

AGENDA FOR A SPECIAL MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, DECEMBER 11, 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 SPECIAL MEETING OF DECEMBER 11, 2019

PRESENTATION

President Martin will recognize retiree, Cheryl Minichilli, Water Systems Operator II, for her years of service with the District.

Vallecitos Water District received two awards: one from La Costa Meadows Elementary and one from La Mirada Academy in recognition for “Helping Construct the Future of San Marcos Unified School District.”

PUBLIC COMMENT

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

NOTICE TO THE PUBLIC

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

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES (pp. 6-15)

- A. CLOSED SESSION BOARD MEETING – NOVEMBER 20, 2019
- B. REGULAR BOARD MEETING – NOVEMBER 20, 2019
- C. FINANCE/INVESTMENT COMMITTEE MEETING – NOVEMBER 25, 2019

*Approved minutes become a permanent public record of the District.*

**Recommendation: Approve Minutes**

- 1.2 WARRANT LIST THROUGH DECEMBER 11, 2019 – \$12,226,197.23 (pp. 16-18)

**Recommendation: Approve Warrant List**

- 1.3 FINANCIAL REPORTS (pp. 19-39)

- A. WATER METER COUNT – NOVEMBER 30, 2019
- B. WATER PRODUCTION/SALES REPORT – 2019/2020
- C. PER CAPITA WATER CONSUMPTION – NOVEMBER 30, 2019
- D. WATER REVENUE AND EXPENSE REPORT – NOVEMBER 30, 2019
- E. SEWER REVENUE AND EXPENSE REPORT – NOVEMBER 30, 2019
- F. RESERVE FUNDS ACTIVITY – NOVEMBER 30, 2019
- G. INVESTMENT REPORT – NOVEMBER 30, 2019
- H. LEGAL FEES SUMMARY – NOVEMBER 30, 2019

- 1.4 ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE “UNIVERSITY DISTRICT HOLDINGS ANNEXATION” (APN 220-190-56) INTO THE VALLECITOS WATER DISTRICT WATER IMPROVEMENT DISTRICTS 1 & 2 AND DETACHMENT FROM SEWER IMPROVEMENT DISTRICT 5 (pp. 40-46)

*The property currently receives water and sewer service from the District.*

**Recommendation: Adopt Resolution**

- 1.5 APPROVAL OF TEMPORARY OFF-SITE WATER SERVICE AGREEMENT FOR BROMAGE RESIDENCE, APN 178-210-41 (JEFFERY BROMAGE, TRUSTEE FOR THE LINDA A. AND JEFFERY BROMAGE 2000 REVOCABLE TRUST) (pp. 47-49)

*The property is located within the District’s water service boundary and is not located adjacent to an existing District water main.*

**Recommendation: Approve Temporary Off-Site Water Service Agreement with Conditions**

- 1.6 APPROVAL OF PERMANENT OFF-SITE WATER SERVICE AGREEMENT FOR NADEAU RESIDENCE, APN 178-210-40 (STEPHEN AND AMY NADEAU) (pp. 50-53)

*The property is located within the District’s water service boundary.*

**Recommendation: 1) Approve a variance from District Ordinance No. 118;  
2) Approve Permanent Off-Site Water Service Agreement with Conditions**

- 1.7 ADOPTION OF RESOLUTION ORDERING THE DETACHMENT OF CERTAIN PROPERTY DESIGNATED AS THE "GUALTIERI DETACHMENT" FROM THE VALLECITOS WATER DISTRICT; APN 178-040-45 (ROBERT AND THERESA GUALTIERI) (pp. 54-61)

*The property is located east of Catalina Avenue on Catalina Heights Way.*

**Recommendation: Approve Resolution**

- 1.8 APPROVAL OF CONSTRUCTION AGREEMENT FOR SEWER MAIN EXTENSION, WALNUT HILLS DRIVE, APN'S 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (ELITHARP, KLIMA, FROST, RICHARDSON & NELSON) (pp. 62-77)

*The project is located on Walnut Hills Drive south of Barham Lane.*

**Recommendation: Approve Construction Agreement**

- 1.9 SURPLUS PERSONAL PROPERTY LISTING (pp. 78)

*District Resolution No. 1312 authorizes staff to accumulate and dispose of surplus property items through a publicly noticed sale.*

**Recommendation: Approve item for disposal through a public auction**

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

#### ACTION ITEMS

- 2.1 ANNUAL BOARD TRANSITION (pp. 79-86)

*Ordinance No. 212 provides guidance on the annual Board reorganization.*

**Recommendation: Consider and appoint the incoming President and Vice President**

- 2.2 COMMITTEE APPOINTEES AND REPRESENTATIVES (pp. 87-88)

*Annual Board appointments for 2020.*

**Recommendation: Appoint Officers and Agency Representatives**

- 2.3 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (pp. 89-176)

*Annual audit of the District's financial statements.*

**Recommendation: Accept the Fiscal Year 2019 Comprehensive Annual Financial Report**

- 2.4 HILLSIDE DEVELOPMENT PROJECT UPDATE AND POLICY DIRECTION (pp. 177-179)

*The Board directed staff to pursue the development of the Hillside Property to generate ongoing revenue for the District.*

**Recommendation: For Board discussion and direction**

- 2.5 PROPOSITION 218 REVIEW (pp. 180-187)

**Recommendation: For Board Discussion and 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](http://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., Tuesday, December 10, 2019.

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Diane Posvar

MINUTES OF A CLOSED SESSION MEETING  
OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, NOVEMBER 20, 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 Sannella led the pledge of allegiance.

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

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

Others Present: Neal Meyers, Meyers, Fozi & Dwork, LLP

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF NOVEMBER 20, 2019

19-11-12 MOTION WAS MADE by Director Elitharp, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Closed Session Meeting of November 20, 2019.

PUBLIC COMMENT

None.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION

(Per Government Code Section 54956.9 (a)) – Citizens Dev. Corp., Inc. v. County of San Diego, et al., Case No. 12CV0334

CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION

(Per Government Code Section 54956.9 (a)) – Sten v. Vallecitos Water District et al., San Diego County Superior Court Case No. 37-2019-00028758-CU-OE-NC

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

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

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

(Per Government Code Section 54957) – Title: General Manager

19-11-13 MOTION WAS MADE by Director Sannella, seconded by Director Evans, and carried unanimously, to move into Closed Session pursuant to Government Code Sections 54956.9 and 54957.

The Closed Session meeting recessed at 5:01 p.m. to reconvene following the regular Board meeting. There were no notable items.

The Closed Session meeting resumed at 5:45 p.m.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 5:49 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 5:50 p.m.

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

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

ATTEST:

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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, NOVEMBER 20, 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 5:06 p.m.

Director Hernandez led the pledge of allegiance.

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

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 Morgan  
Bridget Anderson, Human Resources Analyst  
Susan Bowman, Asset Management Supervisor  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 20, 2019

19-11-14 MOTION WAS MADE by Director Evans, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 20, 2019.

PUBLIC COMMENT

Mike Hunsaker, member of the public speaking as President of the Twin Oaks Valley Property Owners Association, addressed the Board stating SB 330 is now law. Effective January 1, 2020, SB 330 freezes capacity fees. After years of delay the District has passed new capacity fees to be effective on January 2, 2020. What is the status of those capacity fees? Will the new ones, long overdue, be charged properly to new developments or not? The January 1 and 2 dates will be an aggravating issue for many citizens. This should be carefully resolved. Anything that is done to make the new fees defensible should be done. It appears the easiest thing to do is just revise the effective date to December 31. He stated he provided Executive Secretary Posvar with a copy of SB 330. He hopes this is resolved quickly.

Legal Counsel Gilpin stated SB 330 is a housing bill. He will review the details to verify whether Mr. Hunsaker's assertions concerning the freeze on capacity fees are accurate.



## INTRODUCTION

Human Resources Analyst Bridget Anderson introduced new employee, Susan Bowman, Asset Management Supervisor.

## CONSENT CALENDAR

19-11-15 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.

### 1.1 Approval of Minutes

- A. Engineering/Equipment Committee Meeting – October 28, 2019
- B. Finance/Investment Committee Meeting – October 29, 2019
- C. Board Workshop Meeting – October 31, 2019
- D. Special Board Meeting – November 6, 2019
- E. Regular Board Meeting – November 6, 2019

### 1.2 Warrant List through November 20, 2019 - \$2,821,108.81

### 1.3 Financial Reports

- A. Water Meter Count – October 31, 2019
- B. Water Production/Sales Report – 2019/2020
- C. Per Capita Water Consumption – October 31, 2019
- D. Water Revenue and Expense Report – October 31, 2019
- E. Sewer Revenue and Expense Report – October 31, 2019
- F. Reserve Funds Activity – October 31, 2019
- G. Investment Report – October 31, 2019
- H. Legal Fees Summary – October 31, 2019

## ACTION ITEMS

### ACCEPTANCE OF ROCK SPRINGS SEWER REPLACEMENT PROJECT

Capital Facilities Senior Engineer Morgan stated the project corridor begins at the intersection of Rock Springs Road and Bennett Avenue, and runs west through a greenbelt area to an existing 12-inch pipeline in Rock Springs Road at Lancer Park Avenue. The Board approved a design contract to Infrastructure Engineering Corporation (IEC) in July 2010. IEC and staff finalized bid documents in May 2018. The Board awarded a contract to Burtech Pipeline in August 2018 and construction began on October 19, 2018. The project was completed on August 16, 2019 with a budget surplus of \$41,198.

Staff recommended the Board accept the project as complete 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.

19-11-16 MOTION WAS MADE by Director Elitharp, seconded by Evans, and carried unanimously, to accept the project and authorize the filing of a Notice of Completion and release of retention funds.

ENCINA WASTEWATER AUTHORITY REVISED ESTABLISHMENT DOCUMENT AMENDMENT

General Manager Pruim stated the District is one of six member agencies of the Encina Wastewater Authority (EWA) which provides regional wastewater treatment and disposal services. EWA was created under the Establishment Document which served as the Joint Exercise of Powers Agreement to operate the Encina Joint System. Based on previous revisions, the Establishment Document is now known as the Revised Establishment Document (RED). The six member agencies are jointly responsible for all costs associated with EWA, including personnel costs, based on their ownership percentage and the demands they place on the system.

General Manager Pruim further stated that AB 1912 became effective January 1, 2019 requiring member agencies to be jointly liable for all retirement obligations of employees who work for the Joint Powers Authority. The RED must be amended to reflect the passage of AB 1912 and make minor corrections to the document. There are no financial impacts to the District as EWA already allocates those retirement costs. The EWA Board and Joint Advisory Committee considered this item at their November 13, 2019 meeting and recommended forwarding the RED to its six member agencies for approval.

Staff recommended the Board approve the amendments to the RED.

General discussion took place regarding the District's ownership share of EWA and how it compares to other member agencies. General Manager Pruim stated the District's share is approximately 22.4% which is slightly smaller than City of Vista/Buena Sanitation District and Carlsbad Municipal Water District.

Mike Hunsaker, member of the public, addressed the Board and asked for clarification on the District's ownership stake of solids treatment and liquids treatment. Is the 22% a blended average and is it covered in the agreement? There is some talk of turning that facility into a waste treatment facility to reclaim or recycle water. Will that cover those eventualities? General Manager Pruim responded that the District's share is a blended average of overall demands placed on solids and liquids treatment. EWA is considering using their facility and the output of their facility to create potable reuse water; however, what is needed to go forward such as the cost and adding staff has not been determined and is far into the future.

- 19-11-17 MOTION WAS MADE by Director Evans, seconded by Sannella, and carried unanimously, to approve the amendments to the Revised Establishment Document.

CALL FOR NOMINATIONS TO THE LOCAL AGENCY FORMATION COMMISSION AND THE SPECIAL DISTRICTS ADVISORY COMMITTEE

General Manager Pruim stated the San Diego Local Agency Formation Commission has issued ballots inviting each district to cast a ballot selecting up to eight nominees to fill eight open seats on the 16-member Special Districts Advisory Committee.

General discussion took place during which the consensus of the Board was to support the five incumbents, Jack Bebee, Robert Thomas, Tom Kennedy, Kimberly Thorner, Mark Robak, and Albert Lau.

REPORTS

GENERAL MANAGER

General Manager Pruim reported on the following:

- The City of San Marcos will be holding a groundbreaking ceremony for their San Marcos Creek project on Wednesday, December 11 from 10:00 a.m. to 11:00 a.m. The location of the event has not been announced. The project consists of bridges over the creek on Bent Avenue and Via Veracruz, widening and heightening of Discovery Street, and a creek promenade. Many utility relocations will be required.
- The pipeline condition assessment for the High Point development is scheduled for December 4-9. All costs associated with the inspection will be paid for by the developer. The company performing the assessment was contracted by the District.
- A movie, *Dark Waters*, will be opening in theatres on November 22. The fictional movie focuses on a family of chemical compounds found in drinking water called per- and polyfluoroalkyl substances (PFAS). The District has no issues with PFAS.
- The Association of California Water Agencies Fall Conference will be held December 3-6 in San Diego. Due to the conference, the December 4 Board meeting will be cancelled, and a Special Board meeting will be scheduled for December 11.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated he will review SB 330 to determine if it is applicable to the District.

Legal Counsel Gilpin stated the adoption of AB 5 could potentially affect the District in terms of hiring independent contractors. The bill adopts more streamlined rules as to what are considered independent contractors.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the Board will vote on a contract for Sandy Kerl at their November 21 meeting. Ms. Kerl was selected for the position of General Manager. The Board will also consider the Transitional Special Agricultural Water Rate which will become permanent as the Special Agricultural Water Rate (SAWR). The SAWR will be reviewed in five years along with the Urban Management Plan to ensure it is working.

Director Evans commented briefly on the litigation with the Metropolitan Water District.

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

Director Sannella stated the Finance/Investment Committee will meet on November 25.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Hernandez, Sannella, Elitharp, Evans and President Martin reported on their attendance to the Council of Water Utilities meeting on November 19.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Hernandez inquired if he secures a hotel room via Airbnb for the ACWA conference in San Diego, will he be responsible for the cost. General Manager Pruim stated he would; however, he will consult with Legal Counsel Gilpin regarding a method to partially reimburse Director Hernandez for other expenses he would otherwise incur. Director Hernandez requested this topic be placed on the next Board agenda.

Director Hernandez requested single use plastics and the septage study be placed on a future agenda.

Director Evans stated she would like to speak to the Directors individually about their interests regarding committee appointments for next year.

ADJOURNMENT

There being no further business to discuss, President Martin adjourned the Regular Meeting of the Board of Directors at the hour of 5:45 p.m.

A Special Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 11, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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Glenn Pruim, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, NOVEMBER 25, 2019 AT 4:00 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 4:03 p.m.

Present:                Director Sannella  
                             Director Martin  
                             General Manager Pruim  
                             Finance Manager Owen  
                             Accounting Supervisor Glenn  
                             Principal Financial Analyst Arthur  
                             Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

COST OF SERVICE STUDY

General Manager Pruim stated staff considered the Committee's feedback on the Cost of Service Study (COSS) from the previous Committee meeting and would be providing an update and several options for consideration. A Board workshop is tentatively scheduled for December 9 providing all Board members are able to attend. Items to be discussed at the workshop include the background and purpose of a COSS, options presented today, and the preliminary timeline should the Board approve moving forward with the 218 process.

Staff facilitated a presentation as follows:

- Background
- Revenue Requirement and Budget Rate Increases
- Projected Revenue, Water Fund
- Scenarios
  - No Increase FY 2020, 3.61% Increase 01/01/21
  - No Increase FY 2020, Budgeted Revenues FY 2021
  - 2% Increase FY 2020, Budgeted Revenues FY 2021
- Budget
  - No Increase FY 2020
- Draft Estimated Water/Sewer Bill Effective 01/01/20
- Preliminary Calendar

Principal Financial Analyst Arthur stated the budget for the current fiscal year (FY) projected a 3.5% increase effective January 1, 2020.

General Manager Pruim discussed several options and impacts of not increasing rates now. If the Board decides not to increase rates on January 1, 2020 and increases rates

in the future by the same percentage as previously projected, that would create a revenue shortfall of approximately \$1.9 million per year every year and approximately \$7.8 million over five years. A 7.35% increase next year would be necessary to cover the shortfall if there was no rate increase on January 1, 2020. Another option would be to spread the 7.35% increase over multiple years; however, the shortfall would continue to increase. An additional option would be to split the difference with a rate increase of 2.0% in the first year (2020) and 5.17% in the second year (2021).

General discussion took place regarding the budget process. Water costs make up approximately 75% of the budget which the District has no control over.

Finance Manager Owen reviewed the current downward trending for water and wastewater reserves and how the various options discussed would affect the floor and ceiling and days in cash. Maintaining appropriate days in cash is important to the District's credit rating which affects the District's ability to issue debt in the future.

Principal Financial Analyst Arthur discussed the estimated average water and sewer bill effective January 1, 2020 based on the options presented. A 3.5% rate increase would increase an average customer's bill 2.49%. If a 2.0% rate increase was implemented, the bill would increase 1.39%.

The Committee requested staff improve the 218 notice to be more easily read and understood. Examples of other district's 218 notices will be presented at the Board workshop.

Mike Hunsaker, member of the public, stated there has been discussion about more possible studies on the amount of water apartments are using. Will any of that be factored in? Electricity had been increasing on average 5% per year which goes into the cost of water, particularly desal. These figures may be misleading to consumers as to what they are likely to actually see. He would like to know how much of the District's revenue comes from leasing and how the costs of partial meters are recovered. Staff explained how electricity increases are factored into rates.

#### OTHER BUSINESS

None.

#### PUBLIC COMMENT

Mike Hunsaker inquired about possible implications of SB 330. General Manager Pruum stated legal counsel is still reviewing SB 330.

#### ADJOURNMENT

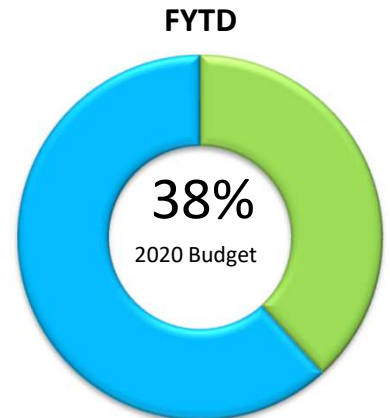
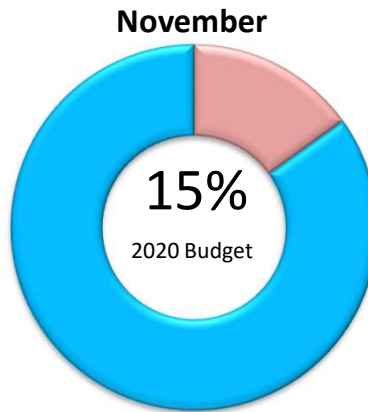
There being no further business to discuss, the meeting was adjourned at the hour of 4:59 p.m.

