

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, May 19, 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, Smith, Ness, and Stehly.

Board Members Absent: *Noting the absence of Director Holtz.*

Staff Members Present: *General Manager Arant, District Engineer Grabbe, Director of Finance and Administration Pugh, Director of IT Pilve, Director of Operations and Facilities Lovelady, Special Projects & Regulatory Compliance Manager Nichols, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; 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.

SPECIAL ACTION REQUIRED

1. **Reconsider the Action the Board Took at its January 17, 2023 Board Meeting Regarding Virtual Participation Under the "Relaxed" Teleconferencing Requirements.**

General Manager Arant provided an overview of how Board Meetings have been held since the onset of the COVID-19 pandemic (i.e. in-person, teleconference, and hybrid formats) and their different compliance requirements with the Brown Act. The Board last discussed its virtual/teleconference attendance during its regular meeting on January 17, 2023. At that time, staff provided an overview of the legal methods available under the Brown Act for remote participation, including the provisions outlined in AB 2449. The discussion focused on the applicability of these options to the District and the feasibility of implementing a hybrid meeting model. Following discussion, the Board reached a consensus that the District would continue to operate as an in-person Board.

Before the COVID-19 pandemic, the Brown Act permitted teleconferencing for meetings with specific requirements:

- Identification of each legislative body member's teleconference location;
- Each teleconference location must be accessible to the public;
- Members of the public must be allowed to address the legislative body at each teleconference location;
- The meeting agenda must be posted at each teleconference location; and
- At least a quorum of the legislative body must participate from locations within the boundaries of the agency's jurisdiction.

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Initially, these rules were relaxed, first through the Governor's executive order and then by legislation (via AB 361), allowing members of a legislative body to attend meetings virtually, without complying with the standard teleconference rules. With the conclusion of the pandemic and the termination of the COVID-19 State of Emergency, AB 361 is no longer applicable. Consequently, AB 2449 was adopted, amending the teleconferencing provisions of the Brown Act. This amendment provides public agency legislative bodies with an additional, albeit limited, teleconferencing option starting January 1, 2023.

Unlike teleconferencing under AB 361, AB 2449 requires that at least a quorum of the legislative body must participate in person from a single, clearly designated physical location. This location should be specified in the agenda, accessible to the public, and located within the jurisdictional boundaries of the agency. Under the new teleconference rules, a legislative body may hold a "hybrid" (part teleconference, part in-person) meeting without having to comply with certain procedural requirements (i.e. post agendas at teleconference locations, identify teleconference locations in the agenda, make all teleconference locations open to the public) in the following limited circumstances:

- One or more members of the legislative body (but less than a quorum) have "just cause" for not attending the meeting in person (childcare or family caregiving need, contagious illness, physical or mental disability need, or travel while on official public business); or
- One or more members of the legislative body (but less than a quorum) experience an emergency circumstance (a physical or family medical emergency preventing in-person attendance).

If a member has a qualifying "emergency" or "just cause" circumstance, to participate remotely, the member must also do both of the following: The member must publicly disclose at the meeting before any action is taken, whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any such individuals; and the member must participate through both audio and visual technology.

Should the Board decide to permit virtual/remote attendance for individual Board Members, pursuant to AB 2449, and reconsider the decision made at the January 17, 2023 Board Meeting, an additional action is required. This involves a Director formally requesting to attend virtually.

Action: Upon motion by Smith, seconded by Stehly; and carried with four (4) affirmative votes, motion to allow virtual participation under the "relaxed" teleconferencing requirements, was approved.

SPECIAL ACKNOWLEDGEMENT

2. Announcement of the 34th Annual Water Awareness Poster Contest Winners and Virtual Award Presentation for First, Second, and Third Places.

This year marked the 34th Annual Water Awareness Fourth-Grade Poster Contest. The Water Awareness Poster Contest's theme this year was "Love Water, Save Water." VCMWD received 72 entries from Valley Center and Lilac Elementary Schools. Winners were virtually welcomed along with their principals. The top winners are as follows:

- 1st Place: Lilac Elementary School – **Cassandra Lefevre**
- 2nd Place: Valley Center Elementary School – **Arden Calderon**
- 3rd Place: Lilac Elementary School – **Kaimani Morgan**

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The 2026 North County Water Agencies calendar will be released in by mid-November, and will be available in the lobby and features the artwork of the top 1st and 2nd place winners.

Action: Informational item only, no action required.

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.

3. **Minutes of the Regular Board Meeting Held Monday, May 5, 2025; and**
4. **Audit Demands for Check Nos. 171554 – 171638 from April 26, 2025 – May 9, 2025, and Wire Disbursements for the Month Ending April 30, 2025.**

Action: Upon motion by Ness, seconded by Smith; and carried with four (4) affirmative votes, the previously listed consent calendar items were approved.

