

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, OCTOBER 17, 2018, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT HERNANDEZ

PLEDGE OF ALLEGIANCE

ROLL CALL

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity which severely imperils public health, safety, or both. Also, items which arise after the posting of the Agenda may be added by a two-thirds vote of the Board of Directors.

ADOPT AGENDA FOR THE REGULAR MEETING OF OCTOBER 17, 2018

PRESENTATION

Chris Robbins, Water Conservation Supervisor, will share the District's recent video "Imagine A Day Without Water," a national effort to raise awareness, educate communities, and a call for action to invest in our nation's water infrastructure.

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Executive Secretary prior to the start of the meeting, if possible. Public comment should start by stating name, address and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

NOTICE TO THE PUBLIC

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case it will be considered separately under Action Items.

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES (pp. 5-9)

A. REGULAR BOARD MEETING – OCTOBER 3, 2018

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

- 1.2 WARRANT LIST THROUGH OCTOBER 17, 2018 – \$1,247,412.29 (pp. 10-13)

Recommendation: Approve Warrant List

- 1.3 FINANCIAL REPORTS (pp. 14-34)

- A. WATER METER COUNT – SEPTEMBER 30, 2018
- B. WATER PRODUCTION/SALES REPORT – 2018/2019
- C. PER CAPITA WATER CONSUMPTION – SEPTEMBER 30, 2018
- D. QUARTERLY FINANCIAL REPORT – SEPTEMBER 30, 2018
- E. WATER REVENUE AND EXPENSE REPORT – SEPTEMBER 30, 2018
- F. SEWER REVENUE AND EXPENSE REPORT – SEPTEMBER 30, 2018
- G. RESERVE FUNDS ACTIVITY – SEPTEMBER 30, 2018
- H. INVESTMENT REPORT – SEPTEMBER 30, 2018
- I. LEGAL FEES SUMMARY – SEPTEMBER 30, 2018

- 1.5 OPERATIONS & MAINTENANCE METRICS QUARTERLY REPORT – SEPTEMBER 30, 2018 (pp. 35-42)

*****END OF CONSENT CALENDAR*****

ACTION ITEMS

- 2.1 APPROVAL OF AS-NEEDED ENGINEERING SERVICES AGREEMENT FOR V&A CONSULTING ENGINEERS (pp. 43)

The District routinely requires minor engineering and design services for its capital projects and other unscheduled small projects.

Recommendation: Authorize General Manager or His Designee to Enter into an As-needed Consultant Services Agreement with V&A Consulting Engineers

- 2.2 DRAFT PROGRAM ENVIRONMENTAL IMPACT REPORT FOR THE 2018 WATER, WASTEWATER AND RECYCLED WATER MASTER PLAN (pp. 44-46)

The District updates its Water, Wastewater and Recycled Water Master Plan approximately every five to ten years.

Recommendation: Approve initiation of 45-day public review period for the Draft Program Environmental Impact Report

- 2.3 AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY (pp. 47-56)

The Board of Directors expressed interest in exploring the possibilities of utilizing the San Marcos Groundwater Basin for a new water resource.

Recommendation: **Approve a professional services agreement with Woodard & Curran in the amount of \$77,590.00 for the evaluation of San Marcos groundwater Basin supply options**

2.4 SOUTH LAKE LEASE AGREEMENT (pp. 57-98)

The City of San Marcos entered into an agreement with the District on August 29, 2005 for use of the South Lake property as a site for expansion of their trail system.

Recommendation: **Request Board direction**

*******END OF ACTION ITEMS*******

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

3.4 ENCINA WASTEWATER AUTHORITY
 - *Capital Improvement Committee*
 - *Policy and Finance Committee*

3.5 STANDING COMMITTEES

3.6 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS
 ATTENDED

*******END OF REPORTS*******

OTHER BUSINESS

*******END OF OTHER BUSINESS*******

4.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*******END OF DIRECTORS COMMENTS/FUTURE AGENDA ITEMS*******

5.1 ADJOURNMENT

*******END OF AGENDA*******

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

Audio and video recordings of all Board meetings are available to the public at the District website www.vwd.org

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:30 p.m., Thursday, October 11, 2018.

Diane Posvar

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, OCTOBER 3, 2018, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Regular meeting to order at the hour of 5:00 p.m.

Director Martin led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Martin
Director Sannella
Director Hernandez

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF OCTOBER 3, 2018

18-10-01 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to adopt the agenda for the Regular Board Meeting of October 3, 2018.

PRESENTATIONS

President Hernandez presented Dawn McDougale, Wastewater Treatment Plant Supervisor, with the Certificate of Environmental Accreditation, Meadowlark Water Reclamation Facility Laboratory and Certificate of Excellence for the Vallecitos Water District.

President Hernandez presented Richie Arballo, Senior Water System Operations Operator, with his Certificate for Water Quality Laboratory Analyst Grade I from the American Water Works Association.

President Hernandez presented Chris Deering, Wastewater Treatment Plant Operator II, with his Certificate for Wastewater Treatment Plant Operator Grade IV from the State Water Resources Control Board.

PUBLIC COMMENT

Mike Hunsaker, member of the public, provided the Board with a document which included a map indicating various snowpack levels in the Great Basin and California mountains. He stated the map was discontinued at the end of May due to staffing constraints. He commented on the snowpack levels for the north, central and south, Lake Mead at Hoover Dam, and the Lower Colorado Water Supply Report. He thanked the Board.

CONSENT CALENDAR

- 1.1 Approval of Minutes
 - A. Closed Session Board Meeting – September 19, 2018
 - B. Regular Board Meeting – September 19, 2018
- 1.2 Warrant List through October 3, 2018 - \$4,068,020.87
- 1.3 Final Acceptance of Water Improvements for Rancho Coronado Water Main Relocation (Brookfield Rancho Coronado, LLC)
- 1.4 Final Acceptance of Water and Sewer Improvements for Woodward Senior Housing (SJ Asset Management, Inc./Costal Living, LLC)
- 1.5 Final Acceptance of Water Improvements for Palomar Operations & Maintenance Complex (Palomar Community College District)

Mike Hunsaker, member of the public, addressed the Board stating his concern for the lack of action to minimize leaks in multi-family buildings. According to a water symposium held at CSUSM, leaks in single family homes has dropped dramatically. Leakage was 12% before the drought and is now 1-3%. Apartment buildings are still high at 12% due to having master meters. Individual meters should be placed in every apartment. This would allow minimization of the waste and would ensure facilities costs are completely and fairly paid. This will need to be watched carefully with the 2014 Master Water Plan as this is the year in which the District is basing calculations as well as the Urban Water Master Plan. He thanked the Board.

18-10-02 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.

ACTION ITEMS

CHAMBER OF COMMERCE MEMBERSHIP

General Manager Pruim stated that at the September 5 Board meeting, CEO Rick Rungaitis addressed the Board inquiring if the Board was interested in becoming a member of the Chamber. Mr. Rungaitis submitted a letter to the Board on September 19 which listed the reasons why he would like the District to consider becoming a member of the Chamber and extended an offer to reduce the dues from \$950 to \$712.50. General Manager Pruim requested Board direction as to whether the District wants to become a member of the Chamber of Commerce, and if so, does that get added to the list of organizations for which directors would receive compensation for attending events.

General discussion took place. During general discussion, Director Evans stated she feels the Board should not expect the ratepayers to pay the Board per diem to attend chamber events. She further stated that should the Board find it critical to be there, they assign a delegate on behalf of the Board and be provided per diem.

Mike Hunsaker, member of the public, addressed the Board stating concerns with full table representation and the question of it constituting a Brown Act serial meeting with attendance by a quorum of the Board. He further stated that the Chamber is a pro-business organization which is right now very pro-development. His other concern was with the increased number of craft beer establishments and the fact that every gallon of beer consumes 7 gallons of water. He thanked the Board.

Director Sannella requested clarification from legal counsel on Brown Act concerns. Legal Counsel Gilpin stated that the Brown Act provides an exemption for more than a majority or quorum of the Board to attend social events provided there is no discussion of District business.

18-10-03 MOTION WAS MADE by Director Evans, seconded by Director Sannella, and carried 4 – 1, with Director Martin voting no, to become a member of the Chamber of Commerce at the reduced fee, and any per diem requests need to be presented to the full Board for consideration.

REPORTS

GENERAL MANAGER

General Manager Pruiim reported the following:

- The San Marcos Chamber of Commerce will be holding its Fall Festival on October 14. Vallecitos staff will be managing a booth at the event.
- At the October 17 Board meeting, the Board will be asked to consider releasing the draft Preliminary Environmental Impact Report for the Water and Sewer Master Plan. This will begin the 45-day circulation period. The item will be back before the Board for some time between mid-January to early February for certification of the document.
- The District will be holding the annual Water Academy on Thursday, October 25.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated the Governor signed Senate Bill 998 which will require adopting new written policies and detailed notices regarding discontinuation of water service. Will have until 2020 to get those in place. The General Manager has already reached out and raised some questions, which is being worked on.

Legal Counsel Gilpin stated the Court of Appeal issued a decision in the Golden Door property case affirming the trial court's decision that the client document prepared by the County of San Diego was not CEQA compliant and that the County cannot rely on that document in connection with development proposals.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated that she will not be able to attend the North San Diego County Water Symposium on October 10 nor will she be able to attend the Water Academy; reminded the Board of the ACWA Region 10 event on October 18; inquired if the Board would be interested in a presentation by the Water Authority on the energy program update; and, SDCWA has four projects that are producing a significant amount of revenue. One of the projects is floating solar panels and wind turbans on Olivenhain. Other projects being considered are the San Vicente Energy Storage – Hydroelectric, and the Twin Oaks battery system; working to coordinate on ways with electricity – the Water Authority can draw 3500 megawatts from Hoover Dam each year; Colorado River and Lake Mead. It is being said there is no shortage next year. However, they are anticipating 57% chance of an actual shortage in 2020, increases to 68% in 2021, 70% in 2022, and down to 65% in 2023. Metropolitan Water District has 500,000 acre-feet of water in storage at Lake Mead. Each 100,000 acre-feet of water is equal to one foot in elevation.

Director Evans stated the new President is Jim Madaffer.

ENCINA WASTEWATER AUTHORITY

President Hernandez stated the Capital Improvement Committee will take place on October 17.

Director Elitharp stated the Policy and Finance Committee meeting will take place on October 9.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Evans, Hernandez and Martin reported on their attendance to the California Special Districts Association Annual Conference.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Martin commented how proud he is of the District's platinum staff – they deserve every kudos they get.

President Hernandez stated he would like to add an item to the November 7 Board agenda for discussion on the video installation and progress being made.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 5:51 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, October 17, 2018, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruijm, Secretary
Board of Directors
Vallecitos Water District

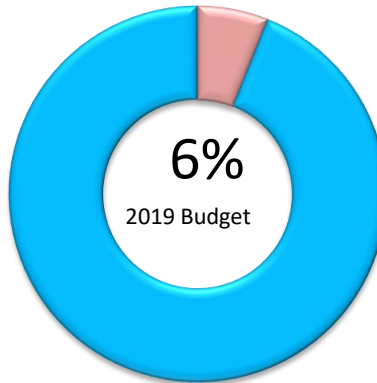
**VALLECITOS WATER DISTRICT
DISBURSEMENTS SUMMARY
September 30, 2018**

Summary

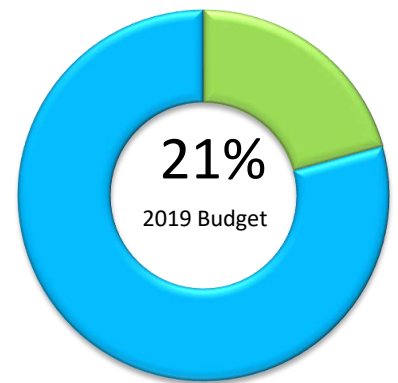
September Disbursements	\$	4,535,810	*
YTD Disbursements	\$	15,505,688	*
FY2019 Budget	\$	74,880,200	

* Excludes Debt Service

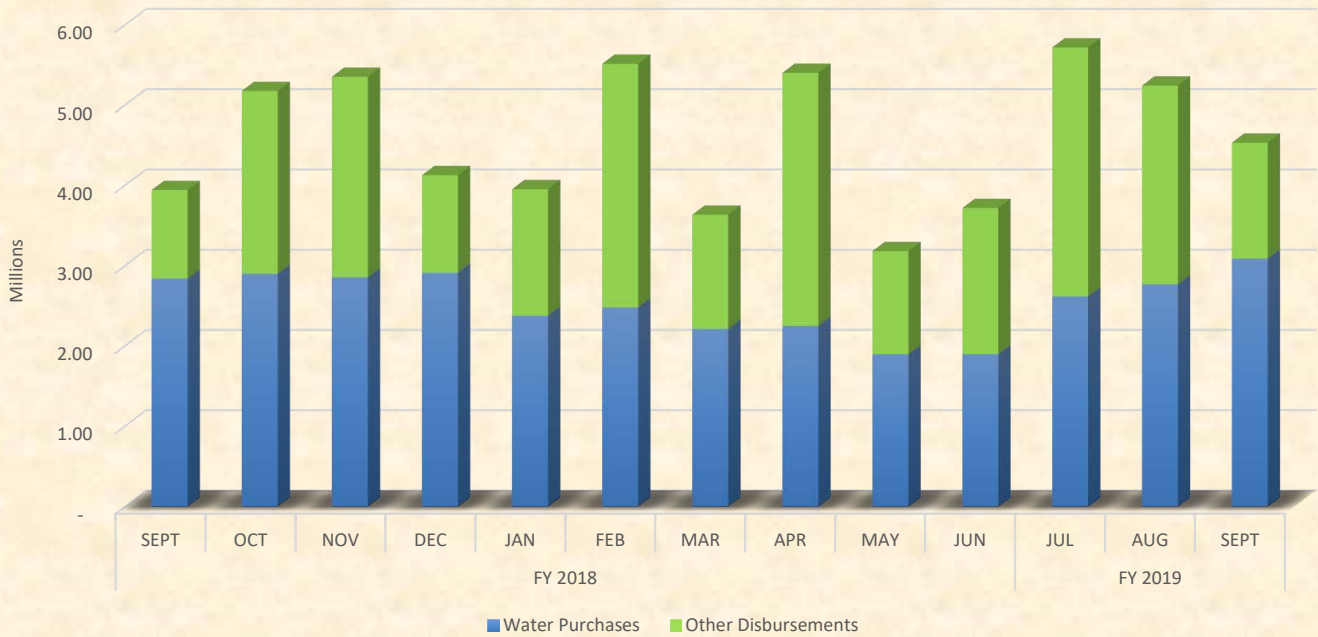
September



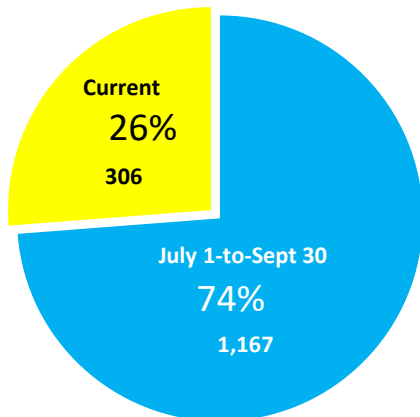
FYTD



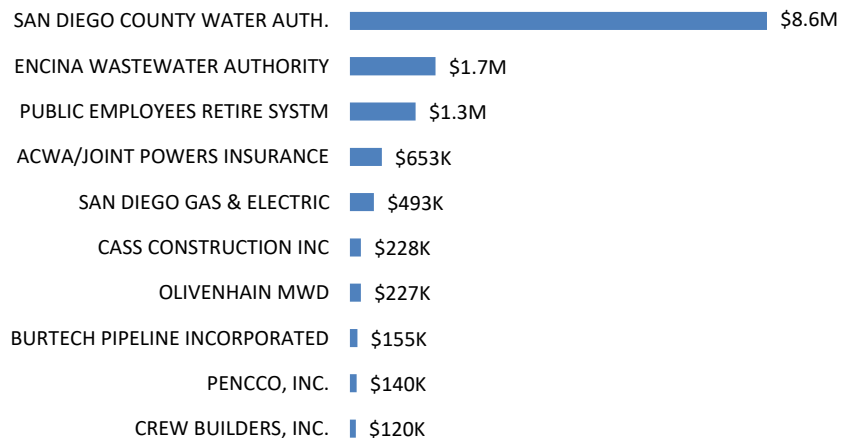
Disbursements by Month



Invoices Processed



Top 10 Vendors - FYTD



VALLECITOS WATER DISTRICT
WARRANTS LIST
October 17, 2018

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	114706 through	114709 -
ACWA/Joint Powers Insurance	Liability Insurance Renewal 18-19	114710	161,715.00
ACWA/Joint Powers Insurance	Workers' Compensation Quarter Ending 9-30-18	114711	49,342.01
Adobe Lock & Safe	Lock Repair, Duplicate Keys 7	114712	184.61
Airgas USA LLC	Cylinder Rentals 6	114713	600.79
Alfredo Dinunzio	Closed Account Refund	114714	25.81
Bridget Anderson	Employee Event Supplies	114715	114.62
Angela Gabriel	Closed Account Refund	114716	6.43
Ann L Delucas	Closed Account Refund	114717	252.14
AP Technology LLC	Secure Check Maintenance 18-19	114718	995.00
Aqua-Metric Sales Co	MXU Supplies, Meter Reading Equipment, Meters 8	114719	8,684.05
Richard Arballo	Water Distribution Cert SWRCB, Lab Cert AWWA	114720	225.00
Shawn Askine	Computer Purchase Program	114721	1,514.49
B & C Crane Service Inc	Crane Rental Prj 20181-9	114722	435.00
Believe LLC	Closed Account Refund	114723	57.99
Blue Pacific Engineer	Closed Account Refund	114724	807.51
Boot World Inc	Safety Boots 5 Pairs	114725	571.22
Cass Arrieta	Closed Account Refund	114726	1,100.00
CCI	Water Treatment Sept	114727	220.00
Centre Builders, Inc.	Closed Account Refund	114728	742.04
Christian Wheeler Engineering	Locker Room Expansion Prj 20161-5 & Stargaze Ct Line Prj 20181-5	114729	7,105.00
Christopher Janz	Closed Account Refund	114730	85.44
Council of Water Utilities	Meeting 10-16-18, Elitharp, Hernandez, Martine, Sannella, Pruum	114731	225.00
CR TOVR LLC	Closed Account Refund	114732	343.02
Craig Elitharp	CASA Event 9-23-18	114733	965.43
Cummins Pacific, LLC	Hardware Supplies	114734	225.81
CWEA	Membership Renewal J Halbig	114735	188.00
CWEA	Membership Renewal D Saavedra	114736	188.00
DirecTV Inc	Satellite Svcs Oct	114737	75.79
Edco Waste & Recycling Service	Trash Svc Sept	114738	928.24
Electrical Sales Inc	Hardware Supplies	114739	41.83
Fleet Pride	Fleet Supplies	114740	333.62
Free Builders Supply	Rapidset Concrete	114741	1,544.50
Gallade Chemical Inc.	Sodium Hypochlorite, Ammonium Hydroxide	114742	832.65
Gem Industrial Electric Inc	Closed Account Refund	114743	668.97
Gilbane Construction	Closed Account Refund	114744	867.24
Glenn Pruum	CSDA Conference 9-24-18	114745	102.90
Golden State Graphics	Fall Splash Prj 20191-26	114746	3,835.90
Govt Finance Officers Association	W Owen, A Glenn, Membership Dues 18-19	114747	310.00
Hach Company	Hardware Supplies	114748	38.12
Haley Colvin	Closed Account Refund	114749	72.20
Infosend Inc	Support Fees, Postage, Printing, Processing, Door Hangers, Aug & Sept	114750	37,577.13
Janet Bambarger	Closed Account Refund	114751	10.47
Janet Carter	Closed Account Refund	114752	94.11
JJT Logistics, Inc	Carbon Recycling Shipping	114753	464.90
JCI Jones Chemicals Inc	Chlorine	114754	6,129.63
Kaila Gilley	Closed Account Refund	114755	86.38
Kennedy/Jenks Consultants	San Marcos Interceptor Prj 71004	114756	5,229.90
Lauren Kirby	Closed Account Refund	114757	6.27
Timothy Miles Mork	Janitorial Svcs Oct MRF	114758	553.13
Lennar Homes	Closed Account Refund	114759	363.22
Manpower Temp Services	Customer Svc Rep Weeks Ending: 9-9-18 to 9-30-18	114760	2,442.40
Hal Martin	COWU Meeting 9-18-18	114761	18.09
Mathew Clark	Closed Account Refund	114762	15.18
McMaster-Carr Supply Co	Coronado Hills & Mt Belle Injection Systems Prj 20181-15 & 20191-10	114763	1,179.63
Mercedes Carlson	Closed Account Refund	114764	56.60
Michael Dunlanp	Closed Account Refund	114765	63.31
Mike Arthur	MAFO Meeting 9-18-18	114766	31.39

VALLECITOS WATER DISTRICT
WARRANTS LIST
October 17, 2018

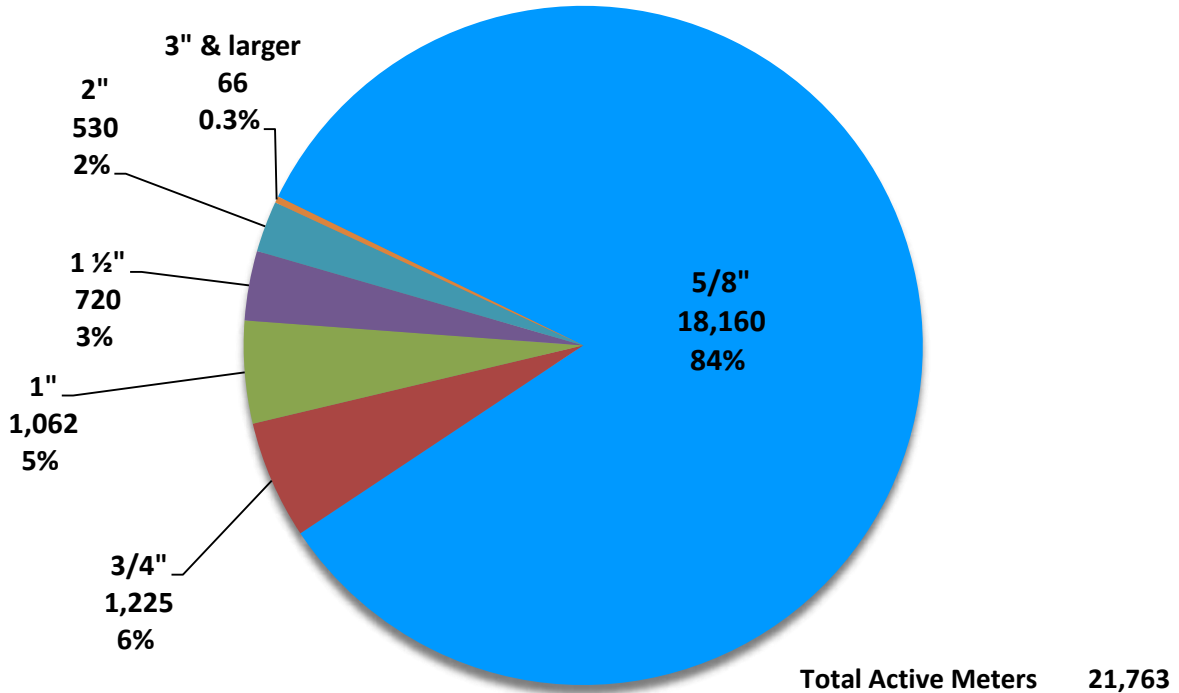
PAYEE	DESCRIPTION	CHECK#	AMOUNT
Montroy Supply Co Inc	Hardware Supplies	114767	324.56
NCB Reprographics	Rock Springs Sewer Prj 90003	114768	971.42
North County Auto Parts	Fleet Supplies Sept	114769	2,199.44
Occu Med LTD	Medical Svcs Aug	114770	384.50
Palomar Community College District	Closed Account Refund	114771	830.60
Penco, Inc.	Trioxyn, Sulfend RT	114772	23,913.66
Pitney Bowes	Postage Meter Refill	114773	89.44
Recycled Aggregate Materials Co Inc	Concrete Recycling	114774	375.00
Air Quality Compliance Solutions, Inc.	Fuel Island Maintenance	114775	156.00
Rick Post Welding	Welding Svcs - Lawrence Welk Ct	114776	540.00
RMJ Marketing Inc	Backup Camera Kit Installation - Veh 275	114777	558.37
SDG&E	Power Sept	114778	20,074.30
Scott Macias	Closed Account Refund	114779	18.00
State of California	Electronic Filing Form 645	114780	130.00
Shred-It US JV LLC	Shredding Svcs Sept	114781	264.51
Smart & Final	Office Supplies	114782	134.88
Southern Counties Lubricants, LLC	Unleaded & Diesel Fuel	114783	18,816.16
Sparling Instruments LLC	College Flow Meters - Annual Calibration	114784	814.80
Staples Advantage	Office Supplies Sept	114785	273.52
State Board of Equalization	Underground Storage Tank Fees July - Sept	114786	227.10
Steven Canning	Closed Account Refund	114787	31.76
Tech Saae, LLC	Closed Account Refund	114788	18.59
Ted A Buchanan	Closed Account Refund	114789	132.39
Timor Rafiq	Closed Account Refund	114790	150.00
Total Resource Mgt Inc	Maximo Support Aug	114791	896.50
Umetech Inc.	IT Support Aug	114792	760.00
Univar USA Inc	Sodium Hypo Liquichlor	114793	1,530.31
UPS	Shipping Svcs Sept	114794	33.69
UPS	Freight Svcs Sept	114795	264.76
Vi Huang	Closed Account Refund	114796	189.87
Vista Fence Company Incorporated.	Fence Installation MRF	114797	9,503.00
Watkins Landmark Const	Closed Account Refund	114798	150.00
West Consultants, Inc.	Inundation Studies 2 - South Lake & Mahr Dams	114799	21,470.25
WRT, Inc.	Refund Warranty Bond Prj 20141-621	114800	15,149.75
Ababa Bolt Inc	Hardware Supplies	114801	32.28
Action Mail	Fall Splash Mailing Prj 20191-26	114802	1,253.77
Active G LLC	Map Engine Svc Jun-Sep	114803	3,937.50
Backflow Solutions, Inc.	Backflow Test Sept Qty 198	114804	2,564.10
Bonsall Petroleum Constr Inc	Testing & Monitoring - Fuel Island	114805	2,350.00
Boot Barn	Safety Boots	114806	150.00
CA Dept of Forestry/Fire Protection	Crew Work July & Aug	114807	1,928.99
Chandler Asset Management, Inc.	Investment Management Svcs - Sept	114808	2,931.55
City of San Diego	AED Program Management 18-19	114809	200.00
DLT Solutions LLC	AutoCAD Subscription 18-19	114810	2,215.12
Elogger Inc.	Elogger Maintenance & Support 18-19	114811	8,343.25
Emcor Service	HVAC Preventative Maintenance	114812	3,139.50
Ewing Irrigation Products	PVC Supplies Prj 20181-15	114813	384.43
Ferguson Enterprises, Inc	Hardware Supplies	114814	363.12
Grainger Inc	Tubing Cutters 6, Couplings 3, Hardware Supplies	114815	1,271.90
Haaker Equipment Co.	Hardware Supplies	114816	174.13
Hawthorne Machinery Co.	Hoses & Filters for Backhoe	114817	573.76
Idibri Consulting LP	AV Upgrade Prj 20151-2	114818	2,460.00
Jeff Katz	Locker Room Expansion Prj 20161-5	114819	2,120.00
Kaman Industrial Technologies	Hardware Supplies	114820	484.54
Laser Cut Concrete Cutting Inc	Core Drilling Svcs - Storm Water Wet Well - MRF	114821	400.00
Mission Resource Conservation District	Water Use Evaluations 10 Prj 20191-29	114822	277.00
The New York Blower Company	Fan Replacement Parts - MRF	114823	435.30
Olympic Coatings California	Chlorine Scrubber Supplies - MRF	114824	452.55
Pacific Pipeline Supply	Wax Tape Rolls 34, Blow Off Valves 6, Ball Valves 10, Hardware Supplies	114825	7,763.11

