

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MAY 15, 2019, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT MARTIN

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 MAY 15, 2019

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.

INTRODUCTION

Human Resources Analyst Bridget Anderson will introduce new employee, **Ted Decoteau**, Electrical/Instrumentation Technician.

PRESENTATIONS

President Martin will acknowledge H.R. LaBounty Safety Award winner **Jeremy Scott**, Senior Wastewater Collections Systems Worker, recognizing his commitment to safety in the workplace.

Chris Robbins, Public Information/Conservation Supervisor, will present a video on the San Marcos High School Future Fair.

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES (pp. 7-22)

- A. FINANCE/INVESTMENT COMMITTEE MEETING – APRIL 29, 2019
- B. CLOSED SESSION BOARD MEETING – MAY 1, 2019
- C. REGULAR BOARD MEETING – MAY 1, 2019

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH MAY 15, 2019 – \$2,465,448.84 (pp. 23-26)

Recommendation: Approve Warrant List

1.3 FINANCIAL REPORTS (pp. 27-47)

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

1.4 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS “SAN MARCOS HIGHLANDS” INTO THE VALLECITOS WATER DISTRICT AND THE SEWER IMPROVEMENT DISTRICT (VISTA SAN MARCOS, LTD.) (pp. 48-53)

The proposed San Marcos Highlands residential development is located at the northern end of Las Posas Road.

Recommendation: Approve Annexation with Conditions

1.5 REQUEST FOR DETACHMENT OF APN 172-091-28 FROM THE VALLECITOS WATER DISTRICT (WILMOTT) (pp. 54-56)

The property is located at 28616 Champagne Boulevard, Escondido, just south of Lawrence Welk Court and east of Interstate 15.

Recommendation: Approve Detachment with Conditions

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

ACTION ITEMS

- 2.1 ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING ENCINA WASTEWATER AUTHORITY'S FISCAL YEAR 2020 OPERATING AND CAPITAL IMPROVEMENT BUDGET (pp. 57-110)

The Encina Basic Agreement requires approval of the budget for Encina Wastewater Authority by member agencies.

Recommendation: Adopt Resolution

- 2.2 UPDATE ON WATER AND WASTEWATER CAPITAL FACILITY FEES (pp. 111-112)

The District's water and wastewater capital facilities fees are scheduled for update.

Recommendation: For information only

- 2.3 PROPOSED 2019 INVESTMENT POLICY RESOLUTION (pp. 113-145)

The District's investment policy is reviewed by staff on an annual basis.

Recommendation: Adopt Resolution

- 2.4 AGRICULTURAL WATER ELIGIBILITY (pp. 146-147)

The Board requested additional information about agricultural water rates.

Recommendation: 1) Reconsider eligibility after Cost of Service Study is completed; 2) Clarify eligibility in future rate ordinances

- 2.5 COLORADO RIVER WATER SUPPLY ALTERNATIVE CONVEYANCE FACILITY (pp. 148-156)

San Diego County Water Authority is considering constructing its own dedicated conveyance facility to bring water from the river to the Authority's water delivery system.

Recommendation: Discuss and provide direction

- 2.6 ACWA REGION 10 NOMINATING COMMITTEE IS SEEKING REGION 10 BOARD CANDIDATES (pp. 157-158)

The Nominating Committee is seeking ACWA members interested in leading the direction of ACWA Region 10 for the 2020-2021 term.

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

- 4.1 MEETINGS

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

- 5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

- 6.1 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 5:00 p.m., Friday, May 10, 2019.

Diane Posvar

A large, dynamic splash of blue water dominates the left side of the page, with water droplets and bubbles captured in mid-air, creating a sense of movement and freshness. The water is a vibrant blue, contrasting with the white background.

JPIA PROUDLY PRESENTS
THE
H.R. LABOUNTY SAFETY AWARD
TO
Jeremy Scott
Vallecitos Water District

May 2019



MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, APRIL 29, 2019 AT 3:30 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 3:30 p.m.

Present: Director Sannella
Director Martin
General Manager Pruim
District Engineer Gumpel
Finance Manager Owen
Capital Facilities Senior Engineer Hubbard
Accounting Supervisor Glenn
Financial Analyst Arthur
Administrative Secretary Johnson

Others Present: Mia Corral Brown, Chandler Asset Management
Genny Lynkiewicz, Chandler Asset Management

ITEM(S) FOR DISCUSSION

CHANDLER ASSET MANAGEMENT – POLICY AND STRATEGY UPDATE

General Manager Pruim stated representatives from Chandler Asset Management (CAM) would be providing an update on the District's investments. Mia Corral Brown introduced Genny Lynkiewicz, who co-manages the District's investment portfolio with Jayson Schmitt. Ms. Lynkiewicz presented the District's investment report for the period ending March 31, 2019 as follows:

- Economic Update
 - Employment
 - Inflation
 - Consumer
 - Economic Activity
 - Housing
 - Gross Domestic Product (GDP)
 - Bond Yields
- Account Profile
 - Objectives
 - Compliance
 - Portfolio Characteristics
 - Sector Distribution

- Issuers
- Quality Distribution
- Duration Distribution
- Investment Performance
- Portfolio Characteristics
- Sector Distribution
- Portfolio Holdings

General question and answer took place during the presentation.

The Committee requested an update from CAM in six months and then on a yearly basis going forward.

After comparing the District's investment policy to California State Code and best practices, CAM recommended changes to the District's investment policy. Ms. Lynkiewicz provided a letter outlining proposed changes including additional language and clarification related to time of purchase, ratings categories, federal agencies, commercial paper, asset-backed, mortgage-backed, mortgage pass-through securities, and collateralized mortgage obligations, money market mutual funds, risk management and diversification, and the glossary of terms.

Finance Manager Owen stated the information reviewed today will be presented to the Board at the May 15 Board meeting.

REVIEW DRAFT BUDGET

Finance Manager Owen provided background on the budget process to date and stated staff would present a preliminary review of water purchases and sales, the draft budget and the Cost of Service Study (COSS) update.

Accounting Supervisor Glenn responded to the Committee's questions from the previous meeting concerning the value of equipment and vehicles the District has disposed of in recent years and reimbursements the District will receive for Capital Improvement Program (CIP) projects. He provided five years of data on the amounts received for vehicles and equipment that was either sold through public surplus or traded in. The vactor truck was sold in 2014-15 for \$40,100. General Manager Pruim noted that there is very little value left in the vehicles by the time the District gets rid of them.

Accounting Supervisor Glenn reviewed data regarding reimbursements the District will receive on several CIP projects with 100% certainty totaling \$4,692,000 which represents approximately 25% reimbursement. Those projects are:

- Land Outfall Gravity Sewer Sec D Phase 1
- San Marcos Interceptor Phase 2
- Land Outfall Clearing & Access Road

- Failsafe Buena Sewer Outfall Assessment
- Land Outfall West Assessment

Finance Manager Owen stated that a new line has been added to the reserve pages of the budget to show project reimbursements.

Finance Manager Owen presented information which included:

- Draft Operating Budget – Water
- Materials & Services Changes - Water
- Draft Operating Budget – Sewer
- Materials & Services Changes – Wastewater
- Salary and Benefit Estimates
- Draft Capital Budget
- Reserve Projections – No Debt
- Reserve Projections – With Debt
- Cost of Service Study Timeline
- Budget Calendar

Finance Manager Owen reviewed the changes incorporated into the draft operating budget for water. Total expenses increased from 3.65% to 4.05%, or \$41,000. Reasons for the increase include an increase in the South Lake dam fee, an assessment of the District's hillside property, GASB 75 reporting and the COSS.

Financial Analyst Arthur discussed water sales and purchases. The SDCWA's preliminary projections indicate a 4.3% increase in water costs that will be passed on to the member agencies. He anticipates the District's increase will be approximately 4.2%. He stated water sales are approximately 9.7% below what was budgeted due to rain this year, which equates to almost \$3 million. Water purchases are down approximately \$1.6 million.

Finance Manager Owen stated the changes incorporated into the draft operating budget for sewer include a decrease of \$27,000 cut from the Collections & Conveyance and Other categories, resulting in a projected increase of 3.0%. With the inclusion of Encina Wastewater Authority's expenses including accelerated PERS payments, the overall budget increase is 8.6%. Finance Analyst Arthur stated the sewer rates are projected to stay about the same.

Finance Manager Owen stated the salary and benefit estimates were recalculated reducing the Assistant General Manager (AGM) position to four months, resulting in a decrease from \$917,000 to \$780,000.

General discussion took place during which Director Sannella suggested eliminating the funding for the AGM position for now, and Director Martin expressed his opinion that the proposed Asset Management Supervisor position could be contracted out. Staff

discussed the importance of the District establishing a long-range asset management program.

The Committee recommended the Asset Management Supervisor position be presented to the Board for consideration.

COST OF SERVICE STUDY UPDATE

Finance Manager Owen provided a timeline for the Cost of Service Study. Staff anticipates issuing the Request for Proposal within the next couple of weeks. The rate study should be completed in July and preliminary results will be presented to this Committee in August. The final analysis and implementation plan will be presented to this Committee and to the Board in September. Staff will seek the Board's approval to release the Proposition 218 Notice in October. A hearing will be scheduled in December. The approved rates will be implemented in January 2020.

The next Finance/Investment Committee meeting is scheduled for May 13 at which the Committee will consider scenarios for PERS, review the draft proposed budget, and discuss any Board requested items. The Board workshop for review of the proposed budget is tentatively scheduled for May 29.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:11 p.m.

MINUTES OF A CLOSED SESSION MEETING
OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MAY 1, 2019, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Martin called the Closed Session meeting to order at the hour of 4:00 p.m.

Director Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin

Absent: Director Sannella

Staff Present: General Manager Pruum
Legal Counsel Gilpin
Executive Secretary Posvar

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF May 1, 2019

19-05-01 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, with Director Sannella absent, to adopt the agenda for the Closed Session Meeting of May 1, 2019.

PUBLIC COMMENT

None.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (2) of Section 54956.9: One (1) potential case

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957.6 –
CONFERENCE WITH LABOR NEGOTIATOR

Agency designated representative: General Manager
Employee Organization: Vallecitos Employee's Association

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9:
One (1) potential case

19-05-02 MOTION WAS MADE by Director Elitharp, seconded by Director Evans, and carried unanimously, with Director Sannella absent, to move into Closed Session pursuant to Government Code Sections 54956.9 and 54957.6.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 4:43 p.m. There was no reportable action from the Closed Session Meeting.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:44 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, May 1, 2019 at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruijm, Secretary
Board of Directors
Vallecitos Water District

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MAY 1, 2019, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Elitharp led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin

Absent: Director Sannella

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Hubbard
Development Services Senior Engineer Scholl
Public Information/Conservation Supervisor Robbins
Executive Secretary Posvar

Others Present: Sandra Kerl, San Diego County Water Authority
Scott Lynch, Black & Veatch
John McManus, Black & Veatch
Kevin Davis, Black & Veatch

ADOPT AGENDA FOR THE REGULAR MEETING OF MAY 1, 2019

19-05-03 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, with Director Sannella absent, to adopt the agenda for the Regular Board Meeting of May 1, 2019.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board expressing his concern that fire service charges on customer bills have not been addressed properly. These charges were added for the use of fire sprinkler systems in newer homes and included a very heavy charge per month based on the size of the service pipe. This increased the water flow for the average home from 25 gallons per minute capacity to 35. For a new

home using a ¾-inch valve required for 35 gallons per minute, this has some semblance of being related to a service. However, it has been very quietly tacked on to older homes that do not have sprinkler systems and are paying more for a service they are not getting. He believes this requires serious consideration for the upcoming budget with an analysis of how this charge has been calculated, where figures are coming from, and why older homes are being charged for a service they don't receive. He thanked the Board.

INTRODUCTION

Administrative Services Manager Rhondi Emmanuel introduced new employee, Trisha Woolslayer, Risk Management Supervisor.

PRESENTATIONS

Public Information/Conservation Supervisor Robbins presented videos on the "We Love Recycled Water" Tour and the recent water main break on Las Posas Road.

Sandra Kerl, Acting General Manager for the San Diego County Water Authority (SDCWA), stated the SDCWA does not have a pipeline to convey its Colorado River water and pays Metropolitan Water District (MWD) to transport 280,000 acre feet of Quantification Settlement Agreement (QSA) supplies. The SDCWA has been considering the benefits of an alternative to MWD well before the QSA and is proposing to build off of previous studies to consider a regional conveyance system for San Diego and Imperial Counties. The focus of a study being done now is on reconfiguring the SDCWA system to take water from the south, reviewing water quality and pre-treatment requirements associated with Colorado River water, and performing a comprehensive financial analysis that will compare the independent conveyance option to the price SDCWA pays to MWD. The SDCWA is also looking to build upon regional partnerships in the Imperial Valley and the private sector similar to what was done with the desal plant in Carlsbad.

Ms. Kerl discussed two conveyance alternatives, Corridor 5A, an 84-mile pipeline with just under 50 miles of tunneling through the Laguna Mountains, and Corridor 5C, a 92-mile pipeline with just under 10 miles of tunneling. The cost range for these two alternative conveyance corridor pathways is \$2.4 to \$2.8 billion. This project may give the SDCWA the opportunity to save rate payers considerable money. The current cost to transport QSA water to San Diego County, escalated at 3% per year over 29 years, would cost over \$6 billion that would be paid to MWD for the transfer of that water. Additional costs associated with local supply development and the California Water Fix could be in the range of approximately \$10 billion. Not only would this project transfer water, it could provide opportunities to move water to various locations for storage which could help the Imperial Valley and to bring water to the Salton Sea. The SCDWA

Board will consider the \$3.9 million cost of the study in its Fiscal Year 2020/2021 Capital Improvement Program budget in June.

General discussion took place.

CONSENT CALENDAR

19-05-04 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Sannella absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Public Awareness/Personnel/Policy Committee Meeting – April 11, 2019
- B. Finance/Investment Committee Meeting – April 15, 2019
- C. Closed Session Board Meeting – April 17, 2019
- D. Regular Board Meeting – April 17, 2019

1.2 Warrant List through May 1, 2019 - \$2,828,059.27

PUBLIC HEARING

APPROVAL AND ADOPTION OF THE 2018 WATER, WASTEWATER AND RECYCLED WATER MASTER PLAN AND CERTIFICATION OF THE FINAL PROGRAM ENVIRONMENTAL IMPACT REPORT

President Martin opened the hearing as duly noted and posted. The hearing was opened at 5:29 p.m.

General Manger Pruim stated the Board would be asked to approve the District's Water, Wastewater and Recycled Water Master Plan, and adopt the Final Programmatic Environmental Impact Report (PEIR), the document entitled, "California Environmental Quality Act (CEQA) Findings," and the 2018 Master Plan Final Mitigation Monitoring and Reporting Program (MMRP). In addition to outlining facilities the District will require to accommodate existing and future customers, the Master Plan will be the basis for the District's capital facility fees that developers are charged to ensure they pay their fair share of future projects. The capital facility fees will be placed on a future agenda; however, the capital facility fees cannot be adopted until the Master Plan is adopted.

Development Services Senior Engineer Scholl facilitated a presentation on the 2018 Master Plan Program Environmental Impact Report which included:

- Previous Board meeting discussions on the Master Plan and PEIR
- Objectives previously reviewed with the Board of Directors
- Master Plan Purpose
- 2018 Master Plan Water and Wastewater Capital Improvement Program (CIP)
- CIP Cost Estimate Comparison
- CIP Costs Per Phase
- CEQA / PEIR Purpose
- PEIR Effects to be Analyzed
- Notice of Preparation
- Draft PEIR Public Review
- Correspondence Received After the Draft PEIR Public Review
- Master Plan Adoption and PEIR Certification Procedures

Development Services Senior Engineer Scholl noted that the cutoff date for data from land use agencies was June 30, 2014; projects approved after that date are not included in the Master Plan. He clarified that the Master Plan evaluates water resource and supply alternatives but does not evaluate water supply sufficiency. That determination is addressed in the Urban Water Management Plan.

Development Services Senior Engineer Scholl discussed the Notice of Preparation process to solicit input from interested agencies and the public, and the Draft PEIR public review period. He noted the District received four letters after the Draft PEIR public review period. Three separate letters dated March 28, 2019, April 12, 2019, and April 18, 2019 were received from Latham and Watkins, representing the Golden Door, addressing concerns about water supply inadequacy, demand projection changes, Colorado River supply cutbacks, and the addition of the IID Petition of Writ of Mandate vs. Metropolitan Water District for the public record. The fourth letter dated April 24, 2019, was received from Newland Sierra, LLC stating that their project's water usage would be less than the 2018 Master Plan projections for its current land use. Copies of the letters were provided to the Board and will be part of the public record.

Staff recommended the Board adopt a resolution that certifies the Final PEIR for the VWD 2018 Water, Wastewater and Recycled Water Master Plan, adopts the CEQA Findings and MMRP, and approves the VWD 2018 Water, Wastewater and Recycled Water Master Plan.

Mike Hunsaker, member of the public, addressed the Board stating a plan should address all future challenges such as explosive population growth and development growth. He expressed his concern that the San Diego Association of Governments' (SANDAG) projections are flawed. There is a requirement that when a plan becomes deeply flawed and the assumptions made are no longer valid, a new water plan must be completed. We live in an environment where we're going to have affordable housing developments with great exemptions from environmental concerns. That does not mean

that our concerns with water and wastewater treatment and the environment go away. The plan is based on 2014 projections during the height of the Great Recession. He is concerned that the District will not have the necessary facilities available in a timely manner and that this is just the start of the need for a new plan. He thanked the Board.

There being no additional persons wishing to address the Board, President Martin closed the hearing at 5:45 p.m.

19-05-05 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, with Director Sannella absent, to adopt the resolution.

Resolution No. 1550 - The roll call vote was as follows:

AYES: Elitharp, Evans, Hernandez, Martin

NOES:

ABSENT: Sannella

ABSTAIN:

ACTION ITEMS

ACCEPTANCE OF OPERATIONS BUILDING LOCKER ROOM EXPANSION

Capital Facilities Senior Engineer Hubbard stated that the Operations & Maintenance men's locker room located in Building B was not large enough to accommodate existing staff. The expansion has increased the size of the locker room to 783 square feet (SF), increased the number of lockers, and added two sinks and two showers. This will provide adequate space for current staff and account for future growth.

This project was approved in the FY 2015/2016 budget and moved through an RFP process with architect Jeff Katz and Associates (JKA) with design beginning in September of 2016. A plan for a 783 SF expansion with shower and sink facilities was developed and on June 28, 2017, the District received only one bid for the project in the amount of \$613,046, putting the project approximately \$136,000 over budget. Specifying a concrete tilt-up construction method likely reduced the number of potential bidders. The Engineering/Equipment Committee and full Board expressed a desire to reduce the construction cost and to re-bid the project.

Upon direction from the Engineering/Equipment Committee, in September 2017, JKA received a \$22,935 amendment to their contract to redesign the expansion project for a smaller 522 SF footprint without shower and sink facilities, but with an alternate bid for the original 783 SF size design. Both redesigned plans featured more traditional exterior wall and roof systems, lowered the height of the construction, and eliminated

many of the modifications to the existing locker room. Also, HVAC and fire sprinkler system expansions were added to the bid to get a more competitive overall price.

The project was re-bid in March 2018 and the District received three bids for both the Base design of 522 SF and the Alternate design of 783 SF. Due to the competitive numbers received, the Board of Directors approved the award of the construction contract to Crew Builders for the Alternate design of 783 SF on April 18, 2018.

Construction began June 2018 and all construction work was completed at the beginning of January 2019. Punchlist and administrative items were completed by April 2019. There was a total of three change orders amounting to \$3,794. District staff performed construction management and inspection. Special inspection services were performed by Christian Wheeler Engineering and JKA.

Capital Facilities Senior Engineer Hubbard discussed the fiscal impact of the project, including presenting a comparison of the budget from time of award in April 2018, to the current budget at acceptance. He highlighted the \$40,000 budget reduction going into the current fiscal year, a final change order rate of less than 1%, specialty inspection coming in at half of what was budgeted, and staff time coming in just shy of the estimated amount.

Staff recommended the Board accept the project and authorize the filing of a Notice of Completion and release of retention funds to the contractor following the 60-day notice period, provided no claims are filed.

General discussion took place.

19-05-06 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, with Director Sannella absent, to accept the project; authorize the filing of a Notice of Completion and release of retention funds.

DISPOSITION OF UNANTICIPATED REVENUE

General Manager Pruim stated that during the current Fiscal Year 18/19, the District received two sources of unanticipated revenue. The first source was related to a fine that was imposed against Diamond Environmental Services as part of legal actions related to illegal dumping. Although the fine was paid directly to Encina Wastewater Authority (EWA), the amount was ultimately remitted to Vallecitos as the District had been charged by EWA for the treatment of the flows introduced into the system by Diamond. The amount of that fine was \$637,102.32 and the funds were placed in the wastewater reserve account.

The second source of unanticipated revenue come from ACWA/JPIA and was a rebate of unused insurance premiums that occurred as a result of the District's low insurance claims history. The amount of that rebate check was \$165,806 and the funds were split between the water and wastewater reserve accounts.

Given that the District does not have an ordinance or policy that directs how funds such as these should be used, staff is looking for direction. Options were presented to the Board for consideration.

General Manager Pruim recommended the Board designate a small portion of the funds related to the ACWA/JPIA rebate be set aside to fund an employee appreciation event to acknowledge their efforts in keeping insurance claims well below industry norms and that the District use the remaining unanticipated revenue to pay down its CalPERS unfunded accrued liability.

General discussion took place.

19-05-07 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, with President Martin voting no and with Director Sannella absent, to designate \$5,000 of the unanticipated revenue to an employee appreciation event and up to \$30,000 for a study on a septage receiving facility, and to allocate the remaining funds for the CalPERS unfunded accrued liability.

CALL FOR NOMINATIONS TO THE LOCAL AGENCY FORMATION COMMISSION (LAFCO) FOR APPOINTMENT TO CONSOLIDATED REDEVELOPMENT OVERSIGHT BOARD

Baron "Barry" T. Willis of the Alpine Fire Protection District and recently elected to LAFCO introduced himself and extended his assistance to the Board.

General Manager Pruim stated that due to the recent resignations of one regular and one alternate member on the Consolidated Redevelopment Oversight Board, LAFCO is holding an election for one regular member for a four-year term. Nominations are due by May 17, 2019.

The Board took no action.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) BOARD OF DIRECTORS – SEAT B

General Manager Pruim stated Kathleen Tiegs of the Cucamonga Valley Water District Board of Directors is a candidate for Seat B on the Southern Network California Special

Districts Association Board of Directors.

19-05-08 MOTION WAS MADE by Director Evans, seconded by President Martin, and carried unanimously, with Director Sannella absent, to vote for Kathleen Tiegs for Seat B on the CSDA Board of Directors.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- CNN recently reported on drinking water in California, covering a study conducted by an environmental advocacy group, The Environmental Working Group. It was stated that the contaminants found in public water systems in California could contribute to over 15,000 cancer cases for Californians who consume that water over their lifetime. The contaminants cited included arsenic, hexavalent chromium and radioactive materials such as uranium and radium. The study was published in the journal, *Environmental Health*, and alleges that the majority of the risk is for people who consume water mostly from groundwater sources containing arsenic. General Manager Pruim stated the District does not receive water from groundwater sources containing arsenic. The study does acknowledge that combined effects of the different contaminants should be studied to see if risk increases.

Director Hernandez requested an article addressing this study and the safety and water quality of the District be included in the District's quarterly newsletter.

- Governor Newsom issued an Executive Order on April 29 directing state agencies to review and develop plans to improve policies addressing water issues in California such as chronic water shortages, contaminated drinking water supplies, unaffordable water rates, and declining health of rivers and lakes. The Executive Order does not directly affect the District or other local agencies; however, the state agencies may develop policies that will ultimately affect local agencies. Governor Newsom also recently indicated support for a downsized Water Fix project.
- The Association of California Water Agencies spring conference will be held May 7-10 in Monterey, California.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin commented that Governor Newsom, in his Executive Order, is encouraging his agencies to think differently and to act boldly by developing a comprehensive strategy to build a climate-resilient water system. While the Executive Order doesn't affect local agencies, it does identify them as important stakeholders.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the SDWCA, in regard to the Governor's Executive Order, has been asked for their input on the issues.

Director Evans was unable to attend the April 25 Board meeting; however, she provided a summary of the meeting. At that meeting, the Board adopted a resolution to allow the General Manager to apply for a grant in the amount of \$1.25 million from the Department of Water Resources Desalination Program for the Claude "Bud" Lewis Carlsbad Desalination Plant wedge wire screen project.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee has not met since the last Board meeting.

President Martin stated the Policy and Finance Committee has not met since the last Board meeting.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Hernandez stated he has heard that the Council of Water Utilities (COWU) meetings have been cancelled permanently.

General discussion took place during which Director Evans commented on her experience leading COWU and the difficulty in finding an agency willing to take on the responsibility of coordinating the meetings.

President Martin reported on his attendance to a Lake San Marcos Kiwanis Club meeting at which Public Information/Conservation Supervisor Robbins presented an overview of what the District does.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 6:35 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, May 15, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

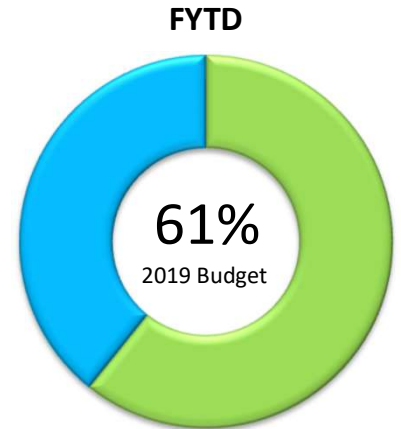
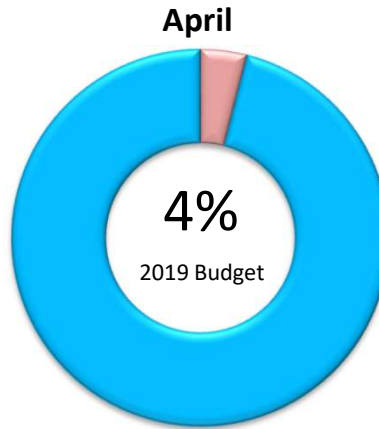
Glenn Pruij, Secretary
Board of Directors
Vallecitos Water District

**VALLECITOS WATER DISTRICT
DISBURSEMENTS SUMMARY
April 30, 2019**

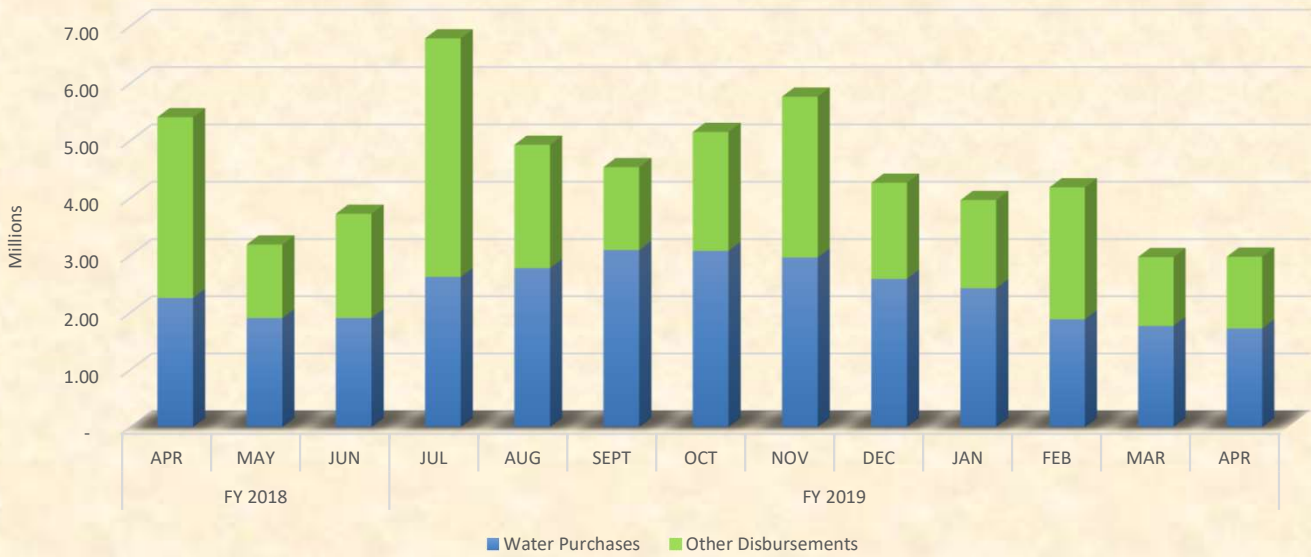
Summary

April Disbursements	\$	2,971,830	*
YTD Disbursements	\$	45,504,697	*
FY2019 Budget	\$	74,880,200	

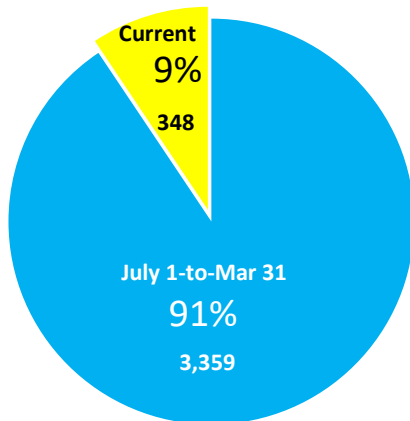
* Excludes Debt Service



Disbursements by Month



Invoices Processed



Top 10 Vendors - FYTD

SAN DIEGO COUNTY WATER AUTH.	\$25.2M
ENCINA WASTEWATER AUTHORITY	\$4.6M
ACWA/JOINT POWERS INSURANCE	\$2.4M
PUBLIC EMPLOYEES RETIRE SYSTM	\$2.4M
SAN DIEGO GAS & ELECTRIC	\$1.3M
BURTECH PIPELINE INCORPORATED	\$1.0M
CASS CONSTRUCTION INC	\$675K
OLIVENHAIN MWD	\$638K
CREW BUILDERS, INC.	\$416K
SANEXEN WATER, INC.	\$377K

VALLECITOS WATER DISTRICT
WARRANTS LIST
May 15, 2019

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Payroll & Garnishments	Payroll & Garnishments	116248 through	-
5 Star Housing LLC	Closed Account Refund	116252	70.35
Adamson Police Products	Work Lights & Light Bars 9 - New Vehicle Set Ups	116253	2,646.29
Amir Bogheady	Closed Account Refund	116254	24.11
Andrea Pyer	Closed Account Refund	116255	58.68
AT&T	Phone Svc - Mar	116256	20.55
Ben Braband	Closed Account Refund	116257	105.53
Boot World Inc	Safety Boots	116258	300.00
BRG Consulting Inc	District-Wide Solar Project	116259	1,442.50
Brookfield Residential	Closed Account Refund	116260	190.86
Christopher & Veronica Deatrick	Closed Account Refund	116261	99.17
Complete Paperless Solutions	Laserfiche Licenses - 76	116262	17,119.62
Cory Miller	Closed Account Refund	116263	69.30
County of San Diego	Recording Fees - Mar	116264	0.96
CWEA	Cert Renewal D Saavedra	116265	87.00
CWEA	Cert Renewal J Bakken	116266	97.00
Debi Helferich or Nicoletta Felix	Closed Account Refund	116267	150.00
Earnest Smith	Closed Account Refund	116268	13.24
EDCO Waste & Recycling Serv	Trash Svc - Apr	116269	873.64
Flexim Americas Corporation	Flowmeter - Twin Oaks Facility	116270	8,659.87
Gallade Chemical Inc.	Sodium Hypochlorite	116271	117.50
Gosch Ford Escondido	Ford F550 - Small Dump Trucks (2) Prj 20191-18 & 19	116272	104,500.30
Grant C Gardner	Closed Account Refund	116273	51.25
Hach Company	Calibration Kit - MRF	116274	297.27
Infrastructure Engr Corp	Rock Springs Sewer Prj 90003	116275	8,099.51
Janice Callen	Closed Account Refund	116276	96.27
Jeremy Romano	Closed Account Refund	116277	55.05
Jing Long	Closed Account Refund	116278	90.55
JCI Jones Chemicals Inc	Chlorine	116279	4,086.42
Kaman Industrial Technologies	Algae Pump - Mahr Reservoir	116280	1,392.13
Kathy Nutt	Closed Account Refund	116281	80.76
Kelly O'Connor	Closed Account Refund	116282	25.78
Ken Grody Ford	Additional Keys 2 Prj 20191-21	116283	291.41
Krista Handgis	Closed Account Refund	116284	59.87
Landreth Construction	Closed Account Refund	116285	800.51
Lawrence & Jenny Chan	Closed Account Refund	116286	137.27
Leslie Carvalho	Closed Account Refund	116287	90.15
Linda McCarthy Or Robert McCarthy	Closed Account Refund	116288	45.38
Lorayne Walter	Closed Account Refund	116289	59.64
Merak Rawlings	Closed Account Refund	116290	30.02
Michael Kidd	Closed Account Refund	116291	133.07
Mikki Eveloff	Closed Account Refund	116292	17.86
Mitch Nibbelink	Closed Account Refund	116293	89.37
MSA	Chemical Sensor For Transmitter - MRF	116294	1,739.89
One Source Distributors LLC	SCADA To Laptop Converter	116295	688.56
Ostari Inc	Disaster Recovery & Business Continuity Plan, Annual Support - Cisco	116296	14,466.47
Parkhouse Tire Inc	Vactor Tires 4 - Veh 240	116297	2,006.29
Pitney Bowes	Mail System Lease Feb - May	116298	601.80
Rancho Ochoa Stables Inc	Closed Account Refund	116299	55.61
Ruth M Vanderlugt	Closed Account Refund	116300	52.65
SDG&E	Power - Apr	116301	17,372.28
Scada Integrations	SCADA Programming Svcs	116302	4,000.00
Shred-It US JV LLC	Shredding Svcs Mar & Apr	116303	185.76
Smart Cover Systems	Sewer Flow Software Renewal & Support 19-20	116304	4,970.00
Marc Smith	CWEA Conference 4-9-19	116305	88.17
Southern Counties Lubricants, LLC	Diesel Fuel	116306	1,014.15
Standard Insurance Company	LIFE, LTD & ADD Insurance - May	116307	6,658.00