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

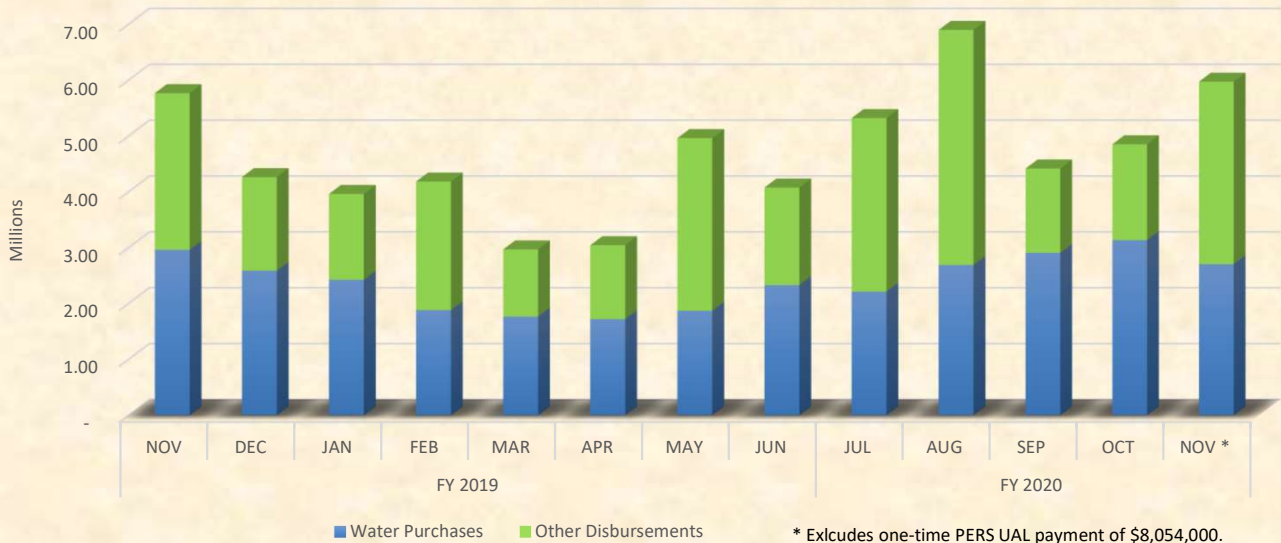
**Summary**

|                        |                 |
|------------------------|-----------------|
| November Disbursements | \$ 14,024,675 * |
| YTD Disbursements      | \$ 35,505,080 * |
| FY2020 Budget          | \$ 92,718,000   |

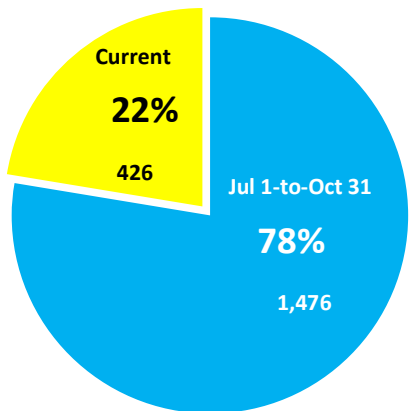
\* Excludes Debt Service



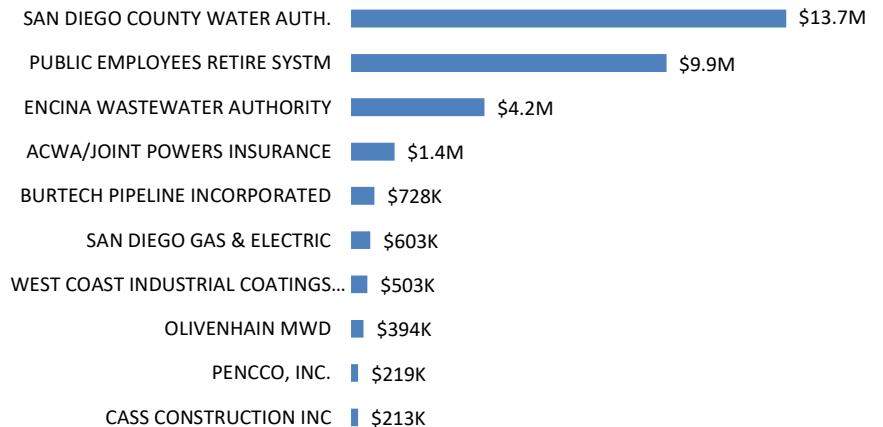
**Disbursements by Month**



**Invoices Processed**



**Top 10 Vendors - FYTD**





VALLECITOS WATER DISTRICT  
WARRANTS LIST  
December 11, 2019

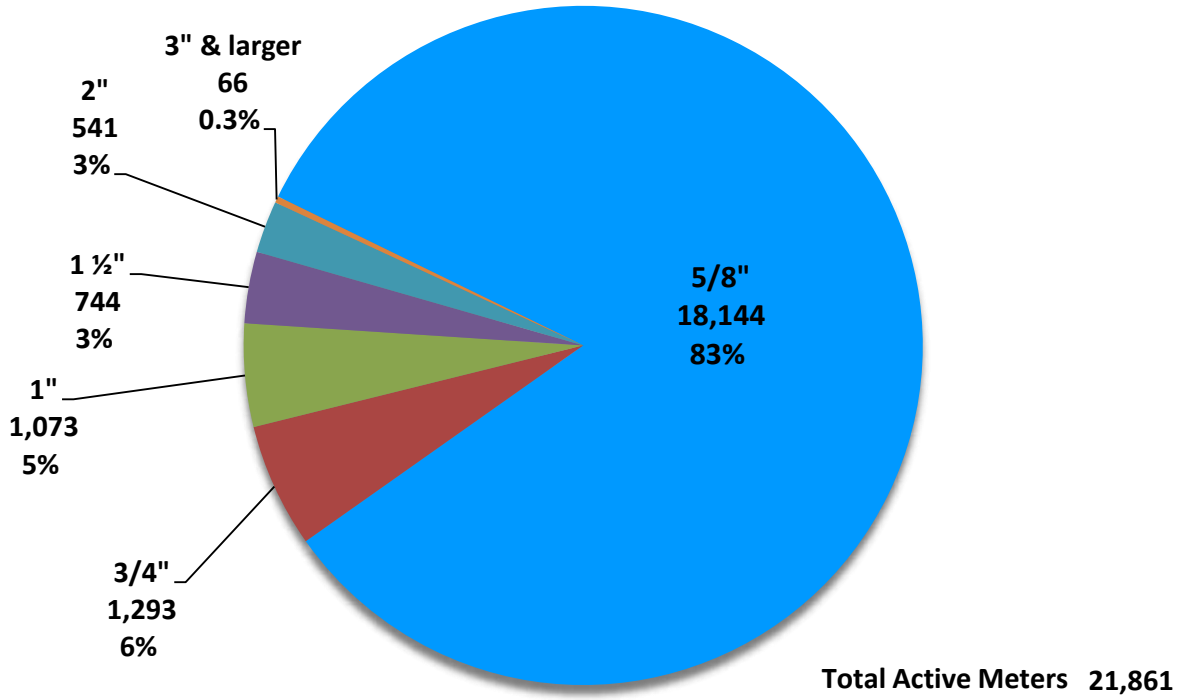
| PAYEE                                   | DESCRIPTION   | CHECK#         | AMOUNT     |
|---|---|----------------|------------|
| CHECKS                                  |   |                |            |
| BRG Consulting Inc                      | District Wide Solar Project   | 117783         | 9,682.30   |
| Brookfield Rancho Coronado LLC          | Closed Account Refund   | 117784         | 638.20     |
| Denise Ham & Jerry T. Stark, LLC        | Closed Account Refund   | 117785         | 420.72     |
| Home Depot Credit Services              | Hardware Supplies Prj 20171-5   | 117786         | 916.86     |
| SDG&E                                   | Power - Oct   | 117787         | 62,988.15  |
| Staples Advantage                       | Office Supplies - Oct   | 117788         | 429.35     |
| Union Bank FKA 1st Bank Card            | Meetings & Travel - Oct   | 117789         | 3,254.98   |
| Union Bank FKA 1st Bank Card            | Meetings & Travel - Oct   | 117790         | 2,256.23   |
| Union Bank FKA 1st Bank Card            | Meetings & Travel - Oct   | 117791         | 7,223.26   |
| Verizon Wireless                        | Cell Phone Svc - Oct  | 117792         | 2,386.85   |
| Garnishments                            | Payroll Garnishments  | 117793 through | -          |
| ACWA/Joint Powers Insurance             | Medical Insurance - Dec   | 117796         | 211,097.41 |
| Airgas USA LLC                          | Cylinder Rental   | 117797         | 125.92     |
| Alfa Medical Equipment Specialists, Inc | Hardware Supplies   | 117798         | 80.66      |
| Allen Weiss                             | Refund - Duplicate Payment  | 117799         | 175.21     |
| Allied Universal                        | Weekly Deposit Svc - Aug  | 117800         | 72.08      |
| Altman Specialty Plants Inc             | Succulents Prj 20201-40   | 117801         | 587.88     |
| Ambius                                  | Plant Maintenance - Nov   | 117802         | 263.00     |
| AT&T                                    | Internet Svc - Nov  | 117803         | 80.25      |
| AT&T                                    | Phone Svc - Oct   | 117804         | 2,834.26   |
| Boncor Water Systems                    | Drinking Water Svc - Nov  | 117805         | 46.00      |
| California Special Dist Assn.           | Meeting 11-21-19, Sannella, Hernandez, Martin, Elitharp                 | 117806         | 120.00     |
| CAPIO                                   | Membership Renewal 19-20 Prj 20201-45                                   | 117807         | 225.00     |
| City of Carlsbad                        | Quarterly Sewer Fees  | 117808         | 6,674.40   |
| Chris Robbins                           | CSDA Workshop 10-30-19 Prj 20191-40                                     | 117809         | 39.44      |
| Construction Diamond Products Inc       | Iron Blades For Concrete Pipe Saw - 4                                   | 117810         | 1,023.77   |
| Council of Water Utilities              | Meeting 11-19-19, Elitharp, Sannella, Hernandez, Martin, Evans, Pruim   | 117811         | 270.00     |
| CWEA                                    | Membership Renewal - C Harrell  | 117812         | 192.00     |
| CWEA                                    | Membership Renewal - D McDougale  | 117813         | 192.00     |
| Doane & Hartwig Water Systems Inc       | Chemical Pumps Upgrade - Odor Scrubber #2 Prj 20201-36                  | 117814         | 14,510.46  |
| Davis Farr LLP                          | Audit Svcs FYE 6-30-19  | 117815         | 14,000.00  |
| Dell Computers                          | Laptops & Docking Stations 6, Embedded Box Prj 20201-4                  | 117816         | 14,440.33  |
| DirecTV Inc                             | Satellite Svc - Nov   | 117817         | 74.54      |
| EDCO Waste & Recycling Serv             | Trash Svc - Oct   | 117818         | 975.64     |
| Emcor Service                           | Chiller Repair Bldg A, AC Repairs Bldg B, HVAC Preventative Maintenance | 117819         | 9,150.45   |
| Employment Screening Services Inc       | Employment Screening Svcs   | 117820         | 48.00      |
| Federal Express Corp.                   | Shipping Svcs - Oct   | 117821         | 73.23      |
| Fitness Direct Inc.                     | Flooring - Wellness Room  | 117822         | 2,241.00   |
| Fleet Pride                             | Filters - Annual Generator Svc  | 117823         | 921.55     |
| Franchise Tax Board                     | Income Tax Withholding  | 117824         | 75.00      |
| George & Krogh Welding Inc              | Welding Svcs - MRF Prj 20181-9  | 117825         | 440.00     |
| Granicus, LLC                           | Visionlive Subscription 18-19   | 117826         | 4,723.11   |
| Haaker Equipment Co.                    | Fleet Supplies - Vactor Truck   | 117827         | 210.33     |
| Hach Company                            | Lab Supplies - Water Quality  | 117828         | 694.61     |
| Hawthorne Machinery Co.                 | Skid Steer Repair & Parts Veh 262, Hardware Supplies                    | 117829         | 1,366.23   |
| Idexx Distribution Corp.                | Sample Vessels & Reagent - Water Quality                                | 117830         | 3,291.13   |
| Infosend Inc                            | Door Hangers, Processing & Processing - Sep                             | 117831         | 4,184.33   |
| JCI Jones Chemicals Inc                 | Chlorine  | 117832         | 2,043.21   |
| Justin Shutt                            | SWRCB - Exam Fee  | 117833         | 65.00      |
| Knight Security & Fire Systems          | Answering, Monitoring, Patrol Svc - Nov                                 | 117834         | 588.19     |
| Lawnmowers Plus Inc                     | Weed Trimmer Repair, Hardware Supplies                                  | 117835         | 315.90     |
| Left Coast Window Cleaning              | Cleaning Svcs Nov - MRF   | 117836         | 553.13     |
| Matheson Tri-Gas Inc                    | Cylinder Rental   | 117837         | 61.57      |
| Mission Resource Conservation District  | Water Use Evaluations - 14 Prj 20201-43                                 | 117838         | 753.50     |
| Pacific Pipeline Supply                 | Couplings 2, Wax Tape Rolls 48, Air Vacs 3                              | 117839         | 2,527.72   |
| Parkhouse Tire Inc                      | Back Hoe Tire Veh 193   | 117840         | 429.57     |
| Pencco, Inc.                            | Sulfend RT  | 117841         | 17,835.90  |
| Recycled Aggregate Materials Co Inc     | Concrete Recycling  | 117842         | 350.00     |
| Redback USA                             | Safety Boots  | 117843         | 133.61     |
| SDG&E                                   | Requested Outage - Work at 1517 Woodland Heights Glen Prj 20181-6       | 117844         | 774.00     |
| SDG&E                                   | Power - Oct   | 117845         | 2,788.29   |
| San Marcos Chamber of Commerce          | San Marcos Spring Festival Booth Rental Prj 20201-40                    | 117846         | 380.00     |
| Schmidt Fire Protection Co Inc          | Aerosol System Inspection Jun - Dec                                     | 117847         | 1,072.00   |
| Smart & Final                           | Supplies - Employee Event   | 117848         | 180.23     |
| Smogs By Rita                           | Smog Checks - 9   | 117849         | 450.00     |
| State Board of Equalization             | Annexation Fee  | 117850         | 350.00     |
| State Water Resources Control           | Distribution Cert Renewal - J Schutt                                    | 117851         | 80.00      |

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
December 11, 2019

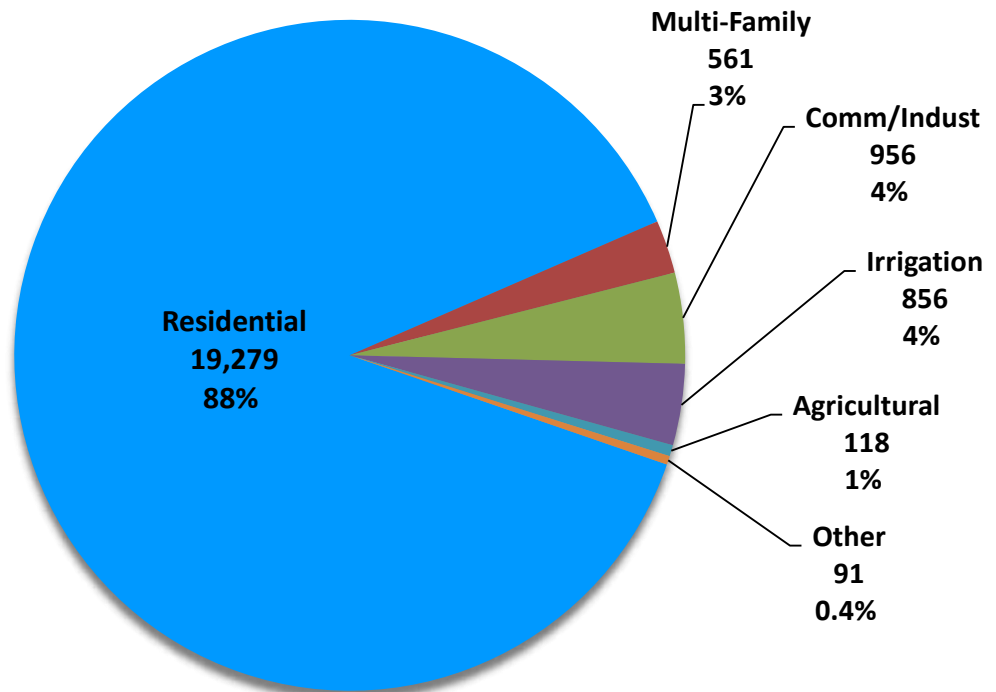
| PAYEE   | DESCRIPTION   | CHECK# | AMOUNT        |
|---|---|--------|---------------|
| Test America Laboratories Inc                 | Water Sampling  | 117852 | 940.00        |
| Thyssen Krupp Elevator                        | Elevator Maintenance Nov - Jan  | 117853 | 1,026.89      |
| Trussell Technologies Inc                     | Biological Evaluation Prj 20191-2                                       | 117854 | 4,152.50      |
| Underground Service Alert                     | Dig Alert Svc & CA State Fee/Regulatory Costs - Oct                     | 117855 | 593.02        |
| United Rentals                                | Deposit Refund Prj 20191-589  | 117856 | 2,821.94      |
| UPS   | Shipping Svcs - Oct   | 117857 | 26.88         |
| Urban Water Institute Inc                     | Membership Renewal 2020   | 117858 | 500.00        |
| Valerie Pierce                                | Deposit Refund Prj 20191-624  | 117859 | 1,061.92      |
| Virginia Louise Dower Trust                   | Deposit Refund Prj 20191-623  | 117860 | 963.55        |
| WateReuse Association                         | Membership Renewal 19-20  | 117861 | 3,103.00      |
| West Coast Industrial Coatings Inc. (WCIC)    | Schoolhouse Tank Rehab Prj 20181-03                                     | 117862 | 230,921.25    |
| Xerox Corporation                             | Copier Lease - Sep  | 117863 | 4,383.06      |
| Ace Coolers Inc                               | Ice Machine Cleaning - Bldg A   | 117864 | 2,100.00      |
| Adkins Bee Removal                            | Bee Removals - 2  | 117865 | 225.00        |
| Aqua-Metric Sales Co                          | Meters - 180  | 117866 | 37,447.04     |
| Bergelectric Corp.                            | Palos Vista PS Electric Generator Prj 20181-06                          | 117867 | 72,065.10     |
| Boot Barn                                     | Safety Boots  | 117868 | 150.00        |
| CDW Government Inc                            | Cylance Protection Support 19-20  | 117869 | 4,754.00      |
| Chandler Asset Management, Inc.               | Investment Management Svc - Oct   | 117870 | 3,822.80      |
| Jeffrey Colwell                               | Video Production Svcs Prj 20201-41                                      | 117871 | 743.75        |
| Core Logic Information Solutions Inc          | Real Quest Engineering Map Svc - Oct                                    | 117872 | 206.00        |
| Hidden Valley Steel & Scrap, Inc.             | Hardware Supplies   | 117873 | 56.82         |
| Fisher Scientific LLC                         | Lab Supplies - MRF  | 117874 | 249.90        |
| Grainger Inc                                  | Manhole Guard Rails 2 MRF, Injection Unit PVPS, Hardware Supplies       | 117875 | 3,017.47      |
| Interstate Batteries                          | Batteries 3 - Mahr Boat & Veh 278                                       | 117876 | 364.88        |
| Joe's Paving Co Inc                           | Paving Svcs - 2,305 Sq. Ft.   | 117877 | 24,260.30     |
| Ken Grody Ford                                | Exhaust Repair Veh 228, Fleet Supplies                                  | 117878 | 2,854.51      |
| Laser Cut Concrete Cutting Inc                | Influent Pump 2 Mounting - MRF Prj 20181-09                             | 117879 | 500.00        |
| Mallory Safety & Supply, LLC                  | Vests & Gloves, Safety Supplies   | 117880 | 3,013.84      |
| Marcon Products Inc                           | Concrete Prj 20171-5  | 117881 | 351.94        |
| McMaster-Carr Supply Co                       | Blower - Mahr Generator   | 117882 | 1,307.85      |
| North County Auto Parts                       | Fleet Supplies - Oct Prj 20191-21                                       | 117883 | 5,751.42      |
| Olivenhain MWD                                | Treated Water - Oct, Woodard & Curran Costs, Bluewater Strategies Costs | 117884 | 82,726.88     |
| One Source Distributors LLC                   | Hardware Supplies   | 117885 | 43.58         |
| Ostari Inc                                    | Nimble Support Renewal 19-20  | 117886 | 6,705.32      |
| Power Seal                                    | Couplings - 2   | 117887 | 1,912.01      |
| Raftelis Financial Consultants Inc            | Water Cost of Service Study   | 117888 | 8,054.96      |
| SCADA Integrations                            | SCADA Upgrades - Data Reporting - MRF Prj 20201-4                       | 117889 | 2,720.00      |
| Shields, Harper & Co                          | Fuel Master Modules - For New Vehicle Set Ups 4                         | 117890 | 1,488.16      |
| Steel-Toe-Shoes.com                           | Safety Boots  | 117891 | 150.84        |
| Sunbelt Rentals Inc                           | Concrete Mixing Trailer Rental  | 117892 | 191.30        |
| T.S. Industrial Supply                        | Hardware Supplies   | 117893 | 276.98        |
| Traffic Safety Solutions LLC                  | Traffic Control Plan Drawings - For Manhole Replacement                 | 117894 | 695.00        |
| Unifirst Corporation                          | Uniform Delivery  | 117895 | 1,493.58      |
| Vaughan's Indust Repair Inc.                  | Pump 3 Rebuild Parts - Lake San Marcos Lift Station                     | 117896 | 6,838.50      |
| Visser Construction Inc                       | Engineering Counter Removal, Ceiling Removal & Replacement - Water Ops  | 117897 | 4,125.00      |
| Total Disbursements (112 Checks)              |   |        | 948,606.68    |
| <b>WIRES</b>                                  |   |        |               |
| San Diego County Water Authority              | October Water Bill  | Wire   | 2,773,551.08  |
| Public Employees Retirement System            | One-time UAL Additional Discretionary Payment                           | Wire   | 8,054,000.00  |
| Public Employees Retirement System            | Retirement Contribution - November 19, 2019 Payroll                     | Wire   | 74,084.21     |
| Total Wires                                   |   |        | 10,901,635.29 |
| <b>PAYROLL</b>                                |   |        |               |
| Total direct deposits                         |   | Wire   | 238,981.06    |
| VWD Employee Association                      |   | 117793 | 572.00        |
| Payroll & Garnishments                        | 117794 through  | 117795 | 901.06        |
| IRS   | Federal payroll tax deposits  | Wire   | 91,885.14     |
| Employment Development Department             | California payroll tax deposit  | Wire   | 18,119.95     |
| CalPERS                                       | Deferred compensation withheld  | Wire   | 18,372.96     |
| VOYA  | Deferred compensation withheld  | Wire   | 7,123.09      |
| Total November 19, 2019 Payroll Disbursements |   |        | 375,955.26    |
| <b>TOTAL DISBURSEMENTS</b>                    |   |        | 12,226,197.23 |