VALLECITOS WATER DISTRICT
WARRANTS LIST
October 17, 2018

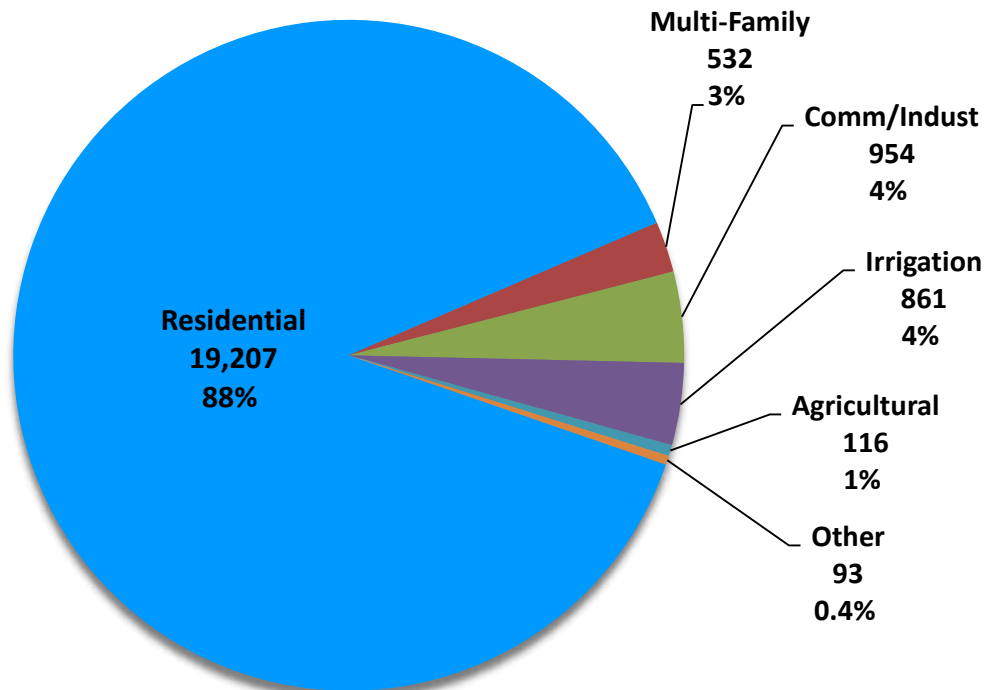
PAYEE	DESCRIPTION	CHECK#	AMOUNT
Progressive Business Pub	Supervisors Legal Update Subscription Renewal 18-19	114826	284.40
San Diego County Water Auth.	Connection Fees Quarter Ending 9-30-18	114827	319,640.00
Schmidt Fire Protection Co Inc	Quarterly Sprinkler Maintenance	114828	335.00
T.S. Industrial Supply	Fire Hydrant Hoses 7, Excavation Nozzles 2, Hardware Supplies	114829	3,859.66
Thyssen Krupp Elevator	Elevator - Full Load Safety Test	114830	2,970.00
Traffic Supply Inc	Placards 3 - Twin Oaks Reservoir	114831	131.37
Unifirst Corporation	Uniform Delivery	114832	1,429.63
Unitis, Inc.	Industrial Salt - MRF	114833	1,504.08
Vortex Industries Inc	Emergency Back Gate Repair	114834	421.60
VWR International	Hardware Supplies	114835	307.43
Walters Wholesale Electric	Transducer Enclosure MRF, Conduit Materials Prj 20191-10	114836	1,181.30
Waxie Sanitary Supply	Cleaning Supplies	114837	1,525.38
White Cap HD Supply Construction Supply LTD	Compaction Jumping Jacks 2	114838	6,960.44
Total Disbursements (129 Checks)			<u>809,026.43</u>
WIRES			
Public Employees Retirement System	Retirement Contribution - October 10, 2018 Payroll	Wire	71,613.54
Total Wires			<u>71,613.54</u>
PAYROLL			
Total direct deposits		Wire	239,362.02
VWD Employee Association		114706	612.00
Garnishments		114709	907.83
IRS	Federal payroll tax deposits	114707 through	Wire 89,293.74
Employment Development Department	California payroll tax deposit	Wire	17,454.58
CalPERS	Deferred compensation withheld	Wire	14,083.68
VOYA	Deferred compensation withheld	Wire	5,058.47
Total October 10, 2018 Payroll Disbursements			<u>366,772.32</u>
 TOTAL DISBURSEMENTS			 <u>1,247,412.29</u>

Vallecitos Water District
 Active Water Meters
 September 30, 2018

Active Meters by Size as of September 30, 2018

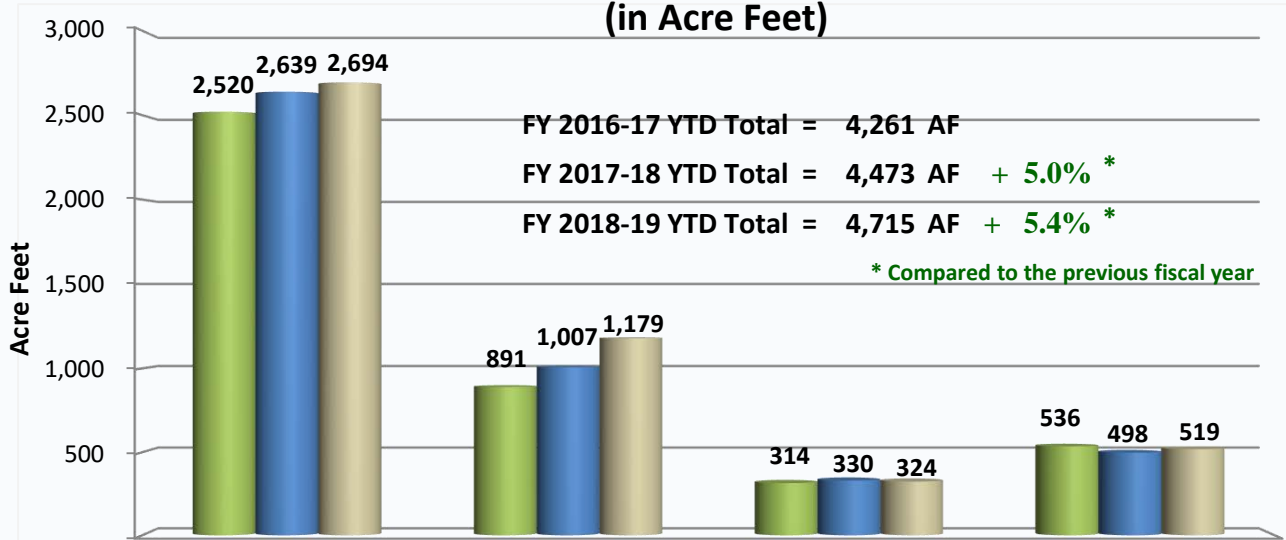


Active Meters by Type as of September 30, 2018



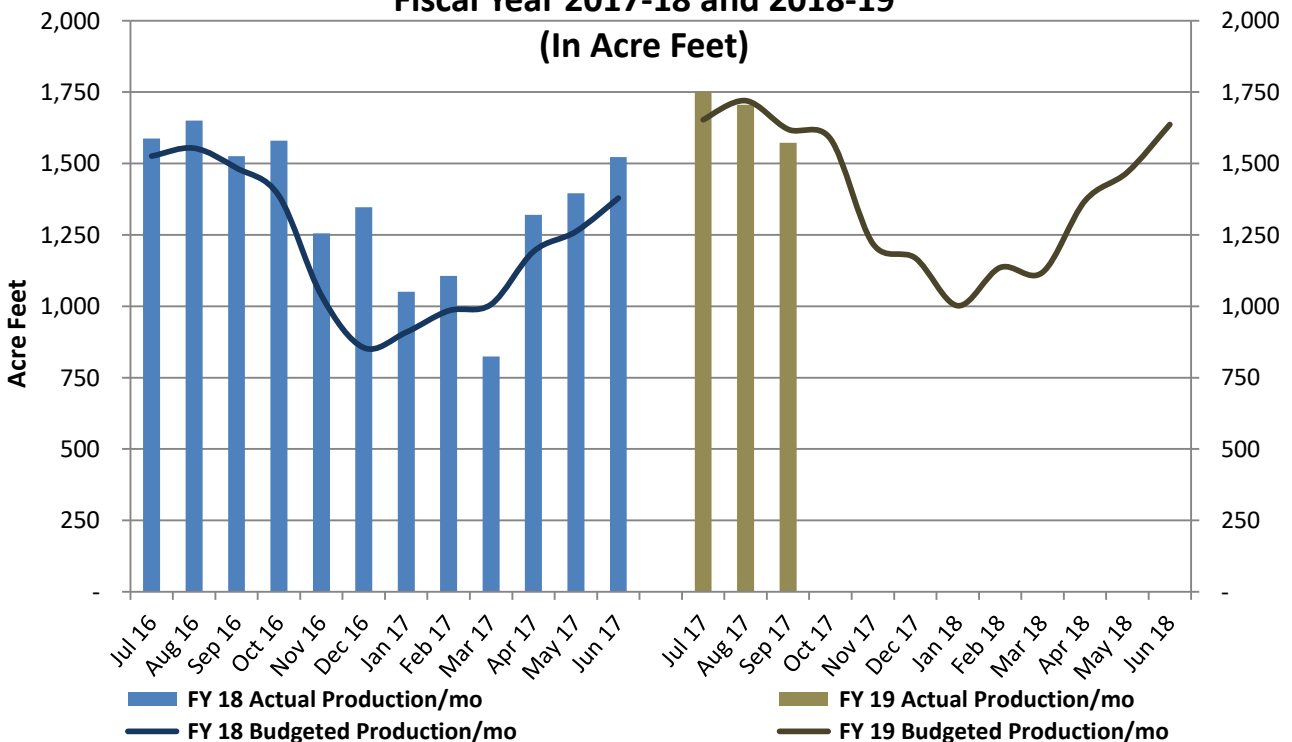
Vallecitos Water District
 Water Production/Sales
 September 30, 2018

Water Sales FY 16-17, FY 17-18 and FY 18-19 (FYTD)
 (in Acre Feet)

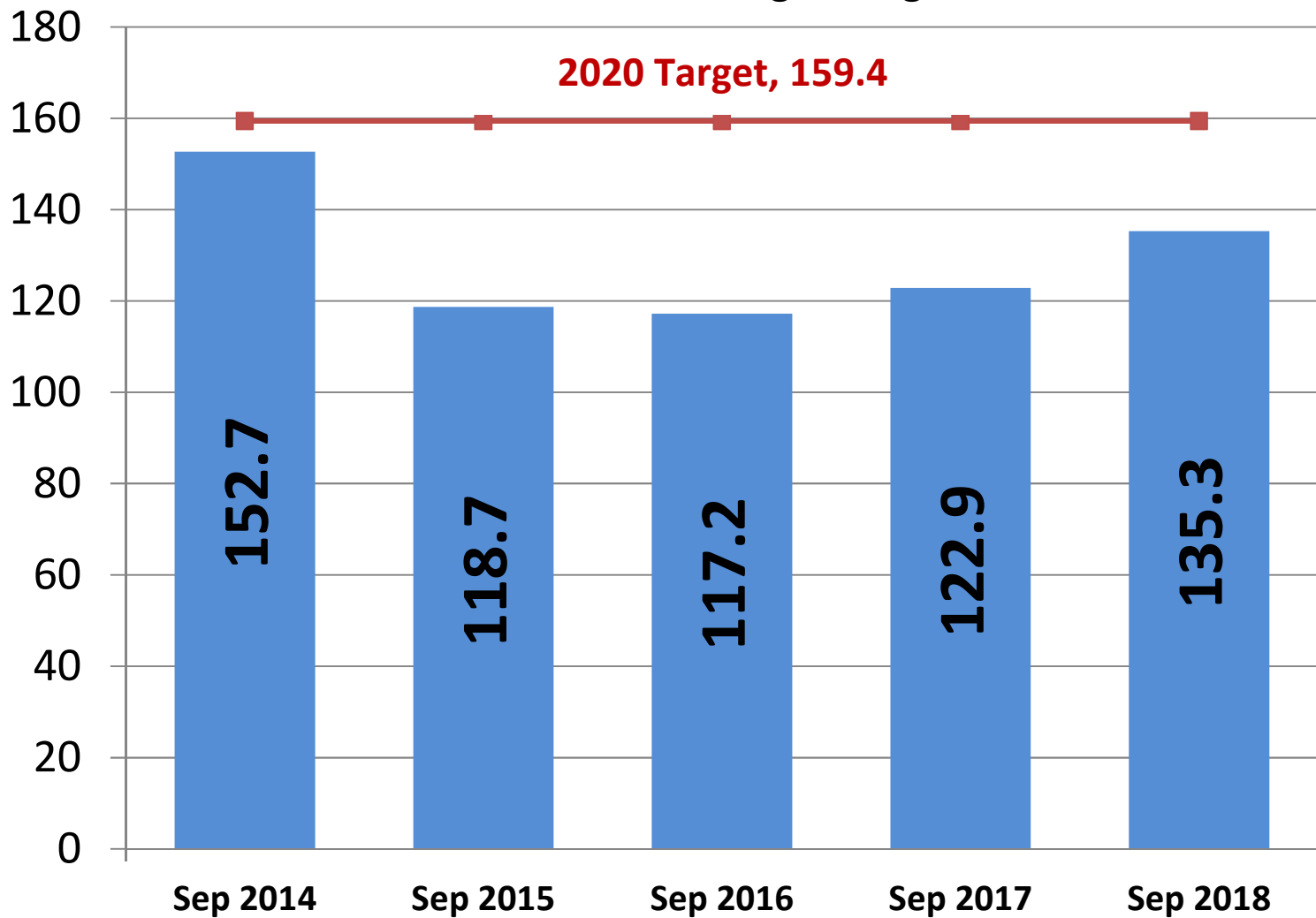


	Residential	Irrigation	Agricultural	Commer/ Indust/ Construct/ Other
FY 2016-17	2,520	891	314	536
FY 2017-18	2,639	1,007	330	498
FY 2018-19	2,694	1,179	324	519

Water Production Budget vs. Actual
 Fiscal Year 2017-18 and 2018-19
 (In Acre Feet)



Gallons per Capita per Day 12-Month Rolling Average





**VALLECITOS WATER DISTRICT
QUARTERLY FINANCIAL REPORT
QUARTER ENDED SEPTEMBER 30, 2018**

OVERVIEW

With the first quarter complete, the District's water fund has a net operating income of \$2.3 million (before depreciation) while the sewer fund has a net operating income of \$2.9 million (before depreciation). The District is cash funding capital projects and current on all debt service payments. We anticipated increased water revenues this year when putting the budget together and are monitoring expenses in all funds very closely.

WATER FUND

The Water Fund performed slightly better than expected during the first quarter of Fiscal Year 2019.

Revenues: Water sales were 33% of total budget as a result of high demand during the summer months. Ready to Serve (RTS) performed as expected. Pumping Charges are high corresponding with water sales.

Revenue	Budget	YTD Actual	Percent
Water Sales	\$ 31,800,000	\$ 10,354,700	33%
Ready to Serve	13,300,000	3,409,846	26%
Pumping Charges	340,000	104,628	31%
Other	690,000	182,110	26%
Total	\$ 46,130,000	\$ 14,051,284	30%

Expenses: Water Purchases are high in response to Water Sales. Operating expenses were slightly higher than budgeted primarily due to the number of water main breaks that occurred in recent months. Supporting expenses were slightly lower than budgeted due to timing of budgeted materials being purchased and outside services being performed. General & Administration costs are low primarily as a result of more labor charged to projects than anticipated.

Expense	Budget	YTD Actual	Percent
Water Purchases	\$ 32,250,000	\$ 9,127,354	28%
Operating	4,517,000	1,220,016	27%
Supporting	4,155,000	867,313	21%
General & Admin	2,985,000	560,082	19%
Total	\$ 43,907,000	\$ 11,774,765	27%

SEWER FUND

The Sewer Fund continues to be stable as revenues received in this fund stem from fixed monthly charges and therefore very predictable.

Revenues: Sewer service charges performed as planned and Reclaimed Water Sales are adjusted at the end of each fiscal year to recover actual costs. Other revenues are high from the litigation settlement related to illegal dumping in the Encina disposal system.

SEWER FUND (continued)

Revenue	Budget	YTD Actual	Percent
Sewer Service	\$ 17,954,000	\$ 4,497,369	25%
Reclaimed	1,974,000	493,500	25%
Other	80,000	654,497	818%
Total	\$ 20,008,000	\$ 5,645,366	28%

Expenses: Treatment expenses performed as planned. Operating expenses are lower than expected due to budgeted repairs that have not been performed and lower than anticipated labor. Supporting and General & Administration are low primarily as a result of lower outside service and staffing costs.

Expense	Budget	YTD Actual	Percent
Treatment	\$ 6,173,000	\$ 1,493,936	24%
Operating	2,793,000	511,284	18%
Supporting	2,699,000	496,701	18%
General & Admin	1,452,000	255,202	18%
Total	\$ 13,117,000	\$ 2,757,123	21%

RESERVES AND FUNDS:

The following is a summary of the replacement reserves and capacity funds as of September 30, 2018.

Water:		
Revenues	Replacement	Capacity
FY 18/19 Operating Transfers	\$ 2,276,519	-
Capital Facility Fees	-	\$ 1,059,279
Property tax & Other	141,936	-
<i>Total Revenue</i>	<u>2,418,455</u>	<u>1,059,279</u>
Distributions		
Capital Projects	591,552	9,266
Net Increase/(Decrease)	1,826,903	1,050,013
Beginning Balance	32,797,105	(9,161,412)
Less: Operating Reserves	5,748,700	-
Ending Balance	<u>\$ 28,875,308</u>	<u>\$ (8,111,400)</u>
Replacement Reserve Floor	<u>\$ 7,428,200</u>	
Replacement Reserve Ceiling	<u>\$ 32,224,700</u>	

Wastewater:		
Revenues	Replacement	Capacity
FY 18/19 Operating Transfers	\$ 2,888,243	-
Capital Facility Fees	-	\$ 2,015,305
Property tax & Other	170,073	-
<i>Total Revenue</i>	<u>3,058,316</u>	<u>2,015,305</u>
Distributions		
Capital Projects	1,659,317	61,212
Debt Service	-	250,361
<i>Total Distributions</i>	<u>1,659,317</u>	<u>311,573</u>
Net Increase/(Decrease)	1,398,999	1,703,732
Beginning Balance	51,677,556	(6,820,836)
Less: Operating Reserves	6,468,600	-
Ending Balance	<u>\$ 46,607,955</u>	<u>\$ (5,117,104)</u>
Replacement Reserve Floor	<u>\$ 15,665,900</u>	
Replacement Reserve Ceiling	<u>\$ 48,081,900</u>	

For More Information. This summary is based on detailed information produced by the District's accounting department. If you would like additional information, or have questions, please call 760-744-0460 x262.

DATE: OCTOBER 17, 2018
TO: BOARD OF DIRECTORS
SUBJECT: MONTHLY FINANCIAL REPORTS

BACKGROUND:

The Monthly Revenue and Expense Reports and the Reserve Report for the three months ended September 30, 2018 are presented.

DISCUSSION:

The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 3-month period. Comparisons to prior year actual and current year budget amounts are also presented. Each statement contains footnotes regarding significant variances exceeding predetermined dollar and percentage amounts. Any excess of revenues over expenses are transferred to reserves and reflected in the Reserve Report. Any excess of expenses above revenues are paid for out of reserves in the current fiscal year.

The Monthly Reserve Report presents the balances in each of the District's reserve funds. The report summarizes all sources and uses of reserves. Sources consist of operating transfers, capital facility fees, property taxes, dissolved RDA distributions, investment earnings and annexation fees. Uses are distributions for capital projects and debt service.

RECOMMENDATION:

For information only.

Vallecitos Water District
Water Revenue and Expense Report
For the Three Months Ended September 30, 2018

	Current Year Actual	Prior Year Actual			Current Year Budget		
		Amount	Variance		Amount	Variance	
			\$	%		\$	%
Revenue							
Water Sales	\$10,354,700	\$8,384,864	\$ 1,969,836	23.5%	\$10,219,000	\$ 135,700	1.3%
Ready-to-serve	3,409,846	3,484,203	(74,357)	-2.1%	3,326,000	83,846	2.5%
Pumping cost recovery	104,628	88,146	16,482	18.7%	110,000	(5,372)	-4.9%
Late & lock charges	116,947	109,661	7,286	6.6%	115,000	1,947	1.7%
Backflow fees	23,336	22,417	919	4.1%	24,000	(664)	-2.8%
Other revenue	41,827	49,687	(7,860)	-15.8%	31,300	10,527	33.6%
Total Revenue	14,051,284	12,138,978	1,912,306	15.8%	13,825,300	225,984	1.6%
Expenses							
Water costs	9,127,354	8,590,807	536,547	6.2%	9,267,000	(139,646)	-1.5%
Pumping costs	241,675	158,472	83,203	52.5%	269,000	(27,325)	-10.2%
Water quality	33,788	27,144	6,644	24.5%	37,000	(3,212)	-8.7%
Water treatment	105,725	118,837	(13,112)	-11.0%	118,000	(12,275)	-10.4%
Tanks & reservoirs	55,598	57,860	(2,262)	-3.9%	113,000	(57,402)	-50.8%
Trans & distribution	599,886	322,142	277,744	86.2%	430,000	169,886	39.5%
Services	20,097	34,750	(14,653)	-42.2%	34,000	(13,903)	-40.9%
Meters	152,000	151,886	114	0.1%	169,000	(17,000)	-10.1%
Backflow prevention	11,247	9,005	2,242	24.9%	17,000	(5,753)	-33.8%
Customer accounts	139,239	120,533	18,706	15.5%	158,000	(18,761)	-11.9%
Building & grounds	92,716	93,297	(581)	-0.6%	95,000	(2,284)	-2.4%
Equipment & vehicles	23,411	55,513	(32,102)	-57.8%	80,000	(56,589)	-70.7%
Engineering	372,230	331,405	40,825	12.3%	396,000	(23,770)	-6.0%
Safety & compliance	64,532	56,875	7,657	13.5%	65,000	(468)	-0.7%
Information Systems	175,185	176,679	(1,494)	-0.8%	245,000	(69,815)	-28.5%
General & administrative	560,082	729,515	(169,433)	-23.2%	747,000	(186,918)	-25.0%
Total Expenses	11,774,765	11,034,720	740,045	6.7%	12,240,000	(465,235)	-3.8%
Net Operating Income	\$ 2,276,519	\$1,104,258	1,172,261	106.2%	\$ 1,585,300	691,219	43.6%

Vallecitos Water District
Sewer Revenue and Expense Report
For the Three Months Ended September 30, 2018

	Current	Prior Year Actual			Current Year Budget		
	Year	Amount	Variance		Amount	Variance	
	Actual		\$	%		\$	%
Revenue							
Sewer service charges	\$ 4,497,369	\$ 4,506,306	\$ (8,937)	-0.2%	\$ 4,478,000	\$ 19,369	0.4%
Reclaimed water sales	493,500	513,750	(20,250)	-3.9%	494,000	(500)	-0.1%
Other revenue	654,497	16,720	637,777	3814.5%	13,000	641,497	4934.6%
Total Revenue	<u>5,645,366</u>	<u>5,036,776</u>	608,590	12.1%	<u>4,985,000</u>	660,366	13.2%
Expenses							
Collection & conveyance	432,275	421,903	10,372	2.5%	577,000	(144,725)	-25.1%
Lift stations	41,153	44,952	(3,799)	-8.5%	74,000	(32,847)	-44.4%
Source Control	37,856	35,798	2,058	5.7%	47,000	(9,144)	-19.5%
Effluent disposal	694,250	896,272	(202,022)	-22.5%	695,000	(750)	-0.1%
Meadowlark	799,686	641,710	157,976	24.6%	849,000	(49,314)	-5.8%
Customer Accounts	89,346	83,314	6,032	7.2%	117,000	(27,654)	-23.6%
Building & grounds	62,704	60,133	2,571	4.3%	65,000	(2,296)	-3.5%
Equipment & vehicles	32,673	40,765	(8,092)	-19.9%	60,000	(27,327)	-45.5%
Engineering	138,723	129,507	9,216	7.1%	170,000	(31,277)	-18.4%
Safety & compliance	36,326	34,984	1,342	3.8%	50,000	(13,674)	-27.3%
Information Systems	136,929	147,405	(10,476)	-7.1%	212,000	(75,071)	-35.4%
General & administrative	255,202	286,500	(31,298)	-10.9%	363,000	(107,798)	-29.7%
Total Expenses	<u>2,757,123</u>	<u>2,823,243</u>	(66,120)	-2.3%	<u>3,279,000</u>	(521,877)	-15.9%
Net Operating Income	<u>\$ 2,888,243</u>	<u>\$ 2,213,533</u>	674,710	30.5%	<u>\$ 1,706,000</u>	1,182,243	69.3%

VALLECITOS WATER DISTRICT

RESERVE ACTIVITY FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

	<u>110 Water</u>	<u>120</u>	<u>210 Wastewater</u>	<u>220</u>	
	<u>Replacement</u>	<u>Capacity</u>	<u>Replacement</u>	<u>Capacity</u>	<u>Total</u>
BEGINNING BALANCE	\$ 32,797,105	\$ (9,161,412)	\$ 51,677,556	\$ (6,820,836)	\$ 68,492,413
REVENUES					
FY 18/19 Operating Transfers	2,276,519		2,888,243		5,164,762
Capital Facility Fees	-	1,059,279	-	2,015,305	3,074,584
Investment Earnings	100,097	-	141,871	-	241,968
Property Tax	41,840	-	28,202	-	70,041
TOTAL REVENUES	<u>2,418,455</u>	<u>1,059,279</u>	<u>3,058,316</u>	<u>2,015,305</u>	<u>8,551,355</u>
LESS DISTRIBUTIONS					
Capital Projects					
Encina Wastewater Authority Five Year Plan	-	-	1,206,736	-	1,206,736
Expansion of the Men's Locker Room in Building B	72,436	-	69,595	-	142,031
Audiovisual Upgrade	62,886	-	60,420	-	123,305
Laurels Sewer Lining	-	-	110,719	-	110,719
Stargaze Court Water Line Replacement	107,997	-	-	-	107,997
South Lake - Facility Upgrades	86,808	-	-	-	86,808
Fulton Road And Nctd Sewer Line Rehabilitation	-	-	79,093	-	79,093
Ultrasonic Algae Control System	-	-	57,040	-	57,040
South Vista Pressure Reducing Station Upgrade	48,883	-	-	-	48,883
District Wide Valve Replacement	41,261	-	-	-	41,261
Rock Springs Sewer Replacement	-	-	15,858	19,383	35,241
Replace Roofs On Equipment Storages	14,881	-	14,298	-	29,179
San Marcos interceptor sewer	-	-	8,802	19,594	28,396
Admin Emergency Generator - Auto Transfer Switch	11,882	-	11,881	-	23,763
Water & Sewer Master Plan	-	9,266	-	9,268	18,534
North Vista Pressure Reducing Station Upgrade	17,371	-	-	-	17,371
Palos Vista Pump Station Generator	15,941	-	-	-	15,941
Refurbish Pumps At North Twin Oaks Pump Station	15,355	-	-	-	15,355
MRF - Influent Pumps & Motors	-	-	14,624	-	14,624
Coronado Hills Chlorine Injection System	13,289	-	-	-	13,289
Wulff Pump Station Pumps & Motors	12,873	-	-	-	12,873
South Lake Pump Station Valves	11,151	-	-	-	11,151
All other capital projects	5,488	-	9,292	12,967	27,747
Capital Budget - Vehicles/Mobile Equipmnt	53,052	-	960	-	54,012
Debt Service	-	-	-	250,361	250,361
TOTAL DISTRIBUTIONS	<u>591,552</u>	<u>9,266</u>	<u>1,659,317</u>	<u>311,573</u>	<u>2,571,708</u>
ENDING BALANCE	\$ 34,624,008	\$ (8,111,400)	\$ 53,076,555	\$ (5,117,104)	\$ 74,472,060
Less: Operating Reserves	<u>5,748,700</u>	<u>-</u>	<u>6,468,600</u>	<u>-</u>	<u>12,217,300</u>
Replacement Reserves/Restricted Funds	<u>\$ 28,875,308</u>	<u>\$ (8,111,400)</u>	<u>\$ 46,607,955</u>	<u>\$ (5,117,104)</u>	<u>\$ 62,254,760</u>
Replacement reserve floor	<u>\$ 7,428,200</u>		<u>\$ 15,665,900</u>		
Replacement reserve ceiling	<u>\$ 32,224,700</u>		<u>\$ 48,081,900</u>		

VALLECITOS WATER DISTRICT
INVESTMENT REPORT FOR SEPTEMBER 2018

Attached is a detailed list of investments for all District funds that are not needed to meet current obligations. In accordance with Government Code Section 53646, the information is presented to the Board on a monthly basis and includes a breakdown by fund, financial institution, settlement and maturity date, yield, and investment amount. In addition, the report indicates the various percentages of investments in each type of institution.

