

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, April 21, 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, Ness, and Stehly.*

Board Members Absent: *Director Smith.*

Staff Members Present: *General Manager Arant, District Engineer Grabbe, Director of IT Pilve, Director of Finance & Administration Pugh, Director of Operations and Facilities Lovelady, Special Projects & Regulatory Compliance Manager Nichols, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; Engineering Services Supervisor Nikrasch, Human Resources Analyst Lackerdas, Executive Assistant/Board Secretary Peraino, and General Counsel Lloyd present.*

PUBLIC COMMENT(S)

President Ferro established for the record the process by which public comments are received by the Board, as detailed in the Agenda.

CONSENT CALENDAR ITEMS

Consent calendar items will be 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, March 17, 2025;
2. Audit Demands for Check Nos. 171235 – 171459 from March 7 – April 10, 2025 and Wire Disbursements for the Month Ending March 31, 2025;
3. Treasurer's Report for Month Ending February 28, 2025;
4. Expense Reimbursement Disclosures (for the Quarter Ending March 31, 2025) per Government Code Section 53065.5;
5. ~~Designation of Voting Delegate for the ACWA Elections (2026-27 Term);~~
6. Adoption of Resolution No. 2025-10, Authorizing Staff to Enter into a 3 Year Geographical Information System (GIS) Licensing, Maintenance, and Service Agreement with ESRI; and
7. Adoption of Resolution No. 2025-11, Approving the First Amendment to the Communication Site License Agreement with New Cingular Wireless PCS, LLC for Use of Paradise Reservoir.

General Manager Arant pulled agenda item no. 5 from the consent calendar for separate action.

Action: Upon motion by Stehly, seconded by Ness; and carried with 4 affirmative votes, the previously listed consent calendar items, with the omission of agenda item no. 5, were approved as amended.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

5. Designation of Voting Delegate for the ACWA Elections (2026-27 Term):

Agenda item no. 5 was pulled from the consent calendar for separate consideration, by General Manager Arant. The report recommended that the Board designate Director Oliver Smith as the Voting Delegate for the 2026-27 Term ACWA Election; however, Director Smith will be unable to attend the Spring ACWA Conference.

Action: Upon motion by Holtz, seconded by Ness; and carried with 4 affirmative votes, motion to designate General Manager Arant as the Voting Delegate, unanimously passed.

ACTION ITEM(S)

8. Review of Proposed Revisions to the Miscellaneous Water Meter Fees and Charges and Request to Set Public Hearing Date to Consider Approval of New Charges:

Proposed revisions to miscellaneous water meter fees and charges were presented by Special Projects & Regulatory Compliance Manager Nichols for Board discussion, input, and direction. To ensure appropriate cost recovery, staff annually review the fees and charges based on current material, labor, and equipment costs experienced in the current fiscal year. *Ms. Nichols mentioned that an errata sheet for the Public Notice was given to the Board. The sole amendment in the notice is the change of "Detector Check" to "Double Check" in the Backflow Prevention Device section on page 2.*

After analyzing current fees and charges as they relate to actual materials costs, and labor and equipment rates, staff considered factors, such as the Consumer Price Index for All Urban Consumers (San Diego - Carlsbad) ("CPI"), Caltrans standard cost values and the Cost of Living Adjustment (COLA) to determine appropriate recommended increase in costs expected during the new fiscal year.

- Material costs are based on the average cost of the District's material inventory as of January 2025, and adjusted for the 3.1% CPI factor to reflect the projected rise in average materials costs over the next year.
- Labor Costs are based on the current "Top of Range" labor rates plus the 3.1% COLA effective July 1, 2025.
- Equipment costs are based on Caltrans standard cost values effective April 1, 2025, and adjusted by the 3.1% CPI factor.

Staff recommended increasing fees and charges in the Administrative Code to align with actual materials and labor costs, and equipment rates, adjusted by the 3.1% CPI factor experienced over the previous year. The average proposed increase is 1.6%, lower than the 3.1% CPI, with most fees falling between 0% and 6%. Increased materials costs led to select above-average increases and some fees remain unchanged due to decreases in materials costs offsetting labor and equipment cost increases.

- Section 160.4(a) – Service Connection Charges:
 - *Meter Lateral Charges (Table 1) – proposed increased 0% - 2%*
- Section 160.12(d) – Backflow Prevention Devices:
 - *Standard Double Check Valve Fees (Table 6) – proposed increased 0% - 3%*
 - *Double Check Valve on Riser Fees (Table 7) – proposed increased 0% - 12%*
 - *Reduced Pressure Device on Riser Fees (Table 8) – proposed increased 0% - 6%*
 - *Reduced Pressure Device on Domestic Tee Fees (Table 9) – proposed increased 0% - 5%*

Valley Center Municipal Water District Board of Directors' Meeting Minutes

- Section 160.20(c) – Pressure Reducing Valves (PRVs)
 - *Pressure Reducing Valve Charges: Standard – proposed increase 0% - 12%*

Staff recommended the Board Set the date of the Public Hearing for the May 19, 2025 Board Meeting to consider approval of the recommended Miscellaneous Water Meter Fees and Charges and related Administrative Code modifications, and direct staff to publish the appropriate notices incorporating any comments or revisions as directed by the Board.

