

VALLEY CENTER MUNICIPAL WATER DISTRICT

AGENDA

Regular Meeting of the Board of Directors

Monday, July 21, 2025 — 2:00 P.M.

The VCMWD Board of Directors welcomes the public to attend its meetings both in-person at its Board Room and virtually via livestream. *Please note that in the event of technical issues that disrupt the meeting livestream or receipt of public comments by phone or email, the meeting will continue, unless otherwise required by law, such as when a Director is attending the meeting virtually pursuant to certain provisions of the Brown Act.*

Instructions for members of the public who wish to address the Board of Directors:

Members of the public can address the Board of Directors during “Public Comments” or on specific agenda items, may do so as instructed below. All comments will be subject to a limit of three (3) minutes.

- Making Public Comment for In-Person Attendance: Members of the public who wish to observe or to address the Board may join the Board Members at the noticed, physical location. A Request to Speak slip must be submitted to the Board Secretary prior to start of the meeting (*if possible*).
- Phone Comments During the Meeting: Before the meeting, or before public comment period for the item closes during the meeting, submit a telephone number by email to the Board Secretary at publiccomments@vcmwd.org, together with the agenda item number, and the Board Secretary will call when the board is ready to hear public comments; *or*
- Emailed Comments: Before the meeting, or before public comment period for that item closes at the meeting, email your comments to the Board Secretary at publiccomments@vcmwd.org and they will be read aloud during the public comment period; *or*
- Written Comments: Written comments can be also be physically dropped off or mailed in advance of the meeting at the District’s Administrative located at 29300 Valley Center Rd., Valley Center, CA 92082, for receipt no later than 1:00 pm on meeting day.

These public comment procedures supersede any District public comment policies and procedures to the contrary. If modifications or accommodations from individuals with disabilities are required, such persons should provide a request at least 24 hours in advance of the meeting by email to the Board Secretary at boardsecretary@vcmwd.org.

Meeting Broadcast: Members of the public may watch the meeting electronically by visiting the District’s website at vcmwd.org/Board/Board-Documents and then clicking the link listed below “live stream” on the page.

Meeting Documents: Board Meeting Packets (*except for closed session materials*) will be made available to the public once distributed to the Board. Please visit the District’s website at vcmwd.org/Board/Board-Documents for Agenda and related Board Meeting Documents.

ROLL CALL

APPROVAL OF AGENDA

At its option, the Board may approve the agenda, delete an item, reorder items and add an item to the agenda (Government Code Section 54954.2).

PUBLIC COMMENTS

Comments and inquiries from the audience will be received on any matter not on the agenda, but within the jurisdiction of the Board. Comments and inquiries pertaining to an item on the agenda will be received during the deliberation of the agenda item (Government Code Section 54954.3).

Valley Center Municipal Water District
Board of Directors' Meeting 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, July 7, 2025;**
2. **Audit Demands and Wire Disbursements; and**
3. **Quarterly Expense Reimbursement Disclosures (April 1 – June 30, 2025) per Government Code Section 53065.**

ACTION ITEM(S)

4. **Request to Set the Fiscal Year 2025-26 Fixed Charge Special Assessments for Unpaid Charges for Water and Other Services:**

Adoption of Ordinance No. 2025-07 to set the Fiscal Year 2025-26 Fixed Charge Special Assessments for unpaid charges for water and other services will be considered.

- a. Report by Director of Finance and Administration
- b. Discussion
- c. Audience comments/questions
- d. If desired, motion to approve or deny Ordinance No. 2025-07

5. **Project Update and Request to Approve of Change Order No. 5 to the Construction Contract with Orion Construction Corporation for the North County Emergency Storage Project – Valley Center Improvements & 14-inch Replacement and Relocation (NCESP–VC):**

An update on the NCESP–VC Improvements Project will be provided, along with request to adopt Resolution No. 2025-21, approving Change Order No. 5 to the Construction Contract with Orion Construction, Inc. for the North County Emergency Storage Project – Valley Center Improvements & 14-inch Replacement and Relocation [Project No. 01-00-00-18045].

- a. Report by District Engineer
- b. Discussion
- c. Audience comments/questions
- d. If desired, motion to approve or deny Resolution No. 2025-21

6. **Request to Award Sole Source Reservoir Coating for Reidy Canyon No. 1 Exterior and W. Bear Ridge Roof Project:**

A request to adopt Resolution No. 2025-22, awarding sole source reservoir coating for Reidy Canyon No. 1 exterior and W. Bear Ridge roof Project [Project No. 01-06-78-51401].

- a. Report by District Engineer
- b. Discussion
- c. Audience comments/questions
- d. If desired, motion to approve or deny Resolution No. 2025-22

Valley Center Municipal Water District
Board of Directors' Meeting Agenda

INFORMATION / POSSIBLE ACTION ITEM(S)

7. Status Update on the Woods Valley Ranch Water Reclamation Facility Wastewater Capacity Transfer Agreement:

A status update on the Woods Valley Ranch Water Reclamation Facility Wastewater Capacity Transfer Agreement will be provided.

- a. Report by District Engineer
- b. Discussion
- c. Audience comments/questions
- d. Information item only, no action required

8. Update to the Long-Range Financial Strategy:

A review of updates to the Long-Range Financial Strategy will be provided.

- a. Report by General Manager
- b. Discussion
- c. Audience comments/questions
- d. Information item only, no action required

9. General Information:

General Information items will be reviewed.

- a. Report by General Manager
- b. Discussion
- c. Audience comments/questions
- d. Information item only, no action required

DISTRICT GENERAL COUNSEL'S REPORT

BOARD OF DIRECTORS' AB1234 REPORTING*

** Directors must provide brief reports on meetings/events attended in the performance of their official duties for which compensation or reimbursement is provided. Authority: Government Code Section 53232.3.*

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).

10. A Closed Session will be held pursuant to the following two (2) items:

- **Government Code §54957 – Public Employee Appointment:**
Title: General Manager
- **Government Code §54957.6 – Conference with Labor Negotiators:**
Agency Designated Representatives: Board of Directors
Unrepresented Employee: General Manager

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

ADJOURNMENT

NOTICE TO THE PUBLIC

This agenda was posted at least 72 hours before the meeting in a location freely accessible to the public. No action may be taken on any item not appearing on the posted agenda, except as provided by Government Code Section 54954.2. Any written materials provided to a majority of the Board of Directors within 72 hours prior to the meeting regarding any item on this agenda will be available for public inspection on the District's website. The agenda is available for public review on the District's website, <http://www.vcmwd.org>.

For questions or request for information related to this agenda contact Kirsten Peraino, *Board Secretary*, at (760) 735-4517 or publiccomments@vcmwd.org. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the American with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Board Secretary at least 48 hours before the meeting, if possible.

— End of Agenda —

**VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, July 7, 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 Finance and Administration Pugh, Director of I.T. Pilve, Director of Operations and Facilities Lovelady, Special Projects & Regulatory Compliance Manager Nichols, Manager of Accounting/Deputy Director of Finance & Administration Velasquez; Senior I.T. Specialist Day, Executive Assistant/Board Secretary Peraino, and General Counsel Paula 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 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, June 16, 2025; and**
2. **Audit Demands for Check Nos. 171771–171867 from June 7–27, 2025;**
3. **Treasurer's Report for Month Ended May 31, 2025;**
4. **Auditor's Communication with Those Charged with Governance (SAS 114) Letter; and**
5. **Survey of General Counsel Services Costs.**

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

PUBLIC HEARING ITEM(S)

6. **Public Hearing to Hearing to Consider Approving Proposed Revisions to Water Meter Capacity Fees and Annexation Charges for Fiscal Year 2025-26 and Request Adoption of Ordinance No. 2025-06 to Amend the District's Administrative Code:**

A public hearing to consider the proposed increases in Water Meter Capacity (including Specific Benefit Area Charges) and Annexation Charges, was opened by President Ferro at 2:05 PM.

Valley Center Municipal Water District Board of Directors' Meeting Minutes

Special Projects and Regulatory Compliance Manager Alisa Nichols reminded the Board that the initial review of the proposed updates was presented to the Board at its June 2, 2025 Board Meeting and the presentation and minutes are incorporated into the public record. In addition to the San Diego County Water Authority Meter Capacity and Annexation Charges (which are set independently from the District), the District's Water Meter Capacity Charges are collected for new water meters purchased from the District and a per acre District Annexation Charge is collected from properties requesting annexation to the District.

Modifications to the approach since last year include the following:

- Added Value of Capital Improvements completed during the year.
- Updated Asset Values to reflect the current Replacement Cost New Less Depreciation value.
- Updated the percentage of the Water System Asset Values related to Usage-Based Revenue versus Land-Based Revenue.
- Updated the Equivalent $\frac{3}{4}$ -inch Meter count to exclude inactive meters.

The last adjustment to Meter Capacity and Annexation Charges was approved in June 2024. Staff recommended the following increases, based on estimated water system and non-facility asset values as of June 30, 2024:

- 8.7% increase in the base Meter Capacity Charge from \$5,705 to \$6,203 for a $\frac{3}{4}$ -inch meter.
- An average 0.56% increase in the Incremental Capacity Charges, which are only added to the Meter Capacity Charge if within a Specific Benefit Area and apply to District and Developer projects:
 - High Mountain (0.61% Increase),
 - Wilkes Rd (0.54% increase), and
 - Via Piedra Waterline Extension (no increase).
- 2.6% decrease in the Annexation Charge, from \$1,433 per acre to \$1,406 per acre.

Meter Capacity Charges:

The Meter Capacity Charge reflects the costs of providing and maintaining the capacity in the water supply and distribution system for the capacity rating of the meter size being purchased. These Meter Capacity Charges are developed using a two component Buy-In approach; 1) a base Buy-In component to District-wide beneficial facilities; and 2) an incremental Buy-In component for capital improvement projects benefitting specific portions of the District's service area. Revenue received from the Meter Capacity Charges can be utilized for the replacement, upgrade, and upsizing of the existing water facilities.

Previously, the Equivalent Meter Count included inactive meter accounts which artificially lowered the Meter Buy-In amount as revenue is not collected from inactive meter accounts. The calculation for $\frac{3}{4}$ -inch equivalent meters continues to use the Maximum Safe Operating Capacity ratio; however, inactive meter accounts were removed from the calculation. This adjustment resulted in a higher Meter Capacity Charge, bringing the District's charge more in line with the average of other agencies and more accurately reflecting the investment of current District customers, stated Ms. Nichols.

Incremental Charges:

An Incremental Component to the Water Meter Capacity Charge is added for projects that meet the following criteria: 1) Projects constructed by the District that benefit future connections in a specific area, or 2) Contributed Capital Projects (Developer Projects with Reimbursement Agreements) that

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

benefit future connections in a specific area. In situations where an Incremental Component applies, a Specific Benefit Area (SBA) is established and the SBA Capacity Charge is separately approved; conceptually during the project approval process, based on estimated project costs (with final approval after project is completed, when all costs are known). The SBA Capacity Charge is only added to the Meter Capacity Charge for new meters on properties within the SBA.

Annexation Charge:

Annexation Charges are collected from properties requesting annexation to the District. Property owners outside of the District have not paid Availability Charges or tax revenues to the District, and as such, would need to Buy-In to the value attributed to those revenue sources to be on an equal basis as customers within the District. Changes in the methodology for determining the ratio of revenue attributable to the Annexation Charge have led to a reduced portion of the Water Facility Assets Value included in the Annexation Charge calculation, resulting in a slight decrease to the recommended Annexation Charge for FY 2025-26.

Administrative Code Modifications:

- Section 160.4(c) and (e) to implement an increase in Meter Capacity Charges, which includes Incremental Charges for Special Benefit Areas; and
- Section 220.2(e) to implement an increase in the Annexation Charge.

Notice regarding the recommended charges was published in the local print publication on June 19, and June 26. Ms. Nichols noted that the amendments would be effective August 6, 2025 to provide for a 30-day public protest period pursuant to Administrative Code §30.12(a). The Board Secretary noted that no comments were received, and the public hearing was closed at 2:25 PM.

Action: Upon motion by Ness, seconded by Smith; motion to approve the following Ordinance was unanimously passed:

ORDINANCE NO. 2025-06

**ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT AMENDING ADMINISTRATIVE CODE
ARTICLE 160 INCREASING WATER METER CAPACITY CHARGES
AND ARTICLE 220 INCREASING THE ANNEXATION CHARGE**

Was adopted by the following vote, to wit:

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

7. Public Hearing to Consider Levying the Approved Woods Valley Ranch Water Reclamation Facility Sewer Service Charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 2) on the Property Tax Roll for Fiscal Year 2025-26:

A public hearing to consider levying the approved Woods Valley Ranch (WVR) Water Reclamation Facility (WRF) Service Area Sewer Service Charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 2) on the Property Tax Roll for FY 2025-26 was opened by President Ferro at 2:26 PM.

District Engineer Grabbe explained that the WVR WRF Service Area is divided into two service areas: Service Areas 1 and 2. Service Area 1 (established in 2002) encompasses the 270-lot

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

WVR Subdivision and Golf Course (allocated a 10 EDU capacity demand), resulting in a total capacity demand of 280 EDUs. Service Area 2 (established in 2013) encompasses the parcels participating in the WVR Wastewater Expansion Project, with a total capacity demand of 1,465.5 EDUs.

Sewer Service Charges provide for the operation, maintenance, and ultimate replacement of District-owned & operated collection, treatment & seasonal storage facilities and are levied on those properties connected to the wastewater collection system as of June 30, 2025. The Board had previously approved a 5% increase from the prior year, from \$1,183.20 per EDU to \$1,242.80 per EDU.

Grinder Pump Maintenance Charge provides funding for maintenance, emergency call-out & repair services, as well as the replacement of the pump unit at the end of its service life. On-site private grinder pumps are required for properties connected to the Low-Pressure Sewer Collection System in Service Area 2. As of June 30, 2025, there were 26 units connected (16 Simplex and 10 Duplex units). The Board had previously approved a 5% increase from the prior year, from \$611.16 per unit to \$642.24 per unit (for Simplex units).

WVR sewer service charges (which include the grinder pump maintenance charge) are levied on the property tax roll. The collection of service charges requires a public hearing to consider collecting the service charges with the San Diego County property taxes; if there is a majority protest, the approved service charges would be collected on the monthly water bill. Staff recommended adoption of Resolution No. 2025-17 levying the sewer service charges (Service Areas 1 and 2) and Grinder Pump Maintenance Charges (Service Area 1), on the property tax roll for FY 2025-26. Staff noted that charges for any mid-year connections would be collected on the monthly water bill until the following fiscal year.

Mr. Grabbe reported that two notices were published in the local paper advertising this public hearing. An opportunity was provided for public comment. The Board Secretary noted that no comments were received and determined that there was no majority protest. The public hearing was closed at 2:33 PM.

Action: Upon motion by Holtz, seconded by Ness; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-17

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLEY CENTER MUNICIPAL WATER DISTRICT
PLACING THE WOODS VALLEY RANCH WATER
RECLAMATION FACILITY SERVICE AREA ANNUAL SEWER
SERVICE CHARGE ASSESSMENTS AND ANNUAL
GRINDER PUMP MAINTENANCE CHARGE ASSESSMENTS
FOR FY 2025-26 ON PROPERTY WITHIN THE SERVICE AREA
ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL**

Was adopted by the following vote, to wit:

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

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

ACTION ITEM(S)

8. Adoption of Resolution No. 2025-18 Levying the Approved Woods Valley Ranch Water Reclamation Facility Sewer Standby Fees (Service Areas 1 & 2) on the Property Tax Roll for Fiscal Year 2025-26:

Sewer standby fees are levied on parcels in the service area that have a capacity reservation, but are not connected to the wastewater collection system as of the close of the fiscal year, stated District Engineer Grabbe. These fees provide funding for certain fixed-cost maintenance items, operational support, and a replacement reserve contribution. This is necessary to maintain a parcel's commitment until it is developed and connected. Additional Parcels were connected to the Collection System in the prior year lowering the Total Sewer Standby Fee Assessments for FY 2025-26 but increasing the Sewer Service Charge Revenue. No adjustments to the existing Sewer Standby Fee of \$550.32 per Equivalent Dwelling Unit (EDU) were recommended.

- Service Area 1 – Encompasses the 270-lot Woods Valley Ranch Subdivision and Golf Course. The Golf Course is allocated a 10 EDU capacity demand, resulting in a total capacity demand of 280 EDUs for Service Area 1. As of June 30, 2025 only one lot remains not connected in Service Area 1.
- Service Area 2 – Encompasses parcels participating in the Woods Valley Ranch Wastewater Expansion Project located within Assessment District No. 2012-1 (90 connected and 731.5 not connected) and Community Facilities District No. 2020-1 (610 connected and 34 not connected), resulting in a total capacity allocation of 1,465.5 for Service Area 2. As of June 30, 2025, there were 765.5 EDUs of capacity reservations that remained not connected in Service Area 2.

Staff recommended the Board of Directors continue the current Sewer Standby Fee of \$550.32 per EDU for FY 2025-26, and direct that the Sewer Standby Fees be collected by the County of San Diego with the property taxes.

Action: Upon motion by Smith, seconded by Stehly; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-18

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT PLACING THE WOODS VALLEY RANCH WATER RECLAMATION FACILITY SERVICE AREA SEWER STANDBY FEE ASSESSMENTS FOR FY 2025-26 ON PROPERTY WITHIN THE SERVICE AREA ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL

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. 2025-19 Approving and Levying the Annual Assessments for Assessment District No. 2012-1 on the Property Tax Roll for Fiscal Year 2025-26:

Assessment District 2012-1 ("AD 2012-1") was formed to provide financial security and funding for the Woods Valley Ranch Wastewater Expansion Project ("Project") to accommodate the planned development in the North and South Village Areas. AD 2012-1 was initially formed with 350 EDUs in 2013 and later increased to 1095 EDUs in 2015. The annual assessments of AD 2012-1 are used to fund the debt service repayment of the three California State Water

Valley Center Municipal Water District Board of Directors' Meeting Minutes

Resources Control Board SRF Loans and two Limited Obligation Improvement Bonds used to finance the Expansion Project and a portion of the Orchard Run Lift Station ("ORLS") construction, reported District Engineer Grabbe. Annual Assessments started in FY 2016-17 and were based on the estimated loan amounts for the total \$30.735M Project costs. Annual Assessments varied by Benefit Area based on the final Engineers Report dated April 13, 2015, prepared by Koppel and Gruber Public Finance.

Since the initial assessments, loan amounts were finalized resulting in excess funds being collected, formation of Community Facilities District No. 2020-1 ("CFD 2020-1") in May 2020 provided additional capacity and participation for the Project; which generated a reduction in the cost per EDU for all participants (beginning in FY 2020-21). In addition, the annual assessment was further reduced by the allocation of \$724K of the Phase 2 Project costs for the portion of the improvements that were for the replacement and upgrade of existing facilities and not required for expanding the capacity of the facility, shifting a portion of the debt service responsibility to VCMWD.

The Annual Assessments in the initial years were based on the estimated total \$30.735M project cost, with the first year's assessment being allocated to a debt service reserve. Once the SRF loans were finalized, the total annual debt service was slightly less than anticipated, resulting in available excess funds greater than the one-year debt service requirement. The one-year debt service reserve would be used to make the final debt service payments and annual assessments are adjusted accordingly to incrementally utilize, over the term of the loans, the excess debt service reserve funds that were collected in the initial years.

Sources of funds for the annual revenue requirement include the following:

- \$ 526,769 CFD 2020-1 share of the current debt;
- \$ 45,149 WVRWRF Replacement Reserves;
- \$ 1,962 Excess Debt Service Reserve; and
- \$ 1,320,783 AD 2012-1 Annual Assessments.
- **\$ 1,894,633 Total**

The proposed assessments for each benefit area remain the same as the previous year and are set based on the cost allocation of the each of the SRF loans and Bond indebtedness in accordance with the methods established with the April 2015 AD 2012-1 Engineer's Report. Additional funds are available from previous years assessment to make up the slight difference in the total expense and total assessment, noted Mr. Grabbe.

Staff recommended adoption of Resolution No. 2025-19, approving the FY 2025-2026 Annual Assessment amounts to be collected in the same manner as ordinary ad *valorem* property taxes are collected and subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes for the parcels in AD 2012-1.

Action: Upon motion by Holtz, seconded by Ness; motion to approve the following Resolution was unanimously passed:

RESOLUTION NO. 2025-19

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT PLACING FIXED CHARGE SPECIAL ASSESSMENTS FOR FISCAL YEAR 2025-26 ON PROPERTY WITHIN ASSESSMENT DISTRICT NO. 2012-1 ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL

Was adopted by the following vote, to wit:

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

Valley Center Municipal Water District
Board of Directors' Meeting Minutes

10. Adoption of Resolution No. 2025-20 Approving and Levying Annual Special Taxes for Community Facilities District No. 2020-1 on the Property Tax Roll for Fiscal Year 2025-26:

Community Facilities District No. 2020-1 ("CFD 2020-1") was established to provide financial security and funding for the wastewater capacity improvements needed for the Park Circle East/West project. The improvements included assuming the AD 2012-1 indebtedness for the Park Circle Projects' participation in the Woods Valley Ranch Wastewater Expansion Project, construction of the Orchard Run Lift Station, future expansion of the Woods Valley Ranch Water Reclamation Facility, and future construction of additional recycled water seasonal storage and transmission facilities (per the terms & conditions of the CFD Financing Agreement dated May 18, 2020).

Staff recommended a Special Tax totaling \$909,841, the maximum allowable to be levied pursuant to the Rate and Method of Apportionment ("RMA") for CFD 2020-1, previously prepared by Koppel and Gruber Public Finance and approved by the Board of Directors. The RMA set the maximum annual tax rate increase at two percent 2%) for both developed and undeveloped property in each zone in the Park Circle East/West project. As of May 15, 2025, (the cutoff date for determining Developed Property and Undeveloped Property as defined in the RMA), 632 parcels and 1.36 acres of commercial property were developed in CFD 2020-1 and the 2.920-acre commercial parcel adjacent to the McDonald's restaurant was the only remaining undeveloped parcel.

Such Special Taxes levied on and collected from properties in CFD 2020-1 that are not required for payment of administrative expenses of the CFD 2020-1, debt service on the AD 2012-01 Indebtedness and Series 2024 Bond shall be held in a special, discrete fund established by VCMWD for the CFD 2020-1 ("Special Fund"):

• \$526,905	AD 2012-1 Indebtedness
• \$ 30,000	Administrative Expenses
• \$236,140	Series 2024 Bond
• <u>\$116,796</u>	<u>Special Fund/PayGo</u>
\$909,841	Total

Staff recommended approving the FY 2025-26 levy of special taxes to be collected in the same manner as ordinary *ad valorem* property taxes are collected and subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* taxes for the parcels in CFD 2020-1.

Action: Upon motion by Stehly, seconded by Holtz; motion to approve the following Resolution passed with four (4) affirmative votes:

RESOLUTION NO. 2025-20

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER
MUNICIPAL WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF
COMMUNITY FACILITIES DISTRICT NO. 2020-1 (PARK CIRCLE EAST/WEST)
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT LEVYING
SPECIAL TAXES TO BE COLLECTED FOR FISCAL YEAR 2025-26**

Was adopted by the following vote, to wit:

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

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

11. Reconsideration of Exhibit A – State and Federal Representation to the Mutual Services Agreement and Request Board Participation in the Mutual Services Ad Hoc Committee:

On June 16, 2025, the Board initially approved Exhibit "A" of the Mutual Services Agreement for State and Federal Representation among Fallbrook PUD, Rainbow MWD, Yuima MWD, and VCMWD. However, subsequent developments require the Board's reconsideration. Here's what's changed:

Exhibit Renaming: It was noted that Exhibit "A" had been previously used by Fallbrook and Rainbow for an intertie agreement dated April 30, 2025, which VCMWD staff were not aware of at the time of the June 16, 2025, approval. Consequently, the relevant exhibit for the State and Federal Representation Agreement was re-designated as Exhibit "B."

Changes to Participation Levels: Yuima MWD modified its annual participation level from \$75,000 to \$30,000. This adjustment increased the annual participation level for the other three agencies (Fallbrook PUD, Rainbow MWD, and VCMWD) from \$75,000 to \$90,000 each. Even with this increase, the participation cost for VCMWD remained within its anticipated FY 2025-26 budget of \$100,000. Staff's recommendation for participation in the Agreement for State and Federal Representation was reaffirmed.

Ad Hoc Committee: The Board requested participation in an Ad Hoc Committee, composed of participating Board Members, to provide input and guidance on future functional areas to be evaluated and implemented under the Agreement. President Ferro volunteered to participate in this committee.

Action: Upon motion by Smith, seconded by Ness; motion to confirm participation in the State and Federal Representation with approval of Exhibit "B"; was unanimously carried.

INFORMATION ITEM / POSSIBLE ACTION ITEM(S)

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

A report on the SDCWA's Board of Directors' Meeting of June 26, 2025 was provided.

Action: Informational item only, no action required.

13. General Information:

Action: Informational item only, no action required.

DISTRICT GENERAL COUNSEL'S ITEM(S)

None.

BOARD OF DIRECTORS' AB1234 REPORTS ON MEETINGS ATTENDED

None.

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

ADJOURNMENT

Action: Upon motion by Smith, seconded by Ness; motion passed unanimously, the regular meeting of the Board of Directors was adjourned at 3:19 PM.

ATTEST:

ATTEST:

Kirsten N. Peraino, *Secretary*

Enrico P. Ferro, *President*

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD JUNE 28, 2025 THROUGH JULY 07, 2025

JULY

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	Daniel Dentino	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Dave Mancino	Medicare Part B Reimbursement - 2nd Qtr 2025	534.00
ACH	David Tilley	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Deborah Tilley	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	International City Mgmt Association R	Plan# 801966. MissionSquare Remittance 06/13/2	3,940.32
ACH	John Stetson	Medicare and Medical Reimbursement - 2nd Qtr 2	1,277.13
ACH	Judy Pumar	Medicare and Medical Reimbursement - 2nd Qtr 2	1,055.13
ACH	Kathleen Stetson	Medicare and Medical Reimbursement - 2nd Qtr 2	1,277.13
ACH	Konica Minolta Premier Finance	Copier Rental 06/15/25-07/14/25	1,082.38
ACH	Linda Westler Dentino	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Mike Pumar	Medicare and Medical Reimbursement - 2nd Qtr 2	1,055.13
ACH	Pamela Regan	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Paul Adrian	Reimbursement For Prescription Safety Glasses	124.00
ACH	Richard Learue	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Thomas Regan	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Valley Center Municipal Water District	Employee Contributions 06/13/25-06/27/25 - Barg	405.00
ACH	VCMWD Employees Association	Employee Contributions 06/13/25-06/27/25 - Soci	549.00
171868	Thomas and Lauren Barnum	Refund Check 020302-000, 10737 Meadow Glen	83.11
171869	Velma Blake	Medicare Part B and Medical Reimbursement - 2n	487.89
171870	DIRECTV	Dish Service 06/24/25-07/23/25	84.74
171871	Ronald Gilbert	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171872	HealthEquity Inc.	Employee Contributions 06/13/25-06/27/25	277.00
171873	Christine Johnson	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171874	Anne Masley	Medicare Part B Reimbursement - 2nd Qtr 2025	1,110.00
171875	MISAC	Southern Chapter Membership Renewal	260.00
171876	Postmaster	Annual Renewal - Box# 2470	372.00
171877	Roadrunner Publications, Inc	Advertising	1,015.00
171878	San Diego Chapter - CSDA	District Membership Renewal 07/01/25-06/30/26	150.00
171879	James Sedillo	Safety Boot Reimbursement	180.51
171880	Daniel Shubin	Safety Boot Reimbursement	258.59
171881	Dean Sidwell	Refund Check 018254-000, 28120 Glenmeade	16.40
171882	United Way of San Diego County	Employee Contributions 06/13/25-06/27/25	20.00
TOTAL			<u>20,609.46</u>

Approved By:

General Manager

Director of Finance & Administration


VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD JUNE 28, 2025 THROUGH JULY 07, 2025

JUNE

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	Alisa Nichols	Spring ACWA Conference 2025	471.78
ACH	Alpha Analytical Laboratories, Inc.	Testing	1,257.50
ACH	Grainger, Inc	Materials - Field	311.30
ACH	Hawthorne Machinery Co	Materials - Field	164.14
ACH	Jankovich Company	Materials - Field	4,793.58
ACH	Konica Minolta Premier Finance	Copier Rental 06/15/25-07/14/25	1,237.01
ACH	Mission Coast Properties Inc	Capacity Transfer Reimbursement For 1 EDU	17,897.42
ACH	Rockwell Construction Services, LLC	North County Emergency Storage Project	4,287.50
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Date	1,054.72
ACH	United Parcel Service, Inc.	Shipping	26.24
171883	Aaron Mehandroo LLC	Vehicle Maintenance	1,137.15
171884	Jacob Alter	Cityworks Equipment Implementation	4,980.00
171885	Asbury Environmental Services	Hazardous Waste Removal	161.00
171886	Babcock Laboratories, Inc	Testing	1,797.47
171887	Chris Banner	Weed Abatement	1,600.00
171888	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	498.04
171889	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	84.63
171890	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	3,841.49
171891	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	3,183.00
171892	CUES, Inc.	Data GIS System Implementation	4,500.00
171893	Davis Farr LLP	Services - Annual Audit For FY 2024-2025	5,000.00
171894	Decisive Testing Inc	Bend Tests	319.00
171895	Diamond Environmental Services, LP	Services	2,310.36
171896	Enoven SoCal Inc	Swaploader SL-2418	49,994.92
171897	Fallbrook Printing Corp	Printing Services	3,142.03
171898	Ferguson Waterworks #1083	Materials - Field	3,534.20
171899	Gilbert P. Franco	Hazardous Waste Removal	10.00
171900	Michael Baker International, Inc.	North County ESP Const. Sup.	2,367.50
171901	Nakamichi Consulting Services, Inc.	Services	2,632.50
171902	North County Lawnmower, Inc.	Materials - Field	62.34
171903	Occupational Health Centers of Califo	Medical Services	211.00
171904	Palomar Termite & Pest Control	Pest Control - June 2025	80.00
171905	Petty Cash	Petty Cash	360.20
171906	Priority Door Systems	Services	542.50
171907	Richard Brady & Associates, Inc.	Moosa Priority & Meadows Lift Station	84,605.50
171908	Roadrunner Publications, Inc	Legal Publications	577.50
171909	San Diego Gas & Electric	Gas Services - June 2025	43,409.93
171910	Steel Unlimited Inc	Materials - Field	10,617.27
171911	Telesis Surveying and Civil Engineerir	North Broadway Pipeline - Task Order 15	9,371.00
171912	Uline	Materials - Field	64.69
171913	Dean Webb	Refund - Balance Of Capacity Transfer Deposit Le	1,102.58
171914	Yardley Orgill Co. Inc.	Materials - Field	1,336.10
TOTAL			<u>274,935.09</u>

Approved By:


General Manager


Director of Finance & Administration

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD JULY 08, 2025 THROUGH JULY 11, 2025