Vallecitos Water District  
 Active Water Meters  
 November 30, 2019

**Active Meters by Size as of November 30, 2019**

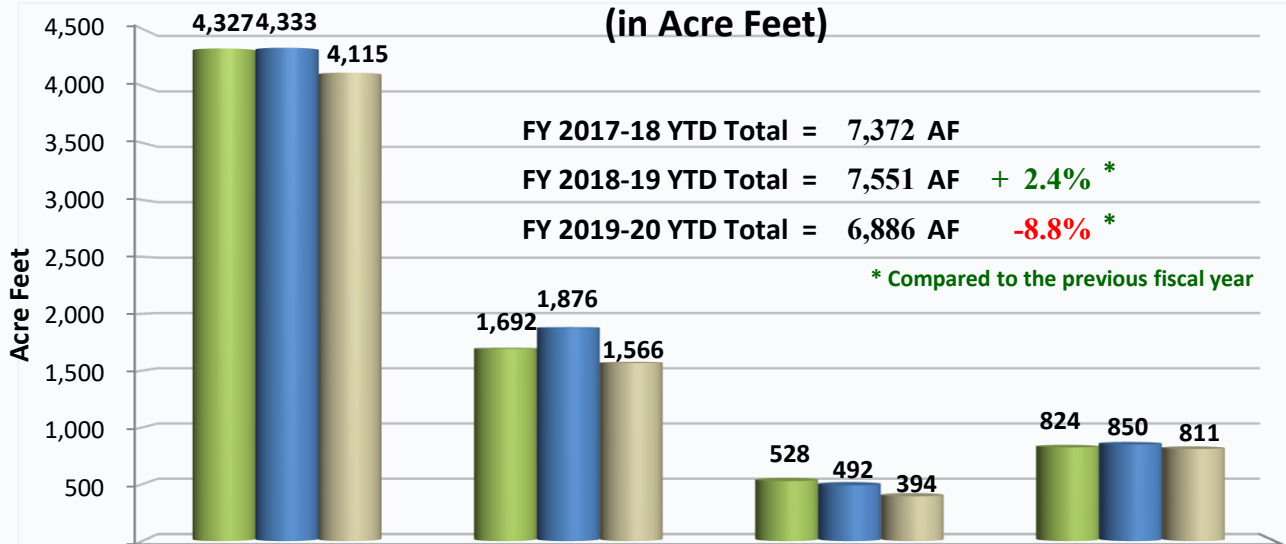


**Active Meters by Type as of November 30, 2019**



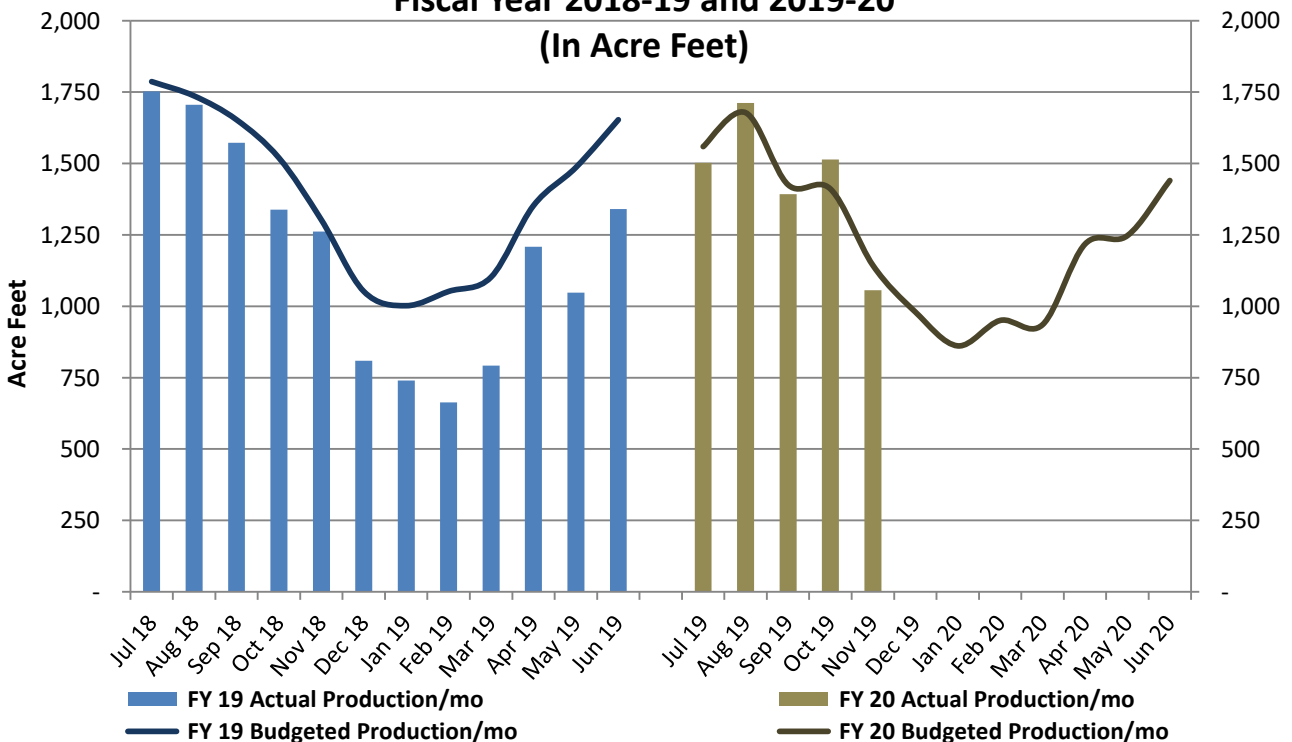
Vallejos Water District  
 Water Production/Sales  
 November 30, 2019

**Water Sales FY 17-18, FY 18-19 and FY 19-20 (FYTD)**  
 (in Acre Feet)

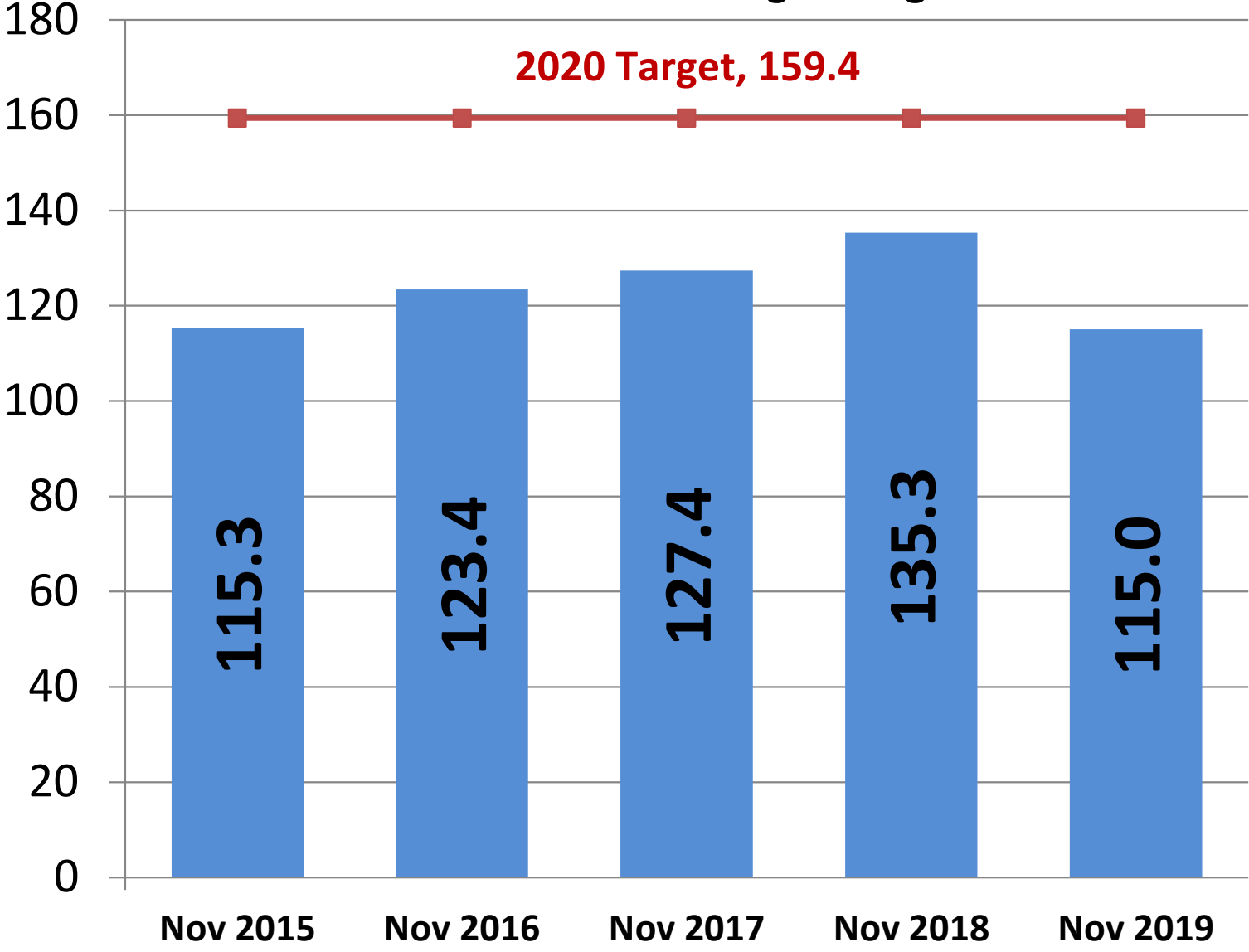


|            | Residential | Irrigation | Agricultural | Commer/ Indust/<br>Construct/ Other |
|------------|-------------|------------|--------------|-------------------------------------|
| FY 2017-18 | 4,327       | 1,692      | 528          | 824                                 |
| FY 2018-19 | 4,333       | 1,876      | 492          | 850                                 |
| FY 2019-20 | 4,115       | 1,566      | 394          | 811                                 |

**Water Production Budget vs. Actual**  
**Fiscal Year 2018-19 and 2019-20**  
 (In Acre Feet)



# Gallons per Capita per Day 12-Month Rolling Average



**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: MONTHLY FINANCIAL REPORTS**

**BACKGROUND:**

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

**DISCUSSION:**

The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 5-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 Five Months Ended November 30, 2019

12/4/2019 17:29

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|                             | Current             | Prior Year Actual   |                  |              | Current Year Budget |                    |              |
|-----------------------------|---------------------|---------------------|------------------|--------------|---------------------|--------------------|--------------|
|                             | Year                | Amount              | Variance         |              | Amount              | Variance           |              |
|                             | Actual              |                     | \$               | %            |                     | \$                 | %            |
| <b>Revenue</b>              |                     |                     |                  |              |                     |                    |              |
| Water Sales                 | \$ 15,080,123       | \$ 16,367,229       | \$ (1,287,106)   | -7.9%        | \$ 16,370,000       | \$ (1,289,877)     | -7.9%        |
| Ready-to-serve              | 5,971,937           | 5,656,851           | 315,086          | 5.6%         | 5,752,000           | 219,937            | 3.8%         |
| Pumping charges             | 207,289             | 176,416             | 30,873           | 17.5%        | 176,000             | 31,289             | 17.8%        |
| Late & lock charges         | 147,896             | 186,079             | (38,183)         | -20.5%       | 194,000             | (46,104)           | -23.8%       |
| Backflow fees               | 40,152              | 38,555              | 1,597            | 4.1%         | 40,000              | 152                | 0.4%         |
| Other revenue               | 53,235              | 58,636              | (5,401)          | -9.2%        | 52,100              | 1,135              | 2.2%         |
| <b>Total Revenue</b>        | <b>21,500,632</b>   | <b>20,106,266</b>   | <b>1,394,366</b> | <b>6.9%</b>  | <b>22,584,100</b>   | <b>(1,083,468)</b> | <b>-4.8%</b> |
| <b>Expenses</b>             |                     |                     |                  |              |                     |                    |              |
| Water costs                 | 14,214,830          | 14,419,050          | (204,220)        | -1.4%        | 14,786,000          | (571,170)          | -3.9%        |
| Pumping costs               | 349,506             | 366,814             | (17,308)         | -4.7%        | 468,000             | (118,494)          | -25.3%       |
| Water quality               | 46,300              | 49,910              | (3,610)          | -7.2%        | 92,000              | (45,700)           | -49.7%       |
| Water treatment             | 216,110             | 179,518             | 36,592           | 20.4%        | 202,000             | 14,110             | 7.0%         |
| Tanks & reservoirs          | 164,916             | 138,680             | 26,236           | 18.9%        | 194,000             | (29,084)           | -15.0%       |
| Trans & distribution        | 685,927             | 1,245,977           | (560,050)        | -44.9%       | 767,000             | (81,073)           | -10.6%       |
| Services                    | 31,103              | 37,637              | (6,534)          | -17.4%       | 37,000              | (5,897)            | -15.9%       |
| Meters                      | 300,126             | 245,207             | 54,919           | 22.4%        | 321,000             | (20,874)           | -6.5%        |
| Backflow prevention         | 22,660              | 18,501              | 4,159            | 22.5%        | 28,000              | (5,340)            | -19.1%       |
| Customer accounts           | 241,749             | 251,911             | (10,162)         | -4.0%        | 279,000             | (37,251)           | -13.4%       |
| Building & grounds          | 141,099             | 167,099             | (26,000)         | -15.6%       | 165,000             | (23,901)           | -14.5%       |
| Equipment & vehicles        | 94,794              | 78,129              | 16,665           | 21.3%        | 138,000             | (43,206)           | -31.3%       |
| Engineering                 | 629,677             | 585,892             | 43,785           | 7.5%         | 675,000             | (45,323)           | -6.7%        |
| Safety & compliance         | 82,404              | 100,371             | (17,967)         | -17.9%       | 101,000             | (18,596)           | -18.4%       |
| Information Technology      | 377,951             | 301,966             | 75,985           | 25.2%        | 433,000             | (55,049)           | -12.7%       |
| General & administrative    | 1,215,957           | 1,028,760           | 187,197          | 18.2%        | 1,244,000           | (28,043)           | -2.3%        |
| <b>Total Expenses</b>       | <b>18,815,109</b>   | <b>17,944,621</b>   | <b>870,488</b>   | <b>4.9%</b>  | <b>19,930,000</b>   | <b>(1,114,891)</b> | <b>-5.6%</b> |
| <b>Net Operating Income</b> | <b>\$ 2,685,523</b> | <b>\$ 2,161,645</b> | <b>523,878</b>   | <b>24.2%</b> | <b>\$ 2,654,100</b> | <b>31,423</b>      | <b>1.2%</b>  |

Explanation of Significant Variances

*Late & lock charges* are less than budget due to lower than anticipated delinquent accounts so far this year.

*Water quality* has a favorable budget variance are a result of less than anticipated outside services being performed so far this year.

The *Pumping costs* favorable budget variance is due to less than anticipated expenses for power so far this year.

*Transmission and distribution* has a favorable prior year variance as a result of fewer main breaks during the year thus far.

The unfavorable prior year variance in *Meters* is related to anticipated increases in material and supply costs.

*Equipment & vehicles* has a favorable budget variance due to less than anticipated materials and supplies being purchased so far this year.

The *Information technology* unfavorable prior year variance is related to the timing of materials and outside services purchases. This should smooth over the coming months.

Vallecitos Water District  
Sewer Revenue and Expense Report  
For the Five Months Ended November 30, 2019

12/4/2019 17:23

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|                          | Current<br>Year<br>Actual | Prior Year Actual  |           |        | Current Year Budget |             |        |
|--------------------------|---------------------------|--------------------|-----------|--------|---------------------|-------------|--------|
|                          |                           | Amount             | Variance  |        | Amount              | Variance    |        |
|                          |                           |                    | \$        | %      |                     | \$          | %      |
| <b>Revenue</b>           |                           |                    |           |        |                     |             |        |
| Sewer service charges    | \$7,760,027               | \$7,716,210        | \$ 43,817 | 0.6%   | \$7,631,000         | \$ 129,027  | 1.7%   |
| Reclaimed water sales    | 1,027,500                 | 822,500            | 205,000   | 24.9%  | 1,029,000           | (1,500)     | -0.1%  |
| Other revenue            | 32,639                    | 666,705            | (634,066) | -95.1% | 31,000              | 1,639       | 5.3%   |
| Total Revenue            | <u>8,820,166</u>          | <u>8,428,688</u>   | 391,478   | 4.6%   | <u>8,691,000</u>    | 129,166     | 1.5%   |
| <b>Expenses</b>          |                           |                    |           |        |                     |             |        |
| Collection & conveyance  | 934,817                   | 807,252            | 127,565   | 15.8%  | 1,001,000           | (66,183)    | -6.6%  |
| Lift stations            | 88,595                    | 71,004             | 17,591    | 24.8%  | 142,000             | (53,405)    | -37.6% |
| Source control           | 67,197                    | 75,681             | (8,484)   | -11.2% | 84,000              | (16,803)    | -20.0% |
| Effluent disposal        | 1,237,454                 | 1,033,360          | 204,094   | 19.8%  | 1,467,000           | (229,546)   | -15.6% |
| Meadowlark               | 946,951                   | 1,250,021          | (303,070) | -24.2% | 1,485,000           | (538,049)   | -36.2% |
| Customer Accounts        | 161,549                   | 177,601            | (16,052)  | -9.0%  | 210,000             | (48,451)    | -23.1% |
| Building & grounds       | 82,454                    | 115,368            | (32,914)  | -28.5% | 114,000             | (31,546)    | -27.7% |
| Equipment & vehicles     | 78,604                    | 75,547             | 3,057     | 4.0%   | 105,000             | (26,396)    | -25.1% |
| Engineering              | 252,942                   | 233,931            | 19,011    | 8.1%   | 299,000             | (46,058)    | -15.4% |
| Safety & compliance      | 59,927                    | 66,075             | (6,148)   | -9.3%  | 79,000              | (19,073)    | -24.1% |
| Information technology   | 301,653                   | 249,532            | 52,121    | 20.9%  | 347,000             | (45,347)    | -13.1% |
| General & administrative | 536,995                   | 486,876            | 50,119    | 10.3%  | 600,000             | (63,005)    | -10.5% |
| Total Expenses           | <u>4,749,138</u>          | <u>4,528,869</u>   | 220,269   | 4.9%   | <u>5,933,000</u>    | (1,183,862) | -20.0% |
| Net Operating Income     | <u>\$4,071,028</u>        | <u>\$3,899,819</u> | 171,209   | 4.4%   | <u>\$2,758,000</u>  | 1,313,028   | 47.6%  |

Explanation of Significant Variances

**Reclaimed water sales** are higher than prior year due to anticipated increases in capital recovery.

**Other revenues** are low compared to prior year because of the litigation settlement related to illegal dumping in the Encina disposal system in FY19.

**Lift stations** has a favorable budget variance due to less than anticipated materials and supplies being used during the year thus far.

The **Meadowlark Plant** has a favorable prior year and budget variance as a result of less than anticipated outside services being performed thus far.

**Customer Accounts** has a favorable budget variance due to less than anticipated materials and supplies being used during the year thus far.

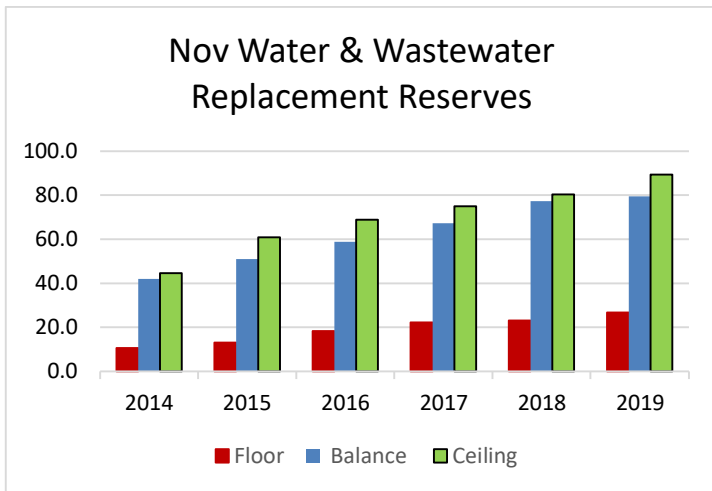
The **Information technology** unfavorable prior year variance is related to the timing of materials and outside services purchases. This should smooth over the coming months.

*Variances are considered significant if they exceed \$41666 and 20%.*



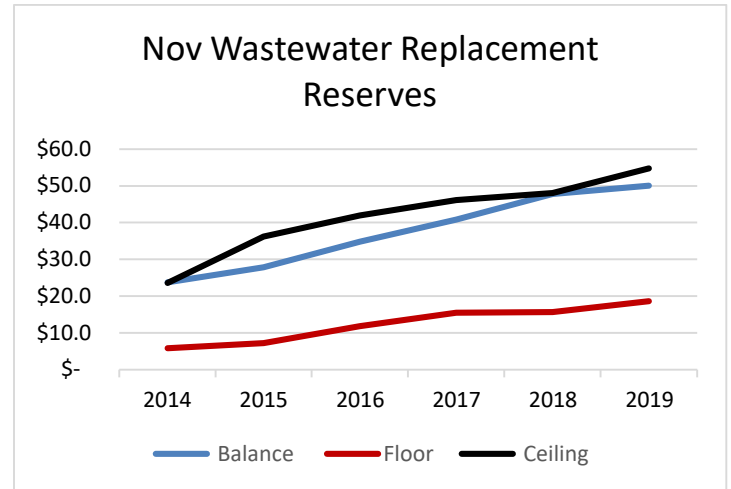
**REPLACEMENT RESERVES**

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 November 30, 2019, the total water and wastewater replacement reserve balance was \$79.5 million, 3 percent greater than November 30, 2018.



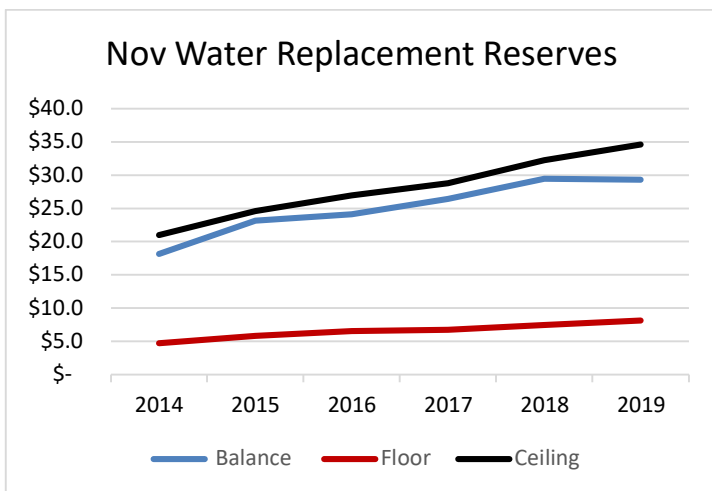
**WASTEWATER REPLACEMENT RESERVE**

As of November 30, 2019, the balance in the District’s wastewater replacement reserve totaled \$50.1 million, an increase of 5 percent, or \$2.4 million, from the same month of the prior year. The month-end balance is within the approved floor and ceiling.