Action: Upon motion by Ness, seconded by Holtz; and carried with 4 affirmative votes, motion to set public hearing date for May 19, 2025 was approved.

9. **Concept Approval for the Rimrock Unit 3 Development Project:**

Engineering Services Supervisor Jeson Nikrasch provided background on the Rimrock Unit 3 Project ("Project"). The Project was first granted Concept Approval by the District on June 3, 1993 and includes the remaining 56 undeveloped lots (encompassing 186 acres) from a joint agreement formerly between the Welk Group, Inc., the County of San Diego, and Valley Center Municipal Water District.

While other units have been finished, some sections of TM 4744-1 and select lots of TM 4605 and 4652-1 in Unit 3 are incomplete. Rimrock Heavens LLC ("Developer"), the sixth owner, has agreed to complete the improvements, which include installing water and wastewater systems, such as potable waterline extensions and sewer collection lines. The Developer's Engineer has projected the cost of the Project's Water System at \$312,400 and the Sewer Collection System at \$698,800, bringing the estimated total value of the facilities to \$1,011,200.

Staff recommended the Board reissue concept approval for the Rimrock Unit 3 Development Project and authorize the General Manager to enter into a standard District Facilities Agreement with the new property owner, Rimrock Heavens LLC.

Action: Upon motion by Stehly, seconded by Ness; and carried with 4 affirmative votes, motion to reissue concept approval for Rimrock was approved.

10. **Review of Budget Policies:**

A preview of the District's budget policies was presented by Manager of Accounting Velasquez:

1. **Reserves –**

- a. **Rate Stabilization Reserves** are used to level water rates and pumping rates;
- b. **Operating Reserve** provides funds for emergencies and natural disasters;

The combination of the Rate Stabilization and Operating Reserves are considered Discretionary Reserves. The District's goal is that the total of the three reserves be funded at a minimum of three to a maximum of 6 months Operations and Maintenance budget, excluding wholesale water and power purchases.

- c. **Restricted Reserves** include the Lower Moosa Canyon and Woods Valley Ranch Water Reclamation Facilities, Debt Service Reserves, and the Capital Improvement Charge Reserve for Lower Moosa Canyon; and
- d. **Capital Reserves** provide funding for continued budgeted capital projects, improvements funded from capacity charges, future capital additions and replacements.

2. **Fees and Charges** – Simply states that each water and wastewater fund is self-sufficient and that all fees and charges from wholesale agencies are passed through to our customers.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

3. **Debt** – Long term debt shall not be used to fund current operating costs, debt issues should only be used to fund capital projects, and debt issues should be limited to the District's capacity to repay from related revenue streams.
4. **One-time & Unpredictable Revenue** – Significant one-time revenues are allocated to the source of the receipt and are not relied upon to initiate new programs.
5. **Balanced Budget** – The budget shall be balanced from current revenues and with Board approval during the budget process reserves can be used if needed.
6. **Revenue Diversification** – Shall attempt to cover at least 60% of its fixed operating expenses with monthly water service charges.
7. **Contingencies** – Provides procedures for use during water emergencies.
8. **Authority for Budget Transfers** – The General Manager is authorized to transfer up to \$50,000 between the budget accounts without prior Board approval. *This amount was increased from \$35,000 to \$50,000 on November 16, 2020 per Ordinance No. 2020-14. It was noted that Administrative Code Section 50.2(h) – Authority for Budget Transfers, was missed in the 2020 update.*

Staff recommended the Board adopt Ordinance No. 2025-02, as amended, to add a Capital Improvement Charge Reserve as a restricted reserve and to update the General Manager's previously approved authority for budget transfers up to \$50,000

Action: Upon motion by Holtz, seconded by Ness; and carried with 4 affirmative votes, motion to adopt the following Ordinance was approved:

ORDINANCE NO. 2025-02

ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT AMENDING THE ADMINISTRATIVE CODE TO INCORPORATE IN TO THE BUDGET POLICIES A RESTRICTED RESERVE FOR CAPITAL IMPROVEMENT CHARGES AND THE GENERAL MANAGER'S AUTHORITY FOR BUDGET TRANSFERS

was adopted by the following vote, to wit:

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

INFORMATION ITEM / POSSIBLE ACTION ITEM(S)

11. Budgeting and Rate Considerations for Fiscal Year 2025-26:

In early 2024, the Board engaged in comprehensive discussions regarding the financial challenges and opportunities that lie ahead for the District. These conversations took place during a series of workshops titled "Headwinds." General Manager Arant reviewed the changes in Fiscal Year ("FY") 2024-25 that occurred as a result of the Headwinds workshops.