VALLECITOS WATER DISTRICT
WARRANTS LIST
May 15, 2019

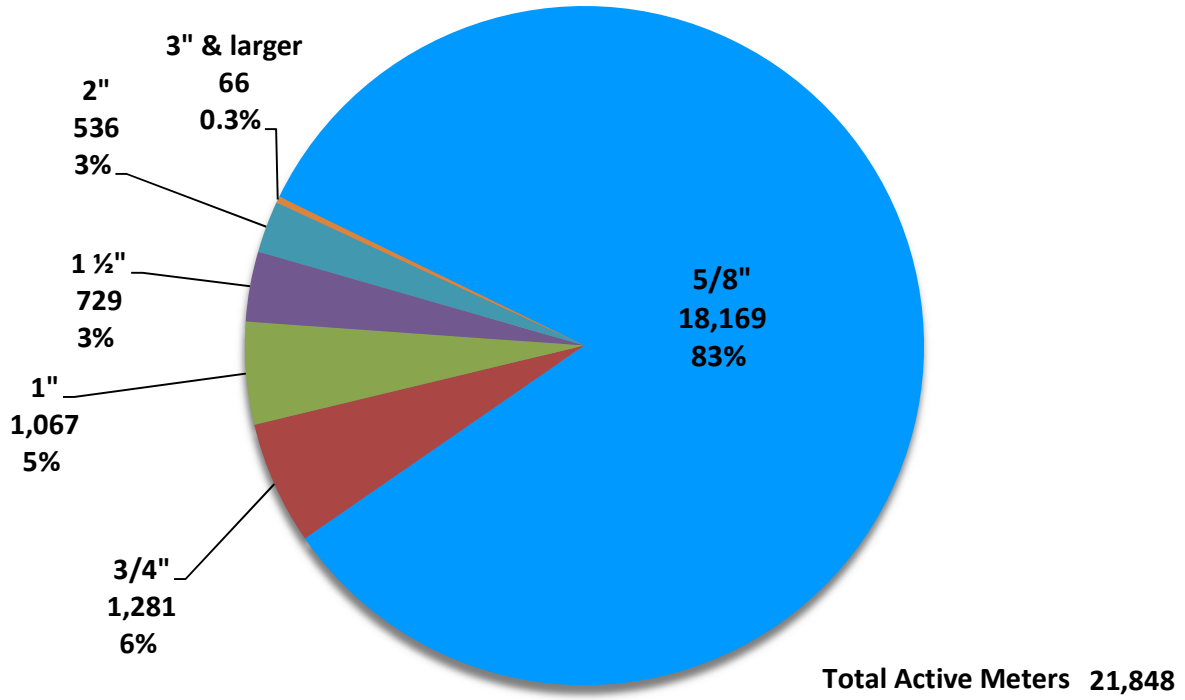
PAYEE	DESCRIPTION	CHECK#	AMOUNT
Staples Advantage	Office Supplies - Apr	116308	451.62
State Water Resources Control	Annual Permit Fee - MRF	116309	1,400.00
Thomas Beier	Systems Security Certified Practitioner Cert	116310	65.00
Thyssen Krupp Elevator	Elevator Maintenance May - July	116311	1,026.89
Trussell Technologies Inc	Biological Evaluation - MRF Prj 20191-2	116312	2,325.00
Union Bank FKA 1st Bank Card	Meetings & Travel - Apr	116313	106.48
Union Bank FKA 1st Bank Card	Meetings & Travel - Apr	116314	1,779.95
Univar USA Inc	Sodium Bisulfite	116315	2,572.42
UPS	Shipping Svcs - Apr	116316	54.22
Vector Resources, Inc.	Bi-Annual Surveillance Maintenance - Video Management System	116317	1,360.00
Viasat Inc	Internet Svc - May	116318	105.06
Waxie Sanitary Supply	Cleaning Supplies	116319	741.83
Wei Zhang Or Xinyi Peng	Closed Account Refund	116320	99.95
Amy Jensen	Closed Account Refund	116321	77.21
APGN Inc.	Aeration Blowers - Annual Svc	116322	7,675.00
Aqua-Metric Sales Co	Meters 73	116323	27,188.70
B & C Crane Service Inc	Crane Service - MRF	116324	652.50
Bonsall Petroleum Constr Inc	Probe Replacement - Fuel Island	116325	1,027.50
CCI	Water Treatment - April	116326	220.00
Christian Wheeler Engineering	Geotechnical Svcs Prj 90003	116327	6,100.00
Jeffrey Colwell	Video Production Svcs Prj 20191-27	116328	542.50
Cook Industrial Supply	Repair Hot Water & Svc - Car Wash	116329	1,178.63
Doane & Hartwig Water Systems Inc	Pump For Odor Scrubber - MRF	116330	973.49
Electrical Sales Inc	Light Bulbs - 120	116331	304.77
Emcor Service	HVAC Preventative Maintenance, VFD Replacement	116332	9,648.50
Evoqua Water Technologies	Odor Scrubber Parts - MRF	116333	801.09
Fitch Contracting Co.	Roof Repair - Leak - Wulff PS	116334	4,820.00
Gerald & Kathryn Yates	Deposit Refund Prj 20171-273	116335	1,875.99
Grainger Inc	Spray Paint, Buckets, Spill Containment Drums, Hardware Supplies	116336	1,915.00
Huntington & Associates, Inc.	Pump Control Rebuild Kits - Palos Verdes Pump Station	116337	900.31
Interstate Batteries	Batteries 3, Veh 219, 255, 264	116338	404.74
Kennedy/Jenks Consultants	San Marcos Interceptor Prj 71004	116339	9,693.54
Laser Cut Concrete Cutting Inc	Svc - Mounting Rail - MRF	116340	690.00
Left Coast Window Cleaning	Janitorial Svcs - May	116341	553.13
O-Side Painting	Reclaimed & Secondary Pump Stations - Painting - MRF	116342	21,390.00
Pacific Pipeline Supply	Manhole Frame & Cover Prj 90003, Ball Valves 6 Prj 20191-584	116343	6,149.85
Pell Mell Supply Inc	Brass Stock - Bolts & Washers 800	116344	1,872.74
Plumbers Depot Inc	Hardware Supplies	116345	440.71
Recycled Aggregate Materials Co Inc	Concrete Recycling	116346	75.00
Safety-Kleen Systems Inc	Parts Washer Rental	116347	327.85
Reliable & Dependable, Inc.	Svc - Ice Maker	116348	388.99
San Elijo Hills Inc	Deposit Refund Prj 71155	116349	1,650.10
San Elijo Joint Powers Authority	WateReuse Conference Sponsorship	116350	611.11
T.S. Industrial Supply	Hoses 2, Hardware Supplies	116351	1,670.31
Test America Laboratories Inc	Water Sampling	116352	940.00
Traffic Supply Inc	Traffic Barricades 30, Hardware Supplies	116353	1,207.44
Unifirst Corporation	Uniform Delivery	116354	1,634.68
Valley Power Systems Inc	Emergency Inspection - MRF Generator	116355	810.00
Total Disbursements (104 Checks)			<u>335,075.44</u>

VALLECITOS WATER DISTRICT
WARRANTS LIST
May 15, 2019

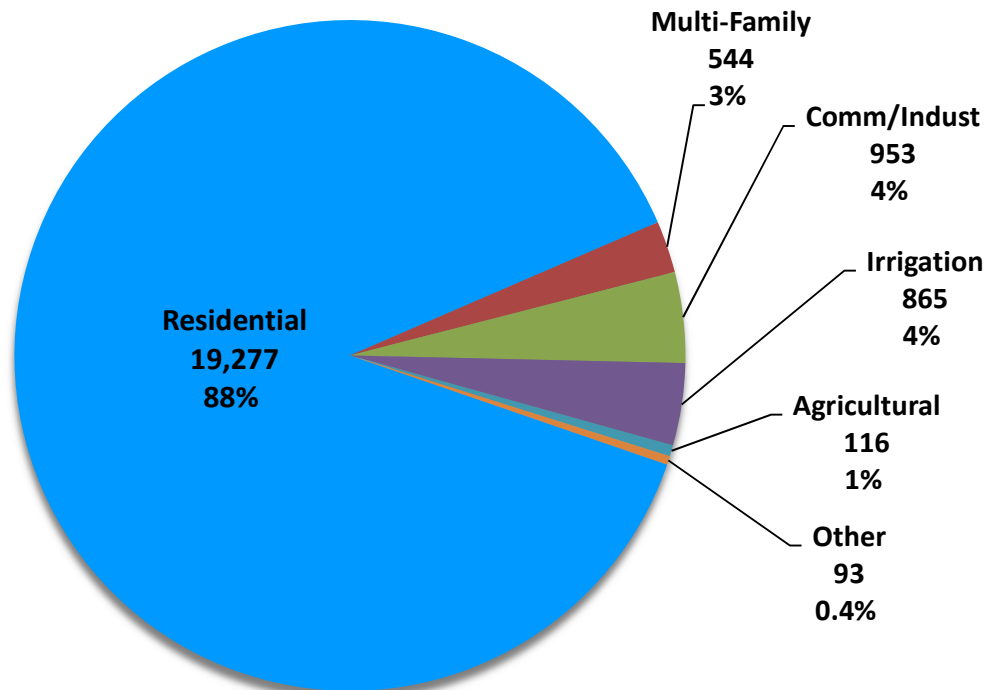
PAYEE	DESCRIPTION	CHECK#	AMOUNT
WIRES			
Encina Wastewater Authority	Quarterly Billing	Wire	1,678,931.93
Public Employees Retirement System	Retirement Contribution - May 8, 2019 Payroll	Wire	<u>70,840.38</u>
Total Wires			<u>1,749,772.31</u>
PAYROLL			
Total direct deposits		Wire	242,811.23
VWD Employee Association		116248	612.00
Payroll & Garnishments		116251	1,964.25
IRS	Federal payroll tax deposits	Wire	95,164.77
Employment Development Department	California payroll tax deposit	Wire	18,025.84
CalPERS	Deferred compensation withheld	Wire	15,438.77
VOYA	Deferred compensation withheld	Wire	<u>6,584.23</u>
Total May 8, 2019 Payroll Disbursements			<u>380,601.09</u>
Total Payroll Disbursements			<u>380,601.09</u>
TOTAL DISBURSEMENTS			<u><u>2,465,448.84</u></u>

Vallecitos Water District
Active Water Meters
April 30, 2019

Active Meters by Size as of April 30, 2019

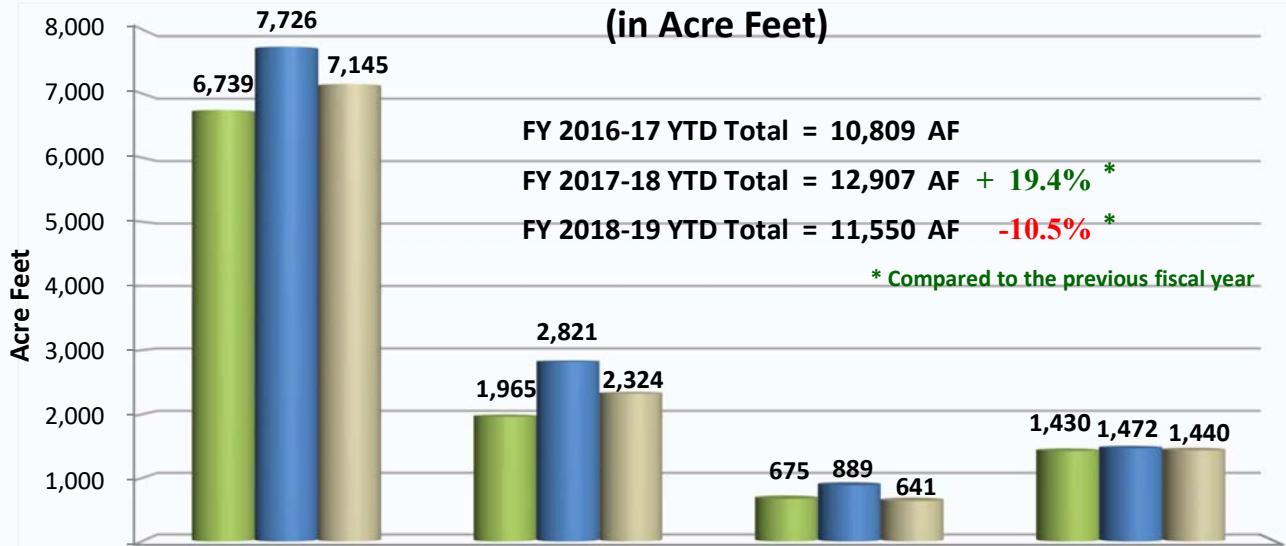


Active Meters by Type as of April 30, 2019



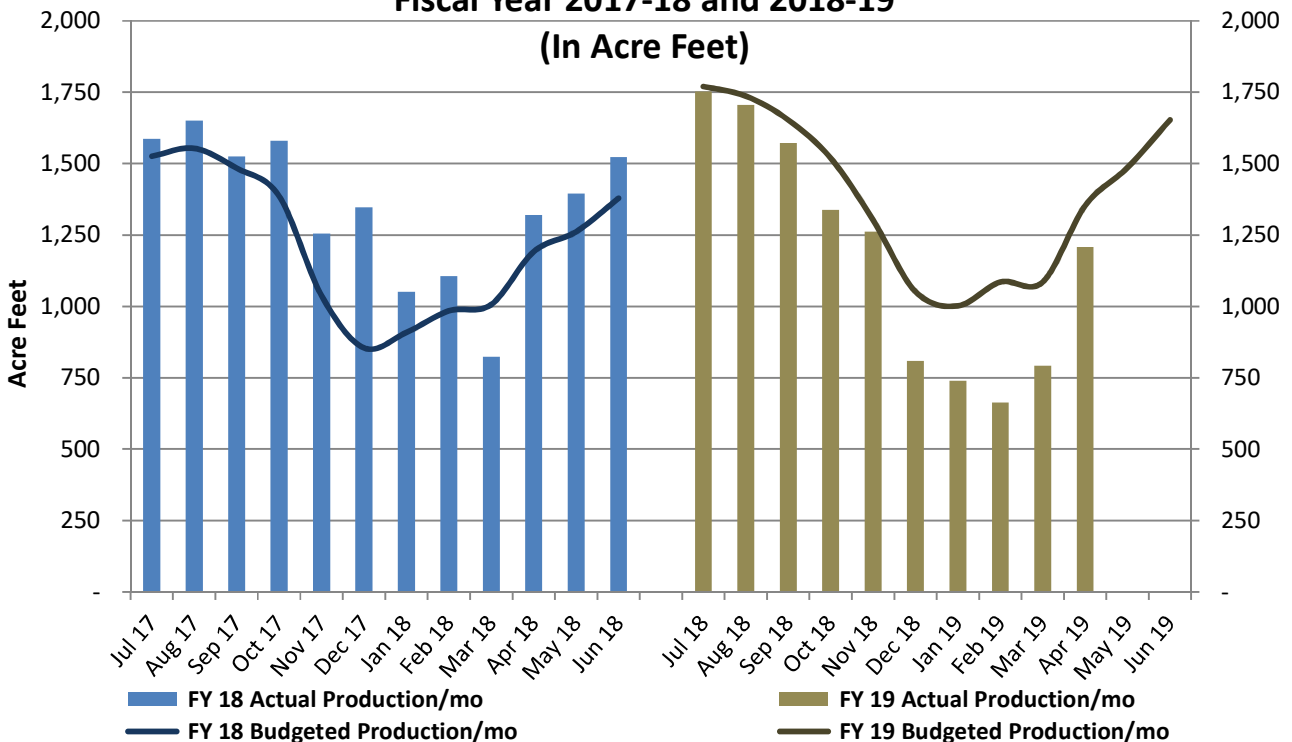
Vallejos Water District
 Water Production/Sales
 April 30, 2019

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

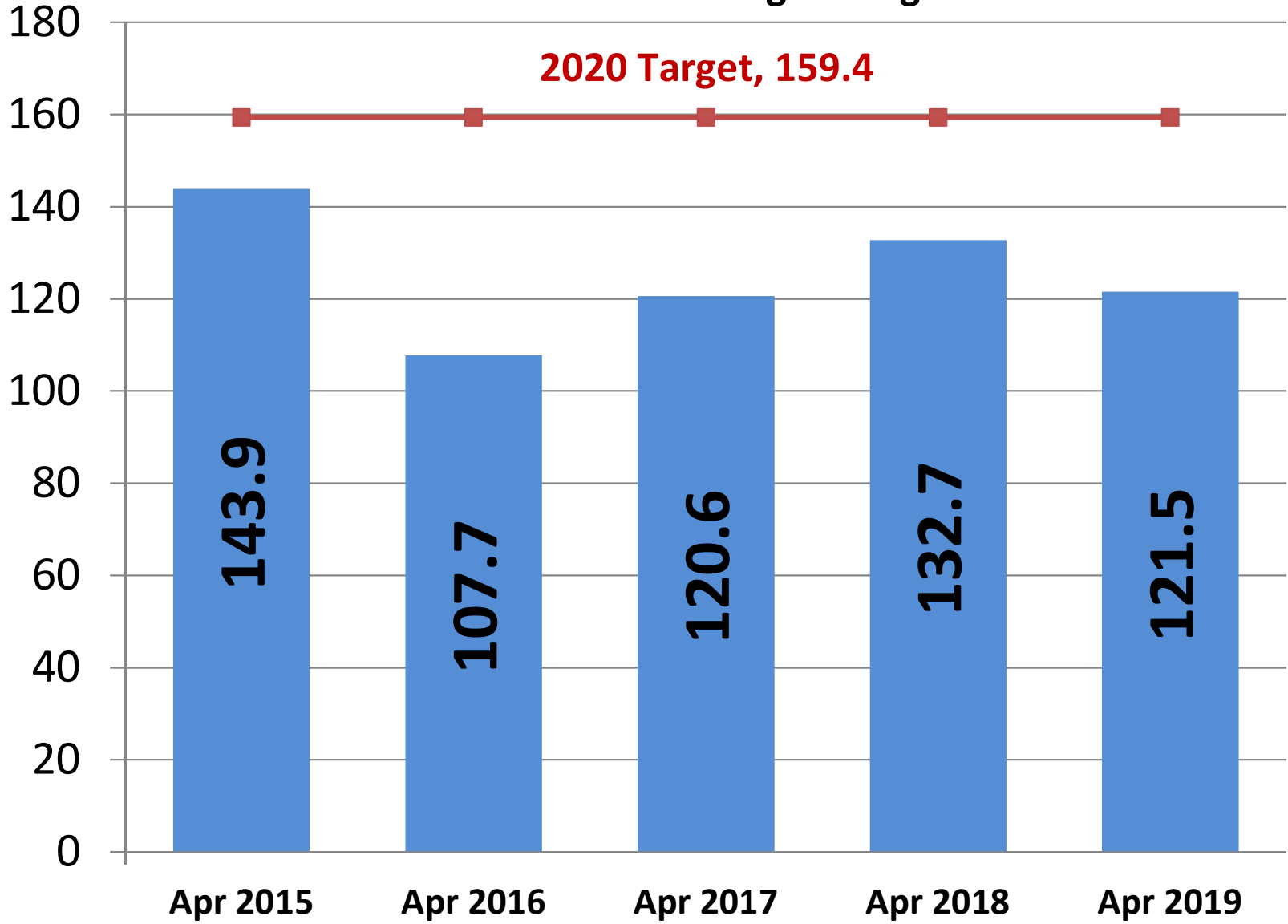


	Residential	Irrigation	Agricultural	Commer/ Indust/ Construct/ Other
FY 2016-17	6,739	1,965	675	1,430
FY 2017-18	7,726	2,821	889	1,472
FY 2018-19	7,145	2,324	641	1,440

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



Gallons per Capita per Day 12-Month Rolling Average



DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: MONTHLY FINANCIAL REPORTS

BACKGROUND:

The Monthly Revenue and Expense Reports and the Reserve Report for the ten months ended April 30, 2019 are presented.

DISCUSSION:

The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 10-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 Ten Months Ended April 30, 2019

	Current Year Actual	Prior Year Actual			Current Year Budget		
		Amount	Variance		Amount	Variance	
			\$	%		\$	%
Revenue							
Water Sales	\$24,005,685	\$24,180,025	\$ (174,340)	-0.7%	\$25,681,000	\$ (1,675,315)	-6.5%
Ready-to-serve	11,523,973	11,472,583	51,390	0.4%	11,084,000	439,973	4.0%
Pumping cost recovery	259,696	263,120	(3,424)	-1.3%	276,000	(16,304)	-5.9%
Late & lock charges	320,766	380,141	(59,375)	-15.6%	385,000	(64,234)	-16.7%
Backflow fees	77,717	75,618	2,099	2.8%	81,000	(3,283)	-4.1%
Other revenue	210,076	225,098	(15,022)	-6.7%	100,200	109,876	109.7%
Total Revenue	36,397,913	36,596,585	(198,672)	-0.5%	37,607,200	(1,209,287)	-3.2%
Expenses							
Water costs	23,763,773	25,294,011	(1,530,238)	-6.0%	26,029,000	(2,265,227)	-8.7%
Pumping costs	683,904	599,699	84,205	14.0%	679,000	4,904	0.7%
Water quality	96,737	127,246	(30,509)	-24.0%	128,000	(31,263)	-24.4%
Water treatment	335,519	355,570	(20,051)	-5.6%	396,000	(60,481)	-15.3%
Tanks & reservoirs	297,067	266,253	30,814	11.6%	376,000	(78,933)	-21.0%
Trans & distribution	1,892,941	1,141,904	751,037	65.8%	1,433,000	459,941	32.1%
Services	52,512	178,891	(126,379)	-70.6%	117,000	(64,488)	-55.1%
Meters	523,418	541,540	(18,122)	-3.3%	563,000	(39,582)	-7.0%
Backflow prevention	45,276	37,206	8,070	21.7%	55,000	(9,724)	-17.7%
Customer accounts	567,732	477,286	90,446	19.0%	529,000	38,732	7.3%
Building & grounds	321,869	316,358	5,511	1.7%	314,000	7,869	2.5%
Equipment & vehicles	187,490	215,552	(28,062)	-13.0%	267,000	(79,510)	-29.8%
Engineering	1,303,991	1,169,533	134,458	11.5%	1,320,000	(16,009)	-1.2%
Safety & compliance	211,454	189,457	21,997	11.6%	224,000	(12,546)	-5.6%
Information Technology	651,039	658,572	(7,533)	-1.1%	811,000	(159,961)	-19.7%
General & administrative	2,535,947	2,517,577	18,370	0.7%	2,487,000	48,947	2.0%
Total Expenses	33,470,669	34,086,655	(615,986)	-1.8%	35,728,000	(2,257,331)	-6.3%
Net Operating Income	\$ 2,927,244	\$ 2,509,930	417,314	16.6%	\$ 1,879,200	1,048,044	55.8%

Explanation of Significant Variances

The favorable budget variance in **Other revenues** is from the refund received from ACWA/JPIA related to lower than expected insurance claims.

Transmission and distribution has an unfavorable prior year and budget variance as a result of higher than anticipated repairs due to main breaks during the year thus far.

The favorable prior year variance in **Services** is due to completing the District-wide poly to copper service line conversion.

Variances are considered significant if they exceed \$83333 and 20%.

Vallecitos Water District
Sewer Revenue and Expense Report
For the Ten Months Ended April 30, 2019

	Current	Prior Year Actual			Current Year Budget		
	Year	Amount	Variance		Amount	Variance	
	Actual		\$	%		\$	%
Revenue							
Sewer service charges	\$15,179,420	\$15,008,848	\$ 170,572	1.1%	\$14,942,000	\$ 237,420	1.6%
Reclaimed water sales	1,645,000	1,716,457	(71,457)	-4.2%	1,645,000	-	0.0%
Other revenue	778,271	113,524	664,747	585.6%	68,000	710,271	1044.5%
Total Revenue	<u>17,602,691</u>	<u>16,838,829</u>	763,862	4.5%	<u>16,655,000</u>	947,691	5.7%
Expenses							
Collection & conveyance	1,710,442	1,523,488	186,954	12.3%	1,924,000	(213,558)	-11.1%
Lift stations	146,321	168,283	(21,962)	-13.1%	244,000	(97,679)	-40.0%
Source Control	145,855	120,761	25,094	20.8%	158,000	(12,145)	-7.7%
Effluent disposal	2,083,475	2,264,753	(181,278)	-8.0%	2,313,000	(229,525)	-9.9%
Meadowlark	2,464,853	2,153,749	311,104	14.4%	2,830,000	(365,147)	-12.9%
Customer Accounts	377,811	329,722	48,089	14.6%	390,000	(12,189)	-3.1%
Building & grounds	214,117	202,312	11,805	5.8%	217,000	(2,883)	-1.3%
Equipment & vehicles	146,576	162,518	(15,942)	-9.8%	200,000	(53,424)	-26.7%
Engineering	548,981	468,035	80,946	17.3%	568,000	(19,019)	-3.3%
Safety & compliance	136,467	125,407	11,060	8.8%	169,000	(32,533)	-19.3%
Information technology	523,704	577,882	(54,178)	-9.4%	704,000	(180,296)	-25.6%
General & administrative	986,990	1,095,968	(108,978)	-9.9%	1,210,000	(223,010)	-18.4%
Total Expenses	<u>9,485,592</u>	<u>9,194,101</u>	291,491	3.2%	<u>10,927,000</u>	(1,441,408)	-13.2%
Net Operating Income	<u>\$ 8,117,099</u>	<u>\$ 7,644,728</u>	472,371	6.2%	<u>\$ 5,728,000</u>	2,389,099	41.7%

Explanation of Significant Variances

Other revenues have a favorable prior year and budget variance from the litigation settlement related to illegal dumping in the Encina disposal system and the refund received from ACWA/JPIA related to lower than expected insurance claims.

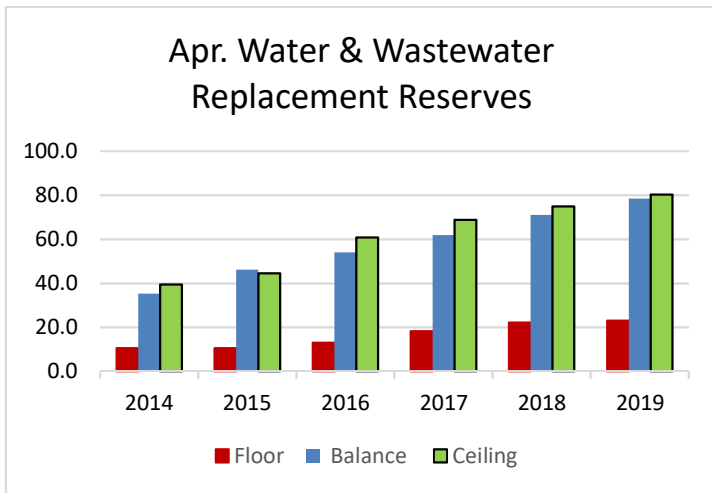
Lift stations has a favorable budget variance resulting from less than anticipated materials used during the year thus far.

The favorable budget variance in **Information Technology** is due to the timing of budgeted expenditures for hardware upgrades.

Variances are considered significant if they exceed \$83333 and 20%.

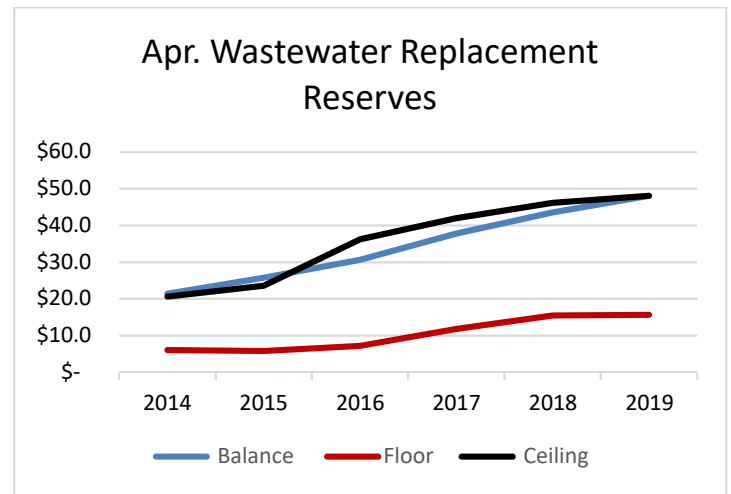
REPLACEMENT RESERVES

The District maintains two replacement reserves in cash equivalents and investments: One for the District’s water system, and the other for the District’s wastewater system. The District’s reserve policy establishes a floor of the sum of the next three years of projected system replacement costs, and a ceiling of the sum of the next ten years of system replacement costs. As of April 30, 2019, the total water and wastewater replacement reserve balance was \$78.4 million, 10 percent greater than April 30, 2018.



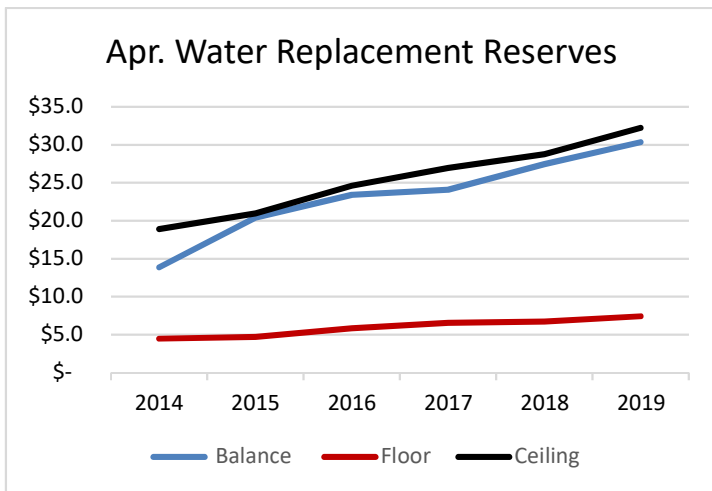
WASTEWATER REPLACEMENT RESERVE

As of April 30, 2019, the balance in the District’s wastewater replacement reserve exceeded the established ceiling of \$48.1 million. In accordance with the reserve policy of the District, \$3.1 million was transferred to rate stabilization to keep the replacement reserve balance within the established range.



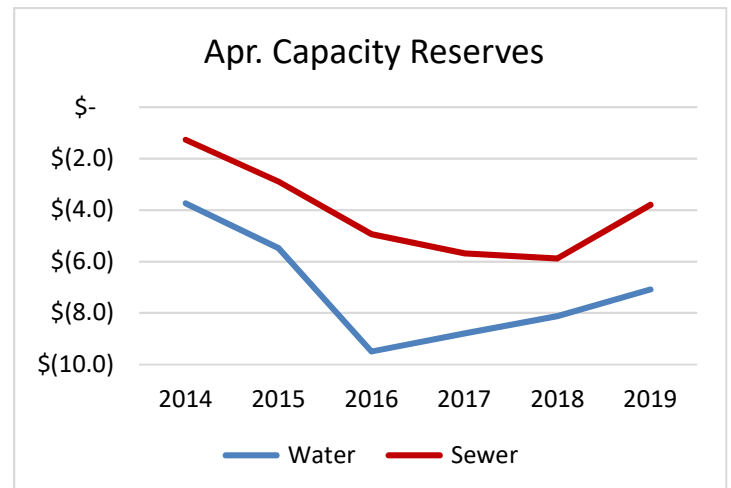
WATER REPLACEMENT RESERVE

As of April 30, 2019, the District’s water replacement reserve totaled \$30.4 million, an increase of 11 percent, or \$2.9 million, from the same month of the prior year. The month-end balance is within the floor and ceiling established by the reserve policy, leaving the District with sufficient reserves to meet infrastructure replacement needs.



CAPACITY RESERVES

The District collects capital facility fees from new development and increased demands from existing customers, maintains the collected fees in separate funds (one for water and one for wastewater), and uses the funds exclusively to provide capacity to serve new development and fund future construction of facilities identified in the District’s Master Plan and capital budget. As of April 30, 2019, the water capacity fund had a deficit of \$7.1 million and the sewer capacity fund had a deficit of \$3.8 million. The District’s capital facility fees situation is expected to improve with the adoption of the new Master Plan and the corresponding capacity fee study.