JULY

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	ACWA/JPIA	Blue Cross Medical Premiums - July and August 2	169,726.16
ACH	Dennis Williams	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
ACH	Grainger, Inc	Materials - Field	241.80
ACH	James Nichols	Reimbursement For Replacement Headlight Asse	125.33
ACH	Robert Truesdale	Medical Insurance Reimbursement - 2nd Qtr 2025	2,355.90
ACH	Thad Klimas	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171915	Jacob Alter	Dig Alert Cityworks Integration Annual Fee 07/01/2	3,150.00
171916	Babcock Laboratories, Inc	Testing	1,746.63
171917	Barbara Barnett	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171918	Gerald Barnett	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171919	Calvin Brewer	Medicare Part B Reimbursement - 2nd Qtr 2025	555.00
171920	Complete Office of California, Inc	Office Supplies	70.85
171921	County of San Diego	LAFCO FY 2025-2026	19,989.91
171922	County of San Diego	Repeater Site Rent Acct# 7019 - Palomar Montair	938.00
171923	Farmer Brothers Co.	Breakroom Supplies	298.10
171924	Fidelity Security Life Insurance Comp	Vision Plan Premium - July 2025. Group ID: 1038	965.25
171925	Fidelity Security Life Insurance Comp	Vision Plan Premium - July 2025. Group ID: 1038	206.55
171926	Matt Goswick	Safety Boot Reimbursement	300.00
171927	HealthEquity Inc.	Monthly Fees - July 2025	17.70
171928	Ryan Hughes	Safety Boot Reimbursement	300.00
171929	Interstate Battery of San Diego, Inc.	Batteries	513.20
171930	Carolyn Johnson	Refund Check 009673-001, 28058 Via Viso	6.94
171931	Kaiser Foundation Health Plan Inc	Medical Premiums/Purchaser ID 104350 - July 20	75,048.29
171932	Leucadia Wastewater District	Employee Assistance Program 07/01/25-06/30/26	2,468.64
171933	Ryan Madson	Safety Boot Reimbursement	197.77
171934	William Morris	Safety Boot Reimbursement	271.82
171935	Mutual of Omaha	Life Insurance - July 2025	2,769.39
171936	Parkhouse Tire, Inc.	Vehicle Maintenance	328.39
171937	Pinpoint Pest Control Co Inc	Bee/Wasp Hive Removal	145.00
171938	Quality Chevrolet	Vehicle Maintenance	47.24
171939	Reliance Standard Life Insurance	Life Insurance Premiums - July 2025	9,454.86
171940	Self Insured Services Company	Medical & Dental Insurance Premiums - July 2025	645.01
171941	SWRCB	Application For D2 Certificate - Christopher Pring	80.00
171942	Mike Young	Safety Boot Reimbursement	300.00
TOTAL			295,483.73

Approved By: _____

General Manager

Director of Finance & Administration

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD JULY 08, 2025 THROUGH JULY 11, 2025

JUNE

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	Alpha Analytical Laboratories, Inc.	Testing	482.50
ACH	IntelePeer Holdings Inc.	Services	833.23
ACH	Jennette Company, Inc	Moosa Clarifier No.1 Upgrade & Moosa Minor Upgr	30,883.05
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Datec	896.06
ACH	Supreme Oil Company	Gasoline and Oil	12,226.21
ACH	United Parcel Service, Inc.	Shipping	13.22
171943	Babcock Laboratories, Inc	Testing	320.00
171944	Bavco	Materials - Field	1,801.69
171945	BlueTriton Brands Inc	Deliveries - June 2025	90.94
171946	Corodata Media Storage, Inc.	Record Storage - June 2025	254.19
171947	Corodata Records Management	Record Storage - June 2025	122.66
171948	EDCO Waste & Recycling Service	Trash Services - June 2025	935.59
171949	Mallory Safety & Supply LLC	Materials - Safety	798.44
171950	Motion and Flow Control Products, Inc.	Materials - Field	161.06
171951	Napa Auto Parts	Vehicle Maintenance	164.09
171952	O'Reilly Automotive, Inc.	Vehicle Maintenance	5,318.82
171953	Pacific Pipeline Supply	Materials - Field	1,963.60
171954	Parkhouse Tire, Inc.	Vehicle Maintenance	688.67
171955	Priority Door Systems	Services - Operations Building	7,950.42
171956	San Diego County Water Authority	Capacity & Water Treatment Fees - 4th Qtr FY 202	34,018.00
171957	Stericycle, Inc.	Record Destruction	257.68
TOTAL			<u>100,180.12</u>

Approved By: _____

General Manager

J.V. Pugh
Director of Finance & Administration

VALLEY CENTER MUNICIPAL WATER DISTRICT
ELECTRONIC DISBURSEMENTS
FOR PERIOD JUNE 1, 2025 THROUGH JUNE 30, 2025

SEQ. #	DATE	PAYEE	DESCRIPTION	AMOUNT
BANK TRANSFERS:				
ACH:				
597	06/05/25	Direct Deposit	DIRECT DEP PAYROLL 05/16/25-05/30/25	218,396.05
	06/06/25	IRS	P/R TAX 05/16/25-05/30/25	45,695.00
	06/06/25	EDD	P/R TAX 05/16/25-05/30/25	14,351.62
	06/06/25	PEBSICO/NATIONWIDE	DEFERRED COMPENSATION 05/16/25-05/30/25	13,170.38
	06/06/25	EXPERTPAY	GARNISHMENT 05/16/25-05/30/25	780.00
	06/06/25	CALPERS	CALPERS CONTRIBUTIONS 05/16/25-05/30/25	63,919.78
	06/13/25	CALPERS	ANNUAL UNFUNDED ACCRUED LIABILITY - JUNE	217,659.17
	06/13/25	SDGE	Project# 300000362802 32444 LILAC RD VC RFS UD	9,776.00
598	06/18/25	Direct Deposit	DIRECT DEP PAYROLL 05/30/25-06/13/25	216,972.64
	06/20/25	IRS	P/R TAX 05/30/25-06/13/25	45,586.94
	06/20/25	EDD	P/R TAX 05/30/25-06/13/25	14,351.73
	06/20/25	PEBSICO/NATIONWIDE	DEFERRED COMPENSATION 05/30/25-06/13/25	13,806.77
	06/20/25	EXPERTPAY	GARNISHMENT 05/30/25-06/13/25	780.00
	06/20/25	CALPERS	CALPERS CONTRIBUTIONS 05/30/25-06/13/25	64,145.68

ONE TIME WIRES:

RECURRING WIRES:

639	06/06/25	SDCWA	WATER DELIVERY - APRIL 2025	2,551,118.10
640	06/30/25	CAMP	TEMPORARY INVESTMENT	1,700,000.00
			TOTAL	<u>5,190,509.86</u>

APPROVED BY:


 GENERAL MANAGER

 DIRECTOR OF FINANCE

July 21, 2025

TO: Honorable President and Board of Directors

FROM: Gary Arant, General Manager

SUBJECT: GOVERNMENT CODE §53065.5

PURPOSE:

Disclosure of reimbursements paid by the District to employees for the quarter ended June 30, 2025.

SUMMARY:

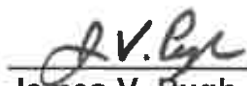
Government Code §53065.5 requires the District "...disclose any reimbursement paid by the district... of at least \$100.00 for each individual charge for services or product received. 'Individual charge' includes, but is not limited to, one meal, lodging for one day, transportation or a registration fee paid to any employee or member of the governing body of the district..."

Backup documentation is available upon request.

RECOMMENDATION:

Information item only

PREPARED BY:



James V. Pugh
Director of Finance & Administration

SUBMITTED BY:



Gary T. Arant
General Manager

Attachments

VALLEY CENTER MUNICIPAL WATER DISTRICT EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Fernando Carrillo

DATE(S): 4/22/2025-4/24/2025

PURPOSE: CWEA Annual Conference

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
4/1/2025	CWEA Conference		1,040.00	1,040.00
4/24/2025	Hotel for attending the conference	464.46		464.46
4/22/2025	Uber to the conference	15.01		15.01
4/22/2025	Uber from the conference	14.12		14.12
4/22/2025	Dinner	43.70		43.70
4/23/2025	Lunch	25.50		25.50
4/24/2025	Breakfast	9.28		9.28
4/24/2025	Lunch	21.06		21.06
	Mileage : 234 miles @ \$ 0.700 /mile (effect. 1/1/25)	163.80		163.80
Comments:	Total	756.93	1,040.00	1,796.93
	Less Advance			
	Less Personal Expenses			
	Net Expense Reimbursement	756.93		
Vendor# <u>588</u> Acct# <u>01-03-21-50037</u>	Board of Directors Only:			
Vendor# <u> </u> Acct# <u>01-03-21-50037</u>	Per Diem: <u> </u> Days @ \$100/day			
Total Request		756.93		1,796.93

GC53065.5
Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

[Signature] 4/29/25 [Signature] 4/29/2025
 Claimant's Signature Date Approved for Payment Date

ACCOUNTING USE ONLY:

Audited By: B. Sarnick V.V.



ACH Date: 05/02/25

If reimbursed from Petty Cash:

Recipient Signature: _____

Custodian: _____

Date Paid: _____

Amount Paid: _____

Account #: _____ Rev. 1/7/09

**VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM**

(Please Print)

CLAIMANT'S NAME: Alisa Nichols

DATE(S): 5/12/2025 - 5/15/2025

PURPOSE: 2025 Spring ACWA Conference

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
1/28/2025	Flights to Monterey, CA for Conference	11.20	0.00	11.20
2/5/2025	ACWA 2025 Spring Conference Registration	0.00	949.00	949.00
5/12/2025	32.6 Travel to airport			
5/15/2025	Hotel Abrego/Lodging for Conference (5/12 -5/15)		931.71	931.71
5/12/2025	Starbucks - San Diego Airport	13.08		13.08
5/13/2025	Old Monterey Café - Breakfast	25.79		25.79
5/13/2025	Uber from Hotel to Conference	11.53		11.53
5/14/2025	Alvarado Street Brewery & Grill - Lunch	28.95		28.95
5/14/2025	Uber from Hotel to Conference	14.33		14.33
5/14/2025	Uber from Conference to Hotel	13.01		13.01
5/14/2025	Uber from Reception to Hotel	19.94		19.94
5/15/2025	Uber from Hotel to Conference	7.58		7.58
5/15/2025	Airport Parking for 5/12 through 5/15	152.00		152.00
5/15/2025	33.6 Travel home from airport			
Mileage:	66.2 miles @ \$ 0.700 /mile (effect. 1/1/25)	46.34		46.34
Comments:	Total	343.75	1,880.71	2 224.46
	Less Advance			
	Less Personal Expenses			
	Net Expense Reimbursement	343.75		
Vendor#	Acct#	Board of Directors Only:		
Vendor#	Acct#	01-01-01-50037	Per Diem:	Days @\$100/day
Total Request		343.75		2 224.46

GC53065.5
Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

Claimant's Signature

Date

Approved for Payment

Date

ACCOUNTING USE ONLY:

Audited By:

If reimbursed from Petty Cash:

Recipient Signature:

Custodian:

Date Paid:

Amount Paid:

Account #:

Rev. 1/7/09



JUL - 7 2025

PURPOSE: Mileage Reimbursement for 5/5/2025 through 6/30/2025

Date	Description of Expense <small>(meeting, lodging, car rental, meals)</small>	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
5/5/2025	45.5 SDCWA - In-Person JPIC meeting			
5/21/2025	13.2 SDIRWM - Regional Advisory Committee Mtg			
6/10/2025	44 SDCWA - CCCPH Workgroup Meeting			
6/17/2025	57.6 SDCWA - Operations WAEC Planning Mtg & to Water Utilities Council Mtg			
6/19/2025	22.6 SDCWA - Water Loss Control Group			
Mileage :	✓ 182.9 miles @ \$ 0.700 /mile (effect. 1/1/25)	128.03		128.03
Comments:	Total	128.03		128.03
	Less Advance	0.00		
	Less Personal Expenses			
	Net Expense Reimbursement	128.03		
Vendor# 11862 Acct# 01-01-01-50037	Board of Directors Only:			
Vendor# Acct# 01-01-01-50037	Per Diem: [] Days @\$100/day			
Total Request		128.03		128.03

GC53065.5
Reporting Amount

VCMWWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.



 Claimant's Signature Date

Approved for Payment 6/30/2025
Date

ACCOUNTING USE ONLY:

Audited By: BQ. LD

If reimbursed from Petty Cash:

Recipient Signature: _____

Custodian: _____

Date Paid: _____

Amount Paid:

Account #:

Rev. 1/7/09

JUL - 7 2025

July 21, 2025

TO: Honorable President and Board of Directors

FROM: Gary T. Arant, General Manager

SUBJECT: FIXED CHARGE SPECIAL ASSESSMENT FOR UNPAID WATER AND OTHER SERVICES

PURPOSE:

Adoption of Ordinance No. 2025-07 is necessary to set the Fiscal Year 2025-26 fixed charge special assessment for unpaid charges for water and other services.

SUMMARY:

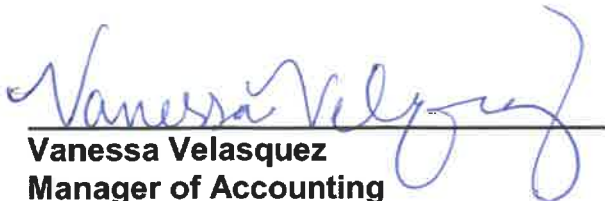
Delinquent and Unpaid Charges for Water and Other Services

Water Code Sections 72094, 72100 and 72102 authorizes the District to add delinquent and unpaid charges for water and other services to the property taxes of the property using the water or service. To go on the tax roll, the delinquency must be unpaid for at least 60 days on July 1, 2025 and have had a lien recorded against the property with the County Recorder. Fifty-Five parcels with a delinquency of \$211,433.18 are eligible to go on the tax roll for Fiscal Year 2025-26. Exhibit A to Ordinance No. 2025-07 lists these parcels.

RECOMMENDATION:

That Ordinance No. 2025-07 be adopted authorizing fixed charge special assessments for Fiscal Year 2025-26 for unpaid charges for water and other services.

PREPARED BY:


Vanessa Velasquez
Manager of Accounting

SUBMITTED BY:


Gary T. Arant
General Manager

REVIEWED BY:


James V. Pugh
Director of Finance & Administration

ORDINANCE NO. 2025-07

ORDINANCE OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL WATER DISTRICT PLACING FIXED CHARGE SPECIAL ASSESSMENTS FOR 2025-2026 ON PROPERTY FOR UNPAID CHARGES FOR WATER AND OTHER SERVICES PURSUANT TO WATER CODE SECTIONS 72094, 72100, 72102 ON THE SAN DIEGO COUNTY SECURED PROPERTY TAX ROLL.

WHEREAS, several District customers have delinquent and unpaid charges for water service and other charges which remain unpaid for sixty (60) days or more on July 1, 2025, and liens pursuant to Section 72102 of the Water Code have been recorded against property owned by said customers and the Board of Directors of the Valley Center Municipal Water District, pursuant to Water Code Sections 72094 and 72100, desires to place said unpaid charges for water and other District provided service charges on the San Diego County Secured Property Tax Roll.

NOW, THEREFORE, IT IS HEREBY FOUND, RESOLVED, ORDERED AND DETERMINED by the Board of Directors of VALLEY CENTER MUNICIPAL WATER DISTRICT as follows:

1. The recitals set forth hereinabove are true;
2. The assessment for unpaid charges for water and District provided services shall be as specified in Exhibit A attached hereto and made a part hereof;
4. Pursuant to Sections 72094 and 72100 of the Water Code, the fixed charge special assessments levied herein, shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes. The tax collector may deduct the reasonable administrative costs incurred in collecting the special tax, and shall pay the remainder to VALLEY CENTER MUNICIPAL WATER DISTRICT; *and*
5. That the Director of Finance of Valley Center Municipal Water District is authorized and directed to prepare and file with the County of San Diego the required certificate of fixed charge special assessment for Fiscal Year 2025-2026 as required by law.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of **VALLEY CENTER MUNICIPAL WATER DISTRICT** held on the 21st day of July 2025, by the following vote, to wit;

Enrico P. Ferro, *President*

ATTEST:

Kirsten Peraino, *Board Secretary*

**VALLEY CENTER MUNICIPAL WATER DISTRICT
UNPAID CHARGES FOR WATER AND OTHER SERVICES
SPECIAL TAXES TO BE LEVIED IN 2025-26
PURSUANT TO WATER CODE SECTIONS 72094 AND 72100
COUNTY FUND NO. 6690-30**

<u>Assessor's Parcel No.</u>	<u>Assessor's TRAC No.</u>	<u>Fiscal Year 2025-26 Amount to Levy</u>
127-360-29	057019	\$ 1,083.36
127-370-40	057019	\$ 2,933.98
127-600-20	094105	\$ 3,248.10
128-020-43	057035	\$ 63,212.90
128-093-05	094007	\$ 1,176.86
128-102-14	094007	\$ 2,247.22
128-231-06	094055	\$ 1,381.48
128-330-09	057018	\$ 15,261.52
128-410-18	094077	\$ 2,423.24
129-050-37	094007	\$ 897.52
129-111-71	094052	\$ 1,349.90
129-163-15	094058	\$ 3,645.92
129-180-60	094075	\$ 1,591.78
129-211-15	094055	\$ 2,529.60
129-291-10	094023	\$ 4,012.74
129-292-24	094058	\$ 2,713.94
129-300-21	094055	\$ 2,575.52
129-320-14	094007	\$ 4,682.88
130-150-39	094144	\$ 850.64
132-020-32	094117	\$ 1,344.92
132-320-73	094058	\$ 687.96
132-351-16	094075	\$ 3,085.54
132-351-24	094075	\$ 4,933.92
133-312-09	094075	\$ 5,461.24
133-312-60	094075	\$ 3,073.86
133-312-64	094075	\$ 2,678.70
133-312-78	094075	\$ 2,049.08
185-160-79	094138	\$ 2,597.50
185-201-14	094075	\$ 472.04
185-260-28	094138	\$ 1,678.32
186-230-44	094075	\$ 560.70
186-242-13	094075	\$ 402.28
186-261-29	094075	\$ 2,807.06
186-322-22	074010	\$ 1,998.68
186-470-02	074072	\$ 1,817.06
186-470-16	074072	\$ 2,325.42
186-602-14	094105	\$ 18,525.60
187-042-13	074169	\$ 11,105.18
187-151-01	074208	\$ 1,779.28
187-151-82	074208	\$ 485.98
187-580-10	074169	\$ 221.76
188-082-36	094075	\$ 6,808.50
188-120-52	094075	\$ 1,953.48
188-140-66	094075	\$ 1,859.32
188-141-01	094075	\$ 173.10
188-191-29	094075	\$ 205.60
188-331-11	094075	\$ 1,432.88
189-041-26	094075	\$ 1,717.92
189-041-30	094075	\$ 444.60
189-052-24	094075	\$ 368.02
189-081-19	094037	\$ 1,236.34
189-240-25	094037	\$ 977.52
189-330-08	094075	\$ 2,064.04
189-341-43	094075	\$ 432.28
190-040-14	094075	\$ 3,848.40
(55)		\$ 211,433.18

July 21, 2025

TO: Honorable President & Board of Directors

FROM: Gary T. Arant, General Manager

SUBJECT: PROVIDE PROJECT UPDATE AND REQUEST AUTHORIZATION OF VARIOUS ITEMS RELATED TO THE NORTH COUNTY EMERGENCY STORAGE PROJECT – VALLEY CENTER IMPROVEMENTS & 14-INCH REPLACEMENT AND RELOCATION [PROJECT NO. 01-00-00-18045 & 01-06-78-51200]

PURPOSE:

Request Board of Directors adopt Resolution No. 2025-21 approving Change Order No. 5 to the construction contract with Orion Construction Corporation for the North County Emergency Storage Project - Valley Center Improvements & 14-inch Replacement and Relocation Project ("Project").

PROJECT BACKGROUND:

The Project consists of two parts, the Valley Center Improvements ("Schedule A"), consisting of two flow control facilities and upgrades to the Lilac-Pala and San Gabriel Pump Stations, and the 14-inch Replacement and Relocation ("Schedule B"). Schedule B is complete, and Schedule A is about 64% complete as of June 30th. Work at the Halcones and Muutama Flow Control facilities and Lilac-Pala Pump Station is essentially complete, with mechanical and electrical improvements remaining to be completed at San Gabriel Pump Station. The majority of the Schedule A work effort is now focused on improvements at the San Gabriel Pump Station, which is the primary source of the changes included in Change Order No. 5.

Orion Construction Contract Summary

Orion was awarded the construction contract for the Project 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. To date, four prior Change Orders have been processed for a cumulative amount of **\$686,876.34** for both Schedule A and B and extending the completion date 259 calendar days to September 12, 2025.

Proposed Change Order #5 Summary:

The proposed Change Order affects only the Schedule A portion of work, consisting of the following items, see the attached Change Order Summary Memo for a more detailed description of each item.

Change Order No. 5 SUMMARY		
Description	Amount	Calendar Days
Original Contract Total (Schedule A & B)	\$8,796,000.00	560
Previous Change Order Total (Schedule A & B)	\$686,876.34	259
Current Contract Total	\$9,482,876.34	819
Proposed Change Order 5 Schedule A		
Item No. 1 - Cia-Val Modifications at Halcones FCF and SGPS	\$23,188.00	0
Item No. 2 - SGPS Encapsulated MSB-1	\$32,893.42	0
Item No. 3 - Delta 3 Contract Changes	\$156,455.79	0
Item No. 4 - TIA No. 3 Delta 3R3 Request for Time	\$0.00	133
Item No. 5 - SGPS Pump Can Modifications	\$20,803.61	0
Item No. 6 - Generator Permitting and Travel Expenses Reimbursement	(\$5,346.47)	0
Item No. 7 - Inclement Weather Days	\$0.00	4
Subtotal Change Order No. 5	\$227,994.35	137
Revised Contract Total	\$9,710,870.69	956

The total cost of Change Order No. 5 is **\$227,994.35**, resulting in a revised total contract amount of **\$9,710,870.69** and adding **137 calendar days** to the contract duration, resulting in a revised total contract duration of 956 Calendar Days and completion date of January 27, 2026.

Project Funding

Funding for the Project is provided by two sources: the San Diego County Water Authority ("Water Authority") for Schedule A work, and the Valley Center Municipal Water District ("District") for Schedule B work. Change Order No. 5 pertains solely to Schedule A. After funding the Design Phase, the Water Authority provided a cash deposit of \$11,325,000 at the start of the Construction Phase. Given the current allocation of project funds, including contingency needed for additional overhead expenses resulting from the extended contract duration, Change Order 5 will exceed the amount deposited by the Water Authority. Pursuant to the funding agreement between the Water Authority, Yuima MWD, and the District, the District is to cover any cost overages through the end of the project, after which time the Water Authority will reimburse the District based on the final project cost reconciliation.

The following table shows the current allocation of project funds with the addition of Change Order No. 5. Depending on the amount of contingency needed to complete the project, the anticipated overage could range from \$100,000 to \$230,000. Funding for this overage would be available from unallocated cash reserve funds until reimbursed by the Water Authority.

NORTH COUNTY EMERGENCY STORAGE PROJECT - VC IMPROVEMENTS							
Project Budget Line Items	Current Project Budget	Expenses to Date	Remaining Project Cost	New Allocation	Revised Remaining Project Cost	Estimated Future Allocation	Estimated Total Project Cost
Design Phase Total	1,081,199	1,081,199					1,081,199
Construction Phase							
Staff	396,162	326,604	69,558		69,558		396,162
Consultants	1,970,812	1,524,789	446,023		446,023		1,970,812
Construction - Orion	8,794,682	5,816,145	2,978,537	227,994	3,206,531		9,022,676
Original Contract	8,299,818	5,567,267	2,732,551		2,732,551		8,299,818
Change Orders 1-4	494,864	248,878	245,986		245,986		494,864
Change Order 5				227,994	227,994		227,994
Miscellaneous	57,888	57,476	412		412		57,888
Contingency (2.9%)	105,456		105,456	2,006	107,462		107,462
Construction Phase Total	11,325,000	7,725,014	3,599,986	230,000	3,829,986		11,555,000
Total Project	12,406,199	8,806,213	3,599,986	230,000	3,829,986	0	12,636,199

RECOMMENDATION:

Staff recommends that the Board of Directors adopt **Resolution No. 2025-21** approving **Change Order No. 5** to the construction contract with **Orion Construction Corporation** in the amount of **\$227,994.35** and an **additional 137 calendar days**, resulting in a revised contract amount of **\$9,710,870.69** and a new contract completion date of **January 27, 2026**.

PREPARED BY:



Wally Grabbe
District Engineer

SUBMITTED BY:



Gary T. Arant
General Manager

Attachments:

Change Order Summary Memo
Resolution No. 2025-21
Change Order No. 5

Memorandum

To: San Diego County Water Authority
From: Valley Center Municipal Water District
Subject: North County Emergency Storage Project – Orion Change Order No. 5
Schedule A - Project No. 01-00-00-18045
Date: July 15, 2025

Attached for your review and acknowledgement are contract changes consisting of the following:

Item 1 (PCO 35) – Cla-Val Modifications at the Halcones FCF and SGPS– Modifications to the flow control valve at the Halcones Flow Control Facility (FCF) are being implemented to improve pressure sustainability through the Pressure Reducing Valve (PRV). These improvements will maintain pressure for the Couser Canyon Zone, ensure fire flow requirements are met, and provide water to Yuima Municipal Water District (YMWD) during an ESP event. The original valve design will be upgraded from hydraulic to an electronic pressure control valve by replacing the pilot control with a dual solenoid-controlled electronic system. This upgrade will allow for remote operation of the valve during both ESP and non-ESP events from the Districts operation control room.

Modifications to the flow control valve at San Gabriel Pump Station (SGPS) are required to support pressure control and pressure relief functions during ESP and non-ESP conditions. A hydraulically operated pressure relief pilot will be added in parallel with the originally designed electronic flow control pilot system. This addition will allow the SGPS Flow Control Valve (FCV) to open automatically as needed to relieve excess pressure from the Lilac Pipeline to the Couser Canyon Pipeline in the event of a loss of Programmable Logic Controller (PLC) control and Variable Frequency Drive (VFD) control to the pumps during an ESP event.

Price includes all labor, equipment and material costs associated with the modifications to the flow control valves as described.

Direct Cost for Item 1: \$23,188.00
Time Extension for Item 1: 0 Calendar Days

Item 2 (PCO 38) – SGPS Encapsulated MSB-1 – Per an SDG&E field meeting held on December 18, 2024, the Main Switchboard (MSB) unit, originally designed for installation on the interior of the pump building, was deemed non-compliant with SDG&E standards due to clearance constraints. To ensure compliance, the MSB unit is being relocated to the exterior of the building. SDG&E approved the use of a National Electrical Manufacture Association (NEMA 3R) encapsulating wrap as an acceptable outdoor-rated enclosure for the MSB unit currently in production.

The price includes all labor and material costs associated with the changes required to encapsulate MSB-1.

Direct Cost for Item 2: \$32,893.42
Time Extension for Item 2: 0 calendar days

Item 3 (PCO 39) – Delta 3 Contract Changes – To meet SDG&E compliance requirements and enhance overall site efficiency and safety during an ESP event, the MSB-1 and Automatic Transfer Switch (ATS) unit will be relocated to the exterior of the pump building. This change required the relocation of additional equipment, including the AC condenser units, Main Distribution Board (MDB) and generator bus cabinet. The generator staging area has also been relocated to the east side of the station to improve site accessibility during ESP events.

A larger single-phase generator will be installed to support additional loads associated with facility upgrades that require independent power from the existing three-phase system. The scope of work also includes installation of a Resistance Temperature Detector (RTD) monitor to support pump modifications, integration with the Variable Frequency Drive (VFD), and adjustments to electrical conduit and signal routing due to the relocation of equipment. To accommodate the revised equipment layout, a larger concrete pad will be constructed on the west side of the pump building. This change order also includes credits for previously approved changes and costs reflected in the Delta 1 drawings, which are no longer necessary under the updated design.

The price includes labor, equipment and material cost associated with the changes required for the delta 3 changes.

Direct Cost for Item 3: \$156,455.79
Time Extension for Item 3: 0 calendar days

Item 4 (PCO 41) – TIA 3 Delta 3 R3 Time Extension – A Time Impact Analysis (TIA) was submitted to address contract time impacts identified in the April schedule update. These impacts stem from manufacturer-identified procurement constraints for the flow meter vaults (PCO 32r4) and the 20 kW Kohler single-phase generator (Delta 3), as well as delays associated with the pump can modification efforts (Delta 4) and SDG&E coordination and start-up activities. The TIA supports a 133-calendar-day extension to the current contract completion date. Since the delays resulted from a combination of Owner-initiated and Contractor-initiated changes, with all causes being interrelated, the responsibility for the delay is considered shared. Therefore, it was agreed that the time extension would be non-compensable, and the associated cost reflects scope changes only.

Direct Cost for Item 4: \$0
Time Extension for Item 4: 133 calendar days

Item 5 (PCO 42) – Delta 4 SGPS Pump Can Modifications Contract Changes – Modifications to Pump Cans No. 2 and No. 3 at the SGPS were required due to elevation discrepancies between the contract drawings and the actual suction nozzle centerlines. Changes included adding a 4-inch spool, adjusting discharge pipe cuts per Delta 4 drawings, raising the pump cans, installing weld wrap plates, and repairing epoxy coatings. Originally quoted at \$56,888.02, the work was completed on a time-and-material basis to accurately track effort and avoid schedule delays, as pump can installation was on the critical path. Close coordination with the contractor helped significantly reduce the final cost. The price reflects labor, equipment, and materials for the Delta 4 changes and pump can modifications.

Direct Cost for Item 5: \$20,803.61
Time Extension for Item 5: 0 calendar days

Item 6 – Bid Item 11 (Provide Standby Portable Generators) Back Charge – District staff calculated the back charge costs associated with obtaining the two generator operating permits and the travel expenses for generator witness testing performed by VCMWD. The contract intended for these costs to be covered under the contractor's contractual obligations. However,

for scheduling and coordination efficiency, the District handled these items directly to facilitate contract progress. Per Bid Item No. 11, the contractor was responsible for all costs related to obtaining the APCD permit as well as generator operation, start-up, and testing. The District obtained the operating permits at a cost of \$1,610 and incurred \$3,736.47 in travel expenses to witness and inspect factory testing at the manufacturer's facility. These costs are being credited back to the project.

Direct Cost for Item 6: (\$5,346.47)
Time Extension for Item 6: 0 calendar days

Inclement Weather Days – Increase in contractual time due to inclement winter weather conditions, which prevented Orion from performing work. A total of four (4) non-compensable calendar days for February 12, 13, 14 and March 6, 2025 were approved to account for weather related delays.

Time Extension for Inclement Weather: 4 Calendar Days

As a result of the above, an additional **\$227,994.35** and **one hundred thirty-seven (137)** calendar days are being added to Orion Construction's **Schedule A** contract, increasing the total Schedule A contract amount to **\$9,022,676.45** and extending the contract duration to nine **hundred fifty-six (956)** calendar days, with a new completion date of **January 27, 2026**.

Acknowledged:

Valerie Airey 7/15/2025
Valerie Airey, Principal Construction Manager
San Diego County Water Authority Date

Attachments:

- Budget Summary
- Change Order Log

RESOLUTION NO. 2025-21

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

WHEREAS, the North County Emergency Storage Project - Valley Center Improvements and 14-inch Replacement and Relocation ("Project") consists of two portions, the ESP portion funded by the San Diego County Water Authority (SDCWA), and the 14-inch Replacement and Relocation portion funded by the District's Capital Improvement budget;

WHEREAS, the North County Emergency Storage Project - Valley Center Improvements Project is pursuant to the terms and conditions of the agreement entitled *"Agreement Between and Among the San Diego County Water Authority, the Valley Center Municipal Water District, and the Yuima Municipal Water District for Funding the Construction and Operation of the Emergency Water Storage Project (ESP) Improvements in Valley Center and Yuima Municipal Water Districts"* ("Construction Agreement") authorized for execution by the SDCWA Board on March 23, 2023;

WHEREAS, the Construction Agreement authorizes funding for the ESP portion in the amount of \$11,325,000;

WHEREAS, Valley Center Municipal Water District (District) entered into a construction contract with Orion Construction Corporation (Orion) for the North County Emergency Storage Project, Valley Center Improvements, and 14-inch Replacement and Relocation for a contract amount of \$8,796,000;

WHEREAS, Change Order Nos. 1, 2, 3, and 4 have been previously executed in the amount of \$686,876.34, revising the contract to the current amount of \$9,482,876.34.