Rates:

MWD Readiness to Serve and Capacity Reservation Fees – MWD fixed charges totaling \$1,081,383 are now being billed as \$7.50 per $\frac{3}{4}$ meter equivalent as an "MWD Fixed Charge."

Valley Center Municipal Water District Board of Directors' Meeting Minutes

This charge would have resulted in a \$92.00 per acre foot increase in the commodity rate or an additional rate increase of 3.4% for domestic and 4.5% for PSAWR customers.

Capital Improvements:

Another change was the approach used for budgeting the CIP. Historically, each FY budget identified new CIP projects without knowing if sufficient funds would actually be available. Two very wet years resulting in significant revenue losses, coupled with uncertainty about future water sales, changed how the District would approach CIP funding. For the FY 2024-25 Budget, there were two categories of CIP, one for projects with existing carryover funding from the prior FY, and one for aspirational projects (identified in the Budget as Appendix "E") which would proceed if funds become available. It was also established that staff would return to the Board in early 2025 with recommendations to move forward on any selected from the Appendix "E" projects within FY 2024-25.

Staff recommended not moving forward on any of the major aspirational projects, noting that additional CIP will be identified for funding in the FY 2025-26 Budget process, which is currently underway. Staff recommended a minor reallocation to the FY 2024-25 funding to open a planning and engineering account for the recoating of the Reidy Canyon Reservoir in FY 2025-26 (\$50,000), with major expenditures occurring in FY 2025-26. For the balance of FY 2024-25, the Engineering Department will focus on finalizing the North County ESP Project funded by the SDCWA, moving forward on the CIP, which has carryover funding from FY 2023-24, and processing a wide array of small private sector projects.

Concepts from the Headwinds Workshops for Potential Implementation in FY 2025-26:

For the upcoming FY 2025-26, staff recommended that the Board consider implementation of two other concepts that were discussed during the "Headwinds" process: an additional fixed charge and a water capital improvement charge.

- Additional Fixed Charge – The proposed additional Fixed Charge is based on the SDCWA Fixed Transportation Charge. In calendar year ("CY") 2025, the SDCWA collected 40% of its Transportation Costs as a fixed charge. VCMWD was billed \$1,450,000 in fixed Transportation Charges incorporated into the wholesale commodity cost at \$124 per AF. For CY 2026, 50% of the SDCWA transportation charge will total \$1,595,000, representing a \$136 per AF cost on the commodity rate. As an alternative, the SDCWA's new Transportation Fixed Rate could be fully or partially captured as an additional fixed charge on the monthly water bill.
- Water Capital Improvement Charge – The proposed Water Capital Improvement Charge was introduced during the Headwinds process. After a public outreach program explaining the need for and use of the charge, the \$12/month per Equivalent Dwelling Unit (EDU) has been well accepted by the Moosa Service Area ratepayers.

Action: After Board discussion, input was given, directing staff to return to the Board with more information on the potential development and implementation of the 2 proposed changes for FY 2025-26.

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

A report on the SDCWA's Board of Directors' Meeting of March 27, 2025 was provided.

Action: Informational item only, no action required.

**Valley Center Municipal Water District
Board of Directors' Meeting Minutes**

13. General Information:

General Manager Arant provided highlights of the District's January Status Report and the Legislative and Regulatory Update for April.

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S ITEM(S)

None.

BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED

None.

BOARD OF DIRECTORS' AGENDA ITEM(S)

14. Review of Board Per Diem:

At the April 5, 2021 Regular Board Meeting, the Board directed staff to adjust the frequency of the Per Diem Review from annually to biennially (every odd year), began Board Secretary Peraino. Current law provides that the Board may increase its per diem amount by 5% for each calendar year since the date of the last adjustment, which was February 16, 1993. Under the aforementioned formula, the Board could increase the current \$100.00 per diem to a maximum of \$260 per day of Board business.

Mrs. Peraino noted that an errata sheet for the Maximum Allowance of Per Diem Increase was given to the Board. The maximum amount the Board can increase its per diem is a straight 5% per year since the last increase without compounding. The maximum increase is \$160 with a new maximum per diem amount of \$260. The amount included in the Agenda Report of \$476.54, as the maximum amount the Board can set its per diem at, is what the per diem could have been set at if the Board had indeed increased its compensation 5% per year since February 1993 (because of compounding).

Action: The Board declined to initiate action to increase the amount at this time.

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).

15. A Closed Session was called by President Ferro at 3:10 PM pursuant to the following item:

Government Code §54957 – Public Employee Appointment:
Title – General Manager

Reconvene: The Board came out of closed session at 3:48 PM with no reportable action.

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

ADJOURNMENT

Action: Upon motion by Holtz, seconded by Stehly; motion passed with 4 affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:49 PM.

ATTEST:

ATTEST:

Kirsten N. Peraino, *Secretary*

Enrico P. Ferro, *President*

Approved at a regularly scheduled Board Meeting on Monday, May 5, 2025