VALLECITOS WATER DISTRICT

RESERVE ACTIVITY FOR THE TEN MONTHS ENDED APRIL 30, 2019

	110	Water	120	210	Wastewater	220	Total
	Replacement		Capacity	Replacement		Capacity	
BEGINNING BALANCE	\$ 32,797,105		\$ (9,161,412)	\$ 51,677,556		\$ (6,820,836)	\$ 68,492,413
REVENUES							
Interfund Transfer							-
FY 18/19 Operating Transfers	2,927,244			8,117,099			11,044,343
Capital Facility Fees	-		2,814,417	-		5,409,890	8,224,307
Property Tax	1,085,294		-	857,439		-	1,942,733
Investment Earnings	678,294		-	639,833		-	1,318,128
RDA pass-through	570,490		-	570,490		-	1,140,979
TOTAL REVENUES	<u>5,261,322</u>		<u>2,814,417</u>	<u>10,184,861</u>		<u>5,409,890</u>	<u>23,670,490</u>
LESS DISTRIBUTIONS							
Capital Projects							
Encina Wastewater Authority Five Year Plan	-		-	2,680,031		440,075	3,120,106
Rock Springs Sewer Replacement	-		-	554,384		677,581	1,231,965
Stargaze Court Water Line Replacement	488,339		-	-		-	488,339
Expansion of the Men's Locker Room in Building B	241,040		-	231,589		-	472,629
Audiovisual Upgrade	114,175		-	109,697		-	223,872
Solar Panel Inverter Replacement	98,684		-	94,812		-	193,496
District Wide Valve Replacement	154,099		-	-		-	154,099
Laurels Sewer Lining	-		-	146,257		-	146,257
Water & Sewer Master Plan	-		45,547	-		45,547	91,094
South Lake - Facility Upgrades	86,808		-	-		-	86,808
Fulton Road And Nctd Sewer Line Rehabilitation	-		-	85,309		-	85,309
MRF - Influent Pumps & Motors	-		-	81,418		-	81,418
Mountain Belle Tank Chorine System	67,407		-	-		-	67,407
South Vista Pressure Reducing Station Upgrade	62,298		-	-		-	62,298
Ultrasonic Algae Control System	-		-	59,718		-	59,718
City of San Marcos Joint Projects	30,430		-	19,456		-	49,886
Montiel Gravity Outfall	-		-	18,339		22,414	40,753
Schoolhouse Tank Refurbishment	36,685		-	-		-	36,685
Encina Land Parallel Outfall	-		-	-		34,418	34,418
Palos Vista Pump Station Generator	32,651		-	-		-	32,651
Palos Vista Pump Station Motor Replacement	30,715		-	-		-	30,715
Sewer Rehabilitation And Repairs	-		-	30,463		-	30,463
Replace Roofs On Equipment Storages	14,881		-	14,298		-	29,179
Vulnerability assessment improvements	-		16,970	-		11,313	28,283
Admin Emergency Generator - Auto Transfer Switch	12,830		-	12,830		-	25,660
North Vista Pressure Reducing Station Upgrade	25,564		-	-		-	25,564
Asset Managment Replacement Schedule	9,825		-	9,441		-	19,266
Via Vera Cruz Tank Hill Stabilization	18,844		-	-		-	18,844
HVAC System Upgrade	9,561		-	9,186		-	18,747
Coronado Hills Chlorine Injection System	15,759		-	-		-	15,759
Refurbish Pumps At North Twin Oaks Pump Station	15,355		-	-		-	15,355
All other capital projects	37,789		-	28,170		4,954	70,913
Capital Budget - Vehicles/Mobile Equipmnt	347,306		-	65,494		-	412,800
Debt Service	-		553,478	-		1,061,587	1,615,065
Interest Expense	-		120,291	-		78,531	198,823
TOTAL DISTRIBUTIONS	<u>1,951,044</u>		<u>736,286</u>	<u>4,250,893</u>		<u>2,376,421</u>	<u>9,314,644</u>
ENDING BALANCE	\$ 36,107,383		\$ (7,083,281)	\$ 57,611,524		\$ (3,787,368)	\$ 82,848,259
Less: Operating Reserves	5,748,700		-	6,468,600		-	12,217,300
Less: Rate Stabilization	-		-	3,061,024		-	3,061,024
Replacement Reserves/Restricted Funds	<u>\$ 30,358,683</u>		<u>\$ (7,083,281)</u>	<u>\$ 48,081,900</u>		<u>\$ (3,787,368)</u>	<u>\$ 67,569,935</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 APRIL 2019

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 April follows:

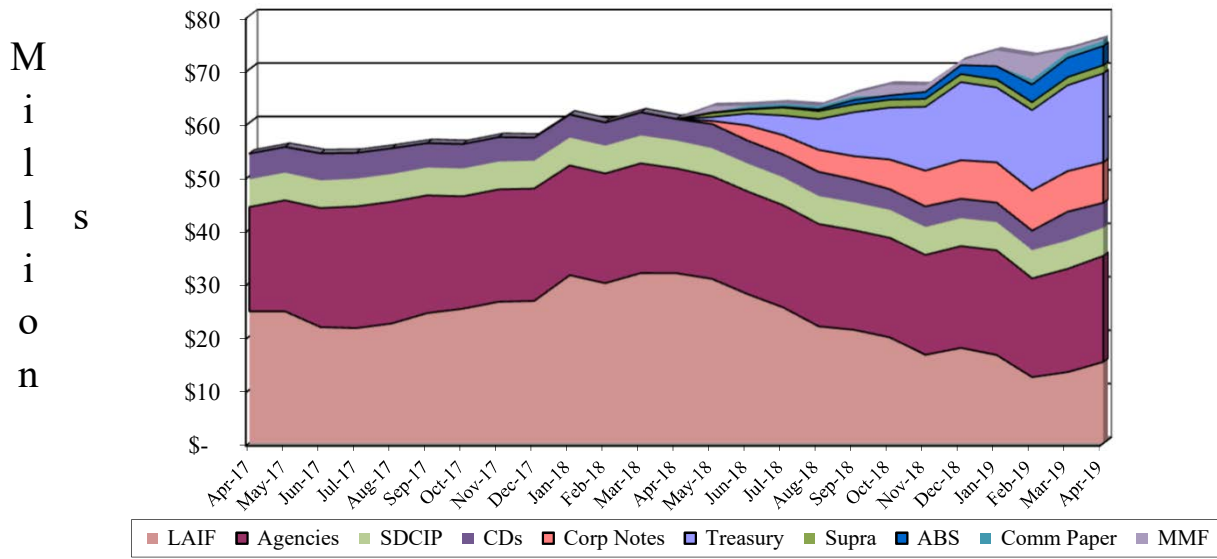
<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
04/03/19	Deposit	LAIF	450,000	Open	2.45%
04/08/19	Matured	Royal Bank of Canada CD	(500,000)	04/08/19	2.56%
04/08/19	Deposit	LAIF	400,000	Open	2.45%
04/09/19	Purchase	FHLB	501,945	03/11/22	2.36%
04/11/19	Deposit	LAIF	900,000	Open	2.45%
04/12/19	Purchase	US Treasury	584,039	05/31/23	2.30%
04/15/19	Interest	LAIF	98,451	Open	2.45%
04/16/19	Withdrawal	LAIF	(900,000)	Open	2.45%
04/22/19	Matured	Whitney Bank CD	(245,000)	04/22/19	1.65%
04/22/19	Deposit	LAIF	800,000	Open	2.45%
04/24/19	Withdrawal	LAIF	(300,000)	Open	2.45%
04/29/19	Deposit	LAIF	450,000	Open	2.45%
Change in investments during the month			<u>\$ 2,239,435</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	2.420%
Weighted average days to maturity	442

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 March 31, 2019. 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 March 31, 2019. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting

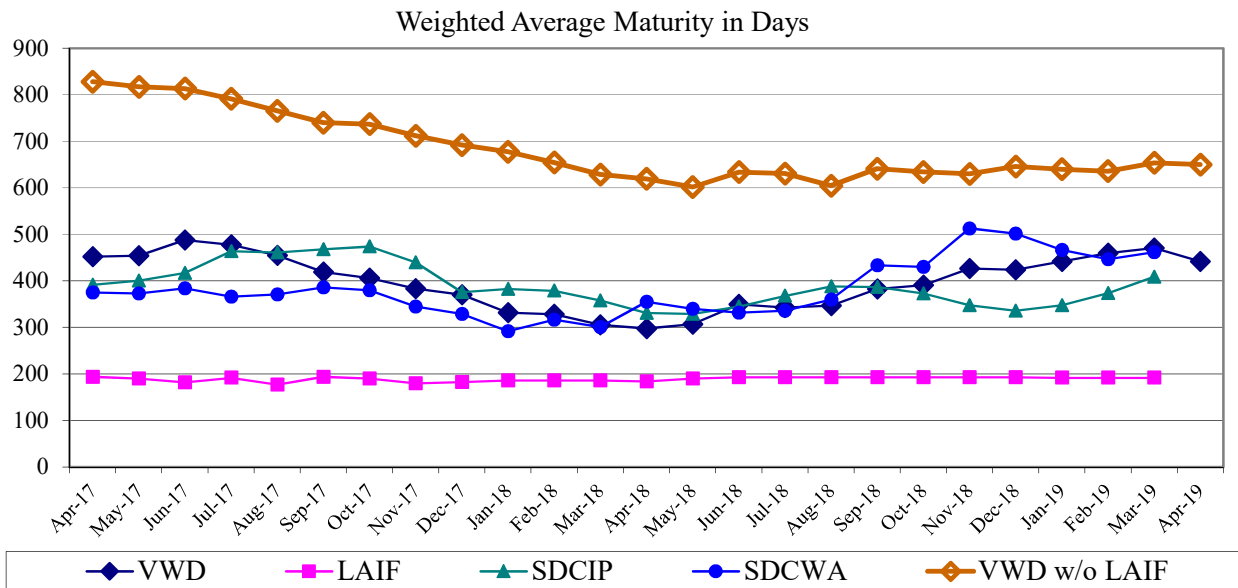
Safety

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.



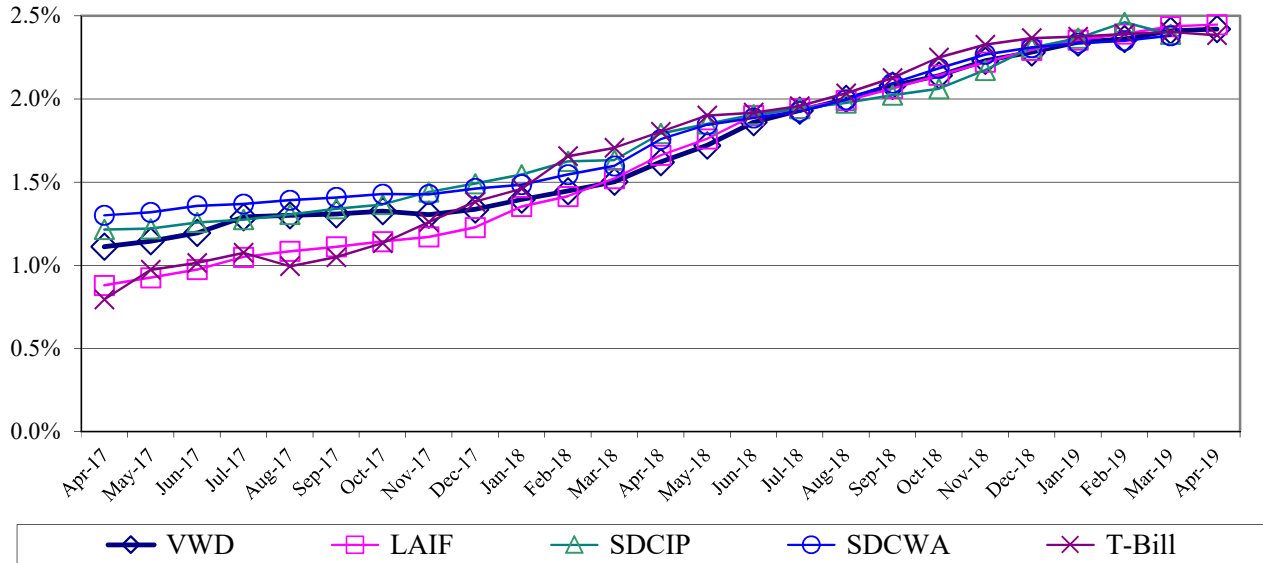
Liquidity

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 \$15.2 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	1.21
Average Coupon	2.17%
Average Purchase YTM	2.42%
Average Market YTM	2.42%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	1.42 yrs
Average Life	1.28 yrs

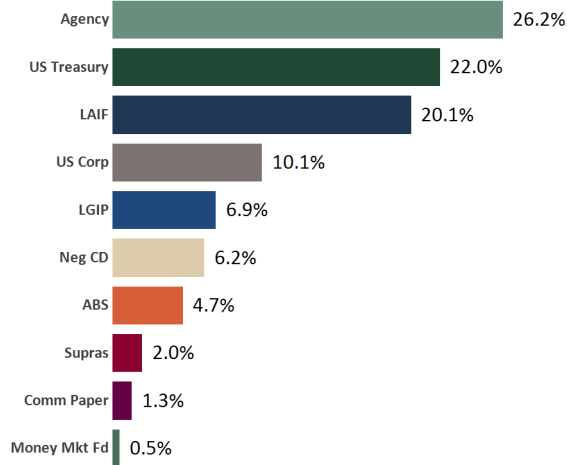
ACCOUNT SUMMARY

	Beg. Values as of 3/31/19	End Values as of 4/30/19
Market Value	73,746,972	75,715,471
Accrued Interest	329,440	287,775
Total Market Value	74,076,412	76,003,247
Income Earned	137,500	147,076
Cont/WD		
Par	73,993,703	75,959,129
Book Value	73,628,866	75,596,856
Cost Value	73,528,921	75,480,767

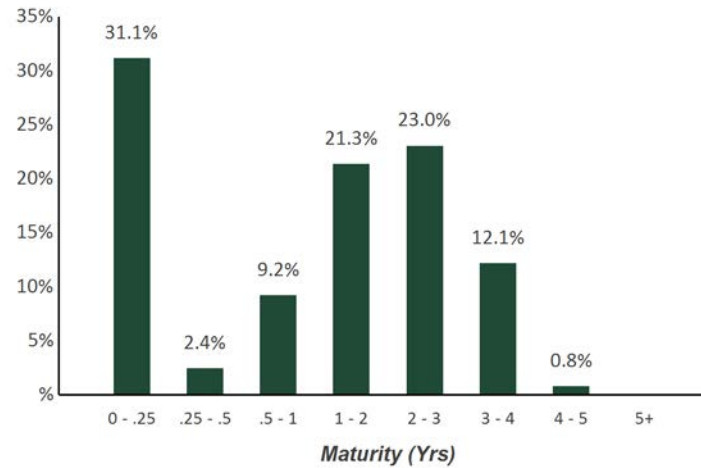
TOP ISSUERS

Government of United States	22.0%
Local Agency Investment Fund	20.1%
County of San Diego Pooled Inve	6.9%
Federal National Mortgage Assoc	6.9%
Federal Farm Credit Bank	6.8%
Federal Home Loan Bank	6.6%
Federal Home Loan Mortgage Corp	5.9%
Honda ABS	1.5%
Total	76.8%

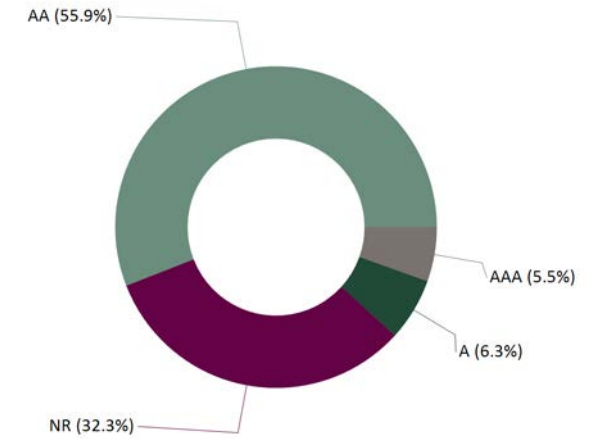
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of April 30, 2019



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									
47788EAB4	John Deere Owner Trust 2018-B A2 2.83% Due 4/15/2021	300,000.00	01/29/2019 2.95%	299,742.19 299,796.66	100.04 2.76%	300,126.90 377.33	0.40% 330.24	Aaa / NR AAA	1.96 0.46
89190BAD0	Toyota Auto Receivables Owner 2017-B A3 1.76% Due 7/15/2021	429,466.62	09/26/2018 2.78%	424,450.59 425,506.85	99.53 2.56%	427,448.98 335.94	0.56% 1,942.13	Aaa / AAA NR	2.21 0.59
43814PAC4	Honda Auto Receivables Owner T 17-3 A3 1.79% Due 9/20/2021	387,000.00	12/11/2018 2.73%	381,981.09 382,670.45	99.42 2.62%	384,751.53 250.15	0.51% 2,081.08	NR / AAA AAA	2.39 0.71
43814WAB1	HAROT 2019-1 A2 2.75% Due 9/20/2021	455,000.00	02/19/2019 2.77%	454,970.70 454,972.67	100.13 2.64%	455,569.21 451.84	0.60% 596.54	NR / AAA AAA	2.39 1.03
47788BAD6	John Deere Owner Trust 2017-B A3 1.82% Due 10/15/2021	487,387.67	11/14/2018 3.14%	480,667.05 481,715.57	99.47 2.64%	484,803.42 394.24	0.64% 3,087.85	Aaa / NR AAA	2.46 0.65
89239AAB9	Toyota Auto Receivables 2019-A A2A 2.83% Due 10/15/2021	375,000.00	02/05/2019 2.85%	374,965.95 374,968.64	100.17 2.65%	375,647.25 471.67	0.49% 678.61	Aaa / AAA NR	2.46 0.90
47789JAB2	John Deere Owner Trust 2019-A A2 2.85% Due 12/15/2021	360,000.00	03/05/2019 2.87%	359,983.58 359,984.38	100.22 2.64%	360,788.76 456.00	0.48% 804.38	Aaa / NR AAA	2.63 0.97
43814UAG4	Honda Auto Receivables 2018-2 A3 3.01% Due 5/18/2022	105,000.00	05/22/2018 3.03%	104,997.71 104,998.24	100.75 2.54%	105,790.23 114.13	0.14% 791.99	NR / AAA AAA	3.05 1.52
43815HAC1	Honda Auto Receivables Owner 2018-3 A3 2.95% Due 8/22/2022	205,000.00	08/21/2018 2.98%	204,971.87 204,976.63	100.64 2.56%	206,322.05 167.99	0.27% 1,345.42	Aaa / NR AAA	3.32 1.59
65478WAE5	Nissan Auto Receivables Owner 2016-C A4 1.38% Due 1/17/2023	500,000.00	01/24/2019 2.95%	489,531.25 490,513.69	98.65 2.64%	493,230.50 306.67	0.65% 2,716.81	Aaa / NR AAA	3.72 1.08
Total ABS		3,603,854.29	2.89%	3,576,261.98 3,580,103.78	2.63%	3,594,478.83 3,325.96	4.73% 14,375.05	Aaa / AAA AAA	2.63 0.88

AGENCY									
3133EGEF8	FFCB Callable Note Cont 6/13/2017 1.18% Due 6/13/2019	500,000.00	05/26/2017 1.43%	497,500.00 499,856.28	99.85 2.41%	499,259.50 2,261.67	0.66% (596.78)	Aaa / AA+ AAA	0.12 0.12
3133EGLC7	FFCB Callable Note Cont 10/12/2016 1.08% Due 7/12/2019	500,000.00	07/12/2016 1.10%	499,675.00 499,978.63	99.73 2.41%	498,671.50 1,635.00	0.66% (1,307.13)	Aaa / AA+ AAA	0.20 0.20
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	500,000.00	09/25/2015 1.32%	498,665.00 499,859.95	99.49 2.46%	497,470.00 503.47	0.66% (2,389.95)	Aaa / AA+ AAA	0.42 0.42

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of April 30, 2019



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									
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	99.39 2.44%	496,953.00 49.58	0.65% (3,047.00)	Aaa / AA+ NR	0.50 0.49
3134G9V95	FHLMC Callable Note Qtrly 2/22/2017 2% Due 11/22/2019	750,000.00	08/22/2016 2.00%	750,000.00 750,000.00	99.84 2.52%	748,790.25 2,864.58	0.99% (1,209.75)	Aaa / AA+ AAA	0.56 0.31
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	99.28 2.45%	496,384.50 2,268.75	0.66% (3,615.50)	Aaa / AA+ AAA	0.67 0.66
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	98.98 2.43%	494,908.50 559.72	0.65% (5,091.50)	Aaa / AA+ AAA	0.92 0.90
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	99.29 2.40%	744,642.00 104.38	0.98% (5,358.00)	Aaa / AA+ NR	1.00 0.98
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	99.02 2.43%	742,617.75 4,750.00	0.98% (7,382.25)	Aaa / AA+ AAA	1.08 1.06
3130A8M67	FHLB Callable Note Cont 7/13/2017 1.2% Due 7/13/2020	500,000.00	11/22/2016 1.60%	492,970.00 497,677.83	98.62 2.37%	493,120.50 1,800.00	0.65% (4,557.33)	Aaa / AA+ NR	1.21 1.18
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	98.66 2.44%	986,638.00 2,605.56	1.30% (13,362.00)	Aaa / AA+ AAA	1.32 1.29
3133EGC94	FFCB Callable Note Cont 2/2/2017 1.38% Due 11/2/2020	500,000.00	11/04/2016 1.40%	499,600.00 499,848.94	98.59 2.34%	492,934.00 3,430.83	0.65% (6,914.94)	Aaa / AA+ AAA	1.51 1.47
3133EGR49	FFCB Callable Note Cont 12/7/2017 1.77% Due 12/7/2020	250,000.00	12/07/2016 1.83%	249,437.50 249,774.38	99.11 2.34%	247,775.50 1,770.00	0.33% (1,998.88)	Aaa / AA+ AAA	1.61 1.19
3134GBT A0	FHLMC Callable Note Qtrly 9/22/2017 2% Due 12/22/2020	750,000.00	06/27/2017 2.00%	750,000.00 750,000.00	99.90 2.27%	749,279.25 1,622.92	0.99% (720.75)	Aaa / AA+ AAA	1.65 0.63
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	98.43 2.32%	492,138.50 1,808.33	0.65% (7,861.50)	Aaa / AA+ AAA	1.75 1.70
3133EFC54	FFCB Callable Note Cont 2/17/2017 1.62% Due 2/17/2021	150,000.00	11/18/2016 1.67%	149,667.00 149,858.82	98.75 2.33%	148,130.10 499.50	0.20% (1,728.72)	Aaa / AA+ AAA	1.81 1.38
3134G8LH0	FHLMC Callable Note Qtrly 8/26/2016 2% Due 2/26/2021	514,000.00	02/26/2016 2.00%	514,000.00 514,000.00	99.86 2.44%	513,279.37 1,848.97	0.68% (720.63)	Aaa / AA+ AAA	1.83 0.32
3130A7ES0	FHLB Callable Note Qtrly 6/22/2016 2% Due 3/22/2021	275,000.00	04/06/2017 2.11%	274,381.25 274,704.32	99.66 2.38%	274,066.65 593.92	0.36% (637.67)	Aaa / AA+ NR	1.90 0.88
3133EFZ91	FFCB Callable Note Cont 4/12/2017 1.62% Due 4/12/2021	750,000.00	04/12/2016 1.62%	749,925.00 749,970.76	98.66 2.33%	739,947.75 641.25	0.97% (10,023.01)	Aaa / AA+ AAA	1.95 1.48

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of April 30, 2019



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									
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	99.34 2.33%	745,082.25 7,379.58	0.99% (4,917.75)	Aaa / AA+ AAA	2.01 1.21
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	98.29 2.29%	491,449.50 1,958.33	0.65% (8,550.50)	Aaa / AA+ AAA	2.24 1.80
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	98.29 2.36%	982,877.00 2,933.33	1.30% (17,123.00)	Aaa / AA+ AAA	2.32 1.69
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	98.31 2.35%	983,053.00 1,399.31	1.30% (16,947.00)	Aaa / AA+ NR	2.42 1.81
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	98.17 2.31%	981,689.00 129.17	1.29% (18,311.00)	Aaa / AA+ AAA	2.50 1.96
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	98.78 2.37%	987,775.00 8,072.92	1.31% (12,225.00)	Aaa / AA+ AAA	2.58 1.59
3133EJ3B3	FFCB Note 2.8% Due 12/17/2021	1,000,000.00	12/26/2018 2.70%	1,002,780.00 1,002,460.02	101.31 2.28%	1,013,127.00 10,422.22	1.35% 10,666.98	Aaa / AA+ AAA	2.64 2.50
3135G0U92	FNMA Note 2.625% Due 1/11/2022	500,000.00	03/05/2019 2.60%	500,350.00 500,331.19	100.80 2.32%	504,017.00 4,010.42	0.67% 3,685.81	Aaa / AA+ AAA	2.70 2.57
3133EKBV7	FFCB Note 2.55% Due 3/1/2022	750,000.00	02/27/2019 2.55%	750,075.00 750,070.83	100.55 2.35%	754,121.25 3,187.50	1.00% 4,050.42	Aaa / AA+ AAA	2.84 2.71
313378WG2	FHLB Note 2.5% Due 3/11/2022	500,000.00	04/08/2019 2.36%	501,945.00 501,904.90	100.46 2.33%	502,303.00 1,736.11	0.66% 398.10	Aaa / AA+ NR	2.87 2.74
313383WD9	FHLB Note 3.125% Due 9/9/2022	500,000.00	01/30/2019 2.68%	507,580.00 507,062.00	102.66 2.30%	513,276.50 2,256.94	0.68% 6,214.50	Aaa / AA+ AAA	3.36 3.17
3130AFE78	FHLB Note 3% Due 12/9/2022	1,000,000.00	01/25/2019 2.71%	1,010,700.00 1,009,994.76	102.32 2.33%	1,023,169.00 14,583.33	1.37% 13,174.24	Aaa / AA+ AAA	3.61 3.36
Total Agency		19,939,000.00	1.83%	19,949,250.75 19,957,353.61	2.37%	19,838,946.12 89,687.59	26.22% (118,407.49)	Aaa / AA+ AAA	1.87 1.52
COMMERCIAL PAPER									
62479MTL7	MUFG Bank Ltd/NY Discount CP 2.6% Due 6/20/2019	1,000,000.00	02/19/2019 2.66%	991,333.33 996,388.89	99.64 2.66%	996,388.89 0.00	1.31% 0.00	P-1 / A-1 NR	0.14 0.14
Total Commercial Paper		1,000,000.00	2.66%	991,333.33 996,388.89	2.66%	996,388.89 0.00	1.31% 0.00	Aaa / AA NR	0.14 0.14



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
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	15,218,732.29	Various 2.45%	15,218,732.29 15,218,732.29	1.00 2.45%	15,218,732.29 29,066.78	20.06% 0.00	NR / NR NR	0.00 0.00
Total LAIF		15,218,732.29	2.45%	15,218,732.29	2.45%	29,066.78	0.00	NR / NR NR	0.00 0.00
LOCAL GOV INVESTMENT POOL									
90SDCP\$00	County of San Diego Pooled Investment Pool	5,275,000.00	Various 2.40%	5,275,000.00 5,275,000.00	1.00 2.40%	5,275,000.00 0.00	6.94% 0.00	NR / NR AAA	0.00 0.00
Total Local Gov Investment Pool		5,275,000.00	2.40%	5,275,000.00	2.40%	0.00	0.00	NR / NR AAA	0.00 0.00
MONEY MARKET FUND FI									
261908206	Dreyfus Treasury Money Market Fund	371,542.55	Various 2.08%	371,542.55 371,542.55	1.00 2.08%	371,542.55 0.00	0.49% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		371,542.55	2.08%	371,542.55	2.08%	0.00	0.00	Aaa / AAA NR	0.00 0.00
NEGOTIABLE CD									
29266NK97	Enerbank USA Negotiable CD 1.5% Due 5/15/2019	233,000.00	06/18/2015 1.58%	232,301.00 232,993.14	99.97 2.27%	232,926.14 153.21	0.31% (67.00)	NR / NR NR	0.04 0.04
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 12,730.00	0.67% 0.00	P-1 / A-1+ F-1+	0.07 0.06
06740KJ7	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	99.87 2.25%	244,675.38 586.66	0.32% (324.62)	NR / NR NR	0.38 0.38
06417G5R5	Bank of Nova Scotia Yankee CD 2.61% Due 12/17/2019	1,000,000.00	03/25/2019 2.61%	999,994.51 999,995.25	100.00 2.61%	999,995.25 2,682.50	1.32% 0.00	P-1 / A-1 F-1+	0.63 0.62
06370RVP1	Bank of Montreal Chicago Yankee CD 2.69% Due 3/5/2020	1,000,000.00	03/06/2019 2.69%	1,000,000.00 1,000,000.00	100.00 2.69%	1,000,000.00 4,184.44	1.32% 0.00	P-1 / A-1 F-1+	0.85 0.84



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									
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	99.37 2.44%	243,459.20 616.19	0.32% (1,540.80)	NR / NR NR	0.86 0.85
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%	244,510.00 244,847.12	98.73 2.48%	241,899.28 1,061.89	0.32% (2,947.84)	NR / NR NR	1.19 1.17
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	98.25 2.70%	240,714.46 50.34	0.32% (4,285.54)	NR / NR NR	1.49 1.46
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	99.00 2.46%	242,553.19 24.84	0.32% (2,446.81)	NR / NR NR	1.67 1.64
94986TXN2	Wells Fargo Callable NCD Qtrly 9/4/18 2.3% Due 3/4/2021	243,000.00	03/04/2016 2.29%	243,000.00 243,000.00	100.05 1.82%	243,112.51 880.46	0.32% 112.51	NR / NR NR	1.85 0.10
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	98.12 2.54%	240,386.41 11.08	0.32% (4,613.59)	NR / NR NR	2.17 2.12
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	97.67 2.70%	239,283.42 819.58	0.32% (5,716.58)	NR / NR NR	2.30 2.24
Total Negotiable CD		4,691,000.00	2.22%	4,689,805.51 4,690,835.51	2.54%	4,669,005.24 23,801.19	6.17% (21,830.27)	Aaa / AA+ AAA	0.94 0.83
SUPRANATIONAL									
4581X0CD8	Inter-American Dev Bank Note 2.125% Due 11/9/2020	750,000.00	05/22/2018 2.81%	737,865.00 742,476.30	99.65 2.36%	747,405.00 7,614.58	0.99% 4,928.70	Aaa / AAA AAA	1.53 1.48
459058GH0	Intl. Bank Recon & Development Note 2.75% Due 7/23/2021	750,000.00	07/24/2018 2.86%	747,607.50 748,218.21	100.91 2.33%	756,858.00 5,614.58	1.00% 8,639.79	Aaa / AAA NR	2.23 2.14
Total Supranational		1,500,000.00	2.84%	1,485,472.50 1,490,694.51	2.34%	1,504,263.00 13,229.16	2.00% 13,568.49	Aaa / AAA AAA	1.88 1.81
US CORPORATE									
46625HHS2	JP Morgan Chase Note 4.4% Due 7/22/2020	250,000.00	01/25/2019 3.07%	254,790.00 253,973.93	102.03 2.70%	255,078.50 3,025.00	0.34% 1,104.57	A2 / A- AA-	1.23 1.18
40428HPV8	HSBC USA Inc Note 2.75% Due 8/7/2020	250,000.00	10/10/2018 3.26%	247,772.50 248,445.77	100.02 2.73%	250,053.00 1,604.17	0.33% 1,607.23	A2 / A AA-	1.27 1.23



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									
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	500,000.00	09/27/2018 3.21%	490,920.00 493,439.58	99.50 2.64%	497,490.50 5,686.11	0.66% 4,050.92	A3 / A A	1.52 1.46
459200JF9	IBM Corp Note 2.25% Due 2/19/2021	500,000.00	06/26/2018 3.07%	489,640.00 492,929.06	99.26 2.67%	496,301.00 2,250.00	0.66% 3,371.94	A1 / A A	1.81 1.75
69371RN93	Paccar Financial Corp Note 2.8% Due 3/1/2021	300,000.00	07/23/2018 3.12%	297,585.00 298,296.79	100.31 2.63%	300,916.50 1,400.00	0.40% 2,619.71	A1 / A+ NR	1.84 1.77
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%	493,125.00 494,884.89	99.74 2.64%	498,680.00 555.56	0.66% 3,795.11	A1 / A AA-	1.96 1.90
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	350,000.00	06/28/2018 3.08%	349,247.50 349,467.43	100.88 2.55%	353,080.00 4,958.33	0.47% 3,612.57	A2 / A+ NR	2.03 1.93
857477AV5	State Street Bank Note 1.95% Due 5/19/2021	500,000.00	10/12/2018 3.30%	483,360.00 486,825.20	98.64 2.64%	493,192.00 4,387.50	0.65% 6,366.80	A1 / A AA-	2.05 1.98
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	320,000.00	Various 3.09%	321,372.10 320,936.81	101.20 2.62%	323,840.64 4,622.22	0.43% 2,903.83	A2 / A A	2.06 1.88
931142EJ8	Wal-Mart Stores Note 3.125% Due 6/23/2021	290,000.00	06/20/2018 3.13%	289,985.50 289,989.59	101.24 2.53%	293,607.02 3,222.22	0.39% 3,617.43	Aa2 / AA AA	2.15 2.05
02665WBG5	American Honda Finance Note 1.7% Due 9/9/2021	500,000.00	07/20/2018 3.19%	478,045.00 483,442.51	98.06 2.55%	490,306.00 1,227.78	0.65% 6,863.49	A2 / A NR	2.36 2.29
89233P5F9	Toyota Motor Credit Corp Note 3.4% Due 9/15/2021	500,000.00	05/31/2018 3.03%	505,785.00 504,187.97	101.89 2.57%	509,464.00 2,172.22	0.67% 5,276.03	Aa3 / AA- A+	2.38 2.26
24422ETL3	John Deere Capital Corp Note 2.65% Due 1/6/2022	500,000.00	Various 3.29%	489,627.50 491,929.69	100.19 2.58%	500,947.00 4,232.64	0.66% 9,017.31	A2 / A A	2.69 2.55
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	300,000.00	06/27/2018 3.15%	292,848.00 294,497.22	99.55 2.62%	298,657.50 1,551.67	0.39% 4,160.28	A2 / A NR	2.80 2.67
037833CQ1	Apple Inc Callable Note Cont 4/11/22 2.3% Due 5/11/2022	500,000.00	10/30/2018 3.30%	483,395.00 485,730.28	99.24 2.56%	496,177.50 5,430.56	0.66% 10,447.22	Aa1 / AA+ NR	3.03 2.88
68389XBB0	Oracle Corp Callable Note Cont 3/15/2022 2.5% Due 5/15/2022	500,000.00	Various 3.28%	486,304.00 488,987.36	99.48 2.68%	497,409.50 5,763.89	0.66% 8,422.14	A1 / AA- A	3.04 2.88
084664BT7	Berkshire Hathaway Note 3% Due 5/15/2022	500,000.00	12/11/2018 3.31%	495,015.00 495,569.78	101.44 2.51%	507,192.50 6,916.67	0.68% 11,622.72	Aa2 / AA A+	3.04 2.86



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									
09247XAJ0	Blackrock Inc Note 3.375% Due 6/1/2022	500,000.00	11/28/2018 3.36%	500,215.00 500,189.45	102.33 2.58%	511,657.00 7,031.25	0.68% 11,467.55	Aa3 / AA- NR	3.09 2.88
Total US Corporate		7,560,000.00	3.19%	7,449,032.10 7,473,723.31	2.61%	7,574,050.16 66,037.79	10.05% 100,326.85	A1 / A+ A+	2.32 2.20
US TREASURY									
912828WW6	US Treasury Note 1.625% Due 7/31/2019	600,000.00	08/29/2018 2.44%	595,593.75 598,803.08	99.80 2.42%	598,781.40 2,424.03	0.79% (21.68)	Aaa / AA+ AAA	0.25 0.25
9128283S7	US Treasury Note 2% Due 1/31/2020	750,000.00	08/24/2018 2.57%	744,082.03 746,882.30	99.68 2.43%	747,597.75 3,729.28	0.99% 715.45	Aaa / AA+ AAA	0.76 0.74
9128283Y4	US Treasury Note 2.25% Due 2/29/2020	750,000.00	06/25/2018 2.51%	746,835.94 748,430.87	99.86 2.42%	748,916.25 2,843.07	0.99% 485.38	Aaa / AA+ AAA	0.84 0.82
912828X21	US Treasury Note 1.5% Due 4/15/2020	750,000.00	07/23/2018 2.62%	735,937.50 742,199.88	99.16 2.39%	743,671.50 491.80	0.98% 1,471.62	Aaa / AA+ AAA	0.96 0.94
9128284J6	US Treasury Note 2.375% Due 4/30/2020	750,000.00	11/29/2018 2.80%	745,605.47 746,897.48	99.97 2.41%	749,766.00 48.40	0.99% 2,868.52	Aaa / AA+ AAA	1.00 0.98
912828XH8	US Treasury Note 1.625% Due 6/30/2020	750,000.00	05/31/2018 2.43%	737,753.91 743,144.76	99.14 2.37%	743,554.50 4,073.72	0.98% 409.74	Aaa / AA+ AAA	1.17 1.14
912828Y46	US Treasury Note 2.625% Due 7/31/2020	750,000.00	10/31/2018 2.87%	746,894.53 747,779.03	100.32 2.36%	752,402.25 4,894.68	1.00% 4,623.22	Aaa / AA+ AAA	1.25 1.22
912828VV9	US Treasury Note 2.125% Due 8/31/2020	750,000.00	08/28/2018 2.66%	742,236.33 744,831.28	99.71 2.35%	747,802.50 2,685.12	0.99% 2,971.22	Aaa / AA+ AAA	1.34 1.30
912828L65	US Treasury Note 1.375% Due 9/30/2020	750,000.00	06/27/2018 2.53%	731,044.92 738,098.51	98.67 2.33%	740,039.25 873.46	0.97% 1,940.74	Aaa / AA+ AAA	1.42 1.39
912828WCO	US Treasury Note 1.75% Due 10/31/2020	750,000.00	07/20/2018 2.64%	735,292.97 740,283.80	99.16 2.32%	743,701.50 35.67	0.98% 3,417.70	Aaa / AA+ AAA	1.51 1.47
912828A42	US Treasury Note 2% Due 11/30/2020	750,000.00	11/28/2018 2.85%	737,695.31 740,267.19	99.50 2.33%	746,220.75 6,263.74	0.99% 5,953.56	Aaa / AA+ AAA	1.59 1.54
912828N89	US Treasury Note 1.375% Due 1/31/2021	750,000.00	10/30/2018 2.86%	725,859.38 731,197.89	98.40 2.31%	738,017.25 2,563.88	0.97% 6,819.36	Aaa / AA+ AAA	1.76 1.71