WHEREAS, proposed Change Order No. 5 provides the following amendments to the contract scope:

1. Cla-Val Modifications at Halcones FCF and SGPS;
2. San Gabriel PS Encapsulated MSB-1;
3. Delta 3 Contract Changes;
4. Delta 4 San Gabriel PS Can Modifications;
5. TIA No. 3 Delta 3R3 Request for Contract Time Extension; and
6. Bid Item No. 11 Adjustment for Generator Permitting.

WHEREAS, in response to the additional scope items, Orion submitted a change order proposal for \$227,994.35 and 137 additional calendar days;

WHEREAS, the proposed change order affects the NCESP and District portion of the contract;

WHEREAS, District and SDCWA staff have reviewed the scope of work and the costs associated with this change order and have found them to accurately reflect the level of effort necessary to complete the work at a fair and reasonable cost; and

WHEREAS, there is sufficient funding in the approved respective budgets to cover the costs of this change order.

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of VALLEY CENTER MUNICIPAL WATER DISTRICT as follows:

1. The District finds and determines that the preceding recitals are true and correct.
2. Change Order No. 5 in the amount of \$227,994.35 and 137 calendar days added to the existing contract with Orion Construction Corporation for the construction of the North County Emergency Storage Project - Valley Center Improvements & 14-inch Replacement and Relocation Project is approved and the General Manager is authorized to execute the change order on behalf of the District.
3. Establishing a new contract amount with Orion in the amount of \$9,710,870.69.
4. Establishing a new contract duration of 137 calendar days.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of Valley Center Municipal Water District held on the 21st day of July 2025 by the following vote:

Enrico P. Ferro, *President*

ATTEST:

Kirsten Peraino, *Board Secretary*



CHANGE ORDER NO. 5
North County Emergency Storage Project

[Project No. 01-00-00-18045]

[Project No. 01-06-78-51200]

To: Orion Construction, Inc.

CONTRACT PRICE:

	<u>Schedule A</u>	<u>Schedule B</u>	<u>Contract Total</u>
Original Contract Amount:	\$8,299,818.00	\$496,182.00	\$8,796,000.00
Change Orders Approved to Date:	\$494,864.10	\$192,012.24	\$686,876.34
Pending Change Order Amount:	\$227,994.35	\$0.00	\$227,994.35
Revised Contract Amount:	\$9,022,676.45	\$688,194.24	\$9,710,870.69

ALL CONTRACT TIME IS REFERENCED IN CALENDAR DAYS:

Notice to Proceed:	06/15/23
Contract Duration:	560
Previously Approved Contract Days:	259
Pending Contract Days This Request:	137
Revised Contract Duration:	956
Revised Completion Date:	01/27/26

YOU ARE HEREBY DIRECTED TO COMPLY WITH THE FOLLOWING:

COR#	DESCRIPTION	TIME	AMOUNT
SCHEDULE A (18045)			
35	Cla-Val Modifications at Halcones FCF and SGPS	0	\$ 23,188.00
38	SGPS Encapsulated MSB-1	0	\$ 32,893.42
39	Delta 3 Contract Changes	0	\$ 156,455.79
41	TIA No. 3 Delta 3R3 Request for Time	133	\$ -
42	Delta 4 SGPS Pump Can Modifications	0	\$ 20,803.61
	Bid Item No. 11 Adjustment for Generator Permitting and Travel Expenses Reimbursement	0	\$ (5,346.47)
	Inclement Weather Days	4	\$ -
SCHEDULE A AMOUNT - INCREASE OR (DECREASE)		137	\$ 227,994.35

NOTES:



CHANGE ORDER NO. 5

North County Emergency Storage Project

[Project No. 01-00-00-18045]

[Project No. 01-06-78-51200]

All workmanship and materials called for by this Change Order shall be provided in accordance with the original contract documents insofar as the same may be applied without conflict to the conditions set forth by this Change Order. This Change Order shall become an amendment to the above mentioned construction contract.

Execution of this change order by the Contractor constitutes a binding accord and satisfaction that fully satisfies, waives, and releases VCMWD from all claims, demands, costs, and liabilities, in Contract, law or equity, arising out of or related to the subject of the change order, whether known or unknown, including but not limited to direct and indirect costs and/or damages for delay, disruption, acceleration, loss of productivity, and stacking of trades, as well as any and all consequential damages

Accepted By Contractor:

Date:

7/15/25

Recommended Project Manager:

Date:

7/15/25

Approved District Engineer:

Date:

7/15/2025

Approved Director of Finance:

Date:

Approved General Manager:

Date:

Contract Change Order Log

VCMWWD North County Emergency Storage Project

7/10/2025



Schedule A Change Order Tracking		Title	
Issue #			
016	Capacitance Probe		
015	Meter Service upsized to 1" per District Standards		
011	Structural Integrity of Gates (HFCF & MFCF)		
008	Generator Manufacturer Substitution		
004	LPS Discharge Flange Pressure Class Change		
025	16" HP Gas Main Conflict Sta. 401+70		
034	ACP Pipe Removal at STA 416+35 - 417+69+/-		
022	Bid Item 22 Adjustment - Ad (1) 12" Gate Valve		
032	Vertical Turbine Pump Impeller Material		
027	Delta 1 Electrical and Mechanical Changes		
033	Mutama Electric Meter Panel Change		
042	McNally/Mutama Waterline & Meter Reconfiguration		
040	MCC Panel Modifications - LPPS		
048	Missed Water Meter Service - Lilac Rd.		
	Mutama Trench line Settlement		
	Additional Fitting at Halcones FCF		
046	County of SD Permit Fee Backcharge		
052	Mutama SDG&E Meter and Pole Changes		
054	Mutama FCF Radio Antenna Relocation		
039	Larger Flow Meter Vaults - SGPS		
061	San Gabriel PS ATS Cabinet Material Change Only		
039	LPPS Pipe Modifications and Repairs		
039	Contract Time Extension		
039	Delta 3 Changes at SGPS		
058	Encapsulated MSB-1 Unit		
051	Cl-Val 8" PRV Modifications		
065	Delta 4 SGPS Pump Can Modifications		
	TIA 3 Delta 3 R3 Time Extension Request		
	Bid Item 11 Adjustment (Generator Permitting and Travel Expenses)		
	Inclement Weather Days		

Original Contract Value: \$8,299,818.00

PCOR Review Status	SDCWA Approval	CCO #	PCOR #	Projected PCO Cost	Time Ext.		Notes
					Approved	Request	
Executed		CCO1	6	\$1,331.40	0	0	
Executed		CCO1	5	\$1,356.36	0	0	
Executed		CCO1	3	\$3,109.30	0	0	
Executed		CCO1	4	\$43,741.11	0	0	
Executed		CCO1	1	\$28,204.84	0	0	
Executed		CCO2	11	\$753.00	0	0	
Executed		CCO2	8R3	\$19,314.00	0	0	
Executed		CCO2		\$5,000.00	0	0	
Executed		CCO3	10	\$26,937.80	0	0	
Executed		CCO3	13R5	\$115,629.92	32	32	
Executed		CCO3	16	\$10,522.05	0	0	
Executed		CCO3	19R4	\$27,752.81	0	0	
Executed		CCO3	22R1	\$3,756.90	0	0	
Executed		CCO3	23R3	\$14,899.92	0	0	
Executed		CCO3	26	\$15,323.25	0	0	
Executed		CCO3	28	\$598.00	0	0	
Executed		CCO3		(\$5,804.21)	0	0	
Executed		CCO4	34	\$63,344.56	0	0	
Executed		CCO4	33	\$18,659.18	0	0	
Executed		CCO4	32	\$67,895.57	0	0	
Executed		CCO4	24	\$13,156.58	0	0	
Executed		CCO4	36	\$8,454.21	0	0	
Executed		CCO4	37	\$10,730.00	224	224	
Approved	Yes	CCO5	39	\$156,455.79	0	0	
Approved	Yes	CCO5	38	\$32,893.42	0	0	
Approved	Yes	CCO5	35	\$23,188.00	0	0	
Approved	Yes	CCO5	42	\$20,803.81	0	0	
Approved	Yes	CCO5	41	\$0.00	133	133	
Approved	Yes	CCO5		(\$5,348.47)	0	0	
Approved	Yes	CCO5		\$0.00	4	4	
			Executed CCO #1:	\$77,743.01	3		
			Executed CCO #2:	\$25,067.00			
			Executed CCO #3:	\$209,814.04	32		Revised Completion Date: January 31, 2025
			Executed CCO #4:	\$182,240.10	224		Revised Completion Date: September 12, 2025
			Pending CCO #5:	\$227,994.35	133		Revised Completion Date: January 27, 2028
Total Change Order Costs Combined:				\$722,896.50			
Total Revised Contract Costs:				\$9,022,676.50			
Total Percent Change Order:				9%			

July 21, 2025

TO: Honorable President & Board of Directors

FROM: Gary T. Arant, General Manager

**SUBJECT: APPROVAL FOR SOLE SOURCING OF COATING REPAIRS AT REIDY CANYON AND WEST BEAR RIDGE RESERVOIRS
[PROJECT NO. 01-06-78-51401]**

PURPOSE:

Request the Board of Directors adopt Resolution No. 2025-22 approving the District to sole source a specific contractor for coating removal and application.

SUMMARY:

Reidy Canyon Reservoir No. 1 is an above ground 500,000-gallon welded steel tank serving the 1090 Reidy Canyon Zone. Originally constructed in 1956, the most recent exterior coating was completed in FY 2021-22. Although the coating system was expected to provide 20–25 years of service life, premature failure has occurred after only three years. The failure is attributed to subsurface adhesion loss of the underlying 1956 lead based primer, causing the new overcoat to pull the subsurface material from the steel tank.

West Bear Ridge Reservoir is an above ground 4.3-million-gallon welded steel tank serving the 1840 service zone and surrounding Bear Ridge developments. The most recent exterior coating was completed in FY 2019-20 but began experiencing roof coating failures within months of completion, with additional failures occurring in 2022, 2023, and 2025. Sherwin-Williams determined that a more aggressive surface preparation of the roof prior to the overcoat application should have been performed. Both projects were completed by Advanced Industrial Services (AIS) after a competitive bidding process.

Both reservoirs will require full removal and replacement of the failing exterior and subsurface coating systems. In addition, the original coating on Reidy Canyon Reservoir contains lead, requiring full containment and hazardous waste disposal.

The new coating materials are under warranty by Sherwin-Williams and will be provided at no cost to the District. Similarly, the corrective work will be performed by AIS at no cost to the District under their warranty obligation. However, additional work that is required to properly recoat the reservoirs, including enhanced surface preparation, hazardous material handling, and containment, will be required to address the underlying issues are not covered by the existing warranties and will require additional compensation be paid to AIS.

Due to warranty inclusions and labor cost reductions, District staff recommends sole sourcing the additional work to AIS and working under negotiated costs directly without seeking competitive bids. AIS and staff have agreed upon the following pricing for the work not covered by warranty:

Reidy Canyon Reservoir No. 1 Additional Work:	\$196,000
West Bear Ridge Reservoir Additional Work:	<u>\$113,400</u>
Total Additional Work:	\$309,400

Sole Sourcing Justification

Labor and Equipment Cost Reduction and Warranty Material Procurement - Sherwin-Williams will provide all coating materials under warranty at no cost to the District. AIS will also perform all warranty-related labor at no cost. The District will incur costs only for necessary additional work, such as a more involved and aggressive surface preparation at West Bear Ridge and lead-based hazardous material removal and containment at Reidy Canyon Reservoir.

Site Familiarity and Efficiency - AIS's prior experience and current warranty obligations with these reservoirs provide AIS site specific insight into reservoir conditions and project history, making them the most efficient and qualified contractor to perform the required work.

Risk and Cost Control - Competitive bidding could jeopardize warranty obligations, and increase long-term costs. Sole sourcing AIS minimizes these risks while ensuring warranty compliance and project continuity.

Cost Control

The District will ensure responsible project cost management through the following measures:

- **Warranty Coverage:**

The majority of project costs, including all coating materials and warranty-related labor, will be covered under existing warranties with Sherwin-Williams and AIS at no cost to the District.

- **Costs Limited to Additional Scope Only:**

The District will incur costs only for work outside the original contract, such as enhanced surface preparation and hazardous material handling and disposal.

- **Direct Negotiation for Fair Pricing:**

District staff has negotiated directly with AIS to ensure fair and reasonable pricing for the additional work outside of the warranty related items. All costs will be

formally documented and included in the contract documents to provide transparency and accountability.

- **Overall Cost Efficiency:**

Sole sourcing while leveraging warranty obligations, will result in substantial cost savings and efficient project delivery.

Project Budget

Funding for this project has been included in the proposed FY 2025–2026 Annual Budget, as shown in the following table. The budget request is based on the cost proposal provided by AIS for the two reservoir sites. District staff is currently in negotiations with AIS to finalize the project bid.

Project Budget	Prior Project Budget	Estimated Prior Actual Expense	Estimated Remaining Budget	Proposed Budget Allocation 2025-2026	Revised Annual Budget 2025-2026	Future Budget Allocation	Future Project Budget	Estimated Total Project Cost
Staff (PM/Design)	30,000	5,000	25,000	50,000	75,000		75,000	80,000
Paint and Recoat Construction	0		0	309,400	309,400		309,400	309,400
Reidy Canyon No. 1	0		0	196,000	196,000		196,000	196,000
West Bear Ridge	0		0	113,400	113,400		113,400	113,400
Miscellaneous	0		0	10,600	10,600		10,600	10,600
Contingency (12.2%)	0		0	45,000	45,000		45,000	45,000
Total Project	30,000	5,000	25,000	415,000	440,000	0	440,000	445,000

RECOMMENDATION:

Staff recommends the Board of Directors adopt Resolution No. 2025-22 approving sole sourcing of the labor and materials to Advanced Industrial Services (AIS) and Sherwin-Williams for the exterior coating replacement projects at Reidy Canyon Reservoir No. 1 and West Bear Ridge Reservoir.

PREPARED BY:



Wally Grabbe
District Engineer

SUBMITTED BY:



Gary T. Arant
General Manager

Attachments:

Resolution No. 2022-22

West Bear Ridge Reservoir Quote dated June 13, 2025

Reidy Canyon Reservoir No. 1 Quote dated June 13, 2025

RESOLUTION NO. 2025-22
RESOLUTION OF THE BOARD OF DIRECTORS OF
VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING
SOLE SOURCE PROCUREMENT FOR COATING REPLACEMENTS AT REIDY
CANYON RESERVOIR NO. 1 AND WEST BEAR RIDGE RESERVOIR, AND
FINDING THE PROJECT EXEMPT FROM CEQA
[PROJECT NO. 01-06-78-51401]

WHEREAS, the Valley Center Municipal Water District ("District") is responsible for ensuring the continued safe and reliable operation of its potable water reservoirs, including Reidy Canyon Reservoir No. 1 and West Bear Ridge Reservoir;

WHEREAS, both reservoirs have experienced premature failure of their exterior coating systems, with Reidy Canyon exhibiting subsurface adhesion issues due to the presence of a 1956 lead-based coating, and West Bear Ridge experiencing multiple roof coating failures since 2020;

WHEREAS, Sherwin-Williams has acknowledged the failures and agreed to provide all replacement coating materials under warranty at no cost to the District;

WHEREAS, Advanced Industrial Services ("AIS"), the original applicator of the Sherwin-Williams coating material, will perform all labor to correct the original scope of work at no cost to the District;

WHEREAS, corrective work beyond the original scope of work, including enhanced surface preparation, hazardous materials handling, full containment, and certified lead disposal, must be completed to ensure long-term coating integrity;

WHEREAS, District staff has determined that AIS is uniquely qualified to perform the required corrective work due to their site familiarity, previous performance, and labor obligations arising out of the existing warranty;

WHEREAS, Public Contract Code Section 3400 and other relevant procurement regulations applicable to California public agencies allow for sole source procurement when materials, equipment, or services are available from only one source, or when it is in the public interest due to unique circumstances;

WHEREAS, awarding this contract through competitive bidding would jeopardize existing warranty obligations, and result in increased long-term costs to the District;

WHEREAS, the additional scope of work has been negotiated directly with AIS to ensure fair pricing, resulting in a total cost to the District of \$309,400, which includes \$196,000 for Reidy Canyon Reservoir No. 1 and \$113,400 for West Bear Ridge Reservoir and the District will only be financially responsible for work beyond the warranty obligations; and

WHEREAS, staff has reviewed the proposed work in accordance with the California Environmental Quality Act ("CEQA") and has determined that the proposed coating replacement constitutes repair and maintenance of existing public facilities involving negligible or no expansion of existing use and is categorically exempt under State CEQA Guidelines Section 15301, Class 1.

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of the VALLEY CENTER MUNICIPAL WATER DISTRICT as follows:

1. The foregoing recitals are true and correct and are incorporated herein by this reference.
2. The Board finds that due to warranty obligations, that will result in significant cost savings to the District and site-specific experience, sole sourcing the required labor that is not covered by warranty to Advanced Industrial Services (AIS) in the amount of \$309,400 is in the best interest of the District.
3. In accordance with California Public Contract Code Section 3400 and applicable laws, the Board approves the sole source procurement of additional work related to coating replacement at Reidy Canyon Reservoir No. 1 and West Bear Ridge Reservoir to AIS.
4. The Board further approves the procurement of coating materials exclusively from Sherwin-Williams, at no costs to the District.
5. The General Manager, or his designee, is hereby authorized and directed to negotiate and execute all contracts and necessary documents with AIS and Sherwin-Williams for the performance of this work, including all non-warranty related enhancements and services required to complete the projects.
6. The Board finds that the proposed work is exempt from CEQA pursuant to State CEQA Guidelines Section 15301, Class 1: Existing Facilities. The project involves maintenance and repair of existing facilities with no expansion of use, and none of the exceptions to the use of categorical exemptions under Section 15300.2 apply.
7. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Valley Center Municipal Water District held on the 21st day of July, 2025, by the following vote:

Enrico P. Ferro, *President*

ATTEST:

Kirsten Peraino, *Board Secretary*



ADVANCED INDUSTRIAL SERVICES, INC.

**Painting • Special Coatings • Lead Abatement
Sandblasting • Fireproofing • Waterproofing • Wallcovering**
www.adinservices.com

June 13, 2025

Valley Center Municipal Water District

Attn: Jeson S. Nikrasch
Subject: West Bear Ridge Reservoir

Advanced Industrial Services, Inc. appreciates the opportunity to quote your project. AIS will furnish all labor, material, tools, equipment, supervision, worker's compensation, property damage and liability insurance necessary to complete the work below.

EXTERIOR COATING: Exterior Roof Only

- Surface Preparation:
 - SSPC-SP 6 "Commercial Blast"
 - Blastrac Exterior Roof
 - Includes Disposal of Spent Abrasives
- Coating Application: Attached is the Sherwin Williams with the suggested Coating system.
 - Prime Coat:
 - Product - Sherwin Williams Macropoxy 646-100
 - Finish Coat:
 - Product – Sherwin Williams Sherloxane 800

Breakdown

Labor – 45,000.00

Travel/ Per Diem – 9,000.00

Materials – 19,400.00 (Abrasives/ Disposal)

Equipment – 40,000.00

AIS will complete the above for the price of **\$113,400.00**

Respectfully,
Pablo Gamboa
Project Manager
pablo@adinservices.com
562-547-7322

**11712 Cherry St. Los Alamitos, CA 90720
(562) 940-8305 • Fax (562) 940-8306
CA License No. 631053 * AZ License No. 248164 * NV License No. 0072026**



ADVANCED INDUSTRIAL SERVICES, INC.

**Painting • Special Coatings • Lead Abatement
Sandblasting • Fireproofing • Waterproofing • Wallcovering**
www.adinservices.com

June 13, 2025

Valley Center Municipal Water District

Attn: Jeson S. Nikrasch

Subject: Reidy Canyon Reservoir No. 1

Advanced Industrial Services, Inc. appreciates the opportunity to quote your project. AIS will furnish all labor, material, tools, equipment, supervision, worker's compensation, property damage and liability insurance necessary to complete the work below.

EXTERIOR COATING: Complete Exterior

- Surface Preparation:
 - SSPC-SP 6 "Commercial Blast"
 - Full Containment
 - Abrasive Blasting with Kleen Blast 30/60
 - Includes Disposal of Hazardous Spent Abrasives
- Coating Application: Attached is the Sherwin Williams with the suggested Coating system.
 - Prime Coat:
 - Product - Sherwin Williams Macropoxy 646-100
 - Finish Coat:
 - Product - Sherwin Williams Sherloxane 800

Breakdown

Labor – 55,000.00

Travel/ Per Diem – 12,500.00

Materials – 38,000.00 (Abrasives/ Disposal)

Equipment – 65,500.00

Containment - 25,000.00

AIS will complete the above for the price of **\$196,000.00**

Respectfully,

Pablo Gamboa

Project Manager

pablo@adinservices.com

562-547-7322

11712 Cherry St. Los Alamitos, CA 90720

(562) 940-8305 • Fax (562) 940-8306

CA License No. 631053 * AZ License No. 248164 * NV License No. 0072026

July 21, 2025

TO: Honorable President and Board of Directors

FROM: Gary Arant, General Manager

**SUBJECT: WOODS VALLEY RANCH WATER RECLAMATION FACILITY SERVICE
AREA 2 - ASSESSMENT DISTRICT No. 2012-1 - PROPOSED CAPACITY
RESERVATION TRANSFER**

PURPOSE:

Provide status update on the proposed Wastewater Capacity Transfer from the North Ranch Estates Development participants to Community Facilities District No. 2020-1 (Park Circle East/West).

SUMMARY:

Staff will provide an oral presentation on the status of the proposed wastewater capacity transfer and terms and conditions of a proposed agreement between the District and the Participants in the North Ranch Estates Development (Indian Creek Associates LLC, Valley Center View Properties LP and Manhattan West).

RECOMMENDATION:

Information Item Only – No Board Action Required.

PREPARED BY:



**Wally Grabbe, PE
District Engineer**

SUBMITTED BY:



**Gary T. Arant
General Manager**

July 21, 2025

TO: Board of Directors

FROM: Gary Arant, General Manager

SUBJECT: UPDATE TO THE 2019 LONG-RANGE FINANCIAL STRATEGY

PURPOSE:

To provide the Board with an update to the *November, 2019 Long Range Financial Strategy* ("2019 Strategy") and provide recommendations for funding the District Operations and the Capital Improvement Program (CIP) moving forward over the next five fiscal years, Fiscal Year (FY) 2025-2026, FY 2026-2027, FY 2027-2028, FY 2028-2029, and FY 2029-2030.

SUMMARY:

In November of 2019, the Board was presented and did accept the 2019 Strategy for FY 2020-2021 through FY 2024-2025. As the term for this plan expired at the end of the FY 2024-2025, it is appropriate for staff to present updates for the Board's consideration. These updates are intended for implementation over the next five fiscal years, from FY 2025-2026 to FY 2029-2030. As presented, the updates will cover the issues of funding the District's ongoing operations and the CIP.

November 2019 Long Range Financial Strategy: The 2019 Strategy (copy attached), the plan covered the following topics:

- *Local Operations and Maintenance Costs;*
- *MWD/SDCWA Wholesale Water Costs;*
- *Local Revenue Sources;*
- *Achieving the New Rate Policy Goals;*
- *Rate and Charge Projection Analysis;*
- *Water Capital Improvement Alternative Funding Approaches;*
- *Recommended CIP Funding Approach; and*
- *CIP Funding Beyond 2024-2025.*

I. What Was Anticipated and What Actually Occurred

Developing the 2019 Strategy necessarily involved making projections about local operating and maintenance costs, wholesale water costs, water demand projections, meter growth projections, and CIP implementation projections. Despite staff's best efforts at seeing into the future, the comparative results clearly demonstrate the difficulty in making projections over a five-year period. What follows are some examples to underscore this reality:

Wholesale Water Costs – Projected vs. Actual

Staff projected Domestic Wholesale cost increase at 3.1% annually and PSAWR cost increases at 3.4% annually. This is what actually happened:

	2019	2025	2025	
	Actual	Projected	Actual	% Total / % Annual
Domestic:	\$1,883 / AF	\$2,250 / AF	\$2,809 / AF	49% / 9.8%
PSAWR:	\$1,320 / AF	\$1,594 / AF	\$1,900 / AF	44% / 8.8%

Local Revenue Sources:

Local Commodity Rate – In comparison to wholesale costs, the Local Commodity Rate has increased at a lower annual rate:

Local Commodity	2019	2025	2025	
	Actual	Projected	Actual	% Total / % Annual
	\$232 / AF	\$317 / AF	\$293 / AF	26% / 5.2%

As can be seen, the Wholesale Domestic and PSAWR Rates have increased by the San Diego County Water Authority (SDCWA) at a much faster rate than what had been recently experienced. Among many factors, three stand out as being operative here:

- **COVID** – The COVID Pandemic had a significant impact on labor and material costs as well as availability;
- **Inflation** – Very high rates of inflation were experienced in CY 2022, 2023, and 2024;
- **Water Demand** – Water demand continued to drop for MWD, the SDCWA, and VCMWD, placing upward pressure on commodity rates against a high percentage of fixed operating, capital, and debt service costs

Monthly Meter Charges:

The majority contributor (55% to 60%) to the local revenue portfolio, the Monthly Meter Service Charge has increased over the last five years at close to the rate of the Local Commodity Rate:

Meter Size:	2019	2025	2025	
	Actual	Projected	Actual	% Total / % Annual
3/4"	\$39.93	\$52.35	\$51.28	28.4% / 5.7%
1"	\$54.55	\$71.51	\$69.30	27.0% / 5.4%
1-1/2"	\$81.83	\$107.27	\$103.95	27.0% / 5.4%

(2" and 3" meters increased by similar percentages).

Monthly Meter Charges as a Percentage of Total Operating Revenues – Also set forth in the 2019 Strategy was a goal to increase the Monthly Meter Service Charges to cover 60% of total Local Operating Costs. The results are as follows:

% Monthly Meter Charge	2019	2025	2025	2026
	Actual	Projected	Actual	Budgeted
	48.70%	60.00%	58.00%	57.00%

As recommended in the 2019 Strategy, the Monthly Meter Charge has advanced as a percentage of total Operating Revenue from 48.7% in 2019 to 58% in 2025 and is projected to be 57% in 2026. While the Monthly Meter Charge revenue percentage has increased significantly, 17% since 2019, at this time it is not meeting the target of 60%. Two factors are at play here include the following:

- 1. The rapid rate of wholesale water cost increases; and
- 2. The variability in water sale revenue against a more stable and predictable revenue stream from Monthly Meter Service Charges against variable commodity revenues makes it difficult to hit the 60% level on a real-time basis.

It would be possible to hit the 60% level for FY 2025-2026 by purposely adjusting the recommended Monthly Meter Charge increase upward from the current recommended increase of 9.8% to 23%. As an example, the Monthly Meter Service Charge for the 3/4” Meter would need to increase from \$51.28 to \$63.07 compared to the \$56.87 which reflects the currently recommended 9.8% increase.

Water Commodity Revenues as a Percentage of Local Operating Revenues:

Concomitant to increasing the Monthly Meter Service Charges to 60% of the local operating costs, was the concept of increasing the commodity revenue to cover the balance of local operating costs or 40% of the total. If this were achieved, then the “Other Revenues,” such as leases, interest income, delinquencies, and miscellaneous income, could be freed up to supplement CIP investment. Water commodity revenue covering a percentage of local operating costs was then and is projected to be:

Water Commodity Revenues (% of Local Operating Costs)	2019 Actual	2025 Projected	2025 Actual	2026 Budgeted
	16%	40%	21%	19%

For analysis, assume that the Monthly Meter Service Charge revenues have been increased to cover 60% of local operating costs. In order to then replace the \$2.8 million in Other Revenues currently used to cover the operating costs not covered by the Meter Service Charge and the Local Commodity Rate for FY 2025-2026, the Local Commodity Rate would have to be increased by an additional 76.7% over the 9.8%, based upon 12,500 AF of sales. In this case, the Local Commodity Rate would go from \$292/AF to \$321/AF, or 9.8% to offset local operating cost increases, and then on to \$546/AF, or an additional 76.7%, to replace the \$2.8 million in Other Revenue.

This goal was not reached due to the fact, that a rapid increase in wholesale costs over the period covered by the 2019 Strategy left no room for additional retail rate adjustments to the Operating Revenue to offset the use of Other Revenue.

While it would be a very steep hill to climb, the overall concept is still worthy of continued consideration as a phased-in approach as was proposed in the 2019 Strategy. If the rate of wholesale cost increases moderately over the next few years, there might be room for additional increases to the Local Commodity Rate to close the gap. It should be kept in mind that the “Other Revenues” are primarily interest income and leases for communications facilities located on District property. A reduction in interest rates, a reduction in reserve funds available for investment, or a technological sea-change (Star Link) obviating the need for communication equipment in the District service area, could impact the availability of these revenues in the future.

Water Capital Improvements

Based upon information in the *Water Master Plan* (January 2019), the 2019 Strategy projected that the District would complete \$24.2M in Water System Capital Improvements over a five-year period:

Water CIP Program	Year 1 (2020)	Year 2 (2021)	Year 3 (2022)	Year 4 (2023)	Year 5 (2024)	5 Year TOTAL
Projected:	\$4.48M	\$5.69M	\$3.93M	\$5.01M	\$5.03M	\$24.10M
Completed:	\$2.10M	\$1.10M	\$2.69M	\$7.04M	\$4.90M	\$17.83M

Also, during this period the District completed a number of wastewater system CIP, as follows:

WW CIP Program	Year 1 (2020)	Year 2 (2021)	Year 3 (2022)	Year 4 (2023)	Year 5 (2024)	5 Year TOTAL
Completed:	----	\$0.65M	\$0.54M	----	\$3.6M	\$3.79M
Total Water & WW CIP:						\$22.62M

In terms of the level of Water System CIP investment in the January 2019 Master Plan, actual implementation was 26% under what had been projected. However, it must be noted that during this five-year period, the District dealt with several challenges, such as the COVID Pandemic which resulted in a modified CIP budgeting method in FY 2022-2023. Dropping water sales revenue was also a factor. In fact, water sales were so low in 2023 and 2024, that no new major CIP projects from 2023 were accomplished in FY 2023-2024 and no new major CIP projects were even budgeted in FY 2024-2025. Reduced water sales resulted in reduced CIP reserves to facilitate the upfront funding requirement of the State of California State Revolving Fund Loan Program.

II. CIP Financing Going Forward

Going forward, the challenge will be to structure and fund a CIP program less impacted by, or preferably isolated from the vagaries and variability of water commodity sales revenue and more, or totally based upon non-variable fixed revenue streams.

Page 13 of the 2019 Strategy describes the *then*-recommended method, ***“Combined Leveraged and Cash Financing”*** of CIP, as follows:

“This approach would use a combination of SRF Loan Financing, existing CIP Reserves, and anticipated Meter Capacity Fees...”

Advantages –

- Leverages SRF funding with one-half of available annual Ad Valorem Property Tax and Water Availability / Standby Revenue, leaving one-half available for Cash – Pay Go or future additional leveraged SRF funding;
- Leaves at least one-half of the existing CIP Reserves available for future financing, possibly all depending on the availability of future Meter Capacity Revenue;
- Provides flexibility in meeting future CIP needs; and
- Addresses the Inter-generational funding issue.

