

**VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES**

Regular Meeting of the Board of Directors

TUESDAY, February 18, 2025 — 2:00 P.M.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Ferro at 2:00 PM. In the Board Room at 29300 Valley Center Rd.; Valley Center, CA 92082, and livestreamed on the District's website at www.vcmwd.org.

ROLL CALL

Board Members Present: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*

Board Members Absent: *None.*

Staff Members Present: *General Manager Arant, District Engineer Grabbe, Director of IT Pilve, Director of Finance & Administration Pugh, Environmental & Regulatory Compliance Manager /Deputy Director of Operations and Facilities Rutherford, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; Special Projects & Regulatory Compliance Manager Nichols Executive Assistant/Board Secretary Peraino, and General Counsel de Sousa present in-person.*

PUBLIC COMMENT(S)

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.

CONSENT CALENDAR ITEMS

Consent calendar items are voted on together by a single motion unless separate action is requested by a Board member, staff, or member of the audience.

1. **Minutes of the Regular Board Meeting Held Monday, January 6, 2025;**
2. **Audit Demands for Check Nos. 170719–171039 from December 27, 2024 – February 6, 2025 and Wire Disbursements for Month December 2024 and January 2025;**
3. **Treasurer's Report for Month Ending November 30, 2024;**
4. **Treasurer's Report for Month Ending December 31, 2024 and the Financial Statements for the Quarter Ended December 31, 2024;**
5. **Board of Director's Request for Per Diem Compensation and Board of Director's Report of Expense Reimbursements per Government Code Section 53065.5; and**
6. **Quarterly Expense Reimbursement Disclosures (Oct. 1 – Dec. 31, 2024) per Government Code Section 53065.5.**

Action: Upon motion by Smith, seconded by Ness; and unanimously carried, the previously listed consent calendar items were approved.

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ACTION ITEM(S)

7. Mutual Services Agreement Between Fallbrook Public Utility District (FPUD), Rainbow Municipal Water District (RMWD), Yuima Municipal Water District (YMWD), and Valley Center Municipal Water District (VCMWD):

A brief history of the informal discussions between the four Districts that led to the development of the proposed Mutual Services Agreement ("Agreement") was presented by Special Projects & Regulatory Compliance Manager Alisa Nichols. Over the past 15 years, VCMWD, FPUD, RMWD, and YMWD have discussed ways to reduce operational costs through collaboration. Ms. Nichols noted that these agencies face similar regulatory, financial, and operational challenges. The proposed Agreement aims to create a formal framework to explore opportunities to realize cost savings through joint programs, projects, and cooperative efforts between agencies. A few examples of potential coordinated efforts include:

- Mutual aid (staff, equipment) during emergencies;
- Joint use and/or ownership of large equipment;
- Coordinated procurement for consulting/regulatory compliance support;
- Joint Federal and State lobbying contracts; and
- Coordination of staffing resources for pipeline repairs, and/or interagency cross-training.

Some highlighted benefits include managing operational costs through enhanced economies of scale (i.e.: equipment, supplies, and consulting services), pooling resources to boost efficiency (for example *emergency response, training, and regulatory compliance*), and establishing emergency interconnections to ensure operational resilience and redundancy. The proposed Agreement provides the advantages of both shared resources and retained local decision-making. If the Board approves the concept, the following steps are expected to implement the formal framework to establish the Mutual Services Agreement:

1. General Counsel review and approval;
2. LAFCO review and approval;
3. Agreement signed by participating agencies;
4. Staff returns to VCMWD Board for final approval; and
5. Separate specific agreements regarding joint efforts will be brought to the Board for approval.

Staff recommended the Board authorize the General Manager to execute the "Mutual Services Agreement" on behalf of the Valley Center Municipal Water District, subject to review by District General Counsel, and provide input and direction for staff concerning future activities and actions relating to the Agreement.

Action: Upon motion by Holtz, seconded by Stehly; and unanimously carried, motion to provide authorization for the General Manager to execute the Mutual Services Agreement was approved.