The process and the presentation of the information to the Board are in compliance with requirements outlined in the District Investment Policy adopted on an annual basis. In addition to the investment portfolio, there are sufficient funds in the Operating Account to meet District obligations for the next 30 days. Maturity dates on investments are structured to meet the future financial obligations of the District (i.e., bond payments and construction projections). In that regard, the District will be able to meet expenditure requirements for the next six months without a need to liquidate an investment earlier than scheduled maturity dates.

Investment activity for the month of June follows:

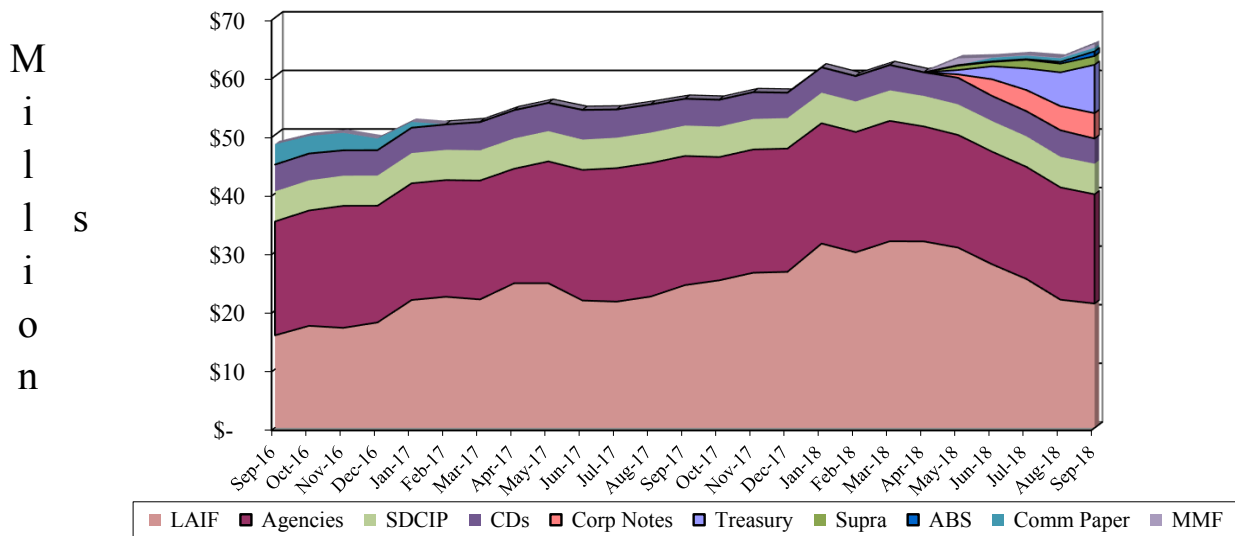
<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
09/05/18	Deposit	LAIF	450,000	Open	2.06%
09/05/18	Matured	GE Capital Bank CD	(245,000)	09/05/18	1.80%
09/10/18	Deposit	LAIF	900,000	Open	2.06%
09/10/18	Purchase	US Treasury	336,793	06/30/22	1.75%
09/12/18	Deposit	LAIF	600,000	Open	2.06%
09/18/18	Withdrawal	LAIF	(2,100,000)	Open	2.06%
09/20/18	Withdrawal	LAIF	(2,500,000)	Open	2.06%
09/21/18	Purchase	US Treasury	720,439	08/31/22	1.88%
09/24/18	Deposit	LAIF	500,000	08/20/18	2.06%
09/25/18	Purchase	US Treasury	719,209	05/31/22	1.75%
09/26/18	Matured	FHLB	(500,000)	09/26/18	1.20%
09/26/18	Purchase	John Deere Cap Corp	244,733	01/06/22	2.65%
09/27/18	Deposit	LAIF	1,500,000	Open	2.06%
09/28/18	Purchase	TAOT 2017-B	494,160	07/15/21	1.76%
09/28/18	Purchase	US Treasury	724,014	03/31/22	1.88%
Change in investments during the month			<u>\$ 1,844,348</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	2.080%
Weighted average days to maturity	383

The State Treasurer's Office provides fair market values of LAIF quarterly on their web site. The most recent valuation, which is used on this report, is as of June 30, 2018. The San Diego County Treasurer provides the fair values for the County investment pool. The most recent values and returns, which are used for this report, are for August 31, 2018. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting

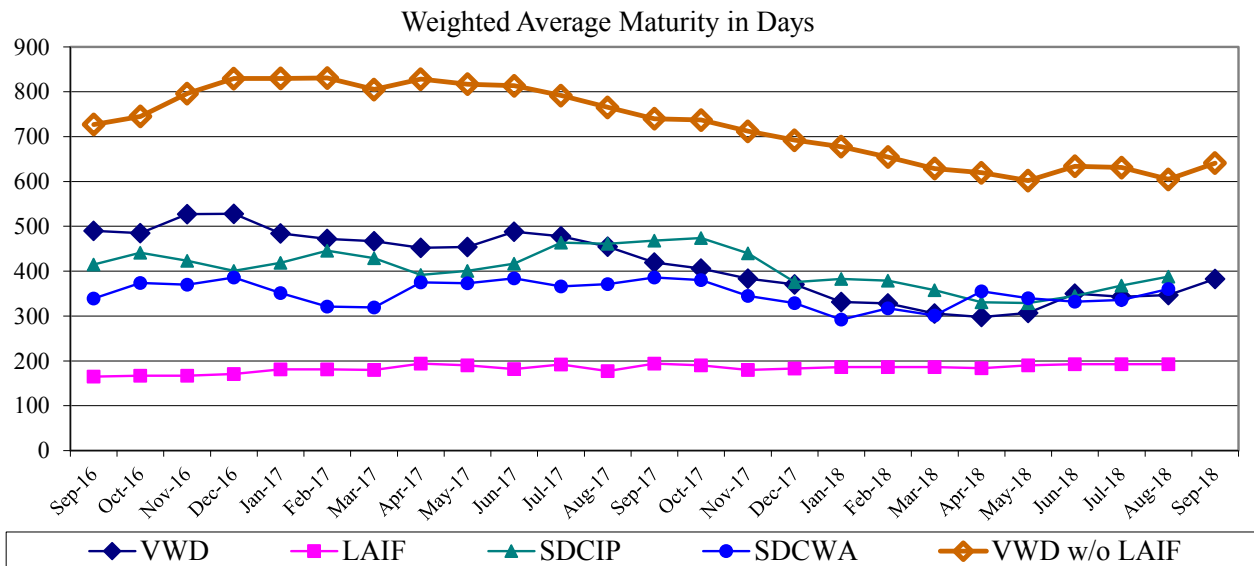
Safety

Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. To meet the objective of safety and avert credit risk, the District acquires only those investments permitted by the Board adopted investment policy and within the limits established by the policy. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District also limits risk by investing in a range of investments to ensure diversification as indicated in the graph below.



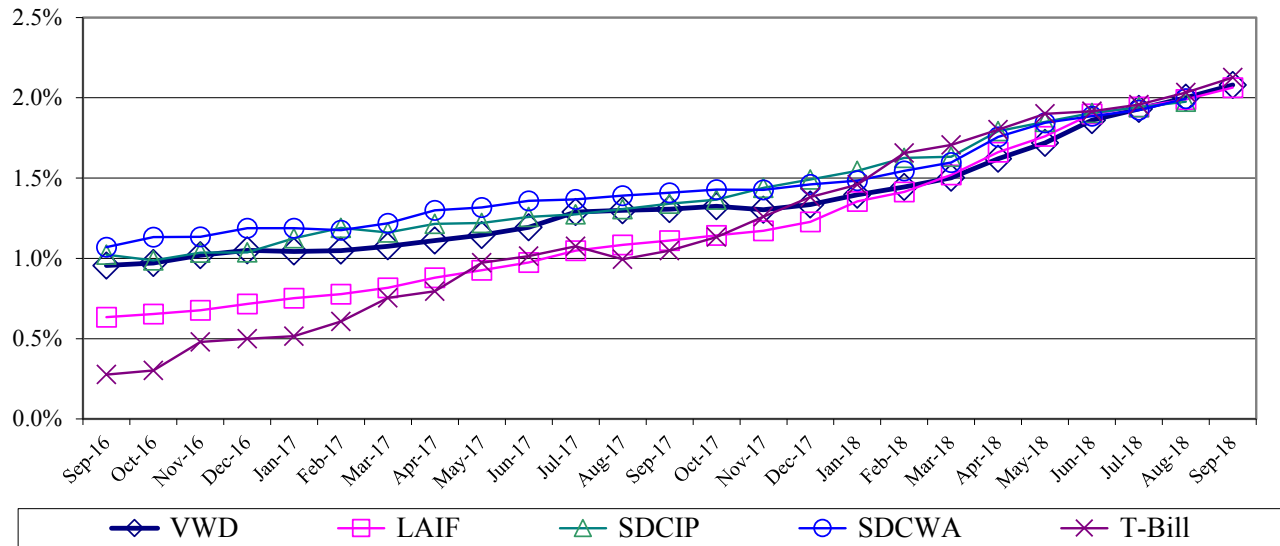
Liquidity

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District averts interest rate risk by limiting terms of investments in accordance with the Investment Policy. Maturity in days is a measure of liquidity. The next graph compares the District’s liquidity to other managed portfolios. The District’s liquidity is graphed with and without LAIF. With LAIF the District is in fact very liquid with \$21.2 million available the same day. But for comparative purposes LAIF is eliminated from the District’s portfolio and shown separately.



Yield

The next graph compares the District’s effective yield to LAIF, SDCIP, San Diego County Water Authority (SDCWA), and the average 91-day Treasury bill rate.



Investment/Debt Management

On March 7, 2018 the District entered into a contract with Chandler Asset Management to provide professional investment management and advisory services. Chandler manages the District’s investments in accordance with the District’s policy of safety, liquidity, and yield and continues to maintain investments of varying types within limits allowed by the investment policy (100% in federal agency obligations, 100% in LAIF, 100% in other local government investment pools, 25% in FDIC-backed corporate notes, 25% in commercial paper, 20% in certificates of deposit). Chandler’s portfolio summary is attached.



PORTFOLIO CHARACTERISTICS

Average Modified Duration	1.05
Average Coupon	1.91%
Average Purchase YTM	2.08%
Average Market YTM	2.51%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	1.17 yrs
Average Life	1.11 yrs

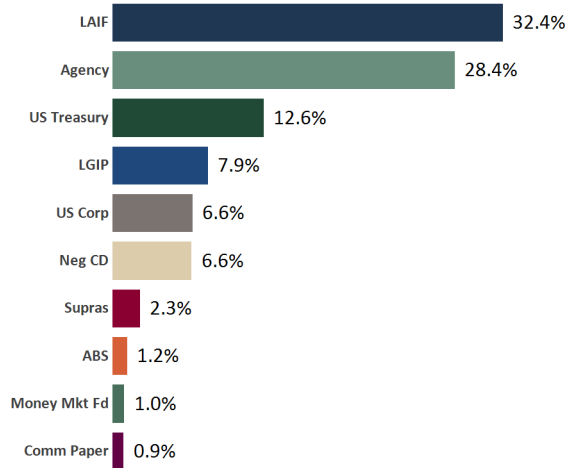
ACCOUNT SUMMARY

	Beg. Values as of 8/31/18	End Values as of 9/30/18
Market Value	63,168,559	65,510,984
Accrued Interest	227,599	271,145
Total Market Value	63,396,158	65,782,129
Income Earned	95,156	99,947
Cont/WD		
Par	63,747,517	66,256,789
Book Value	63,595,856	66,002,257
Cost Value	63,574,294	65,973,863

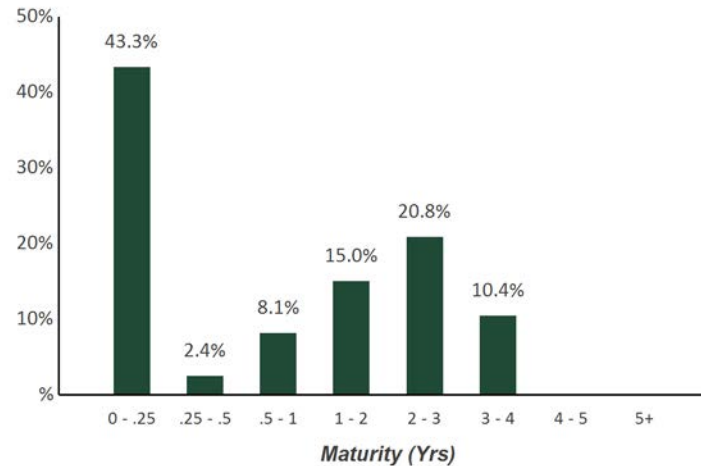
TOP ISSUERS

Local Agency Investment Fund	32.4%
Government of United States	12.6%
Federal Home Loan Mortgage Corp	9.0%
County of San Diego Pooled Inve	7.9%
Federal National Mortgage Assoc	7.8%
Federal Home Loan Bank	6.0%
Federal Farm Credit Bank	5.6%
Intl Bank Recon and Development	1.1%
Total	82.6%

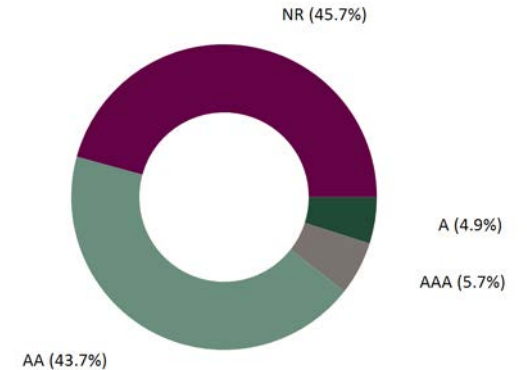
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of September 30, 2018



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
89190BAD0	Toyota Auto Receivables Owner 2017-B A3 1.76% Due 7/15/2021	500,000.00	09/26/2018 2.78%	494,160.16 494,177.32	98.89 2.92%	494,442.50 391.11	0.75% 265.18	Aaa / AAA NR	2.79 1.00
43814UAG4	Honda Auto Receivables 2018-2 A3 3.01% Due 5/18/2022	105,000.00	05/22/2018 3.03%	104,997.71 104,997.91	99.89 3.08%	104,883.56 114.13	0.16% (114.35)	NR / AAA AAA	3.63 2.02
43815HAC1	Honda Auto Receivables Owner 2018-3 A3 2.95% Due 8/22/2022	205,000.00	08/21/2018 2.98%	204,971.87 204,972.53	99.67 3.12%	204,326.17 167.99	0.31% (646.36)	Aaa / NR AAA	3.90 2.10
Total ABS		810,000.00	2.86%	804,129.74 804,147.76	2.99%	803,652.23 673.23	1.22% (495.53)	Aaa / AAA AAA	3.18 1.41

AGENCY									
3130AAN20	FHLB Callable Note Cont 1/23/2018 1.24% Due 1/23/2019	500,000.00	02/08/2017 1.24%	500,000.00 500,000.00	99.68 2.27%	498,388.50 1,171.11	0.76% (1,611.50)	Aaa / AA+ NR	0.32 0.31
3136G3YA7	FNMA Callable Note Qtrly 10/25/2016 1% Due 1/25/2019	500,000.00	07/25/2016 1.01%	499,900.00 499,987.31	99.59 2.30%	497,928.50 916.67	0.76% (2,058.81)	Aaa / AA+ AAA	0.32 0.32
3133EFYS0	FFCB Callable Note Cont 02/22/17 1.15% Due 2/22/2019	367,000.00	03/07/2017 1.40%	365,260.42 366,650.63	99.57 2.24%	365,428.87 457.22	0.56% (1,221.76)	Aaa / AA+ AAA	0.40 0.39
3133EGEF8	FFCB Callable Note Cont 6/13/2017 1.18% Due 6/13/2019	500,000.00	05/26/2017 1.43%	497,500.00 499,147.73	99.08 2.51%	495,381.00 1,770.00	0.76% (3,766.73)	Aaa / AA+ AAA	0.70 0.69
3134G9YQ4	FHLMC Callable Note Qtrly 12/28/2016 2% Due 6/28/2019	750,000.00	06/28/2016 2.00%	750,000.00 750,000.00	99.85 2.61%	748,872.00 3,864.58	1.14% (1,128.00)	Aaa / AA+ AAA	0.74 0.24
3130ABJS6	FHLB Callable Note Qtrly 9/28/2017 1.75% Due 6/28/2019	500,000.00	07/07/2017 1.75%	500,000.00 500,000.00	99.62 2.60%	498,113.00 69.44	0.76% (1,887.00)	Aaa / AA+ NR	0.74 0.73
3133EGLC7	FFCB Callable Note Cont 10/12/2016 1.08% Due 7/12/2019	500,000.00	07/12/2016 1.10%	499,675.00 499,915.71	98.87 2.54%	494,374.00 1,185.00	0.75% (5,541.71)	Aaa / AA+ AAA	0.78 0.77
3134GAEV2	FHLMC Callable Note Qtrly 2/28/2017 2% Due 8/28/2019	750,000.00	08/30/2016 2.01%	750,000.00 750,000.00	99.85 2.63%	748,900.50 1,369.79	1.14% (1,099.50)	Aaa / AA+ AAA	0.91 0.41
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	500,000.00	09/25/2015 1.32%	498,665.00 499,667.16	98.62 2.65%	493,110.50 3,107.64	0.75% (6,556.66)	Aaa / AA+ AAA	1.01 0.98
3130A9UP4	FHLB Callable Note Cont 4/28/2017 1.19% Due 10/28/2019	500,000.00	10/28/2016 1.19%	500,000.00 500,000.00	98.30 2.80%	491,496.50 2,528.75	0.75% (8,503.50)	Aaa / AA+ NR	1.08 1.05

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of September 30, 2018



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3134G9V95	FHLMC Callable Note Qtrly 2/22/2017 1.5% Due 11/22/2019	750,000.00	08/22/2016 1.50%	750,000.00 750,000.00	99.09 2.82%	743,144.25 1,218.75	1.13% (6,855.75)	Aaa / AA+ AAA	1.15 0.88
3136G3VH5	FNMA Callable Note Qtrly 12/30/2016 1.35% Due 12/30/2019	500,000.00	06/30/2016 1.35%	500,000.00 500,000.00	98.11 2.90%	490,531.50 1,706.25	0.75% (9,468.50)	Aaa / AA+ AAA	1.25 1.22
3135G0Q63	FNMA Callable Note Qtrly 3/30/2017 1.3% Due 3/30/2020	500,000.00	10/19/2016 1.30%	500,000.00 500,000.00	97.89 2.75%	489,450.00 18.06	0.74% (10,550.00)	Aaa / AA+ AAA	1.50 1.47
3130ABAY2	FHLB Callable Note Cont 7/28/2017 1.67% Due 4/28/2020	750,000.00	04/28/2017 1.67%	750,000.00 750,000.00	98.26 2.80%	736,970.25 5,323.13	1.13% (13,029.75)	Aaa / AA+ NR	1.58 1.53
3136G3NZ4	FNMA Callable Note Qtrly 11/29/2016 1.5% Due 5/29/2020	750,000.00	05/27/2016 1.50%	750,000.00 750,000.00	97.97 2.76%	734,764.50 3,812.50	1.12% (15,235.50)	Aaa / AA+ AAA	1.66 1.62
3130A8M67	FHLB Callable Note Cont 7/13/2017 1.2% Due 7/13/2020	500,000.00	11/22/2016 1.60%	492,970.00 496,556.41	97.19 2.83%	485,929.50 1,300.00	0.74% (10,626.91)	Aaa / AA+ NR	1.79 1.74
3135G0N66	FNMA Callable Note Qtrly 2/24/2017 1.4% Due 8/24/2020	1,000,000.00	08/24/2016 1.40%	1,000,000.00 1,000,000.00	97.26 2.89%	972,555.00 1,438.89	1.48% (27,445.00)	Aaa / AA+ AAA	1.90 1.85
3133EGC94	FFCB Callable Note Cont 2/2/2017 1.38% Due 11/2/2020	500,000.00	11/04/2016 1.40%	499,600.00 499,790.82	97.04 2.85%	485,190.00 2,855.83	0.74% (14,600.82)	Aaa / AA+ AAA	2.09 2.03
3133EGR49	FFCB Callable Note Cont 12/7/2017 1.77% Due 12/7/2020	250,000.00	12/07/2016 1.83%	249,437.50 249,692.76	97.70 2.86%	244,262.00 1,401.25	0.37% (5,430.76)	Aaa / AA+ AAA	2.19 2.11
3134GBTA0	FHLMC Callable Note Qtrly 9/22/2017 1.8% Due 12/22/2020	750,000.00	06/27/2017 1.80%	750,000.00 750,000.00	98.91 2.77%	741,831.75 335.42	1.13% (8,168.25)	Aaa / AA+ AAA	2.23 1.48
3136G4GA5	FNMA Callable Note Qtrly 4/28/2017 1.4% Due 1/28/2021	500,000.00	10/28/2016 1.40%	500,000.00 500,000.00	96.77 2.84%	483,857.50 1,225.00	0.74% (16,142.50)	Aaa / AA+ AAA	2.33 2.26
3133EFC54	FFCB Callable Note Cont 2/17/2017 1.62% Due 2/17/2021	150,000.00	11/18/2016 1.67%	149,667.00 149,813.33	96.98 2.94%	145,470.00 297.00	0.22% (4,343.33)	Aaa / AA+ AAA	2.39 2.31
3134G8LH0	FHLMC Callable Note Qtrly 8/26/2016 1.5% Due 2/26/2021	514,000.00	02/26/2016 1.50%	514,000.00 514,000.00	98.86 3.03%	508,147.60 749.58	0.77% (5,852.40)	Aaa / AA+ AAA	2.41 1.37
3130A7ES0	FHLB Callable Note Qtrly 6/22/2016 1.75% Due 3/22/2021	275,000.00	04/06/2017 2.11%	274,381.25 274,613.60	98.39 3.02%	270,585.43 120.31	0.41% (4,028.17)	Aaa / AA+ NR	2.48 1.63
3133EFZ91	FFCB Callable Note Cont 4/12/2017 1.62% Due 4/12/2021	750,000.00	04/12/2016 1.62%	749,925.00 749,962.05	96.93 2.88%	727,007.25 5,703.75	1.11% (22,954.80)	Aaa / AA+ AAA	2.53 2.44
3133EHHM8	FFCB Callable Note Cont 8/3/2017 1.99% Due 5/3/2021	750,000.00	05/03/2017 1.99%	750,000.00 750,000.00	97.50 3.00%	731,231.25 6,135.83	1.12% (18,768.75)	Aaa / AA+ AAA	2.59 2.00

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of September 30, 2018



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3136G3A70	FNMA Callable Note Qtrly 1/27/2017 1.5% Due 7/27/2021	500,000.00	07/27/2016 1.50%	500,000.00 500,000.00	95.91 3.02%	479,525.00 1,333.33	0.73% (20,475.00)	Aaa / AA+ AAA	2.82 2.73
3134G95L7	FHLMC Callable Note Qtrly 11/25/2016 1.6% Due 8/25/2021	1,000,000.00	08/25/2016 1.60%	1,000,000.00 1,000,000.00	96.19 2.98%	961,894.00 1,600.00	1.46% (38,106.00)	Aaa / AA+ AAA	2.90 2.50
3130A9F89	FHLB Callable Note Qtrly 12/30/2016 1.625% Due 9/30/2021	1,000,000.00	09/30/2016 1.63%	1,000,000.00 1,000,000.00	96.37 2.90%	963,702.00 45.14	1.47% (36,298.00)	Aaa / AA+ NR	3.00 2.56
3136G4GF4	FNMA Callable Note Qtrly 4/28/2017 1.55% Due 10/28/2021	1,000,000.00	10/31/2016 1.55%	1,000,000.00 1,000,000.00	95.44 3.11%	954,422.00 6,587.50	1.46% (45,578.00)	Aaa / AA+ AAA	3.08 2.95
3134GAYX6	FHLMC Callable Note Qtrly 5/26/2017 1.875% Due 11/26/2021	1,000,000.00	11/30/2016 1.88%	1,000,000.00 1,000,000.00	96.27 3.12%	962,728.00 6,510.42	1.47% (37,272.00)	Aaa / AA+ AAA	3.16 2.51
Total Agency		19,056,000.00	1.57%	19,040,981.17 19,049,797.51	2.81%	18,645,192.15 66,158.14	28.44% (404,605.36)	Aaa / AA+ AAA	1.85 1.60
COMMERCIAL PAPER									
62479MK28	MUFG Bank Ltd/NY Discount CP 2.31% Due 10/2/2018	600,000.00	06/22/2018 2.36%	596,188.50 599,961.50	99.99 2.36%	599,961.50 0.00	0.91% 0.00	P-1 / A-1 NR	0.01 0.01
Total Commercial Paper		600,000.00	2.36%	596,188.50 599,961.50	2.36%	599,961.50 0.00	0.91% 0.00	Aaa / AA NR	0.01 0.01
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	21,221,573.03	Various 2.09%	21,221,573.03 21,221,573.03	1.00 2.09%	21,221,573.03 121,755.39	32.45% 0.00	NR / NR NR	0.00 0.00
Total LAIF		21,221,573.03	2.09%	21,221,573.03 21,221,573.03	2.09%	21,221,573.03 121,755.39	32.45% 0.00	NR / NR NR	0.00 0.00
LOCAL GOV INVESTMENT POOL									
90SDCP\$00	County of San Diego Pooled Investment Pool	5,216,000.00	Various 1.99%	5,216,000.00 5,216,000.00	1.00 1.99%	5,216,000.00 0.00	7.93% 0.00	NR / NR AAA	0.00 0.00
Total Local Gov Investment Pool		5,216,000.00	1.99%	5,216,000.00 5,216,000.00	1.99%	5,216,000.00 0.00	7.93% 0.00	NR / NR AAA	0.00 0.00