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									
912828U81	US Treasury Note 2% Due 12/31/2021	750,000.00	11/08/2018 3.05%	726,650.39 730,169.10	99.40 2.23%	745,517.25 5,013.81	0.99% 15,348.15	Aaa / AA+ AAA	2.67 2.57
912828W55	US Treasury Note 1.875% Due 2/28/2022	1,000,000.00	01/30/2019 2.56%	979,921.88 981,529.56	98.98 2.25%	989,766.00 3,158.97	1.31% 8,236.44	Aaa / AA+ AAA	2.84 2.73
912828W89	US Treasury Note 1.875% Due 3/31/2022	750,000.00	09/27/2018 2.92%	724,013.67 728,378.56	99.01 2.23%	742,558.50 1,191.09	0.98% 14,179.94	Aaa / AA+ AAA	2.92 2.82
912828XR6	US Treasury Note 1.75% Due 5/31/2022	750,000.00	09/24/2018 2.93%	719,208.98 724,203.36	98.52 2.25%	738,867.00 5,480.77	0.98% 14,663.64	Aaa / AA+ AAA	3.09 2.96
912828XW5	US Treasury Note 1.75% Due 6/30/2022	350,000.00	09/07/2018 2.80%	336,792.97 339,008.40	98.53 2.23%	344,845.55 2,047.31	0.46% 5,837.15	Aaa / AA+ AAA	3.17 3.04
9128282P4	US Treasury Note 1.875% Due 7/31/2022	1,000,000.00	12/28/2018 2.53%	977,617.19 979,687.77	98.84 2.25%	988,359.00 4,661.60	1.31% 8,671.23	Aaa / AA+ AAA	3.25 3.12
912828L24	US Treasury Note 1.875% Due 8/31/2022	750,000.00	09/20/2018 2.94%	720,439.45 724,996.70	98.80 2.25%	740,976.75 2,369.23	0.98% 15,980.05	Aaa / AA+ AAA	3.34 3.20
9128282W9	US Treasury Note 1.875% Due 9/30/2022	1,000,000.00	03/19/2019 2.43%	981,406.25 982,011.63	98.79 2.24%	987,930.00 1,588.11	1.30% 5,918.37	Aaa / AA+ AAA	3.42 3.28
9128284D9	US Treasury Note 2.5% Due 3/31/2023	1,000,000.00	02/21/2019 2.51%	999,414.06 999,440.66	100.89 2.26%	1,008,867.00 2,117.49	1.33% 9,426.34	Aaa / AA+ AAA	3.92 3.71
912828R69	US Treasury Note 1.625% Due 5/31/2023	600,000.00	04/11/2019 2.30%	584,039.06 584,239.89	97.48 2.27%	584,906.40 4,071.43	0.77% 666.51	Aaa / AA+ AAA	4.09 3.90
Total US Treasury		16,800,000.00	2.66%	16,474,335.94 16,542,481.70	2.31%	16,673,064.35 62,626.66	22.02% 130,582.65	Aaa / AA+ AAA	2.16 2.08
TOTAL PORTFOLIO		75,959,129.13	2.42%	75,480,766.95 75,596,856.15	2.42%	75,715,471.43 287,775.13	100.00% 118,615.28	Aa1 / AA+ AAA	1.42 1.21
TOTAL MARKET VALUE PLUS ACCRUED						76,003,246.56			

**VALLECITOS WATER DISTRICT
SUMMARY OF LEGAL FEES**

Matter Description	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
General Counsel Services	\$3,223	\$14,057	\$6,416	\$7,639	\$8,896	\$7,886	\$3,422	\$9,177
Fees and Taxes	182	-	1,040	-	78	988	364	-
Labor/Employment	609	-	493	3,770	6,409	852	-	2,610
Engineering - Construction/Contracting	2,059	1,274	1,947	1,404	260	858	2,938	2,840
VWD v. Brian Thomas Boyd	658	1,730	3,375	494	2,718	130	104	-
Annual Public Policy & Ethics Program	4,600	-	-	-	-	-	-	-
Total	\$11,331	\$17,061	\$13,271	\$13,308	\$18,361	\$10,714	\$6,828	\$14,628

DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "SAN MARCOS HIGHLANDS" (APN 182-110-02 & 03, 182-111-01, 184-240-13, 14, 15, 32 & 33, 184-101-14 AND 184-241-05, 06, 07 & 08) INTO THE VALLECITOS WATER DISTRICT AND THE SEWER IMPROVEMENT DISTRICT (VISTA SAN MARCOS, LTD)

BACKGROUND:

The San Marcos Highlands development is a proposed residential development located on approximately 288.53 acres of unimproved land located at the northern end of Las Posas Road. The developer, Vista San Marcos, proposes to develop 66.53 acres of the property which consists of 187 single-family residential lots, parks, right of way and non-dedicated open space. The remaining 222.0 acres will be dedicated open space.

21.31 acres of the project's developable area are located within the Vallecitos Water District's water service area. The remaining 45.22 acres of developable area will require annexation into the District's water service area. The project is not located within VWD's current sewer service area, and therefore the entire 66.53 acres of developable area will require annexation into the District's sewer service area.

DISCUSSION:

On July 20, 2016, the VWD Board approved Vista San Marcos, LTD's request for annexation into VWD's Sphere of Influence, excluding the dedicated open space parcels that are outside the developable project area. Due to City of San Marcos and LAFCO annexation processing and a lengthy CEQA lawsuit, the developer obtained an extension for completion of the annexation. That extension expired on January 17, 2019. The developer is now ready to move forward and is requesting re-approval of the annexation. The developer proposes to annex 45.22 acres of the developable project area into VWD's SOI and water service area, and 66.53 acres into VWD's sewer service area. The remaining 222.0 acres of dedicated open space will be excluded from annexation.

FISCAL IMPACT:

Payment of annexation fees is per Ordinance No. 200. The project would be required to pay \$213,167.08 in water annexation fees and \$587,526.43 in sewer annexation fees based on VWD's 2019 rates. Annexation fees are paid at the rate in effect at the time of payment.

Water Capital Facility Fees are estimated to be \$1,450,372.00 and Wastewater Capital Facility Fees are estimated to be \$1,863,081.00 for the 187 single-family residential lots based on current rates. Payment of Capital Facility Fees are per Ordinance Nos. 175 & 176 and Resolution No. 1440. Capital Facility Fees are subject to change and would be paid at the rate in effect at the time of payment.

All other fees will cover actual costs and have no fiscal impact.

RECOMMENDATION:

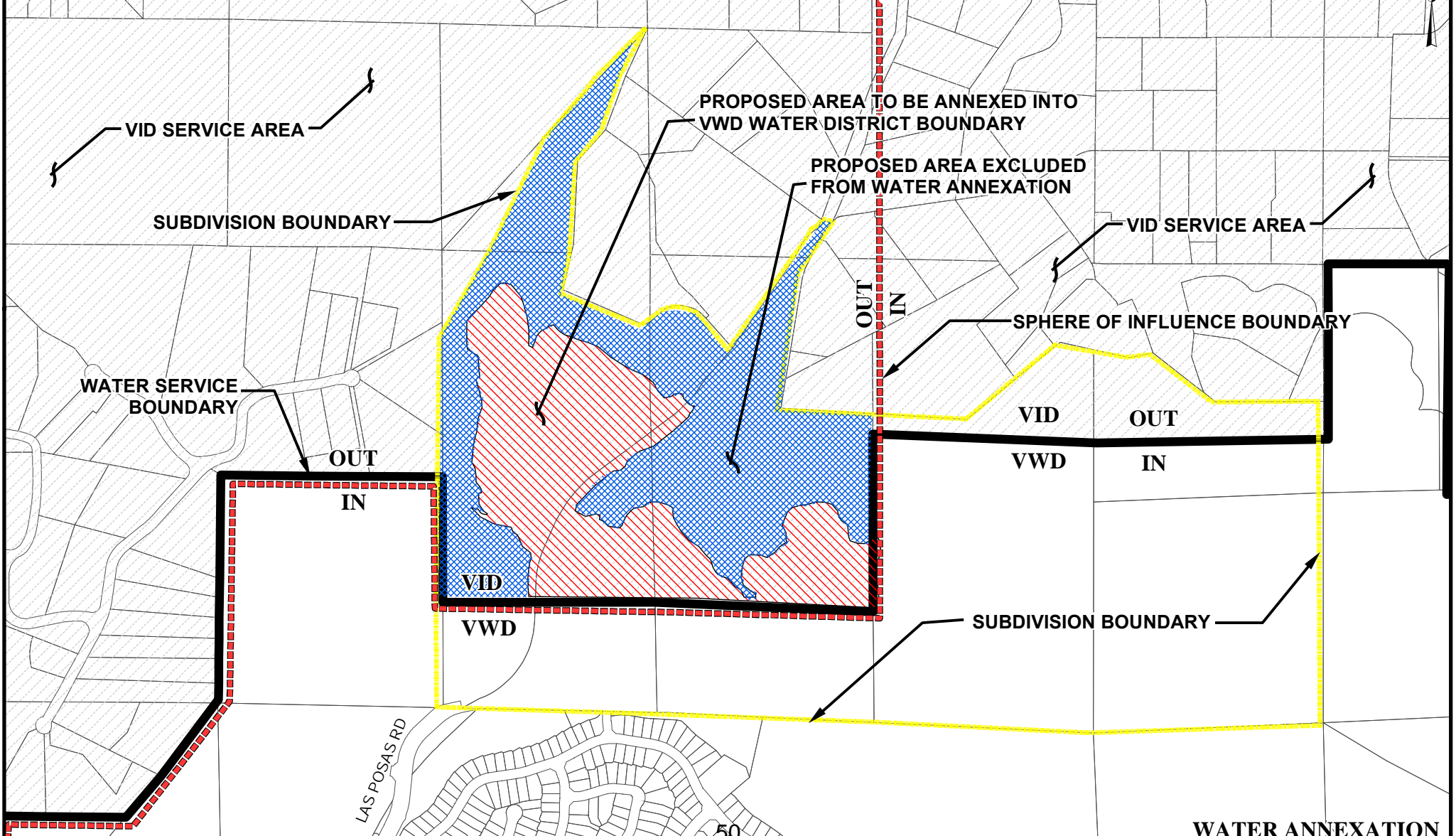
Approve annexation of the property into the water and sewer boundaries of the Vallecitos Water District with the following conditions:

1. Payment of VWD's water annexation fee of \$4,714.00 per acre (45.22 acres) = \$213,167.08 prior to Board approval of Project improvements.
2. Payment of VWD's sewer annexation fee of \$8,831.00 per acre (66.53 acres) = \$587,526.43 prior to Board approval of Project improvements.
3. Payment of State Board of Equalization fee of \$1,200.00 for VWD water annexation prior to Board approval of Project improvements.
4. Payment of State Board of Equalization fee of \$1,500.00 for VWD sewer annexation prior to Board approval of Project improvements.
5. Submittal of a copy of title report initiated or updated within the last six months showing ownership and a geographic description of the property including a plat map to complete the annexation prior to Final Acceptance of Project improvements.
6. Submittal of the recorded Final Map required to complete the annexation prior to Final Acceptance of Project improvements.

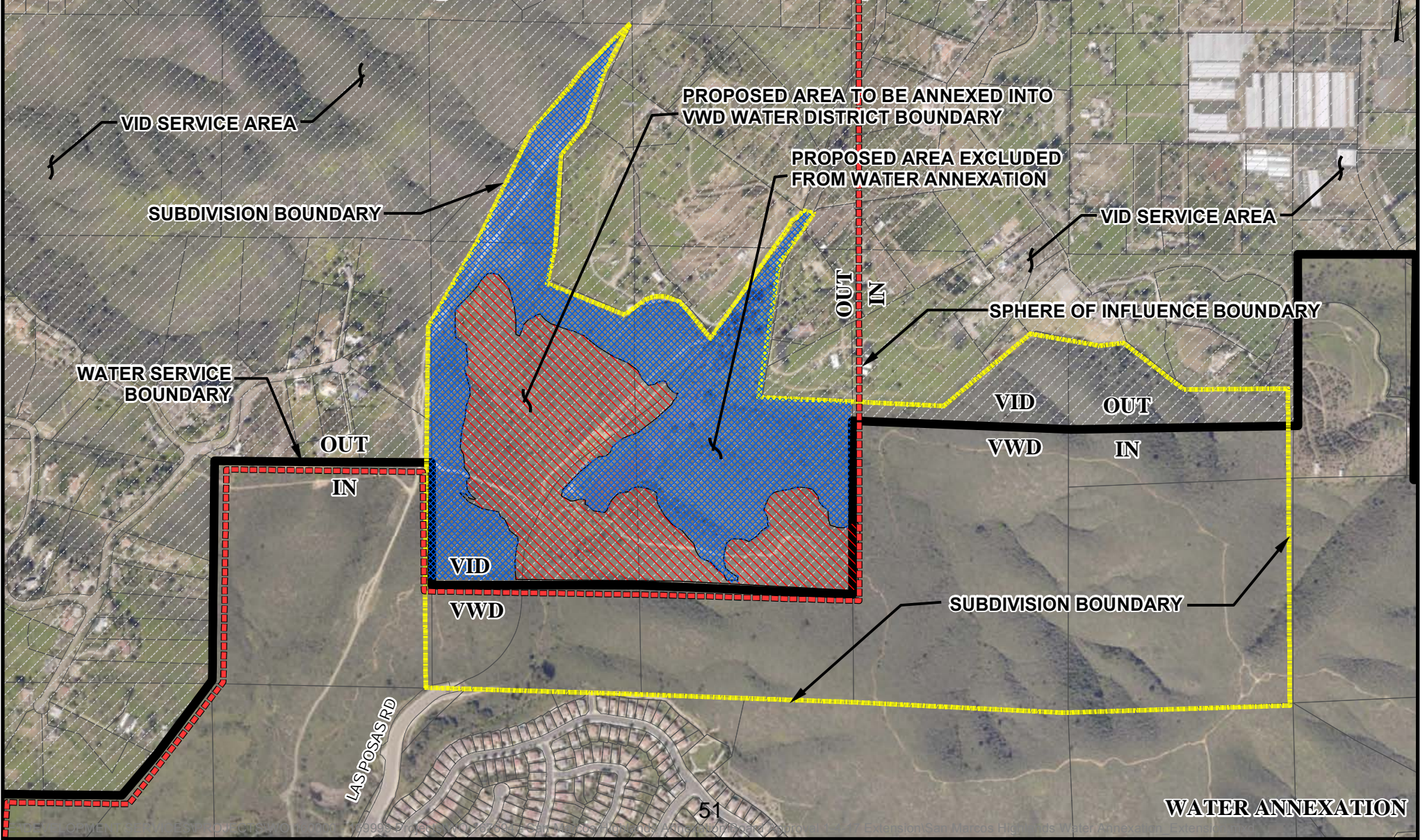
ATTACHMENTS:

- 4 Map Exhibits – 1 Plat Map & 1 Aerial Map – Water Annexation
1 Plat Map & 1 Aerial Map – Sewer Annexation

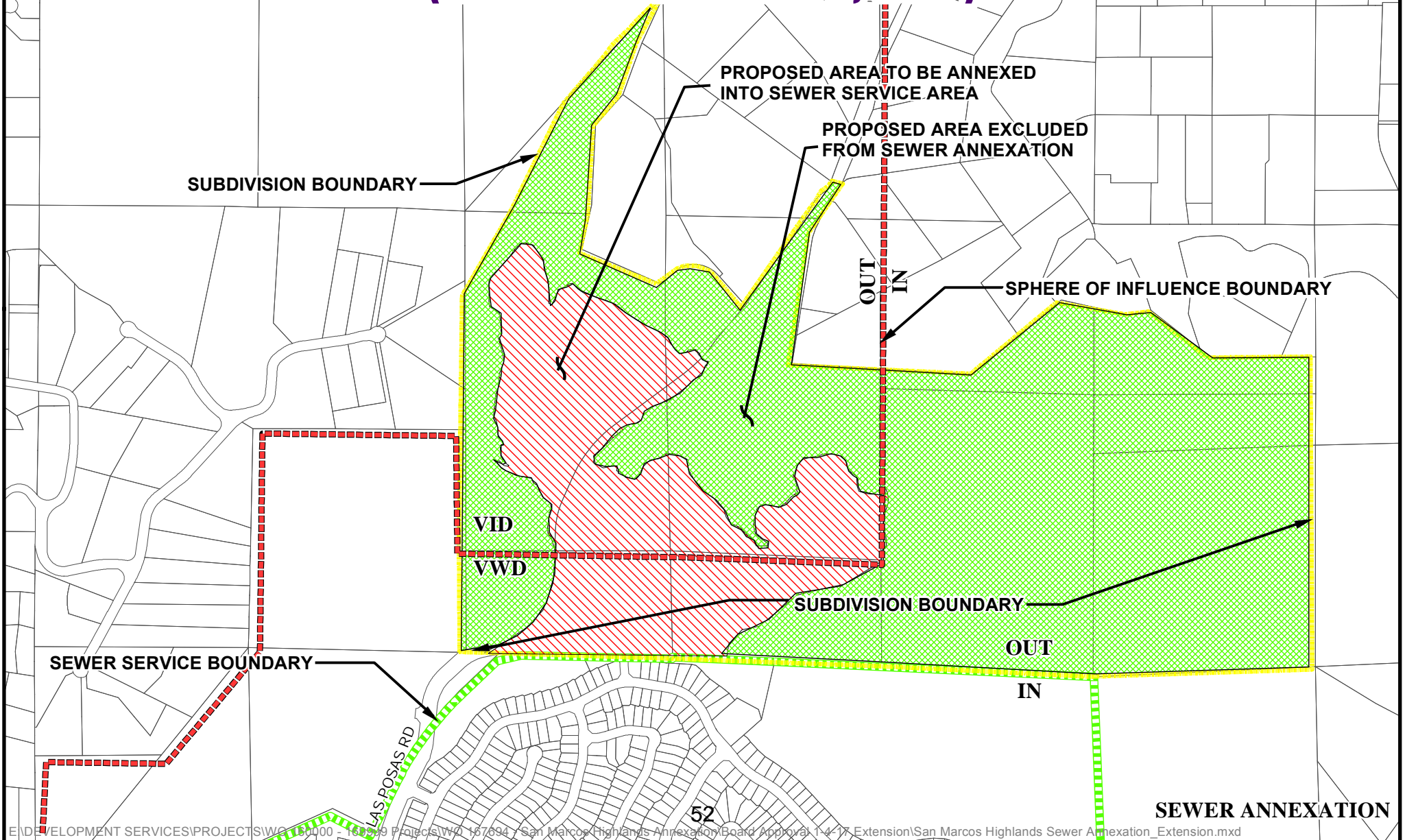
REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "SAN MARCOS HIGHLANDS" (APN 182-110-02 & 03, 182-111-01, 184-240-13, 14, 15, 32 & 33, 184-101-14 & 184-241-05, 06, 07, & 08) INTO THE VALLECITOS WATER DISTRICT (VISTA SAN MARCOS, LTD)



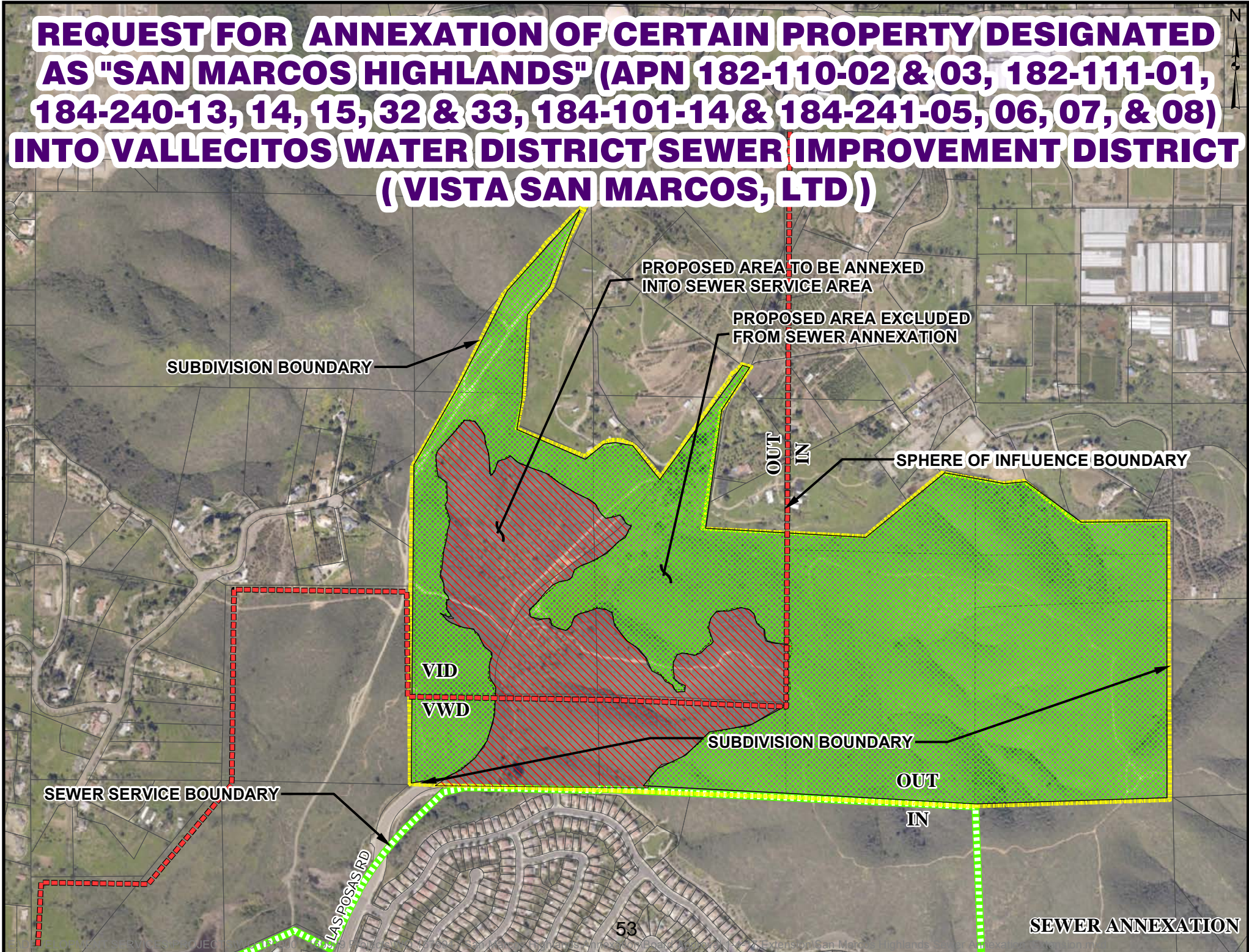
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REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "SAN MARCOS HIGHLANDS" (APN 182-110-02 & 03, 182-111-01, 184-240-13, 14, 15, 32 & 33, 184-101-14 & 184-241-05, 06, 07, & 08) INTO VALLECITOS WATER DISTRICT SEWER IMPROVEMENT DISTRICT (VISTA SAN MARCOS, LTD)



REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "SAN MARCOS HIGHLANDS" (APN 182-110-02 & 03, 182-111-01, 184-240-13, 14, 15, 32 & 33, 184-101-14 & 184-241-05, 06, 07, & 08) INTO VALLECITOS WATER DISTRICT SEWER IMPROVEMENT DISTRICT (VISTA SAN MARCOS, LTD)



DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR DETACHMENT OF APN 172-091-28 FROM THE VALLECITOS WATER DISTRICT (WILMOTT)

BACKGROUND:

Robert Wilmott is the owner of a 1.43-acre property located at 28616 Champagne Boulevard in Escondido, just south of Lawrence Welk Court and east of Interstate 15. Mr. Wilmott is requesting detachment from the Vallecitos Water District.

DISCUSSION:

The 1.43-acre property has a single-family residence that is currently served by a well. The well is the only source of water for this property. The San Diego County Department of Environmental Health has determined that the well is failing and the property needs to be connected to a public water system. The property is currently within the Vallecitos Water District but VWD does not have water facilities available to serve the property. VWD is not likely to extend facilities into this area. Valley Center Municipal Water District (VCMWD) has water facilities directly adjacent to the property. Mr. Wilmott has requested to annex the property into VCMWD. VCMWD's conditions for annexation include the detachment of the 1.43-acre parcel from Vallecitos Water District. LAFCO will incorporate VCMWD's conditions, including the detachment from VWD, into their conditions for the final reorganization

FISCAL IMPACT:

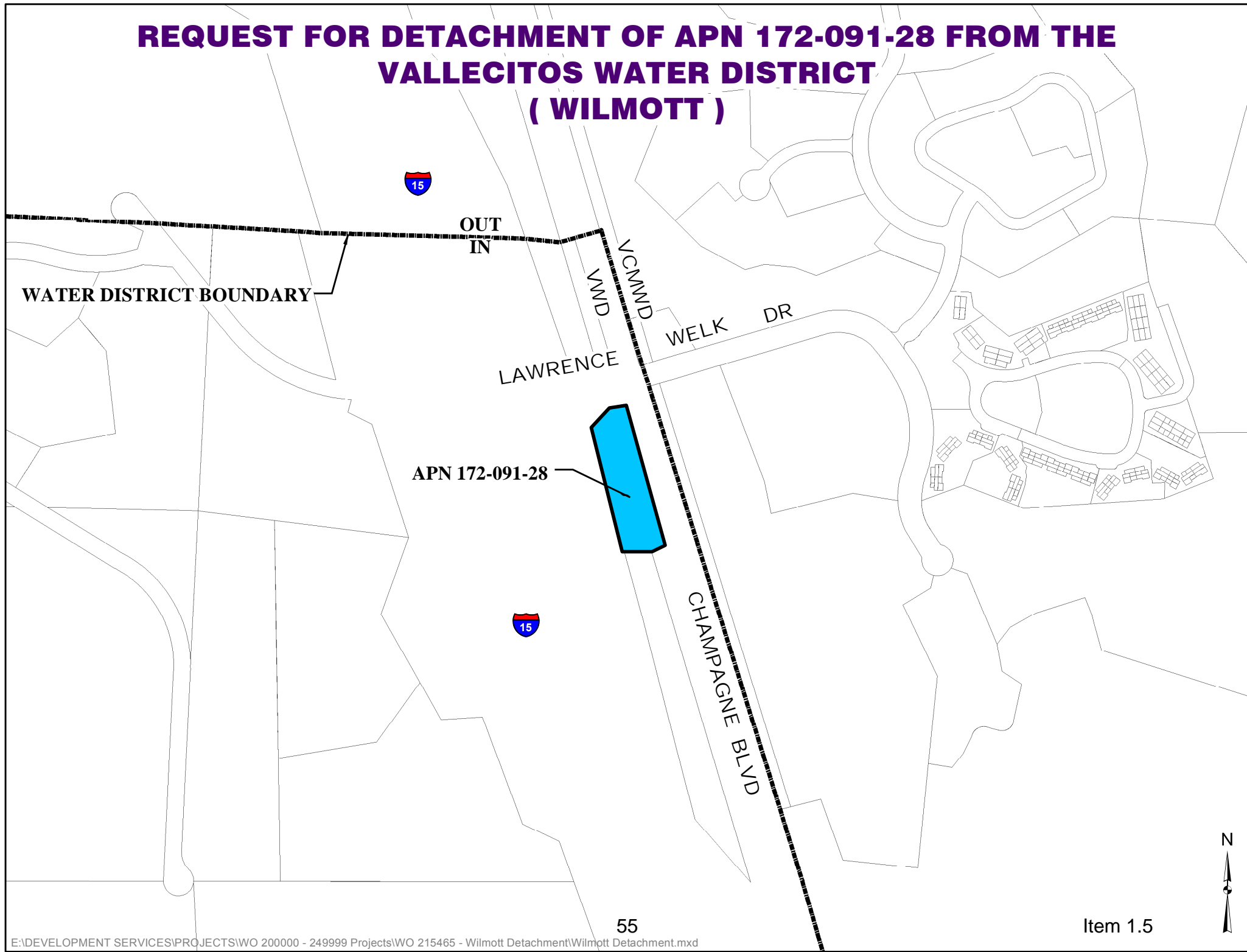
There is no loss of revenue from water service as this property has not been receiving water service from VWD.

RECOMMENDATION:

Approve the detachment of APN 172-091-28 from the District with the following conditions:

1. Payment of water detachment fee of \$1,362 per acre (1.43 acre) = \$1,947.66
2. Payment of detachment administration fee of \$1,000 (paid).
3. Submittal of a copy of a title report (initiated or updated within the last six months) showing ownership.
4. Submittal of a geographic description of the property including a plat map and a disc or flash drive.
5. Detachment must be completed in conjunction with VCMWD annexation in accordance with LAFCO conditions.

REQUEST FOR DETACHMENT OF APN 172-091-28 FROM THE VALLECITOS WATER DISTRICT (WILMOTT)



REQUEST FOR DETACHMENT OF APN 172-091-28 FROM THE VALLECITOS WATER DISTRICT (WILMOTT)



DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: ADOPTION OF RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING ENCINA WASTEWATER AUTHORITY'S FISCAL YEAR 2020 OPERATING AND CAPITAL IMPROVEMENT BUDGET

BACKGROUND:

The Vallecitos Water District is a party to the Encina Joint Powers Basic Agreement entered into on July 13, 1961, for the acquisition, construction, ownership, operation, and maintenance of the Encina Joint Sewer System. The Encina Basic Agreement requires unanimous approval of the Encina Wastewater Authority (EWA) budget by member agencies prior to the budget becoming effective. The EWA board will be considering final budget adoption at its meeting scheduled for July 24, 2019.

DISCUSSION:

On March 5, 2019 the Policy Development Workshop of Encina Wastewater Authority met and obtained clear policy direction to pay the entire CalPERS pension liability off over the next three years. Based on the guidance received, the CalPERS Pension Funding Policy was developed and incorporated into the Proposed Budget for FY 2020.

Attached for the Board's information are excerpts from the final EWA recommended budget. The fiscal year ending 2020 budgets of EWA as unanimously approved by the EWA Board of Directors and the Joint Advisory Committee on April 24, 2019, are \$4.1 million for the total CalPERS pension funding policy budget, \$22.5 million for the total capital budget, and \$17.2 million for the total operating budget. The full budget document is available for review at the District office and online at www.encinajpa.com.

The Proposed Encina Wastewater Authority CalPERS Pension Funding, Operating, and Capital Program Budgets total approximately \$43.8 million and are summarized below:

	Actual FY2018	Budget FY2019	Proposed FY2020	% Change
CalPERS Pension Funding Policy	\$ -	\$ -	\$ 4,096,100	
Operating Program	\$ 15,266,926	\$ 15,974,170	\$ 17,225,483	7.8%
Capital Program	\$ 16,721,819	\$ 22,112,014	\$ 22,490,576	1.7%
Combined Program Budgets	\$ 31,988,745	\$ 38,086,184	\$ 43,812,159	15%

The amounts shown in the table above are for the entire EWA budget. Vallecitos Water District's share of the EWA budget is dependent upon the demands placed on EWA facilities and the ownership percentage currently held by the District. Based on those factors, Vallecitos' share of the Proposed 2020 CalPERS Pension Funding Policy is \$788,954. Vallecitos' share of the Proposed 2020 Operating budget is \$2,725,302, which is

\$51,575 (1.9%) less than the FY 2019 Operating budget. Vallecitos' share of the Proposed 2020 Capital budget is \$4,847,867 which is \$53,190 (1.1%) more than the FY 2019 Capital budget.

FISCAL IMPACT:

Vallecitos' share of EWA's CalPERS Pension Funding Policy, Operating, and Capital Budgets have been incorporated into the District's budget, which will be considered on June 5, 2019.

RECOMMENDATION:

Staff recommends the Board of Directors of the Vallecitos Water District review and adopt a Resolution approving the Encina Wastewater Authority's Fiscal Year 2020 recommended CalPERS Pension Funding Policy, Operating and Capital Improvement Budgets.

ATTACHMENTS:

1. Encina Wastewater Authority FY 2020 Recommended Budget including Letter of Transmittal and CalPERS Pension Liability Funding Policy - Policy Brief
2. Resolution

RECOMMENDED



ENCINA
WASTEWATER
AUTHORITY



20
20

FISCAL YEAR

OPERATING
& CAPITAL
BUDGET

MISSION STATEMENT



" AS AN ENVIRONMENTAL LEADER
EWA PROVIDES RELIABLE AND
FISCALLY RESPONSIBLE WASTEWATER
SERVICES TO THE COMMUNITIES
WE SERVE WHILE OPTIMIZING THE
USE OF RENEWABLE RESOURCES."