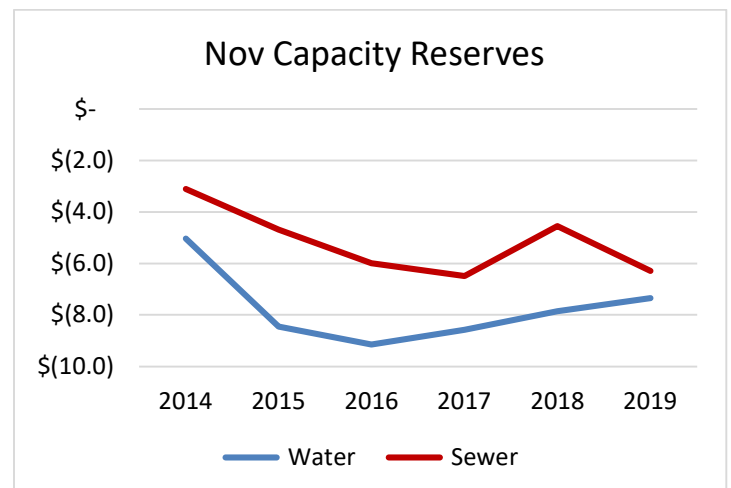
**WATER REPLACEMENT RESERVE**

As of November 30, 2019, the District’s water replacement reserve totaled \$29.3 million, a decrease of 1 percent, or \$0.2 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 November 30, 2019, the water capacity fund had a deficit of \$7.3 million and the sewer capacity fund had a deficit of \$6.3 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 MONTH OF NOVEMBER 2019**

|  | 110 Water 120    |                  | 210 Wastewater 220 |                  | Total             |
|--|------------------|------------------|--------------------|------------------|-------------------|
|  | Replacement      | Capacity         | Replacement        | Capacity         |                   |
| BEGINNING BALANCE                              | \$ 37,641,145    | \$ (8,333,147)   | \$ 58,689,994      | \$ (6,268,379)   | \$ 81,729,614     |
| <b>REVENUES</b>                                |                  |                  |                    |                  |                   |
| FY 19/20 Operating Transfers                   | 2,685,523        |                  | 4,071,028          |                  | 6,756,551         |
| Capital Facility Fees                          | -                | 1,050,121        | -                  | 1,611,860        | 2,661,981         |
| Investment Earnings                            | 392,840          | -                | 400,829            | -                | 793,668           |
| Property Tax                                   | 92,123           | -                | 78,826             | -                | 170,950           |
| RDA pass-through                               | 43,514           | -                | 33,666             | -                | 77,179            |
| Annexation Fees                                | 1,757            | -                | -                  | -                | 1,757             |
| <b>TOTAL REVENUES</b>                          | <b>3,215,757</b> | <b>1,050,121</b> | <b>4,584,349</b>   | <b>1,611,860</b> | <b>10,462,086</b> |
| <b>LESS DISTRIBUTIONS</b>                      |                  |                  |                    |                  |                   |
| Capital Projects                               |                  |                  |                    |                  |                   |
| Encina Wastewater Authority Five Year Plan     | -                | -                | 878,005            | -                | 878,005           |
| Rock Springs Sewer Replacement                 | -                | -                | 356,879            | 436,187          | 793,066           |
| Schoolhouse Tank Refurbishment                 | 590,031          | -                | -                  | -                | 590,031           |
| Montiel Lift Station And Forcemain Replacement | -                | -                | 206,217            | 84,229           | 290,446           |
| District-Wide SCADA Upgrade Project            | 96,448           | -                | 92,666             | -                | 189,114           |
| OSHA Compliant Ladder Systems                  | 164,873          | -                | -                  | -                | 164,873           |
| San Marcos Interceptor Sewer                   | -                | -                | 36,097             | 80,344           | 116,441           |
| MRF Biological Selector Improvements           | -                | -                | 87,914             | -                | 87,914            |
| Palos Vista Pump Station Generator             | 85,763           | -                | -                  | -                | 85,763            |
| MRF - Influent Pumps & Motors                  | -                | -                | 82,699             | -                | 82,699            |
| Fire Services - Backflow Preventer Upgrades    | 74,788           | -                | -                  | -                | 74,788            |
| Sewer Bypass Repair                            | -                | -                | 73,096             | -                | 73,096            |
| District Wide Valve Replacement                | 63,158           | -                | -                  | -                | 63,158            |
| Technology Infrastructure Upgrades             | 29,790           | -                | 28,622             | -                | 58,412            |
| Lawrence Welk Court Water Line Replacement     | 36,906           | -                | -                  | -                | 36,906            |
| Asset Management Replacement Schedule          | 18,437           | -                | 17,715             | -                | 36,152            |
| Building A Kitchens                            | 13,706           | -                | 13,169             | -                | 26,875            |
| Sewer Rehabilitation And Repairs               | -                | -                | 22,412             | -                | 22,412            |
| Door Access System Expansion                   | 11,079           | -                | 10,645             | -                | 21,724            |
| North Twin Oaks Tank 1 Refurbishment           | 15,587           | -                | -                  | -                | 15,587            |
| Cal State San Marcos Meter Upgrade             | 15,093           | -                | -                  | -                | 15,093            |
| All other capital projects                     | 6,788            | -                | 9,080              | 1,344            | 17,212            |
| Capital Budget - Vehicles/Mobile Equipmnt      | 232,067          | -                | 249,256            | -                | 481,323           |
| Debt Service                                   | -                | -                | -                  | 979,472          | 979,472           |
| Fund PERS UAL                                  | 4,107,540        | -                | 3,946,460          | -                | 8,054,000         |
| Interest Expense                               | -                | 65,691           | -                  | 52,610           | 118,301           |
| <b>TOTAL DISTRIBUTIONS</b>                     | <b>5,562,055</b> | <b>65,691</b>    | <b>6,110,931</b>   | <b>1,634,186</b> | <b>13,372,863</b> |
| ENDING BALANCE                                 | \$ 35,294,847    | \$ (7,348,717)   | \$ 57,163,412      | \$ (6,290,705)   | \$ 78,818,838     |
| Less: Operating Reserves                       | 5,970,100        | -                | 7,024,900          | -                | 12,995,000        |
| Replacement Reserves/Restricted Funds          | \$ 29,324,747    | \$ (7,348,717)   | \$ 50,138,512      | \$ (6,290,705)   | \$ 65,823,838     |
| Replacement reserve floor                      | \$ 8,136,700     |                  | \$ 18,603,400      |                  |                   |
| Replacement reserve ceiling                    | \$ 34,640,500    |                  | \$ 54,762,600      |                  |                   |

VALLECITOS WATER DISTRICT  
INVESTMENT REPORT FOR NOVEMBER 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 November follows:

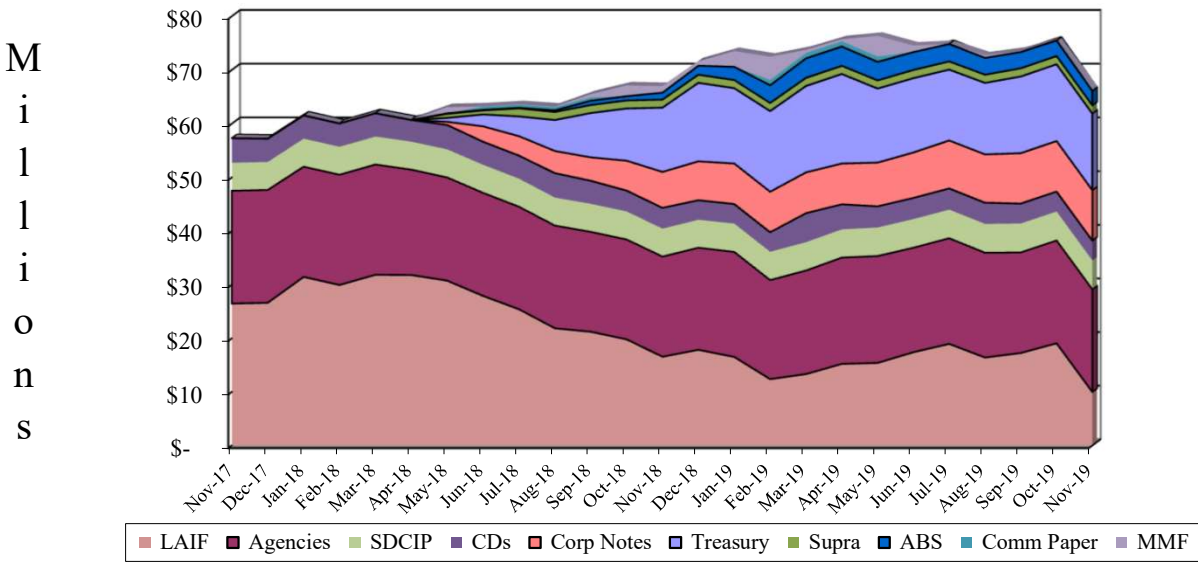
| <u>Date</u>                            | <u>Activity</u> | <u>Investment</u> | <u>Amount</u>         | <u>Maturity</u> | <u>Yield</u> |
|--|-----------------|-------------------|-----------------------|-----------------|--------------|
| 11/04/19                               | Deposit         | LAIF              | 900,000               | Open            | 2.10%        |
| 11/08/19                               | Withdrawal      | LAIF              | (1,400,000)           | Open            | 2.10%        |
| 11/12/19                               | Deposit         | LAIF              | 750,000               | Open            | 2.10%        |
| 11/15/19                               | Sold            | JDOT 2017-B       | 34,723                | 10/15/21        | 1.82%        |
| 11/15/19                               | Sold            | TAOT 2017-B       | 27,583                | 7/15/21         | 1.76%        |
| 11/15/19                               | Sold            | TAOT 2019-A       | 30,901                | 10/15/21        | 2.83%        |
| 11/15/19                               | Sold            | JDOT 2018-B       | 31,318                | 4/15/21         | 2.83%        |
| 11/15/19                               | Sold            | JDOT 2019-A       | 27,468                | 12/15/21        | 2.85%        |
| 11/18/19                               | Sold            | HAROT 2019-1      | 26,500                | 9/20/21         | 2.75%        |
| 11/18/19                               | Sold            | HAROT 2017-3      | 21,733                | 9/20/21         | 1.79%        |
| 11/19/19                               | Withdrawal      | LAIF              | (1,600,000)           | Open            | 2.10%        |
| 11/21/19                               | Withdrawal      | LAIF              | (8,500,000)           | Open            | 2.10%        |
| 11/25/19                               | Deposit         | LAIF              | 750,000               | Open            | 2.10%        |
| Change in investments during the month |                 |                   | <u>\$ (8,899,774)</u> |                 |              |

|  |                |
|--|----------------|
|  | <u>Current</u> |
| Weighted average annual yield for total Vallecitos investments | 2.310%         |
| Weighted average days to maturity                              | 438            |

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 September 30, 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 October 31, 2019. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting

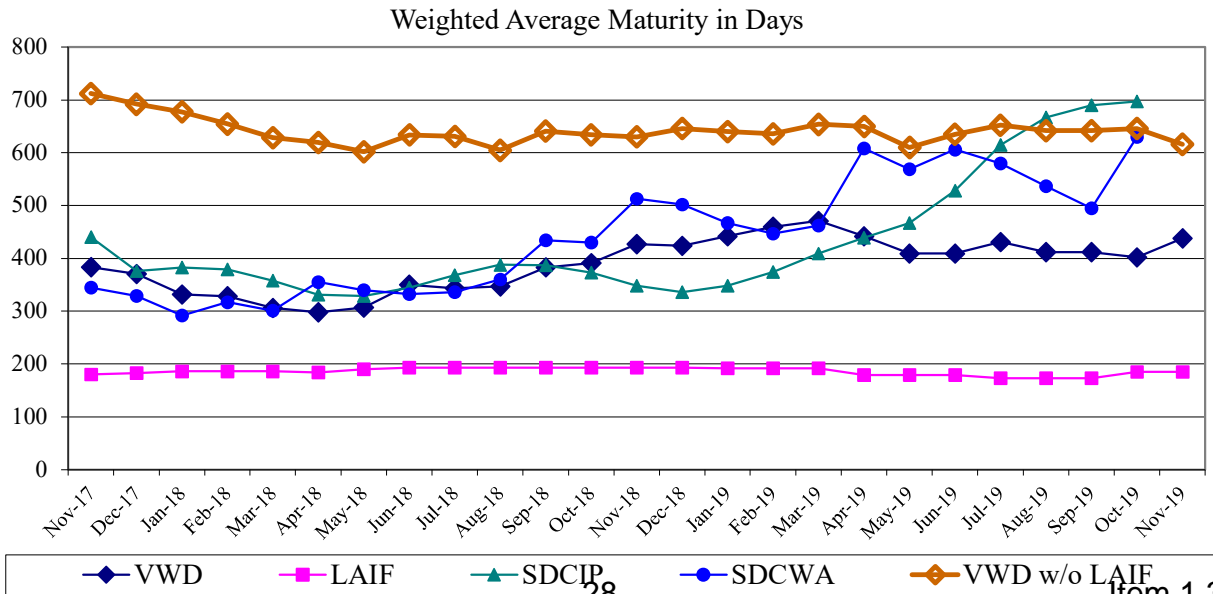
Safety

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.



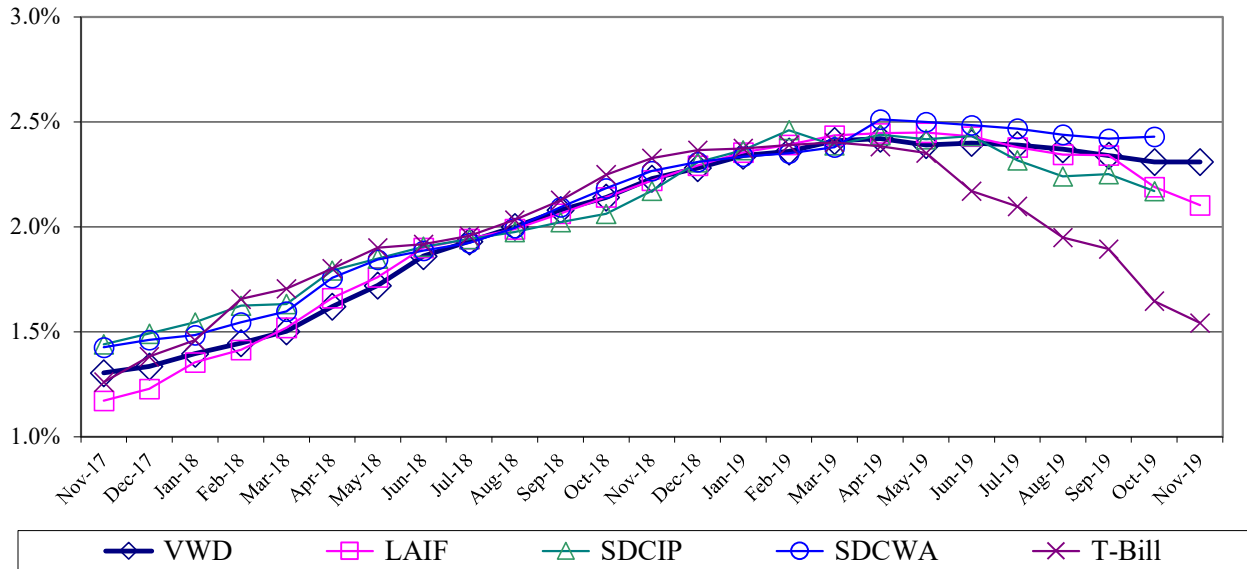
Liquidity

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 \$10.0 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 | 1.20     |
| Average Coupon            | 2.11%    |
| Average Purchase YTM      | 2.31%    |
| Average Market YTM        | 1.86%    |
| Average S&P/Moody Rating  | AA+/Aa1  |
| Average Final Maturity    | 1.44 yrs |
| Average Life              | 1.32 yrs |

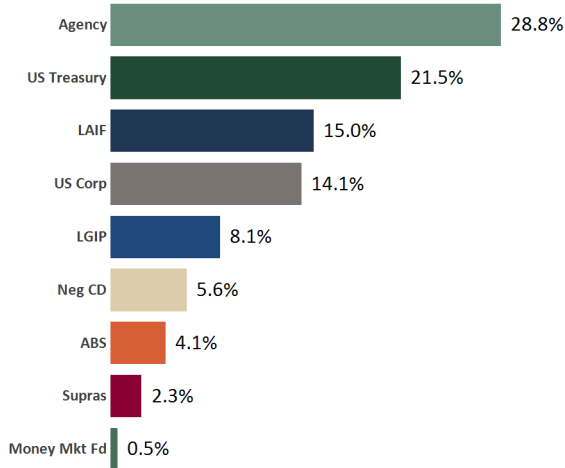
**ACCOUNT SUMMARY**

|                           | Beg. Values<br>as of 10/31/19 | End Values<br>as of 11/30/19 |
|---------------------------|-------------------------------|------------------------------|
| Market Value              | 75,525,225                    | 66,433,650                   |
| Accrued Interest          | 314,319                       | 329,659                      |
| <b>Total Market Value</b> | <b>75,839,545</b>             | <b>66,763,309</b>            |
| Income Earned             | 138,978                       | 126,976                      |
| Cont/WD                   |                               |                              |
| Par                       | 75,051,901                    | 66,044,031                   |
| Book Value                | 74,892,850                    | 65,895,486                   |
| Cost Value                | 74,732,362                    | 65,725,608                   |

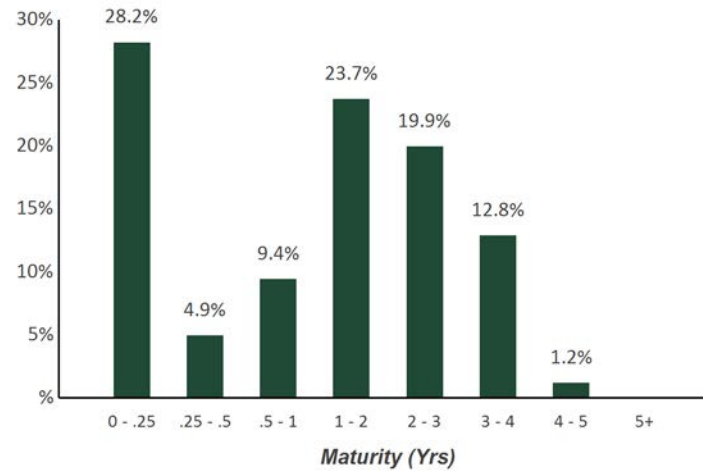
**TOP ISSUERS**

|                                 |              |
|---------------------------------|--------------|
| Government of United States     | 21.5%        |
| Local Agency Investment Fund    | 15.0%        |
| Federal Home Loan Bank          | 9.0%         |
| Federal Farm Credit Bank        | 9.0%         |
| County of San Diego Pooled Inve | 8.1%         |
| Federal National Mortgage Assoc | 7.9%         |
| Federal Home Loan Mortgage Corp | 3.0%         |
| Bank of Montreal Chicago        | 1.5%         |
| <b>Total</b>                    | <b>74.9%</b> |

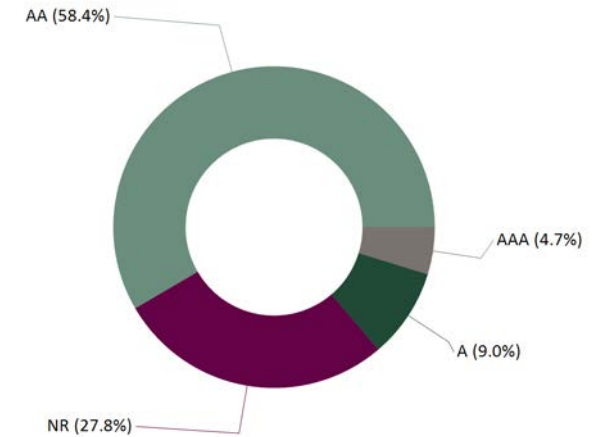
**SECTOR ALLOCATION**



**MATURITY DISTRIBUTION**



**CREDIT QUALITY (S&P)**



**Vallecitos Water District Consolidated Account**

Account #10594

**Holdings Report**

As of November 30, 2019



| CUSIP            | Security Description  | Par Value/Units     | Purchase Date<br>Book Yield | Cost Value<br>Book Value                   | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.           | % of Port.<br>Gain/Loss          | Moody/S&P<br>Fitch             | Maturity<br>Duration       |
|------------------|---|---------------------|-----------------------------|--|----------------------|--|----------------------------------|--------------------------------|----------------------------|
| <b>ABS</b>       |   |                     |                             |  |                      |  |                                  |                                |                            |
| 47788EAB4        | John Deere Owner Trust 2018-B A2<br>2.83% Due 4/15/2021             | 110,358.41          | 01/29/2019<br>2.95%         | 110,263.57<br>110,331.25                   | 100.14<br>1.94%      | 110,512.21<br>138.81                   | 0.17%<br>180.96                  | Aaa / NR<br>AAA                | 1.38<br>0.15               |
| 89190BAD0        | Toyota Auto Receivables Trust 2017-B<br>A3<br>1.76% Due 7/15/2021   | 220,196.13          | 09/26/2018<br>2.78%         | 217,624.31<br>218,704.93                   | 99.94<br>1.94%       | 220,058.95<br>172.24                   | 0.33%<br>1,354.02                | Aaa / AAA<br>NR                | 1.62<br>0.36               |
| 43814PAC4        | Honda Auto Receivables Trust 2017-3<br>A3<br>1.79% Due 9/20/2021    | 220,957.76          | 12/11/2018<br>2.73%         | 218,092.21<br>219,091.75                   | 99.93<br>1.94%       | 220,809.49<br>142.82                   | 0.33%<br>1,717.74                | NR / AAA<br>AAA                | 1.81<br>0.47               |
| 43814WAB1        | Honda Auto Receivables Trust 2019-1<br>A2<br>2.75% Due 9/20/2021    | 428,500.12          | 02/19/2019<br>2.77%         | 428,472.53<br>428,480.69                   | 100.43<br>1.89%      | 430,351.97<br>425.52                   | 0.65%<br>1,871.28                | NR / AAA<br>AAA                | 1.81<br>0.49               |
| 47788BAD6        | John Deere Owner Trust 2017-B A3<br>1.82% Due 10/15/2021            | 260,978.91          | 11/14/2018<br>3.14%         | 257,380.25<br>258,665.49                   | 99.91<br>2.08%       | 260,742.58<br>211.10                   | 0.39%<br>2,077.09                | Aaa / NR<br>AAA                | 1.88<br>0.36               |
| 89239AAB9        | Toyota Auto Receivables Trust 2019-A<br>A2A<br>2.83% Due 10/15/2021 | 314,107.45          | 02/05/2019<br>2.85%         | 314,078.93<br>314,087.44                   | 100.37<br>1.97%      | 315,277.50<br>395.08                   | 0.47%<br>1,190.06                | Aaa / AAA<br>NR                | 1.88<br>0.42               |
| 47789JAB2        | John Deere Owner Trust 2019-A A2<br>2.85% Due 12/15/2021            | 332,532.26          | 03/05/2019<br>2.87%         | 332,517.09<br>332,521.05                   | 100.33<br>2.07%      | 333,638.54<br>421.21                   | 0.50%<br>1,117.49                | Aaa / NR<br>AAA                | 2.04<br>0.42               |
| 43814UAG4        | Honda Auto Receivables Trust 2018-2<br>A3<br>3.01% Due 5/18/2022    | 105,000.00          | 05/22/2018<br>3.03%         | 104,997.71<br>104,998.58                   | 101.01<br>1.91%      | 106,065.54<br>114.13                   | 0.16%<br>1,066.96                | NR / AAA<br>AAA                | 2.47<br>0.90               |
| 43815HAC1        | Honda Auto Receivables Trust 2018-3<br>A3<br>2.95% Due 8/22/2022    | 205,000.00          | 08/21/2018<br>2.98%         | 204,971.87<br>204,980.76                   | 101.06<br>1.92%      | 207,173.61<br>167.99                   | 0.31%<br>2,192.85                | Aaa / NR<br>AAA                | 2.73<br>1.01               |
| 65478WAE5        | Nissan Auto Receivables Trust 2016-C<br>A4<br>1.38% Due 1/17/2023   | 500,000.00          | 01/24/2019<br>2.95%         | 489,531.25<br>492,774.34                   | 99.69<br>1.97%       | 498,474.00<br>306.67                   | 0.75%<br>5,699.66                | Aaa / NR<br>AAA                | 3.13<br>0.52               |
| <b>Total ABS</b> |   | <b>2,697,631.04</b> | <b>2.89%</b>                | <b>2,677,929.72</b><br><b>2,684,636.28</b> | <b>1.97%</b>         | <b>2,703,104.39</b><br><b>2,495.57</b> | <b>4.05%</b><br><b>18,468.11</b> | <b>Aaa / AAA</b><br><b>AAA</b> | <b>2.16</b><br><b>0.50</b> |
| <b>AGENCY</b>    |   |                     |                             |  |                      |  |                                  |                                |                            |
| 3136G3VH5        | FNMA Callable Note Qtrly 12/30/2016<br>1.35% Due 12/30/2019         | 500,000.00          | 06/30/2016<br>1.35%         | 500,000.00<br>500,000.00                   | 99.97<br>1.72%       | 499,844.00<br>2,831.25                 | 0.75%<br>(156.00)                | Aaa / AA+<br>AAA               | 0.08<br>0.08               |

