

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, JUNE 15, 2011, AT 4:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Poltl called the Regular meeting to order at the hour of 4:00 p.m.

General Manager Lamb led the pledge of allegiance.

Present: Director Ferguson  
Director Gentry (4:05 pm)  
Director Shell  
Director Poltl

Absent: Director Hernandez

Staff Present: General Manager Lamb  
Legal Counsel Scott  
Legal Counsel Jackson  
Finance Manager Scaglione  
Administrative Services Manager Caudle  
District Engineer Gerdes  
Principal Engineer Gumpel  
Capital Facilities Engineer Scholl  
Public Information Specialist Yerman  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JUNE 15, 2011

11-06-06 MOTION WAS MADE by Director Shell, seconded by Director Ferguson, and carried unanimously, with Directors Gentry and Hernandez absent, to adopt the agenda for the Regular Board Meeting of June 15, 2011.

PRESENTATIONS

President Poltl presented certificates to the California Friendly Landscape Contest Winners: Third Place Dennis and Nancy Williams; Second Place: Yaz and Richard Manley; and First Place: "Best in District" to Verna Bliss and Raymond Macaluso. Pictures of each winner's landscape were shown while certificates were presented.

ORAL COMMUNICATIONS

None.

CONSENT CALENDAR

11-06-07 MOTION WAS MADE by Director Ferguson, seconded by Director Shell, and carried unanimously, with Director Hernandez absent, to approve the Consent Calendar as presented.

- 1.1 Approval of Minutes
  - A. Regular Board Meeting – June 1, 2011
  - B. Committee Meeting of the Whole Special Board Meeting – June 6, 2011
- 1.2 Warrant List through June 15, 2011 - \$7,889,250.48
- 1.3 Financial Reports
  - A. Water Meter Count – May 31, 2011
  - B. Water Production/Sales Report – 2010/2011
  - C. Water Revenue and Expense Report – May 31, 2011
  - D. Sewer Revenue and Expense Report – May 31, 2011
  - E. Appropriated Fund Balance Activity – May 31, 2011
  - F. Investment Report – May 2011
- 1.4 Adoption of Resolution of the Board of Directors of Vallecitos Water District for Appropriations Limit for Fiscal Year 2011/12.
- 1.5 Vallecitos Water District 2010 Consumer Confidence Report
- 1.6 Acceptance of Los Vallecitos and Bingham Waterline Replacement

#### PUBLIC HEARING

#### PUBLIC HEARING FOR ADOPTION OF THE 2010 URBAN WATER MANAGEMENT PLAN

President Poltl opened the hearing as duly noted and posted. The hearing was opened at 4:09 pm

General Manger Lamb stated that the purpose of the Urban Water Management Plan (UWMP) is for compliance with the California Urban Water Management Planning Act, which requires all urban water suppliers to update their UWMP every five years, and compliance with Senate Bill X7-7, which mandates conservation targets of 10% by 2015 and 20% by 2020. The District is currently leading the 2020 use per person (gallons per day per person); the target is 159 gallons per day per person in the year 2020 and the District is currently at 157 gallons per day per person. The District is fully compliant with the law in advance of the required target date of 2020. A public hearing is required to review the method for determining an urban water use target and allow community input and consideration of economic impacts regarding the target implementation plan.

General Manager Lamb stated that the District received one phone call requesting that the UWMP be posted on the District's website for public review. The UWMP was posted on the District's website on June 10, 2011. There was no other contact from the public, other agencies, or public interest groups.

There being no people wishing to address the Board, President Poltl closed the hearing at 4:12 pm.

11-06-08 MOTION WAS MADE by Director Gentry, seconded by Director Shell, and carried unanimously, with Director Hernandez absent, to adopt the resolution adopting the 2010 Urban Water Management Plan.

Resolution No. 1377 - The roll call vote was as follows:

AYES: Ferguson, Gentry, Shell, Poltl  
NOES:  
ABSENT: Hernandez  
ABSTAIN:

#### ACTION ITEMS

#### RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT ELECTING TO HAVE SEWER SERVICE FEES FOR IMPROVEMENT DISTRICT "A" FOR FISCAL YEAR JULY 1, 2011 TO JUNE 30, 2012 COLLECTED ON THE TAX ROLL

General Manager Lamb stated that the District elects to have its sewer service fees for Improvement District "A" collected on the tax roll in the same manner as general taxes. The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees for Improvement District "A". These fees are added to the tax bill of each resident and are paid through the regular property taxes. The County of San Diego then transfers this revenue to the District. As part of this procedure, the District is required to hold a public hearing.

Staff recommended adoption of the resolution which sets the public hearing for July 20, 2011.

11-06-09 MOTION WAS MADE by Director Ferguson, seconded by Director Gentry, and carried unanimously, with Director Hernandez absent, to adopt the resolution setting the public hearing for July 20, 2011.