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
MONEY MARKET FUND FI									
261908206	Dreyfus Treasury Money Market Fund	643,215.51	Various 1.71%	643,215.51 643,215.51	1.00 1.71%	643,215.51 0.00	0.98% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		643,215.51	1.71%	643,215.51 643,215.51	1.71%	643,215.51 0.00	0.98% 0.00	Aaa / AAA NR	0.00 0.00
NEGOTIABLE CD									
140420WJ5	Capital One Bank USA NA Negotiable CD 1.65% Due 10/9/2018	179,000.00	10/13/2015 1.65%	179,000.00 179,000.00	99.99 1.91%	178,988.37 1,432.25	0.27% (11.63)	NR / NR NR	0.02 0.02
02006LVC4	Ally Bank Negotiable CD 1.6% Due 10/29/2018	245,000.00	10/29/2015 1.60%	245,000.00 245,000.00	99.98 1.83%	244,952.47 1,664.66	0.37% (47.53)	NR / NR NR	0.08 0.08
795450XC4	Sallie Mae Bank Negotiable CD 1.6% Due 12/10/2018	245,000.00	12/09/2015 1.60%	245,000.00 245,000.00	99.92 2.01%	244,801.31 1,224.33	0.37% (198.69)	NR / NR NR	0.19 0.19
05580AGN8	BMW Corp Negotiable CD 1.35% Due 3/11/2019	245,000.00	03/10/2017 1.35%	245,000.00 245,000.00	99.63 2.20%	244,083.95 190.29	0.37% (916.05)	NR / NR NR	0.44 0.44
78012UEY7	Royal Bank of Canada Yankee CD 2.6% Due 4/8/2019	500,000.00	08/24/2018 2.55%	500,130.05 500,108.28	100.02 2.55%	500,108.28 2,997.22	0.76% 0.00	P-1 / A-1+ F-1+	0.52 0.51
966594AY9	Whitney Bank Negotiable CD 1.65% Due 4/22/2019	245,000.00	04/20/2017 1.65%	245,000.00 245,000.00	99.68 2.24%	244,205.96 1,816.36	0.37% (794.04)	NR / NR NR	0.56 0.55
29266NK97	Enerbank USA Negotiable CD 1.5% Due 5/15/2019	233,000.00	06/18/2015 1.58%	232,301.00 232,889.30	99.53 2.27%	231,899.31 153.21	0.35% (989.99)	NR / NR NR	0.62 0.62
89113XX33	Toronto Dominion NY Yankee CD 2.68% Due 5/24/2019	500,000.00	05/23/2018 2.68%	500,000.00 500,000.00	100.00 2.68%	500,000.00 4,838.89	0.77% 0.00	P-1 / A-1+ F-1+	0.65 0.64
06740KJJ7	Barclays Bank Delaware Negotiable CD 1.9% Due 9/16/2019	245,000.00	09/16/2015 1.90%	245,000.00 245,000.00	99.56 2.36%	243,924.94 191.30	0.37% (1,075.06)	NR / NR NR	0.96 0.95
49306SXX7	Key Bank Negotiable CD 1.7% Due 3/9/2020	245,000.00	03/08/2017 1.70%	245,000.00 245,000.00	98.60 2.70%	241,570.98 262.45	0.37% (3,429.02)	NR / NR NR	1.44 1.41
40434AZ44	HSBC Bank USA NA Callable Neg. CD S/A 7/8/2018 1.4% Due 7/8/2020	245,000.00	09/16/2016 1.45%	244,510.00 244,772.44	97.50 2.86%	238,868.63 798.77	0.36% (5,903.81)	NR / NR NR	1.77 1.73



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
NEGOTIABLE CD									
254672L89	Discover Bank Negotiable CD 1.5% Due 10/26/2020	245,000.00	10/26/2016 1.50%	245,000.00 245,000.00	96.69 3.16%	236,882.42 1,590.82	0.36% (8,117.58)	NR / NR NR	2.07 2.01
66476QBW7	Northern Nevada Bank Callable Neg CD Qtrly 6/29/18 1.85% Due 12/29/2020	245,000.00	06/29/2017 1.85%	245,000.00 245,000.00	97.60 2.95%	239,128.09 24.84	0.36% (5,871.91)	NR / NR NR	2.25 2.20
94986TXN2	Wells Fargo Callable Neg CD Qtrly 9/4/18 1.15% Due 3/4/2021	243,000.00	03/04/2016 1.15%	243,000.00 243,000.00	99.55 2.22%	241,910.87 206.72	0.37% (1,089.13)	NR / NR NR	2.43 0.42
20033AQU3	Comenity Capital Bank Negotiable CD 1.65% Due 6/30/2021	245,000.00	06/30/2016 1.65%	245,000.00 245,000.00	96.20 3.09%	235,686.82 11.08	0.36% (9,313.18)	NR / NR NR	2.75 2.68
48126XAH8	JP Morgan Chase Bank NA Callable Neg. CD Qtrly 8/16/17 1.65% Due 8/16/2021	245,000.00	08/16/2016 1.65%	245,000.00 245,000.00	95.60 3.26%	234,222.94 509.47	0.36% (10,777.06)	NR / NR NR	2.88 2.79
Total Negotiable CD		4,350,000.00	1.83%	4,348,941.05 4,349,770.02	2.53%	4,301,235.34 17,912.66	6.57% (48,534.68)	Aaa / AAA AAA	1.16 1.02
SUPRANATIONAL									
4581X0CD8	Inter-American Dev Bank Note 2.125% Due 11/9/2020	750,000.00	05/22/2018 2.81%	737,865.00 739,617.83	98.36 2.93%	737,718.75 6,286.46	1.13% (1,899.08)	Aaa / AAA AAA	2.11 2.03
459058GH0	Intl. Bank Recon & Development Note 2.75% Due 7/23/2021	750,000.00	07/24/2018 2.86%	747,607.50 747,754.16	99.38 2.98%	745,369.50 3,781.25	1.14% (2,384.66)	Aaa / AAA NR	2.81 2.67
Total Supranational		1,500,000.00	2.84%	1,485,472.50 1,487,371.99	2.96%	1,483,088.25 10,067.71	2.27% (4,283.74)	Aaa / AAA AAA	2.46 2.35
US CORPORATE									
459200JF9	IBM Corp Note 2.25% Due 2/19/2021	500,000.00	06/26/2018 3.07%	489,640.00 490,657.79	97.98 3.13%	489,905.00 1,312.50	0.75% (752.79)	A1 / A+ A+	2.39 2.29
69371RN93	Paccar Financial Corp Note 2.8% Due 3/1/2021	300,000.00	07/23/2018 3.12%	297,585.00 297,757.86	98.96 3.25%	296,882.70 700.00	0.45% (875.16)	A1 / A+ NR	2.42 2.31
06406FAA1	Bank of NY Mellon Corp Callable Note Cont 03/15/2021 2.5% Due 4/15/2021	500,000.00	08/24/2018 3.05%	493,125.00 493,368.24	98.19 3.25%	490,940.50 5,763.89	0.76% (2,427.74)	A1 / A AA-	2.54 2.41



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	350,000.00	06/28/2018 3.08%	349,247.50 349,315.06	99.47 3.21%	348,128.20 4,083.33	0.54% (1,186.86)	A2 / A+ NR	2.61 2.47
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	320,000.00	Various 3.09%	321,372.10 321,212.30	100.01 3.24%	320,039.68 3,726.67	0.49% (1,172.62)	A2 / A A	2.64 2.48
931142EJ8	Wal-Mart Stores Note 3.125% Due 6/23/2021	290,000.00	06/20/2018 3.13%	289,985.50 289,986.77	100.20 3.05%	290,581.74 2,366.32	0.45% 594.97	Aa2 / AA AA	2.73 2.58
02665WBG5	American Honda Finance Note 1.7% Due 9/9/2021	500,000.00	07/20/2018 3.19%	478,045.00 479,370.37	95.76 3.22%	478,816.50 519.44	0.73% (553.87)	A2 / A+ NR	2.95 2.83
89233P5F9	Toyota Motor Credit Corp Note 3.4% Due 9/15/2021	500,000.00	05/31/2018 3.03%	505,785.00 505,210.84	100.53 3.21%	502,640.50 755.56	0.77% (2,570.34)	Aa3 / AA- A	2.96 2.79
24422ETL3	John Deere Capital Corp Note 2.65% Due 1/6/2022	500,000.00	Various 3.29%	489,627.50 490,185.64	97.98 3.31%	489,917.00 3,128.48	0.75% (268.64)	A2 / A A	3.27 3.08
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	300,000.00	06/27/2018 3.15%	292,848.00 293,354.62	97.28 3.31%	291,851.40 939.17	0.45% (1,503.22)	A2 / A NR	3.38 3.20
68389XBB0	Oracle Corp Callable Note Cont 3/15/2022 2.5% Due 5/15/2022	350,000.00	06/13/2018 3.21%	340,868.50 341,558.15	97.33 3.29%	340,656.05 3,305.56	0.52% (902.10)	A1 / AA- A+	3.62 3.40
Total US Corporate		4,410,000.00	3.13%	4,348,129.10 4,351,977.64	3.23%	4,340,359.27 26,600.92	6.64% (11,618.37)	A1 / A+ A+	2.86 2.71
US TREASURY									
912828WW6	US Treasury Note 1.625% Due 7/31/2019	600,000.00	08/29/2018 2.44%	595,593.75 596,014.65	99.21 2.59%	595,242.00 1,642.66	0.91% (772.65)	Aaa / AA+ AAA	0.83 0.82
9128283S7	US Treasury Note 2% Due 1/31/2020	750,000.00	08/24/2018 2.57%	744,082.03 744,478.83	99.05 2.73%	742,851.75 2,527.17	1.13% (1,627.08)	Aaa / AA+ AAA	1.34 1.30
9128283Y4	US Treasury Note 2.25% Due 2/29/2020	750,000.00	06/25/2018 2.51%	746,835.94 747,336.62	99.30 2.75%	744,785.25 1,445.10	1.13% (2,551.37)	Aaa / AA+ AAA	1.42 1.38
912828X21	US Treasury Note 1.5% Due 4/15/2020	750,000.00	07/23/2018 2.62%	735,937.50 737,475.24	98.09 2.77%	735,703.50 5,194.67	1.13% (1,771.74)	Aaa / AA+ AAA	1.54 1.50
912828XH8	US Treasury Note 1.625% Due 6/30/2020	750,000.00	05/31/2018 2.43%	737,753.91 739,733.24	97.99 2.81%	734,941.50 3,079.99	1.12% (4,791.74)	Aaa / AA+ AAA	1.75 1.70

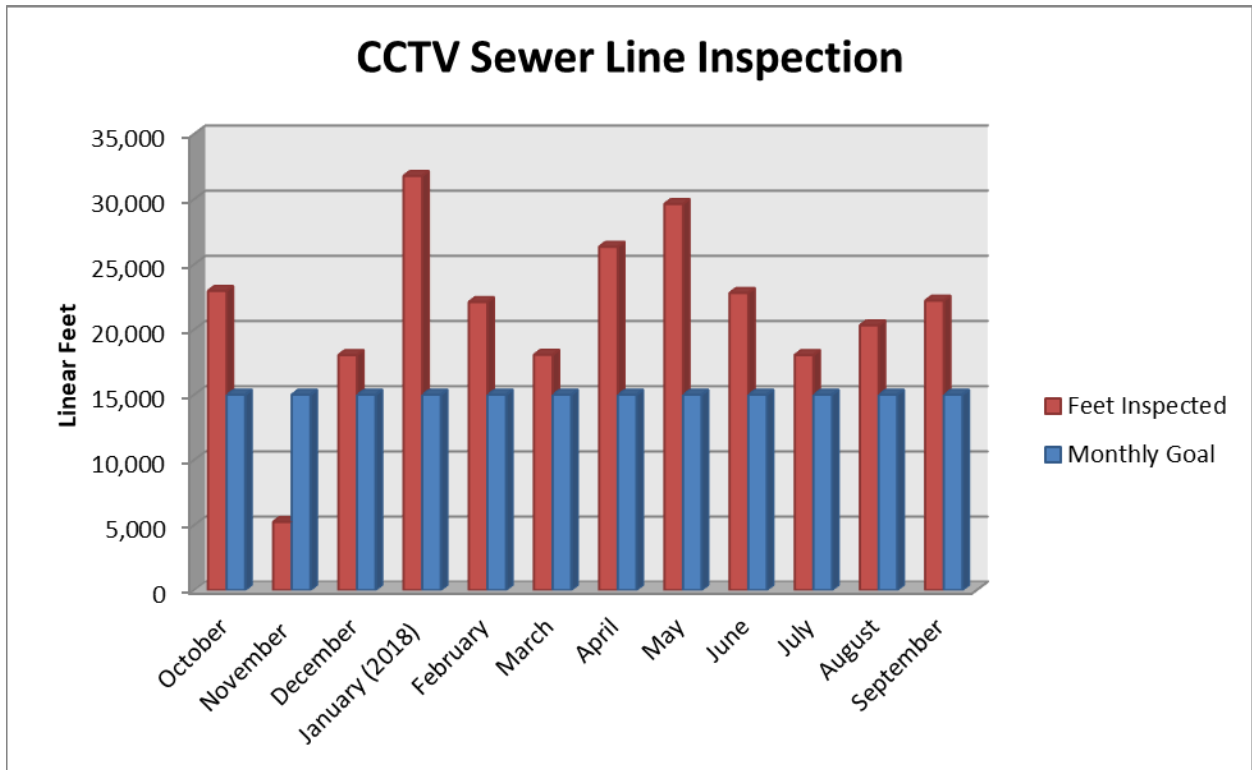


CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828VV9	US Treasury Note 2.125% Due 8/31/2020	750,000.00	08/28/2018 2.66%	742,236.33 742,585.85	98.70 2.83%	740,244.00 1,364.81	1.13% (2,341.85)	Aaa / AA+ AAA	1.92 1.86
912828L65	US Treasury Note 1.375% Due 9/30/2020	750,000.00	06/27/2018 2.53%	731,044.92 733,227.63	97.20 2.83%	728,964.75 28.33	1.11% (4,262.88)	Aaa / AA+ AAA	2.00 1.95
912828WCO	US Treasury Note 1.75% Due 10/31/2020	750,000.00	07/20/2018 2.64%	735,292.97 736,531.83	97.81 2.84%	733,564.50 5,492.53	1.12% (2,967.33)	Aaa / AA+ AAA	2.09 2.01
912828W89	US Treasury Note 1.875% Due 3/31/2022	750,000.00	09/27/2018 2.92%	724,013.67 724,074.58	96.57 2.91%	724,277.25 38.63	1.10% 202.67	Aaa / AA+ AAA	3.50 3.35
912828XR6	US Treasury Note 1.75% Due 5/31/2022	750,000.00	09/24/2018 2.93%	719,208.98 719,346.44	95.96 2.92%	719,706.75 4,410.86	1.10% 360.31	Aaa / AA+ AAA	3.67 3.49
912828XW5	US Treasury Note 1.75% Due 6/30/2022	350,000.00	09/07/2018 2.80%	336,792.97 336,992.64	95.88 2.92%	335,576.15 1,547.89	0.51% (1,416.49)	Aaa / AA+ AAA	3.75 3.58
912828L24	US Treasury Note 1.875% Due 8/31/2022	750,000.00	09/20/2018 2.94%	720,439.45 720,644.73	96.11 2.93%	720,849.75 1,204.25	1.10% 205.02	Aaa / AA+ AAA	3.92 3.73
Total US Treasury		8,450,000.00	2.66%	8,269,232.42 8,278,442.28	2.82%	8,256,707.15 27,976.89	12.59% (21,735.13)	Aaa / AA+ AAA	2.26 2.17
TOTAL PORTFOLIO		66,256,788.54	2.08%	65,973,863.02 66,002,257.24	2.51%	65,510,984.43 271,144.94	100.00% (491,272.81)	Aa1 / AA+ AAA	1.17 1.05
TOTAL MARKET VALUE PLUS ACCRUED						65,782,129.37			

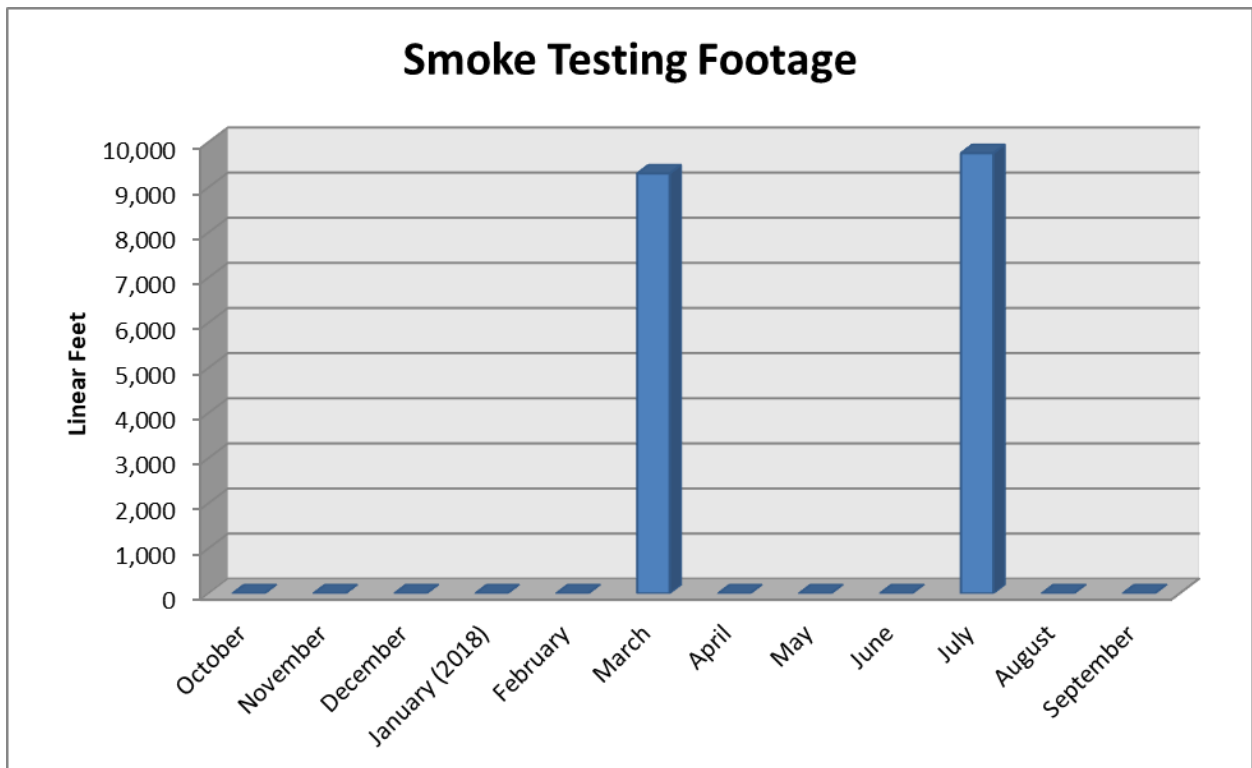
**VALLECITOS WATER DISTRICT
SUMMARY OF LEGAL FEES**

Matter Description	Mar-18	Apr-18	May-18	Jun-18	Jul-18
General Counsel Services	\$ 2,417	\$ 10,376	\$ 6,959	\$ 4,112	\$ 3,223
Fees and Taxes		208	3,274	1,765	182
Labor/Employment		377	1,385	522	609
Engineering - Construction/Contracting		6,797	11,150	2,288	2,059
VWD v. Brian Thomas Boyd					658
Annual Public Policy & Ethics Program					4,600
Total	\$ 2,417	\$ 17,758	\$ 22,767	\$ 8,687	\$ 11,331

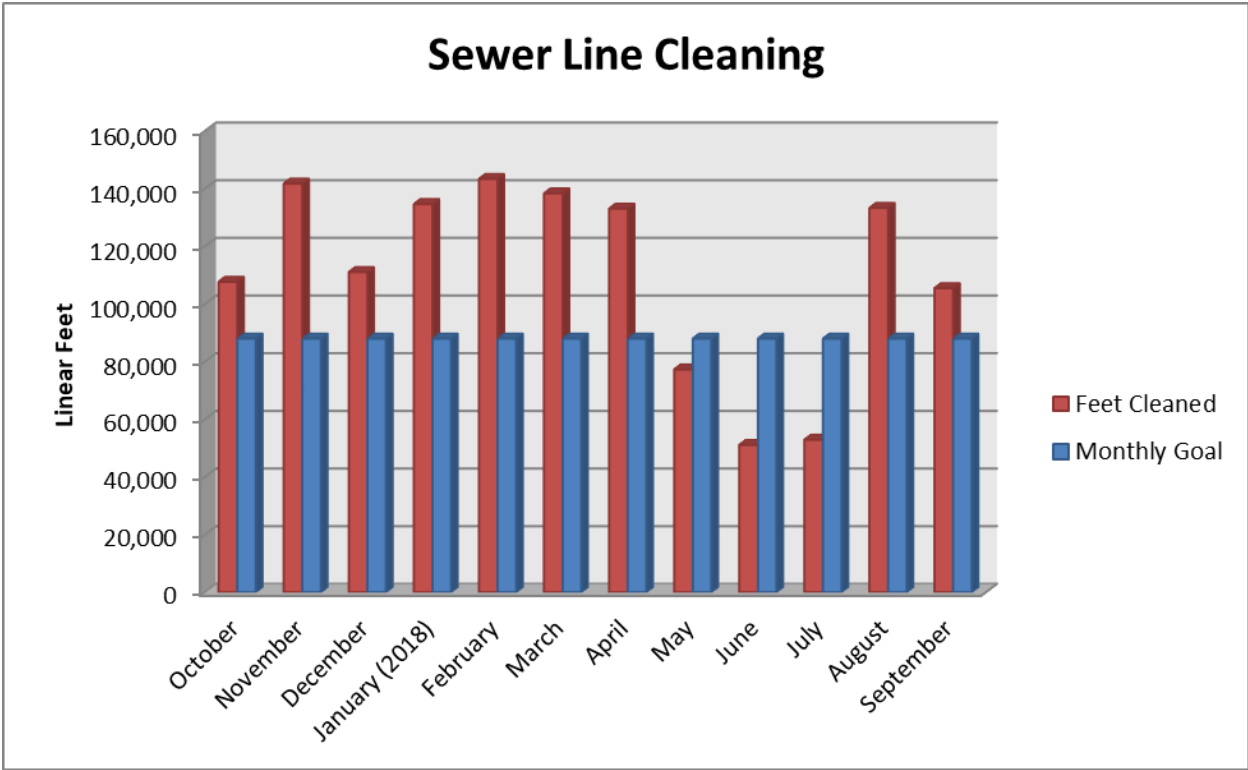
Quarterly O&M Metrics Report



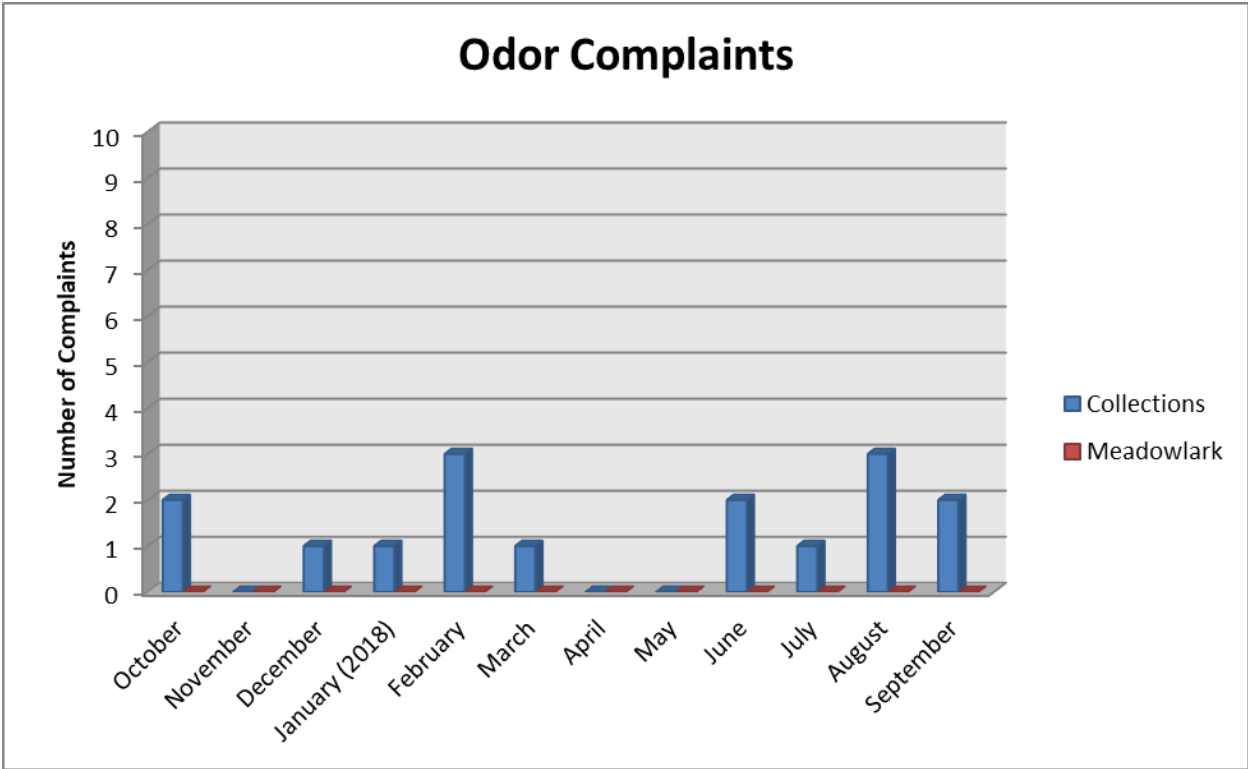
CCTV Sewer Line Inspection Totals in Feet
 Total so far for Calendar Year 2018 = 211,330 ft
 (Goal is to inspect at least 180,000 feet of gravity lines per calendar year)



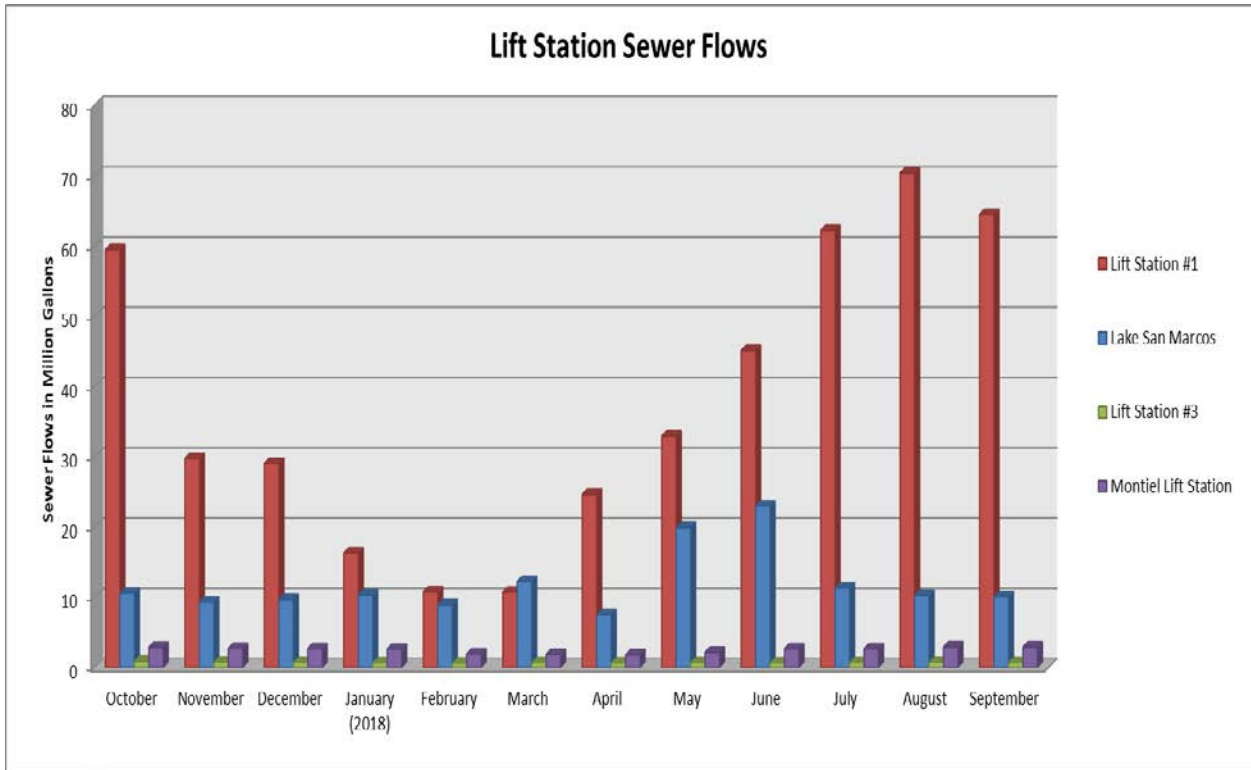
Smoke Testing of Sewer Lines in Feet
 (Goal is to smoke test three areas per calendar year based on suspected I&I)