**Vallecitos Water District Consolidated Account**

Account #10594

**Holdings Report**

As of November 30, 2019



| CUSIP         | Security Description  | Par Value/Units | Purchase Date<br>Book Yield | Cost Value<br>Book Value     | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int. | % of Port.<br>Gain/Loss | Moody/S&P<br>Fitch | Maturity<br>Duration |
|---------------|---|-----------------|-----------------------------|------------------------------|----------------------|------------------------------|-------------------------|--------------------|----------------------|
| <b>AGENCY</b> |   |                 |                             |                              |                      |                              |                         |                    |                      |
| 3135G0Q63     | FNMA Callable Note Qtrly 3/30/2017<br>1.3% Due 3/30/2020    | 500,000.00      | 10/19/2016<br>1.30%         | 500,000.00<br>500,000.00     | 99.80<br>1.89%       | 499,008.00<br>1,101.39       | 0.75%<br>(992.00)       | Aaa / AA+<br>AAA   | 0.33<br>0.33         |
| 3130ABAY2     | FHLB Callable Note Cont 7/28/2017<br>1.67% Due 4/28/2020    | 750,000.00      | 04/28/2017<br>1.67%         | 750,000.00<br>750,000.00     | 99.98<br>1.71%       | 749,856.75<br>1,148.13       | 1.12%<br>(143.25)       | Aaa / AA+<br>NR    | 0.41<br>0.09         |
| 3136G3N24     | FNMA Callable Note Qtrly 11/29/2016<br>1.5% Due 5/29/2020   | 750,000.00      | 05/27/2016<br>1.50%         | 750,000.00<br>750,000.00     | 99.89<br>1.73%       | 749,166.00<br>62.50          | 1.12%<br>(834.00)       | Aaa / AA+<br>AAA   | 0.50<br>0.49         |
| 3130A8M67     | FHLB Callable Note Cont 7/13/2017<br>1.2% Due 7/13/2020     | 500,000.00      | 11/22/2016<br>1.60%         | 492,970.00<br>498,809.82     | 99.64<br>1.79%       | 498,175.50<br>2,300.00       | 0.75%<br>(634.32)       | Aaa / AA+<br>NR    | 0.62<br>0.61         |
| 3135G0N66     | FNMA Callable Note Qtrly 2/24/2017<br>1.4% Due 8/24/2020    | 1,000,000.00    | 08/24/2016<br>1.40%         | 1,000,000.00<br>1,000,000.00 | 99.78<br>1.70%       | 997,797.00<br>3,772.22       | 1.50%<br>(2,203.00)     | Aaa / AA+<br>AAA   | 0.73<br>0.72         |
| 3133EGC94     | FFCB Callable Note Cont 2/2/2017<br>1.38% Due 11/2/2020     | 500,000.00      | 11/04/2016<br>1.40%         | 499,600.00<br>499,907.61     | 99.57<br>1.85%       | 497,870.50<br>555.83         | 0.75%<br>(2,037.11)     | Aaa / AA+<br>AAA   | 0.93<br>0.48         |
| 3133EGR49     | FFCB Callable Note Cont 12/7/2017<br>1.77% Due 12/7/2020    | 250,000.00      | 12/07/2016<br>1.83%         | 249,437.50<br>249,856.78     | 99.86<br>1.91%       | 249,644.25<br>2,138.75       | 0.38%<br>(212.53)       | Aaa / AA+<br>AAA   | 1.02<br>0.20         |
| 3136G4GA5     | FNMA Callable Note Qtrly 4/28/2017<br>1.4% Due 1/28/2021    | 500,000.00      | 10/28/2016<br>1.40%         | 500,000.00<br>500,000.00     | 99.27<br>2.04%       | 496,335.00<br>2,391.67       | 0.75%<br>(3,665.00)     | Aaa / AA+<br>AAA   | 1.16<br>0.74         |
| 3133EFC54     | FFCB Callable Note Cont 2/17/2017<br>1.62% Due 2/17/2021    | 150,000.00      | 11/18/2016<br>1.67%         | 149,667.00<br>149,904.73     | 99.86<br>1.74%       | 149,785.35<br>702.00         | 0.23%<br>(119.38)       | Aaa / AA+<br>AAA   | 1.22<br>0.33         |
| 3130A7ES0     | FHLB Callable Note Qtrly 6/22/2016<br>2% Due 3/22/2021      | 275,000.00      | 04/06/2017<br>2.11%         | 274,381.25<br>274,795.89     | 100.01<br>1.86%      | 275,023.10<br>1,054.17       | 0.41%<br>227.21         | Aaa / AA+<br>NR    | 1.31<br>0.06         |
| 3133EFZ91     | FFCB Callable Note Cont 4/12/2017<br>1.62% Due 4/12/2021    | 750,000.00      | 04/12/2016<br>1.62%         | 749,925.00<br>749,979.55     | 99.38<br>2.08%       | 745,370.25<br>1,653.75       | 1.12%<br>(4,609.30)     | Aaa / AA+<br>AAA   | 1.37<br>0.49         |
| 3133EHHM8     | FFCB Callable Note Cont 8/3/2017<br>1.99% Due 5/3/2021      | 750,000.00      | 05/03/2017<br>1.99%         | 750,000.00<br>750,000.00     | 100.00<br>1.99%      | 750,004.50<br>1,160.83       | 1.13%<br>4.50           | Aaa / AA+<br>AAA   | 1.42<br>0.00         |
| 3136G3A70     | FNMA Callable Note Qtrly 1/27/2017<br>1.5% Due 7/27/2021    | 500,000.00      | 07/27/2016<br>1.50%         | 500,000.00<br>500,000.00     | 99.27<br>1.95%       | 496,349.50<br>2,583.33       | 0.75%<br>(3,650.50)     | Aaa / AA+<br>AAA   | 1.66<br>0.91         |
| 3134G95L7     | FHLMC Callable Note Qtrly 11/25/2016<br>1.6% Due 8/25/2021  | 1,000,000.00    | 08/25/2016<br>1.60%         | 1,000,000.00<br>1,000,000.00 | 99.39<br>1.96%       | 993,908.00<br>4,266.67       | 1.50%<br>(6,092.00)     | Aaa / AA+<br>AAA   | 1.74<br>0.82         |
| 3130A9F89     | FHLB Callable Note Qtrly 12/30/2016<br>1.625% Due 9/30/2021 | 1,000,000.00    | 09/30/2016<br>1.63%         | 1,000,000.00<br>1,000,000.00 | 99.81<br>1.73%       | 998,129.00<br>2,753.47       | 1.50%<br>(1,871.00)     | Aaa / AA+<br>NR    | 1.84<br>0.74         |
| 3136G4GF4     | FNMA Callable Note Qtrly 4/28/2017<br>1.55% Due 10/28/2021  | 1,000,000.00    | 10/31/2016<br>1.55%         | 1,000,000.00<br>1,000,000.00 | 99.64<br>1.74%       | 996,401.00<br>1,420.83       | 1.49%<br>(3,599.00)     | Aaa / AA+<br>AAA   | 1.91<br>0.98         |



Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of November 30, 2019



| CUSIP               | Security Description   | Par Value/Units      | Purchase Date<br>Book Yield | Cost Value<br>Book Value                     | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.             | % of Port.<br>Gain/Loss           | Moody/S&P<br>Fitch             | Maturity<br>Duration       |
|---------------------|--|----------------------|-----------------------------|--|----------------------|--|-----------------------------------|--------------------------------|----------------------------|
| <b>AGENCY</b>       |  |                      |                             |  |                      |  |                                   |                                |                            |
| 3134GAYX6           | FHLMC Callable Note Qtrly 5/26/2017<br>1.875% Due 11/26/2021 | 1,000,000.00         | 11/30/2016<br>1.88%         | 1,000,000.00<br>1,000,000.00                 | 100.01<br>1.83%      | 1,000,126.00<br>260.42                   | 1.50%<br>126.00                   | Aaa / AA+<br>AAA               | 1.99<br>0.74               |
| 3133EJ3B3           | FFCB Note<br>2.8% Due 12/17/2021                             | 1,000,000.00         | 12/26/2018<br>2.70%         | 1,002,780.00<br>1,001,912.21                 | 102.25<br>1.68%      | 1,022,492.00<br>12,755.56                | 1.55%<br>20,579.79                | Aaa / AA+<br>AAA               | 2.05<br>1.96               |
| 3135G0U92           | FNMA Note<br>2.625% Due 1/11/2022                            | 500,000.00           | 03/05/2019<br>2.60%         | 500,350.00<br>500,259.31                     | 102.00<br>1.66%      | 509,996.00<br>5,104.17                   | 0.77%<br>9,736.69                 | Aaa / AA+<br>AAA               | 2.12<br>2.03               |
| 3133EKBV7           | FFCB Note<br>2.55% Due 3/1/2022                              | 750,000.00           | 02/27/2019<br>2.55%         | 750,075.00<br>750,056.18                     | 102.00<br>1.64%      | 764,994.00<br>4,781.25                   | 1.15%<br>14,937.82                | Aaa / AA+<br>AAA               | 2.25<br>2.17               |
| 313378WG2           | FHLB Note<br>2.5% Due 3/11/2022                              | 500,000.00           | 04/08/2019<br>2.36%         | 501,945.00<br>501,514.80                     | 101.86<br>1.66%      | 509,299.50<br>2,777.78                   | 0.77%<br>7,784.70                 | Aaa / AA+<br>NR                | 2.28<br>2.20               |
| 313383WD9           | FHLB Note<br>3.125% Due 9/9/2022                             | 500,000.00           | 01/30/2019<br>2.68%         | 507,580.00<br>505,830.33                     | 104.00<br>1.64%      | 520,001.00<br>3,559.03                   | 0.78%<br>14,170.67                | Aaa / AA+<br>AAA               | 2.78<br>2.64               |
| 3130AFE78           | FHLB Note<br>3% Due 12/9/2022                                | 1,000,000.00         | 01/25/2019<br>2.71%         | 1,010,700.00<br>1,008,371.93                 | 103.99<br>1.64%      | 1,039,938.00<br>14,333.33                | 1.58%<br>31,566.07                | Aaa / AA+<br>AAA               | 3.03<br>2.85               |
| 3133834G3           | FHLB Note<br>2.125% Due 6/9/2023                             | 650,000.00           | 10/30/2019<br>1.66%         | 660,432.50<br>660,186.94                     | 101.62<br>1.65%      | 660,519.60<br>6,599.31                   | 1.00%<br>332.66                   | Aaa / AA+<br>NR                | 3.53<br>3.35               |
| 3133EKZK5           | FFCB Note<br>1.6% Due 8/14/2023                              | 1,000,000.00         | 08/28/2019<br>1.48%         | 1,004,700.00<br>1,004,394.47                 | 99.94<br>1.62%       | 999,370.00<br>4,755.56                   | 1.50%<br>(5,024.47)               | Aaa / AA+<br>AAA               | 3.71<br>3.57               |
| 3130A3DL5           | FHLB Note<br>2.375% Due 9/8/2023                             | 700,000.00           | 10/09/2019<br>1.44%         | 724,864.00<br>723,959.22                     | 102.59<br>1.66%      | 718,137.00<br>3,832.99                   | 1.08%<br>(5,822.22)               | Aaa / AA+<br>NR                | 3.78<br>3.58               |
| 3133EKMx1           | FFCB Note<br>2.23% Due 2/23/2024                             | 750,000.00           | 07/30/2019<br>1.91%         | 760,425.00<br>759,656.25                     | 102.45<br>1.63%      | 768,398.25<br>4,552.92                   | 1.16%<br>8,742.00                 | Aaa / AA+<br>AAA               | 4.24<br>4.01               |
| <b>Total Agency</b> |  | <b>19,025,000.00</b> | <b>1.83%</b>                | <b>19,089,832.25</b><br><b>19,089,396.02</b> | <b>1.76%</b>         | <b>19,155,939.05</b><br><b>95,209.11</b> | <b>28.83%</b><br><b>66,543.03</b> | <b>Aaa / AA+</b><br><b>AAA</b> | <b>1.92</b><br><b>1.47</b> |
| <b>LAIF</b>         |  |                      |                             |  |                      |  |                                   |                                |                            |
| 90LAIF\$00          | Local Agency Investment Fund State<br>Pool                   | 9,962,593.02         | Various<br>2.07%            | 9,962,593.02<br>9,962,593.02                 | 1.00<br>2.07%        | 9,962,593.02<br>61,478.64                | 15.01%<br>0.00                    | NR / NR<br>NR                  | 0.00<br>0.00               |
| <b>Total LAIF</b>   |  | <b>9,962,593.02</b>  | <b>2.07%</b>                | <b>9,962,593.02</b>                          | <b>2.07%</b>         | <b>9,962,593.02</b><br><b>61,478.64</b>  | <b>15.01%</b><br><b>0.00</b>      | <b>NR / NR</b><br><b>NR</b>    | <b>0.00</b><br><b>0.00</b> |



| CUSIP                                  | Security Description  | Par Value/Units     | Purchase Date<br>Book Yield | Cost Value<br>Book Value     | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.       | % of Port.<br>Gain/Loss     | Moody/S&P<br>Fitch            | Maturity<br>Duration       |
|--|---|---------------------|-----------------------------|------------------------------|----------------------|------------------------------------|-----------------------------|-------------------------------|----------------------------|
| <b>LOCAL GOV INVESTMENT POOL</b>       |   |                     |                             |                              |                      |                                    |                             |                               |                            |
| 90SDCP\$00                             | County of San Diego Pooled Investment Pool                                    | 5,406,000.00        | Various<br>2.18%            | 5,406,000.00<br>5,406,000.00 | 1.00<br>2.18%        | 5,406,000.00<br>0.00               | 8.10%<br>0.00               | NR / NR<br>AAA                | 0.00<br>0.00               |
| <b>Total Local Gov Investment Pool</b> |   | <b>5,406,000.00</b> | <b>2.18%</b>                | <b>5,406,000.00</b>          | <b>2.18%</b>         | <b>5,406,000.00</b><br><b>0.00</b> | <b>8.10%</b><br><b>0.00</b> | <b>NR / NR</b><br><b>AAA</b>  | <b>0.00</b><br><b>0.00</b> |
| <b>MONEY MARKET FUND FI</b>            |   |                     |                             |                              |                      |                                    |                             |                               |                            |
| 261908206                              | Dreyfus Treasury Money Market Fund  | 349,807.43          | Various<br>1.24%            | 349,807.43<br>349,807.43     | 1.00<br>1.24%        | 349,807.43<br>0.00                 | 0.52%<br>0.00               | Aaa / AAA<br>NR               | 0.00<br>0.00               |
| <b>Total Money Market Fund FI</b>      |   | <b>349,807.43</b>   | <b>1.24%</b>                | <b>349,807.43</b>            | <b>1.24%</b>         | <b>349,807.43</b><br><b>0.00</b>   | <b>0.52%</b><br><b>0.00</b> | <b>Aaa / AAA</b><br><b>NR</b> | <b>0.00</b><br><b>0.00</b> |
| <b>NEGOTIABLE CD</b>                   |   |                     |                             |                              |                      |                                    |                             |                               |                            |
| 06417G5R5                              | Bank of Nova Scotia Yankee CD<br>2.61% Due 12/17/2019                         | 1,000,000.00        | 03/25/2019<br>2.61%         | 999,994.51<br>999,999.67     | 100.00<br>2.61%      | 999,999.67<br>18,197.50            | 1.53%<br>0.00               | P-1 / A-1<br>F-1+             | 0.05<br>0.05               |
| 06370RVP1                              | Bank of Montreal Chicago Yankee CD<br>2.69% Due 3/5/2020                      | 1,000,000.00        | 03/06/2019<br>2.69%         | 1,000,000.00<br>1,000,000.00 | 100.00<br>2.69%      | 1,000,000.00<br>20,175.00          | 1.53%<br>0.00               | P-1 / A-1<br>F-1+             | 0.26<br>0.26               |
| 49306SXX7                              | Key Bank Negotiable CD<br>1.7% Due 3/9/2020                                   | 245,000.00          | 03/08/2017<br>1.70%         | 245,000.00<br>245,000.00     | 100.03<br>1.59%      | 245,069.58<br>958.52               | 0.37%<br>69.58              | NR / NR<br>NR                 | 0.27<br>0.27               |
| 40434AZ44                              | HSBC Bank USA NA Callable Neg. CD S/A<br>7/8/2018<br>1.4% Due 7/8/2020        | 245,000.00          | 09/16/2016<br>1.45%         | 244,510.00<br>244,922.50     | 99.86<br>1.63%       | 244,661.17<br>1,372.00             | 0.37%<br>(261.33)           | NR / NR<br>NR                 | 0.61<br>0.60               |
| 254672L89                              | Discover Bank Negotiable CD<br>1.5% Due 10/26/2020                            | 245,000.00          | 10/26/2016<br>1.50%         | 245,000.00<br>245,000.00     | 99.71<br>1.82%       | 244,289.50<br>362.47               | 0.37%<br>(710.50)           | NR / NR<br>NR                 | 0.91<br>0.90               |
| 66476QBW7                              | Northern Nevada Bank Callable Neg CD<br>Qtrly 6/29/18<br>1.85% Due 12/29/2020 | 245,000.00          | 06/29/2017<br>1.85%         | 245,000.00<br>245,000.00     | 100.02<br>1.57%      | 245,054.88<br>24.84                | 0.37%<br>54.88              | NR / NR<br>NR                 | 1.08<br>0.08               |
| 94986TXN2                              | Wells Fargo Callable NCD Qtrly 9/4/18<br>2.3% Due 3/4/2021                    | 243,000.00          | 03/04/2016<br>2.30%         | 243,000.00<br>243,000.00     | 100.02<br>0.78%      | 243,040.34<br>1,347.48             | 0.37%<br>40.34              | NR / NR<br>NR                 | 1.26<br>0.01               |
| 20033AQU3                              | Comenity Capital Bank Negotiable CD<br>1.65% Due 6/30/2021                    | 245,000.00          | 06/30/2016<br>1.65%         | 245,000.00<br>245,000.00     | 99.93<br>1.70%       | 244,825.56<br>11.08                | 0.37%<br>(174.44)           | NR / NR<br>NR                 | 1.58<br>1.56               |