PROUDLY SERVING

CITY OF CARLSBAD
CITY OF VISTA
CITY OF ENCINITAS
VALLECITOS WATER DISTRICT
BUENA SANITATION DISTRICT
LEUCADIA WATER DISTRICT

ENCINA WASTEWATER AUTHORITY FY2020 RECOMMENDED OPERATING & CAPITAL BUDGETS

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Date: April 24, 2019
 To: Honorable Chair and Members of the Board of Directors
 Encina Joint Advisory Committee
 Boards and Councils of the Encina Member Agencies
 From: Michael Steinlicht, General Manager
 Subject: Transmittal of FY2020 Recommended Pension Policy, Operating & Capital Budgets

This letter transmits the Encina Wastewater Authority’s (EWA) Recommended Fiscal Year 2020 Pension Policy, Operating and Capital Budgets. In conformance with the Revised Basic Agreement for Ownership, Operation and Maintenance of the Encina Joint Sewage System, this Recommended Budget estimates both the amount of money required to operate, maintain and administer the Joint System during Fiscal Year 2020; and, the proportionate amount to be paid by each Member Agency.

PENSION POLICY OVERVIEW

The Recommended FY2020 Pension Policy was developed and approved with the guidance and collaboration of EWA’s Board of Directors and Member Agencies. Developing and implementing a funding policy to reduce EWA’s pension liability has been a staff strategic initiative since mid-2016. The Funding Policy pays down approximately \$4.1M annually for three years towards the CalPERS Pension Liability from the following programs summarized below:

CalPERS Pension Funding Policy	Recommended FY2020
Encina Water Pollution Control Facility – Operations	\$ 2,550,374
Encina Water Pollution Control Facility – Capital	\$ 779,099
Environmental Compliance – Source Control	\$ 246,827
Agua Hedionda Pump Station	\$ 70,681
Buena Vista Pump Station	\$ 74,547
Buena Creek Pump Station	\$ 69,638
Carlsbad Water Recycling Facility	\$ 256,601
Raceway Basin Pump Station	\$ 48,333
Total CalPERS Pension Funding Policy	\$ 4,096,100

OPERATING BUDGET OVERVIEW

The Recommended FY2020 Operating Budget is comprised of seven (7) operational programs that provide services to the Encina Member Agencies. Each operational program includes direct personnel and non-personnel expenses and related internal service fund (ISF) charges. The Recommended FY2020 Budget reflects management’s strategies and objectives to ensure continued achievement within each of the six (6) Business Principles identified in the Five-Year Strategic Business Plan: Protect Public Health and the Environment; Pursue Waste Resource Recovery Opportunities; Conduct Sound Planning and Invest Appropriately; Remain Efficient, Fiscally Responsible, and Innovative; Provide Meaningful Transparency; and Deliver Exceptional Member Agency Service.

The Recommended FY2020 Operating Budget totals approximately \$17.2 million for the seven (7) operational programs summarized below:

Operating Program	Actual FY2018	Budget FY2019	Recommended FY2020	FY 2019 vs FY 2020 % Change
Encina Water Pollution Control Facility	\$ 12,080,625	\$ 12,957,023	\$ 13,623,775	5.1%
Environmental Compliance – Source Control	\$ 692,301	\$ 753,078	\$ 930,472	23.6%
Agua Hedionda Pump Station	\$ 315,269	\$ 354,017	\$ 558,489	57.8%
Buena Vista Pump Station	\$ 627,262	\$ 514,573	\$ 636,877	23.8%
Buena Creek Pump Station	\$ 334,278	\$ 373,863	\$ 412,218	10.3%
Carlsbad Water Recycling Facility	\$ 1,028,469	\$ 1,338,481	\$ 1,370,486	2.4%
Raceway Basin Pump Station	\$ 188,722	\$ 238,335	\$ 248,366	4.2%
Sub-Total: Expenses	\$ 15,266,926	\$ 16,529,370	\$ 17,780,683	7.6%
Estimated Other Operating Revenue	\$ -	\$ (555,200)	\$ (555,200)	0.0%
Total Operating Budget	\$ 15,266,926	\$ 15,974,170	\$ 17,225,483	7.8%

The FY2020 Operating Budget reflects EWA’s continuing commitment to provide sustainable and fiscally responsible wastewater services to the communities it serves while maximizing the use of alternative and renewable resources. The Recommended FY2020 EWPCF Operating Budget includes \$250,000 in contingency funding to help each of the Member Agencies make sufficient appropriations for their share of EWA expenditures as part of their annual budgeting processes.

CAPITAL BUDGET OVERVIEW

The Recommended FY2020 Capital Budget totals approximately \$22.5 million for the following EWA capital programs summarized below:

Capital Program	Actual FY2018	Budget FY2019	Recommended FY2020	FY 2019 vs FY 2020 % Change
EWPCF – Capital Improvements	\$ 12,899,137	\$ 17,649,000	\$ 17,594,480	-0.3%
EWPCF – Planned Asset Rehabilitation	\$ 686,526	\$ 924,500	\$ 969,600	4.9%
EWPCF – Capital Acquisitions	\$ 286,195	\$ 301,500	\$ 341,100	13.1%
Remotes Facilities – Acquisitions & Rehabilitation	\$ 508,298	\$ 726,300	\$ 920,300	26.7%
Allocated Personnel Expenses	\$ 2,341,663	\$ 2,510,714	\$ 2,665,096	6.1%
Total Capital Budget	\$ 16,721,819	\$ 22,112,014	\$ 22,490,576	1.7%

Improvement Projects are planned, scoped, and prioritized through the Comprehensive Asset Management Program (CAMP). The most recent CAMP was published in February 2019 and will continue to be updated biannually. It considers anticipated changes in regulatory requirements, prospective operational efficiencies, funding availability and other factors.

The Recommended FY2020 Capital Budget includes approximately \$2.7 million in funding for 13.21 full-time equivalent (FTE) positions. These positions include full and part-time efforts of EWA executives, professionals, managers, and technical staff who plan, direct, and support EWA’s Capital Program.

Significant Capital Improvement Projects recommended for FY2020 funding include: Primary Area Improvements (\$3,468,560); Digester Rehabilitation and Improvements (\$3,611,560) and the Secondary Clarifier and Strainer Improvements Project (\$3,128,660).

EWPCF – Planned Asset Rehabilitation and Replacement (PARR) reflects minor plant rehabilitation efforts undertaken by EWA staff to maintain the \$489 million worth of Joint System assets. Recommended PARR Projects total \$969,600. Recommended EWPCF – Capital Acquisitions total \$341,100 and reflect appropriate investment in minor infrastructure, equipment. Recommended Remote Facilities – Acquisitions and Rehabilitation total \$920,300 and reflect appropriate investment in remote facility improvements.

Please join me in recognizing the staff whose efforts produced this document. Joseph Spence, Senior Management Analyst, led staff efforts in the preparation and development of the FY2020 Recommended Budget with assistance from LeeAnn Warchol, Administrative Services Manager, and third-party quality control review by Financial Management Consultant, Daniel Langlois. The Executive Leadership Team coordinated the budget development processes within their respective departments. Assistant General Manager, Scott McClelland, made certain our constantly developing ideas were presented clearly, consistently and accurately.

Respectfully Submitted,

A handwritten signature in black ink that reads "Michael Steinlicht". The signature is written in a cursive, slightly slanted style.

Michael Steinlicht
General Manager

Policy Brief

Date: April 24, 2019

To: Honorable Chair and Members of the Board of Directors
Encina Joint Advisory Committee
Boards and Councils of the Encina Member Agencies

From: Michael Steinlicht, General Manager

Subject: CalPERS Pension Liability Funding Policy

It is the Encina Wastewater Authority’s (EWA) commitment to excellence which drives staff to identify opportunities to remain efficient, fiscally responsible and innovative. Managing the CalPERS pension liability is one of EWA’s most significant financial challenges and was therefore established as one of the organization’s key strategic initiatives to address. Based on the most recent actuarial valuation report, dated June 30, 2017, EWA’s pension liability is approximately \$13.5M.

On March 5, 2019, staff held the 2019 Policy Development Workshop and obtained clear policy direction on how to manage the pension liability over the next few years. Staff has been instructed to pay the entire pension liability off over the next three years. Based on the guidance and concerns received from the Board of Directors, EWA intends to address the pension liability by doing the following:

- 1) Strive to have the \$13.5M pension liability paid off at the end of three years (final payment in June 2022). For simplicity, we need to assume the underlying assumptions of the \$13.5M won’t materially change during that time frame and assume a constant 7.0% interest rate being charged.
- 2) Maintain flexibility and control with this funding strategy, not locking into any formal arrangement with CalPERS.
- 3) Mitigate some investment market timing risk by paying into the pension monthly or quarterly over that three-year term, thereby dollar cost averaging over the three years-worth of market fluctuations.
- 4) Avoid over paying, or becoming super-funded, by reassessing the final year’s payment as necessary.
- 5) Report back to the Policy & Finance Committee and Board of Directors on pension funding status on a regular basis.

Below approximates the fiscal impact of this funding policy in conjunction with the minimum required payments EWA would have been making regardless of the funding policy. This has been incorporated into the Recommended FY2020, 2021 and 2022 Budgets:

	Three Years to 100% Funded			Total
	FY 2020	FY 2021	FY 2022	
Funding Policy				
City of Carlsbad	\$ 1,210,106	\$ 1,210,106	\$ 1,210,106	\$ 3,630,318
City of Vista	\$ 1,016,600	\$ 1,016,600	\$ 1,016,600	\$ 3,049,800
Buena Sanitation District	\$ 367,994	\$ 367,994	\$ 367,994	\$ 1,103,982
Vallecitos Water District	\$ 788,954	\$ 788,954	\$ 788,954	\$ 2,366,862
Leucadia Wastewater District	\$ 547,626	\$ 547,626	\$ 547,626	\$ 1,642,878
City of Encinitas	\$ 164,820	\$ 164,820	\$ 164,820	\$ 494,460
Total Funding Policy	\$ 4,096,100	\$ 4,096,100	\$ 4,096,100	\$ 12,288,300
Normal Operations / Minimum Required	\$ 870,900	\$ 870,900	\$ 870,900	\$ 2,612,700
Pension Liability Payment	<u>\$ 4,967,000</u>	<u>\$ 4,967,000</u>	<u>\$ 4,967,000</u>	<u>\$ 14,901,000</u>
Total Interest Paid	\$ 1,410,000			(principal & interest)
Approximate Interest Savings	\$ 10,752,000			

Policy Brief

Date: April 24, 2019

To: Honorable Chair and Members of the Board of Directors
 Encina Joint Advisory Committee
 Boards and Councils of the Encina Member Agencies

From: Michael Steinlicht, General Manager

Subject: Workforce Staffing Strategy

The Encina Wastewater Authority’s (EWA) workforce staffing strategy is linked directly to its mission, vision, values and strategic business and tactical plans. It includes a cost-effective blend of human resources that includes permanent employees, consultants, contract and limited duration employees. Staffing decisions are based on established criteria designed to add value to the organization, reduce risk, and complement or leverage existing staff competencies.

The staffing needs of EWA are reviewed annually. With few exceptions, decisions to expand or contract EWA’s total complement of Full Time Equivalent (FTE) staff are made as part of the budget development process. Department Directors requesting additional staff are required to submit a written report to the General Manager justifying the request.

EWA’s staffing strategy centers on identifying the core workforce needed for ongoing work, which is essential to its mission on a permanent basis and should therefore be permanently staffed, as opposed to work that may be equally important to EWA but has a limited timeframe, or which has a temporary (even if several years) peak workload but is then expected to diminish. Any temporary programmatic increase in workload should consider the use of Limited Duration Employees (LDE) with an established, predictable separation date based upon the temporary nature of the work. In evaluating the need for additional staff, written justification for any new FTEs should address the following criteria:

Evaluation Criteria	Justification Must Address
Permanence	Is the work permanent in nature and not likely to diminish over time?
Reprioritization	Can work within the department be reprioritized to meet the new need, while reducing or eliminating other existing work, redeploying existing staff and negating the need to add an FTE?
Cost Effectiveness and Budget Impact	Is adding an FTE more cost effective over the expected life of the position’s work than alternative resourcing options (e.g. temporary, LDE or contract resources)?
Full Time vs. Part Time	Does the work require a full-time position, or can the work be accomplished with a half-time position?
Appropriate Classification	Can the position be filled at a lower classification and accomplish the work, while minimizing the costs to EWA?
Institutional Knowledge	Does the position require institutional knowledge that could not likely be built and sustained through the use of temporary employees, LDE’s, or contract resources?
Market Availability	What is the market availability and competitive landscape for the desired skill set of the proposed position?
Special Skills or Certifications Required	Are special skills or certification required to perform the work?
Risk Management and Transparency	Does the critical nature of the position, or the consequence of error or failure to effectively and safely perform the work make the use of outside resources impractical or too risky? Is there a concern for loss of transparency if outside resources are utilized?
Logistical Issues	Does the position’s workplace locations, demands or duties create logistical challenges that make the use of temporary or contract resources impractical?

Workforce Staffing Justification

The Recommended Fiscal Year 2020 Budget includes one additional entry level Industrial Waste Control Inspector. A reduction in temporary & part time labor has partially mitigated the cost impact of this staffing recommendation. The following table of justification is provided for your consideration:

Evaluation Criteria	Justification
Permanence	The recommended addition of one FTE Industrial Waste Control Inspector brings EWA closer in line with the Environmental Protection Agency’s (EPA) estimate of personnel required based on the organization’s plant size, service area and activities performed. Following the EPA’s guidelines, EWA should consider having another staff member, in addition to the one being recommended, designated to sampling activities alone. This is the consequence of the pretreatment program having to continue expanding its reporting and ongoing responsibilities to meet increasing EPA guidelines (dental amalgam rule), permit issuances (ground water projects), Member Agency assistance and job duty diversity.
Reprioritization	EWA runs a lean staffing model and takes every opportunity to reprioritize existing positions before considering adding any staff. Since 1995, EWA’s FTE count has only increased to accommodate two Operator positions which were needed to address increased plant complexity and safety concerns. Reassigning certified staff from other wastewater treatment operations is not feasible and puts the mission at risk.
Cost Effectiveness and Budget Impact	The additional FTE Inspector position is permanent and will remain so for as long as EWA maintains a pretreatment program. From an EWA perspective, this is a more cost-effective option than cycling through temporary labor or extended use of overtime by existing personnel. From a Member Agency perspective, this is far more cost-effective than having each Member Agency run their own Industrial Waste Control Inspector program. Furthermore, the Inspector position provides the plant insight with what flows are entering the treatment system or bypassing the system altogether which becomes invaluable when preventing process upsets.
Full Time vs. Part Time	The additional FTE Inspector position is required to catch up and maintain duties that exist in excess of just one position. Furthermore, this position requires training and knowledge that may take as much as four years to fully obtain.
Appropriate Classification	This inspector position is entry level and would typically advance to the Inspector II position as experience, certifications and knowledge builds.
Institutional Knowledge	It takes approximately four years for a new Inspector to learn EWA’s pretreatment program, rotate and understand the Significant Industrial Users and become fully certified. Inspectors with prior knowledge can reduce some of that but will still take years to be fully trained. Furthermore, half of the department is eligible to retire, leaving temporary staffing as a poor long term strategy.
Market Availability	There is significant market competition for obtaining experienced staff in a pretreatment program and EWA does not anticipate finding anyone that would fit this criteria. Having the position set at an entry level Inspector position broadens the candidate pool and should allow EWA to find a science major candidate that would be a good fit for the organization long-term.
Special Skills or Certifications Required	To work in EWA’s pretreatment program, Inspectors must be State-certified, requiring education and experience.
Risk Management and Transparency	EWA’s pretreatment program is a requirement of the plant’s National Pollutant Discharge Elimination System (NPDES) Permit. No peer agency of EWA’s size has created a working model whereby this program has been outsourced and effectively performed. Outsourcing the program while still meeting EPA standards would be costly and still hold EWA the responsible party regarding any deficiencies or non-compliance concerns.
Logistical Issues	The additional one FTE Inspector position would replace a part time, temporary position and would report directly to the existing Source Control Manager.

OPERATING BUDGET: REVENUE *and* EXPENSE SUMMARY

Revenue Summary

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
City of Carlsbad	\$ 4,723,232	\$ 5,124,258	\$ 5,063,836	\$ 5,472,462	\$ 348,204	6.8%
City of Vista	\$ 4,112,639	\$ 3,913,181	\$ 4,115,860	\$ 4,652,076	\$ 738,895	18.9%
Buena Sanitation District	\$ 1,512,988	\$ 1,623,145	\$ 1,602,462	\$ 1,726,349	\$ 103,204	6.4%
Vallecitos Water District	\$ 2,499,530	\$ 2,776,877	\$ 2,708,369	\$ 2,725,302	\$ (51,575)	-1.9%
Leucadia Wastewater District	\$ 1,840,787	\$ 1,887,269	\$ 1,840,600	\$ 2,007,116	\$ 119,847	6.4%
City of Encinitas	\$ 577,750	\$ 649,440	\$ 633,473	\$ 642,178	\$ (7,262)	-1.1%
Sub Total	\$ 15,266,926	\$ 15,974,170	\$ 15,964,600	\$ 17,225,483	\$ 1,251,313	7.8%
Estimated Other Revenue	*	\$ 555,200	\$ 629,332	\$ 555,200	-	0.0%
Total	\$ 15,266,926	\$ 16,529,370	\$ 16,593,932	\$ 17,780,683	\$ 1,251,313	7.6%

*2018 Actual total is net of other revenue

Operating Revenues from Member Agencies by Program

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 12,080,625	\$ 12,401,823	\$ 12,092,452	\$ 13,068,575	\$ 666,752	5.4%
Source Control	\$ 692,301	\$ 753,078	\$ 738,701	\$ 930,472	\$ 177,394	23.6%
Agua Hedionda Pump Station	\$ 315,269	\$ 354,017	\$ 664,935	\$ 558,489	\$ 204,472	57.8%
Buena Vista Pump Station	\$ 627,262	\$ 514,573	\$ 595,794	\$ 636,877	\$ 122,304	23.8%
Buena Creek Pump Station	\$ 334,278	\$ 373,863	\$ 383,957	\$ 412,218	\$ 38,355	10.3%
Carlsbad Water Recycling Facility	\$ 1,028,469	\$ 1,338,481	\$ 1,262,447	\$ 1,370,486	\$ 32,005	2.4%
Raceway Basin Pump Station	\$ 188,722	\$ 238,335	\$ 226,314	\$ 248,366	\$ 10,031	4.2%
Total	\$ 15,266,926	\$ 15,974,170	\$ 15,964,600	\$ 17,225,483	\$ 1,251,313	7.8%

Operating Budget Expense Summary by Program

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 12,080,625	\$ 12,957,023	\$ 12,721,784	\$ 13,623,775	\$ 666,752	5.1%
Source Control	\$ 692,301	\$ 753,078	\$ 738,701	\$ 930,472	\$ 177,394	23.6%
Agua Hedionda Pump Station	\$ 315,269	\$ 354,017	\$ 664,935	\$ 558,489	\$ 204,472	57.8%
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Total	\$ 15,266,926	\$ 16,529,370	\$ 16,593,932	\$ 17,780,683	\$ 1,251,313	7.6%

Combined Operating Budget Expense

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 6,354,015	\$ 6,597,082	\$ 6,734,462	\$ 6,901,562	\$ 304,480	4.6%
Non-Personnel	\$ 4,208,860	\$ 4,986,400	\$ 4,870,849	\$ 5,449,550	\$ 463,150	9.3%
Internal Service Fund	\$ 4,704,051	\$ 4,945,888	\$ 4,988,621	\$ 5,429,571	\$ 483,683	9.8%
Total	\$ 15,266,926	\$ 16,529,370	\$ 16,593,932	\$ 17,780,683	\$ 1,251,313	7.6%

OPERATING BUDGET: EXPENSE SUMMARY

Encina Water Pollution Control Facility

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 4,636,579	\$ 4,772,396	\$ 4,749,702	\$ 4,800,204	\$ 27,808	0.6%
Non-Personnel	\$ 3,192,795	\$ 3,769,700	\$ 3,482,737	\$ 3,954,750	\$ 185,050	4.9%
Internal Service Fund	\$ 4,251,251	\$ 4,414,927	\$ 4,489,345	\$ 4,868,821	\$ 453,894	10.3%
Total	\$ 12,080,625	\$ 12,957,023	\$ 12,721,784	\$ 13,623,775	\$ 666,752	5.1%

Environmental Compliance – Source Control

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 551,134	\$ 564,678	\$ 577,654	\$ 708,022	\$ 143,344	25.4%
Non-Personnel	\$ 7,326	\$ 17,850	\$ 14,395	\$ 52,000	\$ 34,150	191.3%
Internal Service Fund	\$ 133,841	\$ 170,550	\$ 146,652	\$ 170,450	\$ (100)	-0.1%
Total	\$ 692,301	\$ 753,078	\$ 738,701	\$ 930,472	\$ 177,394	23.6%

Agua Hedionda Pump Station

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 154,279	\$ 181,796	\$ 416,240	\$ 279,345	\$ 97,549	53.7%
Non-Personnel	\$ 122,452	\$ 130,600	\$ 208,250	\$ 229,125	\$ 98,525	75.4%
Internal Service Fund	\$ 38,538	\$ 41,621	\$ 40,445	\$ 50,019	\$ 8,398	20.2%
Total	\$ 315,269	\$ 354,017	\$ 664,935	\$ 558,489	\$ 204,472	57.8%

Buena Vista Pump Station

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 282,274	\$ 196,550	\$ 185,197	\$ 206,566	\$ 10,016	5.1%
Non-Personnel	\$ 295,453	\$ 269,300	\$ 363,250	\$ 379,075	\$ 109,775	40.8%
Internal Service Fund	\$ 49,535	\$ 48,723	\$ 47,347	\$ 51,236	\$ 2,513	5.2%
Total	\$ 627,262	\$ 514,573	\$ 595,794	\$ 636,877	\$ 122,304	23.8%

Buena Creek Pump Station

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 146,606	\$ 181,006	\$ 173,221	\$ 190,259	\$ 9,253	5.1%
Non-Personnel	\$ 148,364	\$ 151,400	\$ 170,450	\$ 178,250	\$ 26,850	17.7%
Internal Service Fund	\$ 39,308	\$ 41,457	\$ 40,286	\$ 43,709	\$ 2,252	5.4%
Total	\$ 334,278	\$ 373,863	\$ 383,957	\$ 412,218	\$ 38,355	10.3%

Carlsbad Water Recycling Facility

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 472,001	\$ 553,227	\$ 493,954	\$ 562,215	\$ 8,988	1.6%
Non-Personnel	\$ 389,828	\$ 586,300	\$ 572,765	\$ 594,550	\$ 8,250	1.4%
Internal Service Fund	\$ 166,640	\$ 198,954	\$ 195,728	\$ 213,721	\$ 14,767	7.4%
Total	\$ 1,028,469	\$ 1,338,481	\$ 1,262,447	\$ 1,370,486	\$ 32,005	2.4%

Raceway Basin Pump Station

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Personnel	\$ 111,142	\$ 147,429	\$ 138,494	\$ 154,951	\$ 7,522	5.1%
Non-Personnel	\$ 52,642	\$ 61,250	\$ 59,002	\$ 61,800	\$ 550	0.9%
Internal Service Fund	\$ 24,938	\$ 29,656	\$ 28,818	\$ 31,615	\$ 1,959	6.6%
Total	\$ 188,722	\$ 238,335	\$ 226,314	\$ 248,366	\$ 10,031	4.2%

OPERATING BUDGET: REVENUE SUMMARY

City of Carlsbad

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 3,295,342	\$ 3,372,198	\$ 3,288,076	\$ 3,551,285	\$ 179,087	5.3%
Source Control	\$ 236,767	\$ 250,673	\$ 245,887	\$ 311,883	\$ 61,210	24.4%
Agua Hedionda Pump Station	\$ 97,418	\$ 109,390	\$ 205,463	\$ 172,573	\$ 63,183	57.8%
Buena Vista Pump Station	\$ 65,236	\$ 53,516	\$ 61,963	\$ 66,235	\$ 12,719	23.8%
Carlsbad Water Recycling Facility	\$ 1,028,469	\$ 1,338,481	\$ 1,262,447	\$ 1,370,486	\$ 32,005	2.4%
Total	\$ 4,723,232	\$ 5,124,258	\$ 5,063,836	\$ 5,472,462	\$ 348,204	6.8%

City of Vista

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 2,945,663	\$ 2,772,992	\$ 2,703,818	\$ 3,178,793	\$ 405,801	14.6%
Source Control	\$ 198,377	\$ 196,170	\$ 192,425	\$ 268,359	\$ 72,189	36.8%
Agua Hedionda Pump Station	\$ 217,851	\$ 244,627	\$ 459,472	\$ 385,916	\$ 141,289	57.8%
Buena Vista Pump Station	\$ 562,026	\$ 461,057	\$ 533,831	\$ 570,642	\$ 109,585	23.8%
Raceway Basin Pump Station	\$ 188,722	\$ 238,335	\$ 226,314	\$ 248,366	\$ 10,031	4.2%
Total	\$ 4,112,639	\$ 3,913,181	\$ 4,115,860	\$ 4,652,076	\$ 738,895	18.9%

Buena Sanitation District

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 1,110,530	\$ 1,183,169	\$ 1,153,654	\$ 1,223,301	\$ 40,132	3.4%
Source Control	\$ 68,180	\$ 66,113	\$ 64,851	\$ 90,830	\$ 24,717	37.4%
Buena Creek Pump Station	\$ 334,278	\$ 373,863	\$ 383,957	\$ 412,218	\$ 38,355	10.3%
Total	\$ 1,512,988	\$ 1,623,145	\$ 1,602,462	\$ 1,726,349	\$ 103,204	6.4%

Vallecitos Water District

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 2,389,949	\$ 2,646,513	\$ 2,580,494	\$ 2,577,319	\$ (69,194)	-2.6%
Source Control	\$ 109,581	\$ 130,364	\$ 127,875	\$ 147,983	\$ 17,619	13.5%
Total	\$ 2,499,530	\$ 2,776,877	\$ 2,708,369	\$ 2,725,302	\$ (51,575)	-1.9%

Leucadia Wastewater District

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 1,781,655	\$ 1,817,369	\$ 1,772,034	\$ 1,923,531	\$ 106,162	5.8%
Source Control	\$ 59,132	\$ 69,900	\$ 68,566	\$ 83,585	\$ 13,685	19.6%
Total	\$ 1,840,787	\$ 1,887,269	\$ 1,840,600	\$ 2,007,116	\$ 119,847	6.4%

City of Encinitas

	Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	Change	%
Encina Water Pollution Control Facility	\$ 557,486	\$ 609,582	\$ 594,376	\$ 614,346	\$ 4,764	0.8%
Source Control	\$ 20,264	\$ 39,858	\$ 39,097	\$ 27,832	\$ (12,026)	-30.2%
Total	\$ 577,750	\$ 649,440	\$ 633,473	\$ 642,178	\$ (7,262)	-1.1%

PERSONNEL EXPENSE SUMMARY *by* ACCOUNT

Salaries

	2019 Budget	% of Total	2020 Budget	% of Total	% Change
Regular	\$ 7,365,598		\$ 7,748,544		5.2%
Overtime	\$ 130,000		\$ 130,000		0.0%
Holiday	\$ 95,000		\$ 95,000		0.0%
Temporary & Part-Time Staff	\$ 250,000		\$ 175,000		-30.0%
Intern Program	\$ 29,800		\$ 29,800		0.0%
Shift Differential	\$ 38,060		\$ 39,000		2.5%
Incentive Awards	\$ 14,000		\$ 14,000		0.0%
Standby	\$ 9,000		\$ 2,000		-77.8%
Subtotal Salaries	\$ 7,931,459	69.2%	\$ 8,233,344	68.4%	3.8%

Benefits

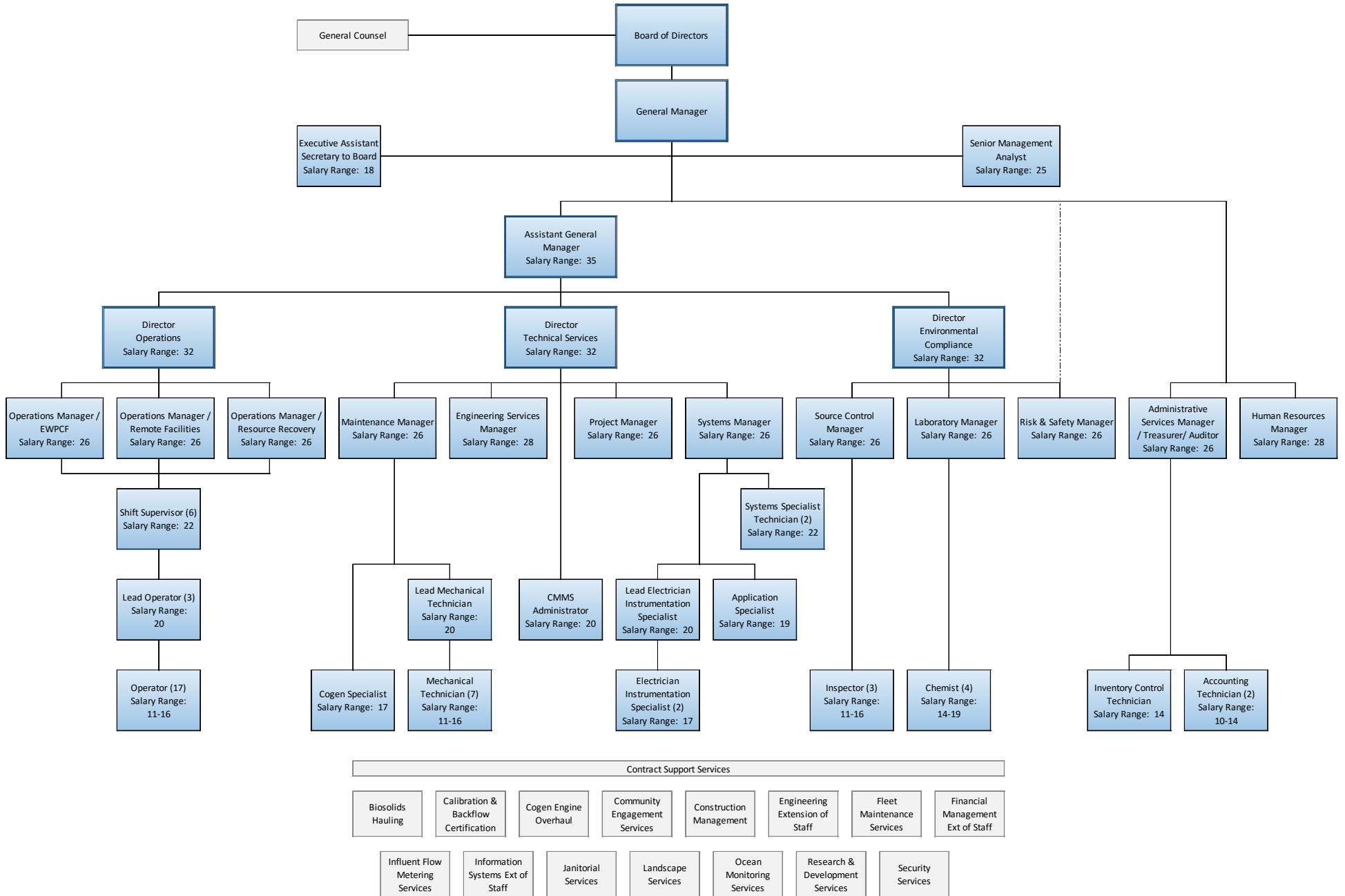
	2019 Budget	% of Total	2020 Budget	% of Total	% Change
CalPERS Retirement Program — Normal Cost	\$ 1,456,815		\$ 1,554,716		6.7%
CalPERS Retirement Unfunded Liability	\$ 740,618		\$ 870,900		17.6%
CalPERS Employee Contribution	\$ (582,060)		\$ (611,946)		5.1%
Other Post-Employment Benefits	\$ 79,150		\$ 87,061		10.0%
Flexible Benefits 125 Plan	\$ 1,197,069		\$ 1,234,645		3.1%
Deferred Compensation	\$ 281,889		\$ 293,142		4.0%
Medicare	\$ 120,141		\$ 125,116		4.1%
Unemployment	\$ 20,000		\$ 12,000		-40.0%
Workers Compensation Insurance	\$ 181,000		\$ 201,000		11.0%
Professional Certification	\$ 10,000		\$ 10,000		0.0%
Employee Assistance Program	\$ 1,900		\$ 1,900		0.0%
General Manager Benefits	\$ 7,200		\$ 7,200		0.0%
Education Assistance	\$ 16,000		\$ 16,000		0.0%
Subtotal Benefits	\$ 3,529,723	30.8%	\$ 3,801,734	31.6%	7.7%
Total Personnel Expense	\$ 11,461,182	100.0%	\$ 12,035,079	100.0%	5.0%

PERSONNEL EXPENSE SUMMARY *by* PROGRAM

Programs

	2019 Budget	2019 Positions	2020 Budget	2020 Positions	% Change
Encina Water Pollution Control Facility	\$ 4,772,394	32.10	\$ 4,800,204	32.52	0.6%
Source Control	\$ 564,678	3.35	\$ 708,022	4.35	25.4%
<i>Agua Hedionda Pump Station</i>	\$ 181,796	1.16	\$ 279,345	1.71	53.7%
<i>Buena Vista Pump Station</i>	\$ 196,550	1.24	\$ 206,566	1.24	5.1%
<i>Buena Creek Pump Station</i>	\$ 181,006	1.12	\$ 190,259	1.12	5.1%
<i>Carlsbad Water Reclamation Facilities</i>	\$ 553,227	3.52	\$ 562,215	3.38	1.6%
<i>Raceway Basin Pump Station</i>	\$ 147,429	0.93	\$ 154,951	0.93	5.1%
Remote Facilities	\$ 1,260,008	7.97	\$ 1,393,336	8.38	10.6%
Subtotal	\$ 6,597,080	43.43	\$ 6,901,562	45.25	4.6%
Internal Service Funds	\$ 2,353,388	13.36	\$ 2,468,421	12.54	4.9%
Subtotal Operating	\$ 8,950,468	56.79	\$ 9,369,983	57.79	4.7%
Capital Program	\$ 2,510,714	13.21	\$ 2,665,096	13.21	6.1%
Total Personnel Expense	\$ 11,461,182	70.00	\$ 12,035,079	71.00	5.0%

FISCAL YEAR 2020 ORGANIZATION (71 FTEs)



FY2020 SALARY SCHEDULE

Salary Range	Hourly		Annual		Salary Range	Hourly		Annual	
	Minimum	Maximum	Minimum	Maximum		Minimum	Maximum	Minimum	Maximum
1	\$ 16.133	\$ 21.780	\$ 33,558	\$ 45,303	21	\$ 42.807	\$ 57.789	\$ 89,038	\$ 120,202
2	\$ 16.940	\$ 22.869	\$ 35,236	\$ 47,568	22	\$ 44.947	\$ 60.679	\$ 93,490	\$ 126,212
3	\$ 17.787	\$ 24.013	\$ 36,997	\$ 49,946	23	\$ 47.195	\$ 63.713	\$ 98,165	\$ 132,522
4	\$ 18.677	\$ 25.213	\$ 38,847	\$ 52,444	24	\$ 49.554	\$ 66.898	\$ 103,073	\$ 139,149
5	\$ 19.610	\$ 26.474	\$ 40,790	\$ 55,066	25	\$ 52.032	\$ 70.243	\$ 108,227	\$ 146,106
6	\$ 20.591	\$ 27.798	\$ 42,829	\$ 57,819	26	\$ 54.634	\$ 73.755	\$ 113,638	\$ 153,411
7	\$ 21.620	\$ 29.188	\$ 44,970	\$ 60,710	27	\$ 57.365	\$ 77.443	\$ 119,320	\$ 161,082
8	\$ 22.701	\$ 30.647	\$ 47,219	\$ 63,746	28	\$ 60.234	\$ 81.315	\$ 125,286	\$ 169,136
9	\$ 23.836	\$ 32.179	\$ 49,580	\$ 66,933	29	\$ 63.245	\$ 85.381	\$ 131,550	\$ 177,593
10	\$ 25.028	\$ 33.788	\$ 52,059	\$ 70,280	30	\$ 66.408	\$ 89.650	\$ 138,128	\$ 186,472
11	\$ 26.280	\$ 35.478	\$ 54,662	\$ 73,793	31	\$ 69.728	\$ 94.133	\$ 145,034	\$ 195,796
12	\$ 27.594	\$ 37.252	\$ 57,395	\$ 77,483	32	\$ 73.214	\$ 98.839	\$ 152,286	\$ 205,586
13	\$ 28.973	\$ 39.114	\$ 60,265	\$ 81,357	33	\$ 76.875	\$ 103.781	\$ 159,900	\$ 215,865
14	\$ 30.422	\$ 41.070	\$ 63,278	\$ 85,425	34	\$ 80.719	\$ 108.970	\$ 167,895	\$ 226,658
15	\$ 31.943	\$ 43.123	\$ 66,442	\$ 89,696	35	\$ 84.755	\$ 114.419	\$ 176,290	\$ 237,991
16	\$ 33.540	\$ 45.279	\$ 69,764	\$ 94,181	36	\$ 88.992	\$ 120.140	\$ 185,104	\$ 249,891
17	\$ 35.217	\$ 47.543	\$ 73,252	\$ 98,890	37	\$ 93.442	\$ 126.147	\$ 194,360	\$ 262,385
18	\$ 36.978	\$ 49.921	\$ 76,915	\$ 103,835	38	\$ 98.114	\$ 132.454	\$ 204,078	\$ 275,505
19	\$ 38.827	\$ 52.417	\$ 80,760	\$ 109,027	39	\$ 103.020	\$ 139.077	\$ 214,281	\$ 289,280
20	\$ 40.768	\$ 55.037	\$ 84,798	\$ 114,478	40	\$ 108.171	\$ 146.031	\$ 224,996	\$ 303,744

Labor Relations Resolution # 2018-02

Standby Duty: \$1.50 / hour

Shift Differential: \$2.50 / hour

Lead Operator Pay: \$2.50 / hour when in absence of Shift Supervisor

Certification Stipend: \$60 / pay period for Class B Drivers License, Crane Operator Certificate or Welding Certificate

Meal Allowance: \$15 / meal for 2+ hours of overtime

Safety Boot Allowance: \$150 - \$300 / year depending on job classification

Safety Prescription Eyewear Allowance: \$400 / year

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ENCINA WATER POLLUTION CONTROL FACILITY

The Encina Water Pollution Control Facility (EWPCF), located in Carlsbad, California, provides wastewater treatment services to approximately 377,000 residents in a 123 square mile service area of northwest San Diego County. The EWPCF consists of three major components: the treatment plant; the Encina Ocean Outfall (EOO); and the Joint Flow Metering System (JFMS). The EWPCF was constructed in 1963 to treat wastewater from the Cities of Carlsbad and Vista, with the City of Encinitas, Vallecitos Water District, Buena Sanitation District and Leucadia Wastewater District joining the partnership in the subsequent years. Since its original design and construction, the treatment plant has undergone four (4) major expansions – the latest completed in 2009, and is beginning another round of construction to address reliability and aging infrastructure. Today, the EWPCF is a modern resource recovery facility that produces: clean water for recycling and Pacific Ocean discharge (via preliminary and primary treatment processes; activated sludge secondary treatment; secondary flow equalization facilities; and a 1.5 mile EOO, which discharges treated effluent at an average depth of one-hundred-fifty (150) feet; a granular fertilizer marketed under the name PureGreen (via anaerobic digesters; solids dewatering centrifuges; and a triple-pass rotary drum heat dryer); and, about 83% of the electricity required to power the EWPCF (via a Combined Heat & Cogeneration Power System). In addition, the JFMS consists of sixteen flow meters strategically placed throughout the collection system. The data collected at these metering sites, which is analyzed and certified by an independent consultant, is a critical element in allocating EWPCF costs among the EWA Member Agencies.

