advanced Metering Infrastructure (AMI) installations and the WaterSmart online platform. An online account software is needed in order to provide customers access to real-time meter data, water consumption trends, monthly and yearly consumption for compliance with future water use efficiency requirements, and automated electronic leak alerts.

Staff requested approval of the 5-year contract and purchase order #201033 for the purchase of the WaterSmart Software that includes both one-time implementation costs as well as annual costs for the first year, for a total cost of \$59,600.

Action: Upon motion by Director Smith, seconded by Director Holtz; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence, staff recommendation is approved.

INFORMATIONAL ITEMS

6. Project Close Out Reports for Three (3) Engineering Projects:

Closeout Reports for the Calle Oro Verde Pipeline Replacement Project, Couser Canyon & Circle R Reservoir Painting and Recoating Project, and Oak Glen Reservoir Demolition were provided by Project Manager Sandoval (details and pictures were presented in order of completion). It was noted that all three projects were completed under budget.

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The Calle Oro Verde Project was completed \$6,895 under budget with a final project cost of \$88,015. The Couser and Circle R Project was completed \$6,606 under budget with a final project cost of \$918,394. The Oak Glen Project was completed \$76,499 under budget with a final project cost of \$73,501. The remaining balance from all three projects was transferred to the Capital Improvement Program (CIP) reserves account.

- Calle Oro Verde Pipeline Replacement:

The Calle Oro Verde Pipeline Replacement Project began construction on April 19, 2021, and was completed July 29, 2021 (102 calendar days). The project was funded as part of a mid-year Budget Adjustment to the District's FY 2020/21 Annual Budget at the March 15, 2021 Board meeting.

The Calle Oro Verde Project scope consisted of the design and construction of approximately 150-LF of 8-inch Ductile Iron Pipe, water services, and appurtenances within Calle Oro Verde. The project became necessary in January 2021 as a result of repeated failures within a short period of time resulting in multiple leaks and service disruptions. Following the last failure, District staff isolated the portion of the pipeline and installed a temporary high-line to serve the affected service connections, until the project was completed.

- Couser and Circle R:

The Couser and Circle R Reservoir Painting and Recoating Project began construction on January 25, 2021, and was completed July 2, 2021. Funding in the amount of \$895,000 for the project was originally authorized with the FY 2019-2020 Annual Budget. In December of 2020, the Board of Directors awarded the construction contract. The Couser and Circle R Reservoir Painting and Recoating Project consisted of the cleaning, remedial repair, interior coating, and exterior painting of each reservoir. There were three Change Orders for the project, adding 32 calendar days to the contract.

- Change Order 1: Replaced 35 roof rafters and miscellaneous structural repair items on the Couser Reservoir;
- Change Order 2: Replaced roof section and miscellaneous structural repair items on the Circle R Reservoir; and
- Change Order 3: Addition of surface preparation on the exterior roof coat on the Couser Reservoir.

The Couser Reservoir is a 91-foot diameter by 32-foot tall, 1.5 million-gallon above-ground welded steel potable water reservoir, constructed in 1966. The reservoir was last recoated and painted in 1990, resulting in the need to replace 51 out of 77 roof rafters, the center vent, a portion of roof section around the center vent, and miscellaneous structural repair items.

The Circle Reservoir is a 23-foot diameter by 33-foot tall, 0.1 million-gallon above-ground welded steel potable water reservoir, constructed in 1966. The reservoir was last recoated and painted in 1997, resulting in the need to replace all the roof rafters (12), a portion of the roof section around the center vent, and miscellaneous structural repair items.

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– Oak Glen Reservoir Demolition Project:

The Oak Glen Reservoir Demolition Project began June 28, 2021, and was completed July 27, 2021. Funding in the amount of \$150,000 for the project was originally authorized with the FY 2020-2021 Annual Budget. In May of 2021, the Board of Directors awarded the construction contract.

The Oak Glen Reservoir Demolition Project scope consisted of the removal and disposal of the 0.42 million-gallon bolted steel water reservoir and associated above-ground piping, driveway widening, and installation of dual 8-foot wide swing chain link gates. In 2010, the reservoir's roof showed signs of structural damage and with decreasing water demands, it was decided to take the reservoir offline (the reservoir has remained offline since that time). The other reservoirs in the 1520 Zone, totaling over 9 MG, have met the overall storage needs of the Oak Glen Reservoir service zone, thus it was not economically viable to replace the roof or continue maintaining a reservoir that is no longer hydraulically necessary for the system.