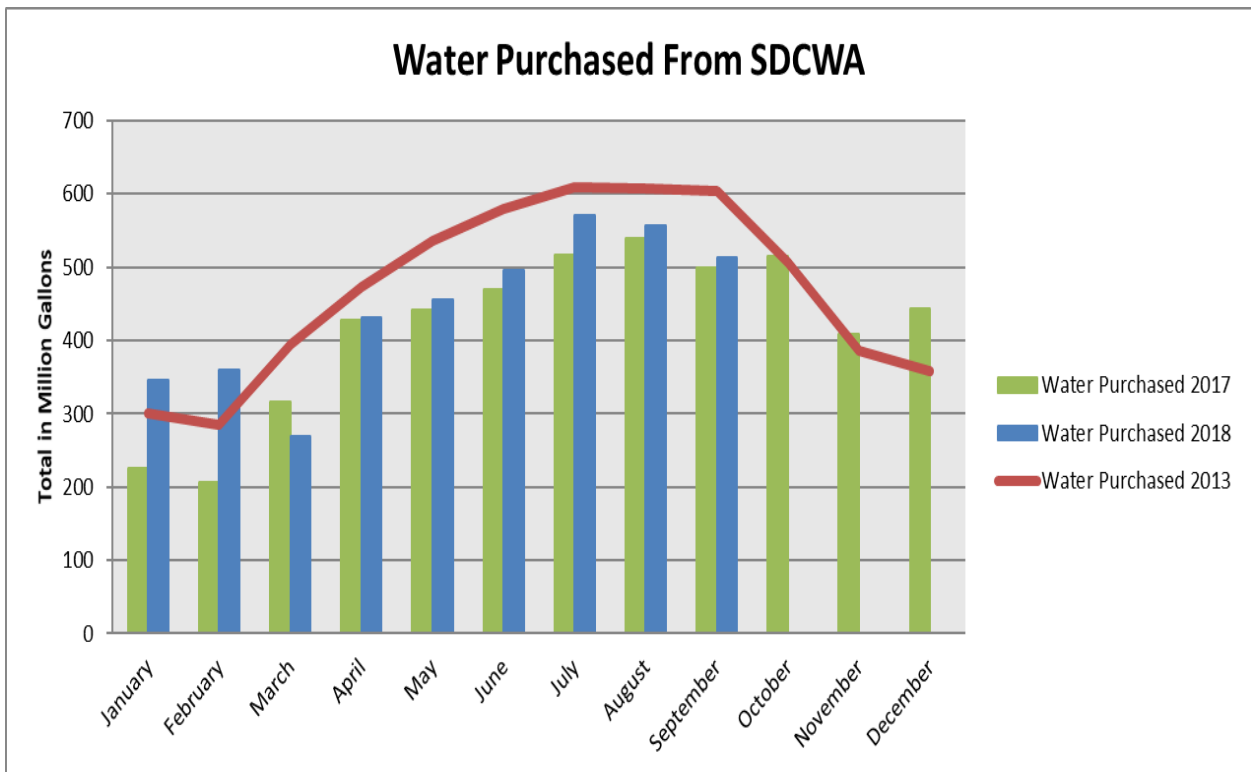
Sewer Line Cleaning Totals in Feet
 Total so far for Calendar Year 2018 = 969,592 ft
 (Goal is to clean 1,000,000 ft of gravity lines per year and clean the entire system in 15 months or less)



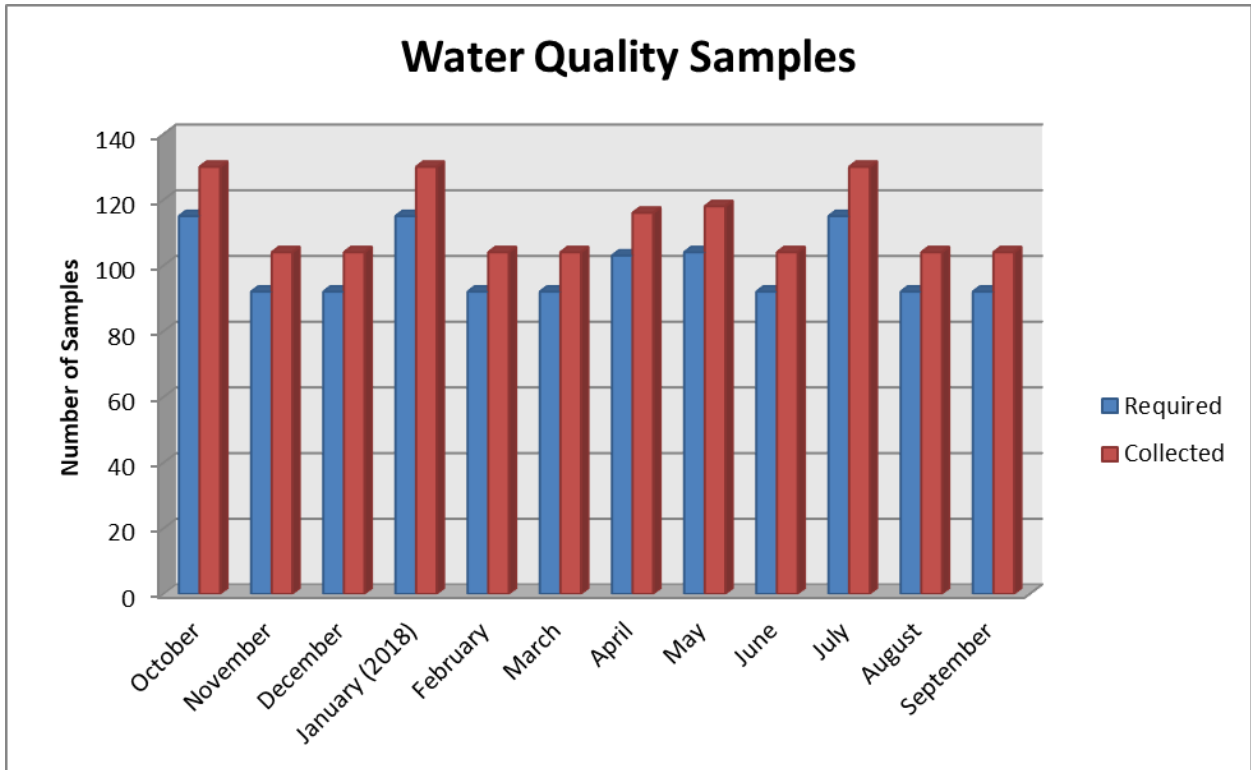
Customer Sewer Odor Complaints



Sewer Flows Pumped from District Lift Stations

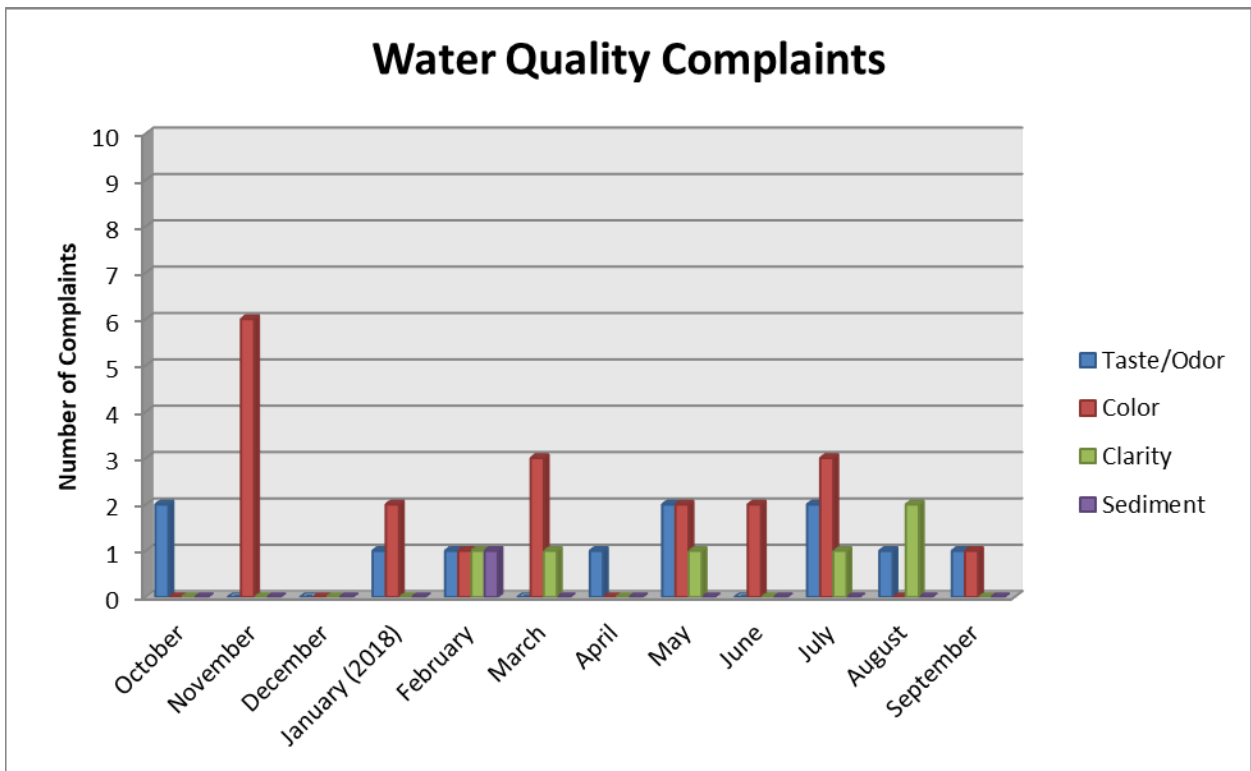


Water Purchased from the San Diego County Water Authority
 Calendar Year 2013 was used by the SWRCB as a baseline for water conservation efforts
 (Includes water from the desalination and OMWD plants)



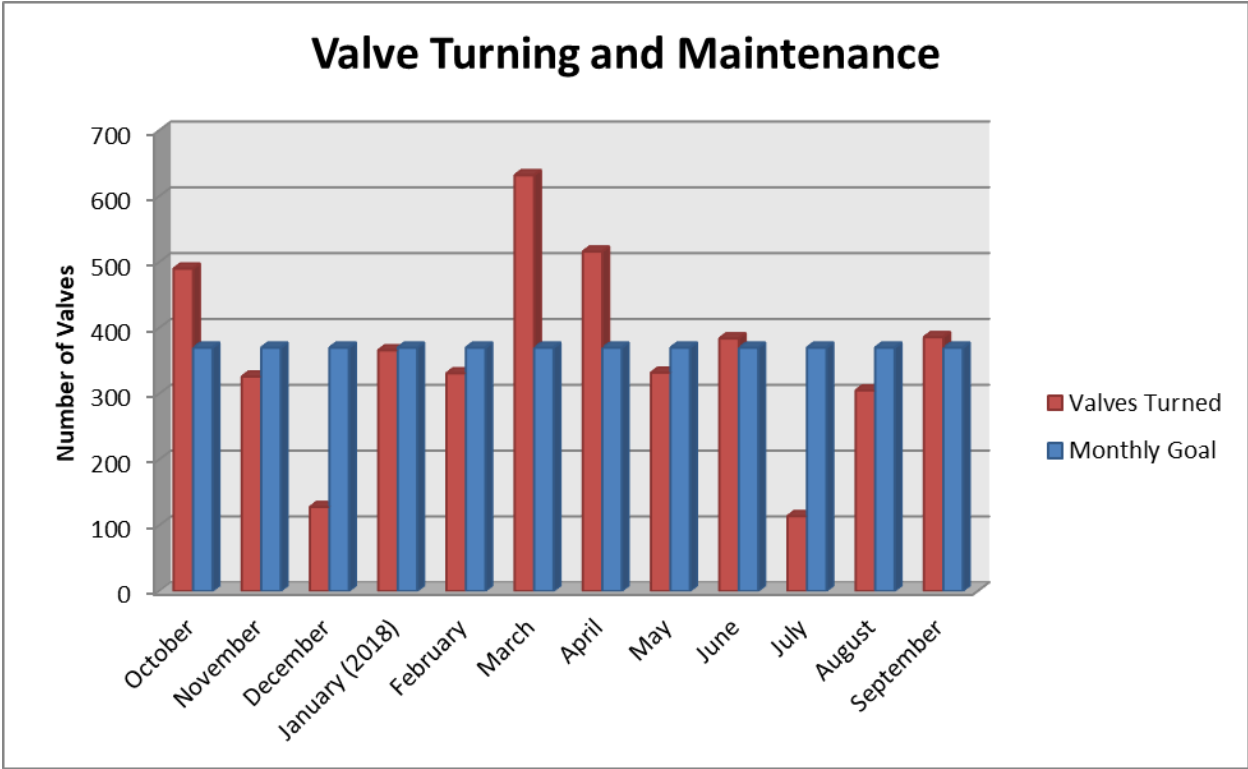
Bacteriological Water Quality Samples

(Number of samples required each month is based on SWRCB regulations & the number of weeks per month)

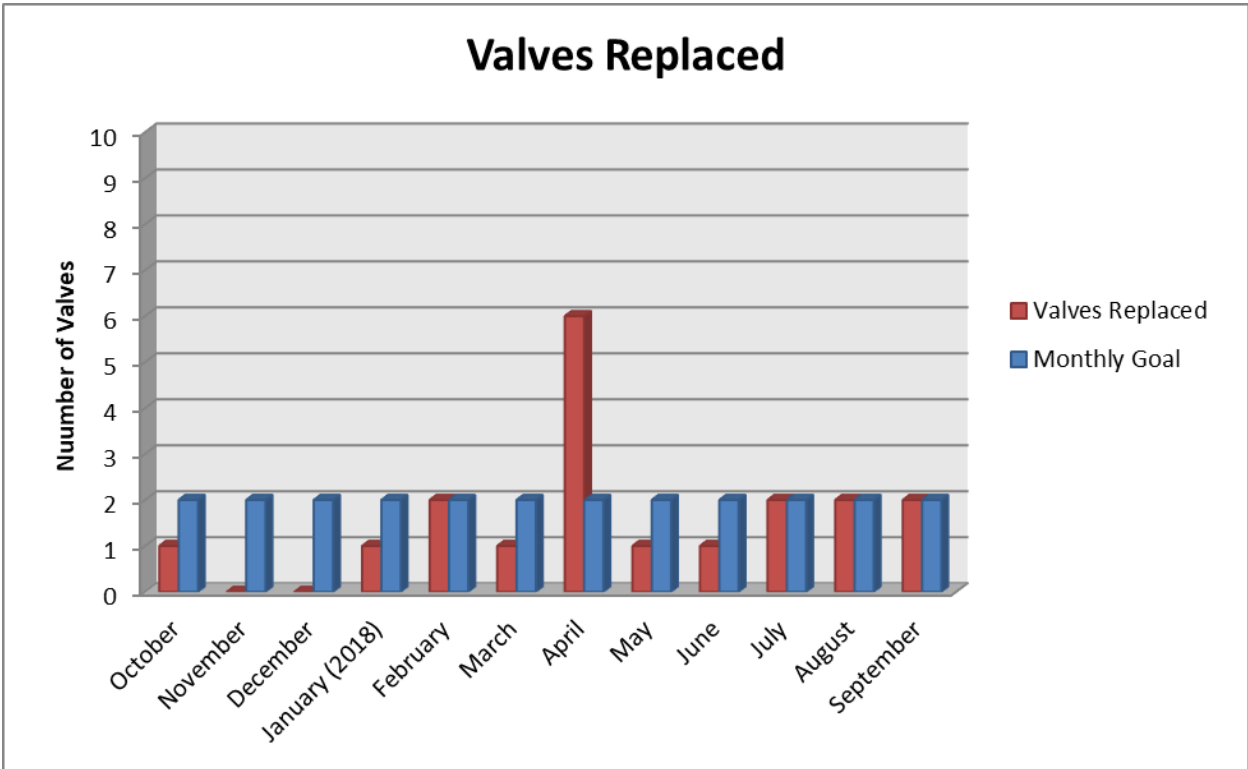


Customer Water Quality Complaints

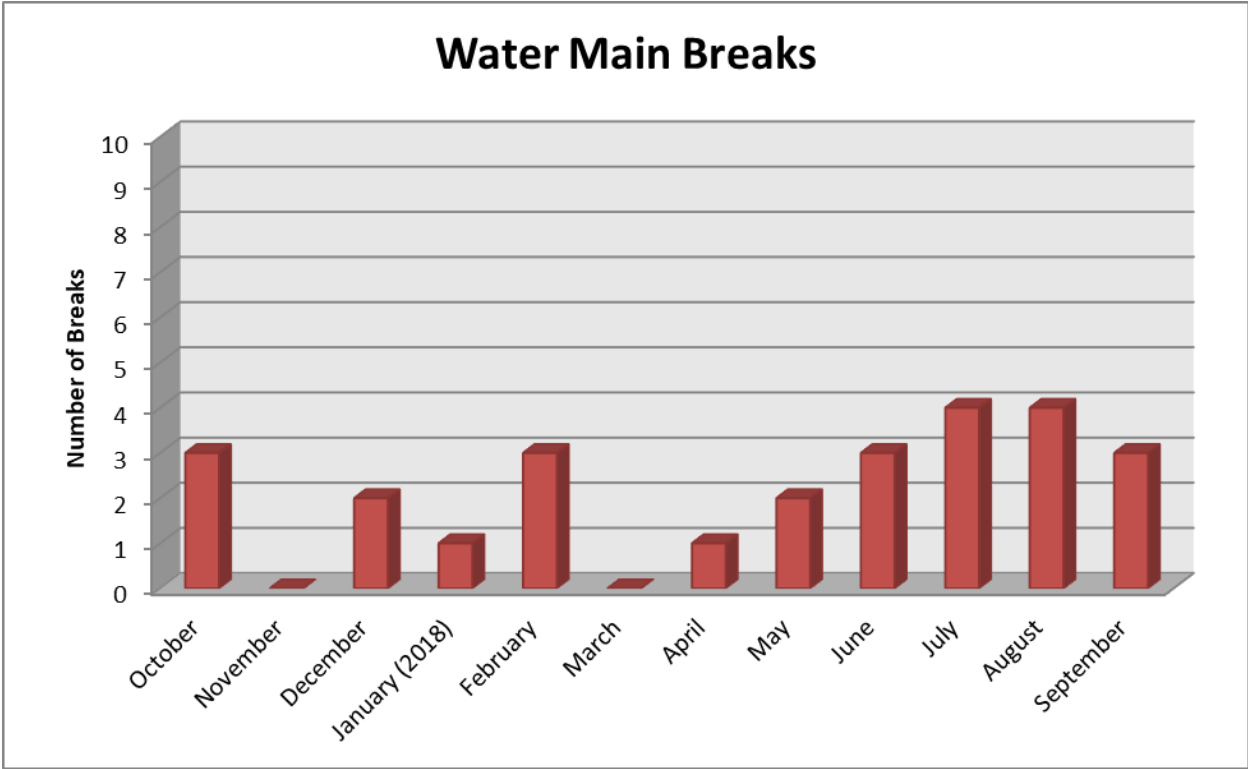
(Water quality issues are typically caused by main breaks, construction activities & customers' plumbing)



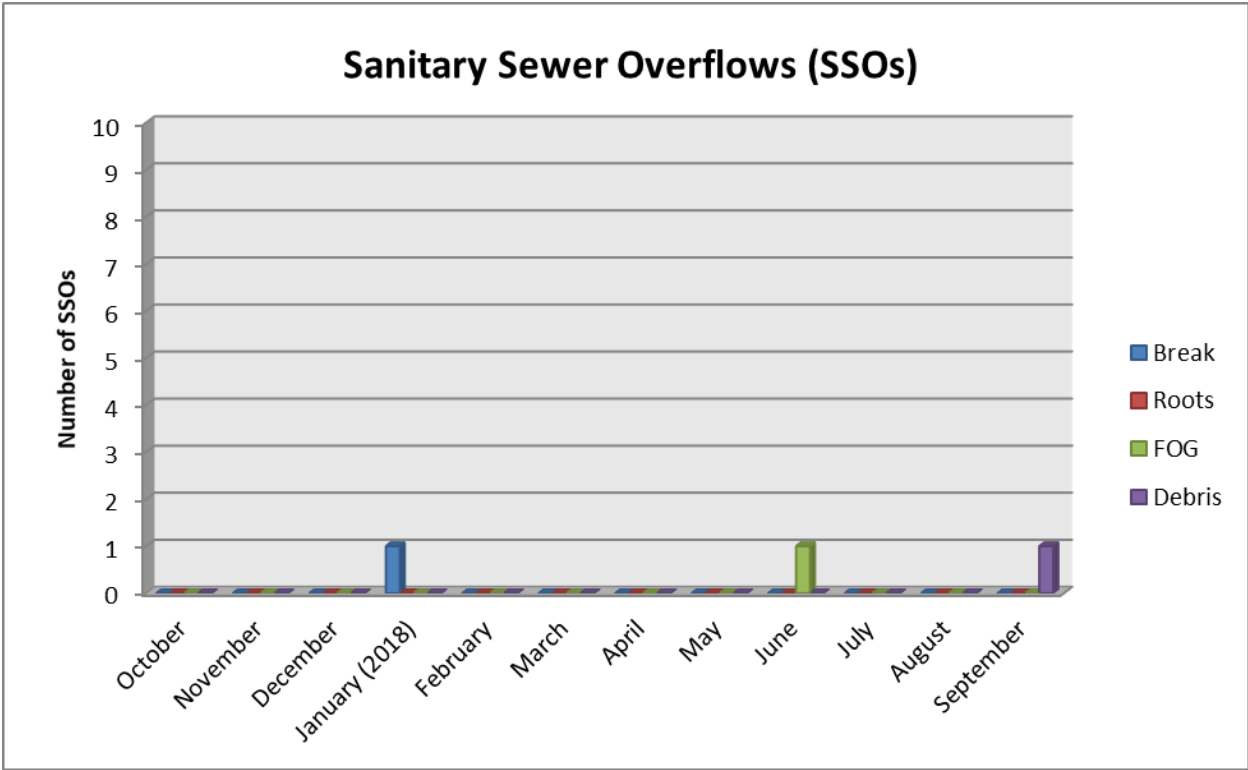
Water Valves Turned in the Distribution System
 The District has 8,874 valves / 38% of all valves have been turned so far in Calendar Year 2018
 (Goal is to turn 50% of valves every calendar year or about 370/Month)



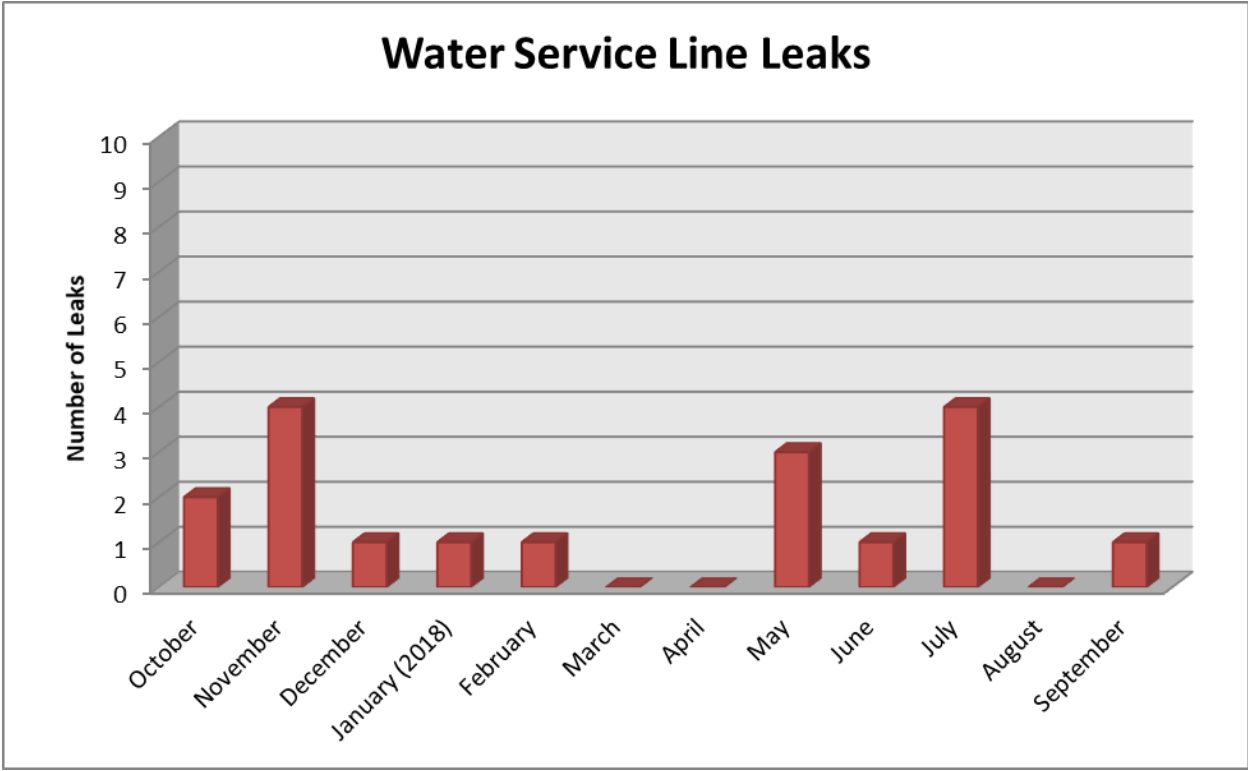
Water Valves Replaced in the Distribution System
 Total replaced so far for Fiscal Year 2018/19 = 6 / There are currently 47 broken valves that need replacing
 (Goal is to replace 20 valves every fiscal year or around 2 per month)



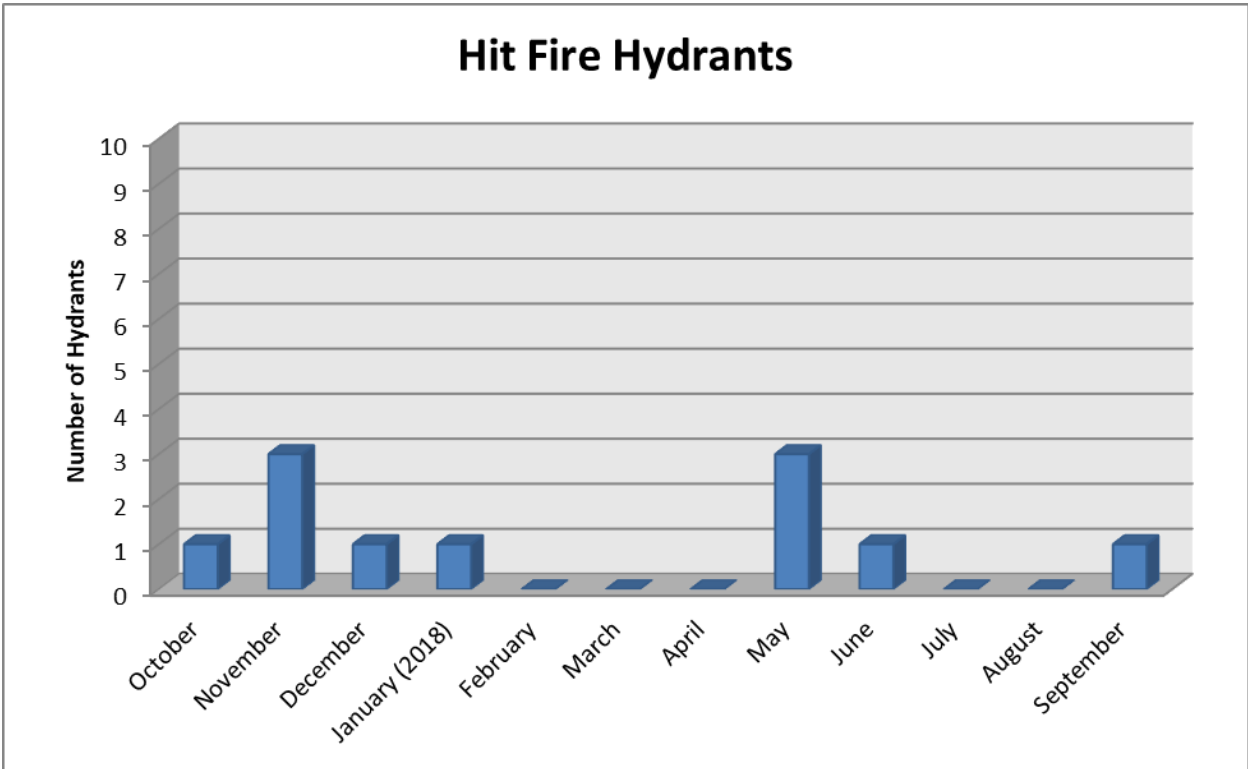
Water Mainline Breaks in the Distribution System
 (There have been 21 water main breaks so far in calendar year 2018 / There were 30 in 2017)