## Vallecitos Water District Consolidated Account

Account #10594

## Holdings Report

As of November 30, 2019



| CUSIP                      | Security Description   | Par Value/Units     | Purchase Date<br>Book Yield | Cost Value<br>Book Value                   | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.            | % of Port.<br>Gain/Loss           | Moody/S&P<br>Fitch             | Maturity<br>Duration       |
|----------------------------|--|---------------------|-----------------------------|--|----------------------|---|-----------------------------------|--------------------------------|----------------------------|
| <b>NEGOTIABLE CD</b>       |  |                     |                             |  |                      |   |                                   |                                |                            |
| 48126XAH8                  | JP Morgan Chase Bank NA Callable Neg.<br>CD Qtrly 8/16/17<br>1.65% Due 8/16/2021 | 245,000.00          | 08/16/2016<br>1.65%         | 245,000.00<br>245,000.00                   | 99.66<br>1.85%       | 244,172.88<br>166.13                    | 0.37%<br>(827.12)                 | NR / NR<br>NR                  | 1.71<br>1.68               |
| <b>Total Negotiable CD</b> |  | <b>3,713,000.00</b> | <b>2.23%</b>                | <b>3,712,504.51</b><br><b>3,712,922.17</b> | <b>2.15%</b>         | <b>3,711,113.58</b><br><b>42,615.02</b> | <b>5.62%</b><br><b>(1,808.59)</b> | <b>Aaa / AA</b><br><b>AAA</b>  | <b>0.57</b><br><b>0.42</b> |
| <b>SUPRANATIONAL</b>       |  |                     |                             |  |                      |   |                                   |                                |                            |
| 4581X0CD8                  | Inter-American Dev Bank Note<br>2.125% Due 11/9/2020                             | 750,000.00          | 05/22/2018<br>2.81%         | 737,865.00<br>745,361.73                   | 100.38<br>1.72%      | 752,847.00<br>973.96                    | 1.13%<br>7,485.27                 | Aaa / AAA<br>AAA               | 0.95<br>0.93               |
| 459058GH0                  | Intl. Bank Recon & Development Note<br>2.75% Due 7/23/2021                       | 750,000.00          | 07/24/2018<br>2.86%         | 747,607.50<br>748,686.64                   | 101.71<br>1.69%      | 762,849.75<br>7,333.33                  | 1.15%<br>14,163.11                | Aaa / AAA<br>NR                | 1.65<br>1.59               |
| <b>Total Supranational</b> |  | <b>1,500,000.00</b> | <b>2.84%</b>                | <b>1,485,472.50</b><br><b>1,494,048.37</b> | <b>1.70%</b>         | <b>1,515,696.75</b><br><b>8,307.29</b>  | <b>2.28%</b><br><b>21,648.38</b>  | <b>Aaa / AAA</b><br><b>AAA</b> | <b>1.30</b><br><b>1.26</b> |
| <b>US CORPORATE</b>        |  |                     |                             |  |                      |   |                                   |                                |                            |
| 40428HPV8                  | HSBC USA Inc Note<br>2.75% Due 8/7/2020  | 250,000.00          | 10/10/2018<br>3.26%         | 247,772.50<br>249,162.59                   | 100.49<br>2.02%      | 251,233.50<br>2,177.08                  | 0.38%<br>2,070.91                 | A2 / A<br>AA-                  | 0.69<br>0.67               |
| 00440EAT4                  | Chubb INA Holdings Inc Callable Note<br>Cont 10/3/2020<br>2.3% Due 11/3/2020     | 500,000.00          | 09/27/2018<br>3.21%         | 490,920.00<br>495,982.93                   | 100.27<br>1.98%      | 501,340.50<br>894.44                    | 0.75%<br>5,357.57                 | A3 / A<br>A                    | 0.93<br>0.83               |
| 459200JF9                  | IBM Corp Note<br>2.25% Due 2/19/2021   | 500,000.00          | 06/26/2018<br>3.07%         | 489,640.00<br>495,221.76                   | 100.43<br>1.89%      | 502,171.50<br>3,187.50                  | 0.76%<br>6,949.74                 | A2 / A<br>NR                   | 1.22<br>1.19               |
| 69371RN93                  | Paccar Financial Corp Note<br>2.8% Due 3/1/2021                                  | 300,000.00          | 07/23/2018<br>3.12%         | 297,585.00<br>298,840.80                   | 101.14<br>1.87%      | 303,417.90<br>2,100.00                  | 0.46%<br>4,577.10                 | A1 / A+<br>NR                  | 1.25<br>1.22               |
| 06406FAA1                  | Bank of NY Mellon Corp Callable Note<br>Cont 03/15/2021<br>2.5% Due 4/15/2021    | 500,000.00          | 08/24/2018<br>3.05%         | 493,125.00<br>496,415.84                   | 100.75<br>1.91%      | 503,756.50<br>1,597.22                  | 0.76%<br>7,340.66                 | A1 / A<br>AA-                  | 1.38<br>1.26               |
| 369550BE7                  | General Dynamics Corp Note<br>3% Due 5/11/2021                                   | 350,000.00          | 06/28/2018<br>3.08%         | 349,247.50<br>349,621.23                   | 101.63<br>1.85%      | 355,700.80<br>583.33                    | 0.53%<br>6,079.57                 | A2 / A+<br>NR                  | 1.45<br>1.41               |



| CUSIP               | Security Description   | Par Value/Units | Purchase Date<br>Book Yield | Cost Value<br>Book Value | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int. | % of Port.<br>Gain/Loss | Moody/S&P<br>Fitch | Maturity<br>Duration |
|---------------------|--|-----------------|-----------------------------|--------------------------|----------------------|------------------------------|-------------------------|--------------------|----------------------|
| <b>US CORPORATE</b> |  |                 |                             |                          |                      |                              |                         |                    |                      |
| 857477AV5           | State Street Bank Note<br>1.95% Due 5/19/2021                              | 500,000.00      | 10/12/2018<br>3.30%         | 483,360.00<br>490,589.43 | 100.13<br>1.86%      | 500,650.50<br>325.00         | 0.75%<br>10,061.07      | A1 / A<br>AA-      | 1.47<br>1.44         |
| 808513AW5           | Charles Schwab Corp Callable Note<br>Cont 4/21/2021<br>3.25% Due 5/21/2021 | 320,000.00      | Various<br>3.09%            | 321,372.10<br>320,658.73 | 101.79<br>1.94%      | 325,738.57<br>288.89         | 0.49%<br>5,079.84       | A2 / A<br>A        | 1.47<br>1.36         |
| 931142EJ8           | Wal-Mart Stores Note<br>3.125% Due 6/23/2021                               | 290,000.00      | 06/20/2018<br>3.13%         | 289,985.50<br>289,992.43 | 102.08<br>1.77%      | 296,018.95<br>3,977.43       | 0.45%<br>6,026.52       | Aa2 / AA<br>AA     | 1.56<br>1.51         |
| 02665WBG5           | American Honda Finance Note<br>1.7% Due 9/9/2021                           | 500,000.00      | 07/20/2018<br>3.19%         | 478,045.00<br>487,553.07 | 99.69<br>1.88%       | 498,452.50<br>1,936.11       | 0.75%<br>10,899.43      | A2 / A<br>NR       | 1.78<br>1.73         |
| 89233P5F9           | Toyota Motor Credit Corp Note<br>3.4% Due 9/15/2021                        | 500,000.00      | 05/31/2018<br>3.03%         | 505,785.00<br>503,155.45 | 102.73<br>1.84%      | 513,660.50<br>3,588.89       | 0.77%<br>10,505.05      | Aa3 / AA-<br>A+    | 1.79<br>1.73         |
| 24422ETL3           | John Deere Capital Corp Note<br>2.65% Due 1/6/2022                         | 500,000.00      | Various<br>3.29%            | 489,627.50<br>493,690.18 | 101.57<br>1.88%      | 507,842.00<br>5,336.80       | 0.77%<br>14,151.82      | A2 / A<br>A        | 2.10<br>2.02         |
| 74005PBA1           | Praxair Callable Note Cont 11/15/2021<br>2.45% Due 2/15/2022               | 300,000.00      | 06/27/2018<br>3.15%         | 292,848.00<br>295,650.59 | 101.12<br>1.87%      | 303,349.20<br>2,164.17       | 0.46%<br>7,698.61       | A2 / A<br>NR       | 2.21<br>1.89         |
| 037833CQ1           | Apple Inc Callable Note Cont 4/11/22<br>2.3% Due 5/11/2022                 | 500,000.00      | 10/30/2018<br>3.30%         | 483,395.00<br>488,491.33 | 101.11<br>1.82%      | 505,554.50<br>638.89         | 0.76%<br>17,063.17      | Aa1 / AA+<br>NR    | 2.45<br>2.29         |
| 68389XBB0           | Oracle Corp Callable Note Cont<br>3/15/2022<br>2.5% Due 5/15/2022          | 500,000.00      | Various<br>3.28%            | 486,304.00<br>491,110.51 | 101.36<br>1.89%      | 506,805.00<br>555.56         | 0.76%<br>15,694.49      | A1 / A+<br>A       | 2.46<br>2.22         |
| 084664BT7           | Berkshire Hathaway Note<br>3% Due 5/15/2022                                | 500,000.00      | 12/11/2018<br>3.31%         | 495,015.00<br>496,423.89 | 102.73<br>1.86%      | 513,644.00<br>666.67         | 0.77%<br>17,220.11      | Aa2 / AA<br>A+     | 2.46<br>2.36         |
| 09247XAJ0           | Blackrock Inc Note<br>3.375% Due 6/1/2022                                  | 500,000.00      | 11/28/2018<br>3.36%         | 500,215.00<br>500,153.48 | 103.69<br>1.86%      | 518,465.00<br>8,437.50       | 0.79%<br>18,311.52      | Aa3 / AA-<br>NR    | 2.50<br>2.36         |
| 06051GEU9           | Bank of America Corp Note<br>3.3% Due 1/11/2023                            | 400,000.00      | 09/05/2019<br>2.13%         | 414,984.00<br>413,964.60 | 103.42<br>2.16%      | 413,662.80<br>5,133.33       | 0.63%<br>(301.80)       | A2 / A-<br>A+      | 3.12<br>2.92         |
| 90331HNL3           | US Bank NA Callable Note Cont<br>12/23/22<br>2.85% Due 1/23/2023           | 480,000.00      | 07/22/2019<br>2.24%         | 489,580.80<br>488,582.80 | 102.54<br>1.99%      | 492,199.68<br>4,864.00       | 0.74%<br>3,616.88       | A1 / AA-<br>AA-    | 3.15<br>2.90         |
| 69353RFL7           | PNC Bank Callable Note Cont 5/9/2023<br>3.5% Due 6/8/2023                  | 500,000.00      | 06/11/2019<br>2.44%         | 519,580.00<br>517,232.05 | 104.54<br>2.12%      | 522,710.00<br>8,409.72       | 0.80%<br>5,477.95       | A2 / A<br>NR       | 3.52<br>3.19         |
| 931142EK5           | Wal-Mart Stores Callable Note Cont<br>5/26/2023<br>3.4% Due 6/26/2023      | 500,000.00      | 05/21/2019<br>2.65%         | 514,115.00<br>512,263.85 | 104.98<br>1.92%      | 524,898.50<br>7,319.44       | 0.80%<br>12,634.65      | Aa2 / AA<br>AA     | 3.57<br>3.25         |



| CUSIP                     | Security Description                     | Par Value/Units     | Purchase Date<br>Book Yield | Cost Value<br>Book Value                   | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.            | % of Port.<br>Gain/Loss            | Moody/S&P<br>Fitch           | Maturity<br>Duration       |
|---------------------------|--|---------------------|-----------------------------|--|----------------------|---|------------------------------------|------------------------------|----------------------------|
| <b>Total US Corporate</b> |  | <b>9,190,000.00</b> | <b>3.02%</b>                | <b>9,132,501.90</b><br><b>9,174,757.54</b> | <b>1.91%</b>         | <b>9,361,272.40</b><br><b>64,181.97</b> | <b>14.12%</b><br><b>186,514.86</b> | <b>A1 / AA+</b><br><b>A+</b> | <b>2.10</b><br><b>1.97</b> |
| <b>US TREASURY</b>        |  |                     |                             |  |                      |   |                                    |                              |                            |
| 9128283S7                 | US Treasury Note<br>2% Due 1/31/2020     | 750,000.00          | 08/24/2018<br>2.57%         | 744,082.03<br>749,308.44                   | 100.05<br>1.68%      | 750,388.50<br>5,013.59                  | 1.13%<br>1,080.06                  | Aaa / AA+<br>AAA             | 0.17<br>0.17               |
| 9128283Y4                 | US Treasury Note<br>2.25% Due 2/29/2020  | 750,000.00          | 06/25/2018<br>2.51%         | 746,835.94<br>749,535.46                   | 100.13<br>1.74%      | 750,937.50<br>4,265.11                  | 1.13%<br>1,402.04                  | Aaa / AA+<br>AAA             | 0.25<br>0.25               |
| 912828XH8                 | US Treasury Note<br>1.625% Due 6/30/2020 | 750,000.00          | 05/31/2018<br>2.43%         | 737,753.91<br>746,588.47                   | 99.98<br>1.65%       | 749,883.00<br>5,100.20                  | 1.13%<br>3,294.53                  | Aaa / AA+<br>AAA             | 0.58<br>0.58               |
| 912828L65                 | US Treasury Note<br>1.375% Due 9/30/2020 | 750,000.00          | 06/27/2018<br>2.53%         | 731,044.92<br>743,015.34                   | 99.75<br>1.67%       | 748,154.25<br>1,746.93                  | 1.12%<br>5,138.91                  | Aaa / AA+<br>AAA             | 0.84<br>0.82               |
| 912828WC0                 | US Treasury Note<br>1.75% Due 10/31/2020 | 750,000.00          | 07/20/2018<br>2.64%         | 735,292.97<br>744,071.17                   | 100.05<br>1.69%      | 750,410.25<br>1,117.79                  | 1.13%<br>6,339.08                  | Aaa / AA+<br>AAA             | 0.92<br>0.91               |
| 912828A42                 | US Treasury Note<br>2% Due 11/30/2020    | 750,000.00          | 11/28/2018<br>2.85%         | 737,695.31<br>743,864.46                   | 100.30<br>1.69%      | 752,285.25<br>40.98                     | 1.13%<br>8,420.79                  | Aaa / AA+<br>AAA             | 1.00<br>0.99               |
| 912828N89                 | US Treasury Note<br>1.375% Due 1/31/2021 | 750,000.00          | 10/30/2018<br>2.86%         | 725,859.38<br>737,475.04                   | 99.63<br>1.70%       | 747,187.50<br>3,446.84                  | 1.12%<br>9,712.46                  | Aaa / AA+<br>AAA             | 1.17<br>1.15               |
| 912828U81                 | US Treasury Note<br>2% Due 12/31/2021    | 750,000.00          | 11/08/2018<br>3.05%         | 726,650.39<br>734,521.73                   | 100.75<br>1.63%      | 755,595.75<br>6,277.17                  | 1.14%<br>21,074.02                 | Aaa / AA+<br>AAA             | 2.09<br>2.02               |
| 912828W55                 | US Treasury Note<br>1.875% Due 2/28/2022 | 1,000,000.00        | 01/30/2019<br>2.56%         | 979,921.88<br>985,352.26                   | 100.54<br>1.63%      | 1,005,430.00<br>4,739.01                | 1.51%<br>20,077.74                 | Aaa / AA+<br>AAA             | 2.25<br>2.19               |
| 912828W89                 | US Treasury Note<br>1.875% Due 3/31/2022 | 750,000.00          | 09/27/2018<br>2.92%         | 724,013.67<br>732,723.15                   | 100.59<br>1.62%      | 754,394.25<br>2,382.17                  | 1.13%<br>21,671.10                 | Aaa / AA+<br>AAA             | 2.33<br>2.27               |
| 912828XR6                 | US Treasury Note<br>1.75% Due 5/31/2022  | 750,000.00          | 09/24/2018<br>2.93%         | 719,208.98<br>729,106.09                   | 100.35<br>1.61%      | 752,607.75<br>35.86                     | 1.13%<br>23,501.66                 | Aaa / AA+<br>AAA             | 2.50<br>2.44               |
| 912828XW5                 | US Treasury Note<br>1.75% Due 6/30/2022  | 350,000.00          | 09/07/2018<br>2.80%         | 336,792.97<br>341,043.18                   | 100.40<br>1.59%      | 351,394.40<br>2,563.18                  | 0.53%<br>10,351.22                 | Aaa / AA+<br>AAA             | 2.58<br>2.50               |
| 9128282P4                 | US Treasury Note<br>1.875% Due 7/31/2022 | 1,000,000.00        | 12/28/2018<br>2.53%         | 977,617.19<br>983,349.79                   | 100.70<br>1.61%      | 1,006,953.00<br>6,266.98                | 1.52%<br>23,603.21                 | Aaa / AA+<br>AAA             | 2.67<br>2.58               |
| 912828L24                 | US Treasury Note<br>1.875% Due 8/31/2022 | 750,000.00          | 09/20/2018<br>2.94%         | 720,439.45<br>729,389.73                   | 100.71<br>1.61%      | 755,361.00<br>3,554.26                  | 1.14%<br>25,971.27                 | Aaa / AA+<br>AAA             | 2.75<br>2.66               |
| 9128282W9                 | US Treasury Note<br>1.875% Due 9/30/2022 | 1,000,000.00        | 03/19/2019<br>2.43%         | 981,406.25<br>985,096.17                   | 100.75<br>1.60%      | 1,007,539.00<br>3,176.23                | 1.51%<br>22,442.83                 | Aaa / AA+<br>AAA             | 2.84<br>2.74               |



| CUSIP                                  | Security Description                      | Par Value/Units      | Purchase Date<br>Book Yield | Cost Value<br>Book Value                     | Mkt Price<br>Mkt YTM | Market Value<br>Accrued Int.              | % of Port.<br>Gain/Loss             | Moody/S&P<br>Fitch             | Maturity<br>Duration       |
|--|---|----------------------|-----------------------------|--|----------------------|---|-------------------------------------|--------------------------------|----------------------------|
| <b>US TREASURY</b>                     |   |                      |                             |  |                      |   |                                     |                                |                            |
| 9128284D9                              | US Treasury Note<br>2.5% Due 3/31/2023    | 1,000,000.00         | 02/21/2019<br>2.51%         | 999,414.06<br>999,524.36                     | 102.88<br>1.61%      | 1,028,828.00<br>4,234.97                  | 1.55%<br>29,303.64                  | Aaa / AA+<br>AAA               | 3.33<br>3.18               |
| 912828R69                              | US Treasury Note<br>1.625% Due 5/31/2023  | 600,000.00           | 04/11/2019<br>2.30%         | 584,039.06<br>586,501.91                     | 100.05<br>1.61%      | 600,304.80<br>26.64                       | 0.90%<br>13,802.89                  | Aaa / AA+<br>AAA               | 3.50<br>3.39               |
| 912828T91                              | US Treasury Note<br>1.625% Due 10/31/2023 | 1,000,000.00         | 09/25/2019<br>1.60%         | 1,000,898.44<br>1,000,858.80                 | 100.05<br>1.61%      | 1,000,469.00<br>1,383.93                  | 1.50%<br>(389.80)                   | Aaa / AA+<br>AAA               | 3.92<br>3.78               |
| <b>Total US Treasury</b>               |   | <b>14,200,000.00</b> | <b>2.58%</b>                | <b>13,908,966.80</b><br><b>14,021,325.55</b> | <b>1.64%</b>         | <b>14,268,123.20</b><br><b>55,371.84</b>  | <b>21.45%</b><br><b>246,797.65</b>  | <b>Aaa / AA+</b><br><b>AAA</b> | <b>2.04</b><br><b>1.98</b> |
| <b>TOTAL PORTFOLIO</b>                 |   | <b>66,044,031.49</b> | <b>2.31%</b>                | <b>65,725,608.13</b><br><b>65,895,486.38</b> | <b>1.86%</b>         | <b>66,433,649.82</b><br><b>329,659.44</b> | <b>100.00%</b><br><b>538,163.44</b> | <b>Aa1 / AA+</b><br><b>AAA</b> | <b>1.44</b><br><b>1.20</b> |
| <b>TOTAL MARKET VALUE PLUS ACCRUED</b> |   |                      |                             |  |                      | <b>66,763,309.26</b>                      |                                     |                                |                            |

**VALLECITOS WATER DISTRICT  
SUMMARY OF LEGAL FEES**

| <b>Matter Description</b>              | <b>Sep-18</b>   | <b>Oct-18</b>   | <b>Nov-18</b>   | <b>Dec-18</b>   | <b>Jan-19</b>  | <b>Feb-19</b>   | <b>Mar-19</b>   | <b>Apr-19</b>   | <b>May-19</b>   | <b>Jun-19</b>   | <b>Jul-19</b>  | <b>Aug-19</b>   | <b>Sep-19</b>   | <b>Total</b>     |
|--|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|------------------|
| General Counsel Services               | \$6,416         | \$7,639         | \$8,896         | \$7,886         | \$3,422        | \$9,177         | \$10,914        | \$5,557         | \$9,183         | \$5,284         | \$2,215        | \$12,391        | \$6,930         | \$95,910         |
| Labor/Employment                       | 493             | 3,770           | 6,409           | 852             | -              | 2,610           | 5,577           | 21,718          | 14,492          | 5,447           | 2,135          | 3,679           | 3,948           | \$71,128         |
| Engineering - Construction/Contracting | 1,947           | 1,404           | 260             | 858             | 2,938          | 2,840           | 2,647           | 3,172           | 1,693           | 546             | 1,641          | 1,968           | 2,878           | \$24,792         |
| Fees and Taxes                         | 1,040           | -               | 78              | 988             | 364            | -               | -               | -               | 728             | -               | 2,744          | 7,241           | 5,491           | \$18,673         |
| Environmental                          | -               | -               | -               | -               | -              | -               | -               | 7,935           | 116             | -               | -              | 1,800           | 2,910           | \$12,761         |
| VWD v. Brian Thomas Boyd               | 3,375           | 494             | 2,718           | 130             | 104            | -               | -               | -               | -               | -               | -              | -               | -               | \$6,821          |
| Adv. Butler                            | -               | -               | -               | -               | -              | -               | 2,302           | 302             | 136             | -               | 30             | 417             | -               | \$3,187          |
| <b>Total</b>                           | <b>\$13,271</b> | <b>\$13,308</b> | <b>\$18,361</b> | <b>\$10,714</b> | <b>\$6,828</b> | <b>\$14,628</b> | <b>\$21,439</b> | <b>\$38,684</b> | <b>\$26,348</b> | <b>\$11,277</b> | <b>\$8,764</b> | <b>\$27,495</b> | <b>\$22,157</b> | <b>\$233,273</b> |

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE “UNIVERSITY DISTRICT HOLDINGS ANNEXATION” (APN 220-190-56) INTO THE VALLECITOS WATER DISTRICT WATER IMPROVEMENT DISTRICTS 1 & 2 AND DETACHMENT FROM SEWER IMPROVEMENT DISTRICT 5**

**BACKGROUND:**

The University District Holdings property consists of approximately 0.70 acres located near the intersection of San Marcos Boulevard and Twin Oaks Valley Road (APN 220-190-56) in the City of San Marcos. The property is currently within the Vallecitos Water District boundary and sewer service area and receives both water and sewer service from VWD.

**DISCUSSION:**

University District Holdings is the owner of two adjacent parcels (APN 220-190-55 & 56). The property owner wishes to combine these parcels into one lot. However, it was discovered that each existing parcel is in a different tax rate area. The properties in this area were annexed at different times into different VWD improvement districts, which caused them to be in different tax rate areas. APN 220-190-55 is in VWD Improvement Districts 1, 2 and 6 which places it in Tax Rate Area 13112. APN 220-190-56 is in VWD Improvement Districts 5 & 6 which places it in Tax Rate Area 13113. Per the County of San Diego, the two properties cannot be combined unless they are in the same tax rate area.