Disadvantages –

- Dependent on the availability of low-interest rate SRF Funding. (If SRF funding is limited or not available at all; alternative, more expensive forms of financing would have to be utilized, reducing the amount of funding which could be generated by leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves); and
- More expensive financing compared to “All Cash, Pay Go”.

Prior to reviewing the “Recommended Approach” the 2019 Strategy discussed the advantages and disadvantages of the **“All Leverage Financing”** alternative, as follows:

“This approach (All Leveraged Financing) rests heavily on the availability of ... low interest rate California Safe Drinking Water State Revolving Fund Loans, which would use the uncommitted balance.... of the annual Ad Valorem Property Tax – Standby / Availability Charge revenue to secure the loans over the initial five-year period.

Advantages –

- Low Cost Financing Assuming Use of SRF Funding;
- Preserves Cash Reserves for use in future phases of CIP implementation.

Disadvantages –

- Dependent on the availability of ...low-interest rate SRF Funding from the state. (If SRF funding is limited or not available at all; an alternative, more expensive form of financing would have to be utilized, reducing the amount of funding which could be generated by leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves).
- All annual Ad Valorem Property Tax, Water Availability / Standby Charge Revenue obligated for 20 years.

III. What Has Changed Since 2019

Several factors or realities have negatively impacted the CIP funding approach anticipated in the 2019 Strategy:

1. Land use policy changes by the County of San Diego (VMT) and private development decisions eliminating major development projects (Lilac Hills) will negatively impact the availability of Meter Capacity Fees available to fund CIP in the future;
2. Declining water sales have reduced, or essentially eliminated funds consistently available from water operations to fund CIP. In fact, the District incurred significant operating losses (in excess of \$2.0 million) in FY 2022-2023 and 2023-2024 which had to be offset on an interim basis with operating reserves and draws on property tax and standby availability revenue;
3. While providing very low or no interest cost, SRF and Federal Grant funding also comes with a requirement that District funds be used to plan, design, and complete the projects first and then seek reimbursement from the State or Federal Government over the next 6 to 9, or even 12 months. This requires the District to have cash reserves or funds from short, or long-term financing to take advantage of these low or no cost State or Federal funds;

4. The more stable funding sources can be utilized to secure and leverage short or long-term financing to front the cost of CIP projects until reimbursement comes from the State or Federal Government. Reimbursements can then be used to front the costs of additional projects, and/or secure additional leverage financing;
5. If there are operating and Meter Capacity Charge revenues available in a given year, these funds can be used to supplement CIP funding from leveraged financing.
6. It has become clear that the CIP Program must be funded with higher levels of leveraged financing secured by more stable and consistent revenue streams, such as Property Tax, Water Availability / Standby Revenue, and as previously discussed, a dedicated Water CIP Charge.

IV. Recommendations for the Updated Long-Range Strategy

Coming from this review of what has transpired since the 2019 Strategy was presented are the following recommendations going forward over the next five fiscal years:

Key Components:

- **Monthly Meter Service Charge** – Efforts should be sustained to keep the revenues from the Monthly Meter Service Charges at or near covering 60% of the District's Local Operating Costs;
- **Local Water Commodity Rate** – Over the next five years there should be an effort to fully or at least partially close the current gap of \$2.8 million between the local operating revenues and local operating costs, which is currently bridged by interest, lease, and miscellaneous other income. While it may not be possible to cover the entire gap by FY 2029-2030, an incremental annual approach could be used to cover a portion of the funding gap. It should be kept in mind that the amount of interest and lease revenues on an annual basis is not under the control of the District.
- As stated earlier in the memo, the current Local Commodity Rate would have to be raised by 76% over the increase needed offset local cost increases to cover the gap in one year. As an example, one half of this gap, \$1.4 million, or 37%, could be covered with an annual extra rate adjustment of 7.4% over actual cost increases.
- **Property Tax and Water Availability / Standby Charge** – Traditionally, these two revenue sources have been dedicated to funding the CIP, and this should be continued into the future, with one caveat. While these funds should be used for CIP, they should not be entirely irrevocably committed to secure mid, or long-term debt obligations. At least 50% of these funds should remain free from irrevocable obligation and available to supplement leveraged funding for CIP on a cash basis and if needed, fund ongoing local operations if needed. This would mean that of the current \$3.8 million in Property Tax and Water Availability / Standby Charge (FY 2024-2025), \$1.9 million should remain uncommitted. In any given year, the Board could then redirect these funds to operational needs, rather than having to draw on reserves or impose a reactive and steep water rate adjustment to offset significant and abrupt declines in water commodity revenues.
- **Meter Capacity Charge** – Revenues from this charge vary year to year, depending on the level of development activity. While they must be used for water system CIP on a cash basis, and cannot reasonably be used to secure and leverage mid, or long-term funding obligations.

- **SDCWA Fixed Charges Converted to VCMWD Fixed Charges** – This process should be continued on an incremental basis over the next five years. In addition to the *Transportation Charge* recently considered by the Board, the District receives fixed charges from the SDCWA for *Customer Service, Storage, and Regional Reliability* (IID and Desal Supplies). It is anticipated that the SDCWA will continue to move toward higher levels of fixed charges in the future. Translating more of the SDCWA fixed charges into VCMWD fixed charges will not only make the District's revenue and rate process more stable and predictable, but could also serve as a way to help close the Local Operating Revenue to expense gap described above.
- **Water Capital Improvement Charge** – As previously discussed by the Board, a dedicated Water Capital Improvement Charge should be considered for implementation. Revenues from this dedicated and stable revenue source could then be most effectively utilized to secure the debt and then underwrite the annual debt service requirements of leveraged financing, either through the State Revolving Fund (SRF) Program or short-term and long-term market-based financing.
- **Increased Levels of Leveraged Financing for CIP** – A major shift from the 2019 Strategy should be a move to almost exclusively short or long-term Leveraged Financing secured by stable and predictable revenue streams, such as a portion (50%) of Property Taxes, Water Availability / Standby Charges and possibly a Water Capital Improvement Charge. Leveraged financing can, of course, continue to be supplemented with the uncommitted Property Tax, Water Availability / Standby Charge, and Meter Capacity Fee revenue as available on a year-to-year basis. With the financial realities facing the District today, lower water sales and thus, reduced cash generating ability, realistically, leveraged financing is the only way to continue a viable CIP for the future.

V. Conclusion

Ironically, the situation the Board and District face today is very similar to what was the reality in the 1950s when the District had no cash but needed to fund and build a water system for the largely undeveloped and sparsely populated community of Valley Center. Using property tax, and debt financing, the District was able to plan, finance, and develop the vast water system which has served the community well for several generations spanning over 70 years. What is in front of the Board today is how to maintain, upgrade, and replace a water system under today's financial conditions and circumstances to serve the same community for another 75 -100 years and beyond.

VI. Next Steps

Finding the balance between affordable rates and revenues needed to finance a viable CIP with short-term and long-term debt involves many variables and assumptions. To address this issue, staff is developing a CIP Model that will allow the Board to see, on a real-time basis, the interaction of the many variables, such as the pace of CIP investment, alternative funding sources (i.e. SRF, Grants, Market Financing), revenue sources (fixed and variable) and the range of interest rates. It is with this model that the Board can better determine which alternative scenarios can be further developed for implementation. *To this end, staff will suggest that the Board set aside a workshop totally devoted to this issue to facilitate full consideration of this critical issue.*

Based upon the outcome of the workshop, the Board can then provide staff with specific direction on the several related questions and issues, such as:

- **Monthly Meter Service Charge** – Should it continue covering 60% of Local Operating Costs?
- **Local Water Commodity Rate** – Should it be adjusted over time to cover the balance, or at least a greater portion of the annual local operating costs?
- **Property Tax and Water Availability Standby Charge** – Should a significant portion (50%) remain available to fund ongoing operations and maintenance costs on an as-needed basis?
- **SDCWA Fixed Charges Converted to VCMWD Fixed Charges** – Should the District continue the process over the next few fiscal years to incrementally convert more of the SDCWA fixed charges to VCMWD fixed charges?
- **Water Capital Improvement Charge** – Should one be implemented to secure a major portion of the leveraged financing effort? and;
- **Increased Levels of Leveraged Financing for CIP** – In a cash-short environment, should the level of leveraged financing be increased to support moving forward with a viable CIP Program?

RECOMMENDATION

If so desired, direct staff to conduct a workshop at a future Board meeting to review the CIP Model and give direction on the issues and questions posed in this memo.

SUBMITTED BY:


Gary Arant
General Manager

Attached:

November 2019 Long Range Financial Strategy

Valley Center Municipal Water District
Long Range Financial
Strategy
FY 2020-2021 to FY 2024-2025
November, 2019

Long Range Financial Strategy

Table of Contents

Section I. Introduction	Page 1
Section II. Local Operations and Maintenance Costs	Page 3
Section III. MWD /SDCWA Wholesale Water Costs	Page 3
Section IV. Local Revenue Sources	Page 4
•Local Commodity Charges	
•Monthly Meter Service Charges	
•Other Sources of Revenue	
Section V. Achieving the New Rate Policy Goals	Page 6
Section VI. Rate and Charge Projection Analysis	Page 7
•Revenue Source Assumptions	
•Cost Increase Assumptions	
•Local Commodity and Monthly Meter Service Charge Coverage Analysis	
•Overall Commodity Rate Impacts	
•Monthly Service Charge Impacts	
•Pump Zone Charge Impacts	
Section VII. Water Capital Improvement Alternative Funding Approaches	Page 10
•All Cash, “Paygo”	
•All Leverage Financing	
•Combination Leveraged and Cash Financing	
Section VIII. Recommended CIP Funding Approach	Page 14
Section IX. CIP Funding Beyond 2024-2025	Page 14
Appendix A – “Cost and Revenue Structure Description and Policy Issue Analysis”	
Appendix B - “Water Master Plan, January 2019” – Executive Summary	

Valley Center Municipal Water District
Long Range Financial Strategy
FY 2020-2021 to FY 2024-2025
November, 2019

I. Introduction

As was previously discussed in the “Valley Center Municipal Water District Cost and Revenue Structure Description and Policy Issues Analysis, July 2019” report (“Cost and Revenue Structure”), Calendar Years 2019 and 2020 are pivotal years for Valley Center Municipal Water District (District).

In early 2019, the Board adopted the “*Water Master Plan, January 2019*” which identified the District’s capital improvement requirements of some \$78 million over a twenty year period. This action was followed by the Board’s review of the above referenced “Cost and Revenue Structure” analysis which addressed certain rate policy changes needed to support the capital improvement replacement financial requirements going forward. In response to recommendations in that report, in September 2019 the Board adopted a policy directing that the District’s water rates and charges, which includes the District’s Local Commodity Charge and Monthly Meter Service Charge, would be set so that revenue from these sources would fully cover the District’s Local Operating Costs, which exclude wholesale water costs and power costs. With the Local Operating Costs met by Local Operating Revenue, the District Ad Valorem Property Tax and Water Availability / Standby Charges, along with “Other Revenue” could be dedicated to supporting implementation of the Updated Water Master Plan. The Board also adopted a policy directing that up to 60% of Local Operating Costs should be funded by the Monthly Meter Service Charges.

With this as background, it is the purpose of this **Long Range Financial Strategy** to set forth possible rate and charge actions which would be needed to support a possible financial approach to implementation of the \$24.2 million in capital improvements over the next five fiscal years, starting with rates effective January 1, 2020. What will be considered to meet this approach would be to adjust water rates and charges on an annual basis to be able to:

1. Offset wholesale water cost increases from MWD and the SDCWA;
2. Offset any increases in Local Operating Costs; and

3. Incrementally increase the Valley Center MWD Commodity Rate and Monthly Meter Service Charges to have those two revenue sources cover all Local Operating Costs, which is not currently the case.
4. Dedicate all Ad Valorem Property Tax and Water Availability – Standby Charge Revenue and appropriate “Other Revenue” to support the direct cash or leveraged debt to implement funding for the first five years of the Capital Improvement Program outlined in the January 2019, Water Master Plan.

Long Range Financial Strategy - 2019 versus 2005

As was learned with the **2005 Long Range Financial Plan**, developing a detailed financial blueprint based upon specific assumptions about future events, most of which are outside the District’s control, resulted in a plan being rendered almost irrelevant within a year or two after its adoption.

Shortly after the 2005 Plan was adopted, the California housing market slowed and DR Horton, developer of Orchard Run, pulled out of the state entirely, the Great Recession began, and then Judge Oliver Wanger ordered State Water Project flow reductions to protect the Delta Smelt which resulted in a water supply reduction of 30% to the District’s commercial agricultural customers.

Needless to say, the rather ambitious Capital Improvement Program adopted in the 2002 Water Master Plan and envisioned for implementation in the **2005 Long Range Financial Plan**, was largely set aside. The District went into a spending reduction mode, started reducing staff, five of which were achieved by lay-off, and many CIP projects were shelved.

With this experience in mind, the **2019 Long Range Financial Strategy** is very much less specific and ambitious than was the earlier plan. It covers only the first five year period of the 20-year program outlined in the updated **2019 Water Master Plan**. Further, rather than creating a detailed step by step plan, it identifies a possible financing approach on how the CIP investment outlined in the first five years of a 20-year program might be achieved. It identifies the financial assets and elements to be utilized in the strategy, as well as the recommended rate and charge actions needed to support the implementation. In other words, rather than adopting a very specific plan which will undoubtedly be outstripped and outmoded by events and the passage of time, what is proposed is to adopt a living framework or strategy which could be implemented over the next five years, leaving room for flexibility in its structure, components, and future implementing actions by the Board of Directors.

II. Local Operations and Maintenance Costs

Locally Controlled O&M costs reflect labor, benefits, materials, vehicle and equipment maintenance, state regulatory license fees, and outside professional services for a given fiscal period based upon administrative, operational and maintenance needs (less those funded by Pump Zone Charge revenues). As discussed in the appended “VCMWD Cost and Revenue Structure Description and Policy Issues Analysis, July 2019,” these costs are viewed as “fixed” in that they are incurred irrespective of how much water is delivered in a given year. These costs will increase over time with general inflation, CPI, salary and benefit increases, number of service connections, customers and O&M needs of an aging water system.

III. MWD/SDCWA Wholesale Costs

“MWD/SDCWA Wholesale” Commodity Rate - Except for the SDCWA IAC Charge (see below), MWD/SDCWA Wholesale are the following costs which are recovered by a per-Hundred Cubic Foot (HCF – 748 gallons) unit Wholesale Commodity Charge to each retail customer. This MWD/SDCWA Wholesale Commodity Charge for purchased water reflects the rates and charges set by the Metropolitan Water District (MWD) and the SDCWA. Wholesale costs are made up of a per - Acre Foot (AF) Wholesale Commodity Cost plus a per unit Fixed Priced Charge spread over the amount of wholesale water reliably estimated to be purchased from the SDCWA in a given fiscal year.

Wholesale costs from MWD / SDCWA include:

Fixed Charges from MWD and SDCWA:

- **MWD Readiness to Serve Charge** – Allocation of MWD costs assigned to a fixed charge.
- **MWD Capacity Reservation Charge** – Capacity Allocation in the MWD system.
- **Customer Service Charge** – Admin, Conservation, Support Programs.
- **SDCWA Supply Reliability Charge** – Portion of the investment in Seawater Desalination Facility.
- **SDCWA Storage Charge** – Emergency Storage and Carry-over Storage.

SDCWA IAC - The SDCWA also imposes a fixed Infrastructure Access Charge (IAC) which is based on meter size and appears on the retail customer's monthly bill.

IV. Local Revenue Sources

The District has the following Local Revenue Sources:

Valley Center MWD Commodity Charge – In addition to the MWD/SDCWA Wholesale commodity portion of the water rate, the District adds the Valley Center MWD commodity charge which is set with the goal of covering, along with the Monthly Meter Service Charge Revenue, 100% of the District Local Operating Costs as defined above.

With the Valley Center MWD and MWD / SDCWA included, the overall commodity rate is as follows:

Municipal & Industrial	HCF	A/F
MWD/SDCWA Wholesale	\$4.3238	\$1883.45
Valley Center MWD	<u>\$0.5335</u>	<u>\$232.39</u>
Total	\$4.8573	\$2115.84

TSAWR*	HCF	A/F
MWD/SDCWA Wholesale	\$3.0299	\$1319.83
Valley Center MWD	<u>\$0.5335*</u>	<u>\$232.39</u>
Total	\$3.5634	\$1552.22

*TSAWR – Transitional Special Agricultural Water Rate provided to qualified Commercial Agricultural accounts in exchange for lower level service reliability.

Monthly Meter Service Charges – By adopted Board Policy found in Administrative Code Section 50.2, (f) it is the goal of the District to have 60% of the Locally Controlled Operations and Maintenance costs funded by the revenue from the Monthly Meter Service Charges.

As discussed in the appended “Cost and Revenue Structure Report,” the current Monthly Meter Service Charges are based upon AWWA relative meter flow capacity and consideration of overall revenue contribution by meter size class. The Fire Service Meter Charge represents the incremental cost of supporting the separate Fire Meter. both charges are collected on the monthly water bills are as follows:

Meter Size	Meter Service Charge	Fire Meter Service Charge
¾"	\$39.93	\$8.75
1"	\$54.55	\$12.25
1-1/2"	\$81.83	—
2"	\$109.10	—
3"	\$163.65	—

Pumping Rates – Pumping Rates reflect the anticipated purchased power costs from SDG&E (net of solar generation) and the specific local operations and maintenance costs associated with the pumping system. These revenues are collected through a per-Hundred Cubic Foot (HCF / 748 Gallons) unit Pumping Rate which is based upon the relative elevations in 10 Pump Zones from "0" Pump Zone, no charge, to Pump Zone 10. The pump system and solar system operations, maintenance and replacement costs are also recovered through the Pumping Rate and currently represent 33% of the Pumping Rate.

Additional Sources of District Revenue – Beyond the three revenue sources discussed above, the District has several "non-operating" revenue sources, which include:

- **Ad Valorem Property Tax** – For FY 2019-2020, the District budgeted for \$2,496,000 in Ad Valorem Property Taxes. The amount received includes the current secured, current unsecured, prior unsecured, and Homeowners PTR. Increases (or decreases) in the annual Ad Valorem Property Tax Revenue are based upon changes in the Assessed Valuation of properties in the District Service Area.

- **Water Availability - Standby Charges** – The Municipal Water District Act (Ca Water Code, Division 20) allows the District to levy an annual \$10/acre, \$10/parcel Water Standby/Water Availability Charge on the lands within the District. This levy generates \$582,000 in net revenue. It has been the practice of the District to utilize these Water Availability/Standby Charge revenues for CIP expenditures.

Backflow Testing and Repair Revenue – This revenue is used to offset the direct labor, equipment, and administrative costs associated with the annual testing and making needed repairs to the backflow devices used to protect the public health and safety from potential back-syphonage into the distribution system due to sudden water system pressure loss or pressure surge from the customer side of the meter connection. For FY 2019-2020, these revenues were budgeted at \$191,000.

- **"Other Revenues"** – For the FY 2019-2020 Budget, "Other Revenues" include funds from a number of sources: Investment Income; Delinquency Penalties/ Reconnection Fees; Communications Leases; Backflow Device Testing and Repair; Sale of Surplus Equipment and eight other miscellaneous categories filling out the balance of the

\$1,486,350 in anticipated “Other Revenue” for FY 2019-2020. These revenues are combined with other Water General Fund revenues, with any annual surplus rolled over into the reserve categories as per the District’s Reserve Policy (Admin. Code, Article 50).

V. Achieving the New Rate Policy Goals

As stated above, the central component to this Long Range Financial Strategy would be achieving two rate policies recently adopted by the Board. The focus of these two policies is to ensure that the District’s Local Operational Revenues fully meet the District’s annual Local Operational Costs. Achieving this policy goal incrementally over the next five fiscal years would then allow the District’s Ad Valorem Property Tax, Water Standby-Availability and Other Revenue to be fully committed to supporting the District’s **Updated Water Master Plan** implementation.

Those core policy goals are:

Local Revenues Fully Fund Local Operating Costs - The first policy simply holds that the District’s Local Revenues, i.e., the Valley Center MWD Commodity Rate and the Monthly Meter Service Charges shall generate sufficient revenues to fully fund the District’s Local Operating Costs (Total Operating Costs, less Purchased Wholesale Water and Power) in any given fiscal year.

Monthly Meter Service Charges Shall Fund 60% of Local Operating Costs – A sub-policy is that it is a policy goal that the Monthly Meter Service Charges shall fund up to 60% of the District’s Local Operating Costs. This policy was adopted to increase revenue stability in an environment of declining M&I and agricultural water demand.

Implementation – In order to achieve these goals, it should be recognized that annually, the District will need to consider raising its Local Revenue Components sufficiently to:

1. Offset any Wholesale Water and Power Cost Increases;
2. Offset any increases in Local Operational Costs; and
3. Adjust rates incrementally above these two factors to increase Local Revenues sufficiently to fully fund Local Operating Costs, enabling the District to commit the Ad Valorem Property Tax, Standby / availability Charge and Other Revenue to support implementation of the Updated Water Master Plan.

VI. Rate and Charge Projection Analysis

Development of the Long Range Financial Strategy involves a revenue and cost projection analysis over the period covered by the strategy; in this case FY 2021-2022 through FY 2024-2025. The projection analysis from the base fiscal period, which is FY

2019-2020, requires making certain assumptions about future revenue and cost sources. For the analysis which follows, the following assumptions have been used:

Revenue Source Assumptions:

- **Water Deliveries** – Based upon recent downward trends in demand, offset by anticipated growth in demand through new metered service connections, annual water sales were conservatively projected to 18,000 acre feet per year for 2021-2022 through 2024-2025;
- **Domestic versus TSAWR Water Usage** – Based upon usage data over the last three years, and input from the commercial agricultural community, it is estimated to be 33% Domestic and 67% TSAWR for 2020-2021 through 2024-2025
- **Growth In Meters** – Based on information from the development community operating within the District Service Area and the professional judgment of the District's engineering professional, Meters for Municipal and Industrial were assumed to grow yearly by an average of 3.2% due to new development projects within the District. The total number of new meters anticipated to be added total 1,317 over the next five years. Certified Agricultural/Domestic, Certified Agricultural, and construction meters remained constant with no growth.
- **Meter Service Charges for 2020** - While the FY 2019-2020 Budget was adopted with no increase to the Monthly Meter Service Charges, a final determination was left open until the completion of the Long Range Financial Strategy analysis. It is now recommended that these charges be increased by 4.6% to be effective in February 2020 and that assumption was included in the projection analysis.
- **MWD /SDCWA Wholesale and Valley Center MWD Commodity Rate Increases for 2020** – Wholesale rate increases adopted by the SDCWA Board of Directors in June, 2019 resulted in a 3.1% increase for M&I and 4.1% for TSAWR customers effective January 1, 2020 and are included in the projection analysis.
- **Valley Center MWD Commodity and Meter Service Charge Increases for FY 2020-21 through 2024-25** – In order to achieve the new rate policy goals stated above, the District's Local Commodity Charge would have to be increased by an average of 4.5% (ranging from 3.6% and 5.7%) over the next five years and the Monthly Meter Service Charge be increased by an average 4.6% for FY 2020-21 through 2024-25. These increases, along with the additional assumptions stated below, would meet the goal of having the Local Revenues (Valley Center MWD Commodity Charge and

Monthly Meter Service Charge). It would also meet the goal of having the Monthly Meter Service Charge funding 60% of the Local Operating Costs. Meeting these goals would free up the Ad Valorem Property Tax, Water Availability – Standby Charge and Other Revenue could be utilized to fund for the District’s Water Capital Improvement Program.

- **Meter Installation Revenue** – Assumed to increase by an average of 4.0% annually.

Cost Increase Assumptions:

- **Local Operating Expenses** – Assumed to increase an average of 3.0% annually;
- **SDCWA Wholesale Water Costs** – Assumed to increase an average of 3.0% annually, based upon rate projections provided by the SDCWA;
- **Power Costs** – Assumed to increase an average of 5.0% annually based on projections provided by SDG&E.

Long Range Rate and Charge Projection Analysis - With the FY 2019-2020 budget as the baseline, and using the Revenue and Cost assumptions outlined above, the following rate and charge projection over the next five fiscal years was developed:

Local Commodity and Monthly Meter Service Charge Coverage Analysis

	Budget 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Local Operating Expenses						
Water Systems Operations	6,057,220	6,238,935	6,426,108	6,618,884	6,817,456	7,021,977
Engineering	1,586,710	1,634,310	1,683,340	1,733,840	1,785,850	1,839,430
General and Administrative	4,207,260	4,333,470	4,463,480	4,597,380	4,735,300	4,877,360
Total Local Operating Expenses	\$ 11,851,190	\$ 12,206,715	\$ 12,572,928	\$ 12,950,104	\$ 13,338,606	\$ 13,738,767
 Meter Service Charges (less IAC Charge)	 \$ 5,777,000	 \$ 6,169,467	 \$ 6,628,657	 \$ 6,921,345	 \$ 7,692,414	 \$ 8,237,110
% of Operating Expenses	48.7%	50.5%	52.7%	53.4%	57.7%	60.0%
 Valley Center MWD Commodity	 \$ 4,231,810	 \$ 4,412,310	 \$ 4,661,210	 \$ 4,927,140	 \$ 5,208,210	 \$ 5,505,220
Meter Service Charges (less IAC Charge)	\$ 5,777,000	\$ 6,169,467	\$ 6,628,657	\$ 6,921,345	\$ 7,692,414	\$ 8,237,110
Total Valley Center Commodity Charges & Meter Service Charges	\$ 10,008,810	\$ 10,581,777	\$ 11,289,867	\$ 11,848,485	\$ 12,900,624	\$ 13,742,330
% of Operating Expenses	84.5%	86.7%	89.8%	91.5%	96.7%	100.0%

In order to arrive at coverage these levels, the Valley Center MWD Commodity Charge and Meter Service Charges will have to increase annually as follows:

Overall Commodity Rate Impacts (Includes MWD/SDCWA Wholesale and Valley Center MWD Commodity)

Proposed Water Rates	Domestic (HCF)						
	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
MWD/SDCWA Wholesale	4.3238	4.4565	4.5902	4.7279	4.8697	5.0158	5.1663
VCMWD Commodity	0.5335	0.5527	0.5837	0.6170	0.6522	0.6894	0.7287
Total	<u>4.8573</u>	<u>5.0092</u>	<u>5.1739</u>	<u>5.3449</u>	<u>5.5219</u>	<u>5.7052</u>	<u>5.8950</u>
Percentage Increase		3.1%	3.3%	3.3%	3.3%	3.3%	3.3%

Proposed Water Rates	TSAWR (HCF)						
	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
MWD/SDCWA Wholesale	3.0299	3.1571	3.2518	3.3494	3.4499	3.5534	3.6600
VCMWD Commodity	0.5335	0.5527	0.5837	0.6170	0.6522	0.6894	0.7287
Total	<u>3.5634</u>	<u>3.7098</u>	<u>3.8355</u>	<u>3.9664</u>	<u>4.1021</u>	<u>4.2428</u>	<u>4.3887</u>
Percentage Increase		4.1%	3.4%	3.4%	3.4%	3.4%	3.4%

Monthly Meter Service Charge Impacts

Meter Size	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
3/4	39.93	41.77	43.69	45.70	47.80	50.00	52.35
1	54.55	57.06	59.68	62.43	65.30	68.30	71.51
1.5	81.83	85.59	89.52	93.65	97.95	102.45	107.27
2	109.10	114.12	119.36	124.86	130.60	136.60	143.02
3	163.65	171.18	179.04	187.29	195.90	204.90	214.53
4	218.20	228.24	238.72	249.72	261.20	273.20	286.04
6	327.30	342.36	358.08	374.58	391.80	409.80	429.06
8	436.40	456.48	477.44	499.44	522.40	546.40	572.08
Percentage Increase		4.6%	4.6%	4.6%	4.6%	4.6%	4.7%

Pumping Rates Impact

<u>ZONE</u>	<u>Current 2019</u>	<u>Proposed 2020</u>	<u>Projected 2021</u>	<u>Projected 2022</u>	<u>Projected 2023</u>	<u>Projected 2024</u>	<u>Projected 2025</u>
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
1	0.09500	0.10004	0.10504	0.11029	0.11580	0.12159	0.12767
2	0.18995	0.20002	0.21002	0.22052	0.23155	0.24313	0.25529
3	0.21073	0.22190	0.23300	0.24465	0.25688	0.26972	0.28321
4	0.31470	0.33138	0.34795	0.36535	0.38362	0.40280	0.42294
5	0.46158	0.48604	0.51034	0.53586	0.56265	0.59078	0.62032
6	0.51489	0.54218	0.56929	0.59775	0.62764	0.65902	0.69197
7	0.54603	0.57497	0.60372	0.63391	0.66561	0.69889	0.73383
8	0.61887	0.65167	0.68425	0.71846	0.75438	0.79210	0.83171
9	0.64100	0.67497	0.70872	0.74416	0.78137	0.82044	0.86146
10	0.84900	0.89400	0.93870	0.98564	1.03492	1.08667	1.14100
Percentage Increase		5.3%	5.0%	5.0%	5.0%	5.0%	5.0%

VII. Water Capital Improvement Alternative Funding Approaches

Presently, the entire CIP focus is on replacement of pipelines and refurbishing existing reservoirs and pump stations. In this era of diminishing water sales and the commodity revenue future uncertainty, cash preservation for the agency's financial stability has increased in importance. Central to the pursuit and securing of State of California State Revolving Fund (SRF) loans under the Safe Drinking Water Program has been the goal of preserving the District's cash assets. \$4.2 million was secured for the Cool Valley Reservoir Cover Replacement Project. Currently, an application is in process for \$9.6M in new Safe Drinking Water SRF funding for 11 pipeline replacement projects. SRF loans provide very low interest rates (@1.6%), 20-year amortization, and no issuance or underwriting costs.

2019 Water Master Plan - In early 2019, the Board adopted the updated "Water Master Plan." This document focused on identifying and prioritizing the CIP replacement, refurbishment and upgrading requirements for pipelines, reservoirs and pump stations over the next 20 years at an estimated total cost of \$78M (in 2019 dollars) which is summarized in the table below. For the first five years of the program \$24.2M in needed priority investments were identified, for an average investment of \$4.8M each year. Meeting this pace of CIP investment for the first five years and beyond

will require a more deliberate approach to annual CIP funding than has been used in the past.

SUMMARY OF CIP PROJECTS									
	1	2	3	4	5	Subtotal 1-5	6-10	11-20	Total
Pipelines	\$2,775,000	\$3,895,000	\$2,250,000	\$2,780,000	\$3,240,000	\$14,940,000	\$14,697,000	\$25,408,000	\$ 55,045,000
Reservoirs	\$1,257,000	\$1,669,000	\$1,388,000	\$1,946,000	\$1,450,000	\$ 7,710,000	\$ 4,670,000	\$ 8,693,000	\$ 21,073,000
Pump Stations	\$ 448,000	\$ 130,000	\$ 288,000	\$ 370,000	\$ 340,000	\$ 1,576,000			\$ 1,576,000
Total	\$4,480,000	\$5,694,000	\$3,926,000	\$5,096,000	\$5,030,000	\$24,226,000	\$19,367,000	\$34,101,000	\$ 77,694,000

For this discussion, it is assumed that the District's annual Local Commodity Rate and Monthly Meter Service Charge revenues will be adjusted and maintained to meet the annual local operations related costs. If this is realized, then the annual Ad Valorem Property Tax and Water Availability / Standby revenues could be formally committed to funding annual CIP investment, either directly on a cash or "PayGo" basis, or leveraged to pay annual debt service on financed CIP. Current Ad Valorem Property Tax and Water Standby / Availability Charge revenue of \$2.8 will not allow the District to meet the average annual CIP investment goal of \$4.8 million and other sources of investment funding will be required.