Sanitary Sewer Overflows (sewer spills and their cause) in the Wastewater Collections System
 (There have been 3 SSOs so far in calendar year 2018 / There was 1 in 2017)

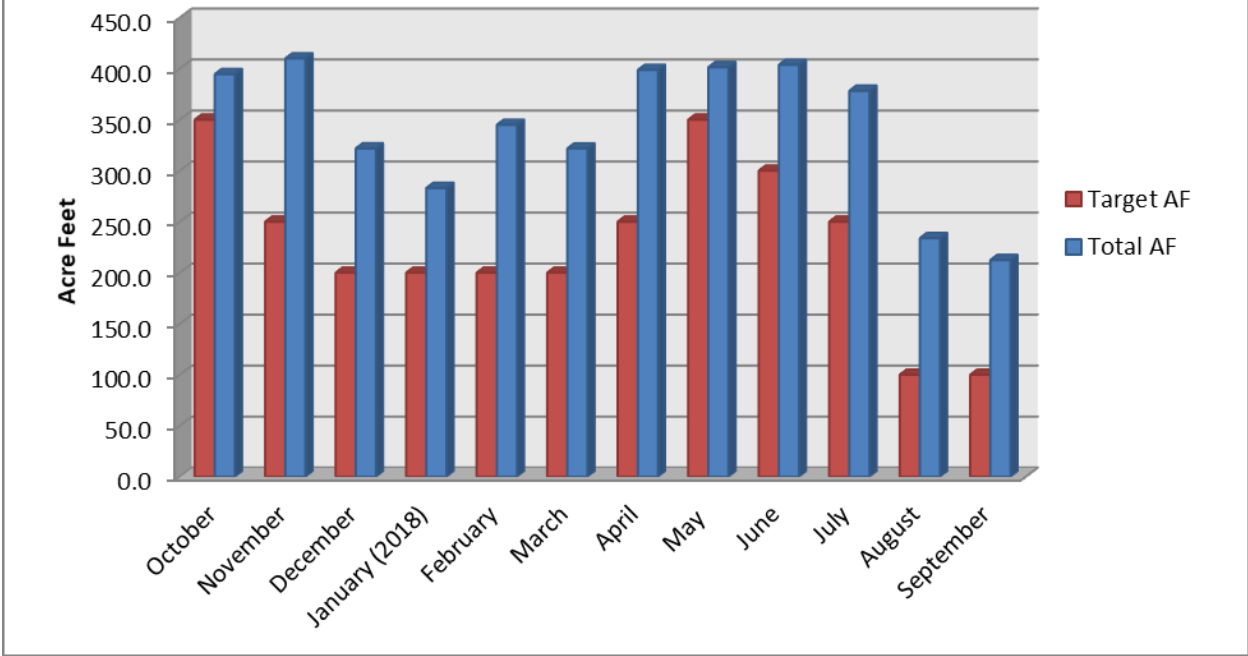


Water Service Line Leaks in the Distribution System
 (There have been 11 water service line leaks so far in calendar year 2018 / There were 22 in 2017)



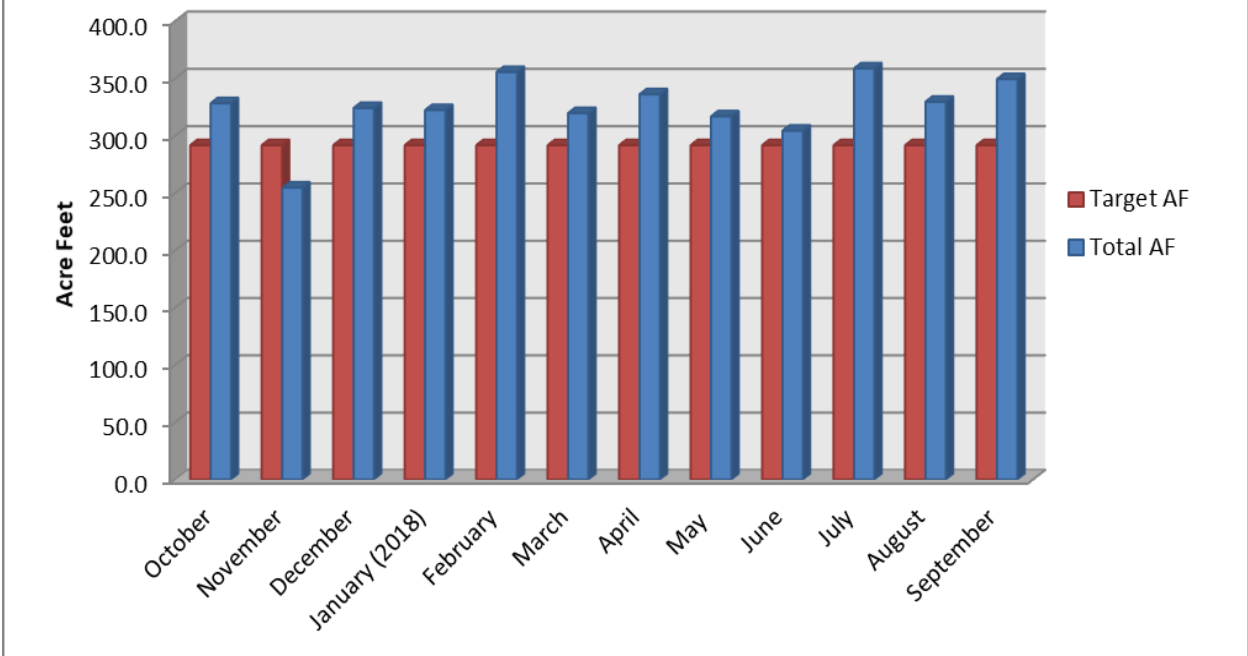
Fire Hydrants Hit in the Distribution System
 (There have been 6 fire hydrants hit so far in calendar year 2018 / There were 14 in 2017)

San Elijo Pump Station - OMWD Water Purchase



Acre Feet (AF) of Water Purchased from Olivenhain MWD – San Elijo Pump Station
 Our annual minimum take from OMWD is 2,750 AF / We have purchased 2,978 AF so far in CY 2018
 (The monthly Target Acre Feet varies throughout the year based on the agreement with OMWD)

Desalination Plant Water Purchase



Acre Feet (AF) of Water Purchased from the Carlsbad Desalination Plant
 Our annual minimum take from Desal is 3,500 AF / We have purchased 2,993 AF so far in CY 2018
 (Our monthly Target Acre Feet is based on our purchase agreement with SDCWA)

DATE: OCTOBER 17, 2018
TO: BOARD OF DIRECTORS
SUBJECT: APPROVAL OF AS-NEEDED ENGINEERING SERVICES AGREEMENT FOR V&A CONSULTING ENGINEERS

BACKGROUND:

Vallecitos Water District routinely requires minor engineering and design services for its capital projects and other unscheduled small projects. The cost of these services generally does not justify going through the formal engineering proposal process.

DISCUSSION:

Based on past experience it is often in the best interests of the District to negotiate standard fees for these types of services. Over the past few years, staff has negotiated reduced rates, on an annual basis, with selected engineering/design/specialty firms which have submitted resumes, provided statements of qualifications and/or proposals and have successfully completed projects and provided services to the District. In 2017, the agreements and standard fees were revised to a two-calendar year basis. All as-needed agreements will be reviewed and renewed on a bi-annual basis. Staff and Counsel have reviewed the engineering services agreements and find them consistent with similar, past agreements.

Staff has selected V&A Consulting Engineers (V&A) for as-needed services. V&A specializes in corrosion engineering and has worked with District staff during the past year on asset management strategies. Though V&A provides a host of engineering services, the District intends to utilize V&A on upcoming pipeline condition assessment as part of its on-going asset management plan. Tasks scheduled for this fiscal year include an assessment of the most critical portions of the District's large diameter steel transmission water main systems and initiating a multi-phased ductile iron pipe assessment program beginning in the San Elijo Hills area.

FISCAL IMPACT:

There are no direct costs associated with the staff recommendation to enter into an as-needed consultant services agreement. Fees associated with specific work under these as-needed contracts will be directly reimbursed through developer deposits or charged to specific capital projects. V&A Consulting has submitted a proposal for engineering related services on a time and material basis. The hourly rates are often reduced from their normal rates because certain administration/marketing costs are not required for the "on-call" nature of the work involved. As-needed agreements are utilized for contracts in accordance with the District's purchasing policy.

RECOMMENDATION:

Authorize the General Manager, or his designee, to enter into an as-needed consultant services agreement with V&A Consulting Engineers.

DATE: OCTOBER 17, 2018
TO: BOARD OF DIRECTORS
SUBJECT: DRAFT PROGRAM ENVIRONMENTAL IMPACT REPORT FOR THE 2018 WATER, WASTEWATER AND RECYCLED WATER MASTER PLAN

BACKGROUND:

The District updates its Water, Wastewater, and Recycled Water Master Plan approximately every five to ten years to keep up with General Plan amendments made by agencies responsible for land use within the District's boundaries. In addition, the 2007 Integrated Water Resources Plan (IRP) that identified available water sources for the District is becoming dated as the state and regional water supply outlook continues to change.

The 2018 Master Plan, prepared by Black & Veatch, updates the District's water and wastewater profile and incorporates approved land uses for each jurisdictional agency within the District's boundary. It also identifies and evaluates various water supply alternatives that may be available to the District now and in the future.

A Draft Program Environmental Impact Report (PEIR) has been prepared in conjunction with the 2018 Master Plan. This document assesses the environmental effects associated with the District's 2018 Master Plan.

DISCUSSION:

The Draft PEIR has been prepared by RECON Consulting in conjunction with the 2018 Master Plan because the 2018 Master Plan describes a long-term Capital Improvement Program (CIP) that would be implemented through ultimate build-out of the District. This document details the impacts, at a programmatic level, that the CIP projects may create on the community and the environment.

On November 15, 2017, the Board approved the 45-day public review of the PEIR's Notice of Preparation, which was intended to make the public aware that the impacts of the 2018 Master Plan are being evaluated in the PEIR. The District received nine comment letters during the public review period. Comment letters were received from:

- State Clearinghouse and Planning Unit (November 28, 2017)
- Latham & Watkins LLP, representing the Golden Door (December 7, 2017)
- State Water Resources Control Board (December 14, 2017)
- California Department of Toxic Substances Control (January 3, 2018)
- County of San Diego (January 3, 2018)
- San Diego Local Agency Formation Commission (January 3, 2018)
- San Diego County Archaeological Society, Inc. (January 4, 2018)
- Latham & Watkins LLP, representing the Golden Door (January 5, 2018)
- City of San Marcos (January 5, 2018)

The CEQA process requires that the Draft PEIR be distributed to agencies and interested parties that may be concerned with the project, including those that made comment during the Notice of Preparation public review period. These parties have 45 calendar days to respond with comments. In addition, a public scoping meeting will be held on November 14, 2018, as required by CEQA.

Any comments received during the public review period or at the public scoping meeting require response from the District and inclusion into the Final PEIR. The Final PEIR is scheduled to be completed in January 2019, and a public hearing to certify the Final PEIR and adopt the 2018 Master Plan is tentatively scheduled to be held on February 6, 2019, at the Board of Director's regular meeting.

RECOMMENDATION:

Approve initiation of the 45-day public review period for the Draft Program Environmental Impact Report for the 2018 Water, Wastewater and Recycled Water Master Plan.

TENTATIVE BOARD AND PUBLIC WORKSHOP DATES

October 17, 2018 – Request Board approval for initiation of the 45-day public review period for the Draft PEIR

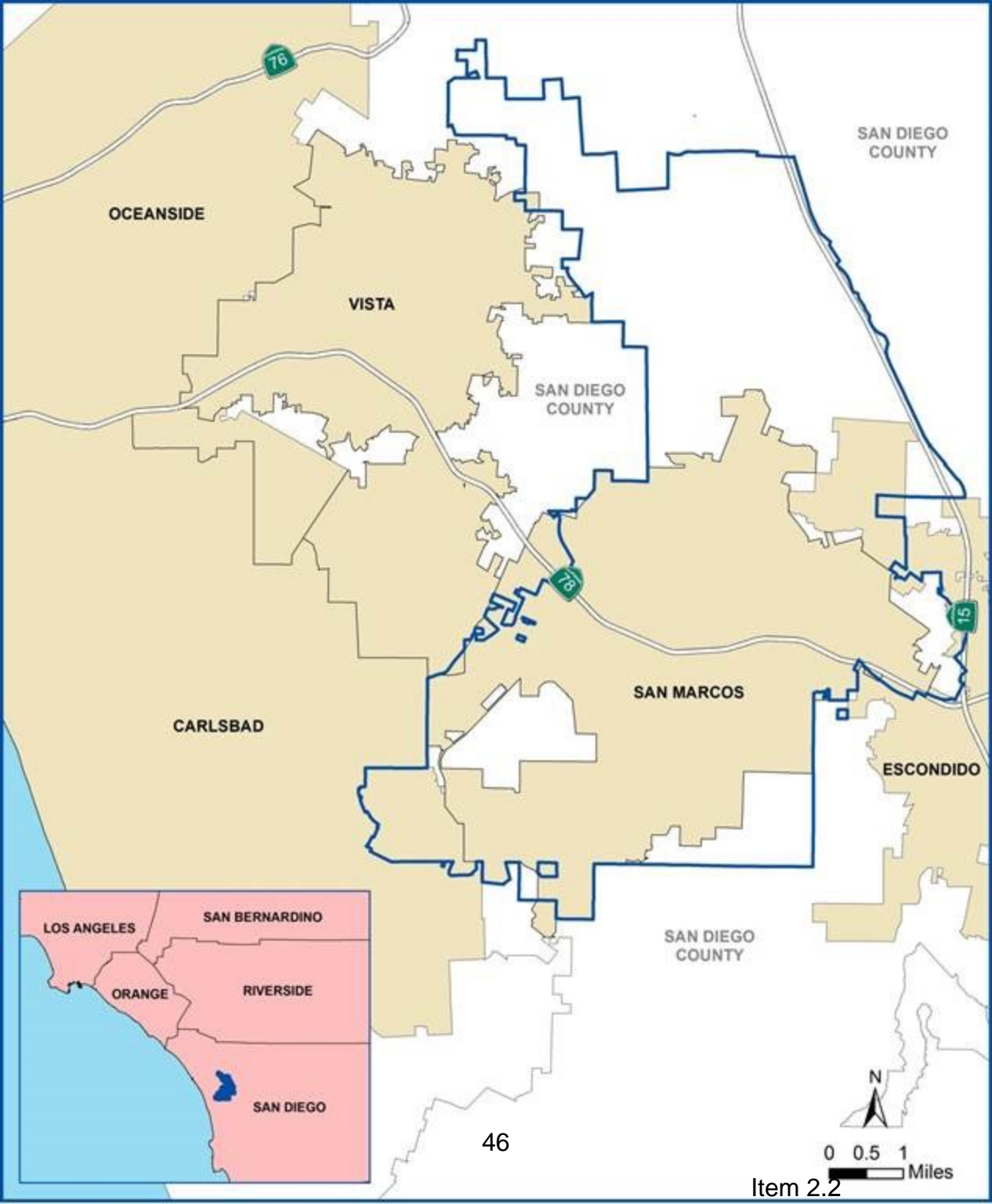
October 22, 2018 – State Clearinghouse to receive Draft PEIR to commence 45-day public review period as required by CEQA

November 14, 2018 – Public Meeting for Draft PEIR comment (Black & Veatch and RECON Consulting to be present)

December 7, 2018 – 45-day public review period for the Draft PEIR concludes

January 9, 2019 – Final Master Plan workshop with the Board of Directors

February 6, 2019 – Public Hearing to adopt/certify Master Plan & Final PEIR (Black & Veatch and RECON Consulting to be present)



OCEANSIDE

VISTA

SAN DIEGO COUNTY

SAN DIEGO COUNTY

CARLSBAD

SAN MARCOS

ESCONDIDO

SAN DIEGO COUNTY

LOS ANGELES

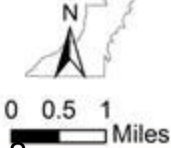
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Item 2.2

DATE: OCTOBER 17, 2018
TO: BOARD OF DIRECTORS
SUBJECT: AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY

BACKGROUND:

The Board of Directors has expressed interest in exploring the possibilities of utilizing the San Marcos Groundwater Basin (Basin) for a new water resource for the District. The Board has directed staff to prepare a scope and fee estimate to evaluate Basin supply options.

DISCUSSION:

On September 25, 2017, staff held a meeting with Woodard and Curran, formerly RMC Consultants, to discuss the best approach to identify alternatives and apply for funding sources. Woodard and Curran was chosen due to their recycled water planning work with the North County Water Reuse Coalition, Olivenhain Municipal Water District, and Encina Wastewater Authority. Following the meeting, Woodward and Curran prepared a proposal to evaluate and develop groundwater use alternatives, recommend a single alternative based on the results of the initial evaluation, and investigate potential funding mechanisms for the preferred alternative.

The three groundwater use alternatives that Woodward and Curran proposed to evaluate include the following:

1. Alternative 1 – Irrigation with groundwater for non-potable purposes, with storage for blending with recycled water
2. Alternative 2 – Potable supply with construction of a groundwater desalter plant
3. Alternative 3 – Groundwater basin recharge with advanced treated water from the Encina Water Pollution Control Facility

Woodward and Curran's proposed Basin study would explore each alternative to determine the best use of the Basin. Funding levels and opportunities for each alternative would also be identified and evaluated to estimate the District's cost per acre foot of the new water source. The proposed study itself may be eligible for grant or loan reimbursement retroactively.

On December 6, 2017, staff brought the award of a professional services agreement to Woodward and Curran to the Board for consideration. Following discussion, the Board directed the General Manager to identify savings in the current budget that could be utilized to pay for the proposed Basin study. Staff has set aside funding in the Fiscal Year 18/19 Budget for the proposed Basin study.

This item was brought to the Engineering/Equipment Committee on September 6, 2018 for review and direction. The scope of work was modified by Woodard and Curran to include a task to determine the legal obstacles within the Basin. The Committee recommended bringing the proposal to the Board for award.

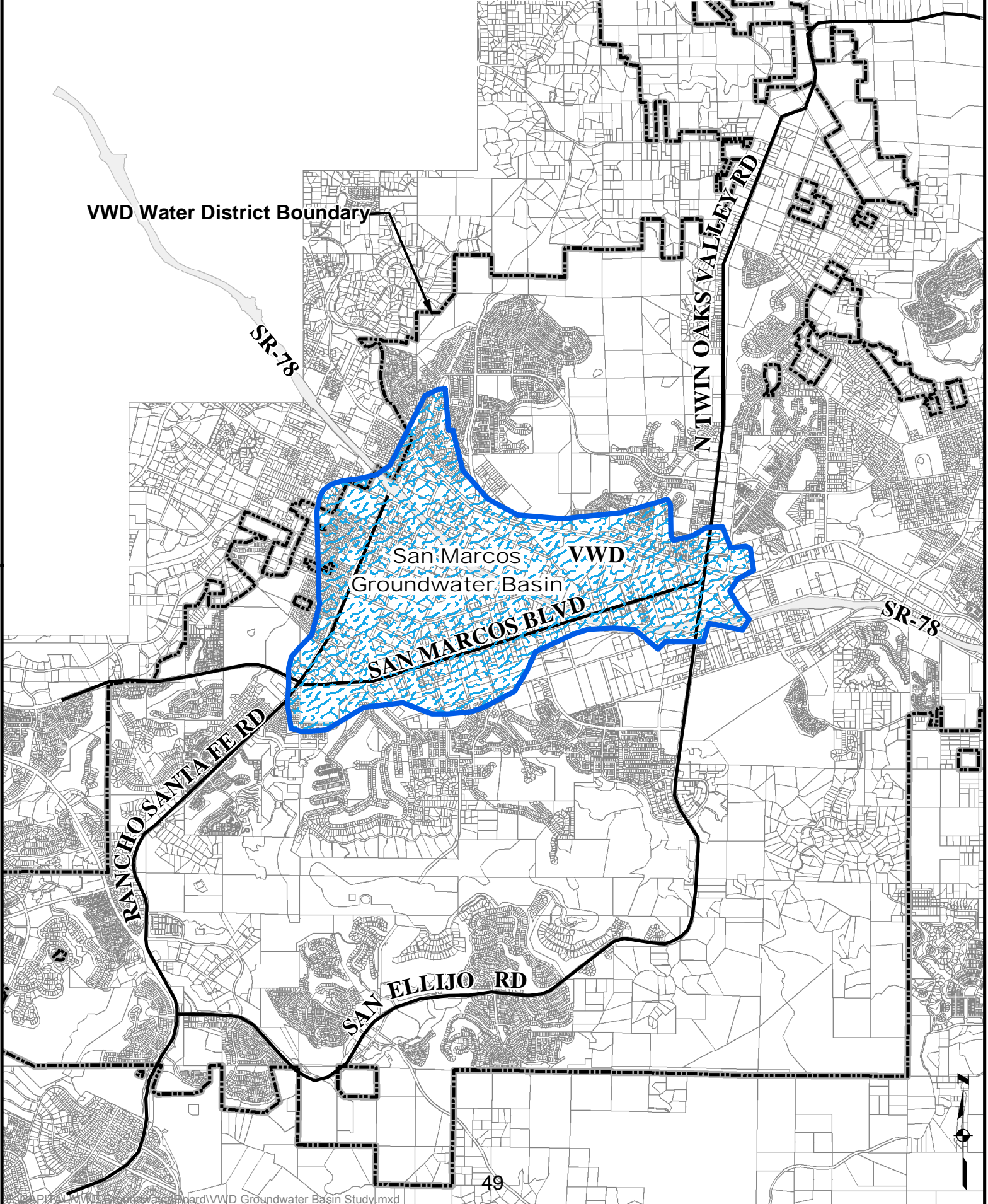
FISCAL IMPACT:

Staff has set aside funds in the Engineering Department's "outside services" in the Fiscal Year 18/19 Budget for completion of the Basin study. Total costs are estimated at \$95,000.00.

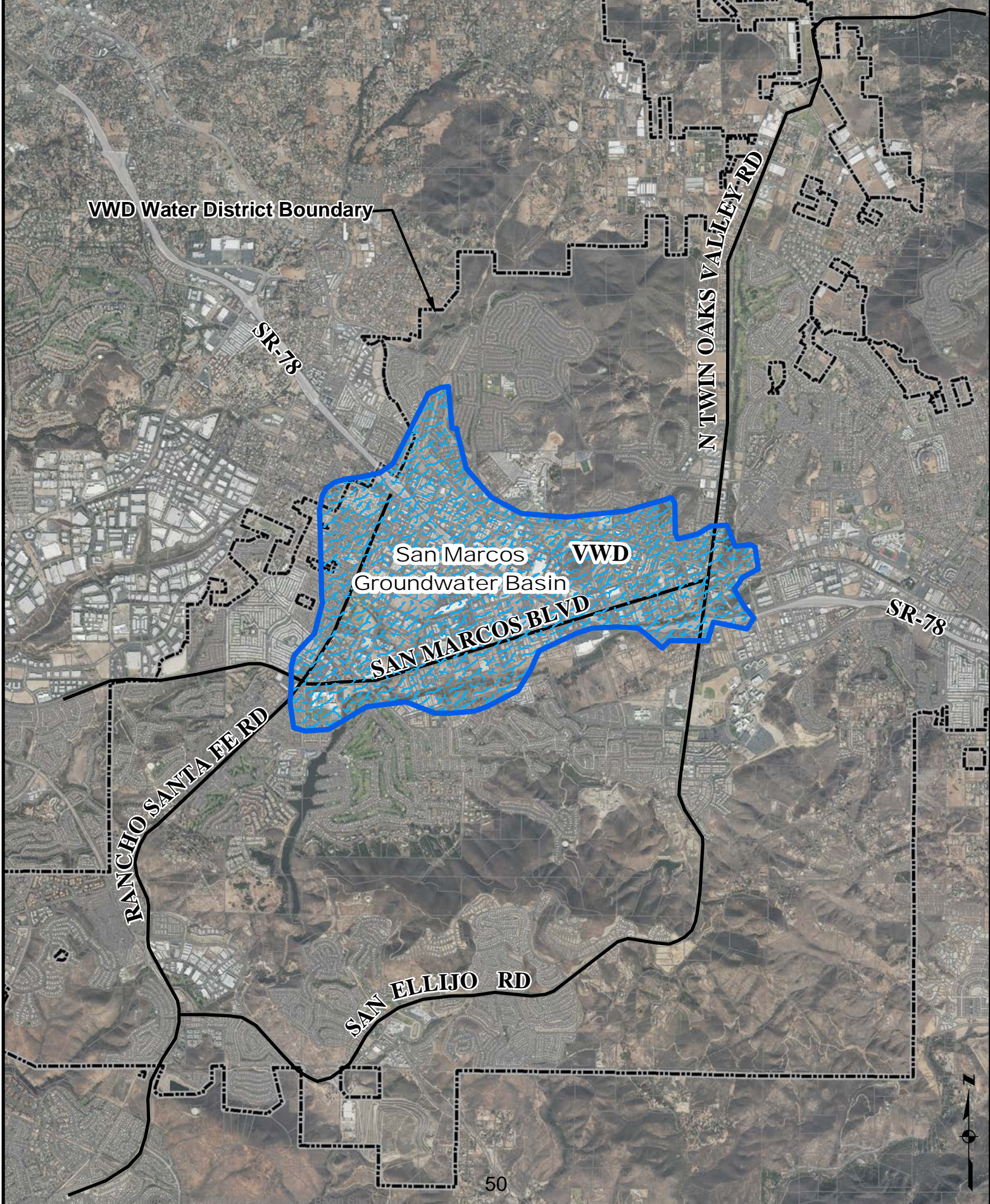
RECOMMENDATION:

Approve a professional services agreement with Woodard & Curran in the amount of \$77,590.00 for the evaluation of San Marcos Groundwater Basin supply options.

AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY



AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY



Via Electronic Mail

October 9, 2018



Mr. James Gumpel
District Engineer
Vallecitos Water District
201 Vallecitos de Oro
San Marcos, CA 92069

Re: Proposal for Evaluation of San Marcos Groundwater Basin Supply Options

Dear Mr. Gumpel:

As requested, this proposed scope of work has been prepared for Vallecitos Water District to evaluate options to develop the San Marcos Groundwater Basin as both a potable and non-potable supply of water. The scope is based on discussions during our meeting on September 25, 2017. This proposal replaces the version submitted in October 2017.

The proposed scope of work includes development and initial evaluation of three alternatives, selection of a recommended alternative based on the results of the initial evaluation, and preliminary implementation and funding plans for the recommended alternative.

Woodard & Curran looks forward to working with the Vallecitos Water District on this initial evaluation. If you have any questions or require any additional information, please contact me at (858) 875-7420 or Scott at (949) 420.5314 or sgoldman@woodardcurran.com.