8. Adoption of Resolution No. 2025-01, Approving Change Order No. 4 to the Construction Contract with Orion Construction Corporation for the North County Emergency Storage Project – Valley Center Improvements and 14-inch Replacement & Relocation:

District Engineer Grabbe provided background information on the North County Emergency Storage Project (NCESP) – Valley Center Improvements & 14-inch Replacement and Relocation scope. Mr. Grabbe reminded the Board that the construction contract consists of two bid schedules (for billing purposes): Schedule A: NCESP Improvements funded by the SDCWA, and Schedule B: 14-inch Replacement and Relocation funded through the District's Capital Improvement budget. A summary of the construction contract with Orion Construction

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Corporation ("Orion") was given, stating that Orion was awarded the contract on April 3, 2023, for their low bid amount of \$8,796,000. The Notice to Proceed for the 560-calendar day contract was issued on June 15, 2023.

Three (3) change orders have been processed so far, for a cumulative amount of \$490,390 and an additional 35 calendar days. Change Order No. 4 is for the addition of various scope of work items, consisting of seven parts, for an increase of \$196,486 and an additional 224 calendar days. The revised total contract amount is \$9,482,876 and 819 calendar days, with the Project expected to be complete by September 12, 2025.

The Project's funding comes from two sources: the SDCWA and the District. The SDCWA funds items related to the NCESP's scope of work (Schedule A), while the district funds items associated with the 14-inch Replacement and Relocation (Schedule B) portion's scope of work. The proposed Change Order No. 4 affects both schedules, with the respective allotted project contingencies being sufficient to fund the change order. The total amount of the Project budget remains unchanged.

Staff recommended the Board adopt Resolution No. 2025-01, approving Change Order No. 4 to the construction contract for the North County Emergency Storage Project – Valley Center Improvements & 14-inch Replacement and Relocation with Orion Construction Corporation in the amount of \$196,486 and an additional 224 calendar days.

Action: Upon motion by Ness, seconded by Smith; and unanimously carried, motion to adopt the following resolution was approved:

RESOLUTION NO. 2025-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT APPROVING CHANGE ORDER NO. 4 TO THE
CONSTRUCTION CONTRACT WITH ORION CONSTRUCTION CORPORATION, INC.
FOR THE NORTH COUNTY EMERGENCY STORAGE PROJECT – VALLEY CENTER
IMPROVEMENTS AND 14-INCH REPLACEMENT AND RELOCATION
[ACCOUNT NOS. 01-00-00-18045 & 01-06-78-51200]**

Was adopted by the following vote, to wit:

AYES: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*

NOES: *None*

ABSENT: *None*

9. Adoption of Resolution No. 2025-02, Authorizing the General Manager to Enter into a Reimbursement Agreement with the County of San Diego for the Construction of the Cole Grade Road Phase 1 Improvements:

District Engineer Grabbe provided an update on the Cole Grade Road Pipeline Replacement Project ("Project"). The existing pipeline - 18,750 LF of ductile iron pipe - was installed in the 1950s and nearing the end of its lifecycle. 11,750 LF was replaced in the 1990s and 2000s. The remaining 6,750 LF is to be installed with the County's Road Widening Improvement Project.

The Project was divided into two phases – Phase 1: Cool Valley Road to Pauma Heights Road, and Phase 2: Fruitvale Road to Cool Valley Road. Phase 1 includes the relocation of 250 LF waterline into the new bridge; adds multiple offsets to resolve conflicts with storm drain crossings, and relocation of appurtenances. Phase 2 includes the replacement of 6,750 LF of waterline and appurtenances.

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For Phase 1 the District construction plans are 100% complete and pending final review. Construction is anticipated to begin in January 2026, after SDG&E and AT&T relocations are completed for an expected duration of 15 months. For Phase 2 the County of San Diego's plans are 70% complete (scheduled to be 100% by Summer 2025). While staff will continue to coordinate with the County during the final stages of their design, the design of the Phase 2 Water Facilities will not begin until after the County has completed its Phase 2 road improvement design. Construction is scheduled to start in July 2027 for the second phase, for an estimated duration of 18 to 24 months.