Action: No action required, informational item only.

7. Renewable Energy Credits (RECs) Marketing Status Report:

The Board was provided with a status report on marketing of the District's Renewable Energy Credits (RECs). Earlier this year, the District entered into an agreement with ACT Commodities Incorporated, to market the RECs generated by our seven solar facilities. To date, ACT has marketed 21,804 RECs, at a total value of \$17,673.60, for a weighted average price of \$0.81 per REC; with one REC representing 1,000 kWh of generation.

There have been three transactions to date:

- In March of 2021, 17,634 RECs were sold at \$0.40/REC, for a total of \$7,053.60 (RECs generated between 12/1/2008– 12/31/2017); and
- In August of 2021, 3,714 RECs were sold at \$2.00/REC, for a total of \$7,428.00 (RECs generated between 1/1/2018 – 3/31/2020); and
- A second transaction in August of 2021; 456 RECs were sold at \$7.00/REC, for a total of \$3,192.00 (RECs generated between 4/1/2020 – 3/31/2021).

The District still has 1,269 of the Lake Tuner RECs available for marketing and we are currently in the process of registering our six other units with the Western Regional Energy Generations Information System (WREGIS). Once registered, reporting the RECs to WREGIS will be done electronically on a real-time basis.

Action: No action required, informational item only.

8. San Diego County Water Authority (SDCWA) Transitional Special Agricultural Water Rate (TSAWR) to Permanent Special Agricultural Water Rate (PSAWR) Program Update:

The Board was provided with a program update on the TSAWR to PSAWR enrollment process by Director of Finance and Administration Pugh. The PSAWR Program started on January 1, 2021, and is available to all qualifying customers, open to new customers that were not previously eligible for participation, and the minimum land area under cultivation requirement has been removed. However, applicants must still be enrolled in one of five (5) eligible programs

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Enrollment applications were mailed out to a total of 1,165. As of September 8, 2021, 746 applications were received back of which 671 have been verified and enrolled in the PSAWR Program, 41 applications are in process and have not yet been verified, and 34 applications opted out of the program. There have been no responses from the remaining 419 applicants, stated Mr. Pugh.

During the twelve-month period ending August 31, 2021, the 1,165 customers had 11,254 acre-feet of consumption. The 671 verified accounts consumed 10,241 acre-feet of the 11,254 total consumed; leaving 1,013 acre-feet used by those customers that have not been verified, opted out of the program, or did not respond. Accounting for 22 hundred cubic-feet of consumption for the minimum domestic portion for these customers, there is the possibility that 987 acre-feet of sales volume may be lost due to the higher price of domestic water.

Action: No action required, informational item only.

9. Update on the Financial Impacts of the COVID-19 Pandemic:

An update on the financial impacts of the COVID-19 Pandemic was provided by Director of Finance and Administration Pugh. The sales volume for August 2021 was 1,822.5-acre feet with outstanding balances of \$4,429,774, representing 7,378 accounts. August 2020 had sales of 2052.4-acre feet with total outstanding balances of \$4,505,013 with 7,461 accounts. August 2021 had total balances greater than 30 days totaling \$500,021, or 11.29% of the total outstanding balance, which is up \$47,183 from July 2021. Total outstanding balances are down \$315,748 on lower sales volume in August over July of 174-acre feet.

Director of Finance and Administration Pugh stated staff has continued efforts to monitor, contact, and ultimately sending lien letters to VCMWD customers has been effective in reducing outstanding balances. As of August 31, 2021, 53 new accounts were added to the "Lien Notice" list. Nine accounts having previously received a "Notice of Lien", have paid off their accounts.

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

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

A report on the San Diego County Water Authority (SDCWA) Board of Directors' Meeting of August 26, 2021 was provided.

Action: No action required, informational item only.

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11. General Information:

The July 2021 Monthly Status Report was shared by General Manager Arant.

Action: No action required, informational item only.

DISTRICT GENERAL COUNSEL'S AGENDA

12. SB 1087 (Florenz) Water and Wastewater Capacity for Lower-income Housing:

Approval of Resolution No. 2021-34, updating the District's policy/objective standards for meeting water and sewer services priority services for proposed developments that include housing units for lower-income households in accordance with the provisions in SB 1087, will be requested.