Sincerely,

WOODARD & CURRAN

A handwritten signature in blue ink that reads "R Prickett".

Rosalyn Prickett, AICP
Senior Water Resources Planner

Attachments:

1. Scope of Work
2. Fee Estimate
3. 2018 Standard Rates

PN: P011026.00



Evaluation of San Marcos Groundwater Basin Supply Options Proposed Scope of Work

1.1 Objective

The objective of this proposed evaluation is to identify possible feasible options for Vallecitos Water District (VWD) to develop the San Marcos Groundwater Basin as a municipal potable or non-potable water supply and develop a preliminary implementation and funding plan for a recommended option.

A calibrated groundwater model would be needed to accurately determine project feasibility. Absent an existing groundwater model, this evaluation will rely on several assumptions and estimates from previous studies to approximate likely outcomes to determine if the expense of developing a comprehensive groundwater model is warranted.

1.2 Background

The San Marcos Valley Groundwater Basin Number 9-32 (Basin) lies beneath San Marcos Valley in northwestern San Diego County, spanning 3.3 square miles. San Marcos Creek drains this valley southwestward into Lake San Marcos. The Basin is recharged predominantly by rainfall percolation in the valley floor and ephemeral stream flow.

Groundwater quality is better in the northern part of the basin than in the south based on TDS data collected prior to 1967 that ranged between 500 and 750 mg/L (DWR 2003). The Basin is not currently used as a municipal supply but is currently pumped by other users for irrigation. Data regarding water pumping quantity and quality were not available for review, but it has been said that groundwater quality degrades toward the end of the irrigation season.

VWD has previously studied the Basin for possible development. In 2005, Todd Engineers estimated that the total groundwater recharge amount is about 4,600 AFY from rainfall (3,168 AFY) and other recharge (1,478 AFY) mainly by imported water. Per the 2005 Todd Engineers Memo, there is potential for groundwater development in the Basin; however, development of groundwater in the San Marcos area is constrained by limited storage and relatively low well yields.

The Basin is not adjudicated and the California Statewide Groundwater Elevation Monitoring (CASGEM) Program ranks the Basin as "Very Low" priority.

1.3 Scope of Work

The proposed scope of work includes four tasks:

Task 1 – Option Development and Initial Evaluation

Task 2 – Preliminary Implementation and Funding Plan

Task 3 – Technical Memorandum

Task 4 – Project Management and Meetings

Task 5 – Additional Meetings

Task 6 – Initial Legal Review



As noted previously, a calibrated groundwater model would be needed to accurately determine project feasibility, which is not included in this Scope of Work.

Task 1 – Options Development and Initial Evaluation

This task will review background information, develop options, and evaluate options.

Background information on the Basin, including previous studies and public information regarding groundwater pumping and water quality data information will be reviewed and summarized. Information from the following reports will be relied upon as a basis for assumptions:

- Encina Wastewater Authority, 2017, *Water Reuse Feasibility Study*
- North San Diego Water Reuse Coalition, 2015, *Regional Recycled Water Project Final Program Environmental Impact Report*
- Todd Engineers, 2005, *Final Technical Memorandum No. 15 – Groundwater Assessment, Update to the Water, Wastewater, and Reclamation Master Plan*

After background review, three options will be developed in a workshop with VWD staff to utilize VWD's water supply from the Basin for potable and non-potable uses. The options will include the following:

Option 1: Irrigation for non-potable purposes, with storage for blending

Option 2: Potable supply with groundwater desalter

Option 3: Groundwater basin recharge with advanced treated recycled water from Encina Water Pollution Control Facility (EWPCF)

Option development will include identifying major infrastructure elements such as wells, pipelines, tanks, treatment facilities, brine management and disposal, and recharge or injection pathways. Class 4 (feasibility level) cost estimates will be developed using the costs from similar projects in the general region. Cost estimates will be prepared for each of the options including capital construction costs, and annualized costs including operations/maintenance costs. A unit cost of water production will be calculated for each option, so they can be compared. Should any of the three options turn out to be feasible, one preferred option will be identified based on the initial economic analysis.

Task 2 – Preliminary Implementation and Funding Plan

Funding opportunities will be identified, including identifying the project elements that could be funded, explaining funding program objectives, eligibility criteria, potential grant award, and match required. An economic analysis of potential cost savings associated with various funding opportunities will be developed considering the probable schedule/timing of various funding programs.

A preliminary implementation strategy will be developed for the recommended project, including identification of possible project phasing and next steps. Estimates of the soft costs associated with project implementation will also be identified. Future recommended work could potentially include groundwater modeling, water quality sampling, studying project benefits, pilot testing, regulatory complexity, identifying potential environmental impacts and permitting requirements.



Task 3 – Technical Memorandum

A draft and final Technical Memorandum (TM) will be prepared to document the options developed, evaluation of options, and the implementation and funding plan for the recommended option. The TM will include the following sections:

- Project Understanding and Assumptions
- Existing Conditions
- Alternatives Description, including a figure for each option
- Options Evaluation, including feasibility level cost estimate
- Implementation and Funding Plan for one recommended option
- Quality Control and Assurance

The draft Summary Report will be submitted to VWD for review. After receiving comments and conducting a review meeting with VWD, the Final TM will be completed and submitted.

Task 3 Deliverables:

- *Draft Technical Memorandum in .pdf format*
- *Final Technical Memorandum in .pdf format*

Task 4 – Project Management

Project Management includes the following:

- One (1) Kickoff meeting/workshop for options development
- One (1) meeting to review initial evaluation results and Draft TM
- Two (2) in-person presentations to Board/Committee, including a PowerPoint presentation
- Project team coordination/communication
- Contract administration, including preparation of monthly invoices and progress reports

Task 4 Deliverables:

- *Two (2) meeting agendas, materials, and notes*
- *Two (2) Board/Committee presentations*
- *Monthly invoices and progress reports*

Task 5 – Additional Meetings

Additional meetings can be scheduled, as needed, to discuss project feasibility or other considerations.

Task 5 Deliverables:

- *Meeting agendas, materials, and notes*

Task 6 – Initial Legal Review

David Aladjem with Downey Brand can provide a cursory review of groundwater rights in the Basin, consider the potential rights that may be asserted by VWD, and evaluate the potential for Basin adjudication should a recommended project move forward. David has expertise in water rights permitting and negotiating with other water rights holders, state and federal agencies, and environmental groups.

Task 6 Deliverables:

- *Review and evaluation of groundwater rights within San Marcos Basin*



Schedule

Total project length is estimated to be 6 months after the Kickoff Meeting. The Draft TM, including the Options Development/Initial Evaluation and the Preliminary Implementation/Funding Plan, is estimated to take 4 months to complete after the kickoff meeting. The Final Summary Report is estimated to be submitted 1 month after receipt of review comments. Board/Committee presentations are assumed to occur the month after the final TM I submitted.

Fee

Woodard & Curran proposes to provide VWD with an Evaluation of San Marcos Groundwater Basin Supply Options for a fee not to exceed \$77,590 to be billed on a time and materials basis. The detailed fee for the Scope of Work defined above is provided in the attached table.

References

2004, CA Department of Water Resources, California's Groundwater Bulletin 118, San Marcos Valley Groundwater Basin: Last update: 27 February 2004:

<http://www.water.ca.gov/groundwater/bulletin118/basindescriptions/9-32.pdf>

2015, CA Department of Water Resources, CASGEM Groundwater Sustainability Basin Prioritization:

http://www.water.ca.gov/groundwater/casgem/pdfs/lists/PubRel_BasinRank_by_HR_5-18-15.pdf



Fee Estimate

Vallecitos Water District

Evaluation of San Marcos Groundwater Basin Supply Options

October 9, 2018

Tasks	Labor						Total Hours	Total Labor Costs (1)	Outside Services		Total ODCs (3)	Total Fee
	Scott Goldman	Rosalyn Prickett	Erica Wolski	Martha de Maria y Campos	QA/QC	Admin.			David Aljahem	Sub Consultant Total Cost (2)		
	Principal	Senior Project Manager	Technical Manager 2	E2/P2	Senior Technical Manager	Project Assistant			Downey Brand			
\$301	\$274	\$258	\$178	\$274	\$108							
Task 1: Options Development and Initial Evaluation												
1.1 Collect, review, analyze background information			2	4			6	\$1,228		\$0	\$0	\$1,228
1.2 Non-potable Irrigation Supply Option Development	1		4	8			13	\$2,757		\$0	\$0	\$2,757
1.3 Potable Supply Option Development	1		4	8			13	\$2,757		\$0	\$0	\$2,757
1.4 GW Recharge w/Recycled Water Option Development	1		4	8			13	\$2,757		\$0	\$0	\$2,757
1.5 Planning Level Cost Estimate			4	24			28	\$5,304		\$0	\$0	\$5,304
1.6 Evaluation of Options	1		4	20			25	\$4,893		\$0	\$0	\$4,893
Subtotal Task 1:	4	0	22	72	0	0	98	\$19,696	\$0	\$0	\$0	\$19,696
Task 2: Preliminary Implementation and Funding Plan												
2.1 Develop Initial Implementation Plan	2	2	14	16			34	\$7,610		\$0	\$0	\$7,610
2.2 Identify Funding Opportunities		2	2	20			24	\$4,624		\$0	\$0	\$4,624
Subtotal Task 2:	2	4	16	36	0	0	58	\$12,234	\$0	\$0	\$0	\$12,234
Task 3: Technical Memorandum												
3.1 Draft Technical Memo Preparation	1	2	16	20	10		49	\$11,277		\$0	\$0	\$11,277
3.2 Final Technical Memo Preparation	1	2	4	8			15	\$3,305		\$0	\$0	\$3,305
Subtotal Task 3:	2	4	20	28	10	0	64	\$14,582	\$0	\$0	\$0	\$14,582
Task 4: Project Management and Meetings												
4.1 Kickoff Meeting/Workshop	4	4	7				15	\$4,106		\$0	\$114	\$4,220
4.2 Draft TM Review Meeting	4	4	4	4			16	\$4,044		\$0	\$114	\$4,158
4.3 Presentations to Board (2) in-person	4	4	4	4			16	\$4,044		\$0	\$240	\$4,284
4.4 Project Management		1	7			6	14	\$2,728		\$0	\$0	\$2,728
Subtotal Task 4:	12	13	22	8	0	6	61	\$14,922	\$0	\$0	\$468	\$15,390
Task 5: Additional Meetings												
5.1 Additional Progress Meetings (2)	4	4	8				16	\$4,364		\$0	\$240	\$4,604
Subtotal Task 5:	4	4	8	0	0	0	16	\$4,364	\$0	\$0	\$240	\$4,604
Task 6: Initial Legal Review												
6.1 Groundwater Basin Legal Review	2		4				6	\$1,634	\$9,000	\$9,450	\$0	\$11,084
Subtotal Task 6:	2	0	4	0	0	0	6	\$1,634	\$9,000	\$9,450	\$0	\$11,084
TOTAL	26	25	92	144	10	6	303	\$67,432	\$9,000	\$9,450	\$708	\$77,590

1. The individual hourly rates include salary, overhead and profit.
2. Subconsultants will be billed at actual cost plus 10%.
3. Other direct costs (ODCs) such as reproduction, delivery, mileage (rates will be those allowed by current IRS guidelines), and travel expenses, will be billed at actual cost plus 10%.
4. Woodard & Curran reserves the right to adjust its hourly rate structure and ODC markup at the beginning of the calendar year for all ongoing contracts.

DATE: OCTOBER 17, 2018
TO: BOARD OF DIRECTORS
SUBJECT: SOUTH LAKE LEASE AGREEMENT

BACKGROUND:

The District owns approximately 45 acres of land west of South Twin Oaks Valley Road and south of the recently approved MU-4 Brookfield Homes housing site. Located on this land is the South Lake Reservoir, which the District had historically used to store water for potable uses. South Lake Reservoir has a capacity of seventy-five million gallons of storage. Changes in drinking water regulations and better access to higher quality imported water caused the District to stop using this reservoir as a water supply in 1984. In order to access the reservoir and the dam, the District had constructed a series of earthen roads. The District's property, including the dam and reservoir, are not open to the public, but there have been frequent occurrences of trespassers over the years.

The City of San Marcos has an extensive network of trails. In an effort to expand public recreational opportunities within its boundaries, the City entered into an agreement (South Lake Lease Agreement, copy attached) with the District on August 29, 2005, for use of the South Lake property as a site for expansion of their public trails system. The primary conditions of the agreement are that the City's use of the South Lake property would not interfere or infringe with the District's future water supply flexibility and that the City assumes the responsibility and liability for the construction, operation and maintenance of the reservoir and recreational area. The term of the agreement is 50 years and may be extended another 25 years by mutual consent.

Among many other conditions, the agreement specifies that the City agrees to have the recreational area operational no later than December 31, 2010. On October 7, 2015, the Board of Directors authorized a time extension to complete the recreational improvements no later than December 31, 2018. To date, there have been no recreational trail improvements constructed by the City.

DISCUSSION:

On September 19, 2018, San Marcos City Manager Jack Griffin attended the District's regularly scheduled Board meeting to provide an update on the status of the City's plans to construct recreational improvements at South Lake. Mr. Griffin explained that the improvements have not yet been constructed due to a variety of reasons but expressed the City's continued interest in constructing the improvements. Mr. Griffin explained the revised scope of the project and provided a general schedule to complete the improvements. Based on the anticipated schedule, the City is requesting a two-year extension, until December 31, 2020, to complete the trail improvements. Mr. Griffin assured the Board that the City has adequate funds to complete the improvements.

In response to Mr. Griffin's presentation, several clarifying questions were asked by Board members regarding District cost and liability issues associated with use of the South Lake property as a recreational amenity. Due to the fact the recreational improvements update was not on the agenda for discussion, the Board's ability to engage in detailed conversation was limited. The Board directed the General Manager to place this item on the next available agenda to allow the Board the opportunity to explore this subject in depth.

There are two main issues to be considered. The first is whether the Board is interested in extending the deadline for the completion of the recreational improvements, as requested by the City. Based on the amount of work required, and the associated environmental processing, a two-year extension appears to be reasonable. The current agreement does allow the District to terminate the agreement by giving the City written notice if a material default in the agreement is left uncured for a period of 180 days following written notice of such default. Failure to comply with the deadline for the improvements could be interpreted as a material default. The District has not provided the City with a written notice of a material default.

The second issue to be considered is whether any terms of the agreement should be modified, if the Board determines that the agreement should be extended/amended. The primary areas of concern regarding the City's use of the South Lake property relates to cost and liability. The agreement states that the City and the District shall share equally the cost of maintaining the dam and appurtenant facilities, but specifies that the "City shall not be responsible for any cost, liability and/or expense associated with, arising from or connected to District activities and/or the dam and appurtenant District facilities." The agreement further states that the "District shall maintain, at its sole cost and expense, liability insurance coverage for the possibility of failure of the dam and/or its appurtenant facilities at levels sufficient to cover damages to and/or loss of Lessee's (City's) improvements on the Leased Premises (South Lake) in such event."

As long as the dam remains in place, the District would be obligated to operate and maintain the structure in compliance with the requirements specified by the California Department of the Safety of Dams (DSOD). DSOD requires that all dams of a certain size obtain a permit for its operation. The permit for the South Lake dam costs approximately \$18,500 per year and includes annual inspections by DSOD personnel. The District is also required to have periodic dam failure inundation studies performed to identify the risk to downstream properties in the event of a dam failure. The District's General Liability insurance would cover dam incidences that are not related to a dam failure, but those costs cannot easily be broken out from the total cost of the District's total policy coverage. The District's insurer does offer dam failure supplemental insurance coverage but the District has not elected to obtain this coverage. Other District costs associated with the operation and maintenance of South Lake total approximately \$50,000 per fiscal year.

If the District did not want to maintain an active permit for the dam, the dam would either need to be removed or the area behind the dam would need to be filled with properly compacted soil to ensure there is not a remaining impoundment area in excess of DSOD's requirements. Any future use of the property behind the dam would be subject to the land use authority of the City of San Marcos. The land is currently zoned Open Space/Park which would not allow for any development of housing or commercial/industrial uses.

FISCAL IMPACT:

There is no direct fiscal impact associated with extending the deadline for the construction of the recreational improvements by the City. The District currently receives One Dollar per year in lease revenue from the City for the use of South Lake.

RECOMMENDATION:

Provide staff direction regarding the City's request to extend the deadline for completion of the trail improvements from December 31, 2018 to December 31, 2020.

Provide staff with any other requested changes to the agreement for consideration in an amended agreement.

ATTACHMENT:

South Lake Lease Agreement

SOUTH LAKE LEASE AGREEMENT

by

Vallecitos Water District

as Lessor

and

City of San Marcos, California

as Lessee

Dated as of: August 29, 2005

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SOUTH LAKE LEASE AGREEMENT

This Lease Agreement (“Agreement”) is made and dated as of August 29, 2005, by and between the Vallecitos Water District, a County Water District organized and existing pursuant to California Water Code section 3000 et seq. (“Lessor” or “District”), and the City of San Marcos, a California Charter City (“Lessee” or “City”), with reference to the following facts:

RECITALS:

A. District provides water service to portions of north San Diego County that includes the City. District is the owner of a raw water reservoir with a capacity of 75 million gallons located in the southerly portion of the San Marcos Valley in the City known as South Lake Reservoir (“South Lake”). South Lake was part of the District’s potable water distribution system, but was taken out of operational use in 1984 in compliance with the Safe Drinking Water Act. The sole source of water for South Lake is rain and run-off.

B. District maintains South Lake for emergency water use, with the requirement that the water would need to be boiled prior to human consumption. District is updating its Water, Sewer and Reclamation Master Plan. The Master Plan will address water supply alternatives, which may include the incorporation of South Lake for storage of recycled water, ground water, or imported raw water and the use of an in-line pressure filtration system or some other approved water treatment system.

C. City desires to expand public recreational areas within its boundaries by incorporating South Lake into its recreational development plan.

D. District is willing to permit the lease and use of South Lake by City for a public recreation area, provided the City's use does not infringe or interfere with the District's future water supply flexibility and the City assumes the responsibility and liability for operation and maintenance of the reservoir and recreational area.

E. Pursuant to sections 31130 and 31048 of the County Water District Act and after consideration of informal public review and comment, District and City find that entering into this Agreement will promote the best interests of the communities served by the two parties.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I

PREMISES AND TERM

1.1 Lease Area. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, on the terms and conditions set forth in this Agreement, the water surface of South Lake and adjacent surrounding property which is more particularly identified and described on the plat and legal description attached as

Exhibit A hereto. South Lake and the adjacent property are hereinafter referred to as the (“Leased Premises” or “Recreational Area”).

1.2 Restricted Areas. District reserves the right to prohibit public access to those areas of the South Lake property that includes the pump station and related facilities. District further reserves the right to coordinate with the City to restrict public access to portions of South Lake for operations, safety and water quality issues. All such restricted areas are delineated on Exhibit B hereto. The District will install a buoy line at District’s expense, as well as any and all signs and fencing it deems necessary.

1.3 Term of Lease. The term of this Agreement shall be for fifty (50) years, commencing on the date first written above. The Recreational Area shall be available to the City but not be opened to the public prior to the time the restricted areas are secured by the District. If allowed by law, this Agreement may be extended an additional 25 years by mutual agreement.

1.4 Acceptance of Premises. Lessee accepts the Leased Premises “as-is”. A joint pictorial inventory along with a narrative description shall be created for historical baseline reference related to the more significant features and known pre-existing physical conditions.

ARTICLE II

RENT, TAXES AND UTILITIES

2.1 Rent. The parties agree that the use of South Lake as a Recreational Area shall benefit the respective communities served by District and City.

Accordingly, during the term of the Agreement, City covenants and agrees to develop and maintain the Recreation Area, comply with the terms of this lease and pay \$1.00 per year as consideration to District.

2.2 Taxes and Assessments. Lessee also agrees to pay all applicable real and personal property taxes, general and special assessments, and other charges of every description levied on or assessed against the Leased Premises, improvements, or personal property located on or in the Leased Premises. If the District decides to actively use the lake, District will then pay to the City the MWD Wholesale Nonfiltered Tier 1 Rate for any water the District may use/take that belongs to the City. In no event shall such District use cause the Reservoir's safe minimum pool to drop below the 790 foot MSL elevation specified in Section 5.1 hereof.

2.3 Utilities. Lessee further agrees to pay all utilities used upon the Leased Premises, including without limitation water, gas, heat, light, power, telephone service, refuse collection and removal, and all other services supplied to the Leased Premises, excluding any such charges that arise from District facilities or activities. All utilities shall be installed underground unless the prior written consent of Lessor is obtained. The District staff will meet with City staff to determine, to the extent possible, what undergrounding of existing and future facilities are anticipated in order to optimize coordinated efforts, minimizing future impacts.

ARTICLE III

USE, MAINTENANCE, AND COMPLIANCE WITH LAWS

3.1 **Limitations on Use.** The Leased Premises are leased to Lessee for the sole purpose of Lessee operating and maintaining the Leased Premises as a recreational area in accordance with the City's recreational development plan which shall be subject to review with reasonable approval by the District. In the event the City ceases to utilize South Lake for recreational purposes, at any time during the term of the lease, this Agreement shall terminate and the Leased Premises shall be returned to District in a good, clean, and undamaged condition, ordinary wear and tear excepted.

3.2 **No Liens or Easements.** Except for permitted encumbrances, easements, and restrictions approved in writing by District beforehand, Lessee agrees and covenants not to place any deed of trust, mortgage or any other type of security lien upon the Leased Premises during the term of this Agreement.

3.3 **Maintenance of Leased Premises.** Lessee shall, at its sole cost and expense, maintain the Leased Premises in good, clean and undamaged condition and use as a recreational area in accordance with all applicable laws, including without limitation such zoning, safety ordinances and laws, environmental regulations, and such rules and regulations thereunder as may be binding upon Lessee. Lessor shall not have any responsibility to maintain the Leased Premises. Lessee hereby waives all rights to make repairs to the Leased Premises at Lessor's expense or to deduct the cost thereof from the rent. All rights under California

Civil Code sections 1932(1), 1941, and 1942 or any law in replacement thereof are hereby waived and released. The District will work with the City to provide a reasonable amount of technical expertise with supporting documentation related to administrative preparation and filing for permits and related charges from permitting agencies within the historical scope of the District's water supply related requirements recognizing that there may be permits and fees outside of the District's knowledge and experience. Notwithstanding anything to the contrary in this Section 3.3 and/or this Agreement, City shall not be responsible for any cost, liability and/or expense associated with, arising from or connected to, District activities and/or the dam and appurtenant District facilities.

3.4 Maintenance of Dam and Appurtenant Facilities.

(a) Except as provided elsewhere in this Agreement, the City and District agree to share equally the cost of maintaining the dam and appurtenant facilities, to include weed abatement, erosion control, litter removal, fence and sign repair and/or replacement, all necessary permitting and inspection fees in compliance with all applicable laws, including, without limitation, such zoning and safety ordinances and laws, environmental regulations and such rules and regulations that may be binding upon the City or District. Further, throughout the term of this Agreement District shall maintain, at its sole cost and expense, liability insurance coverage for the possibility of failure of the dam and/or its appurtenant facilities at levels sufficient to cover damages to and/or loss of Lessee's improvements on the Leased Premises in such event.

(b) As soon as practicable following adoption of the Development Plan, City and District shall develop a joint maintenance plan which clearly establishes which entity will perform required maintenance activities pursuant to Subsection (a), above. Beginning with the first anniversary of the effective date of this Lease Agreement, the parties shall annually total their costs incurred pursuant to this Section 3.4 and reimburse one another, as necessary, such that neither City's nor District's respective share of the total expenses incurred in any given year exceeds 50%.

3.5 Supplemental Reservoir Supply.

Water for the recreation lake will come from rain event runoff and/or City wells. If well water is unavailable, water from the District, if available, will be sold to City at the then applicable District construction water rate.

3.6 Compliance with Laws and Restrictions. Lessee agrees to use the Leased Premises in material compliance with all laws now in force or which may hereafter be in force relative to its use as a recreational area, including without limitation compliance with all building requirements and regulations, appropriation of water rights/usage, as well as all covenants, conditions, and restrictions contained in this Agreement. During extreme wet years, the City, with District's assistance, will provide necessary water level control so as not to spill uncontrolled water.

ARTICLE IV

DEVELOPMENT PLAN, FINANCING, CONCESSIONS, AND FEES

4.1 Recreational Development Plan and Improvements. Within eighteen (18) months of the effective date of this Agreement, City shall provide District with a draft recreational development plan (“Development Plan”). The Development Plan shall show the location of proposed roads, bicycle paths, entrance gate, hiking trails, nature study areas, boat ramps, mooring facilities, buildings, water and sanitary facilities, a water course from both the clam outlet and spillway to the San Marcos Creek and any other proposed recreational improvements. All improvements associated with the Development Plan shall be compatible with existing features and shall be of a type and quality that enhances the recreation atmosphere of the area. District shall furnish City with comments on, or shall approve, the Development Plan within sixty (60) days of receipt, and District’s approval of same shall not be unreasonably withheld. City also agrees to submit to District the construction plans for all improvements associated with the Development Plan for comment or approval by District within 60 days of receipt. All improvements shall be subject to inspection by District and any changes or revisions shall require the prior written approval of District, which approval shall not be unreasonably withheld. City agrees to have the Recreational Area operational not later than December 31, 2010 .

4.2 Financing and Bonded Indebtedness. City may enter into bonded indebtedness or other types of permitted public financing to pay for the cost of

improvements constructed at the recreational area. This is provided, however, that such financing shall not interfere with, or restrict, the District's future water supply flexibility and that the term of such financing shall not exceed the term of this Agreement.

4.3 Concessions and Subleases. City may enter into concession agreements and subleases for the purpose of providing recreational facilities and services at South Lake for the general public. All such agreements and subleases shall be subject to review and approval by District, which shall not be unreasonably withheld, with no financial interest or claim therein, prior to issuance and shall be expressly subject to the terms and restrictions of this Agreement and shall in no event conflict with the water service flexibility or operational responsibilities of District. All such agreements shall contain provisions necessary to protect District, its officers, employees, successors, and assigns from any liability arising out of the construction, operation, and/or maintenance of any improvements and concessions. The term of any permit, concession, sublease, or other agreement entered into by City affecting, or related to, the Recreational Area shall not exceed the term of this Agreement.

4.4 Fees and Charges. City may charge reasonable entry fees to the Recreation Area consistent with City's investment and costs. In addition, City shall have authority to charge, or allow its concessionaires or Sublessees (hereinafter collectively referred to as "Sublessees") to charge, reasonable fees for services or use of the recreation facilities. The schedule of entry and user fees

shall be submitted to District for review and comment, and District residents shall have the same rights and privileges, and be subject to the same entry and user fees, as City residents.

4.5 Use of Revenues. All revenues received by City including entry fees, user fees, and rent payments shall be used to defray the costs and expenses for development, operation, administration, and maintenance of the Recreational Area. If at the termination of this Agreement the City has surplus funds derived from revenues received in operating the Recreational Area, such funds shall be remitted to the District. City shall maintain books and records relating to the costs and expenses relating to the operation of the Recreational Area which shall be available for District inspection and audit.

ARTICLE V

RESTRICTIONS ON USE AND DISTRICT RESERVATIONS

5.1 Water Level Fluctuation. During the lease term, District shall have the right as it deems necessary to fluctuate the water level in South Lake related to water production and delivery without liability for damage to any improvements or operations of City and its Sublessees. This is provided, however, that, in consideration of City's recreational needs, the Reservoir pool shall, at all times, be maintained at a surface elevation of not less than 790 feet MSL and not more than 820 feet MSL. If the District determines that South Lake will become an active distribution reservoir for potable or non-potable purposes, a detailed addendum

will be developed that will refine the fluctuations and public use related to lake access and spatial distances for purposes of optimum safety.

If for any reason the District, at its sole discretion, decides to put the lake back into service for reclamation, emergency service or other purposes, then the cost will be District's.

5.2 Water Quality. The City shall not input, cause or allow water to be drained into South Lake which may adversely affect water quality and/or District use of the water as determined in the sole discretion of District.