Resolution No. 1378 - The roll call vote was as follows:

AYES: Ferguson, Gentry, Shell, Poltl  
NOES:  
ABSENT: Hernandez  
ABSTAIN:

RESOLUTION IMPLEMENTING THE DISTRICT'S LAST, BEST AND FINAL OFFER TO THE VALLECITOS EMPLOYEES ASSOCIATION FOR FISCAL YEARS 2011-12, 2012-13, AND 2013-14

Legal Counsel Scott reported that as the Board is aware, the Employees Association's Representative and General Manager Lamb have been negotiating and trading proposals since March of this year with the goal of finalizing a new MOU that is acceptable to both the Employees Association and the Board. While negotiations have been productive, they did not result in a final MOU and reached an impasse. In accordance with the applicable Government Code provisions and direction from the Board, the District Negotiator provided the Employees Association with a Last, Best and Final Offer on May 24, 2011.

The Employees Association voted 61-40 to approve the Last, Best and Final Offer, however, a two thirds majority was required. It is essential that the Board consider adoption of next year's budget and therefore Management is recommending passage of the Resolution in the Board packet which implements the Last, Best and Final Offer with the understanding that the Employees Association is not precluded from meeting and conferring in good faith with the District each year of the implementation.

11-06-10 MOTION WAS MADE by Director Gentry, seconded by Director Shell, and carried unanimously, with Director Hernandez absent, to adopt the resolution implementing the Last, Best and Final Offer.

Resolution No. 1379 - The roll call vote was as follows:

AYES: Ferguson, Gentry, Shell, Poltl  
NOES:  
ABSENT: Hernandez  
ABSTAIN:

ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING ENCINA WASTEWATER AUTHORITY'S FISCAL YEAR 2012 OPERATING BUDGET AND CAPITAL BUDGET

General Manager Lamb stated that as a member of the Encina Wastewater Authority (EWA), the District is required to approve EWA's budget on an annual basis per the Basic Agreement. EWA's budget is then included into the District's budget.

Finance Manager Scaglione stated that the fiscal year ending 2012 budgets of EWA as approved by the EWA Board of Directors on May 25, 2011, are \$7,701,977 for the total capital budget and \$12,960,212 for the total operating revenue and expense budget, which is a 3.9% decrease with the portion allocated to the District being down 3.5% from the prior year.

Staff recommended the Board adopt the resolution approving the Fiscal Year 2012 recommended Operating and Capital Improvement Budget.

11-06-11 MOTION WAS MADE by Director Ferguson, seconded by Director Gentry, and carried unanimously, with Director Hernandez absent, to adopt the resolution.

Resolution No. 1380 - The roll call vote was as follows:

AYES: Ferguson, Gentry, Shell, Polt  
NOES:  
ABSENT: Hernandez  
ABSTAIN:

RECOMMENDED VALLECITOS WATER DISTRICT BUDGET FOR FISCAL YEAR 2011/2012

Finance Manager Scaglione presented the recommended budget and stated that the MOU the Board just voted on is reflected in the recommended budget. The budget bridges the economic gap by raising rates, cutting costs, hiring freeze, and deferring capital but not deferring maintenance and repairs. There is a 5% reduction in the overall budget compared to last year's budget. The recommended budget is \$99,494,000 with the Capital portion being \$60.5 million, water purchases being \$18.3 million, water operation being \$9.3 million, and wastewater operations being \$11.2 million.

Staff recommended the Board approve the recommended Fiscal Year 2011/2012 budget.

Director Gentry reinforced the steps taken during the budget process to reduce OPEB costs, debt service issues addressed, and reductions achieved in the operating budget.

11-06-12 MOTION WAS MADE by Director Gentry, seconded by Director Shell, and carried unanimously, with Director Hernandez absent, to approve the recommended Fiscal Year 2011/2012 budget.

RESOLUTION NOMINATING DARRELL GENTRY AS A MEMBER OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES REGION 10 BOARD

General Manager Lamb stated that the Region 10 Nominating Committee is looking for members for the 2012/2013 term. Director Gentry is currently a member and is seeking re-election of the position.

11-06-13 MOTION WAS MADE by Director Ferguson, seconded by Director Shell, and carried unanimously, with Director Hernandez absent, to adopt the resolution.

Resolution No. 1381 - The roll call vote was as follows:

AYES: Ferguson, Gentry, Shell, Poltl  
NOES:  
ABSENT: Hernandez  
ABSTAIN:

ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) HEALTH BENEFITS  
AUTHORITY (HBA) ELECTION

General Manager Lamb stated that there are two Director positions currently open in northern California. All ACWA HBA agencies may cast one vote for each position.

No action was taken on this item.