A total District project budget of \$1,076,000 has been incrementally established since its initial authorization in FY 2016-17 for the design of the water facilities for both Phase 1 and Phase 2 of the Cole Grade Road Pipeline Replacement Project and the construction of Phase 1. Based on the current estimated cost for the completion of the design and Phase 1 construction, an additional \$564,000 will be needed for FY 2025-26. Based on the current design level, additional funding in the amount of \$6.36 million is estimated to be required for the Phase 2 construction. This includes costs for the construction contract, County administration, staff expenses for inspection and project management, as well as contingencies. Since the construction of the Phase 2 portion is not scheduled to begin until July 2027, the estimated future Phase 2 costs would not need to be funded until the District's FY 2027-28 Annual Budget.

County staff prepared the proposed Reimbursement Agreement between the County of San Diego and Valley Center Municipal Water District ("Reimbursement Agreement"), which has been reviewed and commented on by District staff. The Reimbursement Agreement addresses key issues related to consolidating the construction of the water infrastructure improvements with the County road improvement project. These concerns include resolving unbalanced bids prior to the County's project award, the timing of payments for the cost of construction and County administration, approval of change orders, and mutual indemnification.

Anticipating that the County may have comments regarding the final wording of the agreement, District staff, and legal counsel will work with the County's legal counsel to resolve any issues. Staff requests the Board of Directors authorize the General Manager to execute the Reimbursement Agreement once final negotiations are completed subject to the final version being in substantive conformance with the attached proposed draft agreement and District General Counsel review.

Action: Upon motion by Smith, seconded by Stehly; and unanimously carried, motion to adopt the following resolution was approved:

RESOLUTION NO. 2025-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A REIMBURSEMENT AGREEMENT WITH THE COUNTY OF SAN DIEGO FOR THE CONSTRUCTION OF THE COLE GRADE ROAD PHASE 1 IMPROVEMENT PROJECT [Project No. 01-06-78-51690]

Was adopted by the following vote, to wit:

AYES: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*
NOES: *None*
ABSENT: *None*

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10. Project Update and Adoption of Resolution Nos. 2025-03, 2025-04, and 2025-05, Approving Various Items Related to the N. Broadway Pipeline Relocation Project:

District Engineer Grabbe provided an overview of the N. Broadway Pipeline Relocation Project ("Project"), which consisted of the abandonment of approximately 1,100 linear feet ("LF") of existing 10-inch waterline, followed by the installation of 3,240 LF of new 12-inch PVC waterline and associated appurtenances.

Funding for the project is set to be reimbursed from the proceeds of a new Drinking Water State Revolving Fund ("SRF") loan. Initially, it was one of three projects included in the original 2023 Water Facility Replacement Project SRF application; which was authorized by Resolution No. 2023-38 for the submission of the financial assistance application. However, due to concerns regarding adequate cash reserves to fund all three projects with a single loan, the original application was replaced with individual applications for each project. The N. Broadway Project is the second of the three original projects.

The application was submitted to the SWRCB in early January to be in line to be included in the SWRCB's fiscal year ("FY") 2025-26 Intended Use Plan ("IUP"). Projects need to be included in the IUP to receive SRF Loan approval for funding in the intended fiscal year. To secure SRF loan approval, the environmental review and approval phase of the project needed to be completed. An additional \$380K funding is required to complete the design and environmental review. The requested funds for the design phase and the projected future costs for construction cost are estimated at \$4.2M. The mid-year budget amendment of \$380K is proposed from two sources: the balance of the project funds from a recently completed reservoir coating project (\$105K) and the Water Capacity Charge Reserve (\$275K).

Mr. Grabbe reviewed the Professional Service Agreements ("PSA") required for this project. In accordance with Administrative Code provisions, any PSA exceeding \$50,000 requires Board approval. One such agreement, for engineering design drafting services with Ardurra, will exceed the threshold requiring Board consent. In January 2024, the Board of Directors authorized staff to enter an As-Needed PSA with Ardurra to provide hybrid engineering support services, drafting, design, inspection, and other related tasks. For the N. Broadway project, staff requested a proposal from Ardurra that includes not only engineering design and drafting services but also structural design for the proposed elevated creek crossing and traffic control plan preparation. Ardurra's proposal totals \$142,693 which is deemed a fair and reasonable cost for the scope of work outlined.