5.3 Restrictions on Access. District may close or otherwise restrict public access to the Recreational Area, or any portion thereof, whenever District determines in its reasonable discretion that such closure is necessary in the interest of water operations, public safety, or national security. District will take reasonable actions to promptly notify City in the event of a closure or restriction on access to the Recreational Area.

5.4 District Access and Improvements. District, its officers, agents, and employees shall at all times have the right to access the Recreational Area including the right of ingress and egress, for any purpose recognizing that if time allows, there shall be reasonable notice and understanding with the City. District may also construct, operate, and maintain any facilities or improvements in the Recreational Area it deems necessary, including the removal or relocation of facilities constructed by City or its Sublessees, who shall have no claim for

damages or compensation from District, other than actual costs of relocation or reconstruction as reasonably determined by District and City.

5.5 Water Treatment. During the term of this Agreement, District may require that City chemically treat the water in South Lake or remove vegetation along the shoreline to protect and preserve water quality characteristics and standards determined by District and will provide consultation upon request by the City. All costs of chemical treatment and removal of vegetation shall be paid by City.

ARTICLE VI

INSURANCE

The City, as a self-insured entity within its comparative insurance coverage, and its Sublessees shall provide and maintain the following commercial general liability and automobile liability insurance:

6.1 Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

(a) Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001).

(b) Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto).

6.2 Limits shall be no less than the following amounts:

(a) General Liability - Three million dollars (\$3,000,000) per occurrence for bodily injury, personal injury, and property damage. If commercial

general liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply to premises leased (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to District) or the general aggregate limit shall be twice the required occurrence limit.

(b) Automobile Liability - One million dollars (\$1,000,000) for bodily injury and property damage each accident limit.

6.3 The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(a) District, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2011, CG 2024 (if land only), or insurer's equivalent for general liability coverage) as respects: liability arising out of premises leased by the City and its Sublessees; and automobiles owned, leased, hired or borrowed by the City and its Sublessees. The coverage shall contain no special limitations on the scope of protection afforded to District, its directors, officers, employees, or authorized volunteers.

(b) For any claims related to this lease, City and its Sublessees' insurance shall be primary insurance with respects to District, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance or other coverage maintained by District, its directors, officers, employees or authorized volunteers shall not contribute to it.

(c) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to District, its directors, officers, employees, or authorized volunteers.

(d) City and its Sublessees' insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(e) Each insurance policy required by this agreement shall state or be endorsed to state that coverage shall not be canceled by the insurance carrier or the City and its Sublessees, except after thirty (30) days (10 days for nonpayment of premium) prior written notice by U.S. mail has been given to District.

6.4 Such liability insurance shall indemnify the District against loss from liability imposed by law upon, or assumed under contract by, the City and its Sublessees or their contractors for damages on account of such bodily injury (including death), property damage, and personal injury that may arise from, concern or be related to the use of the Leased Premises as a public recreational facility, together with its appurtenant facilities. Notwithstanding the foregoing, nothing in this Article VI shall require such liability insurance to indemnify the City, its Sublessees and their contractors, and/or the District against loss from liability for damages and/or injuries that arise from, concern or are related to District's activities and/or its facilities except to the extent that the same are

coextensive with the use of the Leased Premises as a public recreational facility with appurtenant facilities.

6.5 The general liability policy shall cover bodily injury and property damage liability, owned and non-owned equipment, and blanket contractual liability.

6.6 The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

6.7 All of the insurance shall be provided on policy forms and through companies satisfactory to District.

6.8 Any deductible or self-insured retention must be declared to and approved by District. At the option of District, the insurer shall either reduce or eliminate such deductibles or self-insured retentions.

6.9 Insurance is to be placed with insurers having a current A.M. Best rating of not less than A-:VII or equivalent or as otherwise approved by District.

6.10 Prior to execution of the agreement, the City and its Sublessees shall file with District a certificate of insurance (Acord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against District. Such evidence shall also include confirmation that coverage includes or has been modified. City and its Sublessees shall, upon demand by

District, deliver to District such policy or policies of insurance and the receipts for payment of premiums thereon.

6.11 If any of the required coverages expire during the term of this Agreement, City and its Sublessees shall deliver the renewal certificate(s) including the general liability additional insured endorsement and evidence of waiver of rights of subrogation against District to District at least ten (10) days prior to the expiration date.

6.12 City and its Sublessees and/or contractors shall comply with all California Worker's Compensation and Insurance Act laws and shall provide employer's liability insurance with minimum limits of \$1,000,000 for each accident, a \$1,000,000 disease policy, and \$1,000,000 for each employee.

6.13 Dam failure liability insurance shall be carried by District at its expense.

ARTICLE VII

DAMAGE OR DESTRUCTION DURING TERM OF LEASE

7.1 **Restoration of Leased Premises.** If during the term of this Agreement, the Leased Premises are damaged, whether or not from a risk covered by insurance, and subject to the other provisions of this Agreement regarding termination, Lessee shall promptly and expeditiously make the repairs necessary to restore the Leased Premises to a condition for occupancy or use comparable to the condition thereof before such damage, to the limit of insurance funds available.

7.2 Restoration of Dam and/or Appurtenant Facilities. In the event of partial or complete destruction of the dam and/or its appurtenant facilities from any cause, neither the District nor the City, shall have any obligation to repair or replace or participate in any repair or replacement of the same. Should either party voluntarily elect to repair or replace the dam and/or appurtenant facilities in the event of such a loss, it shall do so at its sole cost. Should the parties jointly elect to repair or replace the dam and/or the appurtenant facilities, the costs of doing so shall be apportioned equally among them.

ARTICLE VIII

CONDEMNATION

In the event that the Leased Premises or any portion thereof are taken by eminent domain, or by inverse condemnation, or the reservoir water appropriated, District shall be entitled to entire award, including, but not limited to compensation, damages and interest, if any, provided that City shall be entitled to that portion of the award, if any which is attributable to improvements constructed by City or its Sublessees, and, in the case of the appropriation of the reservoir water, any portion of such award attributable to water belonging to the City.

ARTICLE IX

DEFAULT AND TERMINATION

9.1 Events of Default. Subject to the notice and cure provisions of paragraphs 9.2 and 9.3 below, and the expiration of the cure period set forth

therein, the following events shall constitute a default by Lessee and a breach of this Agreement:

(a) Failure of Lessee to maintain the Leased Premises in good condition as a recreational area or a material breach of any term or condition of this Agreement.

(b) The subjection of any material right or interest of Lessee to attachment, execution, or other levy, or to seizure under legal process which would materially interfere with Lessee's ability to operate the Leased Premises as a recreational area.

(c) An assignment by Lessee for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Lessee under any law for the purpose of adjudicating Lessee bankrupt.

(d) In the event the Leased Premises becomes a public nuisance, or otherwise unreasonably disturbs the peace and tranquility of the surrounding residents.

9.2 Notice and Right to Cure. Prior to pursuing any remedy for an alleged default of Lessee, Lessor shall provide written notice of default to Lessee. Each notice of default shall specify in detail the alleged event of default and the intended remedy. Lessee shall have one hundred and eighty (180) days after notice is given to cure the alleged default.

9.3 Remedies. In the event a material default by Lessee continues uncured for a period of one hundred and eighty (180) days, following written

notice, then, in addition to the rights and remedies provided by law or equity, Lessor may at its election terminate this Agreement by giving Lessee written notice of termination. On the giving of notice, all Lessee's rights in the Leased Premises and improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Leased Premises and all improvements in good and clean condition.

9.4 Termination by Lessee. Lessee may terminate this Agreement at any time by giving written notice to Lessor at least six (6) months prior to the effective date of such termination. Upon such termination, Lessee must surrender the Leased Premises and all improvements in a good, clean, and undamaged condition, ordinary wear and tear excepted.

ARTICLE X

ENVIRONMENTAL PROTECTION AND HAZARDOUS WASTE

10.1 Environmental Protection. City and its Sublessees shall implement and maintain storm-water BMP's to comply with all applicable environmental regulations. These regulations shall include a prohibition on the discharge, disposal, or escape of, any drainage water, non-point source runoff, raw sewage, sewage plant effluent, fuel, or waste of any kind, within or outside the Recreation Area which could result in destruction of habitat or the contamination or pollution of South Lake, as determined by District. City and its Sublessees shall at all times comply with all applicable federal, state, and local laws, orders, and regulations, as may be amended, concerning the pollution of streams, canals,

reservoirs, groundwater or water courses, with respect to the proper discharge of refuse, garbage, sewage plant effluent, wastes, and other pollutants, including soil sediments, and shall cause all members of the public to comply fully with such laws, orders, and regulations.

10.2 Hazardous Materials. City and its Sublessees shall not use or allow anyone else to use the premises to generate, manufacture, refine, transport, treat, store, handle, recycle, release or dispose of any hazardous material, other than as reasonably necessary for the operation of the Leased Premises by City and its Sublessees' activities as contemplated under this agreement. The term "hazardous material" means any hazardous substance, material, or waste, including but not limited to those listed in 49 CFR 172.101 (U.S. Department of Transportation), the Cal/EPA Chemical Lists, or petroleum products and their derivatives. However, this shall not apply to the use of petroleum products and related substances incidental to operation of motorized equipment and vehicles whose operation on the premises is contemplated by this agreement. City and its Sublessees shall immediately notify District in writing in the event of any release of hazardous material, violation of any environmental law, or actions brought by third parties against the City and its Sublessees alleging environmental damage. City shall indemnify and hold District harmless from any and all damages of any nature (including payment of attorney fees) related to or arising out of the discharge or release of hazardous materials.

ARTICLE XI

ADDITIONAL COVENANTS OF LESSEE

11.1 Security of Recreation Area. City shall be responsible for providing adequate security in the Recreation Area and shall ensure that the Recreation Area is patrolled by the Sheriff's Department or their successor. City shall install and maintain such security fencing around the Recreation Area as is necessary to prevent unauthorized entry, to the maximum extent possible. City shall also construct roads and gates within the Recreation Area as necessary for patrolling and surveillance. City, at its sole expense, shall maintain, in a condition satisfactory to District, all of the security fencing and all of those sections of the patrol road that are regularly used by City or by the public. The public shall not be permitted to operate any vehicle in the Recreation Area except on specifically designated roads, parking lots or trails.

11.2 Signage and Displays. District and City shall work cooperatively to develop appropriate signs and displays describing the multi-purpose functions of the Recreational Area and acknowledging the contributions of the District and City.

11.3 Entrance Gate. City shall construct and operate an entrance gate through which all members of the visiting public shall be required to pass in order to gain access to the Recreation Area.

11.4 Boat and Water Contact Restrictions. City and its Sublessees shall have the right to provide for the rental of boats without gas/petroleum motors

and to launch and retrieve boats on that portion of South Lake open to the public. All boats must be moored or taken out of the water at night and no boats shall be permitted outside the mooring area from one-half hour after sunset until one-half hour before sunrise.

Fishing shall be a specifically authorized activity within the Leased Premises and City shall have the right, but not the obligation, to stock and periodically restock, the Reservoir with fish species appropriate to the Reservoir environment.

No water body contact sports shall be permitted in South Lake unless specifically authorized by the State Health Department.

11.5 Annual Reporting. City shall provide to District an annual report, in a form acceptable to District, on the operations of the Recreation Area.

ARTICLE XII

SURRENDER AND DISPOSITION OF PREMISES

12.1 Surrender of Leased Premises. Upon the expiration or earlier termination of this Agreement, City shall surrender the Leased Premises to District and all improvements in a good, clean, and undamaged condition, ordinary wear and tear excepted.

12.2 Disposition of Lessee's Property upon Termination. Upon the expiration or earlier termination of this Agreement, all equipment or personal property and all facilities or improvements constructed by City shall become the

property of District. Portable and personal property may be removed prior to the termination date or they shall become the property of the District.

ARTICLE XIII

INDEMNIFICATION

13.1 Indemnification. Lessee shall defend, indemnify, and hold Lessor harmless from, and reimburse Lessor for, any loss, cost, expense, liability, or damages of every kind or nature, including but not limited to injury to or death of any person or destruction of property in connection with or in any way related to, the use by the City, its Sublessees, or any third party (including officers, directors, and employees of District) of the Leased Premises or any appurtenant facilities located thereon. In addition Lessee shall defend, indemnify, and hold Lessor harmless from any breach or default in the performance of any obligation to be performed by Lessee under this Agreement; any violation of governmental law or regulation; or any intentional misconduct or negligence of Lessee, or any officer, agent, employee, guest, or invitee of Lessee or its Sublessees, regardless of whether such intentional misconduct or negligence was active or passive. Notwithstanding the foregoing, Lessee shall not be obligated to indemnify the District, its officers, directors, employees and/or agents, against loss from liability for damages and/or injuries that arise from, concern or are related to District's activities and/or its facilities except to the extent that the same are coextensive with the use of the Recreation Area as a public recreational facility with appurtenant facilities. Lessor shall defend, indemnify, and hold Lessee and its

officers, agents, employees and Sublessees harmless from, and reimburse the same for, any loss, cost, expense, liability, or damages of every kind or nature, including but not limited to injury to or death of any person or destruction of property in connection with or in any way related to, District's activities and/or its facilities, except to the extent that the same are coextensive with the use of the Leased Premises as a public recreational facility with appurtenant facilities. Further, Lessor shall defend, indemnify and hold Lessee and its officers, agents, employees and Sublessees harmless from, and reimburse the same for any loss, cost, expense, liability, or damages of every kind or nature, including but not limited to injury to or death of any person or destruction of property in connection with or in any way related to any intentional misconduct or negligence of Lessor, or any officer, agent, employee, guest or invitee of Lessor, regardless of whether such intentional misconduct or negligence was active or passive.

In the event of the occurrence of any event which is an indemnifiable event pursuant to this section, the party seeking indemnification ("Indemnified Party") shall notify the other party ("Indemnifying Party") promptly, and, if such event involves the claim of any third person, the Indemnifying Party shall assume all expenses with respect to, the defense, settlement, adjustment, or compromise of any claim, provided that the Indemnified Party may, if it so desires, employ counsel at its own expense to assist in the handling of such claim. The Indemnifying Party shall obtain the prior written approval of the Indemnified Party, which approval shall not be unreasonably

withheld, before entering into any settlement, adjustment or compromise of such claim. The Indemnifying Party shall reimburse the Indemnified Party or any third party Indemnified Party identified above for any legal expenses and costs incurred in connection with or in enforcing the indemnity herein provided. All indemnification obligations hereunder shall survive the expiration or earlier termination of this Agreement for the time period associated with all applicable causes of action.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

14.2 Invalidity. In the event that any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby. To the extent permitted by applicable law, each party to this Agreement waives any provision of law that renders any provision of this Agreement invalid, illegal, or unenforceable in any respect. In the event any provision of this Agreement shall be held invalid, illegal, or unenforceable, the parties shall use all reasonable efforts to substitute a valid, legal, and enforceable provision that implements the purposes and intents of this Agreement.

14.3 Notices. All notices, requests, demands, waivers, consents, and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile, or other electronic means, by overnight air courier, or by mail and shall be deemed to have been duly given and to have become effective (a) upon receipt if delivered in person or by telegraphic, facsimile, or other electronic means calculated to arrive on any business day prior to 5:00 p.m. local time at the address of the addressee, or on the next succeeding business day if delivered on a non-business day or after 5:00 p.m. local time, (b) one business day after having been delivered to an air courier for overnight delivery, or (c) three business days after having been deposited in the mail as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their assignees at the following addresses (or at such other address as shall be given in writing by a party hereto):

If to Lessee, addressed to:

CITY OF SAN MARCOS
1 Civic Center Drive,
San Marcos, CA 92069
Attn: City Manager
Facsimile: (760) 744-7543

with a copy to counsel for Lessee:

Lounsbery Ferguson Altona & Peak, LLP
960 Canterbury Place, Suite 300
Escondido, CA 92025
Attn: Helen Holmes Peak
Facsimile: (760) 743-9926

If to Lessor, addressed to:

VALLECITOS WATER DISTRICT
201 Vallecitos de Oro
San Marcos, CA 92069
Attn: General Manager
Facsimile: (760) 744-2738

with a copy to counsel for Lessor:

Jeffrey G. Scott, Esq.
16935 W. Bernardo Drive, Suite 170
San Diego, CA 92127
Facsimile: (858) 675-9897

14.4 Entire Agreement. This Agreement (including any exhibits and related agreements): (i) constitutes the entire agreement, supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter of this Agreement; (ii) is not intended to confer upon any person other than the parties to this Agreement any rights or remedies under this Agreement; and (iii) shall not be assignable.

14.5 Additional Documents. In addition to the documents and instruments to be delivered as provided in this Agreement, each of the parties shall, from time to time at the request of the other party, execute and deliver to the other party such other documents and shall take such other actions as may be reasonably required to carry out more effectively the terms of this Agreement.

14.6 Venue. In the event any action or proceeding is commenced to enforce or interpret this Agreement, venue shall lie in the state or federal courts in or nearest the North County Judicial District of the County of San Diego.

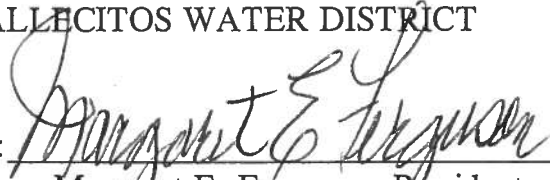
14.7 Relationship of Lessor and Lessee. Nothing contained herein shall be deemed or construed as creating the relationship of principal and agent or of partnership or of joint venture by the parties hereto, it being understood and agreed that no provision contained in this Agreement nor any acts of the parties hereto shall be deemed to create any relationship other than the relationship of Lessor and Lessee.

14.8 Short Form Agreement. This Agreement shall not be recorded, but the parties agree, at the request of either of them, to execute a short form agreement for recording, containing the names of the parties, a description of the Leased Premises and the lease term.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

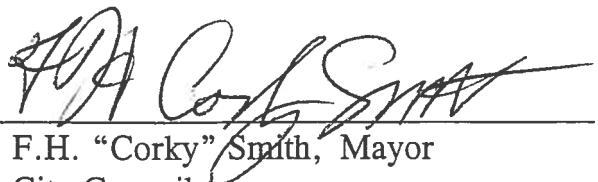
VALLECITOS WATER DISTRICT

By: _____


Margaret E. Ferguson, President
Board of Directors
Vallecitos Water District

CITY OF SAN MARCOS.

By: _____


F.H. "Corky" Smith, Mayor
City Council
City of San Marcos

SOUTH LAKE RESEVOIR PROPERTY

S TWIN OAKS VALLEY RD

**SOUTH
LAKE**



17

EXHIBIT A -- LEGAL

SOUTH LAKE OPEN RESERVOIR
APN'S: 222-190-02 & 06

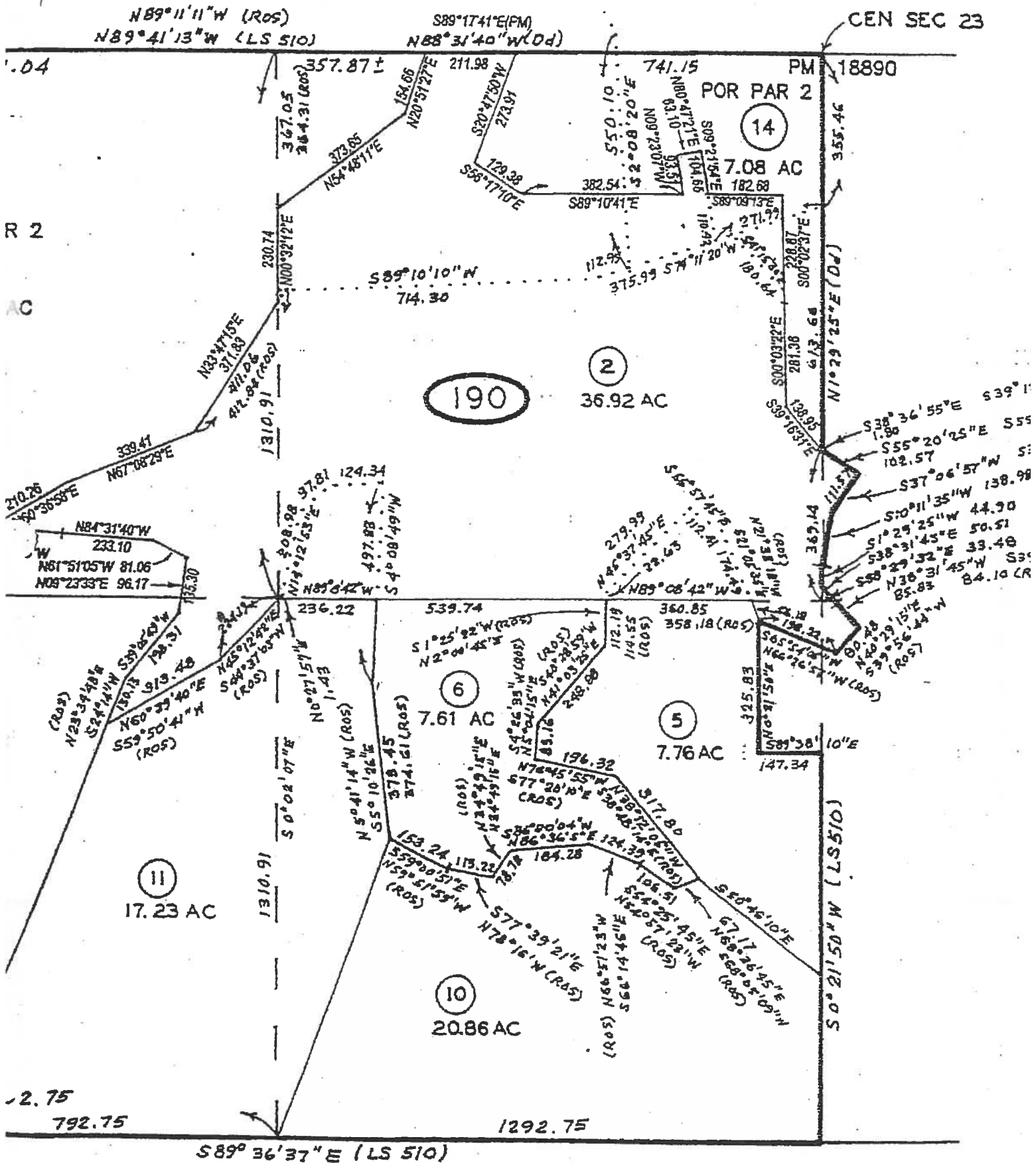


EXHIBIT B

South Lake Restricted Area

No member of the public will be allowed within the fenced in area in front of the dam or within the buoyed off area in the lake or on the up stream or down stream face of the dam. No one shall be allowed in any other area designated by either the District or the City.

Certificate of Approval

This Is To Certify That, pursuant to Part 1 of Division 3 of the California Water Code, the Department of Water Resources of the State of California has found that the SAN MARCOS Dam and Reservoir, State Application Number 854 located in Sec. 23, Tp. 12 S., R. 3W, S.B. B. & M., San Diego County, State of California, are safe to impound water; and the use of said dam and reservoir to impound water in accordance with and subject to the following terms and conditions is hereby authorized: 1. Water may be impounded to Elevation 820.00, (Padford Associates Survey 10/10/70) datum.

EXHIBIT C

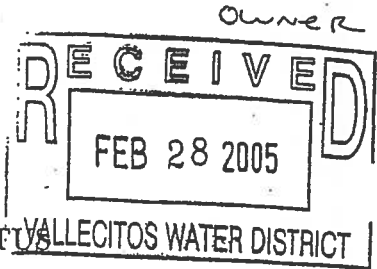


This certificate of approval supersedes every previous certificate of approval or written consent for use issued by the State of California relative to said dam and reservoir.

Witness my hand and the Seal of the Department of Water Resources of the State of California this 28th day of February 19 72

[Signature]
Division Engineer Reg. C. E. No. 7113

State of California
The Resources Agency
DEPARTMENT OF WATER RESOURCES
DIVISION OF SAFETY OF DAMS



INSPECTION OF DAM AND RESERVOIR IN CERTIFIED STATUS VALLECITOS WATER DISTRICT

Name of dam San Marcos Dam Dam No. 854 County San Diego
 Type of dam earth Type of Spillway unlined channel
 Water is 40' feet below spillway crest and 50' feet below dam crest.
 Weather conditions moderate
 Contacts made Mr. Jon Sherwood with Vallecitos Water District
 Reason for inspection Periodic Maintenance Inspection
Important Observations, Recommendations or Actions Taken

Conclusions

From the known information and the visual inspection, the dam, reservoir, and the appurtenances are judged satisfactory for continued use.

Item No.*	Item Name and Observation and Comment
A1-A4	<u>Embankment</u> – The embankment material was wet from previous rains. The crest was level. The downstream face and upstream face of the dam embankment were in good condition. The natural vegetation was trimmed on both the upstream and downstream slopes. The groins and downstream toe showed no signs of seepage and were in satisfactory condition.
8	<u>Spillway</u> – The control and approach were clear and in satisfactory condition. The earth channel was also in satisfactory condition. Due t recent rains, there were a couple areas of minor sloughing of the spillway walls. Mr. Sherwood will have the sloughed material removed/cleaned from the spillway channel area.
14	<u>Outlet</u> –The downstream valve is in good operating condition and the valve was operated (cycled 15%). The upstream gate remains inoperable and the owner will need to repair it to keep pressure off the downstream gate. Mr. Sherwood said that a plan for repair was currently in the works.
17	<u>Seepage</u> – The embankment material was wet from previous rains and it was difficult to detect if there was seepage at the downstream toe or groins. It was reported that the dam is functioning well.
18	<u>Instrumentation</u> –The latest instrumentation data received for this dam was in January 2004. The data included piezometer, rainfall, and seepage information. Piezometer data included information for the 4 piezometers located on the dam for the time period January 2003 through December 2003.

Typed by ALL
 Date 2/14/05
 cc for Jon Sherwood

*Use Field Sheet Standard
 Numbers and Items
 (See Reverse Side)

Inspected by Andrea Lobato
 Date of Inspection 2/7/2005
 Date of Report 2/14/05
 Photos taken? Yes No
 Sheet 1 of 2 sheets

FIELD SHEET KEY ITEMS

<u>No.</u>	<u>Item</u>
A1	Embankment Dam-Upstream Face
A2	Embankment Dam-Downstream Face
A3	Embankment Dam-Abutment
A4	Embankment Dam-Crest
A5	Embankment Dam-Galleries
B1	Concrete Dam-Upstream Face
B2	Concrete Dam-Downstream Face
B3	Concrete Dam-Abutment
B4	Concrete Dam-Crest
B5	Concrete Dam-Galleries
6	Approach Channel
7	Stoplogs
8	Control Structure of Spillway
9	Spillway Gates and Controls
10	Spillway Chute or Tunnels
11	Spillway Energy Dissipator
12	Intake-of Outlet
13	Outlet Conduit
14	Control Facilities of Outlet
15	Outlet Energy Dissipator
16	Outlet Channel
17	Seepage and Drainage
18	Instrumentation
19	Reservoir
20	Access Roads
21	Other

List deficiencies and what will be or has been done to correct them -
Refer to letters, on-going studies:

Make a statement as to Safety. If the dam has unsafe condition, restriction of storage
should be recommended.

INSPECTION OF DAM AND RESERVOIR IN CERTIFIED STATUS

Name of Dam San Marcos Dam Dam No 854

Date of Inspection 2/7/05

Observations and Comments (Continued)

Item No.*	Item Name and Observation and Comment
	<p>There were no unusual readings during this time period. Seepage data showed no unusual readings. Previously I requested for the owner to submit a 'long term' 10 year plot of all piezometer and seepage data to present date to show trends. Jon Sherwood agreed and showed me a copy of the data requested. The updated instrumentation data will be submitted to DSOD in the next instrumentation submittal.</p>

Author/Typist ALL/ALL Sheet 2 of 2 Sheets

EXHIBIT D

San Marcos Dam inundation area map T12S R3W section 23



dated 7-14-05