PUBLIC HEARING ITEM(S)

5. **Public Hearing to Consider Adoption of Ordinance No. 2025-03 to Approve Proposed Revisions to Miscellaneous Water Fees and Charges for FY 2025-26 and Amending the District's Administrative Code:**

Ordinance No. 2025 03, approving the proposed revisions to the Miscellaneous Water Meter Fees and Charges (Meter Fees and Charges) and related changes to Administrative Code Article 160. *Special Projects & Regulatory Compliance Manager, Alisa Nichols*, stated that staff advertised the Public Hearing ten days in advance through appropriate publications, with notice posted on May 1 and 8, 2025. It was announced that no public comments were received.

Ms. Nichols continued by describing the basis behind the proposed increases. Meter Fees and Charges are evaluated annually by assessing the actual costs of materials and labor, and equipment rates incurred during the current fiscal year (FY 2024-25). This analysis aims to provide recommendations for the Meter Fees and Charges for the upcoming fiscal year (FY 2025-26). The Consumer Price Index for All Urban Consumers (San Diego – Carlsbad) (“CPI”) was utilized to include an appropriate increase in costs expected during the new fiscal year. The CPI for the period from January 2024 to January 2025 was published at 3.1%. On average, the proposed recommendations for the updated Meter Fees and Charges increased 1.6% from the prior year, which is less than the 3.1% CPI. The Meter Fees and Charges shown in the District’s Administrative Code are recommended to be increased to match the actual materials and labor costs and equipment rates of the following various items:

- **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 experienced over the previous year. The average materials costs are adjusted only when new components are purchased and added to inventory. A 3.1% increase was applied to reflect the projected rise in average materials costs over the next year, estimating the District’s materials inventory value as of January 2026 – the midpoint of FY 2025-26.
- **Labor Costs** are based on the current “Top of Range” labor rates plus Cost of Living Adjustment (“COLA”) to be implemented for FY 2025-26. It is estimated that the District’s COLA will be set at 3.1%, effective July 1, 2025.

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- **Equipment Rates** are based on standard cost values published by Caltrans effective April 1, 2025, and adjusted by the 3.1% CPI factor experienced over the previous year.

After reviewing materials and labor costs, and equipment rates, staff recommended no increase to some categories of Meter Fees and Charges due to insignificant cost increases. Though the average proposed increase is 1.6%, with the majority between 0% and 6%, some categories have proposed increases up to 12%. For example, the materials costs for some double check valves and pressure reducing valves increased significantly, resulting in proposed increases up to 12% over the existing Meter Fees and Charges.

The following sections (§) of the Administrative Code will be amended to reflect the approved increases to fees and charges:

- Section 160.4(a) Connection of Service – updated the fees and charges;
- Section 160.12(d) Backflow Prevention Devices - updated the fees and charges; and
- Section 160.20(c) Pressure Reducing Valves – updated the fees and charges.

Following discussion, the public hearing was closed at 2:25 PM. Staff recommended the adoption of Ordinance No. 2025-03, amending the Administrative Code to increase the various miscellaneous water meter fees and charges to be effective July 1, 2025.

Action: Upon motion by Smith, seconded by Stehly; and carried with four (4) affirmative votes, the following Ordinance was approved:

ORDINANCE NO. 2025-03

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE ADMINISTRATIVE CODE
TO PROVIDE FOR MODIFICATIONS OF MISCELLANEOUS WATER METER
FEES AND CHARGES, AND RELATED ADMINISTRATIVE CODE SECTIONS**

Was adopted by the following vote, to wit:

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

ACTION ITEM(S)

6. **Review of Proposed Revisions to the Meter Capacity Charges and Request to Set Public Hearing Date to Consider Approval of New Charges: ITEM PULLED**

Action: Agenda item pulled, will be brought back at the June 2, 2025 Regular Board Meeting.

7. **Review of Proposed Changes to the General Manager Salary Range and Request Adoption of Ordinance No. 2025-04 to Amend the District's Administrative Code:**

General Counsel de Sousa provided the Board with the opportunity to amend Article 8, Section 8.9 (c), *Compensation and Compensation Plan*, adopting a salary range for the General Manager position. To adhere to CalPERS regulations, a publicly approved salary schedule must be adopted for each public employee position, including the General Manager. In anticipation of the upcoming recruitment, the District needed to set a salary range. As proposed, the amendment to the Administrative Code, Article 8, Section 8.9 (c), lists the salary for the General Manager as \$265,000 to \$295,000. This action will have no impact on the compensation for the current

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General Manager, as the current compensation is set by the employment agreement with the General Manager, and the current salary is within the proposed salary range.