In addition to the annual infusion of Ad Valorem Property Taxes and Water Standby / Availability Charges, the District does have existing cash reserves which can be used for the CIP, as follows:

CIP Reserves:

Capacity Charges Reserve	\$858,000
Continuing Projects (included in the Updated CIP)	\$3, 144,000
Unallocated Capital Improvement Reserve	<u>\$8,899,000</u>
Total	\$12,901,000

Alternative Funding Approaches

The annual known Ad Valorem Property Tax and Water Standby / Availability Revenue, combined with the existing CIP Reserves and the very real prospect of an influx of Meter Capacity Fees from the development currently underway, provides a range of CIP financing scenarios, from "All Cash PayGo Financing" through to "All Leverage Financing" to "Combination Leveraged and Cash Financing."

In brief form, here are those three scenarios:

1. All Cash “PayGo” Financing

This straight-forward approach would utilize the annual \$2.8 million Ad Valorem Property Tax (\$10.4 million over 5 years), combined with the existing \$12.9 million in existing CIP Reserves, supplemented either by Meter Capacity Fees anticipated to be forthcoming, or “Other Revenue” freed up by having Local Operating Revenue covering all Local Operating Costs on an annual basis.

Pro-forma:

Ad Valorem, Water Standby / Availability Revenue – Five Years	\$10.4 million
Existing CIP Reserves	<u>\$12.9 million</u>
Sub-total	\$23.3 million
Supplemental – Meter Capacity Fees / “Other Revenue”	<u>\$0.9 million</u>
Total	\$24.2 million

Advantages –

- “No Interest” cost financing.

Disadvantages –

- All CIP Reserves are essentially exhausted;
- Relies partially on Meter Capacity Fees anticipated but not realized;
- Inter-generational Equity Issues, i.e., current ratepayers financing improvements which will benefit future ratepayers.

2. All Leveraged Financing

This approach rests heavily on the availability of \$24.2M in low interest rate California Safe Drinking Water State Revolving Fund Loans, which would use the uncommitted balance (\$2.4 million) of the annual Ad Valorem Property Tax – Standby / Availability Charge revenue to secure the loans over the initial five year period.

Advantages –

- Low Cost Financing Assuming Use of SRF Funding;
- Preserves Cash Reserves for use in future phases of CIP implementation.

Disadvantages –

- Dependent on the availability of \$24.2 million in low-interest rate SRF Funding from the state. (If SRF funding is limited or not available at all; an alternative, more expensive form of financing would have to be utilized, reducing the amount of funding which could be generated by leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves);
- All annual Ad Valorem Property Tax, Water Standby – Availability Revenue obligated for 20 years;

3. Combination Leveraged and Cash Financing.

This approach would use a combination of SRF Loan Financing, existing CIP Reserves, and anticipated Meter Capacity Fees. While the level of SRF Funding could be set at a range of coverage, the following pro-forma has it set at 40% based upon the pending exiting SRF Loan application.

Pro-forma

SRF Loan Funding at 40%, or 12.1 million	\$9.6 million
Available Ad Valorem Property Tax, Water Standby – Availability Revenue (\$1.2 million for five years = \$6.0 million)	\$6.0 million
CIP Reserves and /or Meter Capacity Fee Revenue	<u>\$8.6 million</u>
Total	\$24.2 million

Advantages –

- Leverages SRF funding with one-half of available annual Ad Valorem Property Tax and Water Standby /Availability Revenue, leaving one-half available for Cash – PayGo or future additional leveraged SRF funding;
- Leaves at least one-half the existing CIP Reserves available for future financing, possibly all depending on the availability of future Meter Capacity Revenue;
- Provides flexibility in meeting future CIP needs;
- Addresses the Inter-generational funding issue.

Disadvantages –

- Dependent on the availability of low-interest rate SRF Funding. (If SRF funding is limited or not available at all; alternative, more expensive forms of financing would have to be utilized, reducing the amount of funding which could be generated by

leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves);

- More expensive financing compared to “All Cash, PayGo.”

VIII. Recommended CIP Funding Approach

Long Range Financial planning has been difficult for VCMWD for a number of reasons:

1. Given the nature of the service area, the extreme exposure to the impacts of drought and rain on water demand, and related revenues;
2. Concern over the long-term downward trend in commercial ag demand, especially now with the TSAWR potentially expiring at the end of 2020;
3. Determining the strength and resilience of growth and development trends; and
4. More recently, the concern over the availability of low interest rate SRF funding which allows maximum leveraging of the District’s existing funding.

This range of uncertainties mitigates toward the **“Combination Leverage and Cash Financing”** approach which:

- Spans a Five Year Period only;
- Does not over-commit the District to an extreme strategy (“All Cash PayGo,” or “All Leveraged”) ahead of understanding where the economy, as well as growth and development trends are headed in the near term;
- Seeks an optimum amount of low interest rate long-term financing; and
- Maintains a portion of the District fixed Ad Valorem Property Tax and Availability – Standby Charge revenue stream for future flexibility to fund PayGo, or underwrite more low interest rate debt;
- Preserves portions of the District’s cash assets.

IX. CIP Funding Beyond FY 2024-2025

Predicting what will happen over a five year period is difficult enough, so projecting out another 15 years would produce only a highly speculative picture at best and would be less

than a valuable exercise. However, what is clear today for the next five years, and 20 years overall, is that the District needs to endeavor to:

- Fully commit its Ad Valorem Property Tax Revenue and Water Availability / Standby Charges and Other Revenue to supporting implementation of **2019 Water Master Plan**;
- Maintain Local Revenues at a sufficient level to fully cover Local Operating Costs;
- Maintain the District's Monthly Meter Service Charges to meet 60% of the Local Operating Costs;
- Place any and all excess revenues generated annually into the District's Capital Replacement Reserve to help fund the CIP over the 15-year balance of the Water System Master Plan planning and implementation horizon.
- Maintain maximum financial responsiveness and flexibility through prudent cash management and preservation;
- Monitor and report on the implementation of the Long-Range Financial Strategy through the annual fiscal year budgeting process; and
- In the last year of the current strategy, FY 2024-2025, develop a Long Range Financial Strategy for the next five year period, FY 2025–2026 through 2029-2030.

Gary Arant
General Manager

James Pugh
Director Finance and Administration

Appendices

Appendix A

VCMWD Cost and Revenue Structure Description and Policy Issue Analysis

July, 2019

VCMWD Cost and Revenue Structure Description and Policy Issue Analysis

July, 2019

I. Introduction and Summary of Policy Issues

2019 and 2020 are pivotal years for Valley Center Municipal Water District. In early 2019, VCMWD updated its ***Strategic Plan*** and its ***Water Master Plan*** and is on the verge of experiencing rapid growth in water and wastewater service connections. As an organization, VCMWD is implementing various technology upgrades such as Advanced Meter Intelligence (AMI) Metering and Computerized Maintenance Management Systems (CMMS) capabilities to assist it in dealing with increasing operational and service demands. To come in the latter half of 2019 will be the development of an updated ***Long Range Financial Plan***, establishing the approach which will be needed to implement the Capital Improvement needs clearly identified in the updated Water Master Plan. Following the updated Long Range Financial Plan will be a water and wastewater rate analysis to determine the rates and charges necessary to not only fund the capital improvement needs of the District, but to also ensure VCMWD's long-term operational efficiency and effectiveness. Finally, in the last quarter of 2019, VCMWD will implement a ***Proposition 218 Notification*** process toward adoption of new rates and charges which will take effect after the beginning of 2020.

Prior to moving forward on all these critical undertakings, staff thought it might be important to provide in one place a foundational description of how VCMWD has been operated financially for the last several decades, including identifying and explaining the individual cost and revenue components. The discussion that follows is based upon the FY 2018-2019 Budget. Any specific recommendations for 2020 rates and charges will be based upon the adopted Final FY 2019-2020 Budget.

At this point, it is also important to identify any policy issues associated with the current fiscal approach and cost/revenue components which might need to be addressed as we move into developing the updated ***Long Range Financial Plan*** and ***Proposition 2018 Notification*** for the new Rates and Charges which will take effect in early 2020. Based upon the following analysis, staff has initially identified the following policy issues:

- 1.) Should the Board adopt a formal policy holding that Operational Revenues (Monthly Meter Service Charges and Local Commodity Revenue) shall be maintained at a level so that the Ad Valorem Property Tax Revenue, Water Availability / Standby Charges, and Other Revenue (interest income, lease revenue, delinquencies, etc.) can be formally dedicated to supporting CIP investment?***

- 2.) Should the policy goal of having the Monthly Meter Service Charges cover at least 50% of local operating costs be modified to raise the coverage goal beyond 50% to 60%?**
- 3.) Should the Monthly Meter Service be increased over time to fund 100% of the District's fixed local costs with a commensurate reduction in the Local Commodity rate?**
- 4.) Given the relatively close overall balance between Monthly Meter Service Charge and Local Commodity Charge revenues for the 1 ½," 2" and 3" meters, should the current Monthly Meter Service Charge Structure be retained?**
- 5.) Should the current Monthly Meter Service Charge structure be modified to have the Monthly Meter Service Charges for the larger meters (1-½", 2" and 3") more closely reflect the relative flow rating?**
- 6.) If increasing the Monthly Meter Service Charges for the larger meters results in customers wanting to downsize larger meters, should VCMWD implement a policy allowing the excess meter capacity, freed up by downsizing, to be retained for use on the subject property?**
- 7.) Should a full or partial Monthly Meter Service Charge be considered for meters turned off on an intermittent or seasonal basis when service resumed by the same customer?**
- 8.) Should VCMWD explore the concept of a separate Capital Charge being placed on the monthly bill, based on meter size which would be dedicated to CIP investment along with Ad Valorem Taxes and Water Availability / Standby Charges? Based upon 14,702 flow units, each \$1.00 of a new Capital Charge would generate \$170,424 in revenue (\$1.00 x 14,702 Flow Units x 12= \$170,424) which could be used to accumulated \$1,704,240 over a 10 year period, or leverage just over \$2.0M low-interest Safe Drinking Water SRF funded improvements.**

II. Water General Fund Cost and Revenue Structure

A. Wholesale Water and Power Costs – Valley Center Municipal Water District (VCMWD) purchases virtually all (99%+) of its water supply from the San Diego County Water Authority (SDCWA). VCMWD purchases about 95% of its power needs from SDG&E. So in terms of overall non-CIP Water General Fund expenses, \$31,381, 500 or 72% of its FY 2018-2019 Water General Fund Budget of \$43,871,900 (this amount does not include capital expenditures) goes to pay for purchased water and power.

- 1. Wholesale Water Costs** – These costs are recovered by a per-Hundred Cubic Foot (HCF – 748 gallons) unit Wholesale Commodity Charge to each retail customer. This Wholesale Commodity Charge for purchased water reflects the rates and charges set by the Metropolitan Water District (MWD) and the SDCWA. Wholesale costs are made up of a per - Acre Foot (AF) Wholesale Commodity Cost plus a per unit Fixed Priced Charge spread over the amount of wholesale water purchased, less a safety factor (10% in FY 18'-19 and 15% in 19'-20'), estimated to be purchased from the SDCWA in a given fiscal year. The SDCWA also imposes a fixed Infrastructure Access Charge (IAC) which is based on meter size and appears on the retail customer's monthly bill.

For FY 2018-2019, VCMWD meets the wholesale water and power purchase costs with a dedicated MWD / SDCWA Wholesale Cost Commodity Component and the Pump Zone Charge. The amount of costs incurred and revenue collected is variable based upon changes in weather or economic driven fluctuations in water demand.

Wholesale costs from MWD / SDCWA include:

Fixed Charges from MWD and SDCWA:

- **MWD Readiness to Serve Charge** – Allocation of MWD costs assigned to a fixed charge.
- **MWD Capacity Reservation Charge** – Capacity Allocation in the MWD system.
- **Customer Service Charge** – Admin, Conservation, Support Programs.
- **SDCWA Supply Reliability Charge** – Portion of the investment in Seawater Desalination Facility.
- **SDCWA Storage Charge** – Emergency Storage and Carry-over Storage.

As stated above, the total Fixed Charges from MWD and the SDCWA are spread over the amount of anticipated sales for a fiscal year, reduced by a safety factor.

Variable (Volumetric) Charges from SDCWA

- **Transportation Rate** – Cost associated with operating and maintaining the aqueducts.
- **Melded Supply Rate** – Composite of all SDCWA water sources.
- **Melded Treatment Rate** – Composite of all SDCWA treatment sources.

Amounts paid in these categories are based upon the volume of water VCMWD takes from the SDCWA. See the attached FY 2018-2019 Budget excerpt for a more detailed explanation of the various charges (See Attachment A).

- 2. Power Costs** – For FY 2018-2019, budgeted power costs from SDG&E (net of solar generation) of \$1,873,000 are recovered through a per-Hundred Cubic Foot (HCF / 748 Gallons) unit Pump Zone Charge which is based upon the relative elevations in 10 Pump Zones from “0” Pump Zone, no charge, to Pump Zone 10, currently \$369.82 per AF. Pump Station Operations, Maintenance and Replacement, as well as Solar Array Operations and Maintenance, are also recovered through the Pump Zone Charge.

- B. Locally Controlled Operations and Maintenance Costs** - Locally Controlled Operations and Maintenance Costs (O&M), \$12,381,500 for FY 2018-2019, represent 25% of VCMWD’s total Water General Fund Budget (including capital expenditures) of \$49,937,300, and 28% of VCMWD non-capital Water General Fund Budget of \$43,871,900. No readily identifiable portion of the Locally Controlled O&M costs are associated with the amount of water purchased and delivered by VCMWD to its retail customers in a given fiscal period. Costs for Employee Labor, Benefits, as well as Materials, Vehicle and Equipment Maintenance, State Regulatory License Fees, and Outside Professional Services for a given fiscal period occur based upon administrative, operations and maintenance demands, and do not vary with fluctuations in retail water deliveries. These costs will, over-time, increase with the number of service connections, customers and O&M needs of an aging water system, but for any given fiscal period, are fixed.

For FY 2018-2019, Locally Controlled Operations and Maintenance costs of \$12,381,500 are met with a combination of the Monthly Meter Service Charges, \$6,248,000, (50%), Local Commodity Component, \$5,182,400, (42%), Other Revenue, \$936,100, (7.6%), and Interest Income, \$114,900, (0.3%). For some time, VCMWD has had a policy goal of having at least 50% of the Locally Controlled Operating and Maintenance Costs covered by Monthly Meter Service charges.

Adopting a Policy of having all Locally Controlled Operations and Maintenance Costs covered by Operating Revenue with a 50%/50% split between Meter Service Charges and the Local Commodity Component, would require raising the Commodity portion of the water rate 18% to generate the \$951,500 gap in funding.

If this approach had been used in FY 2018-2019, \$936,600 in Other Income and \$15,000 of the total Investment Income, which are more variable and unpredictable sources of revenue, could have been used in the current fiscal year or rolled to the subsequent fiscal year period for other purposes such as cash, or "Paygo" Capital Improvement expenses.

On the other hand, it could be argued that all of the Locally Controlled Operations and Maintenance Costs are fixed and could be recovered entirely by the Monthly Meter Service Charges. If such a shift were made, Monthly Meter Service Charges would effectively have to double, with the current ¾" Monthly Meter Charge going from \$39.50 / Month to \$79.00 per month. At the same time, the Local Commodity Charge could be eliminated, reducing the current Total Commodity Rate from \$4.8573 (\$2,115.84/AF) to \$4.3238 (\$1,883.45), which is \$232.39 /AF, or 11%.

While this approach would provide the maximum level of revenue stability for VCMWD and would benefit large water users, smaller users would be facing a very high monthly service charge, with lessened ability to reduce overall water cost through conservation and water use efficiency.

Finally, there are any number of combinations in between which could be explored. However, with: declining per capita water demand; wholesale suppliers shifting to more fixed revenues; the fixed nature local operations and maintenance costs: and increasing CIP demands, it seems prudent to consider having a larger proportion of fixed revenues covering local operating costs.

- C. Monthly Meter Service Charges** - As stated above, 50% of the Locally Controlled Operations and Maintenance costs are funded by the revenue from the Monthly Meter Service Charges. What follows is an analysis of the Monthly Meter Charge structure and its revenue producing characteristics (See Attachment B):

- 1. Monthly Meters Charge Revenue by Meter Size Group** - Listed in the table below (L to R) are: Meter Size, Flow Unit, Flow Capacity Rating, Monthly Service Charge, Flow Rating Ratio to Monthly Meter Charge, and Extension reflecting the factoring of the Relative Flow Rating by the Base Unit Meter Service Charge.

Meter Size	Flow Unit	Capacity	Serv. Chrg.	Ratio/Base Chrg.	Extension
¾"(Base)	1	30 gpm	\$39.93	1.0/1	\$39.93
1"	1.5	45 gpm	\$54.55	1.36/1	\$59.90
1-1/2"	3.33	100 gpm	\$81.83	2.0/1	\$132.97
2"	5	150 gpm	\$109.10	2.77/1	\$199.65
3"	8.33	250 gpm	\$163.65	4.10/1	\$332.62

Accepting the ¾" meter as the base flow unit of 1, we can assess that the relative flow value of the 1" meters, which are primarily domestic meters, is generally reflected in the current Monthly Meter Service Charge. However, for the 1-½", 2" and 3" meters, the Monthly Meter Service Charge is not reflective of the relative flow ratings by as much as 100% of the current Monthly Meter Service Charge.

Staff assumes that this historical disparity between the Monthly Meter Service Charges and the relative Flow Ratings for the larger meters was founded upon the recognition then, that with larger volumes of water flowing through the larger meters the end users thus were supporting a larger proportion of VCMWD Operating and Maintenance costs, thus justifying a lower Monthly Meter Service Charge. When the District was delivering 40,000 to 45,000 AF per year to commercial agriculture through the 1-1/2", 2", and 3" meters, this assumption may have been valid. Under today's agricultural demand conditions, with VCMWD delivering 12,000 to 15,000, this assumption may no longer be valid. It should be tested and possibly re-evaluated. However, it is also clear that the flow capabilities of these large meters, as a collective group, are no longer being utilized to the degree it was when the agricultural deliveries were 3 and 4 fold than they are now. This question calls for additional analysis.

2. Monthly Meter Service Charge Revenues Proportion by Meter Size Group - The following table reflects the revenues produced by the groups of meter sizes in the District service area:

<u>Mtr. Sz.</u>	<u>Mtrs</u>	<u>Fl. Units</u>	<u>% Fl Units</u>	<u>Ann.Rev.(000's)</u>	<u>% Ann. Rev.</u>
¾"	6,248	6,248	44%	\$2,992	55%
1"	1,454	2,181	15%	\$ 952	17%
1-½"	493	1,645	12%	\$484	9%
2"	579	2,895	20%	\$758	14%
3"	<u>148</u>	<u>1,233</u>	<u>9%</u>	<u>\$294</u>	<u>5%</u>
Total	8,922	14,202	100%	\$5,480*	100%

*Does not include Monthly Meter Service Charge Revenue from Fire Meters and Large (6" & 8") Compound Meters.

This analysis shows that the ¾' meters and to a lesser degree, the 1" meters, are bearing a disproportionately larger share of the Monthly Meter Service Charge revenue burden, compared to the 1-½", 2" and 3" meters. If the Monthly Meter Service Charge revenue is evaluated by itself, it might be necessary to make some adjustments to the current charge structure. However, prior to reaching any conclusions, the relationship between Meter Size groups and Local Commodity Revenue generation should be analyzed.

3. **Commodity Revenues by Year by Meter Size Group** – Another way to approach the question of revenue/cost equity between different segments of the customer base is to analyze the proportion of Local Commodity Revenue coming from the different meter size segments:

<u>Meter Size</u>	<u>% of Flow Units</u>	<u>Local Commodity Rev.(000's)</u>	<u>% of total</u>
¾"	44%	\$856	19%
1"	15%	\$368	8%
1-½"	12%	\$458	10%
2"	20%	\$1,402	30%
3"	<u>9%</u>	<u>\$1,549</u>	<u>34%</u>
Total	100%	\$4,633*	100%

*Does not include revenue from large compound meters, reclaimed water sale, construction or fire meters

When analyzed from the perspective Local Commodity revenue, the relationship between meter size group and Local Commodity Revenue generation reverses.

4. **Combined Meter Service Charge and Commodity Revenue by Meter Size Group**- When both Monthly Meter Service Charge Revenues and Local Commodity Revenue are combined:

<u>Meter Size.</u>	<u>%Flow Units</u>	<u>Mtr. Serv Chrg Rev</u>	<u>Local Com Rev</u>	<u>Total</u>	<u>% Total Rev.</u>
¾"	44%	\$2,992	\$856	\$3,857	38%
1"	15%	\$952	\$368	\$1,320	13%
1-1/2"	12%	\$484	\$458	\$942	9%
2"	20%	\$758	\$1,402	\$2,160	22%
3"	<u>9%</u>	<u>\$294</u>	<u>\$1,549</u>	<u>\$1,843</u>	<u>18%</u>
Totals	100%	\$5,480	\$4,633	\$10,113	100%

Overall Analysis – When revenues from Monthly Meter Service Charges are balanced with Local Commodity Revenue by meter size group, except for the 3" meter size group, the segments are fairly well balanced and do not necessarily require correction. With the 3" group, it should be recognized that meters in this group also provide the customers with the ability and operational advantage to take peak flows of up to 250

gpm. 3" meters also are more expensive for the District to maintain and ultimately replace overtime.

- 5. Monthly Meter Service Charges for Inactive and/or locked off Meters** – The District currently does not charge a Monthly Meter Service Charge for inactive and/or locked off meters. Policy regarding inactive meters varies widely between water agencies, ranging from no charge for inactive or locked off meters to 25% - 80% of the regular monthly meter service charge up to charging the full regular monthly meter service charge.

The justification for charging any amount for inactive 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 a year, regardless of how much water is used. Furthermore, that the portion of total fixed costs which do not vary with consumption should be covered by each party who benefits from the District's readiness to serve. Having ready access to reliable water service is a major component of, and contributor to the value of any property, and therefore brings some benefit to the property owner.

If we can accept that the contribution to overall demand depends on the meter size, not the amount of water actually delivered, then the idea of charging the regular monthly meter service charge to all meters, inactive and/or locked off or not, does seem reasonable.

The District currently has a total of 862 inactive water accounts:

<u>Customer Type</u>	<u>No. of Meters</u>
Agricultural (TSAWR)	78
Domestic (M&I)	683
<u>Fire</u>	<u>119</u>
Total	862

The following table reflects the monthly and annual revenues that could potentially be generated if the District charged the full regular meter service charge for inactive and/or locked off meters

	No. of Meters	Serv. Chrg.	Monthly Rev.	Annual Rev.
Mtr. Sz.				
¾"	291	\$39.93	\$11,620	\$139,440
1"	272	\$54.55	\$14,838	\$178,056
1 ½"	82	\$81.83	\$ 6,710	\$ 80,520
2"	151	\$109.10	\$16,474	\$197,688
3"	66	\$163.65	\$10,801	\$129,612
TOTAL	862		\$60,443	\$725,316

Analysis - Implementing a full regular meter service charge for inactive and/or locked off meters would present some challenges. The first would be differentiating between a temporary discontinuance of water service and a permanent discontinuance of service.

Temporary Discontinuance of service would involve the owner acknowledging that all outstanding charges are up to date including meter removal charges and that all monthly meter service charges and other fixed charges will continue to accrue, with interest and penalties if unpaid. Furthermore that they will pay all such accrued charges, turn-on fee, reconnection charges and any required backflow prevention device charges prior to water service being restored to the property.

Permanent Discontinuance of service would involve the owner acknowledging that all outstanding charges are up to date including meter removal charges and basically forfeiting their current capacity to the system. Meaning that if in the future the owner, or any subsequent owner of the property later desired to obtain water, the service would be subject to all requirements that would be imposed if the property had never before had water service from the District, including the imposition of Meter Installation charge, a charge for the backflow prevention device, a Meter Connection Fee, and a San Diego County Water Authority Capacity charge.

Implementation Issues - Locating the owners in order to have them agree to one or the other would be challenging in several ways, first being that many of those meters have been inactive for a very long time without having had to acknowledge anything in writing. Tracking ownership may prove to be very difficult, although the District is able to cross reference with County records.

If the District were to put this policy in place, and the owner who agreed to a temporary discontinuance but then never paid the monthly service charges, would be treated the same as all other customers, with first a lien being filed against the property and eventually the amount being added to the property tax roll.

From time to time, staff has evaluated proposing such a charge but has not brought it forward due to implementation challenges and concern for the impact on commercial agriculture in the District service area. It would be the opportune time to evaluate this possibility while other aspects of the rate and charge structure are being evaluated.

D. Other Sources of District Revenue – Beyond the two revenue sources discussed above, the District has several “non-operating” revenue sources, which include:

- 1. Ad Valorem Property Tax –** For FY 2018 -2019, VCMWD budgeted for \$2,375,000 in Ad Valorem Property Taxes. The amount received includes the current secured, current unsecured, prior unsecured, and Homeowners PTR.

In the early years of its existence initially all and then a the majority of VCMWD’s revenue came from the Ad Valorem Property Tax until a water system was in place and annual water sales revenue began to grow. These taxes were also levied to pay off voter approved General Obligation Bonds issued in the 1950’s and 1960’s to construct the original back-bone water system, (most of which is still in service today), as well as Ad Valorem Property Tax used to support VCMWD operations while the water system was being built and annual water sales were building. Today, the remainder of the Ad Valorem Tax represents 5.5% of VCMWD’s overall revenues.

The term “remainder” is important as the amount of Ad Valorem Property Tax coming to the District has been reduced dramatically, first by Proposition 13 in the late 1970’s and then by three state ERAF (Educational Revenue Augmentation Fund) shifts in the early 1990’s and 2000’s which took locally generated property tax from cities, counties and special districts to fund state budget obligations to education. Without these shifts, VCMWD could be collecting in excess of \$6.7 million in Ad Valorem Property Tax to offset the Local Operational Costs (See Attachment C). This \$4.3 million in lost Ad Valorem Property Tax equates to \$216 /AF based upon 20,000 AF of sales, or 93% of our current Local Commodity Charge of \$232.39 / AF.

Increases (or decreases) in the annual Ad Valorem Property Tax Revenue are based upon changes in the Assessed Valuation of properties in the VCMWD Service.

- 2. Water Availability / Standby Charges –** The Municipal Water District Act (Ca Water Code, Division 20) allows VCMWD to levy an annual \$10/acre, \$10/parcel Water Standby/Water Availability Charge on the lands within the District. This levy generates \$582,000 in net revenue after the \$14,000 in annual deferrals on properties which anticipate never using VCMWD supplied water. (As a side note, if a Deferred Property

later decides to access the VCMWD system, it pays back prior levies which have been deferred plus compounded interest and a 10% surcharge on the deferred amount). It has been the practice of VCMWD to utilize these Water Availability/Standby Charge revenues for CIP expenditures.

3. **“Other Revenues”** – For the FY 2018-2019 Budget, “Other Revenues” include funds from a number of sources: Investment Income (\$455,000); Delinquency Penalties/Reconnection Fees (\$391,000); Communications Leases (\$332,800); Backflow Device Testing and Repair (\$175,000); Sale of Surplus Equipment (\$20,000) and eight other miscellaneous categories filling out the balance of the \$1,391,600 in anticipated “Other Revenue.” These revenues are combined with other Water General Fund revenues, with any annual surplus rolled over into the reserve categories as per the VCMWD Reserve Policy (Admin. Code, Article 50).

III. Water Capital Improvement Funding

A. Historical Water CIP Funding - Over VCMWD’s 65 years of existence there have been several distinct phases of Capital Improvement Funding:

1. **1950’s and 1960’s** – In the early years, VCMWD used a series of voter-approved General Obligation Bond (GOB) issues to build the initial “Backbone” system of aqueduct connections, pumping stations and reservoirs. Due to the primarily undeveloped nature of the service area and resulting low assessed valuation, VCMWD had to seek special Congressional approval to issue debt which exceeded the assessed valuation of the service area.

Also during this period, VCMWD formed 11 “U” Districts (Unimproved Area Districts) which provided the financing to build the distribution systems fed by the GOB-financed Backbone System. The “U” District assessments were added to the already heavy financial burden of GOB assessments.

All General Obligation and “U” District debt has been resolved.

2. **1970’s** – With a reliable source of imported water, relative low land prices and urbanization displacing agriculture in LA and Orange Counties, VCMWD (and all of North San Diego County) experienced rapid agricultural expansion which quickly outstripped the capacity of its existing water system. Expanding water needs were met by peaking control measures (limiting meter size based on parcel size) and accessing low interest rate loans through the Bureau of Reclamation 984 Program to construct more capital facilities, including enlarged pumping, storage, and pipeline capacity. This source was used to build Lake Turner, expand Betsworth Pumping Station, install the 42”/39” Cross District Feeder Line and to construct the 57 million gallon (mg) Cool Valley Reservoir, as well as many other smaller projects.

3. **1980's, 1990's and 2000's** - In this period, the rate of agricultural expansion slowed but there were still improvements needed to increase water service quality and system efficiency. The 1980's saw VCMWD CIP funding transition to using a State Revolving Fund (SRF) Safe Drinking Water Loan to build the San Gabriel area storage, pumping and distribution improvements and cash, or "Pay Go" financing. "Paygo" became the only source of CIP financing in the 1990's and 2,000's, with the focus on continuing to make system reliability and efficiency improvements (storage, dead-end looping, pump and pump station upgrades) and replacing some of the infrastructure installed in the 1950's and 60's.
4. **2010 to Today** – Presently, the entire CIP focus is on replacement of pipelines and refurbishing existing reservoirs and pump stations. New infill infrastructure will be provided by the anticipated new development as required. Rapidly increasing water prices and declining water sales have suppressed cash generation which previously came with selling 45,000 to 50,000 AF per year. During the period of large water sales volumes, CIP was funded from a variable combination of Water Standby / Availability Fees, Ad Valorem Property Tax; current FY anticipated available cash, and capacity fees. Budgeted CIP expenses above these funding sources would be met by draws on dedicated CIP Reserves, which represented an accumulation of carry over cash from the prior fiscal year. In essence, CIP financing and expenditures had been a year to year proposition, counting on large sales volumes as a significant source of CIP funding.

However, that era has passed and it is anticipated that water sales will stay at the current level or trend upward slightly over time but will never return the levels seen in the middle to late 2000's. In this era of diminished water sales and revenue future uncertainty, cash preservation for agency financial stability has increased in importance. Helping to facilitate cash preservation has been the pursuit and securing of State of California State Revolving Fund (SRF) loans under the Safe Drinking Water Program. \$4.2 million was secured for the Cool Valley Reservoir Cover Replacement Project. Currently an application has been made for \$10.0M in new Safe Drinking Water SRF funding for 11 pipeline replacement projects. SRF loans provide very low interest rates (1.6%), 20-year amortization and no issuance or underwriting costs.

- B. CIP Funding Approach Going Forward** - In early 2019, the Board adopted the updated "Water Master Plan." This document focused on identifying and prioritizing the CIP replacement, refurbishment and upgrading requirements for pipelines, reservoirs and pump station over the next 20 years at an estimated cost of \$78M (in 2019 dollars). For the first five years of the program \$24.2M in needed priority investments were identified, for an average investment of \$4.8M each year. Meeting this pace of CIP investment for the first five years and beyond will require a more deliberate approach to annual CIP funding than has been used in the past.

For this discussion, it is assumed that VCMWD's annual Local Commodity Rate and Monthly Meter Service Charge revenues will be adjusted and maintained to meet the annual operations related costs. If this is realized, then the annual Ad Valorem Property Tax and

Water Availability / Standby revenues could be formally committed to funding annual CIP investment, either directly on a cash or "Paygo" basis or leveraged to pay annual debt service on financed CIP. Current Ad Valorem Property Tax and Water Standby / Availability Charge revenue of \$2.8 will not allow the District to meet the average annual CIP investment goal of \$4.8 million and other sources of investment funding will be required.