Capacity – The EWPCF has a rated liquid treatment capacity of 40.51 million gallons per day (MGD) and a rated solids treatment capacity of 43.53 MGD. During FY2020, the EWPCF will: (1) clean more than 8 billion gallons of water; (2) recycle nearly 3.3 billion gallons for on-site use and regional irrigation; and, (3) process nearly 18 million pounds of solids into 6,300 tons of PureGreen fertilizer.

Cost Allocation – The EWPCF costs are allocated among member agencies based on ownership and usage charges in accordance with the Financial Plan and Revenue Program. EOO costs are allocated among Member Agencies based on the volume of effluent discharged. JFMS costs are allocated among the Member Agencies based on the number, location and type of meters.



Encina Water Pollution Control Facility

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OPERATING EXPENSE SUMMARY: ENCINA WATER POLLUTION CONTROL FACILITY

PERSONNEL

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
5100	Salaries	\$ 3,240,630	\$	3,317,561	\$	3,365,075	\$	3,291,866	-1%
5200	Benefits	\$ 1,395,947	\$	1,454,835	\$	1,384,627	\$	1,508,338	4%
Total Personnel Expenses		\$ 4,636,576	\$	4,772,396	\$	4,749,702	\$	4,800,204	1%

NON-PERSONNEL

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
21001	7330	Specialty Services	\$ 121,486	\$	125,450	\$	123,300	\$ 130,000	4%
22001	5400	CEPT Polymer	\$ 145,693	\$	107,300	\$	109,065	\$ 109,100	2%
22001	5401	Ferric Chloride	\$ 214,984	\$	298,100	\$	318,100	\$ 414,400	39%
22001	5405	Atmospheric Control (Nitrogen)	\$ 10,895	\$	17,700	\$	13,128	\$ 19,550	10%
22001	5406	Pellet Dust Control	\$ 58,164	\$	96,700	\$	61,900	\$ 73,000	-25%
22001	5407	Sodium Hypochlorite	\$ 57,119	\$	56,450	\$	63,600	\$ 72,150	28%
22001	5408	Coagulation Polymer	\$ 26,680	\$	-	\$	-	\$ -	0%
22001	5409	Dewatering Polymer	\$ 547,069	\$	563,450	\$	623,500	\$ 651,700	16%
22001	5420	Biosolids Disposal	\$ 367,103	\$	389,500	\$	396,100	\$ 429,400	10%
22001	5422	Pure Green Marketing	\$ 9,593	\$	16,500	\$	13,200	\$ 10,000	-39%
22001	5423	Grit Hauling	\$ 129,813	\$	133,900	\$	112,700	\$ 113,300	-15%
22001	5431	Water	\$ 14,008	\$	15,600	\$	12,800	\$ 16,200	4%
22001	6450	Professional Services	\$ 34,857	\$	39,000	\$	38,789	\$ 24,000	-38%
22001	6720	Specialty Equipment	\$ 2,477	\$	1,600	\$	1,573	\$ 6,600	313%
22001	6920	Permits	\$ 25,216	\$	26,650	\$	26,200	\$ 26,350	-1%
22001	7130	Public Information	\$ 5,908	\$	2,000	\$	-	\$ -	-100%
22001	7310	Safety & Medical Services	\$ 18,434	\$	25,100	\$	21,600	\$ 24,600	-2%
22001	7320	Safety Equipment	\$ 92,004	\$	91,600	\$	88,500	\$ 90,000	-2%
22001	7330	Specialty Services	\$ 896	\$	1,000	\$	1,000	\$ 1,500	50%
22001	7611	Hazwoper Training	\$ 4,207	\$	7,200	\$	4,100	\$ 6,000	-17%
22001	7616	First Aid Training	\$ 2,821	\$	750	\$	750	\$ 3,900	420%
22001	7617	Safety Other	\$ 5,562	\$	54,000	\$	54,000	\$ 6,500	-88%
22001	7620	Contingency	\$ -	\$	250,000	\$	-	\$ 250,000	0%
23001	5410	Chemicals	\$ 4,065	\$	7,500	\$	7,301	\$ 7,500	0%
23001	5530	Misc. Corrosion Protection	\$ 2,319	\$	2,000	\$	2,000	\$ 2,000	0%
23001	5910	Equipment Rental	\$ 1,777	\$	8,000	\$	8,000	\$ 13,000	63%
23001	6120	Fuel & Lube	\$ 22,572	\$	22,800	\$	23,900	\$ 23,100	1%
23001	6230	Janitorial	\$ 83,214	\$	99,500	\$	97,181	\$ 100,000	1%

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NON-PERSONNEL EXPENSES (cont.)			Actual	Budget	Projected	Recommended	%
			FY2018	FY2019	FY2019	FY2020	Change
23001	6410	Laundry & Uniforms	\$ 12,615	\$ 18,750	\$ 18,250	\$ 18,000	-4%
23001	6424	Information Systems	\$ 353,532	\$ 331,500	\$ 327,500	\$ 381,900	15%
23001	6510	Mobile Equipment Repair	\$ 13,180	\$ 19,000	\$ 18,200	\$ 20,000	5%
23001	6710	Equipment New	\$ 6,712	\$ 6,000	\$ 5,700	\$ 6,000	0%
23001	6730	Non-Specific Repair & Maintenance	\$ 92,774	\$ 90,000	\$ 91,000	\$ 95,000	6%
23001	6930	Piping & Electrical Repair	\$ 97,938	\$ 110,000	\$ 110,000	\$ 112,000	2%
23001	6940	Planned Maintenance	\$ 95,548	\$ 102,000	\$ 102,000	\$ 102,000	0%
23001	7010	Plant Contracts	\$ 136,523	\$ 154,900	\$ 137,000	\$ 154,900	0%
23001	7330	Specialty Services	\$ 101,795	\$ 132,700	\$ 116,000	\$ 114,000	-14%
23001	7510	Tools	\$ 7,006	\$ 7,000	\$ 6,600	\$ 7,000	0%
24001	6730	Non-Specific Repair & Maintenance	\$ -	\$ 1,500	\$ -	\$ -	-100%
24001	6810	Ocean Monitoring	\$ 4,188	\$ 55,000	\$ 40,500	\$ 27,000	-51%
24001	6911	Effluent Testing	\$ 19,932	\$ 26,500	\$ 20,000	\$ 20,500	-23%
24001	6920	Permits	\$ 190,432	\$ 188,600	\$ 205,000	\$ 205,000	9%
24001	6940	Planned Maintenance	\$ -	\$ 2,000	\$ -	\$ -	-100%
50001	BOD	Professional Development	\$ -	\$ 1,100	\$ 1,100	\$ 1,100	0%
50001	BOD	Board of Directors Fees	\$ 51,684	\$ 63,800	\$ 61,600	\$ 66,500	4%
Total Non-Personnel Expenses			\$ 3,192,795	\$ 3,769,700	\$ 3,482,737	\$ 3,954,750	5%

INTERNAL SERVICE FUNDS			Actual	Budget	Projected	Recommended	%
			FY2018	FY2019	FY2019	FY2020	Change
11001		Administration	\$ 1,594,182	\$ 1,637,966	\$ 1,591,694	\$ 1,716,344	5%
12001		Laboratory	\$ 848,408	\$ 899,754	\$ 883,056	\$ 974,990	8%
13001		Energy Management	\$ 1,808,661	\$ 1,877,207	\$ 2,014,595	\$ 2,177,487	16%
Total Internal Service Fund Expenses			\$ 4,251,251	\$ 4,414,927	\$ 4,489,345	\$ 4,868,821	10%
Total Operating Expenses			\$ 12,080,622	\$ 12,957,023	\$ 12,721,784	\$ 13,623,775	5%

ENVIRONMENTAL COMPLIANCE & REGIONAL SOURCE CONTROL

The EWPCF discharges clean water to the Pacific Ocean via the Encina Ocean Outfall pursuant to a National Pollutant Discharge Elimination System (NPDES) Permit issued under the authority of the federal Clean Water Act (CWA). The CWA also covers non-domestic sources of wastewater that discharge directly to a publicly owned treatment works like the EWPCF. Such discharges may be federally regulated or regulated by EWA’s Pretreatment Ordinance, which are enforced by EWA in cooperation with the host Member Agency under authority derived from the federal CWA. The goal of Encina’s Regional Source Control Program is to prevent the discharge of pollutants into the Member Agency sewer system, which may interfere with the operation of the EWPCF or pass through the system and negatively impact the ocean environment, the quality of PureGreen fertilizer or the ability to reclaim water. The Source Control Program achieves this goal by: identifying regulated industries; conducting facility inspections; issuing wastewater discharge permits; sampling industrial discharges to determine compliance; taking enforcement in response to noncompliance; responding to Member Agency requests to perform investigations regarding non-routine discharges; and, conducting related public outreach activities.

Capacity – During FY2020 staff estimates sixty (60) industries will be fully permitted, while another 540 businesses will participate in EWA’s Best Management Practices Program.

Cost Allocation – Personnel Expenses make up over 88% of Source Control’s budgeted expenses. Over 86% of personnel expenses are allocated to Member Agencies based on the actual level of effort by staff. Remaining personnel expenses and all non-personnel expenses are allocated to the Member Agencies on the basis of Encina Ocean Outfall flows.



Public Outreach at the City of Carlsbad Citizens Academy

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OPERATING EXPENSE SUMMARY: SOURCE CONTROL

PERSONNEL

		Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	% Change
5100	Salaries	\$ 384,261	\$ 415,115	\$ 407,340	\$ 474,304	14%
5200	Benefits	\$ 166,872	\$ 149,563	\$ 170,314	\$ 233,718	56%
Total Personnel Expenses		\$ 551,133	\$ 564,678	\$ 577,654	\$ 708,022	25%

NON-PERSONNEL

		Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	% Change
40001	5520 Books	\$ -	\$ 250	\$ 250	\$ 300	20%
40001	5930 Equipment Replacement	\$ 29	\$ 3,300	\$ 350	\$ 1,900	-42%
40001	6120 Fuel & Lube	\$ 1,332	\$ 1,750	\$ 2,000	\$ 2,100	20%
40001	6310 Lab Equipment Repair	\$ 3,833	\$ 5,200	\$ 5,200	\$ 10,100	94%
40001	6330 Lab Supplies	\$ -	\$ 750	\$ 750	\$ 750	0%
40001	6410 Laundry & Uniforms	\$ 1,535	\$ 1,600	\$ 1,595	\$ 1,850	16%
40001	6422 Legal Notices	\$ 554	\$ 1,500	\$ 750	\$ 1,500	0%
40001	6450 Professional Services	\$ -	\$ -	\$ -	\$ 30,000	0%
40001	7120 Printing & Reproduction	\$ -	\$ 500	\$ 500	\$ 500	0%
40001	7130 Public Information	\$ 43	\$ 3,000	\$ 3,000	\$ 3,000	0%
Total Non-Personnel Expenses		\$ 7,326	\$ 17,850	\$ 14,395	\$ 52,000	191%

INTERNAL SERVICE FUNDS

		Actual FY2018	Budget FY2019	Projected FY2019	Recommended FY2020	% Change
11001	Administration	\$ 84,002	\$ 97,396	\$ 94,645	\$ 113,076	16%
12001	Laboratory	\$ 48,029	\$ 71,275	\$ 49,990	\$ 55,194	-23%
13001	Energy Management	\$ 1,810	\$ 1,879	\$ 2,017	\$ 2,180	16%
Total Internal Service Fund Expenses		\$ 133,841	\$ 170,550	\$ 146,652	\$ 170,450	0%
Total Operating Expenses		\$ 692,300	\$ 753,078	\$ 738,701	\$ 930,472	24%

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REMOTE FACILITIES

AGUA HEDIONDA PUMP STATION

The Agua Hedionda Pump Station (AHPS) is part of the Encina Joint Sewerage System and is jointly owned by the City of Vista and the City of Carlsbad. This pump station is located on the southeast shore of the Agua Hedionda Lagoon and is currently in the process of being replaced with a new station on the existing site. The current station will remain operational until the new station is fully operational, which is anticipated to occur in late fiscal year 2019 or early 2020.

Capacity – The existing AHPS is equipped with four (4) pumps rated at 8,000 gallons per minute. This equipment will be replaced by the new pump station’s four (4) lift pumps and four (4) force main pumps, providing ample redundancy and a broad operating range. This facility is operated 365 days a year on a 24 hour-a-day basis.

Cost Allocation – The AHPS is operated by EWA under a contract with the owner agencies. The costs of operating and maintaining the AHPS are allocated to the City of Vista (69.1%) and the City of Carlsbad (30.9%) in accordance with the May 2017 Memorandum of Understanding.



Newly Constructed Agua Hedionda Pump Station

REMOTE FACILITIES (cont.)

BUENA VISTA PUMP STATION

The Buena Vista Pump Station (BVPS) is part of the Encina Joint Sewerage System and is jointly owned by the City of Vista and the City of Carlsbad. This pump station is located on the southwest shores of the Buena Vista Lagoon.

Capacity – The BVPS, which is equipped with four (4) pumps rated at 11,000 gallons per minute, is operated 365 days a year on a 24 hour-a-day basis.

Cost Allocation – The BVPS is operated by EWA under a contract with the owner agencies. The costs of operating and maintaining the BVPS are allocated to the City of Vista (89.6%) and the City of Carlsbad (10.4%) in accordance with the May 2017 Memorandum of Understanding.



Buena Vista Pump Station

REMOTE FACILITIES (cont.)

BUENA CREEK PUMP STATION

The Buena Creek Pump Station (BCPS) is owned by the Buena Sanitation District (BSD). This pump station is located approximately two miles north of Palomar Airport Road and 1/8 mile east of Melrose Drive.

Capacity – The BCPS, which is equipped with five (5) pumps rated at 4,500 gallons per minute, is operated 365 days a year on a 24 hour-a-day basis.

Cost Allocation – The BCPS is operated by EWA under a contract with the BSD. 100% of the costs for operating and maintaining the BCPS are allocated to the BSD in accordance with the May 2017 Memorandum of Understanding.



Buena Creek Pump Station

REMOTE FACILITIES (cont.)

CARLSBAD WATER RECYCLING FACILITY

The Carlsbad Water Reclamation Facility (CWRF) is owned by the City of Carlsbad. The facility is located on nine (9) acres directly adjacent to the southwest border of the EWPCF.

Capacity – The CWRF recycles secondary effluent produced at the EWPCF, which is conveyed throughout the City for irrigation purposes. A plant expansion completed during FY 2017 increased the plant capacity to 7 MGD.

Cost Allocation – The CWRF is operated by EWA under a contract with the City of Carlsbad. 100% of the costs for operating and maintaining the CWRF are paid by the City of Carlsbad in accordance with the May 2005 Memorandum of Understanding. Recommended expenses are based on the expected recycled water production volume. Actual expenditures will reflect the actual volume of recycled water production.



Carlsbad Water Recycling Facility

REMOTE FACILITIES (cont.)

RACEWAY BASIN PUMP STATION

The Raceway Basin Pump Station (RBPS) is owned by the City of Vista. This pump station is located approximately 1/2 mile north of Palomar Airport Road and 1/8 mile west of Melrose Drive.

Capacity – The RBPS, which is equipped with three (3) pumps rated at 1,350 gallons per minute, is operated 365 days a year on a 24 hour-a-day basis.

Cost Allocation – The RBPS is operated by EWA under a contract with the City of Vista. 100% of the costs for operating and maintaining the RBPS are allocated to the City of Vista in accordance with the May 2017 Memorandum of Understanding.



Raceway Basin Pump Station

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OPERATING EXPENSE SUMMARY: AGUA HEDIONDA PUMP STATION

PERSONNEL			Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	% Change
5100	Salaries	\$	107,125	\$	120,715	\$	287,206	\$	187,993	56%
5200	Benefits	\$	47,155	\$	61,081	\$	129,034	\$	91,352	50%
Total Personnel Expenses		\$	154,279	\$	181,796	\$	416,240	\$	279,345	54%

NON-PERSONNEL			Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	% Change
31001	5431 Water	\$	1,356	\$	8,800	\$	14,150	\$	8,800	0%
31001	5435 Electricity	\$	102,360	\$	80,000	\$	163,400	\$	172,200	115%
31001	5910 Equipment Rental	\$	-	\$	1,000	\$	1,000	\$	-	-100%
31001	6120 Fuel & Lube	\$	3,504	\$	2,850	\$	2,400	\$	3,650	28%
31001	6410 Laundry & Uniforms	\$	312	\$	400	\$	900	\$	425	6%
31001	6730 Non-Specific Repair & Maintenance	\$	634	\$	2,500	\$	3,150	\$	2,500	0%
31001	6920 Permits	\$	2,866	\$	2,800	\$	2,900	\$	3,100	11%
31001	6930 Piping & Electrical Repair	\$	387	\$	3,500	\$	3,000	\$	3,500	0%
31001	6940 Planned Maintenance	\$	-	\$	8,500	\$	4,000	\$	8,500	0%
31001	7010 Plant Contracts	\$	2,900	\$	2,700	\$	2,550	\$	2,700	0%
31001	7320 Safety Equipment	\$	753	\$	800	\$	800	\$	1,500	88%
31001	7330 Specialty Services	\$	7,379	\$	16,750	\$	10,000	\$	22,250	33%
Total Non-Personnel Expenses		\$	122,452	\$	130,600	\$	208,250	\$	229,125	75%

INTERNAL SERVICE FUNDS			Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	% Change
11001	Administration	\$	38,538	\$	41,621	\$	40,445	\$	50,019	20%
Total Internal Service Fund Expenses		\$	38,538	\$	41,621	\$	40,445	\$	50,019	20%
Total Operating Expenses		\$	315,269	\$	354,017	\$	664,935	\$	558,489	58%

OPERATING EXPENSE SUMMARY: BUENA VISTA PUMP STATION

PERSONNEL		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
5100	Salaries	\$ 202,996	\$ 131,066	\$ 127,982	\$ 135,320	3%
5200	Benefits	\$ 79,277	\$ 65,484	\$ 57,215	\$ 71,246	9%
Total Personnel Expenses		\$ 282,273	\$ 196,550	\$ 185,197	\$ 206,566	5%

NON-PERSONNEL		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
32001	5431 Water	\$ 1,469	\$ 1,850	\$ 1,900	\$ 1,900	3%
32001	5435 Electricity	\$ 259,959	\$ 220,000	\$ 319,850	\$ 334,800	52%
32001	5910 Equipment Rental	\$ -	\$ 500	\$ -	\$ -	-100%
32001	6120 Fuel & Lube	\$ 4,606	\$ 3,750	\$ 4,500	\$ 4,350	16%
32001	6410 Laundry & Uniforms	\$ 312	\$ 400	\$ 450	\$ 425	6%
32001	6730 Non-Specific Repair & Maintenance	\$ 1,591	\$ 3,000	\$ 3,000	\$ 3,000	0%
32001	6920 Permits	\$ 1,842	\$ 2,550	\$ 2,000	\$ 2,550	0%
32001	6930 Piping & Electrical Repair	\$ 2,350	\$ 5,000	\$ 5,000	\$ 5,000	0%
32001	6940 Planned Maintenance	\$ 2,189	\$ 7,000	\$ 7,000	\$ 7,000	0%
32001	7010 Plant Contracts	\$ 6,461	\$ 3,200	\$ 3,000	\$ 3,500	9%
32001	7320 Safety Equipment	\$ 937	\$ 1,000	\$ 1,000	\$ 1,000	0%
32001	7330 Specialty Services	\$ 13,714	\$ 20,550	\$ 15,550	\$ 15,550	-24%
32001	7510 Tools	\$ 23	\$ 500	\$ -	\$ -	-100%
Total Non-Personnel Expenses		\$ 295,453	\$ 269,300	\$ 363,250	\$ 379,075	41%

INTERNAL SERVICE FUNDS		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
11001	Administration	\$ 49,535	\$ 48,723	\$ 47,347	\$ 51,236	5%
Total Internal Service Fund Expenses		\$ 49,535	\$ 48,723	\$ 47,347	\$ 51,236	5%
Total Operating Expenses		\$ 627,261	\$ 514,573	\$ 595,794	\$ 636,877	24%

OPERATING EXPENSE SUMMARY: BUENA CREEK PUMP STATION

PERSONNEL

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
5100	Salaries	\$ 101,290	\$	120,657	\$	120,412	\$	124,502	3%
5200	Benefits	\$ 45,316	\$	60,349	\$	52,809	\$	65,757	9%
Total Personnel Expenses		\$ 146,606	\$	181,006	\$	173,221	\$	190,259	5%

NON-PERSONNEL

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
37001	5431 Water	\$ 2,202	\$	2,500	\$	2,500	\$	2,600	4%
37001	5435 Electricity	\$ 121,435	\$	105,000	\$	130,000	\$	136,500	30%
37001	6120 Fuel & Lube	\$ 4,470	\$	3,200	\$	3,950	\$	3,650	14%
37001	6410 Laundry & Uniforms	\$ 312	\$	500	\$	500	\$	450	-10%
37001	6710 Equipment New	\$ -	\$	500	\$	-	\$	-	-100%
37001	6730 Non-Specific Repair & Maintenance	\$ 1,791	\$	2,000	\$	2,000	\$	2,000	0%
37001	6920 Permits	\$ 1,755	\$	2,850	\$	1,800	\$	2,850	0%
37001	6930 Piping & Electrical Repair	\$ 4,448	\$	5,000	\$	5,000	\$	5,000	0%
37001	6940 Planned Maintenance	\$ 940	\$	4,000	\$	2,500	\$	2,500	-38%
37001	7010 Plant Contracts	\$ 1,870	\$	1,500	\$	2,000	\$	2,000	33%
37001	7320 Safety Equipment	\$ 637	\$	700	\$	700	\$	700	0%
37001	7330 Specialty Services	\$ 8,505	\$	23,650	\$	19,500	\$	20,000	-15%
Total Non-Personnel Expenses		\$ 148,364	\$	151,400	\$	170,450	\$	178,250	18%

INTERNAL SERVICE FUNDS

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
11001	Administration	\$ 39,308	\$	41,457	\$	40,286	\$	43,709	5%
Total Internal Service Fund Expenses		\$ 39,308	\$	41,457	\$	40,286	\$	43,709	5%
Total Operating Expenses		\$ 334,278	\$	373,863	\$	383,957	\$	412,218	10%

OPERATING EXPENSE SUMMARY: CARLSBAD WATER RECYCLING FACILITY

PERSONNEL			Actual		Budget		Projected		Recommended		%
			FY2018		FY2019		FY2019		FY2020		Change
5100	Salaries	\$	323,476	\$	368,713	\$	338,847	\$	367,608		0%
5200	Benefits	\$	148,525	\$	184,514	\$	155,107	\$	194,607		5%
Total Personnel Expenses		\$	472,001	\$	553,227	\$	493,954	\$	562,215		2%

NON-PERSONNEL			Actual		Budget		Projected		Recommended		%
			FY2018		FY2019		FY2019		FY2020		Change
38001	5394 Caustic Membrane Filtration	\$	21,786	\$	26,700	\$	19,900	\$	21,900		-18%
38001	5395 Citric Acid	\$	26,799	\$	27,000	\$	22,900	\$	25,600		-5%
38001	5407 Sodium Hypochlorite	\$	72,387	\$	120,600	\$	139,750	\$	152,300		26%
38001	5408 Coagulation Polymer	\$	-	\$	3,300	\$	3,300	\$	3,300		0%
38001	5411 Sodium Bisulfate	\$	25,850	\$	28,600	\$	27,000	\$	26,500		-7%
38001	5412 Alum	\$	-	\$	14,100	\$	5,115	\$	14,100		0%
38001	5435 Electricity	\$	194,024	\$	200,500	\$	208,100	\$	224,350		12%
38001	5530 Misc. Corrosion Protection	\$	-	\$	2,000	\$	2,000	\$	2,000		0%
38001	5910 Equipment Rental	\$	414	\$	3,500	\$	3,500	\$	3,500		0%
38001	6120 Fuel & Lube	\$	73	\$	2,600	\$	700	\$	700		-73%
38001	6230 Janitorial	\$	-	\$	2,100	\$	2,100	\$	2,100		0%
38001	6410 Laundry & Uniforms	\$	936	\$	1,250	\$	1,250	\$	1,250		0%
38001	6424 Information Systems	\$	-	\$	4,000	\$	4,000	\$	4,000		0%
38001	6450 Professional Services	\$	-	\$	58,000	\$	50,000	\$	25,000		-57%
38001	6730 Non-Specific Repair & Maintenance	\$	7,003	\$	10,000	\$	9,300	\$	10,000		0%
38001	6920 Permits	\$	17,544	\$	17,450	\$	18,850	\$	18,850		8%
38001	6930 Piping & Electrical Repair	\$	3,122	\$	6,000	\$	6,000	\$	6,000		0%
38001	6940 Planned Maintenance	\$	14,082	\$	21,300	\$	17,500	\$	21,300		0%
38001	7010 Plant Contracts	\$	1,921	\$	4,550	\$	4,250	\$	4,550		0%
38001	7320 Safety Equipment	\$	1,134	\$	1,200	\$	1,200	\$	1,200		0%
38001	7330 Specialty Services	\$	2,752	\$	31,050	\$	26,050	\$	26,050		-16%
38001	7510 Tools	\$	-	\$	500	\$	-	\$	-		-100%
Total Non-Personnel Expenses		\$	389,828	\$	586,300	\$	572,765	\$	594,550		1%

INTERNAL SERVICE FUNDS			Actual		Budget		Projected		Recommended		%
			FY2018		FY2019		FY2019		FY2020		Change
11001	Administration	\$	110,398	\$	141,178	\$	137,189	\$	149,087		6%
12001	Laboratory	\$	56,242	\$	57,776	\$	58,539	\$	64,634		12%
Total Internal Service Fund Expenses		\$	166,640	\$	198,954	\$	195,728	\$	213,721		7%

Total Operating Expenses		\$	1,028,469	\$	1,338,481	\$	1,262,447	\$	1,370,486		2%
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OPERATING EXPENSE SUMMARY: RACEWAY BASIN PUMP STATION

PERSONNEL		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
5100	Salaries	\$ 75,156	\$ 97,697	\$ 95,772	\$ 101,502	4%
5200	Benefits	\$ 35,985	\$ 49,732	\$ 42,722	\$ 53,449	7%
Total Personnel Expenses		\$ 111,141	\$ 147,429	\$ 138,494	\$ 154,951	5%

NON-PERSONNEL		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
39001	5431 Water	\$ 603	\$ 750	\$ 800	\$ 800	7%
39001	5435 Electricity	\$ 28,210	\$ 23,000	\$ 25,200	\$ 26,450	15%
39001	5910 Equipment Rental	\$ -	\$ 300	\$ -	\$ -	-100%
39001	6120 Fuel & Lube	\$ 2,510	\$ 3,650	\$ 4,700	\$ 4,500	23%
39001	6410 Laundry & Uniforms	\$ 312	\$ 400	\$ 600	\$ 450	13%
39001	6710 Equipment New	\$ -	\$ 500	\$ -	\$ -	-100%
39001	6730 Non-Specific Repair & Maintenance	\$ 59	\$ 2,000	\$ 2,000	\$ 2,000	0%
39001	6920 Permits	\$ 2,205	\$ 2,100	\$ 2,300	\$ 2,300	10%
39001	6930 Piping & Electrical Repair	\$ 820	\$ 2,000	\$ 2,200	\$ 2,000	0%
39001	6940 Planned Maintenance	\$ 1,385	\$ 3,000	\$ 2,400	\$ 3,000	0%
39001	7010 Plant Contracts	\$ 1,870	\$ 2,250	\$ 1,002	\$ 2,500	11%
39001	7320 Safety Equipment	\$ 587	\$ 650	\$ 650	\$ 650	0%
39001	7330 Specialty Services	\$ 14,080	\$ 20,650	\$ 17,150	\$ 17,150	-17%
Total Non-Personnel Expenses		\$ 52,642	\$ 61,250	\$ 59,002	\$ 61,800	1%

INTERNAL SERVICE FUNDS		Actual	Budget	Projected	Recommended	%
		FY2018	FY2019	FY2019	FY2020	Change
11001	Administration	\$ 24,938	\$ 29,656	\$ 28,818	\$ 31,615	7%
Total Internal Service Fund Expenses		\$ 24,938	\$ 29,656	\$ 28,818	\$ 31,615	7%
Total Operating Expenses		\$ 188,721	\$ 238,335	\$ 226,314	\$ 248,366	4%

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INTERNAL SERVICE FUNDS

Internal Service Funds (ISFs) make categorical and overhead charges to operating and capital programs. Categorical charges are costs incurred by the ISF that are directly attributable to a particular operating or capital program the ISF supports. Overhead charges are costs incurred by the ISF that support more than one operating or capital program. EWA’s budget reflects three ISFs: (1) Administration; (2) Laboratory; and, (3) Energy Management. The existence of these ISFs traces back to the 1998 EWA Staffing Reorganization and management’s effort to distinguish between costs required to ensure public health, produce effluent water compliant with NPDES Permit standards, and maintain the associated Encina Joint System infrastructure from costs associated with administering the Encina Joint System that could be taken on by a Member Agency or a third party administrator (Administration), permit compliance activities that could be contracted out (Laboratory), and power that could be purchased from San Diego Gas & Electric (Energy Management).

Administration – The Administration Internal Service Fund provides professional support services to EWA’s Board of Directors as well as all Operating and Capital Programs. Administration plans and executes EWA’s business, asset management, and financial plans; provides treasury and accountancy management; is responsible for required and supplemental financial reporting; administers all human resources functions, employee benefits, professional development, and other “Employer of Choice” initiatives; and, supports EWA’s governance activities.