The owner has requested to annex APN 220-190-56 into VWD’s Water Improvement District Nos. 1 & 2 and detach from VWD’s Sewer Improvement District No. 5. This will align the improvement districts and the tax rate areas with APN 220-190-55 and will allow the owners to pursue the lot consolidation with the County of San Diego.

Due to the fact that APN 220-190-56 is already within VWD’s water and sewer service areas, and the annexation and detachment is requested to modify the parcel’s tax rate area, no annexation or detachment fees are applicable.

The State Board of Equalization determines property tax rate areas based on jurisdictional boundaries. A fee is required for all boundary changes based on acreage.

**FISCAL IMPACT:**

Owner has paid an administration deposit of \$1,000 for staff time to process the annexation/detachment. Owner shall also pay the State Board of Equalization fee of \$300.00.

**RECOMMENDATION:**

Approve the water annexation and sewer detachment and adopt the resolution ordering the annexation of APN 220-190-56 into Water Improvement Districts 1 and 2 and detachment from Sewer Improvement District 5.

**ATTACHMENTS:**

2 Map Exhibits: 1-Plat & 1-Aerial  
Resolution



**ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE "UNIVERSITY DISTRICT HOLDINGS ANNEXATION" (APN 220-190-56) INTO THE VALLECITOS WATER DISTRICT WATER IMPROVEMENT DISTRICTS 1 & 2 AND DETACHMENT FROM SEWER IMPROVEMENT DISTRICT 5**



**ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE "UNIVERSITY DISTRICT HOLDINGS ANNEXATION" (APN 220-190-56) INTO THE VALLECITOS WATER DISTRICT WATER IMPROVEMENT DISTRICTS 1 & 2 AND DETACHMENT FROM SEWER IMPROVEMENT DISTRICT 5**



**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
VALLECITOS WATER DISTRICT ORDERING THE ANNEXATION  
INTO THE VALLECITOS WATER DISTRICT WATER IMPROVEMENT DISTRICTS 1 & 2  
AND DETACHMENT FROM SEWER IMPROVEMENT DISTRICT 5  
OF CERTAIN PROPERTY DESIGNATED AS  
THE “UNIVERSITY DISTRICT HOLDINGS ANNEXATION”, APN 220-190-56**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT as follows:

SECTION 1: The following facts are hereby found and determined to be true:

Section 1.1: That the Vallecitos Water District owns, operates, and maintains a water distribution system under and by virtue of Water Improvement Districts 1 & 2 of the Vallecitos Water District.

Section 1.2: That the Vallecitos Water District owns, operates, and maintains a sewer system under and by virtue of Sewer Improvement District 5 of Vallecitos Water District.

Section 1.3: That the owners of the land described in this resolution, consisting of approximately 0.70 acres, and also referred to as APN 220-190-56, have given their written consent to the annexation of said lands to the Water Improvement Districts hereinafter designated and have, in writing, requested the annexation of said lands to said Water Improvement Districts.

Section 1.4: That the owners of the land described in this resolution, consisting of approximately 0.70 acres, and also referred to as APN 220-190-56, have given their written consent to the detachment of said lands from the Sewer Improvement District hereinafter designated and have, in writing, requested the detachment of said lands from said Sewer Improvement Districts.

Section 1.5: That the owners of the land described in this resolution have advanced to the Secretary of the Vallecitos Water District the costs of this annexation and detachment, including, but not limited to, advertising, engineering and attorney's fees.

Section 1.6: The inclusion of said land within the designated Water Improvement Districts will be for the best interest of the designated Water Improvement Districts.

Section 1.7: The removal of said land from the designated Sewer Improvement District will be for the best interest of the designated Sewer Improvement District.

Section 1.8: The inclusion of said land within said Water Improvement Districts will be for the best interest of the land, and the owners thereof consent to the inclusion of said land in the designated Water Improvement Districts of the Vallecitos Water District.

Section 1.9: The removal of said land within said Sewer Improvement District will be for the best interest of the land, and the owners thereof consent to the removal of said land in the designated Sewer Improvement District of the Vallecitos Water District.

Section 1.10: The Board of Directors determines that all the land hereinafter described shall be included in the designated Water Improvement Districts; that the proceedings had for the annexation and inclusion herein and above referred to were genuine and sufficient and in all respects complied with the Water Code of the State of California commencing at Section 32550.

Section 1.11: The Board of Directors determines that all the land hereinafter described shall be removed from the designated Sewer Improvement District; that the proceedings had for the detachment and removal herein and above referred to were genuine and sufficient and in all respects complied with the Water Code of the State of California commencing at Section 32550.

Section 1.12: All of the owners of the land within the territory to be annexed and detached have given their written consent to such annexation and detachment and the Board is thereby authorized to order the annexation and detachment by resolution without notice and hearing by the Board and without an election.

SECTION 2: The Board of Directors of the Vallecitos Water District does hereby Order the following:

Section 2.1: The annexation of all the lands hereinafter described to the Vallecitos Water District Water Improvement Districts 1 & 2 pursuant to this resolution and the proceedings above referred to, which description contained in Exhibit "A" attached hereto and made a part hereof, is sufficient to identify the land.

Section 2.2: The detachment of all the lands hereinafter described from the Vallecitos Water District Sewer Improvement District 5 pursuant to this resolution and the proceedings above referred to, which description contained in Exhibit "A" attached hereto and made a part hereof, is sufficient to identify the land.

SECTION 3: The condition of said annexation to Vallecitos Water District Water Improvement Districts 1 & 2 and detachment from Vallecitos Water District Sewer Improvement District 5 are as follows:

Section 3.1: Payment by the petitioners of the sum of \$1,000.00 to cover costs of annexation and detachment, which includes attorney fees, publication, filing fees and miscellaneous costs of annexation and detachment.

Section 3.3: The lands annexed to an Improvement District shall be subject to existing bond issues and indebtedness of the Improvement District from and after the filing with the San Diego County Assessor of a certified copy of this resolution as set forth in Section 32553 of the Water code of the State of California.

Section 3.4: The revenue received by Improvement District 5 for the property to be detached from the Vallecitos Water District Sewer Improvement District 5 as described in Exhibit A shall be evenly split between Improvement District 1 & 2.

SECTION 4: This resolution shall become effective immediately upon its final passage; this resolution being adopted pursuant to Section 32552 of the Water Code of the State of California. This resolution being adopted without notice and hearing and without an election being conducted in said territory, all in accordance with Section 32552 of the Water Code of the State of California. The Secretary of this District shall comply with the provisions of the Water Code, Section 32553, and shall file a certified copy of this resolution together with a map of the territory thus annexed with the San Diego County Assessor and the San Diego County Tax Collector and with the State Board of Equalization.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 11<sup>th</sup> day of December, 2019, by the following roll call vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT

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Betty D. Evans, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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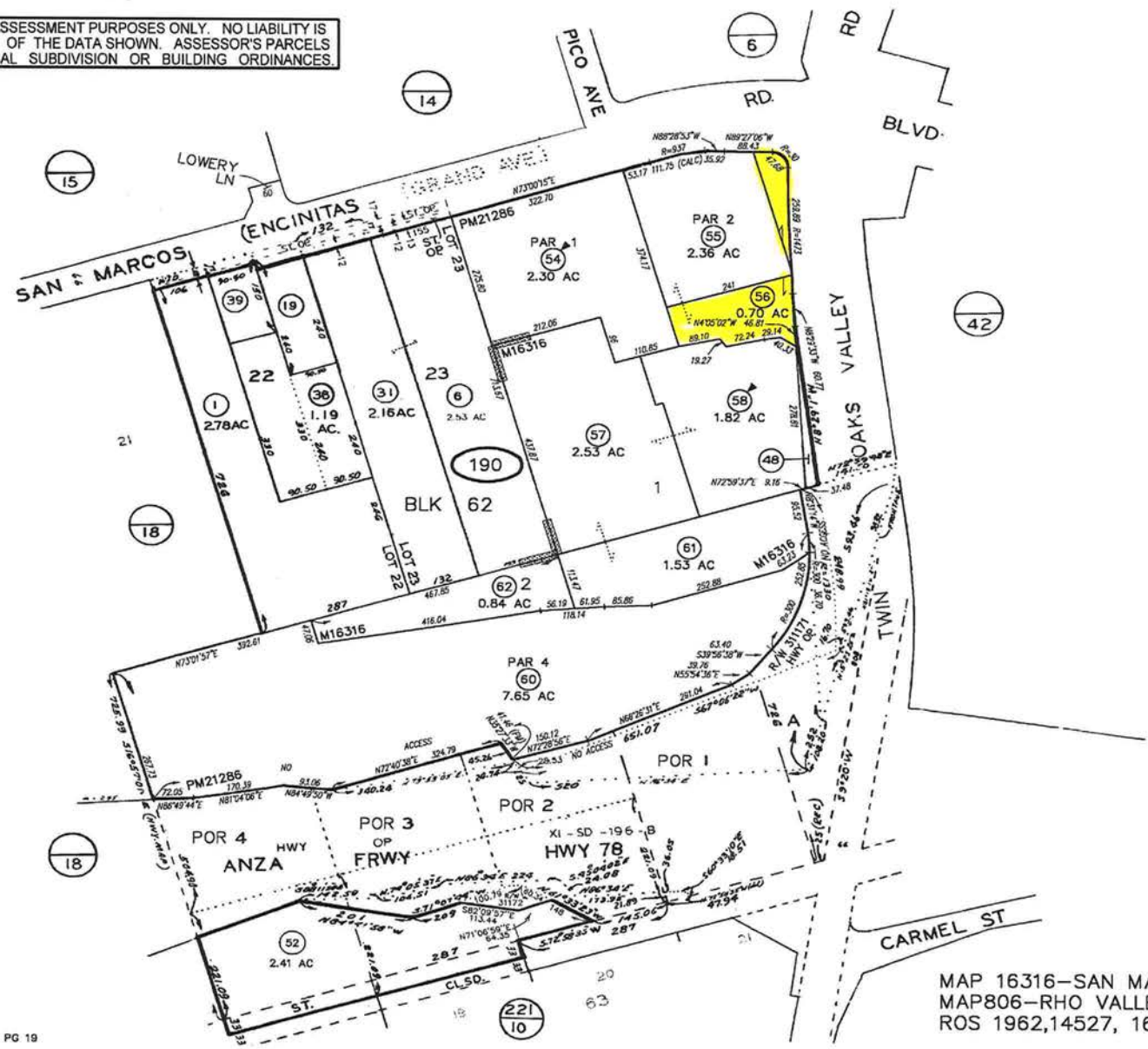
Glenn Pruijm, Secretary  
Board of Directors  
Vallecitos Water District

# EXHIBIT 'A'

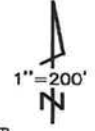
13

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

220-19



220-19



3/5/19 TR

| CHANGES |        |       |    |           |
|---------|--------|-------|----|-----------|
| BLK     | OLD    | NEW   | YR | CUT       |
|         | 14     | 27428 | 70 | 4140 CC   |
|         | 21622  | 29324 | 72 | 4000      |
|         | 29338  | 3172  | 68 | 688       |
|         | 10     | 32433 | 77 | 4134 CANG |
|         | 7      | 34325 | 81 | 2897      |
|         | 3620   | 36    | 82 | 1072      |
|         | 1      | 38884 | 85 | 4831 CANG |
|         | 26     | 4112  | 85 | 1755      |
|         | 27435  | 37    | 85 | 1460      |
|         | 18     | 3474  | 85 | 4753      |
|         | 25     | 38    | 85 | 2450 CANG |
|         | 11     | 3486  | 89 | 4843      |
|         | 43     | 43    | 89 | 2492 CANG |
|         | 34     | 43    | 89 | 1387 CANG |
|         | 31     | 3486  | 90 | 4683      |
|         | 13     | 4445  | 90 | 1919      |
|         | 24     | 4445  | 90 | 4800      |
|         | 23     | 4445  | 90 | 4800      |
|         | 6      | 4445  | 91 | 4856      |
|         | 11     | 4445  | 93 | 5569      |
|         | 45     | 4644  | 93 | 2135      |
|         | 23     | 4644  | 93 | 4784      |
|         | 8      | 4644  | 96 | 26        |
|         | 19     | 4644  | 96 | 4752      |
|         | 3844   | 37    | 97 | 1446 CANG |
|         | 6      | 37    | 97 | 4744      |
|         | 18&50  | 37    | 99 | 2075      |
|         | 112324 | 54-60 | 16 | 1384      |
|         | 49     | 51&62 | 16 | 1385      |
|         | 59     | 51&62 | 19 | 66        |

MA9 10-29-70

SAN DIEGO COUNTY ASSESSOR'S MAP BK 220 PG 19

MAP 16316-SAN MARCOS TSM NO 15-002  
 MAP806-RHO VALLECITOS DE SAN MARCOS  
 ROS 1962,14527, 16707, 20367, 22014

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: APPROVAL OF TEMPORARY OFF-SITE WATER SERVICE AGREEMENT FOR BROMAGE RESIDENCE APN 178-210-41 (JEFFERY BROMAGE, TRUSTEE FOR THE LINDA A AND JEFFERY BROMAGE 2000 REVOCABLE TRUST)**

**BACKGROUND:**

Jeffrey Bromage, Trustee for The Linda A and Jeffrey Bromage 2000 Revocable Trust, as owner of the property, has requested approval of a Temporary Off-Site Water Service Agreement to provide water service for a single-family residence on the above-referenced property. The 6.85-acre subject property is located within the District's water service boundary and is not located adjacent to an existing District water main. An existing 6-inch ACP water main is located in a District easement which runs parallel to Vista Pacifica, approximately 50 feet from the subject property.

**DISCUSSION:**

Per District Ordinance No. 118, a "Temporary Off-Site Water Service Agreement" is defined as service to those properties that do not abut, traverse, or are adjacent to existing pipelines, but future pipeline extensions to serve and benefit the property may occur.

While it is not likely that future pipeline extensions would be constructed which could serve this property, future development plans in the area may change that determination. If a pipeline extension is ever constructed which can serve this property, the Temporary Off-Site Water Service Agreement requires the owners to relocate the water meter to the new main at that time.

**FISCAL IMPACT:**

None. Future water revenues will offset costs of service.

**RECOMMENDATION:**

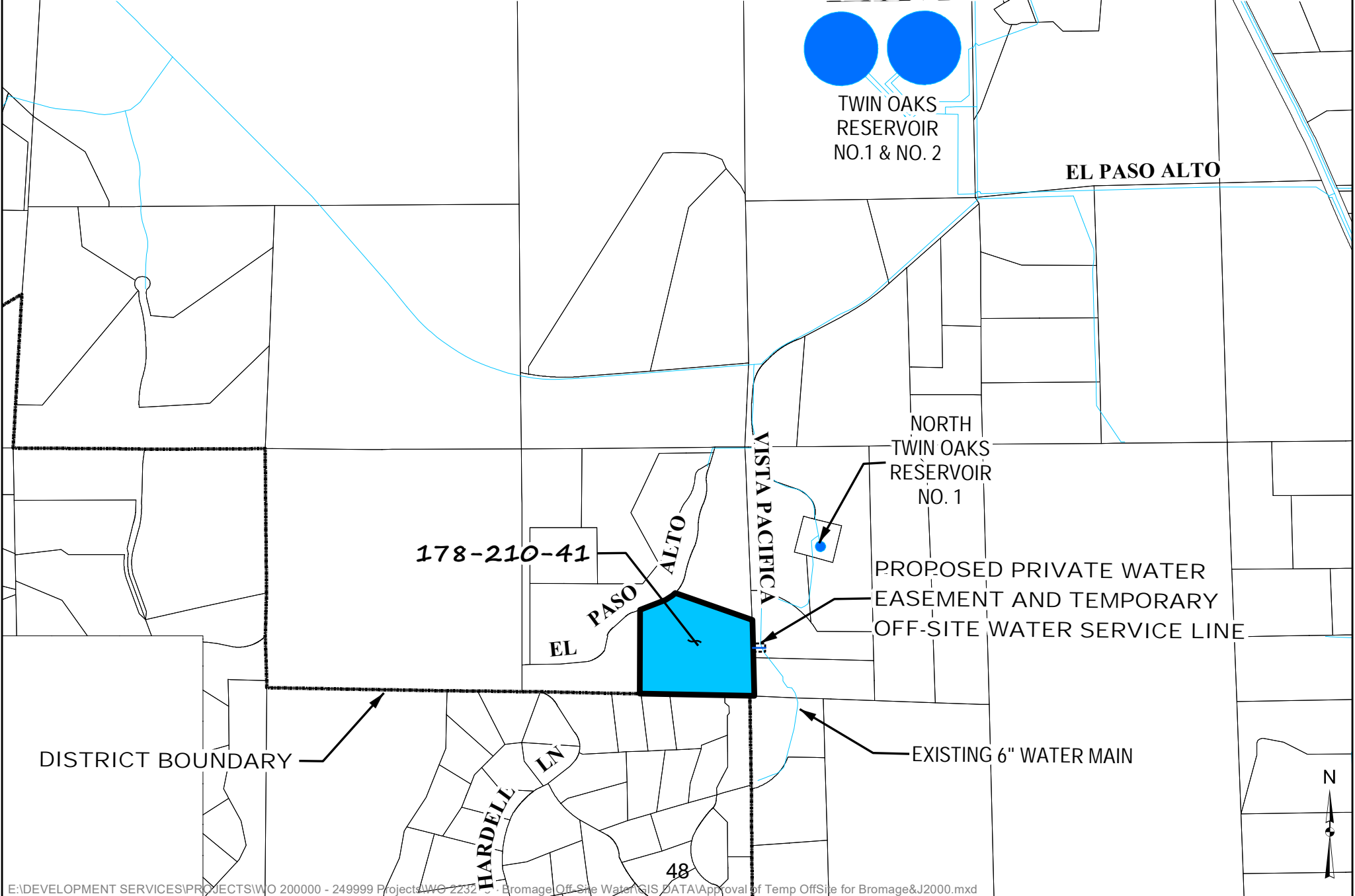
Approve a Temporary Off-Site Water Service Agreement for APN 178-210-41 with the following conditions:

1. Execution of a Temporary Off-Site Water Service Agreement which will be recorded against the property.
2. Provide evidence of a private easement for the location of a private water service line to the property.
3. Payment of \$500 Administration fee and County recording fees.

**ATTACHMENTS:**

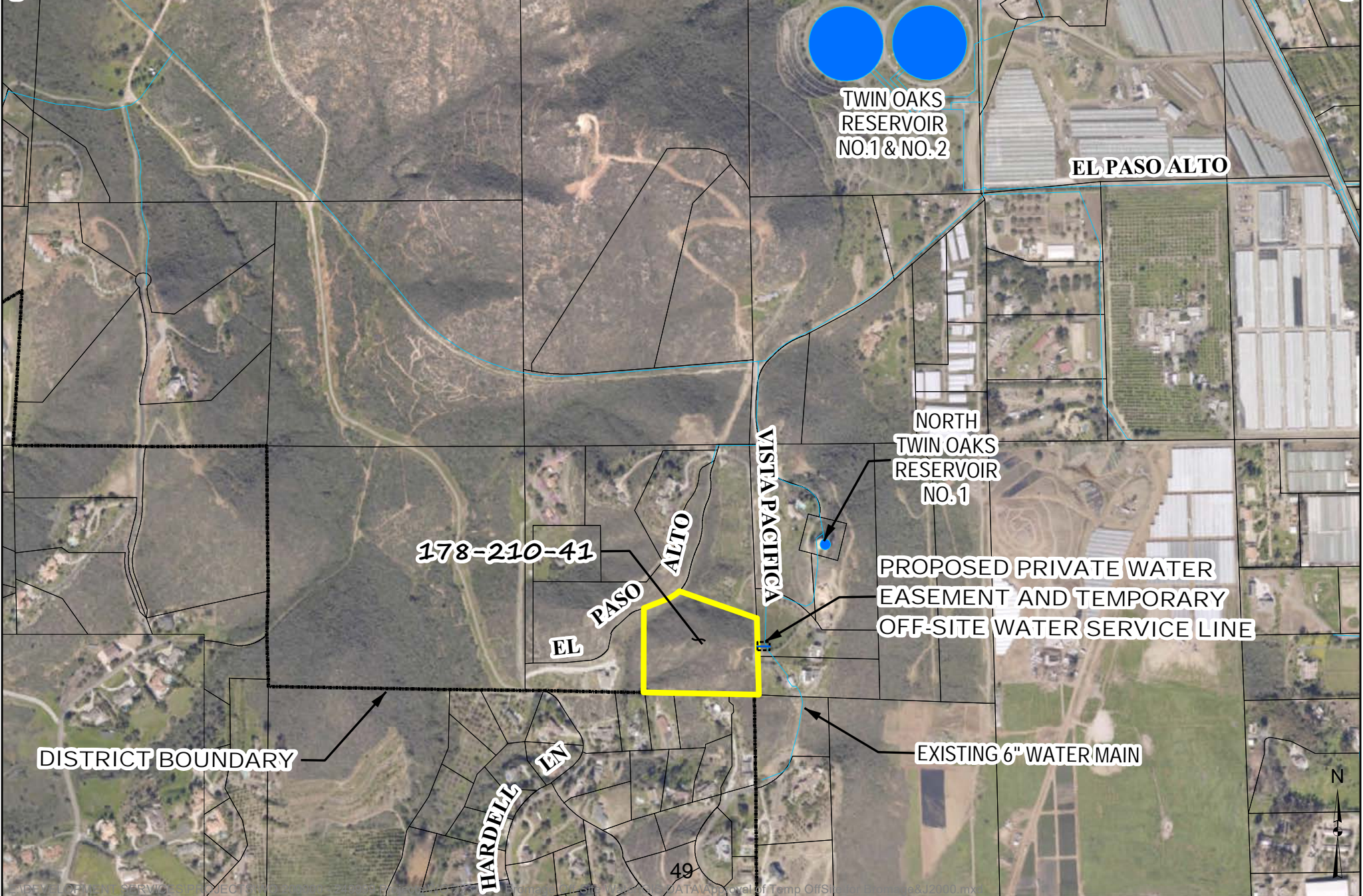
2 Map Exhibits – 1 Plat Map & 1 Aerial

# APPROVAL OF TEMPORARY OFF-SITE WATER SERVICE AGREEMENT FOR BROMAGE RESIDENCE; APN 178-210-41 (JEFFREY BROMAGE TRUSTEE FOR BROMAGE L A & JEFFREY 2000 TRUST)





**APPROVAL OF TEMPORARY OFF-SITE WATER SERVICE AGREEMENT  
FOR BROMAGE RESIDENCE; APN 178-210-41  
(JEFFREY BROMAGE TRUSTEE FOR BROMAGE L A & JEFFREY 2000 TRUST)**



**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: APPROVAL OF PERMANENT OFF-SITE WATER SERVICE AGREEMENT FOR NADEAU RESIDENCE APN 178-210-40 (STEPHEN & AMY NADEAU)**

**BACKGROUND:**

Stephen and Amy Nadeau, as owners of the property, have requested approval of an Off-Site Water Service Agreement to provide water service for a single-family residence on the above-referenced property. The 5.43-acre subject property is located within the District's water service boundary. An existing 6-inch ACP water main in El Paso Alto is located along the northerly boundary of the property approximately 60 feet north of the existing road. The District's standard policy would require that a water service connection be installed at this location.