As mentioned above, VCMWD has made an SRF loan application for \$10M. At 1.6% interest over a 20-year amortization period, the annual debt service on \$10.0M would be \$840,000. This, added to the current SRF obligation of \$353,000 for the Cool Valley Reservoir Cover Project loan of \$4.2M, results in a total SRF obligation of \$1.2M out of the \$2.8M available annual Ad Valorem Property Tax and Water Availability / Standby revenue, leaving \$1.6 million for cash, or Paygo, or additional leverage financing. \$1.2M of this \$1.6M could ostensibly be used to finance another \$14.0M in SRF loans, for a total of \$24.0 million in leveraged financing, meeting the total estimated investment requirement for the first five years of the CIP investment plan. \$400,000 annually will still be left over for cash, or further leverage investment. There are currently other cash sources to assist in offsetting these costs, including:

Existing Cash Sources:

Capacity Charges Reserve*	\$858,000
Continuing Projects (included in the Updated CIP)*	\$3, 144,000
Capital Improvement Reserve*	<u>\$8,899,000</u>
Sub-Total	\$12,901,000
Anticipated Sources	
Meter Capacity Fees - 5 years – 2,500 EDU's @ \$4,731	<u>\$11,827,000</u>
Grand Total	\$24,778,000

*See Attachment D

These cash funds can be used to offset the anticipated CIP investment costs of \$19.367M in years 6-10, and then to partially offset the \$34.101M investment costs in CIP Plan years 11-20. Beyond the next five years, it is anticipated that VCMWD will continue to accumulate Capacity Fees from another 2,500 to 3,000 EDUs (\$12.0 to \$14.0M at current rates) and other revenues over year 6-10 to meet its long-term CIP investment requirements.

There are also a number of cash and leverage financing scenarios which can, and will be explored to maximize the investment leverage of VCMWD's financial resources in the upcoming **Long-Range Financial Plan** currently under development. However, the key to successfully meeting VCMWD's long-term CIP investment requirements is having operational revenues which fully cover the annual operating costs leaving the annual Ad Valorem Water Tax and Water Availability / Standby revenue dedicated to supporting the CIP investment.

IV. Lower Moosa Canyon Water Reclamation Facility

- A. History** - The oldest of VCMWD's water reclamation systems, the Lower Moosa Canyon Water Reclamation Facility ("Moosa") serves 2,470 active accounts in the Hidden Meadows, Rimrock, Lawrence Welk Village, Champaign Village, Castle Creek Villas, Circle R, Treasures, Islands and the Oak Woodlands developments/communities. Constructed in the early 1970's, Moosa replaced several smaller, "packaged plants" with a more modern, efficient treatment and disposal system. Currently processing 340,000 to 350,000 gallons per day, the facility treats the waste to advanced secondary standards with post-chlorination and discharges through down-stream percolation. Moosa has gone through a number of upgrades over the years to improve treatment quality and operational efficiency, garnering it the state's Small Treatment Plant of Year Award in 2013 from the California Water Environment Association (CWEA).

Moosa (as with the Woods Valley Ranch Water Reclamation Facility) is funded and accounted for as independent, stand-alone operations, not supported by the Water General Fund, and are in fact allocated an administrative overhead burden from the Water General Fund.

- B. Current Operational Funding** - Moosa's Operations, Maintenance and Capital replacement costs are funded by a flat \$56.45 per EDU charge on the monthly water bill to cover treatment and collection system costs, set each year by the Board of Directors based upon a set contribution to a Capital Replacement Fund and then the anticipated Operations and Maintenance Costs for the given fiscal year. There is also an additional \$46.58 per month Low Pressure System Charge for customers utilizing the low pressure collection system in the Rimrock Development. Revenues from this charge are used to partially offset the cost for maintaining and replacing the low pressure pumping units in the Rimrock Service Area.
- C. Current CIP Funding** - For CIP investment, there are currently two sources of funding. One is the annual contribution from general revenues to the Capital Replacement Fund and Moosa Wastewater Capacity Charges for new wastewater connections of \$8,935/per EDU, as well as various other capacity reservation, inspection fees.

Currently, the annual contribution to the Capital Replacement Reserve is \$337,000, and is based upon the annual depreciation of the plant. At this time, the Capital Replacement Reserve balance is \$1,276,000. Over the years, this fund has been adequate to fund plant minor enhancements and upgrades to the treatment plant.

- D. Future CIP Funding** - Currently Moosa is the subject of a Facility Master Plan Update and an ongoing Bureau of Reclamation Feasibility Study to review alternative treatment and disposal options. The Master Plan Update is focused on what needs to be done facility-wise to upgrade the treatment process to tertiary and expand the treatment capacity from .44 mgd to 1.0 mgd; the original anticipated capacity. The Bureau feasibility study is examining various disposal alternatives to accommodate the expanded capacity, up to and including demineralization to facilitate indirect and direct potable re-use. These studies are necessary

to determine how to accommodate wastewater flows coming from the Lilac Hills and potentially the Meadowood Developments. These potential changes and impacts will have a significant impact on Moosa physical facilities in terms of new and upgraded plant, operations and maintenance costs. This will mandate a full review of rates, charges and funds contributed to the Capital Replacement Reserve.

V. Wood Valley Ranch Water Reclamation Facility

- A. History** - In operation since the mid-2000s, the Woods Valley Ranch Water Reclamation Facility serves residential and commercial customers in the planning areas known as the North and South Villages. The 75,000 gpd Phase I facility was built to serve 280 EDUs at the Woods Valley Ranch Residential and Golf Course Development. Phase 2, which included construction of a 200,000 gpd treatment capacity expansion, collection system and seasonal storage reservoir to serve an additional 1,080 EDUs, is near final completion with the North Village Collection system under construction. Finally, initial discussions are underway for a Phase III expansion to serve additional needed EDUs in several large residential and commercial developments slated for the North and South Villages.
- B. Current Operational Funding** - In terms of ongoing facility operations and maintenance, currently connected EDUs in both Phase I and Phase II pay \$98.60 per month, with charges applied to annual Ad Valorem Property Tax bill for each property in the facility service areas. Phase II EDUs, which have been secured through an Assessment District process but not connected, are billed a standby fee representing ½ the charge for actual services. The improving economy of scale associated with the growing number of EDUs and Standby Revenues coming into the system, combined with energy saving operational changes, have tended to offset the annual increases in operational costs experienced at Woods Valley Ranch. As such, the current monthly service charges have been held static since the mid-2000s.
- C. Current CIP Funding** - EDUs in Phases I and II are assessed for the debt service obligation to repay the State of California Revolving Fund Loan used to finance the Phase I and Phase II capital improvements.
- D. Future CIP Funding** - A portion of the annual revenues, \$102,600, have been set aside annually into Capital Replacement Reserve, based upon the anticipated 20-year life cycle amortization of the treatment plant. The adequacy of these revenues and the annual Capital Replacement Reserve contribution will continue to be monitored on an ongoing basis and adjusted accordingly in future fiscal year periods. Any future major capital expansion of the Woods Valley Ranch, such as Phase III, will be funded by those properties needing the additional capacity using a District approved debt instrument secured through a land based assessment (an Assessment District or a Community Facilities District (CFD)).

Attachments

ATTACHMENT A

VCMWD

Source of Supply Budget Summary
Fiscal Year 2018-2019

Source of Supply 01-04-41-50XXX

Acct. No.	Detail and Justification	Department Request
321	<div> <div>Water Supply Charge</div> <div> <div> <div>Jul to Dec</div> <div>Jan to Jun</div> </div> <div> <div>To MWD & CWA -</div> <div>Expected purchases in AF</div> <div>Expected purchases in \$</div> </div> <div> <div>1,194.00</div> <div>12,538</div> <div>14,970,627</div> </div> <div> <div>1,185.00</div> <div>8,742</div> <div>10,359,012</div> </div> </div> </div>	25,329,639
368	<div> <div>Water Delivery Charge</div> <div> <div> <div>To MWD & CWA -</div> <div>Expected purchases in AF</div> <div>Expected purchases in \$</div> </div> <div> <div>115.00</div> <div>12,538</div> <div>1,441,895</div> </div> <div> <div>120.00</div> <div>8,742</div> <div>1,049,014</div> </div> </div> </div>	2,490,908
369	<div> <div>Agricultural Rebate - CWA</div> <div> <div> <div>Ag Discount Rate</div> <div>Estimated Ag purchases in AF</div> </div> <div> <div>(199.00)</div> <div>8,706</div> <div>(1,732,522)</div> </div> <div> <div>(178.00)</div> <div>6,402</div> <div>(1,139,599)</div> </div> </div> </div>	(2,872,121)
186	Ready to Serve Charge	484,993
081	Infrastructure Access Charge	531,720
394	<div>Capacity Reservation Charge - MWD</div> <div>This charge is levied to recover the cost of providing peak capacity within the distribution system. It is based on a five-year rolling average of member agency flows during coincident peak weeks.</div>	515,153

Source of Supply 01-04-41-50XXX

Acct. No.	Detail and Justification	Department Request									
397	Customer Service Charge - CWA This charge is based on a three-year rolling average of all deliveries. It is levied to recover estimated costs necessary to support the functioning of the Authority, to develop policies and implement programs that benefit the region.	1,277,854									
399	Emergency Storage Charge - CWA This charge is based on a three-year rolling average of non-agricultural deliveries. It is levied to recover costs associated with the Emergency Storage Program.	1,175,645									
337	Supply Reliability Charge - CWA	574,695									
045	Utilities - Electrical	1,367,300									
047	Utilities - Natural Gas Utilities are based on sale of 20,000 A.F. and purchase of 21,280 A.F. @ \$99 per A.F.	505,700									
	<table> <tr> <td>Electric</td><td>73%</td><td>1,367,300</td></tr> <tr> <td>Natural Gas</td><td>27%</td><td>505,700</td></tr> <tr> <td>Total</td><td></td><td><u>1,873,000</u></td></tr> </table>	Electric	73%	1,367,300	Natural Gas	27%	505,700	Total		<u>1,873,000</u>	
Electric	73%	1,367,300									
Natural Gas	27%	505,700									
Total		<u>1,873,000</u>									

VALLEY CENTER MUNICIPAL WATER DISTRICT

Schedule of Rates

ATTACHMENT B

Water Rates							
Effective Billing of 2/1/2018							
All rates shown are per 100 cubic feet (HCF)							
Water Rate Components	Domestic/ Commercial	SAWR Agric.	SAWR Ag/Dom		WVR	Construction	
			1st 26 HCF	Over 26 HCF	Reclaimed	Potable	Nonpotable
					effective 2/1/17		
Valley Center MWD	0.5335	0.5335	0.5335	0.5335	2.4287	0.5335	3.6430
MWD/SDCWA wholesale	4.3238	3.0299	4.3238	3.0299		4.3238	
Total commodity rate	4.8573	3.5634	4.8573	3.5634	2.4287	4.8573	3.6430
Price per Ac. Ft.	\$2,115.84	\$1,552.22	Total= 1,585.86				
NOTE: - The Water Rates above DO NOT include Pumping Rates or VCMWD and CWA service charges. Be sure to add these when calculating the cost of water.							
-MWD= Metropolitan Water District of So. Cal. SDCWA= San Diego County Water Authority.							
Pumping Rates				Water Service Charge			
Effective Billing of 2/1/18				Effective Billing of 2/1/2017			
Zone	Rate	Price per Acre Foot	Lift (in feet)	Size	Monthly Charge	Fire Meter Charge	Monthly Charge
0	\$0.00000	\$0.00	0	3/4"	\$39.93	\$8.75	\$109.10
1	0.09500	41.38	125	1"	\$54.55	\$12.25	\$163.65
2	0.18995	82.74	265	1-1/2"	\$81.83	Constr	\$163.65
3	0.21073	91.79	300	SDCWA Infrastructure Charge			
4	0.31470	137.08	455	Effective Billing of 2/1/2018			
5	0.46158	201.06	665	Size	Monthly Charge	Size	Monthly Charge
6	0.51489	224.29	745	3/4"	\$3.01	2"	\$15.65
7	0.54603	237.85	785	1"	\$4.82	3"	\$28.90
8	0.61887	269.58	895	1-1/2"	\$9.03		
9	0.64100	279.22	925	Wastewater Service Charge			
10	0.84900	369.82	1235	Effective Billing of 2/1/2018			
Water Equivalents				(A) Moosa-Gravity: \$56.45 per month			
HCF = 100 cu. ft.		100 cu. ft. = 748 gals.		(E) Moosa-Pressure: \$103.03 per month			
1 ac. ft. = 43,560 cu. ft.		1 ac. ft. = 325,830 gals.		(G) Woods Valley Ranch (prop tax bill) \$98.60 per month			

General Information:

Bills are issued once a month to cover the preceding month. Bills unpaid 20 days after billing date are delinquent and shall incur a delinquent penalty of 10% the first month and 1.5% per month thereafter. If payment is not received within 45 days after billing date, the meter may be shut off without further notice. A service charge of \$45.00 plus any other bills must be paid before resumption of service following lock off for non-payment. Customer is responsible for all delays in our receiving payment.

Turn-On Charge \$35.00; after 3:30 p.m. daily or on weekends or holidays a \$35.00 surcharge will be added to any other applicable turn-on fees.

Transfer of Service Fee \$10.00 per meter transferred.

Backflow Inspection Fee \$45.00/Fire Meter \$30.00.

Office Phone Or After Hours Emergencies: (760) 735-4500 Finance (760)735-4502 Fax : (760) 749-2931

Telecommunications Device for the Deaf TDD: (760) 749-2665

Office Hours: 7:00am - 4:30pm Monday - Thursday 7:30am to 4:00pm Friday

E-Mail: vcwater@vcmwd.org

June 18, 2018

TO: Honorable President and Board of Directors

FROM: Gary T. Arant, General Manager

SUBJECT: RESOLUTION TO ESTABLISH APPROPRIATION LIMIT FOR 2018-2019

PURPOSE:

Board adoption of Resolution No. 2018-12 establishing the appropriation limit for proceeds from taxes is required by Section 7910 of the Government Code and Article XIIIB of the State Constitution (Gann Amendment).

SUMMARY:

In November, 1979, the voters of California approved the addition of Article XIIIB to the State Constitution. This amendment provided a maximum annual percentage that proceeds of taxes could increase. The impact of this legislation is most felt by cities and agencies that exist almost entirely on proceeds of taxes of one sort or another. The District's revenues consist primarily of water and wastewater charges, with less than 5% from general property taxes. We do have to comply with the legislation by establishing an appropriations limit for the amount we do receive from property taxes. Our estimated property tax collections are less than half the appropriation limit, and if actual tax collections ever exceeded this limit, refund of the excess would have to be made.

Under Proposition 111, the method of calculating the annual appropriation limit was revised, effective July 1, 1990. The California Constitution specifies that the appropriation limit may increase annually by a factor comprised of the change in population combined with either the change in California per capita personal income or the change in the local assessment role due to local nonresidential construction. The appropriation limit method recommended for adoption uses the highest of the options available to maximize our limit for 2018-2019.

Government Code Section 7910 also requires a 15 day period for our calculations to be available to the public for their review, if desired. The attached Public Notice was posted May 31, 2018, in compliance with this requirement.

RECOMMENDATION:

That Resolution No. 2018-12 be adopted to establish the appropriation limit for 2018-2019 as \$6,766,280.

PREPARED BY:


James V. Bugh
Director of Finance

APPROVED BY:


Gary T. Arant
General Manager

RESOLUTION NO. 2018-12

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY
CENTER MUNICIPAL WATER DISTRICT TO ESTABLISH THE
APPROPRIATION LIMIT FOR THE 2018-2019 FISCAL YEAR**

WHEREAS, effective July 1, 1980, Article XIII B of the California Constitution took effect limiting the appropriations of certain state and local agencies; and

WHEREAS, effective July 1, 1990, Article XIII B of the California Constitution was amended; and

WHEREAS, the Legislature has adopted Government Code Sections 7900 through 7914 setting forth procedures to be followed by affected local agencies in fixing and determining their appropriation limit; and

WHEREAS, pursuant to said Government Code sections, the County of San Diego and the State of California Department of Finance have supplied the District with data regarding changes in population, cost of living, per capita income, nonresidential new construction, and local assessment roll for use in determining its appropriation limit; and

WHEREAS, the District had a tax rate in excess of 12.5 cents per \$100 of assessed valuation during the 1977-78 fiscal year, and, therefore, is subject to the provisions of Article XIII B and implementing legislation; and

WHEREAS, the Government Code Section 7910 requires that each year the governing body of the District, by resolution, establish its appropriation limit for the following fiscal year; and

WHEREAS, the Government Code Section 7901 requires the governing body of the District, annually by resolution, to select the basis for its change in population as defined in that section; and

WHEREAS, Section 8(e)(2) of Article XIII B of the Constitution requires the Board to select the method of determining "change in the cost of living" as defined in that section; and

WHEREAS, at least 15 days prior to the meeting at which this resolution was adopted, the documentation used in the determination of the appropriation limit was made available to the public at the offices of the District; and

WHEREAS, the Board has fully considered said laws, the revenues and expenditures of the District during the relevant years, the data received from the State of California Department of Finance, the reports and recommendations of staff, and the opinions of counsel;

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Valley Center Municipal Water District as follows:

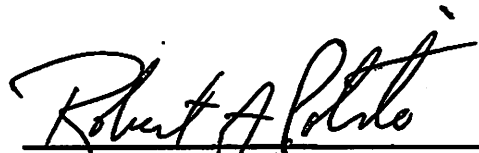
1. That the foregoing facts are true and correct.
2. That the appropriation limit for the 2017-18 fiscal year was \$6,465,628, and that the proceeds of taxes to be received in that year, in the amount of approximately \$2,242,400, did not exceed that appropriation limit.
3. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in the California per capita personal income from the preceding year or the change in the local assessment roll from the preceding year due to the addition of local new nonresidential construction, whichever is greater.
4. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in population for San Diego County or for the unincorporated portion of San Diego County, whichever is greater, as provided by the State of California Department of Finance.
5. That pursuant to Article XIIIB, as amended, and Section 7910 of the Government Code, as amended, the appropriation limit for Valley Center Municipal Water District for the 2018-2019 fiscal year is established at \$6,766,280.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of VALLEY CENTER MUNICIPAL WATER DISTRICT held the 18th day of June, 2018, by the following vote, to wit;

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

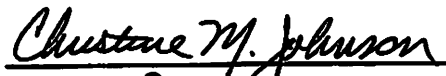
NOES: None

ABSENT: None



President

ATTEST:



Secretary

PUBLIC NOTICE

In accordance with Government Code Section 7910, notice is hereby given that on June 18, 2018, at 2:00 P.M. at 29300 Valley Center Road, the Board of Directors will, by resolution, establish the District's 2018-19 appropriation limit pursuant to Article XIII B of the State Constitution as amended by Proposition 111 effective July 1, 1990. The appropriation limit for 2018-19 is to be set at \$6,766,280 and was calculated as set forth below. Documentation of the computation is available in the office of the Director of Finance of the District at the above address.

<u>Fiscal Year</u>	<u>Price Increases (1)</u>	<u>Population Increases</u>	<u>Appropriation Limit</u>
Proceeds of Taxes Base Year			
1986-87			\$855,392
Annual adjustment factors:			
1987-88	12.54% (b)	5.83%	\$1,018,772
1988-89	15.56% (b)	6.09%	\$1,249,014
1989-90	7.21% (b)	5.63%	\$1,414,508
1990-91	7.96% (b)	5.83%	\$1,616,075
1991-92	4.14% (a)	5.24%	\$1,771,218
1992-93	2.75% (b)	4.04%	\$1,893,432
1993-94	2.72% (b)	2.95%	\$2,002,304
1994-95	0.71% (a)	1.42%	\$2,045,153
1995-96	4.72% (a)	1.55%	\$2,174,816
1996-97	4.67% (a)	1.19%	\$2,303,565
1997-98	4.67% (a)	1.46%	\$2,446,386
1998-99	4.15% (a)	2.63%	\$2,614,942
1999-00	4.53% (a)	2.17%	\$2,792,758
2000-01	4.91% (a)	2.33%	\$2,998,026
2001-02	7.82% (a)	1.96%	\$3,295,730
2002-03	0.06% (b)	1.80%	\$3,357,031
2003-04	2.31% (a)	1.77%	\$3,495,341
2004-05	3.28% (a)	1.73%	\$3,672,555
2005-06	5.26% (a)	1.27%	\$3,914,944
2006-07	3.96% (a)	0.94%	\$4,108,342
2007-08	4.42% (a)	2.00%	\$4,375,795
2008-09	4.29% (a)	1.43%	\$4,628,716
2009-10	0.62% (a)	1.32%	\$4,718,976
2010-11	-0.37% (b)	1.52%	\$4,772,772
2011-12	2.51% (a)	0.72%	\$4,927,887
2012-13	3.77% (a)	0.92%	\$5,160,483
2013-14	5.12% (a)	0.80%	\$5,468,048
2014-15	-0.23% (b)	1.23%	\$5,522,728
2015-16	3.82% (a)	1.48%	\$5,818,746
2016-17	5.37% (a)	0.78%	\$6,178,926
2017-18	3.69% (a)	0.92%	\$6,465,628
2018-19	3.67% (a)	0.95%	\$6,766,280

Posted May 31, 2018


James V. Pugh, Director of Finance
Valley Center Municipal Water District

- (1) A California governmental unit may increase its appropriation limit by either
(a) the annual percentage increase in California fourth quarter per capita personal income, or
(b) the percentage increase in the local assessment roll from the preceding year due to the addition of local non-residential construction, whichever is greater.

RESERVE BALANCES JUNE 30, 2018

Water -

Capacity Charges	858,181	
Capital Improvements	8,898,752	
Continuing Projects	3,143,847	
Debt Service	198,302	
Operating Reserve	5,636,853	
Rate Stabilization	<u>608,352</u>	
		19,344,287

Moosa -

Capacity Charges	501,146	
Continuing Projects	1,265,805	
Replacement Reserve	<u>1,276,560</u>	
		3,043,511

Woods Valley Expansion -

Continuing Projects	6,378,548	
Debt Service	1,542,388	
Operating Reserve	<u>2,039,632</u>	
		9,960,568

Woods Valley Wastewater -

Continuing Projects	724,004	
Operating Reserve	351,212	
Replacement Reserve	<u>293,173</u>	
		<u>1,368,389</u>

Total Reserves

33,716,755

June 18, 2018

TO: Honorable President and Board of Directors

FROM: Gary T. Arant, General Manager

SUBJECT: RESOLUTION TO ESTABLISH APPROPRIATION LIMIT FOR 2018-2019

PURPOSE:

Board adoption of Resolution No. 2018-12 establishing the appropriation limit for proceeds from taxes is required by Section 7910 of the Government Code and Article XIIIB of the State Constitution (Gann Amendment).

SUMMARY:

In November, 1979, the voters of California approved the addition of Article XIIIB to the State Constitution. This amendment provided a maximum annual percentage that proceeds of taxes could increase. The impact of this legislation is most felt by cities and agencies that exist almost entirely on proceeds of taxes of one sort or another. The District's revenues consist primarily of water and wastewater charges, with less than 5% from general property taxes. We do have to comply with the legislation by establishing an appropriations limit for the amount we do receive from property taxes. Our estimated property tax collections are less than half the appropriation limit, and if actual tax collections ever exceeded this limit, refund of the excess would have to be made.

Under Proposition 111, the method of calculating the annual appropriation limit was revised, effective July 1, 1990. The California Constitution specifies that the appropriation limit may increase annually by a factor comprised of the change in population combined with either the change in California per capita personal income or the change in the local assessment role due to local nonresidential construction. The appropriation limit method recommended for adoption uses the highest of the options available to maximize our limit for 2018-2019.

Government Code Section 7910 also requires a 15 day period for our calculations to be available to the public for their review, if desired. The attached Public Notice was posted May 31, 2018, in compliance with this requirement.

RECOMMENDATION:

That Resolution No. 2018-12 be adopted to establish the appropriation limit for 2018-2019 as \$6,766,280.

PREPARED BY:


James V. Bugh
Director of Finance

APPROVED BY:


Gary T. Arant
General Manager

RESOLUTION NO. 2018-12

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY
CENTER MUNICIPAL WATER DISTRICT TO ESTABLISH THE
APPROPRIATION LIMIT FOR THE 2018-2019 FISCAL YEAR**

WHEREAS, effective July 1, 1980, Article XIII B of the California Constitution took effect limiting the appropriations of certain state and local agencies; and

WHEREAS, effective July 1, 1990, Article XIII B of the California Constitution was amended; and

WHEREAS, the Legislature has adopted Government Code Sections 7900 through 7914 setting forth procedures to be followed by affected local agencies in fixing and determining their appropriation limit; and

WHEREAS, pursuant to said Government Code sections, the County of San Diego and the State of California Department of Finance have supplied the District with data regarding changes in population, cost of living, per capita income, nonresidential new construction, and local assessment roll for use in determining its appropriation limit; and

WHEREAS, the District had a tax rate in excess of 12.5 cents per \$100 of assessed valuation during the 1977-78 fiscal year, and, therefore, is subject to the provisions of Article XIII B and implementing legislation; and

WHEREAS, the Government Code Section 7910 requires that each year the governing body of the District, by resolution, establish its appropriation limit for the following fiscal year; and

WHEREAS, the Government Code Section 7901 requires the governing body of the District, annually by resolution, to select the basis for its change in population as defined in that section; and

WHEREAS, Section 8(e)(2) of Article XIII B of the Constitution requires the Board to select the method of determining "change in the cost of living" as defined in that section; and

WHEREAS, at least 15 days prior to the meeting at which this resolution was adopted, the documentation used in the determination of the appropriation limit was made available to the public at the offices of the District; and

WHEREAS, the Board has fully considered said laws, the revenues and expenditures of the District during the relevant years, the data received from the State of California Department of Finance, the reports and recommendations of staff, and the opinions of counsel;

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Valley Center Municipal Water District as follows:

1. That the foregoing facts are true and correct.
2. That the appropriation limit for the 2017-18 fiscal year was \$6,465,628, and that the proceeds of taxes to be received in that year, in the amount of approximately \$2,242,400, did not exceed that appropriation limit.
3. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in the California per capita personal income from the preceding year or the change in the local assessment roll from the preceding year due to the addition of local new nonresidential construction, whichever is greater.
4. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in population for San Diego County or for the unincorporated portion of San Diego County, whichever is greater, as provided by the State of California Department of Finance.
5. That pursuant to Article XIIIB, as amended, and Section 7910 of the Government Code, as amended, the appropriation limit for Valley Center Municipal Water District for the 2018-2019 fiscal year is established at \$6,766,280.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of VALLEY CENTER MUNICIPAL WATER DISTRICT held the 18th day of June, 2018, by the following vote, to wit;

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

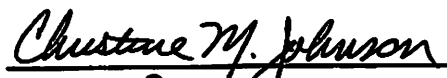
NOES: None

ABSENT: None



President

ATTEST:



Secretary

PUBLIC NOTICE

In accordance with Government Code Section 7910, notice is hereby given that on June 18, 2018, at 2:00 P.M. at 29300 Valley Center Road, the Board of Directors will, by resolution, establish the District's 2018-19 appropriation limit pursuant to Article XIII B of the State Constitution as amended by Proposition 111 effective July 1, 1990. The appropriation limit for 2018-19 is to be set at \$6,766,280 and was calculated as set forth below. Documentation of the computation is available in the office of the Director of Finance of the District at the above address.

<u>Fiscal Year</u>	<u>Price Increases (1)</u>	<u>Population Increases</u>	<u>Appropriation Limit</u>
Proceeds of Taxes Base Year			
1986-87			\$855,392
Annual adjustment factors:			
1987-88	12.54% (b)	5.83%	\$1,018,772
1988-89	15.56% (b)	6.09%	\$1,249,014
1989-90	7.21% (b)	5.63%	\$1,414,508
1990-91	7.96% (b)	5.83%	\$1,616,075
1991-92	4.14% (a)	5.24%	\$1,771,218
1992-93	2.75% (b)	4.04%	\$1,893,432
1993-94	2.72% (b)	2.95%	\$2,002,304
1994-95	0.71% (a)	1.42%	\$2,045,153
1995-96	4.72% (a)	1.55%	\$2,174,816
1996-97	4.67% (a)	1.19%	\$2,303,565
1997-98	4.67% (a)	1.46%	\$2,446,386
1998-99	4.15% (a)	2.63%	\$2,614,942
1999-00	4.53% (a)	2.17%	\$2,792,758
2000-01	4.91% (a)	2.33%	\$2,998,026
2001-02	7.82% (a)	1.96%	\$3,295,730
2002-03	0.06% (b)	1.80%	\$3,357,031
2003-04	2.31% (a)	1.77%	\$3,495,341
2004-05	3.28% (a)	1.73%	\$3,672,555
2005-06	5.26% (a)	1.27%	\$3,914,944
2006-07	3.96% (a)	0.94%	\$4,108,342
2007-08	4.42% (a)	2.00%	\$4,375,795
2008-09	4.29% (a)	1.43%	\$4,628,716
2009-10	0.62% (a)	1.32%	\$4,718,976
2010-11	-0.37% (b)	1.52%	\$4,772,772
2011-12	2.51% (a)	0.72%	\$4,927,887
2012-13	3.77% (a)	0.92%	\$5,160,483
2013-14	5.12% (a)	0.80%	\$5,468,048
2014-15	-0.23% (b)	1.23%	\$5,522,728
2015-16	3.82% (a)	1.48%	\$5,818,746
2016-17	5.37% (a)	0.78%	\$6,178,926
2017-18	3.69% (a)	0.92%	\$6,465,628
2018-19	3.67% (a)	0.95%	\$6,766,280

Posted May 31, 2018


James V. Pugh, Director of Finance
Valley Center Municipal Water District

- (1) A California governmental unit may increase its appropriation limit by either
(a) the annual percentage increase in California fourth quarter per capita personal income, or
(b) the percentage increase in the local assessment roll from the preceding year due to the addition of local non-residential construction, whichever is greater.

RESERVE BALANCES JUNE 30, 2018

Water -

Capacity Charges	858,181	
Capital Improvements	8,898,752	
Continuing Projects	3,143,847	
Debt Service	198,302	
Operating Reserve	5,636,853	
Rate Stabilization	<u>608,352</u>	
		19,344,287

Moosa -

Capacity Charges	501,146	
Continuing Projects	1,265,805	
Replacement Reserve	<u>1,276,560</u>	
		3,043,511

Woods Valley Expansion -

Continuing Projects	6,378,548	
Debt Service	1,542,388	
Operating Reserve	<u>2,039,632</u>	
		9,960,568

Woods Valley Wastewater -

Continuing Projects	724,004	
Operating Reserve	351,212	
Replacement Reserve	<u>293,173</u>	
		<u>1,368,389</u>

Total Reserves

33,716,755

July 21, 2025

TO: Honorable President and Board of Directors

FROM: Gary T. Arant, *General Manager*

SUBJECT: LEGISLATIVE AND REGULATORY REPORT – July 2025

PURPOSE:

To provide the Board of Directors with an update on current and developing legislative and regulatory matters that may impact District operations.

SUMMARY:

Assembly Bill 339 (Public Contracting)

Assembly Bill 339 (AB 339) would require public agencies regulated by the Brown Act to give a recognized employee organization no less than 60 days' written notice regarding contracts to perform services that are within the scope of work of job classifications represented by the recognized employee organization. For local agencies with represented workforces, nearly every contract would be subject to notice and possible meet and confer. AB 339 will significantly delay public works projects and could grind design and construction of needed infrastructure projects to a halt.