Laboratory – The Laboratory Internal Service Fund is responsible for monitoring and reporting activities required by: (1) EWA’s National Pollutant Discharge Elimination System (NPDES) Permit; (2) permits related to facilities operated and maintained by EWA staff; (3) EWA’s Storm Water Permit; and, (4) permits and contracts related to biosolids use. The Laboratory is also responsible for management of EWA’s Joint Flow Metering System (JFMS), as well as the sampling and data compilation elements of EWA’s Financial Plan and Revenue Program.

EWA’s Laboratory, which is certified by the State of California’s Environmental Laboratory Accreditation Program, analyzes over 32,000 samples per year including process control, plant influent and effluent, biosolids, industrial user samples, ocean water, storm water, and drinking water. A portion of the analyses is completed under contract for EWA’s Member Agencies, which generated \$215,347 in revenue in FY2018, offsetting operating expenses.



Testing biochemical oxygen demand levels

Energy Management – The Energy Management Internal Service Fund utilizes the EWPCF’s power production and heat exchange facilities to maximize the beneficial reuse of digester gas produced in the wastewater treatment process thus minimizing the amount of energy EWA must purchase to operate the EWPCF. EWPCF’s Energy Management facilities generates about 12 million kilowatt hours of green electricity per year from biogas thus providing about 83% of the electricity required to operate the EWPCF. EWA is a member of the Environmental Protection Agency’s Green Power Partnership and has been ranked in the Top 30 of the Green Power Leadership Club for On-Site Generation since 2011.

Cost Allocation – All ISF costs and revenues are allocated internally to one or more Operating or Capital program on the basis of use. Each Operating and Capital program has its own cost allocation that apportions its net costs the Member Agencies.

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OPERATING EXPENSE SUMMARY: INTERNAL SERVICE FUNDS

PERSONNEL EXPENSES

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
5100	Salaries	\$ 1,565,814	\$	1,609,219	\$	1,549,502	\$	1,694,879	5%
5200	Benefits	\$ 659,632	\$	744,169	\$	665,907	\$	773,542	4%
Total Personnel Expenses		\$ 2,225,446	\$	2,353,388	\$	2,215,409	\$	2,468,421	5%

NON-PERSONNEL EXPENSES

		Actual FY2018		Budget FY2019		Projected FY2019		Recommended FY2020	%
									Change
11001	5445 Telephone	\$ 52,904	\$	55,100	\$	70,550	\$	73,000	32%
11001	5510 Advertising	\$ 4,360	\$	7,000	\$	7,450	\$	7,000	0%
11001	5810 Employee Recognition	\$ 10,273	\$	12,000	\$	12,412	\$	12,000	0%
11001	5920 Equipment Repair Maint	\$ 24,518	\$	26,800	\$	24,426	\$	26,800	0%
11001	6210 Independent Auditor/Actuary	\$ 23,000	\$	29,000	\$	28,850	\$	29,500	2%
11001	6220 Insurance	\$ 169,278	\$	189,250	\$	197,650	\$	207,000	9%
11001	6420 Legal Services	\$ 106,721	\$	95,000	\$	76,050	\$	95,000	0%
11001	6430 Memberships	\$ 74,546	\$	81,500	\$	78,000	\$	80,000	-2%
11001	6440 Mileage Reimbursement	\$ 2,979	\$	4,800	\$	4,450	\$	4,800	0%
11001	6450 Professional Services	\$ 163,174	\$	143,600	\$	142,304	\$	154,300	7%
11001	6830 Materials & Supplies	\$ 27,784	\$	27,300	\$	26,966	\$	28,500	4%
11001	7110 Postage	\$ 4,449	\$	4,750	\$	4,820	\$	4,750	0%
11001	7120 Printing & Reproduction	\$ 3,694	\$	3,900	\$	3,055	\$	3,900	0%
11001	7410 Subscriptions	\$ 1,941	\$	2,200	\$	2,044	\$	2,200	0%
11001	7610 Professional Development	\$ 111,828	\$	129,000	\$	139,733	\$	138,350	7%
12001	5520 Books	\$ -	\$	500	\$	475	\$	500	0%
12001	6120 Fuel & Lube	\$ 353	\$	450	\$	375	\$	500	11%
12001	6310 Lab Equipment Repair	\$ 18,484	\$	23,400	\$	23,050	\$	29,250	25%
12001	6320 Lab Minor Equip Replace	\$ 4,000	\$	5,650	\$	5,000	\$	8,750	55%
12001	6330 Lab Supplies	\$ 71,657	\$	77,550	\$	75,550	\$	79,950	3%
12001	6410 Laundry & Uniforms	\$ 3,952	\$	4,150	\$	4,100	\$	4,150	0%
12001	6450 Professional Services	\$ 7,713	\$	6,000	\$	5,901	\$	16,500	175%
12001	6910 Outside Analysis	\$ 14,988	\$	9,400	\$	9,000	\$	9,400	0%
12001	6911 Effluent Testing	\$ 1,645	\$	2,000	\$	1,800	\$	2,000	0%
12001	6912 Biosolids Testing	\$ 8,983	\$	11,250	\$	8,000	\$	8,550	-24%
12001	6913 Industrial User Testing	\$ 24,442	\$	33,000	\$	32,000	\$	33,000	0%
12001	6920 Permits	\$ 6,148	\$	6,500	\$	7,000	\$	8,000	23%
12001	7120 Printing & Reproduction	\$ 493	\$	500	\$	500	\$	500	0%
12001	7330 Specialty Services	\$ 11,165	\$	12,750	\$	19,000	\$	14,250	12%
13001	5410 Chemicals	\$ 8,843	\$	10,550	\$	10,400	\$	10,550	0%
13001	5435 Electricity	\$ 970,650	\$	981,200	\$	958,900	\$	1,012,000	3%

continued →

NON-PERSONNEL EXPENSES (cont.)			Actual	Budget	Projected	Recommended	%
			FY2018	FY2019	FY2019	FY2020	Change
13001	5440	Natural Gas	\$ 379,693	\$ 337,550	\$ 566,550	\$ 598,000	77%
13001	6120	Fuel & Lube	\$ 28,440	\$ 40,500	\$ 40,500	\$ 40,500	0%
13001	6230	Janitorial	\$ 1,855	\$ 2,500	\$ 1,650	\$ 2,500	0%
13001	6410	Laundry & Uniforms	\$ 1,196	\$ 1,200	\$ 1,200	\$ 1,200	0%
13001	6730	Non-Specific Repair & Maintenance	\$ 19,862	\$ 20,000	\$ 23,000	\$ 25,000	25%
13001	6920	Permits	\$ 15,194	\$ 21,600	\$ 18,000	\$ 18,000	-17%
13001	6940	Planned Maintenance	\$ 86,177	\$ 87,100	\$ 87,000	\$ 99,000	14%
13001	7330	Specialty Services	\$ 9,804	\$ 84,500	\$ 54,000	\$ 70,000	-17%
13001	7510	Tools	\$ 1,424	\$ 1,500	\$ 1,500	\$ 2,000	33%
Total Non-Personnel Expenses			\$ 2,478,605	\$ 2,592,500	\$ 2,773,212	\$ 2,961,150	14%
Total Operating Expenses			\$ 4,704,051	\$ 4,945,888	\$ 4,988,621	\$ 5,429,571	10%

CAPITAL PROGRAM

The Authority's Capital Program consists of the following elements: (1) EWPCF – Capital Improvements; (2) EWPCF – Planned Asset Rehabilitation & Replacement; (3) EWPCF – Capital Acquisitions; (4) Remote Facilities – Acquisitions & Rehabilitation; (5) Five-Year Capital Improvement Plan; and (6) Ten Year Capital Improvement Plan.

EWPCF – Capital Improvements – Capital Improvement Projects are those projects that increase or maintain the capacity of the Joint System and require a significant time commitment from staff. These projects regularly span multiple fiscal years and, therefore, unspent appropriations are typically carried forward by the Authority's annual Appropriations Resolution. Capital Project costs are allocated to Member Agencies based on ownership of the affected facilities. All Capital Projects are studied, designed, and executed pursuant to EWA's Comprehensive Asset Management Plan.



Primary Treatment Area

EWPCF – Planned Asset Rehabilitation & Replacement – Planned Asset Rehabilitation & Replacement projects extend the useful life of existing Joint System facilities and require a significant time commitment from staff. These projects are typically completed within a fiscal year, however, if a project cannot be completed, the Authority's annual Appropriations Resolution will identify unspent appropriations to be carried forward. Planned Asset Replacement costs are allocated based on ownership of the affected facilities.

EWPCF – Capital Acquisitions – Capital Acquisitions include the purchase of new items and minor facility projects that maintain the capacity and useful life of existing Joint System facilities. Expenditures are allocated based on the benefiting program or internal service fund.

CAPITAL PROGRAM (cont.)

Remote Facilities – Acquisitions & Rehabilitation – Remote Facility Acquisitions and Rehabilitation include the purchase of new items and minor facility projects that maintain the capacity and useful life of existing remote facilities operated by the Authority. Expenditures are allocated based on ownership of the affected facilities.

LONG TERM CAPITAL IMPROVEMENTS

Five-Year Capital Improvement Plan – The Five-Year Capital Improvement Plan includes expenditure projections for current and planned projects expected to require additional appropriations through FY2024, as identified by EWA’s Comprehensive Asset Management Plan (CAMP) documents. The Five-Year Capital Improvement Plan is developed and sequenced pursuant to EWA’s Comprehensive Asset Management Plan.

Ten-Year Capital Improvement Plan – The Ten-Year Capital Improvement Plan includes expenditure projections for current and planned projects expected to require additional appropriations through FY2029, as identified by EWA’s CAMP documents.

Engineering estimates for both the Five-Year and Ten-Year Programs assume annual inflation rate increases based on the Engineering News Record Construction Cost Index for Los Angeles (ENRCLA). The ENR cost index is a widely accepted method for tracking trends in industrial construction such as wastewater treatment plants. As planning reports are updated or other information becomes available, the long-term financial schedules may be revised. Capital Programs may also be modified due to unanticipated wastewater service requirements by one or more Member Agencies, changes in local population and development growth patterns, and new regulatory requirements.

SUMMARY of CAPITAL EXPENSES

	Actual FY2018	Budget FY2019	Recommended FY2020
EWPCF – Capital Improvements	\$ 12,899,137	\$ 17,649,000	\$ 17,594,480
EWPCF – Planned Asset Rehabilitation & Replacement	\$ 686,526	\$ 924,500	\$ 969,600
EWPCF – Capital Acquisitions	\$ 286,195	\$ 301,500	\$ 341,100
Remotes Facilities – Acquisitions & Rehabilitation	\$ 508,298	\$ 726,300	\$ 920,300
Subtotal	\$ 14,380,156	\$ 19,601,300	\$ 19,825,480
Salaries & Benefits	\$ 2,341,663	\$ 2,510,714	\$ 2,665,096
Total Capital Expense	\$ 16,721,819	\$ 22,112,014	\$ 22,490,576

ESTIMATED REVENUES

	Actual FY2018	Budget FY2019	Recommended FY2020
City of Carlsbad	\$ 4,011,171	\$ 5,506,254	\$ 5,489,799
City of Vista	\$ 4,397,267	\$ 5,680,343	\$ 5,881,286
Buena Sanitation District	\$ 1,256,985	\$ 1,629,047	\$ 1,734,253
Vallecitos Water District	\$ 3,615,628	\$ 4,794,677	\$ 4,847,867
Leucadia Wastewater District	\$ 2,709,301	\$ 3,592,800	\$ 3,621,242
City of Encinitas	\$ 685,389	\$ 908,893	\$ 916,129
Total Capital Revenue	\$ 16,675,741	\$ 22,112,014	\$ 22,490,576

CAPITAL IMPROVEMENT PROGRAM
MULTI-YEAR PROJECTS

	Actual FY2018	Budget FY2019	Recommended FY2020
<i>Liquid Process Improvements</i>	\$ 6,800,240	\$ 7,631,000	\$ 7,602,220
<i>Outfall</i>	\$ 41,294	\$ -	\$ 567,000
<i>Solids Process Improvements</i>	\$ 2,896,343	\$ 4,650,000	\$ 3,611,560
<i>Energy Management</i>	\$ 296,511	\$ 1,174,000	\$ 460,000
<i>General Improvements</i>	\$ 628,312	\$ 2,244,000	\$ 4,178,700
<i>Professional Services</i>	\$ 2,236,437	\$ 1,950,000	\$ 1,175,000
Total EWPCF – Capital Improvements	\$ 12,899,137	\$ 17,649,000	\$ 17,594,480
EWPCF – Planned Asset Rehabilitation & Replacement	\$ 686,526	\$ 924,500	\$ 969,600
EWPCF – Capital Acquisitions	\$ 286,195	\$ 301,500	\$ 341,100
Remote Facilities – Acquisitions & Rehabilitation	\$ 508,298	\$ 726,300	\$ 920,300
Personnel	\$ 2,341,663	\$ 2,510,714	\$ 2,665,096
Total Capital Expense	\$ 16,721,819	\$ 22,112,014	\$ 22,490,576

EWPCF – CAPITAL IMPROVEMENTS

Org	Object	Project	Description	Amount
92002	8300	11005	Primary Area Improvements	\$ 3,468,560
92002	8300	13007	Secondary Clarifiers and Strainers Improvements	\$ 3,128,660
92002	8300	13022	Secondary Flow Equalization Basin Settlement	\$ 1,005,000
92002	8300	21008	Land Outfall Improvements	\$ 567,000
92002	8300	32013	Digester Rehabilitation and Improvements	\$ 3,611,560
92002	8300	41007	Cogen Engine Full Overhaul	\$ 460,000
92002	8300	51001	ORF I System Rehabilitation	\$ 107,000
92002	8300	51002	ORF Carbon Media Replacement	\$ 202,000
92002	8300	51014	ORF II Treatment System Improvements	\$ 126,200
92002	8300	52021	Climate Control for MCCs and Cogen Building	\$ 399,000
92002	8300	52032	Plant-Wide Asset Painting and Protective Coating	\$ 155,000
92002	8300	52035	Storm Drainage Pump Station Improvements	\$ 94,000
92002	8300	53004	Admin Building HVAC Chiller Replacement	\$ 613,500
92002	8300	53016	Cogen Wall Repair	\$ 1,482,000
92002	8300	54005	Implement Minor Condition Assessment Recommendations	\$ 150,000
92002	8300	54006	As-Needed Contractor Services	\$ 700,000
92002	8300	54007	Miscellaneous Building Rehabilitation	\$ 150,000
92002	8300	61514	As-Needed Integration Services	\$ 200,000
92002	8300	81011	Asset Condition Assessments - EWPCF	\$ 100,000
92002	8300	84001	Extension of Staff Engineering Services	\$ 650,000
92002	8300	84002	Research and Development Projects Services	\$ 100,000
92002	8300	84012	Air Permitting Assistance	\$ 25,000
92002	8300	33025	Dryer Components Rehabilitation Study	\$ 50,000
92002	8300	32015	Potable Reuse Study	\$ 50,000
Total EWPCF – Capital Improvements				\$ 17,594,480

EWPCF – PLANNED ASSET REHABILITATION & REPLACEMENT

Org	Object	Project	Description	Amount
80002	8010	80710	General Plant Repairs and Unplanned Repair	\$ 130,000
80002	8010	80720	Plant Security Services	\$ 60,000
80002	8010	80730	Door Hinge and Lock Repair	\$ 40,000
80002	8010	80740	Replace Carpet for Admin Bldg - Upper Floor	\$ 20,000
80002	8010	80750	Replace Plant Lighting	\$ 20,000
80002	8020	80760	RTO Media Replacement	\$ 35,000
80002	8020	80770	TWAS Pump Rebuild	\$ 31,000
80002	8020	80780	DAF Pressurization Pump rebuild	\$ 8,100
80002	8020	80790	DAF Poly Pump Rebuild	\$ 5,000
80002	8020	80800	Plug Valve Replacement	\$ 7,000
80002	8030	80810	Utility Water Valves	\$ 10,000
80002	8030	80820	Plant Water Systems Pump Rebuild (3W, 3WL, 3WLC, 3WHP)	\$ 36,500
80002	8050	80830	Grit Dewater 1 Replacement Parts	\$ 5,000
80002	8050	80840	Replacement Primary Sludge Pump	\$ 19,000
80002	8050	80850	Primary Area Odor Control Fan Rehabilitation	\$ 10,000
80002	8050	80860	Primary Sedimentary Tank Parts	\$ 20,000
80002	8050	80870	Primary Sludge Pump Parts	\$ 20,000
80002	8050	80880	Primary Area Tank Drainage Pump	\$ 10,000
80002	8050	80890	Replacement for Primary Grinder	\$ 12,000
80002	8050	80900	Primary Grit Pump Rebuild	\$ 29,000
80002	8050	80910	Rebuild Primary Chemical Treatment Pumps	\$ 5,000
80002	8050	80920	Replace Valves in Primary Gallery (8"=5, 6"=5)	\$ 10,000
80002	8060	80930	New Primary EQ Pump	\$ 40,000
80002	8060	80940	Secondary Clarifier Rinse System	\$ 8,000
80002	8060	80950	New RAS Rotating Assembly (2)	\$ 50,000
80002	8060	80960	New Chlorine Pump for Secondary Treatment	\$ 5,000
80002	8060	80970	RAS Pump Replacement	\$ 30,000
80002	8060	80980	Replace DO Probes for Aeration Basin #1	\$ 25,000
80002	8060	81000	Waste Activated Sludge Pump Rebuild	\$ 10,000
80002	8060	81020	Effluent Pump Rehabilitation	\$ 16,000
80002	8070	81030	Digester Drain Sump Pump Rebuild	\$ 5,000
80002	8080	81040	Centrifuge Feed Grinder Rebuild	\$ 10,000
80002	8080	81050	Centrifuge Feed Pump and Motor Rebuild	\$ 26,000
80002	8080	81060	Heat Dryer Drum Drive VFD Upgrade	\$ 14,500
80002	8080	81070	Wet Solids Feed 1& 2 VFD Upgrade	\$ 21,000
80002	8080	81080	Venturi Pac Panels	\$ 6,000
80002	8080	81090	Combustion Fan Replacement	\$ 30,000
80002	8080	81100	Venturi Drain Vacuum Valve	\$ 5,000
80002	8080	81110	Cake Pump Rebuild	\$ 50,000
80002	8080	81120	Heat Dryer Mixer Plows Replacement	\$ 24,000
80002	8090	81130	Cogeneration Control Module Upgrade	\$ 15,000
80002	8090	81140	Switchgear Thermography	\$ 15,000
80002	8090	81150	UPS Service and Warranty	\$ 6,500
80002	8090	81160	Replace Cogen Battery Bank	\$ 15,000
Total EWPCF – Planned Asset Rehabilitation & Replacement				\$ 969,600

EWPCF – CAPITAL ACQUISITIONS

Org	Object	Project	Description	Amount
23002	7710	70700	MUNIS Upgrades via TekWorks	\$ 30,000
23002	7710	70710	Tyler MUNIS Disaster Recovery (DHS)	\$ 15,000
23002	7710	70720	Phone Server Upgrade	\$ 40,000
23002	7710	70730	Business Computer Replacements	\$ 20,000
23002	7730	70740	Diesel Forklift Replacement	\$ 55,000
23002	7730	70750	Portable Generator Replacement	\$ 5,000
23002	7730	70760	New Emergency Solids Handling Pumps (2)	\$ 5,600
23002	7730	70770	Portable Hot Water Pressure Washer	\$ 8,000
23002	7730	70780	Cart Rehab/Replacement	\$ 30,500
23002	7740	70790	Two (2) Vehicle Replacements	\$ 70,000
23002	7750	70800	Cooling Tower Fan	\$ 25,000
23002	7750	70810	Boiler Header and Piping Repair	\$ 30,000
23002	7750	70820	Replace HVAC Vacuum Pumps	\$ 7,000
Total EWPCF – Capital Acquisitions				\$ 341,100

REMOTE FACILITIES – ACQUISITIONS & REHABILITATION

Org	Object	Project	Description	Amount
31002	7750	70830	AHPS - Grinder Rebuild	\$ 28,000
31002	7750	70840	AHPS - Pump Rebuild	\$ 15,000
31002	7750	70850	AHPS - Unplanned Minor Rehab	\$ 15,000
31002	7750	70860	AHPS - VFD Repairs	\$ 10,000
31002	7750	70870	AHPS - Integration Assistance & Router	\$ 15,000
31002	7750	70880	AHPS - R-CAMP	\$ 25,000
32002	7750	70890	BVPS - Spare Pump	\$ 70,000
32002	7750	70900	BVPS - Grinder Rebuild	\$ 28,000
32002	7750	70910	BVPS - Sewage Pump and Motor Rebuild	\$ 28,000
32002	7750	70920	BVPS - Coatings & Painting	\$ 6,000
32002	7750	70930	BVPS - Unplanned Minor Rehabilitation	\$ 9,000
32002	7750	70940	BVPS - Integration Assistance & Router	\$ 15,000
32002	7750	70950	BVPS - Float Switch for Flow Meter Vault	\$ 5,000
32002	7750	70960	BVPS - VFD Repairs	\$ 10,000
32002	7750	70970	BVPS - Critical Mechanical Spares	\$ 85,000
32002	7750	70980	BVPS - R-CAMP	\$ 20,000
37002	7750	70990	BCPS - Grinder Rebuild	\$ 24,000
37002	7750	71000	BCPS - Sewage Pump Rebuild	\$ 26,000
37002	7750	71010	BCPS - Sewage Pump Motor Rebuild	\$ 6,000
37002	7750	71020	BCPS - Vibration Analysis	\$ 12,000
37002	7750	71030	BCPS - Coatings & Painting	\$ 5,000
37002	7750	71040	BCPS - Unplanned Minor Rehab	\$ 8,000
37002	7750	71050	BCPS - VFD Repairs	\$ 15,000
37002	7750	71060	BCPS - Integration Assistance & Router	\$ 15,000
37002	7750	71070	BCPS - Critical Mechanical Spares	\$ 75,000
37002	7750	71080	BCPS - R-CAMP	\$ 20,000
38002	7750	71090	CWRF - Sodium Hypo Tank Replacement	\$ 40,000
38002	7750	71100	CWRF - Building Maintenance & Door Repair	\$ 30,000
38002	7750	71110	CWRF - Unplanned Minor Rehabilitation	\$ 13,000
38002	7750	71120	CWRF - Coatings & Painting	\$ 10,000
38002	7750	71130	CWRF - VFD Repairs	\$ 20,000
38002	7750	71140	CWRF - Replace Cascade Rings	\$ 9,800
38002	7750	71150	CWRF - Spare Parts for UF Upgrade	\$ 10,000
38002	7750	71160	CWRF - Integration Assistance & Audit Recommendations	\$ 45,000
38002	7750	71170	CWRF - R-CAMP	\$ 25,000
39002	7750	71180	RBPS - Grinder Rebuild	\$ 26,000
39002	7750	71190	RBPS - Sewage Sump and Motor Rebuild	\$ 23,000
39002	7750	71200	RBPS - Unplanned Minor Rehabilitation	\$ 5,500
39002	7750	71210	RBPS - VFD Repairs	\$ 8,000
39002	7750	71220	RBPS - Coatings & Painting	\$ 5,000
39002	7750	71230	RBPS - Integrate Electronic Door locks	\$ 5,000
39002	7750	71240	RBPS - Integration Assistance & Router	\$ 15,000
39002	7750	71250	RBPS - Critical Mechanical Spares	\$ 20,000
39002	7750	71260	RBPS - R-CAMP	\$ 20,000
Total Remote Facilities – Capital Acquisitions & Rehabilitation				\$ 920,300

LONG-TERM CAPITAL FINANCIAL PLAN 5 YEAR *and* 10 YEAR CAPITAL BUDGET

Fiscal Year	EWPCF Capital Improvements	EWPCF Planned Asset Rehabilitation & Replacement	EWPCF Capital Acquisitions	Remote Facilities Acquisitions & Rehabilitation	Personnel Expense	Total
2020	\$ 17,594,480	\$ 969,600	\$ 341,100	\$ 920,300	\$ 2,665,096	\$ 22,490,576
2021	\$ 20,374,951	\$ 989,000	\$ 348,000	\$ 939,000	\$ 2,718,000	\$ 25,368,951
2022	\$ 14,912,050	\$ 1,009,000	\$ 355,000	\$ 958,000	\$ 2,772,000	\$ 20,006,050
2023	\$ 18,517,492	\$ 1,029,000	\$ 362,000	\$ 977,000	\$ 2,827,000	\$ 23,712,492
2024	\$ 21,361,860	\$ 1,050,000	\$ 369,000	\$ 997,000	\$ 2,884,000	\$ 26,661,860
5 Year Total	\$ 92,760,833	\$ 5,046,600	\$ 1,775,100	\$ 4,791,300	\$ 13,866,096	\$ 118,239,929
2025	\$ 25,634,520	\$ 1,071,000	\$ 376,000	\$ 1,017,000	\$ 2,942,000	\$ 31,040,520
2026	\$ 22,715,504	\$ 1,092,000	\$ 384,000	\$ 1,037,000	\$ 3,001,000	\$ 28,229,504
2027	\$ 20,366,000	\$ 1,114,000	\$ 392,000	\$ 1,058,000	\$ 3,061,000	\$ 25,991,000
2028	\$ 20,773,000	\$ 1,136,000	\$ 400,000	\$ 1,079,000	\$ 3,122,000	\$ 26,510,000
2029	\$ 21,188,000	\$ 1,159,000	\$ 408,000	\$ 1,101,000	\$ 3,184,000	\$ 27,040,000
10 Year Total	\$ 203,437,857	\$ 10,618,600	\$ 3,735,100	\$ 10,083,300	\$ 29,176,096	\$ 257,050,953

RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE FISCAL YEAR ENDING IN 2020 CALPERS PENSION FUNDING POLICY OPERATING AND CAPITAL IMPROVEMENT BUDGETS OF THE ENCINA WASTEWATER AUTHORITY IN ACCORDANCE WITH THE JOINT POWERS BASIC AGREEMENT

WHEREAS, the Vallecitos Water District is a party to the Encina Joint Powers Basic agreement entered into on July 13, 1961, for the acquisition, construction, ownership, operation, and maintenance of the Encina Joint Sewer System; and

WHEREAS, the Encina Basic Agreement requires approval of the budget of the Encina Wastewater Authority (EWA) by the member agencies following the recommendation of the Joint Advisory Committee (JAC); and

WHEREAS, the JAC thereafter approved the Fiscal Year 2020 budget of the EWA on April 24, 2019; and

WHEREAS, the Board of Directors of the Vallecitos Water District desires to approve said budget and provide for payment of its share of such expenses in accordance with the allocation provided in the Basic Agreement as modified;

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Vallecitos Water District as follows:

SECTION 1: The fiscal year ending in 2020 CalPERS pension funding policy of the EWA, as approved by the JAC on April 24, 2019, in the amount of \$4.1 million is hereby approved.

SECTION 2: The fiscal year ending in 2020 capital budget of the EWA, as approved by the JAC on April 24, 2019, in the amount of \$22.5 million is hereby approved.

SECTION 3: The fiscal year ending in 2020 operating revenue and expense budget of the EWA, as approved by the JAC on April 24, 2019, in the amount of \$17.2 million is hereby approved.

SECTION 4: The Vallecitos Water District General Manager is hereby authorized to make payments on behalf of this agency to EWA in accordance with the budget, as approved by the JAC, and in accordance with the Encina Basic Agreement.

SECTION 5: A certified copy of this resolution shall be forwarded to EWA immediately upon its approval.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on the 15th day of May, 2019, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

Hal J. Martin, President
Board of Directors
Vallecitos Water District

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District

DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: UPDATE ON WATER AND WASTEWATER CAPITAL FACILITY FEES

BACKGROUND:

The District Water and Wastewater Capital Facilities Fees (Cap Fees) are scheduled for update. The 2018 Water, Wastewater, and Recycled Water Master Plan (Master Plan) is the foundation document for the Cap Fees as it lays out the infrastructure costs and timing required to accommodate future development. Cap Fees are collected from new development. Financing costs are one of the primary components associated with the Cap Fees. Since infrastructure cannot be built to match the demands placed by development growth exactly, the District will need to finance future construction costs. The financing cost of the District's 40-million-gallon Twin Oaks Reservoir is a good example of this. This project's capacity needs were built for future development, most of which has yet to connect to the District's systems and pay Cap Fees. The project was debt financed and both the capital costs as well as financing costs are incorporated within our existing and proposed Cap Fees.

DISCUSSION:

The District retained Karyn Keese with The Keze Group, LLC, to perform a professional review of the Cap Fees. The District continues to use the incremental methodology for establishing Cap Fees because the District is a growth-oriented agency. The Capital program outlined from the Master Plan was used to calculate the appropriate Cap Fees.

Staff initially presented the proposed Cap Fees to the Finance Committee on February 25, 2019. Since that time, staff has also met with the Building Industry Association (BIA) and other stakeholders to present the proposed Cap Fees and solicit comments/questions. Mrs. Keese and the District's financial advisors (FA) also commented on the proposed Cap Fees, primarily on the interest rate assumptions. Following the recommendations of Mrs. Keese and the FA, staff developed proposed Cap Fees. The updated Cap Fee assumptions were presented to the Finance Committee on April 15, 2019. Three different options that factored in varying financing rates were presented to the Finance Committee at the meeting. Based on concerns from the BIA and recommendations from both the FA and Mrs. Keese, interest rates on short-term and future debt were reduced. These items included lowering the assumed interest rate for short term (Phase 1) construction from 6% to 5% and using actual interest rates for existing debt. Long-term interest rates (Phases 2-5) were also reduced from 8% to 6.5%.

The proposed Cap Fees meet the legal requirements of AB 1600 in that the fees support only improvements which will be required by new development, the fees do not exceed the cost of constructing the improvements, and the fees will not be used for operational, maintenance or repair expenses.

A public hearing to consider adoption of the new Water and Wastewater Capital Facility Fee Ordinance would be required to implement the new fee. Staff anticipates that hearing to be held at the June 5, 2019 Board meeting. This effectively provides interested parties and the BIA additional time to meet with the District to discuss any concerns. Staff will continue to meet and answer questions/concerns from representatives from the Development community on the Proposed Cap Fees throughout the process.

FISCAL IMPACT:

The foundation of the Cap Fees is that recovery of costs with the determined fees should have no fiscal impact to ratepayers. All expenditures for growth-related assets are recovered, or mitigated, solely by revenues from Cap Fees. A separate fund is maintained for both the Water and Wastewater Cap Fees. No reserves are maintained or anticipated in the Cap Fee funds.

Staff will update the Cap Fees based on actual adopted capital budgets within the 5-year phase and an automatic escalator based on ENR's Construction Cost Index will be effective every year on January 1.

Staff recommended Cap Fees result in rates that compare to existing rates as follows:

CAP FEE	Proposed	Existing	Change \$
Water	\$ 8,441	\$ 7,756	\$ 685
Sewer	\$ 17,137	\$ 9,963	\$ 7,174
Total	\$ 25,578	\$ 17,719	\$ 7,859

RECOMMENDATION:

No action; update only on Cap Fees.

DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: PROPOSED 2019 INVESTMENT POLICY RESOLUTION

BACKGROUND:

The Investment Policy is reviewed by staff on an annual basis and brought to the Board for consideration.

DISCUSSION:

A draft Resolution for the Investment Policy of the Vallecitos Water District for calendar year 2019 is presented for your consideration and approval.

After comparing the investment policy to California Government State Code (CGC) and best practices, the following is a summary of recommended changes:

- **Time of Purchase** – Included language specifying that credit rating minimums are applicable at the time of purchase. (Page 5)
- **Ratings Category** – Added language where long-term ratings minimums are specified to include the ratings category. For example, they must be in the “A” or “AA” *category* or better. This is consistent with a clarification to CGC that became effective January 1, 2017. (Pages 5-8)
- **Federal Agencies** – Increased the percentage of the portfolio that may be invested in a single US Agency issuer from 10% to 25% to allow the District to increase exposure to a high-quality investment category when their yields are attractive relative to comparable US Treasury Securities. (Pages 6, 8)
- **Commercial Paper** – Added language that clarifies that commercial paper must have an “A” category long-term rating only if the issuer has long-term ratings which is consistent with CGC Section 53601(h). Some commercial paper issuers only carry short-term ratings that must be “A-1” or the equivalent or higher by a Nationally Recognized Statistical Rating Organization (NRSRO). (Pages 6, 8)
- **Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations** – Removed the issuer rating minimum of “A” category or higher by at least one NRSRO. This is consistent with legislation that was signed by Governor Brown on 9/6/18 eliminating this requirement. The change became effective 1/1/19. The minimum “AA” category rating by a NRSRO at the security level still applies. (Page 7)

- **Money Market Mutual Funds** - Clarified language that allows California Public Agencies to purchase Money Market Mutual Funds up to 20% per issuer in accordance with CGC Section 53601(I). (Page 8)
- **Risk Management and Diversification** – Added language limiting exposure to any individual issuer, except where otherwise specified in the policy. This reduces the risk of having conflicting information within the investment policy. (Page 11)
Also adjusted the restriction on callable securities limiting them to 30% of the portfolio, excluding corporate bonds with make whole call provisions, to allow capacity for the purchase of bonds with call provisions just prior to maturity. (Page 11)
- **Glossary** – “Make Whole Call” was added to the glossary section of the investment policy. (Page 15)

The Finance Committee discussed the policy changes at the April 29, 2019, meeting at which no additional changes were recommended.

FISCAL IMPACT:

There is not fiscal impact associated with adopting the investment policy.

RECOMMENDATION:

Staff recommends the Board approve and adopt the Annual Investment Policy Resolution for calendar year 2019.

ATTACHMENTS:

- 1) Draft Resolution Approving the Statement of Investment Policy for Calendar Year 2019
- 2) Resolution 1531 Approving the Statement of Investment Policy for Calendar Year 2018

RESOLUTION NO.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLECITOS WATER DISTRICT APPROVING THE STATEMENT
OF INVESTMENT POLICY FOR CALENDAR YEAR 2019**

WHEREAS, the Board of Directors shall annually approve a Statement of Investment Policy; and

WHEREAS, the annual Statement of Investment Policy of the Vallecitos Water District is as follows:

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Section 1: General Provisions and Objectives

Section 1.1: Introduction

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to meet the Vallecitos Water District's objectives of safety, liquidity and return on investment through a diversified investment portfolio. This policy also serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

Section 1.2: Scope

This policy covers all funds and investment activities under the direct authority of the District, as set forth in California Government Code, Sections 53600 *et seq.*, with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be

invested pursuant to the permitted investment provisions of their specific bond indentures.