APPROVAL OF CONSTRUCTION AGREEMENT FOR WATER AND SEWER  
IMPROVEMENTS FOR THE "THE QUAD AT CSUSM" (URBAN VILLAGES SAN  
MARCOS, LLC)

General Manager Lamb stated that Urban Villages San Marcos has completed the plan check process. The project is located on Barham Drive and Redel Road. The developer will be constructing a new (looped) road called Campus Way and North City Drive which will connect to both Barham Drive and Redel Road. This is a mixed use project and the construction will provide water and sewer service to 110 student residential housing units along with retail space and a maintenance building. The developer has provided the required bonds prior to this meeting.

Staff recommended approval of the construction agreement.

Mike McDonald, member of the public, addressed the Board and referred to the densification component of the fee structure. He stated that they are certainly willing to pay the appropriate fee, they just want to make sure that the fee is properly calculated and there is a nexus between the fee and the impacts.

In response to Mr. McDonald's request, General Manager Lamb stated that during the process of the project, a water and wastewater study is conducted. Fees are then calculated based upon the approved land use and the land use that is being submitted to the District as far as the densification. The District is also in the process of a fee study and fee structure which is being conducted by PBS&J.

11-06-14 MOTION WAS MADE by Director Ferguson, seconded by Director Gentry, and carried unanimously, with Director Hernandez absent, to approve the construction agreement.

CONSIDER APPROVAL OF A COOPERATIVE AGREEMENT TO ESTABLISH A  
REGIONAL ALLIANCE FOR COMPLIANCE WITH SB X7-7

General Manager Lamb stated the Department of Water Resources (DWR) Guidebook and DWR Methodology 9 provide that urban retail water suppliers are eligible to form a regional alliance in accordance with Water Code section 10608.28(a) if the suppliers meet at least one of several specified criteria, such as (1) the suppliers are recipients of water from a common wholesale water supplier, or (2) the suppliers are located within the same hydrologic region as depicted in the California Water Plan. All four parties to this agreement meet the criteria in addition to sharing other relevant commonalities and are therefore eligible to form a regional alliance for the purposes of determining and reporting progress toward achieving their water use targets on a regional basis. This agreement was included as a component to the Urban Water Management Plan.

This item was presented to the Board Committee on June 6, 2011. Staff recommended the Board approve the Regional Alliance Agreement.

11-06-15 MOTION WAS MADE by Director Ferguson, seconded by Director Gentry, and carried unanimously, with Director Hernandez absent, to approve the agreement.

REPORTS

GENERAL MANAGER

General Manager Lamb stated that he distributed a copy of an article regarding Metropolitan Water District (MWD) cutting funding for conservation and supply programs in San Diego County. He further stated that the desalination plant in Carlsbad was also presumed a \$250 per acre foot subsidy by MWD. General Manager Lamb was not sure if the potential MWD subsidy will have a negative impact upon the proposed Carlsbad project and will look into this. Surviving rebates will be for high efficiency washers, water saving sprinkler heads, and a few other minor items.

General Manager Lamb stated that the District has received 19 written protests and 5 phone calls in response to the Prop. 218 Notice.

DISTRICT COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Ferguson stated that the Board meeting is scheduled to be held on June 23<sup>rd</sup>.

ENCINA WASTEWATER AUTHORITY

Director Gentry stated that he attended the Capital Improvement Committee meeting this morning. An update on capital improvement projects was provided for the month of May. The Committee authorized upcoming work for the solids processing project and bidder prequalifying to the full Board for consideration. EWA is offering to send staff from all member agencies to the October WEFTEC Conference in Los Angeles. Should EWA decide to do sponsor work at the WEFTEC Conference, staff will be able to enter the exhibit hall at no cost.

ACWA REGION 10

Director Gentry stated that the Communications Committee has completed a public survey on the perception of water issues and water agencies. The Committee has not yet released the survey results.

LAFCO

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Poltl noted that written reports were provided electronically. The reports are on file.

President Poltl thanked Public Information Specialist Yerman for staffing the District's booth at a City of San Marcos event this past weekend.

OTHER BUSINESS

None.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a)  
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (ONE CASE)  
Crosser v. Vallecitos Water District  
San Bernardino Superior Court Case No. CIVSS 707286

11-06-16 MOTION WAS MADE by Director Shell, seconded by Director Gentry, and carried unanimously, with Director Hernandez absent, to move into Closed Session pursuant to Government Code Section 54956.9(a) – Conference with Legal Counsel.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 5:33 p.m. The Board, in Closed Session, directed staff to take appropriate action concerning the existing litigation matter.

ADJOURNMENT

There being no further business to discuss, President Poltl adjourned the Regular Meeting of the Board of Directors at the hour of 5:34 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 6, 2011, at 4:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

  
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James W. Poltl, President  
Board of Directors  
Vallecitos Water District

ATTEST:

  
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Dennis O. Lamb, Secretary  
Board of Directors  
Vallecitos Water District