The District has joined a broad coalition of public agencies and statewide associations opposing AB 339 (see attached). AB 339 passed out of Assembly and was heard in the Senate Labor, Public Employment and Retirement Committee on July 9, 2025. Amendments that would exempt contracts for specialized public works projects were requested in committee. The District will continue to work with the coalition opposing AB 339, which undermines local agencies' ability to contract for public services.

Senate Bill 72 (Water for All – CA Water Plan)

The District signed on to a coalition support letter for Senate Bill 72 (SB 72) in advance of the July 1, 2025, Assembly Water, Parks and Wildlife Committee hearing. SB 72 passed out of the Assembly Water, Parks and Wildlife Committee and was referred to the Assembly Appropriations Committee and is now scheduled for a July 16, 2025 hearing. The July 11, 2025 coalition support letter is attached as Attachment C. With strong Bipartisan support, SB 72 is expected to pass committee and be sent to the Governor's Desk for signature. Staff will continue to monitor progress and provide updates to the Board.

Senate Bill 707 (Open Meetings)

Senate Bill 707 (SB 707), introduced by Senator Durazo, makes extensive changes to Brown Act requirements for local agency public meetings. SB 707 modifies requirements for teleconferencing and remote participation in meetings for both elected officials and the public, expands the definitions for "meeting" and "legislative body," and includes various additional

requirements, such as expanded agenda posting and translation and interpretation provisions. Recent amendments for the inclusion of special districts as “eligible legislative bodies” are unworkable and create confusion due to lack of official jurisdictional population data and will lead to public confusion, uncertainty and potential liability for local agencies.

The District has joined a coalition of local governments and associations opposing SB 707, signing on to the attached letter in advance of the July 16, 2025 Assembly Local Government Committee hearing. Staff will continue to monitor SB 707 and provide updates to the Board.

Delta Conveyance Project Budget Trailer Bill

The District joined a coalition supporting the Governor’s budget trailer bill intended to streamline processes for advancing the Delta Conveyance Project (DCP) to a point where informed decisions can be made regarding construction investment. Streamlining the state’s administrative processes to advance the DCP will help California address future droughts, protect water affordability and build resilient infrastructure faster and more efficiently. Additionally, District staff contacted our San Diego region delegation to express our support for the DCP trailer bill.

Federal Funding for Water and Wastewater Infrastructure Programs

The proposed federal budget for Fiscal Year 2026 includes significant cuts to funding for low-cost infrastructure loan programs that offer critical financing to the water and wastewater sector, such as the EPA Drinking Water State Revolving Fund (DWSRF), Clean Water State Revolving Fund (CWSRF) and Water Infrastructure Finance and Innovation Act (WIFIA) program.

The District sent the attached June 5, 2025 letter to our federal representatives requesting they support robust funding for the DWSRF, CWSRF and WIFIA programs to ensure water and wastewater utilities, such as the District, have access to critical funding tools for our infrastructure needs.

Low Income Water Rate Assistance (LIRA)

The two competing LIRA bills introduced this legislative session, Senator Durazo’s Senate Bill 350 (SB 350) and the California Municipal Utilities Association (CMUA) cosponsored Assembly Bill 532 (AB 532) both continue working their way through the legislature. AB 350, which authorizes a water rate assistance program to be administered by the State, has been held in committee and is now a two-year bill. Concerns remain regarding the lack of identified funding source and challenges with implementation. SDCWA has taken a Support if Amend position and is working with Durazo’s office to address member agency priority amendments. The District maintains an Oppose Unless Amended position.

AB 532 passed out of Assembly and was referred to Senate Committee on Local Government. Amendments to AB 532 have broadened the scope and now authorize a water supplier to establish a water rate assistance program in a noticed public hearing and allows assistance to customers with a household income at or below 200 percent of the federal poverty level, customers with arrearages and other conditions as determined by the governing Board. Despite the amendments, the District does not support AB 532 as there is no established funding source, requires suppliers to bear the burden of implementation and includes

requirements for water suppliers to track and report the status of “progress to expand low-income water rate assistance” to the State Water Board.

Staff remains engaged in regional workgroups advocating for District priorities and is monitoring both bills as they work through the legislative process.

Water Loss Performance Standards

The SDCWA sponsored the development of California Water Loss Regulation Compliance Assessment reports (Compliance Assessment) for member agencies to assist in planning for compliance and to identify and prioritize appropriate water loss management strategies. The District received the Compliance Assessment on June 30, 2025, and is reviewing internally. Staff intends to provide the Board a more detailed update on the Compliance Assessment and status of implementation of the required Break Registry at a future Board meeting.

Water Use Efficiency (WUE) Performance Standards

The District received an Urban Water Use Objective (UWUO) Report Compliance Summary developed by the State Water Board. The Compliance Summary was developed to provide water suppliers with a high-level summary of compliance with the FY 2023-2024 UWUO Report and includes information on whether the District’s calculated objective for FY 2023-2024 was met, identifies data error flags for specific sections and details the calculated objectives (using current standards as well as future standards) that are unique to each supplier. The State Water Board allowed water suppliers the opportunity to resubmit the FY 2023-2024 UWUO Report to correct any errors identified in the Compliance Summary. The District is in full compliance and no resubmission was required.

Staff intends to provide the Board a more detailed update on the Compliance Summary and status on the District’s implementation of the Commercial, Institutional and Irrigation (CII) performance standards at a future Board meeting.

RECOMMENDATION:

No action required, informational item only.

PREPARED BY:



Alisa Nichols
*Special Projects and Regulatory
Compliance Manager*

SUBMITTED BY:



Gary Arant
General Manager

Attachments:

- Attachment 1 – AB 339 Opposition Letter dated July 1, 2025*
- Attachment 2 – SB 72 Support Letter dated July 11, 2025*
- Attachment 3 – SB 707 Opposition Letter dated July 11, 2025*
- Attachment 4 – DCP Trailer Bill Support Letter dated June 5, 2025*
- Attachment 5 – VCMWD Federal Funding Support Letter dated June 5, 2025*



July 1, 2025

The Honorable Lola Smallwood-Cuevas, Chair
Senate Labor, Public Employment, and Retirement Committee
1021 O Street, Suite 6530
Sacramento, CA 95814

Re: **AB 339 (Ortega): Local public employee organizations: notice requirements
As amended 6/18/25 – OPPOSE
Awaiting hearing – Senate Labor, Public Employment, and Retirement
Committee**

Dear Senator Smallwood-Cuevas:

On behalf of the Urban Counties of California (UCC), California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), Association of California Healthcare Districts (ACHD), California Special Districts Association (CSDA), League of California Cities (CalCities), Public Risk Innovation, Solutions, and Management (PRISM), Association of California Water Agencies (ACWA), County Health Executives Association of California (CHEAC), California State Sheriffs' Association (CSSA), Contra Costa County, Fresno County, Lake County, Los Angeles County, Merced County, Placer County, Riverside County, Sacramento County, San Joaquin County, San Mateo County, Santa Clara County, San Bernardino County, Ventura County, South San Joaquin Irrigation District, American Council of Engineering Companies of California, California Geotechnical Engineering Association (CalGeo), the American Institute of Architects California, Transportation California, California Building Officials (CALBO), California Association of Recreation and Park Districts (CARPD), California Transit Association, California Association of Sanitation Agencies (CASA), the California and Nevada Civil Engineers and Land Surveyors Association (CELSA), Helix Water District, the California Association of Public Hospitals and Health Systems (CAPH), California Animal Welfare Association (CalAnimals), Bay Area Air District, California-Nevada Section, American Water Works Association (CA-NV AWWA), the Jurupa Community Services District, the American Public Works Association – California Chapters, the California Park and Recreation Society (CPRS), Contra Costa Water District, and the American Society of Civil Engineers (ASCE)-Region 9, we write in respectful opposition to Assembly Bill 339, as recently amended. This measure would require the governing body of a local public agency (non-school) to provide written notice to the employee organization no less than 60 days prior to issuing any request for proposals, request for quotes, or renewing or extending an existing contract to perform services that are within the scope of work of the job classifications represented by the recognized employee organization, and to engage in potentially extensive and lengthy negotiations regarding each of those actions upon request. AB 339 would be impractical in its execution, is unworkable for ensuring provision of public services, and undermines local labor negotiations.

AB 339 applies to **any** contract that is within the scope of work of any job classification represented by a recognized employee organization; for local agencies with represented workforces, this essentially means nearly every contract would be subject to notice and possible meet and confer. This provision is considerably broader than the existing requirement for bargaining under the Meyers-Milias Brown Act (MMBA); under existing law, where contracting out is legally permissible, local agencies are still required to “meet and confer in good faith” with any affected bargaining unit prior to making any decision **that is within the scope of representation**. (Gov. Code, §§ 3505.) However, existing law incorporates several common-sense limitations upon the requirement to meet and confer – including where there is a longstanding past practice of contracting for particular services, or where contracting out is contemplated in the applicable MOU. AB 339 subverts these well-settled principles to the detriment of local public services.

It is important to note that an administrative remedy is already available to recognized employee organizations when they believe that a local agency has neglected to meet existing notification and

meet and confer requirements regarding contracting. Failure to adhere to existing requirements under the MMBA and related case law subjects a local agency to a potential unfair labor practice charge at the Public Employment Relations Board (PERB).

The lack of definition of emergency or exigent circumstances in AB 339 undermines existing emergency contracting authority; further, this provision only applies to the initial notice requirement – not the meet and confer provisions – making the provision nearly meaningless in an emergency circumstance. You are undoubtedly aware of the considerable responsibility assumed by local agencies in a natural disaster, public health emergency, or other local crisis. As first responders, local agencies rely on existing statutes that allow for considerable flexibility to ensure the safety and well-being of our communities.

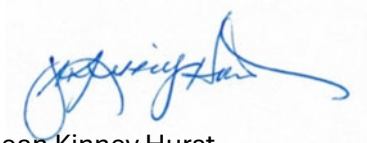
In addition, AB 339 will significantly delay public works projects and could grind building permit processing, design, and construction of needed housing or infrastructure projects to a halt. Public works projects involve multiple phases of design, which require a diverse array of services – including site assessments, geotechnical services, land surveys, plan check, and traffic studies, to name just a few – that cannot be fully known until earlier phases have completed, making it impossible for agencies to complete all of AB 339's notification pauses at the outset of a project. These notices would therefore be compounded, causing projects to be delayed by multiples of the 60-day pause before a shovel ever touches the ground. Since the bill applies to **any** services within **any** recognized employee organization's scope, this will include instances in which none of an agency's employees currently, or ever, have performed those services. The vast majority of agencies lack the resources and expertise to have 100 percent of their design needs performed by its own engineers, planners, and other design professionals on staff. Should one of these agencies need to transfer responsibility for conducting vital design services – plan checking an application for a housing development permit, for example – they could be left without qualified staff to perform those essential functions for at least 60 days.

The bill also deters local agencies from working in partnership with local community organizations, who are at the front lines of providing critical local services, and who are already under scrutiny by the federal government, adding considerable uncertainty to their ongoing financial viability.

Finally, sponsors continue to assert that documents associated with a Request for Proposals (RFP), Request for Quotes (RFQ), contract extensions, and contract renewals are not disclosed to the public. In truth, RFPs and RFQs are typically public by nature and subject to competitive bidding processes and regulations, while contracts are almost always disclosable public records under the Public Records Act. ***We dispute that local agencies are inappropriately withholding public records and further disagree that local agencies are failing to comply with existing notification requirements under the MMBA. If either were true, there are already existing remedies for sponsors to address these issues.***

Like previous unsuccessful proposals that have sought to undermine local agencies' ability to contract for public services, AB 339 represents a sweeping change to the fundamental work of local governments, but we remain unaware of a specific, current, and widespread problem that this measure would resolve or prevent. We are keenly aware, though, of the very real harm that could result from this measure. AB 339 will not improve services, reduce costs, or protect employees. As a result, we are opposed. Should you have any questions about our position, please reach out directly.

Sincerely,



Jean Kinney Hurst
Legislative Advocate
Urban Counties of California



Sarah Dukett
Policy Advocate
Rural County Representatives of California



Aaron Avery
Director of State Legislative Affairs
California Special Districts Association



Jason Schmelzer
Legislative Advocate
Public Risk Innovation, Solutions, and
Management



Farrah McDaid Ting
Deputy Director of Policy
County Health Executives Association of
California



Candace Andersen
Chair, Contra Costa County Board of
Supervisors



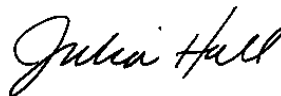
Eric Lawyer
Legislative Advocate
California State Association of Counties



Sarah Bridge
Legislative Advocate
Association of California Healthcare Districts



Johnnie Pina
Legislative Affairs, Lobbyist
League of California Cities



Julia Bishop Hall
Director of State Legislative Relations
Association of California Water Agencies



Cory M. Salzillo
Legislative Director
California State Sheriffs' Association



Susan Parker
County Administrative Officer
County of Lake



Joshua Pedrozo
Chairman
Merced County Board of Supervisors



Supervisor V. Manuel Perez, Chair
Riverside County Board of Supervisors



Paul Canepa
Chair
San Joaquin County Board of Supervisors



Erin Evans-Fudem
Legislative Deputy County Counsel
Office of the County Counsel
County of Santa Clara



Peter M. Rietkerk
General Manager
South San Joaquin Irrigation District



Noah Smith, PE, GE
President
California Geotechnical Engineering
Association



Bonnie Gore
Chair (District 1)
Placer County Board of Supervisors



Elisia De Bord
Governmental Relations and Legislative Officer
County of Sacramento



Connie Juárez-Diroll
Chief Legislative Officer
County of San Mateo



Eric P. Angstadt
CELSA
Executive Secretary



Tyler Munzing
Director of Government Affairs
American Council of Engineering Companies of
California



Scott Terrell
Director of Government Relations
The American Institute of Architects California



Mark Watts
Legislative Advocate
Transportation California



Buddy Mendes, Chairman
Fresno County Board of Supervisors



Michael Pimentel
Executive Director
California Transit Association



Jessica Gauger
Director of Legislative Advocacy & Public
Affairs
California Association of Sanitation
Agencies



Brian Olney
General Manager
Helix Water District



Karen Lange
Legislative Advocate
California Animal Welfare Association



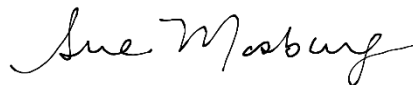
Matthew Wheeler, DPPD
Executive Director
California Building Officials (CALBO)



Dane Hutchings
Legislative Representative
California Association of Recreation and
Park Districts



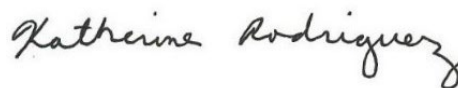
Dawn Rowe
Chairman
County of San Bernardino



Sue Mosburg
Executive Director
American Water Works Association,
California-Nevada Section



Chris Berch, P.E.
General Manager
Jurupa Community Services District



Katie Rodriguez
Vice President of Policy and Government
Relations
California Association of Public Hospitals
and Health Systems (CAPH)



Philip M. Fine, Ph.D.
Executive Officer/APCO
Bay Area Air District



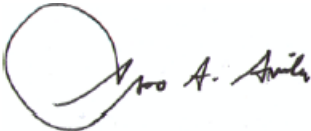
Joubin Pakpour
Director
American Public Works Association —
California Chapters



Elizabeth Espinosa
Legislative Advocate
County of Ventura



Stephanie Stephens
Executive Director
California Park and Recreation Society



Ernesto A. Avila
Board President
Contra Costa Water District

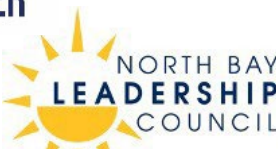
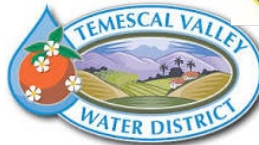
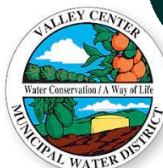


Yazdan Emrani
Region 9 Director
American Society of Civil Engineers (ASCE)-
Region 9



Marvin J. Deon II
Chief Legislative Representative
County of Los Angeles

cc: Members and Consultants, Senate Labor, Public Employment and Retirement Committee
The Honorable Liz Ortega, California State Assembly



Service Beyond Expectation







July 11, 2025

The Honorable Buffy Wicks
Chair, Assembly Appropriations
1021 O Street, Suite 8220
Sacramento, CA 95814

RE: SB 72 (Caballero) The California Water Plan: long term supply targets – SUPPORT

Dear Chair Wicks,

The California Municipal Utilities Association (CMUA), California State Association of Counties (CSAC), and California Council for Environmental and Economic Balance (CCEEB) are very proud co-sponsors of SB 72 (Caballero). We, along with the coalition of organizations above, are pleased to support SB 72.

California is in a race against climate change, which is pressured by multi-year droughts, floods, fires, and other intensifying climate change impacts. Consequently, there is an urgent need for California to develop aspirational targets that will complement and amplify Governor Newsom's Water Supply Strategy and extend beyond any single Administration. Given the extreme climate impacts of the 21st century, an expanding economy, a growing population, the anticipated reductions from existing water resources, and the controls on the use of groundwater, California needs to align the state's water supply strategy and policies with a target that will result in an adequate and reliable water supply for all beneficial uses including the environment, agriculture, the economy, and all Californians. Recent research estimates a shortfall in California's future water supply between 4.6 and 9 million acre-feet annually by 2050 if the state takes no action.

SB 72 is the mechanism that will help California keep up with the impacts of climate change on our water supply. SB 72 directs the Department of Water Resources (DWR) to modernize the California Water Plan and develop a target for water supply to achieve in 2040 and beyond. The fiscal impacts of this bill are minor compared to the agricultural and business loss costs of the State for not passing this legislation. A new UC study titled "Inaction's Economic Cost for California's Water Supply Challenges" (released May 2025) estimates that without better management, California faces up to \$14.5 billion a year in economic loss and 67,000 jobs lost annually. Inaction isn't just an environmental risk – it threatens California's job market and economic wellbeing.

SB 72 will establish excellent policy because it will bring about the fundamental changes that are necessary to ensure a sustainable water future. SB 72 will do the following:

- Transform water management in California taking us from a perpetual state of supply vulnerability to a reliable and sufficient water supply that is adequate for all beneficial uses, including urban, agriculture, and the environment.
- Create a new "North Star" water supply planning target for 2040 that the state will need to work toward, along with a process to develop a target for 2050.
- Preserve the California way of life, supplying water to our homes and communities, habitat and environment, recreation and tourism, and business and economic success.
- Support economic vitality for all businesses, from restaurants to technology companies, and employers that depend on a reliable water supply.
- Fulfill the generational responsibility to develop a water system that will adapt to changes in the environment and allow the state to thrive now and for future generations.

The California Water Plan is the strategic plan for managing and developing water resources for current and future generations in the state. SB 72 works within the structure of the current California Water Plan, which hasn't been meaningfully updated for decades. SB 72 updates the California Water Plan for a 21st century climate. The costs to implement SB 72 should not be a barrier to passing a monumentally important piece of legislation for the future of California.

For these reasons, we urge your support for SB 72. If you have any questions about our position, please contact Andrea Abergel with CMUA at aabergel@cmua.org or (916) 841-4060.

Sincerely,

Andrea Abergel
Director of Water
California Municipal Utilities Association

Jane Townsend
Executive Director
California Bean Shippers Association

Graham Knaus
Executive Director
California State Association of Counties

Todd Sanders
Executive Director
California Blueberry Association

Tim Carmichael
President/CEO
CCEEB

Dan Dunmoyer
President and CEO
California Building Industry Association

Debbie Murdock
Executive Director
Association of California Egg Farmers

Kristopher Anderson
Policy Advocate
California Chamber of Commerce

Julia Bishop Hall
Senior Legislative Advocate
Association of California Water Agencies

Roger Isom
President/CEO
California Cotton Ginners and Growers Assoc.

Adrian Covert
Senior VP, Public Policy
Bay Area Council

Alex Biering
Senior Policy Advocate
California Farm Bureau

Steve Lenton
General Manager
Bellflower Somerset Mutual Water Company

Daniel Hartwig
President
California Fresh Fruit Association

Nicole Helms
Executive Director
California Alfalfa and Forage Association

Chris Zanobini
President/CEO
California Grain and Feed Association

Todd W. Sanders
Executive Director
California Apple Commission

Lance Hastings
President & CEO
California Manufacturers & Technology Assoc.

Claudia Carter
Executive Director
California Association of Wheat Growers

Chris Zanobini
Executive Director
California Pear Growers Association

Natalie Collins
President
California Association of Winegrape Growers

Chris Zanobini
Executive Vice-President
California Seed Association

Ann Quinn
Executive Vice President
California State Floral Association

Robert Verloop
Executive Director/CEO
California Walnuts

Ann Quinn
Executive Vice President
California Warehouse Association

Sharron Zoller
President
California Women for Agriculture

Kristine McCaffrey
General Manager
Calleguas Municipal Water District

Tom Moody
General Manager
City of Corona

Patricia Lock Dawson
Mayor
City of Riverside

Elizabeth Espinosa
County of Riverside

J. M. Barrett
General Manager
Coachella Valley Water District

John Bosler, P.E.
General Manager and CEO
Cucamonga Valley Water District

Mark Orcutt
President & CEO
East Bay Leadership Council

Joe Mouawad, P.E.
General Manager
Eastern Municipal Water District

Jim Abercrombie
General Manager
El Dorado Irrigation District

Greg Thomas
General Manager
Elsinore Valley Municipal Water District

Joe Gagliardi
Chief Executive Officer
Folsom Chamber of Commerce

Jason Phillips
CEO
Friant Water Authority

Christopher Valdez
President
Grower-Shipper Association

Paul Cook
General Manager
Irvine Ranch Water District

David Pedersen
General Manager
Las Virgenes Municipal Water District

Matt Hurley
General Manager
McMullin Area GSA

Paul Shoenberger, P.E.
General Manager
Mesa Water District

Kevin Abernathy
Manager
Milk Producers Council

Jimi Netniss
General Manager
Modesto Irrigation District

Justin Scott-Coe
General Manager
Monte Vista Water District

Patrick Ellis
ACE/ President/CEO
Murrieta/Wildomar Chamber of Commerce

John Kabateck
State Director
National Federation of Independent Business

Joanne Webster
Chief Executive Officer
North Bay Leadership Council

David Guy
Executive Director
Northern California Water Association

Todd Sanders
Executive Director
Olive Growers Council of California

Kim Thorner
General Manager
Olivenhain Municipal Water District

Chris Zanobini
Executive Officer
Pacific Coast Renderers Association

Debbie Murdock
Executive Director
Pacific Egg and Poultry Association

Dennis LaMoreaux
General Manager
Palmdale Water District

Jason Martin
Interim General Manager
Rancho California Water District

Jon Switalski
Executive Director
Rebuild So-Cal Partnership

Tom Coleman
General Manager
Rowland Water District

Lisa Yamashita-Lopez
General Manager
Rubio Cañon Land and Water Association

Amanda Blackwood
President & CEO
Sac Metropolitan Chamber of Commerce

Miguel J. Guerrero
P.E. General Manager
San Bernardino Municipal Water Department

Heather Dyer
General Manager
San Bernardino Valley Municipal Water District

Paul Helliker
General Manager
San Juan Water District

Matt Stone
General Manager
Santa Clarita Valley Water Agency

Chris Lee
General Manager
Solano County Water Agency

Peter M. Rietkerk
General Manager
South San Joaquin Irrigation District

Eric McLeod
Chair
Southwest California Legislative Council

Justin M. Hopkins
General Manager
Stockton East Water District

Jeff R. Pape
General Manager
Temescal Valley Water District

Matthew Litchfield
General Manager
Three Valleys Municipal Water District

Fernando Paludi
General Manager
Trabuco Canyon Water District

Brad Koehn
General Manager
Turlock Irrigation District

Kirti Mutatkar
President & CEO
United Ag

Vince Gin, P.E.
Deputy Operating Officer
Valley Water

Elizabeth Howard Espinosa
UCC Advocacy Team
Urban Counties of California

Bob Reeb
Executive Director
Valley Ag Water Coalition

Gary Arant
General Manager
Valley Center Municipal Water District

Erik Hutchman
P.E. General Manager
Walnut Valley Water District

E.J. Caldwell
General Manager
West Basin Municipal Water District

Valerie Pryor
General Manager
Zone 7 Water Agency

Roger Isom
President/CEO
Western Agricultural Processors Association

Dave Puglia
President & CEO
Western Growers

Sharon Haligan
Director, Administrative Services
Western Plant Health

Craig Miller
General Manager
Western Municipal Water District

Norman Huff
General Manager
Camrosa Water District

Chris Berch
General Manager
Jurupa Community Services District

Brian R. Laddusaw
General Manager
Rubidoux Community Services District

James Prior
General Manager
San Gabriel County Water District

Jeff Mosher
General Manager
Santa Ana Watershed Project Authority

Jose Martinez
General Manager
Valley County Water District

John Thiel
General Manager
West Valley Water District

Sarah Wiltfong
Director of Advocacy
BizFed Los Angeles County

Amber Bolden
Director of Communications
Black Voice News

Jeff Montejano
CEO
Building Industry Assoc. of Southern CA

Mandip Samra
General Manager
Burbank Water and Power

Melanie Barker
President
California Association of Realtors

Robert C. Lapsley
President
California Business Roundtable

Greg Johnson
President
California Farm Water Coalition

Julian Canete
President and CEO
California Hispanic Chambers of Commerce

Jennifer Capitolo
Executive Director
California Water Association

Sheri Merrick
Executive Director
Citrus Heights Chamber of Commerce

Jeremy Smith
Council Member
City of Canyon Lake

Joe Males
Mayor
City of Hemet

Natasha Johnson
Council Member
City of Lake Elsinore

Chris Barajas
Council Member
City of Jurupa Valley

Dr. Lisa DeForest
Mayor Pro Tem
City of Murrieta

Paul Leon
Mayor
City of Ontario

Daniel E. Garcia
Interim General Manager
City of Riverside Public Utilities

Connie Stopher
Executive Director
Economic Development Coalition

Ana Martin
Governmental Affairs Manager
Greater Riverside Chambers of Commerce

Eric Keen
Chairman of Board of Directors
HDR Engineering

Jack Monger
CEO
Industrial Environmental Association

Wes Andree
Executive Director
Jurupa Mountain Discovery Center

Ana Martin
Staff Liaison
Monday Morning Group of Riverside

Judi Penman
President & CEO
San Bernardino Area Chamber of Commerce

Luis Portillo
President & CEO
San Gabriel Valley Economic Partnership

Aziz Amiri
CEO
San Gabriel Valley Regional Chamber of Commerce

Adam Ruiz
Governmental Affairs Director
SRCAR

Molly Kirkland
Director of Public Affairs
Southern CA Rental Housing Association

Stephan Tucker
General Manager
Water Replenishment District

Steve Johnson
General Manager
Desert Water Agency

Jared Macias
Administrative Office
Puente Basin Water Agency

Melissa Sparks-Kranz, MPP
Legislative Affairs Lobbyist
League of California Cities

Dan Denham
General Manager
San Diego County Water Authority

David M. Merritt
General Manager
Kings River Conservation District

Steven Haugen
Watermaster
Kings River Water Association

Kat Wuelfing
General Manager
Mid-Peninsula Water District

Jennifer Pierre
General Manager
State Water Contractors

Mauricio Guardado
General Manager
United Water Conservation District

Robb Grantham
General Manager
Santa Margarita Water District

Harvey De La Torre
General Manager
Municipal Water District of Orange County

Charles Wilson
Executive Director
Southern California Water Coalition

Glenn Farrel
Executive Director
CalDesal

Casey Creamer
President
California Citrus Mutual

Tricia Geringer
Vice President of Government Affairs
Agricultural Council of California

John Urdi
Executive Director
Mammoth Lakes Tourism

Lacy Schoen
President/CEO
Brea Chamber of Commerce

Gina Molinaro-Cardera
Board Supervisor
Dublin Chamber of Commerce

Lance Eckhart
General Manager
San Geronio Pass Water Agency

Jim Piefer
Executive Director
Regional Water Authority

Federico Barajas
Executive Director
San Luis & Delta Mendota Water Authority

Ernesto A. Avila
Board President
Contra Costa Water District

Caroline Schirato
Board Chair
Utica Water and Power Authority

Julee Malinowski-Ball
Lobbyist for
California Fire Chiefs Association

Julee Malinowski-Ball
Lobbyist for
Fire Districts Association of California

Justin Caporusso
Executive Director
Mountain Counties Water Resources Assoc

Brenley McKenna
Managing Director
WaterReuse California

Randy Schoellerman
President
California Groundwater Coalition

Neil McCormick
CEO
California Special Districts Association

Krista Bernasconi
Mayor
City of Roseville

Tim Worley
Managing Director
Community Water Systems Alliance

Sue Mosburg
Executive Director
CA-NV AWWA

Jacob Asare
State Government Affairs Manager
Associated Equipment Distributors

Deven Upadhyay
General Manager
Metropolitan Water District of Southern
California

Shivaji Deshmukh, P.E.
General Manager
Inland Empire Utilities Agency

Jessica Gauger
Director of Legislative Advocacy & Public Affairs
California Association of Sanitation Agencies

Craig Kessler
Executive Director
California Alliance for Golf

Carlos Quintero
General Manager
Sweetwater Authority

Caity Maple
Councilmember – District 5
City of Sacramento

Austin Ewell
Executive Director
Water Blueprint for the San Joaquin Valley
Advocacy Fund

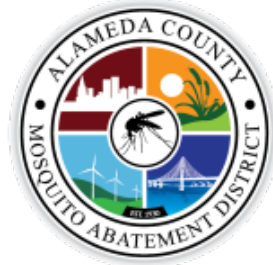
Ted Trimble
General Manager
Western Canal Water District

Jeff Payne
Assistant General Manager
Westlands Water District

Eric Will
Policy Advocate
Rural County Representatives of California

William Vanderwaal
General Manager
Tehama-Colusa Canal Authority

Mauricio Guardado
General Manager
United Water Conservation District





July 11, 2025

The Honorable Juan Carrillo
Chair, Assembly Local Government Committee
1020 N Street, Room 157
Sacramento, CA 95814

RE: Senate Bill 707 (Durazo) – Oppose unless Amended [As Amended July 8, 2025]

Hearing Date: July 16, 2025 – Assembly Local Government Committee

Dear Assembly Member Carrillo:

The undersigned organizations write to regretfully inform you of our opposition to Senate Bill 707 (Durazo) unless it is amended to address our concerns. Our organizations respect and share the goals of the author, and we hold a deep and dedicated commitment to the successful implementation of the Brown Act for the benefit of the communities we are entrusted to serve. Many of us are proud leaders, supporters, and participants in the foremost trainings, certifications, and other demonstrations of accountability and good governance, such as the Special District Leadership Foundation and its District of Distinction, Transparency Certificate of Excellence, and more.

Stakeholders, including those representing the undersigned organizations, previously worked with the author's office related to a prior version of this bill to negotiate language that was mutually agreeable and allowed stakeholders to remain neutral on this proposal to overhaul the Ralph M. Brown Act (the Brown Act). While we appreciated the opportunity to work collaboratively to refine the proposed legislation, recent amendments have significantly recast SB 707 into a measure that is no longer practicable and one that special districts and others cannot reasonably comply with.

The July 8 amendments make a number of refinements that we appreciate. However, given the current form of SB 707 and the particular nature of its impact on local agencies including special districts, we are left with no choice but to oppose this measure for the reasons explained in this letter.