- Any other funds specifically exempted by the Board of Directors.

Section 1.3: Pooling of Funds

Except for cash in certain restricted funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Section 1.4: Prudence

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

The Treasurer and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the Board of Directors in a timely fashion and appropriate action should be taken to control adverse developments.

Section 1.5: Objectives

The District's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- Safety. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

- Liquidity. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investments. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

Section 2: Delegation of Authority

Authority to manage the District's investment program is derived from California Government Code, Sections 41006 and 53600 et seq.

The Board of Directors is responsible for the management of the District's funds, including the administration of this investment policy. Management responsibility for the cash management of the District's funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District.

Section 3: Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the District's General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Section 4: Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the District and/or the Board of Directors, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

Section 5: Authorized Financial Institutions, Depositories, and Broker/Dealers

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The District's Treasurer will determine which financial institutions are authorized to provide investment services to the District. It shall be the District's policy to purchase securities only from authorized institutions and firms.

The Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the District. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the District are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has

reviewed the California Government Code, Section 53600 et seq. and the District's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Section 6: Authorized Investments

The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and credit quality minimums listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

Section 6.1: Municipal Securities include obligations of the District, the State of California, any of the other 49 states, and any local agency within the State of California, provided that:

- The securities are rated in the "A" category or higher by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 25% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

Section 6.2: U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and

interest. There are no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries, provided that the maximum maturity is five (5) years.

Section 6.3: Federal Agencies or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the District may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any single agency/GSE issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.4: Banker's Acceptances, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term debt obligations which are rated in the "A" category or higher by at least one NRSRO.
- No more than 20% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

Section 6.5: Commercial Paper, provided that:

- The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.
- The securities are rated "A-1" or the equivalent or higher by at least one NRSRO.
- They are issued by corporations which have long-term obligations, if any, that are rated in the "A" category or higher by at least one NRSRO.
- District may purchase no more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of the portfolio may be invested in Commercial Paper.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 270 days.

Section 6.6: Certificates of Deposit (CDs), in or issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the CD insured up to the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limit does not require any credit ratings.
- For Negotiable CDs, any amount above the FDIC or NCUA insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term obligations rated in the "A" category or higher by at least one NRSRO.
- For Non-negotiable CDs (Time Deposits), amounts deposited in excess of insured amounts are fully collateralized with securities in accordance with California law.
- No more than 20% of the total portfolio may be invested in CDs.

- No more than 5% of the portfolio may be invested in any single issuer or institution.
- The maximum maturity does not exceed five (5) years.

Section 6.7: Collateralized Bank Deposits. District's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

Section 6.8: Repurchase Agreements collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- No more than 25% of the portfolio can be invested in Repurchase Agreement.
- No more than 10% of the portfolio may be invested in any single participating institution.
- The maximum maturity does not exceed one (1) year.

Section 6.9: Local Government Investment Pools (LGIPs), including State of California Local District Investment Fund (LAIF), provided that:

- The District may invest up to the maximum amount permitted by the LGIP.
- The LGIP's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in the LGIP itself from the District's list of allowable investments, provided the LGIP's reports allow the Treasurer to adequately judge the risk inherent in the LGIP's portfolio.

Section 6.10: Corporate Medium Term Notes (MTNs), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in the "A" category or higher by at least one NRSRO.
- No more than 25% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.11: Asset-Backed Securities, including Mortgage-Backed, Mortgage Pass-Through, and Collateralized Mortgage Obligations, provided that:

- The securities are rated in the "AA" category or higher by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal District/GSE.
- The maximum legal final maturity does not exceed five (5) years.

Section 6.12: Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- Such Funds meet either of the following criteria:
 1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.

Section 6.13: Supranationals, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in the "AA" category or higher by a NRSRO.
- No more than 25% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.14: Permissible Investments and Limits Summary Table, notwithstanding further detailed provisions, limitations, and restrictions of this Policy:

Investment Type	% of Investment Portfolio		Maturity	Minimum Credit Rating
	Type	Issuer/ Institution		
Bank Deposits	100%	100%		
LGIPs (including LAIF)	100%	100%		
US Treasuries	100%	100%	5 years	
Federal Agencies/GSEs	100%	25%	5 years	
Repurchase Agreements	25%	10%	1 year	
Municipals	25%	5%	5 years	A
Corporate MTNs	25%	5%	5 years	A
Supranationals	25%	5%	5 years	AA
Commercial Paper	25%	5%	270 days	A-1 / A, if any
MM Mutual Funds	20%	20%		AAA
Certificates of Deposit	20%	5%	5 years	
Asset-Backed Securities	20%	5%	5 years	AA
Banker's Acceptances	20%	5%	180 days	A-1 / A

Section 7: Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

Section 8: Investment Pools/Mutual Funds

The District shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Section 9: Collateralization

Certificates of Deposit (CDs). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Collateralization of Bank Deposits. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The District shall receive monthly statements of collateral.

Section 10: Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District’s portfolio shall be held in safekeeping in the District’s name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

Section 11: Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The District will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the Board of Directors has by resolution granted authority to make such an investment.

Section 12: Risk Management and Diversification

Section 12.1: Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Concentration of credit risk is the risk of loss attributed to the magnitude of a District’s investment in a single issuer. Custodial credit risk is the risk that the District will not be able to recover deposits or the value of an investment or collateral securities that are in the possession of an outside party. The District will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in Section 6: Authorized Investments of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and GSEs, an authorized Supranational issuer or where the security is a Money Market Mutual Fund, Local District Investment Fund (LAIF) or other Local Government Investment Pool unless otherwise specified in this investment policy.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded by an NRSRO to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

Section 12.2: Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum percent of callable securities in the portfolio will be 30%. (Does not include "make whole call" securities as defined in the glossary).
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

Section 12.3: Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the portfolio. The District shall be prohibited from investing in foreign currency-denominated securities, unless permissible within the California Government Code and specifically approved by the Board prior to purchase.

Section 13: Review and Reporting

Section 13.1: Review of Investment Portfolio

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting incidences of noncompliance to the Board of Directors.

Section 13.2: Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

Section 13.3: Monthly Reports

Monthly transaction reports will be submitted by the Treasurer to the Board of Directors within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

Section 13.4: Quarterly Reports

The Treasurer will submit a quarterly investment report to the Board of Directors which provides full disclosure of the District's investment activities within 30 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the District's portfolio:

- An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date, and interest rate.
- Transactions for the period.
- A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)
- A one-page summary report that shows:
 - Average maturity of the portfolio and modified duration of the portfolio;
 - Maturity distribution of the portfolio;
 - Percentage of the portfolio represented by each investment category;
 - Average portfolio credit quality; and,
 - Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the District's market benchmark returns for the same periods;
- A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.

- A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

Section 13.5: Annual Reports

A comprehensive annual report will be presented to the Board of Directors. This report will include comparisons of the District's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

Section 13.6: Review of Investment Policy

The investment policy will be reviewed and adopted at least annually within 30 days of the end of the calendar year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the Board of Directors for their consideration and adoption.

Section 14: Glossary of Terms

Asset-backed securities (ABS) are securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates of Deposit

Negotiable Certificates of Deposit are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs.

However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

Non-negotiable Certificates of Deposit are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral is securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Local Government Investment Pool (LGIP) is a collection of funds from various governmental entities invested in a common portfolio. Each investor earns interest proportional to their investment in the overall pool.

Make Whole Call is a type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision the issuer makes a lump sum payment that equals the net present value of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated or “made whole”.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term “Medium Term” refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of safe investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must maintain a stable net asset value (NAV) of \$1 per share.

Municipal Obligations are debt instruments issued by a state or local government unit or public agency. The vast majority of municipals are exempt from state and federal income tax, although some non-qualified issues are taxable.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

Supranationals are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

Treasury Bills that are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.

Treasury Notes that have original maturities of one to ten years.

Treasury Bonds that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Vallecitos Water District as follows:

The Annual Statement of Investment Policy for calendar year 2019 is hereby approved and replaces and previous versions. The District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 15th day of May 2019, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruij, Secretary
Board of Directors
Vallecitos Water District

RESOLUTION NO. 1531

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE STATEMENT OF INVESTMENT POLICY FOR CALENDAR YEAR 2018

WHEREAS, the Board of Directors shall annually approve a Statement of Investment Policy; and

WHEREAS, the annual Statement of Investment Policy of the Vallecitos Water District is as follows:

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Section 1: General Provisions and Objectives

Section 1.1: Introduction

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to meet the Vallecitos Water District's objectives of safety, liquidity and return on investment through a diversified investment portfolio. This policy also serves to organize and formalize the District's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

Section 1.2: Scope

This policy covers all funds and investment activities under the direct authority of the District, as set forth in California Government Code, Sections 53600 *et seq.*, with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be

invested pursuant to the permitted investment provisions of their specific bond indentures.

- Any other funds specifically exempted by the Board of Directors.

Section 1.3: Pooling of Funds

Except for cash in certain restricted funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Section 1.4: Prudence

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

The Treasurer and other authorized persons responsible for managing District funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Treasurer or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the Board of Directors in a timely fashion and appropriate action should be taken to control adverse developments.

Section 1.5: Objectives

The District's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- Safety. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

- Liquidity. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investments. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

Section 2: Delegation of Authority

Authority to manage the District's investment program is derived from California Government Code, Sections 41006 and 53600 et seq.

The Board of Directors is responsible for the management of the District's funds, including the administration of this investment policy. Management responsibility for the cash management of the District's funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District.

Section 3: Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the District's General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Section 4: Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the District and/or the Board of Directors, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

Section 5: Authorized Financial Institutions, Depositories, and Broker/Dealers

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The District's Treasurer will determine which financial institutions are authorized to provide investment services to the District. It shall be the District's policy to purchase securities only from authorized institutions and firms.

The Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the District. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the District are reputable and trustworthy, knowledgeable and experienced in Public Agency investing, and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the District include:

- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has

reviewed the California Government Code, Section 53600 et seq. and the District's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Section 6: Authorized Investments

The District's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

Section 6.1: Municipal Securities include obligations of the District, the State of California, any of the other 49 states, and any local agency within the State of California, provided that:

- The securities are rated "A" or higher by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 25% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

Section 6.2: U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries, provided that the maximum maturity is five (5) years.

Section 6.3: Federal Agencies or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the District may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 10% of the portfolio may be invested in any single agency/GSE issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.4: Banker's Acceptances, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term debt obligations which are rated "A" or higher by at least one NRSRO.
- No more than 20% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

Section 6.5: Commercial Paper, provided that:

- The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.
- The securities are rated "A-1" or higher by at least one NRSRO.
- They are issued by corporations which have long-term obligations rated "A" or higher by at least one NRSRO.
- District may purchase no more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of the portfolio may be invested in Commercial Paper.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 270 days.

Section 6.6: Certificates of Deposit (CDs), in or issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the CD insured up to the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limit does not require any credit ratings.
- For Negotiable CDs, any amount above the FDIC or NCUA insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term obligations rated "A" or higher by at least one NRSRO.
- For Non-negotiable CDs (Time Deposits), amounts deposited in excess of insured amounts are fully collateralized with securities in accordance with California law.
- No more than 20% of the total portfolio may be invested in CDs.
- No more than 5% of the portfolio may be invested in any single issuer or institution.
- The maximum maturity does not exceed five (5) years.

Section 6.7: Collateralized Bank Deposits. District's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651.

Section 6.8: Repurchase Agreements collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- No more than 25% of the portfolio can be invested in Repurchase Agreement.
- No more than 10% of the portfolio may be invested in any single participating institution.
- The maximum maturity does not exceed one (1) year.

Section 6.9: Local Government Investment Pools (LGIPs), including State of California Local District Investment Fund (LAIF), provided that:

- The District may invest up to the maximum amount permitted by the LGIP.
- The LGIP's investments in instruments prohibited by or not specified in the District's policy do not exclude the investment in the LGIP itself from the District's list of allowable investments, provided the LGIP's reports allow the Treasurer to adequately judge the risk inherent in the LGIP's portfolio.

Section 6.10: Corporate Medium-Term Notes (MTNs), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated "A" or higher by at least one NRSRO.
- No more than 25% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.11: Asset-Backed Securities, including Mortgage-Backed, Mortgage Pass-Through, and Collateralized Mortgage Obligations, provided that:

- The securities are rated "AA" or higher by a NRSRO.
- They are issued by an issuer having long-term debt obligations rated "A" or higher by at least one NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal District/GSE.
- The maximum legal final maturity does not exceed five (5) years.

Section 6.12: Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- Such Funds meet either of the following criteria:
 1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
- No more than 10% of the total portfolio be invested with one institution.

Section 6.13: Supranationals, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated "AA" or higher by a NRSRO.
- No more than 25% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.14: Permissible Investments and Limits Summary Table, notwithstanding further detailed provisions, limitations, and restrictions of this Policy:

Investment Type	% of Investment Portfolio		Maturity	Minimum Credit Rating
	Type	Issuer/ Institution		
Bank Deposits	100%	100%		
LGIPs (including LAIF)	100%	100%		
US Treasuries	100%	100%	5 years	
Federal Agencies/GSEs	100%	10%	5 years	
Repurchase Agreements	25%	10%	1 year	
Municipals	25%	5%	5 years	A
Corporate MTNs	25%	5%	5 years	A
Supranationals	25%	5%	5 years	AA
Commercial Paper	25%	5%	270 days	A-1 / A
MM Mutual Funds	20%	10%		AAA
Certificates of Deposit	20%	5%	5 years	
Asset-Backed Securities	20%	5%	5 years	AA
Banker's Acceptances	20%	5%	180 days	A-1 / A

Section 7: Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

Section 8: Investment Pools/Mutual Funds

The District shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Section 9: Collateralization

Certificates of Deposit (CDs). The District shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Collateralization of Bank Deposits. This is the process by which a bank or financial institution pledges securities or other deposits for the purpose of securing repayment of deposited funds. The District shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements. The District requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The District shall receive monthly statements of collateral.

Section 10: Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third-party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

Section 11: Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The District will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the Board of Directors has by resolution granted authority to make such an investment.

Section 12: Risk Management and Diversification

Section 12.1: Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Concentration of credit risk is the risk of loss attributed to the magnitude of a District's investment in a single issuer. Custodial credit risk is the risk that the District will not be able to recover deposits or the value of an investment or collateral securities that are in the possession of an outside party. The District will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in Section 6: Authorized Investments of this policy are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be invested in securities of any single issuer, except where the issuer is the US Government, its Agencies and GSEs, an authorized Supranational issuer or where the security is a Money Market Mutual Fund, Local District Investment Fund (LAIF) or other Local Government Investment Pool.
- The District may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or District's risk preferences.
- If securities owned by the District are downgraded by an NRSRO to a level below the quality required by this investment policy, it will be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
 - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board of Directors.

Section 12.2: Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum percent of callable securities in the portfolio will be 20%.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

Section 12.3: Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the portfolio. The District shall be prohibited from investing in foreign currency-denominated securities, unless permissible within the California Government Code and specifically approved by the Board prior to purchase.

Section 13: Review and Reporting

Section 13.1: Review of Investment Portfolio

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting incidences of noncompliance to the Board of Directors.

Section 13.2: Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

Section 13.3: Monthly Reports

Monthly transaction reports will be submitted by the Treasurer to the Board of Directors within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

Section 13.4: Quarterly Reports

The Treasurer will submit a quarterly investment report to the Board of Directors which provides full disclosure of the District's investment activities within 30 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the District's portfolio:

- An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date, and interest rate.
- Transactions for the period.
- A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)
- A one-page summary report that shows:
 - Average maturity of the portfolio and modified duration of the portfolio;
 - Maturity distribution of the portfolio;
 - Percentage of the portfolio represented by each investment category;
 - Average portfolio credit quality; and,
 - Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the District's market benchmark returns for the same periods;
- A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
- A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

Section 13.5: Annual Reports

A comprehensive annual report will be presented to the Board of Directors. This report will include comparisons of the District's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

Section 13.6: Review of Investment Policy

The investment policy will be reviewed and adopted at least annually within 30 days of the end of the calendar year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the Board of Directors for their consideration and adoption.

Section 14: Glossary of Terms

Asset-backed securities (ABS) are securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments, credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates of Deposit

Negotiable Certificates of Deposit are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates

the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

Non-negotiable Certificates of Deposit are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral is securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Local Government Investment Pool (LGIP) is a collection of funds from various governmental entities invested in a common portfolio. Each investor earns interest proportional to their investment in the overall pool.

Treasury Bonds that have original maturities of greater than 10 years.

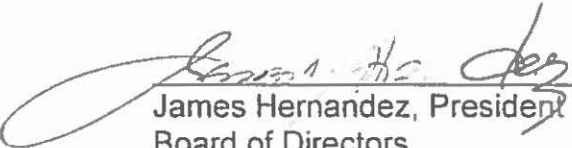
Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Vallecitos Water District as follows:


The Annual Statement of Investment Policy for calendar year 2018 is hereby approved and replaces previous versions. The District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 7th day of March 2018, by the following roll call vote:

AYES: ELITHARP, MARTIN, SANNELLA, HERNANDEZ
 NOES:
 ABSTAIN:
 ABSENT: EVANS



 James Hernandez, President
 Board of Directors
 Vallecitos Water District

ATTEST:


 Glenn Pruim, Secretary
 Board of Directors
 Vallecitos Water District

DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: AGRICULTURAL WATER ELIGIBILITY

BACKGROUND:

At the Vallecitos Board meeting of May 16, 2018, Robert Case, owner of a single-family residence at 872 Flynn Heights Drive, requested approval of an agricultural water rate.

Per the San Diego County Water Authority, “Agricultural water customers are required to use water for the growing or raising, in conformity with recognized practices of husbandry, for the purposes of commerce, trade, or industry, or agricultural, horticultural, or floriculture products, and produced (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market, such products to be grown or raised on a parcel of land having an area of not less than one acre fully utilized exclusively therefore.” Separate from agricultural accounts, commercial water accounts apply to customers that are non-residential, such as restaurants, hotels, strip malls, laundries, hospitals, gas stations, car washes, etc.

At the May 16, 2018 Board meeting, Public Information/Conservation Supervisor Robbins reported that existing Vallecitos Rate Ordinance 207 is silent about customers enrolling in the “Certified Non-Participating Agricultural Water Rate” (CNPAWR) account classification. The District currently has 22 accounts categorized as “AO” or “CO” which are our CNPAWR accounts.

The Board requested additional information about agricultural water rates and referred the item to the Public Awareness/Personnel/Policy (PAPP) Committee. Additional meetings were held with the PAPP Committee on August 12, 2018, December 10, 2018, and April 11, 2019.

DISCUSSION:

At the PAPP Committee meetings, Supervisor Robbins provided information on:

- How the CNPAWR came about;
- How CNPAWR had been “grandfathered” in previous ordinances;
- Copies of previous Vallecitos Rate Ordinances;
- Results from research which did not reveal a reason for Ordinance 207’s silence on the subject of CNPAWR water;
- Recommendation from BB&K Attorney Kelly Salt to correct the text in future ordinances;
- Video from a site visit to Hokto Kinoko;
- Draft text to remove ambiguity regarding CNPAWR;
- A proposed new name for CNPAWR;
- A possible pilot program.

Supervisor Robbins also provided a list of (known) customers interested in CNPAWR or a reduced rate for agricultural or irrigation water.

<u>Account #</u>	<u>Name</u>
11116755-1	Joseph Dombrowski
30171675-4	Liz Bolton
30190615-0	Michael Rote
30198882-0	Lynne Thuen
40150901-1	Nathan Larson
40165899-1	Hokto Kinoko (Kaz Ikeda)
40166076-1	Liontribe LLC (Robert Case)
60160539-3	Christopher Peters
61000014-1	Bridget Rose
PENDING	Michael Aleles

FISCAL IMPACT:

If the District were to allow access to CNPAWR, the revenue loss would be a decrease of \$4.27 for each unit of Tier 3 water that is charged at Tier 2. Because that statistic doesn't provide a thorough examination of the fiscal impact, Financial Analyst Mike Arthur reviewed two accounts to show how much revenue would be lost in a one-year period if the existing customers were moved from their current category to the CNPAWR.

If the District were to allow Hokto Kinoko to transfer its two 2" commercial meters to the CNPAWR, the annual loss of revenue, based on last year's data, would total more than \$80,000. If the District were to allow Michael Rote to transfer his 5/8" residential meter to the CNPAWR, the annual loss would total more than \$1,200.

RECOMMENDATION:

At its meeting on April 11, 2019, the PAPP Committee recommended the Board wait until the Cost of Service Study (COSS) is completed before making any decisions pertaining to the CNPAWR agricultural rate or developing a pilot program. The upcoming COSS can address agricultural interests of both new and existing customers. Staff also recommends that text in future rate ordinances make clear the eligibility for CNPAWR water.

DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: COLORADO RIVER WATER SUPPLY ALTERNATIVE CONVEYANCE FACILITY

BACKGROUND:

At the Board meeting on May 1, 2019, the San Diego County Water Authority's Acting General Manager, Sandra Kerl, provided an overview of CWA's proposed alternative conveyance facility for Colorado River water supplies. A copy of the presentation is attached to this report. Funds for preliminary studies for the facility are expected to be included in CWA's upcoming FY20 budget. The information was provided by Ms. Kerl during the Presentation portion of the agenda and did not allow the Board the opportunity to discuss the project. By being placed on the agenda, the Board can discuss the project.

DISCUSSION:

Vallecitos receives all of its potable water supplies from the CWA. The Authority, in turn, obtains most of its water from the Colorado River, either through purchases from Metropolitan Water District or from its own Colorado River supplies that are transported through MWD's Colorado River Aqueduct (CRA). In order to utilize the CRA to transport their own Colorado River water supplies, CWA must pay a transportation charge to MWD for every acre foot of water transported.

Due to concerns about the long-term costs of transporting its Colorado River water supplies through MWD's facility, CWA is considering constructing its own dedicated conveyance facility to bring water from the river to the Authority's water delivery system. CWA has studied this concept several times previously and is contemplating another study due to conditions that have changed.

CWA plans to include \$3.9 million in their upcoming budget to cover the costs of the required studies. The studies are intended to determine the feasibility and cost effectiveness of a proposed alternative conveyance facility. Particular focus will be placed on the environmental considerations of constructing the project.

FISCAL IMPACT:

There is no direct fiscal impact with the Board's discussion about this project. If CWA does include funds in their upcoming budget for the studies, the cost would be reflected in the price of water paid by Vallecitos.

RECOMMENDATION:

Discuss and provide direction.

ATTACHMENT:

Presentation from Sandra Kerl



**San Diego County
Water Authority**

Our Region's Trusted
Water Leader

Regional Conveyance System Study

Vallecitos Water District Board Meeting

May 1, 2019

Sandy Kerl, Acting General Manager

Delivering QSA Supplies to San Diego

- Water Authority does not have a pipeline or aqueduct to the Colorado River
- Water Authority pays MWD to transport all QSA water
- Ongoing litigation over MWD transportation charges
- Rights to canal lining water for 110 yrs, transfer water for 75 yrs, **delivery agreement with MWD 45 yrs**
- Water Authority has studied alternative conveyance for decades



Past Studies Found Manageable Risks



Two U.S. alignments identified as preferred



Sufficient capacity exists in All-American Canal but a transportation agreement with IID would be needed



Blending in San Vicente Reservoir would reduce treatment costs

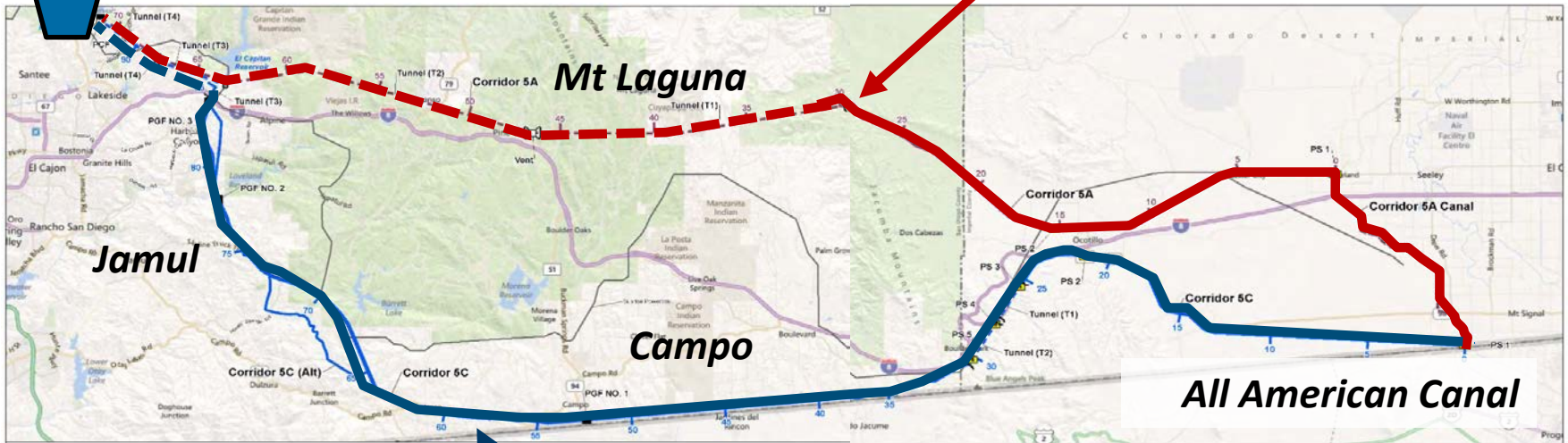


Major project risks have been identified as manageable - No fatal technical flaws

Two potential pipeline corridors identified

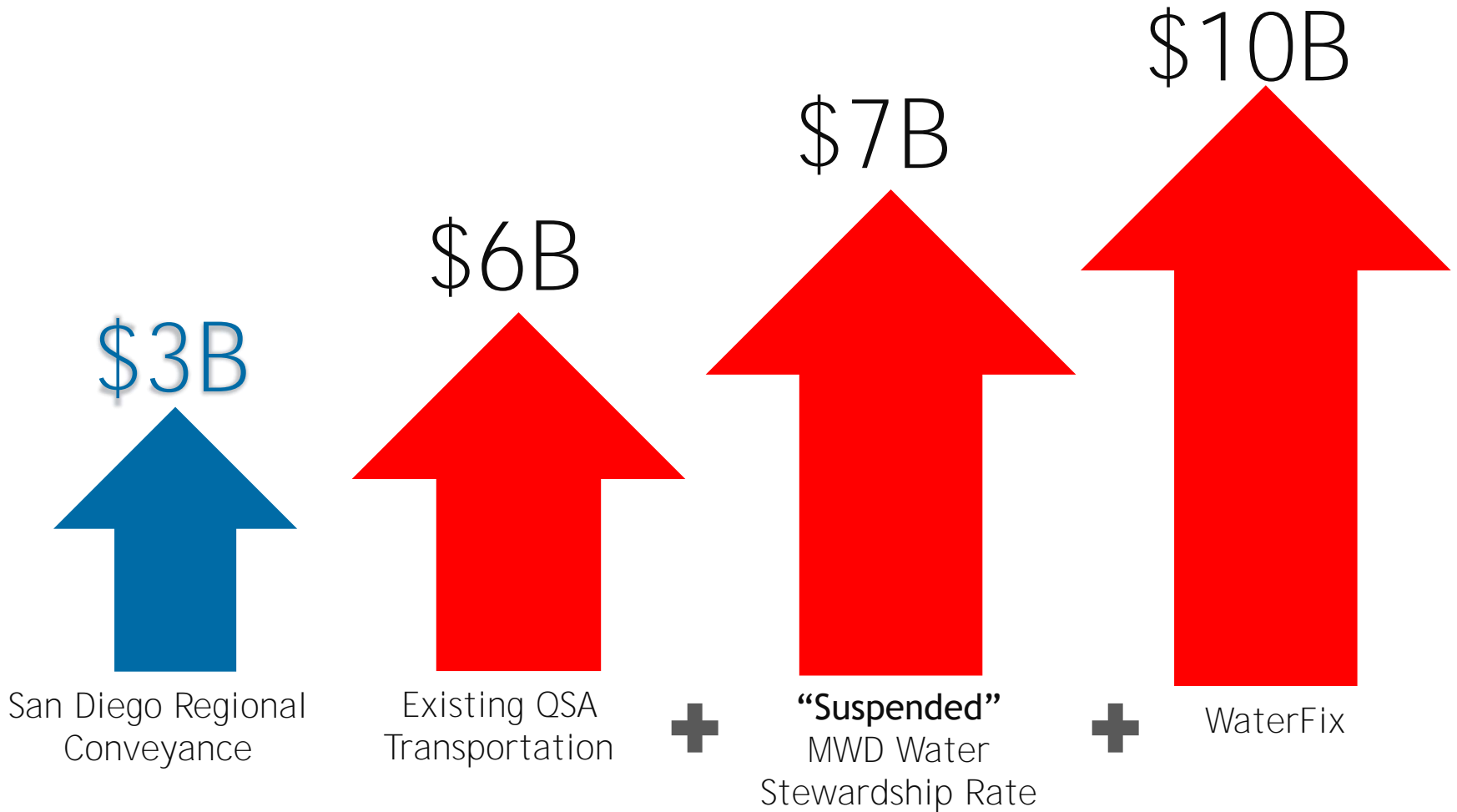
San Vicente Reservoir

Corridor 5A - "Tunnel"



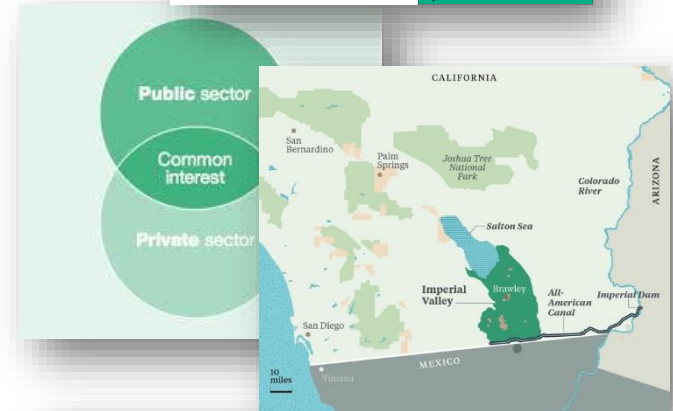
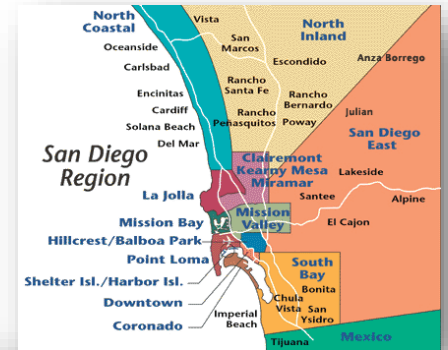
Corridor 5C - "Pipeline"

Regional Conveyance May Create Big Savings



A Regional Approach

- Explore shared benefits through strategic partnerships
- Engage potential partners with compatible needs
- Evaluate partnership structures that reduce risk to the Water Authority and our member agencies
- Pursue funding opportunities
- Incrementally build upon past studies
- \$3.9M budget request for FY 2020-21



What are the next steps?

May 2019

Colorado River Work Group Meeting
Objective: Formulate
Recommendation



June 2019

Board Consideration of Proposed FY20/21
Budget - New CIP - \$3.9M

Questions



DATE: MAY 15, 2019
TO: BOARD OF DIRECTORS
SUBJECT: ACWA REGION 10 NOMINATING COMMITTEE IS SEEKING REGION 10 BOARD CANDIDATES

BACKGROUND:

The leadership of ACWA's ten geographical regions is integral to the leadership of the Association as a whole. The Chair and Vice Chair of Region 10 serve on ACWA's Statewide Board of Directors and recommend all committee appointments for Region 10. The members of the Region 10 Board determine the direction and focus of regional issues and activities. Additionally, they support the fulfillment of ACWA's Goals on behalf of members and serve as a key role in ACWA's grassroots outreach efforts.

DISCUSSION:

The Region 10 Nominating Committee is seeking ACWA members who are interested in leading the direction of ACWA Region 10 for the 2020-2021 term. The Nominating Committee is currently seeking candidates for the Region 10 Board, which is comprised of Chair, Vice Chair and up to five Board Member positions.

A nomination form must be completed and a resolution of support from the agency candidate's Board of Directors is also required. The deadline to submit the requested information is Friday, June 28, 2019.

The Region 10 Nominating Committee will announce their recommended slate on July 31, 2019. On August 1, 2019, the election will begin with ballots sent to General Managers and Board Presidents. One ballot per agency will be counted. The election will be completed on September 30, 2019. On October 4, 2019, election results will be announced. The newly elected Region 10 Board members will begin their two-year term on January 1, 2020.

RECOMMENDATION:

Request Board direction.



MEMORANDUM

Date: May 2, 2019

To: ACWA REGION 10 MEMBER AGENCY PRESIDENTS AND GENERAL MANAGERS
(sent via e-mail)

From: ACWA REGION 10 NOMINATING COMMITTEE
Gary Arant, Valley Center Municipal Water District
Doug Davert, East Orange County Water District
Doug Wilson, Padre Dam Municipal Water District
Rick Shintaku, South Coast Water District

The Region 10 Nominating Committee is looking for ACWA members who are interested in leading the direction of ACWA Region 10 for the 2020-2021 term. The Nominating Committee is currently seeking candidates for the Region 10 Board, which is comprised of Chair, Vice Chair and up to five Board Member positions.

The leadership of ACWA's ten geographical regions is integral to the leadership of the Association as a whole. The Chair and Vice Chair of Region 10 serve on ACWA's Statewide Board of Directors and recommend all committee appointments for Region 10. The members of the Region 10 Board determine the direction and focus of region issues and activities. Additionally, they support the fulfillment of ACWA's goals on behalf of members and serve as a key role in ACWA's grassroots outreach efforts.

If you, or someone within your agency, are interested in serving in a leadership role within ACWA by becoming a Region 10 Board Member, please familiarize yourself with the Role of the Regions and Responsibilities; the Election Timeline; and the [Region 10 Rules and Regulations](#) and complete the following steps:

- Complete the attached Region Board Candidate Nomination Form [HERE](#)
- Obtain a Resolution of Support from your agency's Board of Directors (Sample Resolution [HERE](#))
- Submit the requested information to ACWA as indicated by **Friday, June 28, 2019**

The Region 10 Nominating Committee will announce their recommended slate by July 31, 2019. On August 1, 2019 the election will begin with ballots sent to General Managers and Board Presidents. One ballot per agency will be counted. The election will be completed on September 30, 2019. On October 4, 2019, election results will be announced. The newly elected Region 10 Board Members will begin their two-year term of service on January 1, 2020.