Although proposals of this magnitude typically require comparison with other proposals, staff recommended waiving the requirement for multiple proposals, as the work aligns with the hourly rates set forth in the As-Needed PSA and the proposed time presented for completion is reasonable. Additional consulting agreements necessary for the project include Birdseye Planning Group LLC (environmental services), TSAC Engineering (surveying services), NOVA Services, Inc. (geotechnical services), and Monument ROW (ROW services).

Staff recommended the Board adopt the following:

- 1) Resolution No. 2025-03: Amending the FY 2024-25 Annual Budget and approving consultant agreement for the North Broadway Pipeline Relocation Project.
- 2) Resolution No. 2025-04: Authorizing and Directing the General Manager or his Designee to Submit a DWSRF Financial Assistance Application for Funding the North Broadway Pipeline Relocation Project.
- 3) Resolution No. 2025-05: Declaring Intent to be Reimbursed Expenditures for the North Broadway Pipeline Relocation Project from the Proceeds of the State Water Resources Control Board Debt Obligation.

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Action: Upon motion by Smith, seconded by Stehly; and unanimously carried, motion to adopt the following resolution was approved:

RESOLUTION NO. 2025-03

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE FY 2024-25 ANNUAL BUDGET
FOR THE NORTH BROADWAY PIPELINE RELOCATION PROJECT AND AWARDED
CONSULTING AGREEMENTS FOR ENGINEERING AND ENVIRONMENTAL SERVICES
[PROJECT NO. 01-06-78-51150]**

Was adopted by the following vote, to wit:

AYES: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*
NOES: *None*
ABSENT: *None*

◀ and ▶

Action: Upon motion by Holtz, seconded by Smith; and unanimously carried, motion to adopt the following resolution was approved:

RESOLUTION NO. 2025-04

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AUTHORIZING SUBMITTAL OF A
DRINKING WATER STATE REVOLVING FUND FINANCIAL ASSISTANCE
APPLICATION FOR THE N. BROADWAY PIPELINE RELOCATION PROJECT**

Was adopted by the following vote, to wit:

AYES: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*
NOES: *None*
ABSENT: *None*

◀ and ▶

Action: Upon motion by Ness, seconded by Stehly; and unanimously carried, motion to adopt the following resolution was approved:

RESOLUTION NO. 2025-05

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT DECLARING INTENT TO BE REIMBURSED
EXPENDITURES FOR THE N. BROADWAY PIPELINE RELOCATION
PROJECT FROM PROCEEDS OF THE SWRCB DEBT OBLIGATIONS**

Was adopted by the following vote, to wit:

AYES: *Directors Ferro, Holtz, Smith, Ness, and Stehly.*
NOES: *None*
ABSENT: *None*

INFORMATIONAL ITEM(S)

11. San Diego County Water Authority (SDCWA) Board Meeting Summary:

A report on the SDCWA's Board of Directors' Meeting of January 23, 2025 was provided.

Action: Informational item only, no action required.

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12. General Information:

General Manager Arant provided highlights of the District's November Status Report and Special Projects & Regulatory Compliance Manager Nichols provided a legislative update.

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S ITEM(S)

None.

BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED

None.

CLOSED SESSION ITEM(S)

At any time during the regular session, the Board may adjourn to closed session to consider litigation, personnel matters, or to discuss with legal counsel matters within the attorney-client privilege. Discussion of litigation is within the attorney-client privilege and may be held in closed session (per Government Code § 54956.9).

A Closed Session was called by President Ferro at 3:51 PM pursuant to the following:

13. Government Code §54957 – Public Employee Performance Evaluation:

Unrepresented Employee: General Manager

14. Government Code §54957.6 – Conference with Labor Negotiators:

Agency Designated Representatives: Board of Directors

Unrepresented Employee: General Manager

RECONVENE: The Board came out of closed session at 4:43 PM with no reportable action.

ADJOURNMENT

Action: Upon motion by Smith, seconded by Ness; motion passed with four (4) affirmative votes (*noting Director Stehly left the meeting at 4:38 PM*), the regular meeting of the Board of Directors was adjourned at 4:43 PM.

ATTEST:

ATTEST:

Kirsten N. Peraino, Secretary

Enrico P. Ferro, President

Approved at a regularly scheduled Board Meeting on Monday, March 17, 2025