In short, the most problematic provisions in SB 707 include the following:

- **Eligible Legislative Bodies.** The "eligible legislative bodies" provisions were clearly drafted throughout the measure without special districts in mind and are unworkable in application to

special districts. This dramatic expansion of the measure occurred after many in our coalition had reached a neutral position on the legislation; this recent amendment could potentially apply its provisions to hundreds of additional agencies and create confusion for hundreds more. Unfortunately, because official population data does not exist for special districts, nobody will confidently know exactly which agencies or how many are included. Where will this data come from? Who will referee its application? This will lead to public confusion, consternation, uncertainty, and liability.

- **Unnecessary Inefficiency and Micromanagement of Local Service Specialists.** Mandated inefficiency arising from repeated public comment when legislative bodies have already discussed an agenda item. Prescriptive design requirements for the websites of local agencies and their legislative bodies, as well as expanded physical agenda posting requirements are among numerous extremely specific minutia mandated upon the boards and staff of local agencies to the point that the measure appears to write into state law that an agency must literally print out copies of the full Act and hand them to its board members.
- **Costly Litigation.** Exposure of legislative bodies to additional litigation risk arising from, among other things, required references to specific statutory provisions relied upon for remote participation in the minutes of public meetings and significantly extending the timeframe for individuals to sue alleging noncompliance with the Brown Act. This legal liability is exacerbated by the multitude of new Brown Act requirements in the bill, some vague and some hyper-specific, which create new grounds for suing public agencies. Such lawsuits could be frivolous or malicious, stemming from bad-actors intent on disrupting, delaying, or blocking important infrastructure projects, housing developments, or other policymaking critical to our communities.

This inventory is a non-exhaustive listing; issues with SB 707 are more comprehensively detailed below.

SB 707 IMPOSES NEW, COSTLY MANDATES UNIQUE ONLY TO LOCAL AGENCIES

Of particular concern within SB 707 are the provisions related to “eligible legislative bodies.” As it relates to special districts, “eligible legislative body” is defined to include the board of directors of a special district “whose boundaries include a population of 200,000 or more and that has an internet website.”

Previously, “eligible legislative body” did not include special districts, and included only cities and counties based on their populations. Special districts are uniquely disadvantaged in this regard as compared to cities and counties given that special districts do not have access to U.S. census data detailing population size within their jurisdictional boundaries; while the California Special Districts Association and its national affiliates are pursuing legislation at the federal level to rectify this disparity, those efforts have not yet resulted in access to this data.

Furthermore, attempting to use population figures as a threshold for inclusion in the definition of “eligible legislative bodies” raises additional policy concerns. For example, a resource conservation district serving the entire population of a county of more than 200,000 people may fund its entire operation on grants, with zero permanent funding for ever-expanding administrative tasks. Some resource conservation districts and other special districts are volunteer-ran or employ as few as one full-time staff member. Most countywide special districts, from an administrative resources perspective, are in no way comparable to a city or county government serving 30,000 people let alone one even a fraction of that size.

Taking into consideration the issues referenced above, we request that SB 707 return to its original application and special districts be removed from the definition of “eligible legislative body.” Individual stakeholders had moved to a “neutral” position on that version with other amendments that were accepted in the first house. Without this change, special districts encounter not only the issues raised above, but issues posed by the related provisions found within SB 707, in large part because the underlying language within SB 707 was clearly written without special districts in mind.

Two-Way Telephone or Audiovisual Platform

The bill requires that, regardless of the technical ability or the available resources of the specified legislative bodies, all public meetings of the described legislative bodies include an opportunity for

members of the public to attend via a two-way telephonic service or a two-way audiovisual platform, except in the event that telephonic or internet service is not available at the meeting location. If an eligible legislative body elects to provide a two-way audiovisual platform, the eligible legislative body would be required to publicly post and provide a call-in option, and activate any automatic captioning function during the meeting if an automatic captioning function is included with the two-way audiovisual platform.

All public meetings would be required to provide the public with an opportunity to comment on an agenda item via a two-way telephonic or two-way audiovisual platform, and would be required to ensure the opportunity for the members of the public participating via a two-way telephonic or two-way audiovisual platform to comment on agenda items with the same time allotment as a person attending a meeting in person. Eligible legislative bodies would be required to reasonably assist members of the public who wish to translate a public meeting into any language or wish to receive interpretation provided by another member of the public, so long as the interpretation is not disrupting to the meeting. The eligible legislative body is required to publicize instructions on how to request assistance.

These provisions that mandate the usage by a legislative body of a two-way telephonic service or a two-way audiovisual platform to conduct all public meetings stand in contrast to the requirements placed on state agencies and strike a prominent contrast to the approach to public meetings adopted by the State Legislature, which recently abandoned all such systems and transitioned back to requiring in-person attendance to provide public comment. Understandably, the State Legislature made the transition away from the moderated telephone line service employed during the coronavirus pandemic when safe in-person attendance became possible due to the logistical challenges involved in running such a system and the extremely lengthy hearings that resulted. Special districts are not immune to the very same challenges that led the State Legislature to abandon its system, and so we reiterate our request that special districts be removed from the definition of “eligible legislative bodies,” thereby relieving them of these onerous requirements.

Duplication of Existing Translation Requirements

SB 707 requires that the agenda for each meeting of an eligible legislative body be translated into all “applicable languages,” and each translation shall be posted consistent with general agenda posting requirements. “Applicable languages” is defined in SB 707 to mean languages spoken jointly by 20 percent or more of the population in the city or county in which the eligible legislative body is located that speaks English less than “very well” and jointly speaks a language other than English according to data from the most recent American Community Survey. Each translation must include instructions in the applicable language describing how to join the meeting by the telephonic or internet-based service option, including any requirements for registration for public comment.

These translation provisions duplicate existing translation requirements as implemented by the Dymally-Alatorre Bilingual Services Act. Under the Dymally-Alatorre Bilingual Services Act, every local public agency serving a substantial number of non-English-speaking people must employ a sufficient number of qualified bilingual persons in public contact positions or as interpreters to assist those in such positions to ensure provision of information and services in the language of the non-English-speaking population. Appropriately, it appears possible that a local agency could seek and receive reimbursement from the Commission on State Mandates as a result of any added costs placed on local agencies in order to facilitate the translation of information; local agencies would therefore have a means to pursue cost recovery under a framework thoughtfully designed by the Legislature and California voters. Given this, we request that the translation requirements in SB 707 be removed.

Agenda Posting

Under SB 707, an eligible legislative body would be required to make available a physical location that is freely accessible to the public in reasonable proximity to the physical location in which the agenda and translations are generally posted, and the body must allow members of the public to post additional translations of the agenda in that location.

The strict requirements of the applicable Brown Act provisions related to agenda posting and established case law related to the availability of agenda documents for public inspection mean that local agencies

must carefully design and designate a location for the posting of those documents. A site must be chosen that remains within the continuous control of the local agency while also being available to the public essentially 24 hours a day, seven days a week. These characteristics present challenges for any agency that would have to post additional agenda documents beyond what is already required, as any particularly expansive or lengthy agenda written in English may already occupy most if not all of the physical space available for posting. In the event that even a few local agencies use the same community space to post their agendas (e.g., a bulletin board within a local U.S. post office) the translation requirements posed by SB 707 would prove especially challenging.

Beyond the practical challenges, this new statutory provision could facilitate a bad-actor in posting intentionally inaccurate and misleading agendas with the goal to manipulate populations that do not read English well. For example, it is foreseeable that someone opposed to a local action related to the environment, or development, or taxation, or any number of controversial policies could post an agenda alongside the local agency's official agenda in a manner that appears to be an official translation, yet that deceptively re-casts and re-words the agenda items with the express intent to deceive.

For these reasons, we request that the requirement to make available a physical location for members of the public to post additional translations of the agenda be removed from the bill.

Website Requirements

SB 707 would require eligible legislative bodies to have in place a system for electronically facilitating requests for meeting agendas and materials through email or through an integrated agenda management platform. Information about how to make a request using this system must be made accessible through a prominent direct link posted on the primary internet website home page of the eligible legislative body. Eligible legislative bodies would be required to create and maintain an accessible internet web page dedicated to public meetings that includes, or provides a link to, all of the following information: a) a general explanation of the public meeting process **for the city council or a county board of supervisors**; b) an explanation of the procedures for a member of the public to provide in-person or remote oral public comment during a public meeting or to submit written public comment; c) a calendar of all public meeting dates with calendar listings that include the date, time, and location of each public meeting; and d) the meeting agenda. The eligible legislative body must include a link to the dedicated web page on the home page of the eligible legislative body's internet website. The dedicated web page must be translated into "applicable languages," and each translation must be accessible through a prominent direct link posted on the primary internet website home page of the eligible legislative body. Additionally, eligible legislative bodies would be required to make reasonable efforts to provide public meeting information to groups that do not traditionally participate in public meetings.

These requirements do not take into consideration the expertise and experience of legislative bodies in designing their websites and distributing meeting information. For example, water agencies endeavor to make payment of outstanding water bills straightforward and easy to understand; customer experience is an important part of a website's user interface for this purpose. Electronic mailing lists currently maintained by legislative bodies enable the rapid dissemination of information related to upcoming public meetings. Legislative bodies are already under various website posting requirements that clutter their webpages, and SB 707 threatens to overwhelm agencies with several added web links and several added webpages. We would request that all these added posting and outreach requirements be removed from the bill. Additionally, the requirement that the eligible legislative body of a special district include or link to "a general explanation of the public meeting process for the city council or a county board of supervisors" seems wholly out of place; we believe that this represents a drafting error that resulted from embedding special districts into a framework designed with cities and counties in mind, which speaks to how unsuitable it is to include special districts in these provisions.

Meeting Time Management

SB 707 removes a provision from the Brown Act that states that agendas need not provide an opportunity for members of the public to address the legislative body on any item that has already been considered by a committee, composed exclusively of members of the legislative body, at a public meeting wherein all

interested members of the public were afforded the opportunity to address the committee on the item, before or during the committee's consideration of the item, unless the item has been substantially changed since the committee heard the item, as determined by the legislative body. SB 707 adds a requirement that every notice for a special meeting must provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.

Existing law applicable to state agencies expressly provides that a state agency is not required to permit repeated public comment for items already considered by a committee composed exclusively of members of the state body at a public meeting where interested members of the public were afforded the opportunity to address the committee on the item, before or during the committee's consideration of the item, unless the item has been substantially changed since the committee heard the item, as determined by the state body. This fact serves as another striking contrast between the treatment of the state versus the treatment of the legislative bodies of local public agencies under their respective applicable open meeting laws.

The Brown Act is designed to promote open and public meetings, which inherently can have the effect of lengthening the public deliberation process. However, the more the State pushes down requirements that remove the flexibility of local leaders to effectively and efficiently manage the public's meetings in a timely manner, the longer and more burdensome these affairs become to the point where average citizens become less and less engaged or interested in ever sitting through a meeting and participating in their government.

To re-establish parity between the state and legislative bodies of local agencies, and to afford local leaders the flexibility to manage meetings in the manner in which best meets the needs and time-constraints for the people they serve, we request that SB 707 be amended to reinstate the language described above.

SB 707 IMPOSES MANDATES WITH UNCERTAIN IMPACTS TO TRANSPARENCY

Amendments made in Section 3 of the bill would require a local agency to provide a copy of the Brown Act to any person elected or appointed to serve as a member of a legislative body of the local agency. Unfortunately, the mere provisioning of a copy of the Brown Act to individuals serving on a legislative body does nothing in and of itself to foster compliance with the Act's provisions; the requirement to provide a copy of the Act merely increases records retention requirements and increases district exposure to liability for violations of the Act, while ignoring the proactive measures taken by local agencies to provide individuals serving on a legislative body with Brown Act compliance training. As a result, we request that the changes made by SB 707 in Section 3 be reversed entirely.

SB 707 UNDULY INCREASES AGENCY EXPOSURE TO LITIGATION

A new provision in Section 8 of the bill would require that the minutes of a meeting held by a legislative body identify "the specific provision of law that [a] member relied upon to permit their participation by teleconferencing." This directive not only lacks specificity – as it is unclear whether this would be satisfied by citing a specific code section, subdivision, subparagraph, or similar – but also creates yet more grounds for a legislative body to be subject to litigation while at the same time arriving alongside sweeping revisions of large portions of the Brown Act.

Also in Section 8 of the bill is a new requirement for local agencies to identify and make available to their legislative bodies a list of one or more meeting locations that may be available for use by the legislative bodies to conduct their meetings. It is our understanding that a failure to provide this list would constitute grounds for the initiation of proceedings described in California Government Code section 54960.

SB 707 extends the time a petitioner has to invalidate an action taken by a legislative body in violation of the Brown Act, from nine months to 12 months after the alleged violation.

Given that these provisions elevate agency exposure to litigation, we request that they be struck from SB 707 or substantially revised such that agencies are provided with the necessary clarity and insulation from litigation commenced in connection with these requirements.

Special districts, along with other types of local agencies, are committed to transparency and conducting the people's business in an open and public manner. Unfortunately, the changes made to the Brown Act by SB 707 serve to create myriad costly and unavoidable problems and expose these entities to substantially more litigation risk at a time when they can least afford it. For these reasons, we must regretfully oppose Senate Bill 707 (Durazo) unless it is amended to address our concerns. If you have any questions about our letter or our position, please do not hesitate to contact Marcus Detwiler (CSDA) at marcusd@cdda.net to connect with any of the organizations listed on this letter.

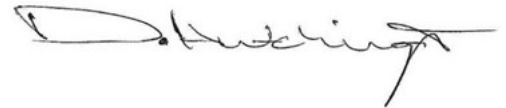
Sincerely,



Marcus Detwiler
Legislative Representative
California Special Districts Association



Sarah Bridge
VP, Advocacy & Strategy
Association of California Healthcare
Districts



Dane Hutchings
Legislative Representative
California Association of Recreation &
Park Districts



Fredrico Barajas
Executive Director
San Luis & Delta Mendota Water Authority



Julee Malinowski-Ball
Legislative Advocate
California Fire Chiefs Association



Julee Malinowski-Ball
Legislative Advocate
Fire Districts Association of California



Cindi Summers
Board President
Public Cemetery Alliance



Nancy Wahl-Scheurich
Executive Director
California Association of Resource
Conservation Districts



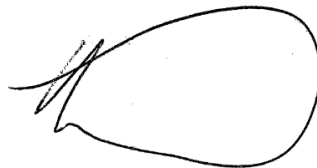
Carol Griesse
Executive Director
California Association of Public Cemetery
Districts



Ryan Clausnitzer
General Manager
Alameda County Mosquito Abatement
District



Dan Denham
General Manager
San Diego County Water Authority



Tim Deutsch, CSDM
General Manager
Orange County Cemetery District



Lora Young MPA, CSDM
District Manager
Orange County Mosquito and Vector
Control District



Andrea Abergel
Director of Water
California Municipal Utilities Association



Gary Arant
General Manager
Valley Center Municipal Water District



Brett Hodgkiss
General Manager
Vista Irrigation District



Jose Martinez
General Manager
Otay Water District



James Gumpel, P.E.
General Manager
Vallecitos Water District



Robert Hernandez
General Manager
Hesperia Recreation & Park District



Brian Olney
General Manager
Helix Water District



Clint Baze
General Manager
Rincon del Diablo Municipal Water District



Amber Rossow
Policy Advocate
Association of California Water Agencies

CC: The Honorable María Elena Durazo
Members, Assembly Local Government Committee
Angela Mapp, Chief Consultant, Assembly Local Government Committee
Jonathan Peterson, Principal Consultant, Senate Local Government Committee
Tobias Wolken, Consultant, Assembly Republican Caucus
Brady Borcharding, Deputy Legislative Secretary, Office of Governor Newsom

NAACP
California Hawaii
STATE CONFERENCE



CalChamber



Association of California Cities
Orange County



San Diego County
Water Authority



June 5, 2025

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

Senate President Pro Tempore Mike
McGuire
1021 O St., Suite 8518
Sacramento, CA 95814

Speaker of the Assembly Robert
Rivas
State Capitol
P.O. Box 942849
Sacramento, CA 94249-0029

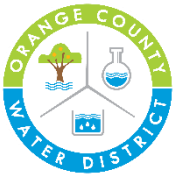


RE: Support for Delta Conveyance Project Streamlining Trailer Bill

Dear Governor Newsom, Pro Tem McGuire, and Speaker Rivas,

On behalf of a broad coalition of labor, business, infrastructure, social justice and nonprofit organizations, we would like to express our strong support for the budget trailer bill that is





intended to streamline processes for advancing the Delta Conveyance Project (DCP) to a point where informed decisions can be made regarding construction investment.

This budget trailer bill is NOT about circumventing public engagement and review – this budget trailer bill is all about breaking through redundant, archaic processes that have resulted in endless delays, duplicative reviews, and millions upon millions of dollars of additive costs, while impeding the State’s ability to complete the DCP and other critical, needed infrastructure projects.

The DCP is a critical component of California’s plans to fortify the State Water Project (SWP) in preparation for the impacts of extreme weather and climate change. The SWP delivers water to more than 27 million Californians and 750,000 acres of farmland and is the engine that powers California’s economic success. However, this system is vulnerable to extreme weather and unpredictable precipitation patterns and, as a result, our state’s main water supply is at serious risk.

According to the Department of Water Resources’ SWP Delivery Capability Report, the SWP is expected to lose up to 23% of its supply in the next 20 years due to changing flow patterns and extreme weather shifts. It is critical that we act *NOW* by advancing the DCP to prepare California’s water infrastructure to protect the long-term reliability and affordability of water for the millions of Californian homes and businesses that rely upon the SWP.

The 2024 Benefit/Cost Analysis of the Delta Conveyance Project found that water conveyed through the SWP is the most affordable source of water compared to alternatives like desalination or recycling. These alternative sources are necessary, but the volume of water delivered by the SWP cannot be replaced.

For decades, the DCP has been stalled by frivolous lawsuits and duplicative reviews. These are the universal problems facing major infrastructure throughout California, and foundational to why it is so difficult to do big things in our state and bring major infrastructure to completion.

The budget trailer bill proposal restores balance to this process – ensuring legitimate concerns are addressed, while removing tools for obstruction and delay. Every year of delay in construction of the DCP costs California’s water ratepayers – including nearly 8 million people living in disadvantaged communities – approximately \$600 million. The budget trailer bill proposal reduces bureaucratic red tape, which translates into real savings for Californians and for the State budget.

The proposed trailer bill smooths administrative processes to help move the Delta Conveyance Project in a way that balances environmental protections while improving the efficiency of the review and approval process.

It needs to be said, that this DCP *“is not your grandparent’s water conveyance project.”* The DCP has been redesigned to be smaller, more environmentally responsive, and less intrusive to Delta communities. At the same time, the DCP will generate thousands of good-paying



union construction jobs and stimulate local economies, especially in areas hardest hit by economic downturns and drought-related agricultural cutbacks.

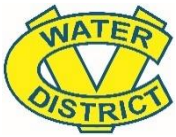
For these reasons, **our coalition urges you to support the DCP trailer bill**. We appreciate your consideration and look forward to working with you to advance this important legislation.



Sincerely,

Deven Upadhyay, General Manager
**The Metropolitan Water District of
Southern California**

Rick Callender, President
NAACP California Hawaii State Conference



Joe Cruz, Executive Director
California State Council of Laborers

Kristopher Anderson, Policy Advocate,
Water, Agriculture and Resources
California Chamber of Commerce



Matthew Cremins, Legislative Consultant
**CA/NV Conference of Operating
Engineers**

Michael Quigley, Executive Director
California Alliance for Jobs

Dan Denham, General Manager
San Diego County Water Authority

Ernesto Medrano, Executive Secretary
**LA/OC Building & Construction Trade
Council**

Tyler Munzing, Director of Government
Affairs
**American Council of Engineering
Companies – California**

Robert Saucedo, Chairman
Groundswell for Water Justice

Peter Tateishi, Chief Executive Officer
**Associated General Contractors of
California**

Thomas D. McCarthy, General Manager
Kern County Water Agency

Kris Murray, Executive Director
**Association of California Cities – Orange
County**

Valerie Pryor, General Manager
Zone 7 Water Agency

Adrian Covert, Senior Vice President of
Public Policy
Bay Area Council

Aaron Baker, P.E., Chief Operating Officer –
Water Utility
Santa Clara Valley Water District

Jeff Montejano, Chief Executive Officer
**Building Industry Association of
Southern California**

Richard Lambros, Managing Director
Southern California Leadership Council

Tracy Hernandez, CEO
**Los Angeles County Business Federation
(LA BizFed)**
New California Coalition

Charley Wilson, Executive Director
Southern California Water Coalition

Jon Switalski, Executive Director
Rebuild SoCal Partnership

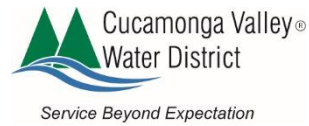
Dave Sorem, President
Secure Water Alliance

Ahmad Thomas, CEO
Silicon Valley Leadership Group

Dan Dunmoyer, President & CEO
California Building Industry Association



Garden Grove
Chamber of Commerce
Founded 1907



**Irvine Ranch
Water District**



Mayor Sharona R Nazarian, PsyD.
City of Beverly Hills

Nella McOsker, President
Central City Association of Los Angeles

Amanda Walsh, VP of Government Affairs
Orange County Business Council

Mike Lewis, Senior Vice President
**Construction Industry Coalition on
Water Quality (CICWQ)**

Joe Mouwad, P.E., General Manager
Eastern Municipal Water District

Monica Garcia-Diaz, Chair
**South Bay Association of Chambers of
Commerce**

Chisom Obeolu, Assistant General
Manager -- Water
Glendale Water and Power

Joe Cina, President & CEO
Glendora Chamber of Commerce

Danielle Borja, President & CEO
**Greater Conejo Valley Chamber of
Commerce**

Peggi Hazlett, President & CEO
Greater Ontario Business Council

Zeb Welborn, President & CEO
Chino Valley Chamber of Commerce

Bobby Spiegel, President & CEO
Corona Chamber of Commerce

Erin Sasse, Chair
Southwest California Legislative Council

Nina Jazmadarian, General Manager
Foothill Municipal Water District

Claudette J. Baldemor, President & CEO
Garden Grove Chamber of Commerce

Rev. Jonathan Mosely, Director
**National Action Network – Western
Region**

Stuart Waldman, President
Valley Industry & Commerce Association

Matthew Stone, General Manager
Santa Clarita Valley Water Agency

Paul Granillo, President & CEO
Inland Empire Economic Partnership

Carlos A. Singer, SVP & Chief Policy Officer
Los Angeles Area Chamber of Commerce

Julie B. Michaels, Executive Director
Inland Action

Shivaji Deshmukh, P.E., General Manager
Inland Empire Utilities Agency

Luis Portillo, President & CEO
San Gabriel Valley Economic Partnership

Charlie Nobles, Executive Director
**Southern California Contractors
Association**

Gus Flores, Director of Government Affairs
United Contractors

Jeremy Harris, President & CEO
Long Beach Area Chamber of Commerce

Kristine McCaffrey, General Manager
Calleguas Municipal Water District

David Pedersen, General Manager
Las Virgenes Municipal Water District

Henry Rogers, Executive Director
**Harbor Association of Industry and
Commerce**

Joanne McClasky, Executive Director
Industry Business Council



Matthew Hargrove, President & CEO
California Business Properties Association

Pat Fong Kushida, President & CEO
California Asian Pacific Chamber of Commerce



Harvey De La Torre, General Manager
Municipal Water District of Orange County

Rob Lapsley, President
California Business Roundtable



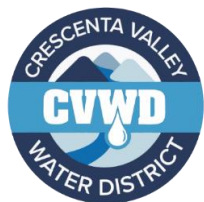
Adam Eventov, President
Murietta Temecula Group

Lance Eckhart, General Manager
San Geronio Pass Water Agency



John Kennedy, General Manager
Orange County Water District

Aldo E. Schindler, City Manager
City of Tustin



Eileen Hupp, President & CEO
Palos Verdes Peninsula Chamber of Commerce

Monica Farias, President & CEO
Greater West Covina Business Association



Jason Martin, General Manager
Rancho California Water District

Randall Reed, Board President
Cucamonga Valley Water District

Mara Santos, President & CEO
Redondo Beach Chamber of Commerce

Victoria Hernandez, Executive Director
South Orange County Economic Coalition

Marisa Creter, Executive Director
San Gabriel Valley Council of Governments

Matthew Litchfield, General Manager
Three Valleys Municipal Water District

Robb Grantham, General Manager
Santa Margarita Water District

Donna Duperron, President & CEO
Torrance Area Chamber of Commerce



Dennis Cafferty, General Manager
El Toro Water District

Paul Shoenberger, General Manager
Mesa Water District



Mandip Samra, General Manager
Burbank Water and Power

Justin M. Scott-Coe, General Manager
Monte Vista Water District

Pete Martinez, General Manager
Channel Islands Beach Community Services District

Tom Love, General Manager
Upper San Gabriel Valley Municipal Water District (Upper Water)



Dennis D. LaMoreaux, CEO/General Manager
Palmdale Water District

Louise Lamparra, Executive Director
Ventura County Coalition of Labor, Agriculture and Business (CoLAB)



Darin Kasamoto, General Manager
San Gabriel Valley Municipal Water District

Edward J. Caldwell, General Manager
West Basin Municipal Water District

Heather Dyer, General Manager
San Bernardino Valley MWD

Jim Barrett, General Manager
Coachella Valley Water District

**INVEST
FRESNO**

in Community.
in Jobs.
in Our Future.



California Domestic Water Company

SUMMERHILL HOMESSM



**MULTICULTURAL
BUSINESS ALLIANCE**



Steve L. Johnson, P.E., General Manager
Desert Water Agency

Adnan Anabtawi, General Manager
Mojave Water Agency

Marsha Hansen, President & CEO
El Segundo Chamber of Commerce

John Thiel, General Manager
West Valley Water District

Andy Conli, President & CEO
West Ventura County Business Alliance

Councilman Brian Tisdale, City of Lake
Elsinore
Chair, Advocacy Committee
**Western Riverside Council of
Governments**

Craig D. Miller, General Manager
Western Water District

James Lee, General Manager
Crescenta Valley Water District

Mary Leslie, President
Los Angeles Business Council

Roberto C. Arnold, Chairman & Founder
Multicultural Business Alliance

Ethan Smith, Chairman
INVEST Fresno

Chris Thorne, Chief Executive Officer
North San Diego Business Chamber

Brian Brennan, Executive Director
21st Century Alliance

Kelly Gardner, Executive Secretary
Central Basin Water Association

Carlos Solórzano-Cuadra, CEO
**Hispanic Chambers of Commerce of San
Francisco**

Alma Quezada, P.G., General Manager
Ventura River Water District

Paul A. Cook, General Manager
Irvine Ranch Water District

Jennifer Spindler, General Manager
**Crestline-Lake Arrowhead Water
Agency**

Caren Spilsbury, Executive Director
Gateway Chamber Alliance

James Lee, General Manager
**Crescenta Valley Water District
(CVWD)**

Greg Thomas, General Manager
**Elsinore Valley Municipal Water
District**

David Youngblood, P.E., General
Manager
East Orange County Water District

David Reyes, General Manager
Pasadena Water & Power

Gail Delihant, Sr. Director, CA
Government Affairs
Western Growers Association

Will Oliver, President & CEO
**Fresno County Economic
Development Corporation**

Norman Huff, General Manager
Camrosa Water District

Lacy Schoen, President & CEO
Brea Chamber of Commerce

Amy Valdiva, Chairman of the Board
Upland Chamber of Commerce

Gary Arant, General Manager
Valley Center Municipal Water District

Monica Garcia-Diaz, Executive
Director
Wilmington Chamber of Commerce

Lynda Noriega, President
**California Domestic Water
Company**

Chris Neighbor, President & CEO
SummerHill Homes

David Ellis, President
Delta Ventures, Inc

Kimberly A. Thorner, General Manager
Olivehain Municipal Water District

Caren Spilsbury, Executive Director
Norwalk Chamber of Commerce

CC: Members of the Assembly
Members of the Senate



VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

Board of Directors

Enrico P. Ferro
President

Daniel E. Holtz
Vice-President

Oliver J. Smith
Director

Cooper T. Ness
Director

Alysha M. Stehly
Director

June 5, 2025

The Honorable Representative Darrell Issa
48th District of California
221 W. Crest Street, #110
Escondido, CA 92025

Re: Support for EPA Federal Funding for Water and Wastewater Infrastructure Programs

Dear Representative Issa:

On behalf of Valley Center Municipal Water District (Valley Center MWD), we are writing to urge you to support robust funding for the infrastructure programs that utilities around the country rely on. The U.S. Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund (DWSRF), Clean Water State Revolving Fund (CWSRF), collectively referred to as SRF funding, and Water Infrastructure Finance and Innovation Act (WIFIA) programs all offer critical financing to the water and wastewater sector and play a vital role in ensuring these critical resources continue to protect public health, the economy, and our country's national security.

Founded in 1954, Valley Center MWD provides water, wastewater, and recycled water services to roughly 30,000 residents in a rural-urban interface in Northern San Diego County. Valley Center MWD has 338 miles of water pipelines and roughly 47 miles of wastewater lines, 40 reservoirs, 29 pumping stations, 113 pumps, 8 natural gas engine pumps and 9 solar power generation sites that span a 101 square mile service area that includes one of the largest agricultural production areas in San Diego County.

Valley Center MWD considers SRF loans as critical and reliable funding sources for necessary infrastructure upgrades to ensure the continued safe and reliable operation of our water, wastewater and recycled water systems. SRF funding is a critical low-cost financing tool to assist in financing a wide variety of water quality and infrastructure projects tailored to the specific needs of states and local agencies. By offering low-cost financing with flexible terms, SRF funding provides water and wastewater agencies the opportunity to build, upgrade and maintain safe and reliable water infrastructure – an opportunity they may not otherwise have without the program.

SRF funds are allocated to states based on information collected through the EPA's Drinking Water Infrastructure Needs Survey and Assessment (DWINSA) and Clean Watersheds Needs Survey (CWNS). States then distribute the funds to water and wastewater systems for high priority projects that achieve the health protection objectives of the Safe Drinking Water Act and water quality objectives of the Clean Water Act.

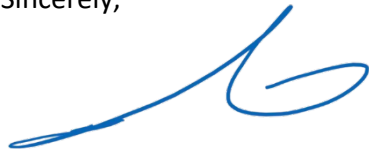
The San Diego region has benefitted greatly from the ability to access WIFIA funding. The WIFIA program complements SRF funding by providing credit assistance for larger, more capital-intensive projects to creditworthy agencies. WIFIA offers low-cost, long-term loans that can be combined with other sources of funding to help accelerate water infrastructure investments. The competitive program covers the credit subsidy for loans to water utilities, which generally have a strong credit rating and a low risk of default. Every dollar appropriated to WIFIA by the federal government supports up to \$100 in infrastructure investment. WIFIA loans are then repaid to the U.S. Treasury, ensuring that the total cost to the federal government is minimal.

The EPA's latest DWINSA and CWNS estimate that drinking water and wastewater utilities will need to invest nearly \$1.3 trillion over the next 20 years to repair, replace, and expand the nation's critical and aging water and wastewater infrastructure. These federal funding programs play a critical and integral role in ensuring utilities meet that need while managing rising costs, increased regulatory compliance and growing affordability concerns.

As you consider funding priorities for Fiscal Year 2026, Valley Center MWD respectfully requests you ensure both the DWSRF and CWSRF programs are funded at the \$3.25 billion maximum amount authorized and WIFIA funded at the Fiscal Year 2025 amount of \$72 million, so that water and wastewater utilities, such as Valley Center MWD have access to critical funding tools for our infrastructure needs.

If you would like to discuss our concerns and position, please contact me at (760) 735-4515 or garant@vcmwd.org.

Sincerely,



Gary Arant
General Manager

cc: Nate Norris, AWWA Director of Legislative Affairs
Ian Lyle, ACWA Director of Federal Relations