On October 7, 2005, the Governor executed into law SB 1087 which, effective January 1, 2006, required water and wastewater providers to reserve water service and wastewater treatment capacity for proposed developments that include housing units affordable to lower-income households within the provider's respective jurisdiction.

SB 1087 requires each public agency or private entity providing water or sewer services to grant priority for those services to proposed developments that include housing units affordable to lower-income households. As defined by SB 1087, these developments include dwelling units to be sold or rented to lower-income households at an affordable housing cost or an affordable rent.

Provisions of SB 1087 require that water and sewer service providers adopt a written policy with specific objective standards for meeting the priority requirement for proposed developments that include housing units affordable to lower-income households. Further, SB 1087 requires that the policy be updated every five years. Board approval of Resolution No. 2021-34 will update the policy in compliance with the law.

Action: Upon motion by Director Smith, seconded by Director Holtz; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence; the following Resolution entitled:

RESOLUTION NO. 2021-34

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT
ADOPTING A SERVICES PRIORITY POLICY FOR
LOWER-INCOME DEVELOPMENTS AS REQUIRED BY SB 1087**

was adopted by the following vote, to wit:

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

DISTRICT GENERAL COUNSEL'S REPORT

The following items were reported by General Counsel De Sousa:

- **AB361**: California's Ralph M. Brown Act has been amended to allow fully virtual board meetings during a state of emergency after the Governor signed Assembly Bill 361 into law on September 16, 2021. AB 361 goes into effect immediately, and it amends Section 54953 of the Brown Act to allow virtual board meetings through January 1, 2024 in certain circumstances as specified in the legislation.
- **SB323**: This legislation, if signed into law by the Governor, establishes a statute of limitations for challenging water or sewer fees. Specifically, water or sewer fees must be challenged within 120 days of the effective date of the ordinance or resolution adopting such water or sewer fees. Prior to this legislation, water or sewer rates could be challenged at any time after their adoption, meaning an agency could be sued today for rates imposed for water or sewer service, where those rates were adopted years prior.
- **SB155**: This bill, still awaiting action by the Governor, would extend the moratorium on termination of water service for non-payment, until December 31, 2021 (an extension from the current September 30, 2021 date). If signed into law by the Governor, it will take effect immediately as urgency legislation.

Action: No action required, informational item only.

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

Director Smith reported his attendance at the LAFCO Special Districts Advisory Committee Meeting on September 17, 2021.

BOARD OF DIRECTOR'S AGENDA

13. Adoption of Resolution No. 2021-35, Recognizing October 2 – 10, 2021 as Water and Wastewater Professionals Week:

Resolution No. 2021-35, joining the State of California and water/wastewater agencies statewide in recognizing the week of October 2 through 10, 2021 as Water and Wastewater Professionals Week, was adopted. Water Professionals Appreciation Week was established by Senate Concurrent Resolution (SCR) 80, approved by the Legislature in 2017. The Resolution, authored by Senator Bill Dodd (D-Napa), was sponsored by an ACWA-led coalition that included WaterReuse California, California Municipal Utilities Association, California Association of Sanitation Agencies and the California Water Association; along with the California Water Environment Association as a partner in the effort. Under SCR 80, Water Professionals Appreciation Week begins on the first Saturday of October and ends on the Sunday of the following weekend each year (October 2-10, 2021).

Action: Upon motion by Director Holtz, seconded by Director Smith; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence; the following Resolution entitled:

RESOLUTION NO. 2021-35

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT
RECOGNIZING OCTOBER 2-10, 2021 AS
WATER PROFESSIONALS APPRECIATION WEEK

was adopted by the following vote, to wit:

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

CLOSED SESSION

None.

ADJOURNMENT

Action: Upon motion by Director Smith, seconded by Director Holtz; motion passes with three (3) affirmative votes, noting both President Polito and Director Haskell's absence, the regular meeting of the Board of Directors was adjourned at 3:48 p.m.

ATTEST:

ATTEST:

Robert A. Polito, President

Kirsten N. Peraino, Secretary

Approved at a regularly scheduled Board Meeting on Monday, October 18, 2021