Action: Upon motion by Smith, seconded by Ness; and carried with four (4) affirmative votes, the following Ordinance was approved:

ORDINANCE NO. 2025-04

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING THE ADMINISTRATIVE CODE TO
PROVIDE FOR CHANGES IN THE COMPENSATION POLICY –
POSITION CLASSIFICATIONS AND SALARY RANGES**

Was adopted by the following vote, to wit:

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

INFORMATION ITEM / POSSIBLE ACTION ITEM(S)

8. Review of Water Rate Sensitivity to Variations of Water Sales for the FY 2025-26 Budget:

Manager of Accounting Velasquez reminded the Board during its regular meeting of May 5, 2025, staff provided an overview of the budget assumptions and expense projections assumed in the preliminary operations, maintenance, and capital budget for FY 2025-26. At the conclusion of the presentation on May 5th, the Board requested further information concerning how water rate sensitivity is affected by fluctuations in water sales.

The wholesale fixed costs from the San Diego County Water Authority (“SDCWA”) are included as a cost component in the Imported Water Costs totaling an estimated \$5,801,200 in the preliminary Budget for FY 2025-26. The District calculates the per-acre-foot equivalent of the wholesale fixed charges that the District must pay to SDCWA by dividing the total charges by projected sales, less a 10% reserve for sales levels under-budgeted amounts. For example, if the District calculated its projected sales at 12,500 Acre Feet (“AF:), wholesale fixed charges would be allocated over 11,250 AF. If the District projected sales at 13,500, wholesale fixed charges would be allocated over 12,150 AF.

For the current 2024-25 FY, it is projected that the District will sell 13,800 acre feet of water. This is 6.2% over the budgeted 13,000 acre feet. The increase in water sales compared to budget is due to drier weather conditions in the first half of the year. As a result, agricultural sales were higher than expected. For FY 2025-26, staff proposed reducing the estimated sales to 12,500 acre feet to more accurately reflect the overall decline in agricultural sales.

Action: Informational item only, no action required.

9. Review of Proposed Fixed Charges for the FY 2025-26 Budget – SDCWA Fixed Transportation Charge and Water Capital Improvement Charge:

General Manager Arant provided the Board with an opportunity for continued consideration of implementing an SDCWA Fixed Transportation Charge and a Water Capital Improvement Charge. Arant reminded the Board of the concepts from the Headwinds Workshops for potential implementation in FY 2025-26. For the upcoming FY 2025-26, staff recommended that the Board consider the implementation of two other concepts that were discussed during the “Headwinds” process: an additional fixed charge and a water capital improvement charge.

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- **SDCWA Fixed Transportation Charge** – The proposed charge shifts the SDCWA Fixed Transportation Charge from a variable, unpredictable, commodity-based revenue stream to a more stable source. More importantly, this change aims to reduce the risk of under-collection of fixed charges from the SDCWA, an issue faced in FY 2022-23 and FY 2023-24. Recently, this issue was partially resolved by incorporating the MWD Readiness to Serve Charge and Capacity Reservation Charges as fixed charges on the monthly water bill. Several implementation options were proposed, which include gradually introducing the fee in incremental amounts over a span of one, two, or three years.
- **Water Capital Improvement Charge** – Another concept previously reviewed, was the possible implementation of a District Water Capital Improvement Charge, similar to the Moosa Wastewater Capital Charge implemented two years ago. As with the proposal for an SDCWA Transportation Fixed Charge, the Water Capital Improvement Charge could be phased in with the incremental amounts. Revenues from such a charge could be used for “Pay Go” financing and / or to leverage bridge financing of SRF Loan Funding. These direct or leveraged funds could be used for the major capital replacement projects slated for FY 2025-26 and FY 2026-27, including the Old Castle Phase 2, North Broadway, and Cole Grade Phase 2.

General Manager Arant summarized the overall implementation approach. One approach would be to select one of the two charges, either the SDCWA Fixed Transportation Charge or the Water Capital Improvement Charge, for implementation in FY 2025-26. However, it was noted that each charge addresses a different financial need and should be evaluated in that context. Alternatively, the Board could consider implementing both charges, phased in over a two- or three-year period, versus only selecting either the SDCWA Fixed Transportation Charge or the Water Capital Improvement Charge.

Action: Informational item only, no action required.

10. General Information:

General Manager Arant provided highlights from the District’s Legislative and Regulatory Report for May 2025.

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)

None

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ADJOURNMENT

Action: Upon motion by Stehly, seconded by Ness; motion passed with four (4) affirmative votes, the regular meeting of the Board of Directors was adjourned at 3:11 PM.

ATTEST:

ATTEST:

Kirsten N. Peraino, *Secretary*

Enrico P. Ferro, *President*

Approved at a regularly scheduled Board Meeting on Monday, June 2, 2025