**DISCUSSION:**

Per District Ordinance No. 118, a "Permanent Off-Site Water Service Agreement" is defined as service to those properties that do not abut, traverse, or are adjacent to existing pipelines and no future extensions of pipelines are expected. Since the property does abut the water main in El Paso Alto, the property should connect to this water main Per Ordinance No. 118 and does not qualify for an Off-Site Agreement.

The proposed residence, however, will be built near the southerly and easterly property lines – nearly 600 feet from the water main in El Paso Alto. There is another existing 6-inch water main located in a District easement which runs parallel to the easterly property line and Vista Pacifica, which is the access road to the proposed residence. This water main is approximately 50 feet from the subject property.

Since the new residence is proposed to be constructed at the southeast corner of the property, a connection to the water main in El Paso Alto would involve constructing a private service line over 600 feet through undisturbed ground with established vegetation. The existing water main to the east is only about 50 feet away from the property line near an existing road.

Therefore, the property owner is requesting a variance from District Ordinance No. 118 and requesting approval to connect to the closer water main 50 feet to the east of their proposed residence with the execution of a Permanent Off-Site Water Service Agreement.

**FISCAL IMPACT:**

None. Future water revenues will offset costs of service.

**RECOMMENDATION:**

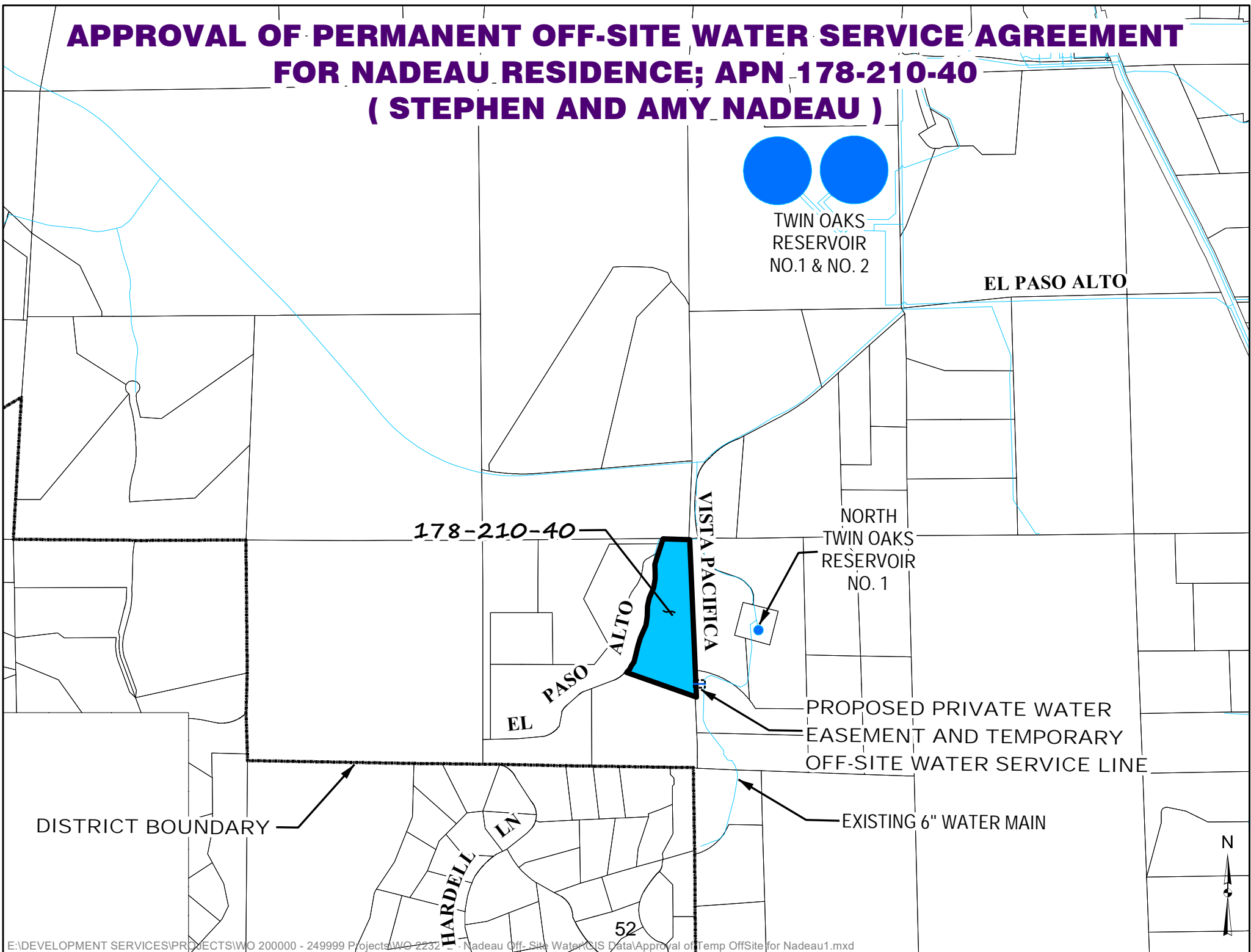
Approve a variance from District Ordinance No. 118 and approve a Permanent Off-Site Water Service Agreement for APN 178-210-40 with the following conditions:

1. Execution of a Permanent Off-Site Water Service Agreement which will be recorded against the property.
2. Provide evidence of a private easement for the location of a private water service line to the property.
3. Payment of \$500 Administration fee and County recording fees.

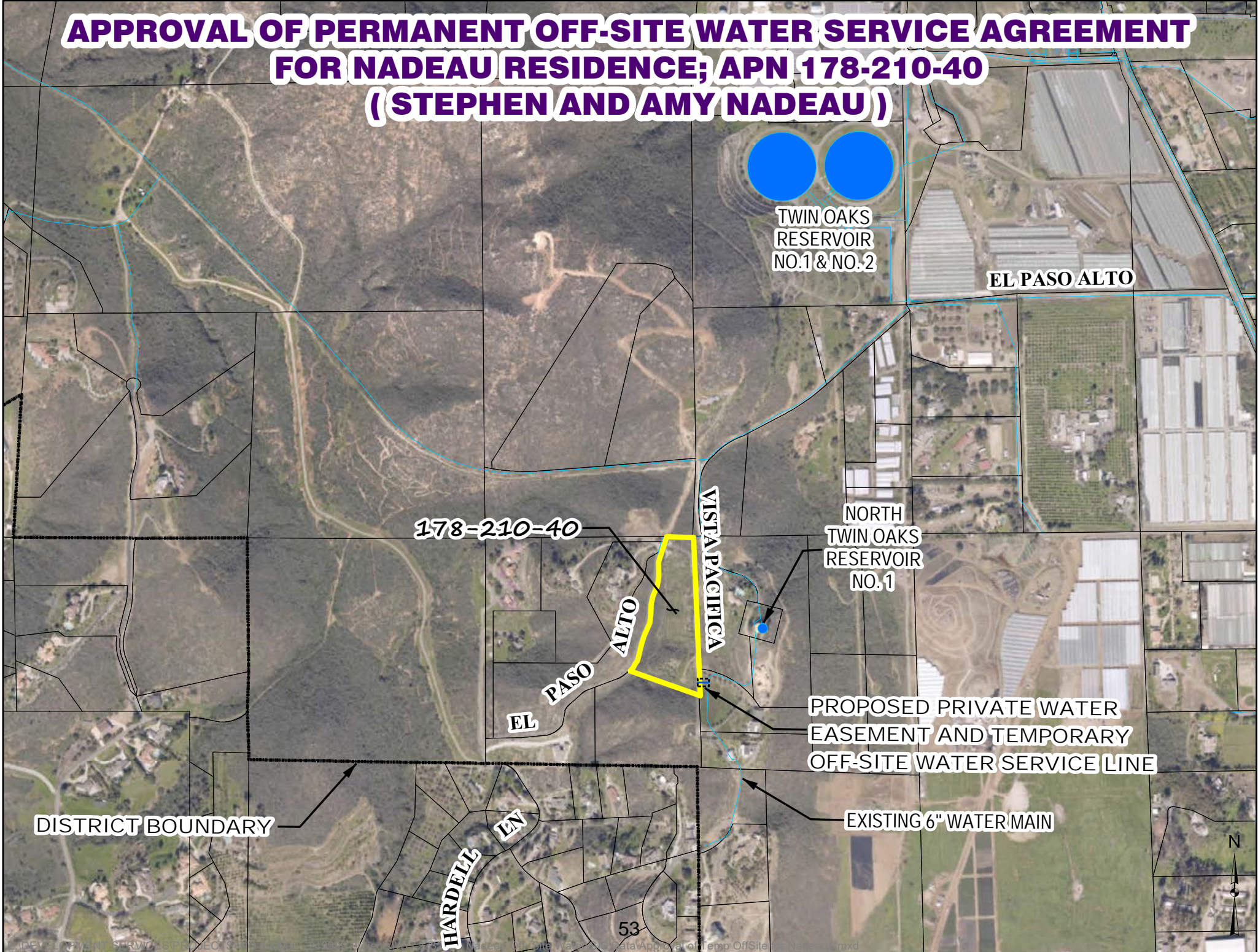
**ATTACHMENTS:**

2 Map Exhibits – 1 Plat Map & 1 Aerial

# APPROVAL OF PERMANENT OFF-SITE WATER SERVICE AGREEMENT FOR NADEAU RESIDENCE; APN 178-210-40 ( STEPHEN AND AMY NADEAU )



# APPROVAL OF PERMANENT OFF-SITE WATER SERVICE AGREEMENT FOR NADEAU RESIDENCE; APN 178-210-40 (STEPHEN AND AMY NADEAU)



**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: ADOPTION OF RESOLUTION ORDERING THE DETACHMENT OF CERTAIN PROPERTY DESIGNATED AS THE “GUALTIERI DETACHMENT” FROM THE VALLECITOS WATER DISTRICT; APN 178-040-45 (ROBERT & THERESA GUALTIERI)**

**BACKGROUND:**

On September 18, 2019, at the Vallecitos Water District (VWD) Board meeting, Robert and Theresa Gualtieri, owners of APN 178-040-45, received approval for the detachment of their property from the District’s service area. The property is located east of Catalina Avenue on Catalina Heights Way. The parcel is currently within the VWD water service area, but not within the VWD sewer service boundary. The Gualtieri’s also own APN 178-040-12, which is currently within the Vista Irrigation District (VID).

**DISCUSSION:**

The two APNs, 178-040-12 and 178-040-45, are separated by the service boundary line of VID and VWD. The County of San Diego granted approval for a single-family residence to be built on one parcel and a septic system to be installed on the other parcel, thus eliminating the need for VWD sewer services at this time. VWD does not currently have water or wastewater services available on the frontage of the parcels. VID currently has infrastructure on the frontage of both parcels to offer water service.

Robert and Theresa Gualtieri have completed the detachment process from the District water service area, including payment of detachment fees and all associated VWD costs.

Local Agency Formation Commission (LAFCO) approved the requested detachment from VWD with a concurrent annexation to VID at their December 2, 2019 meeting.

**FISCAL IMPACT:**

Payment of \$1,756.98 (\$1,362.00 per acre \* 1.29 acres) in detachment fees has been collected in accordance with Ordinance No. 200.

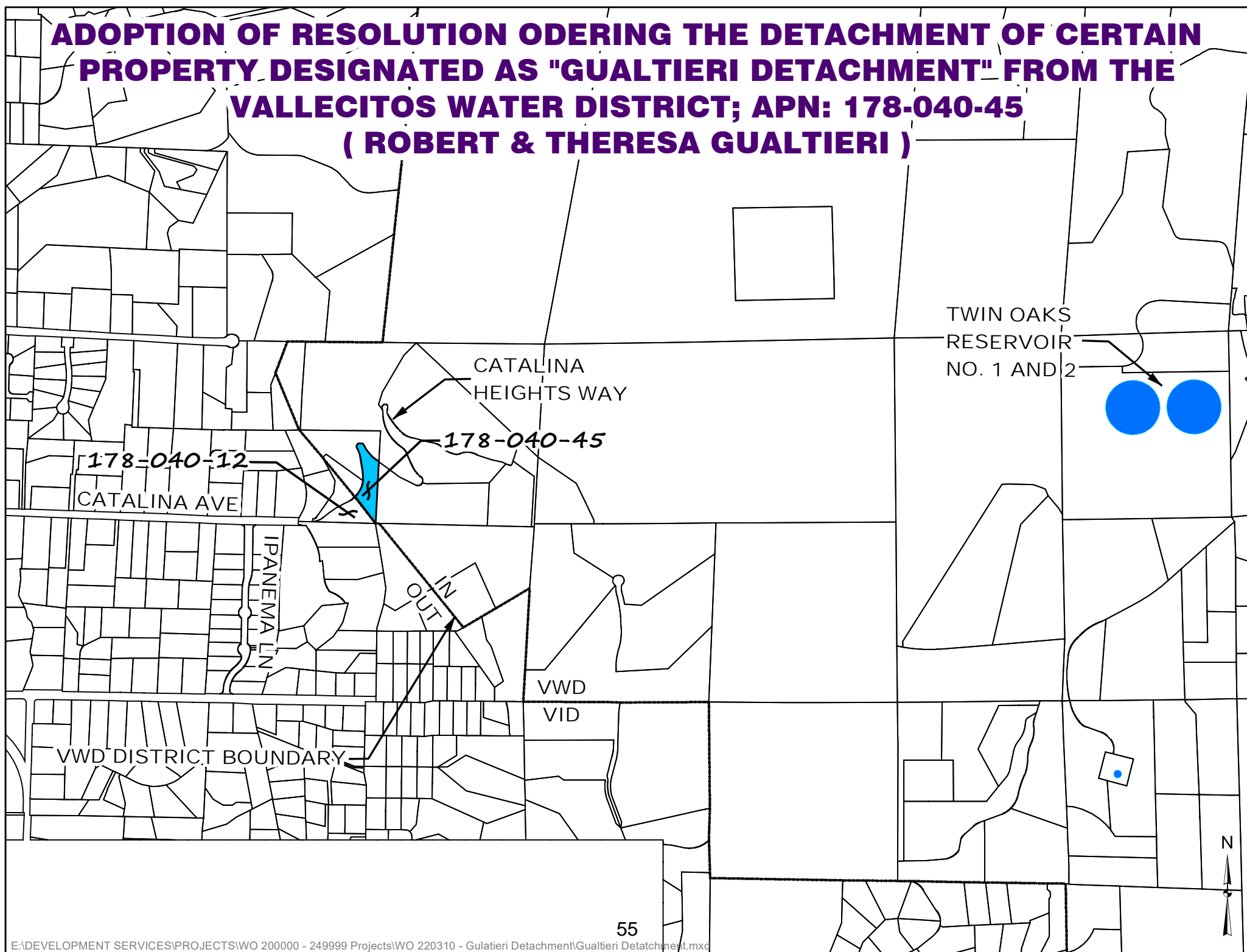
**RECOMMENDATION:**

Approve the Resolution ordering the detachment of APN 178-040-45 from the Vallecitos Water District water service area.

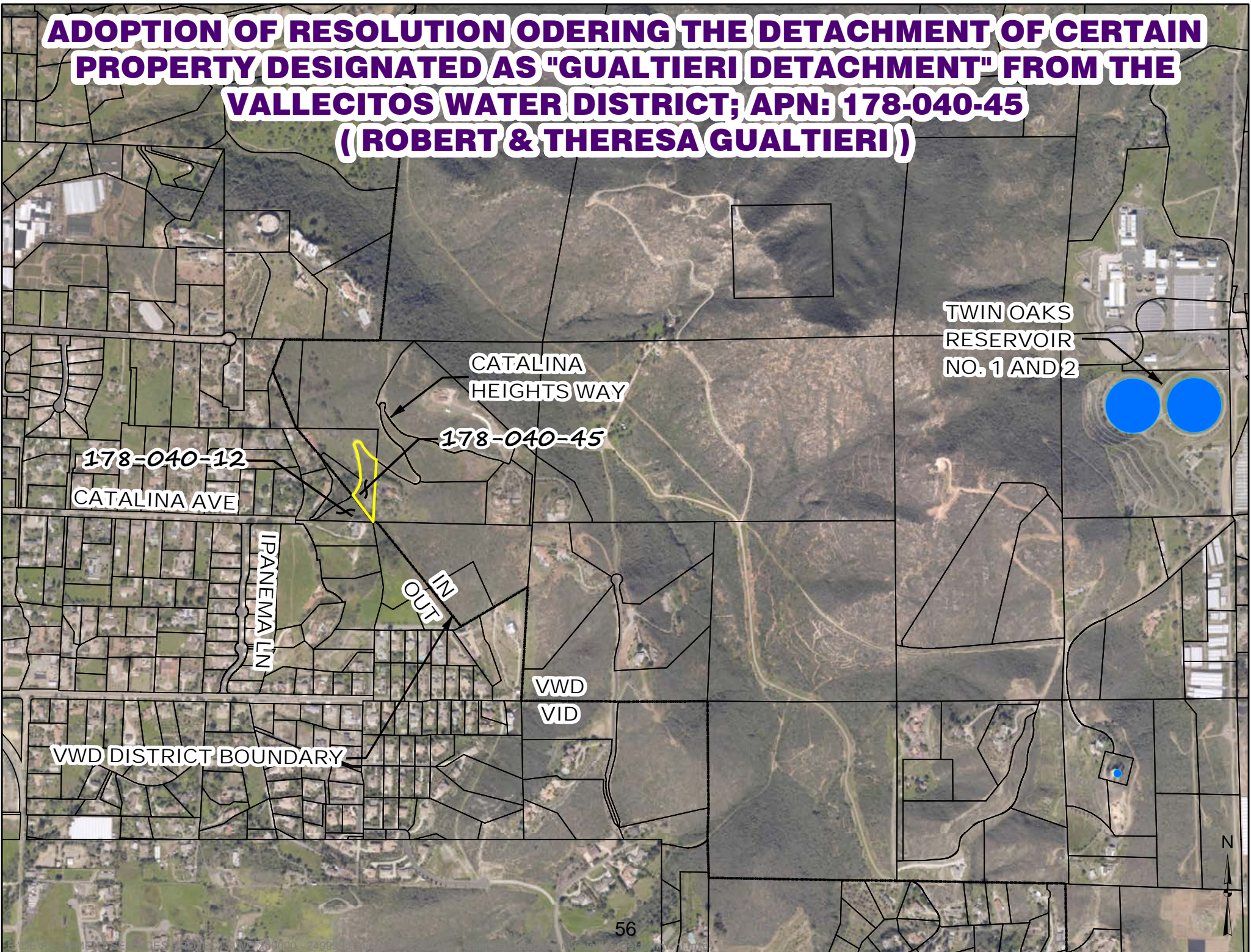
**ATTACHMENTS:**

2 Map Exhibits: 1-Plat & 1-Aerial  
Resolution

**ADOPTION OF RESOLUTION ORDERING THE DETACHMENT OF CERTAIN  
PROPERTY DESIGNATED AS "GUALTIERI DETACHMENT" FROM THE  
VALLECITOS WATER DISTRICT; APN: 178-040-45  
( ROBERT & THERESA GUALTIERI )**



**ADOPTION OF RESOLUTION ORDERING THE DETACHMENT OF CERTAIN  
PROPERTY DESIGNATED AS "GUALTIERI DETACHMENT" FROM THE  
VALLECITOS WATER DISTRICT; APN: 178-040-45  
( ROBERT & THERESA GUALTIERI )**





**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT ORDERING THE DETACHMENT  
OUT OF THE VALLECITOS WATER DISTRICT AND THE ANNEXATION  
TO VISTA IRRIGATION DISTRICT APN: 178-040-45 (GUALTIERI)**

WHEREAS, a petition for the detachment out of Vallecitos Water District with the annexation to Vista Irrigation District was filed with the Executive Officer of the Local Agency Formation Commission of the County of San Diego; and

WHEREAS, the Executive Officer of the Local Agency Formation Commission has examined the petition and determined that it is signed by the requisite number of signers, and has attached his certificate to the petition showing the results of his examination, as provided in Government Code Section 56150 through 56162, inclusive; and

WHEREAS, the land described in said petition is the land hereinafter described in Exhibits "A" and "B" attached hereto, and the owners of the land have given their written consent to said detach; and

WHEREAS, the regular county assessment roll is utilized by this District; and

WHEREAS, the affected territory will/will not be taxed for existing general bonded indebtedness of this District; and

WHEREAS, the Board of Directors certifies that the determination by the Local Agency Formation Commission (LAFCO) that this reorganization is exempted by State CEQA Guidelines Section 15320 from the requirements of CEQA has been reviewed and considered; and

WHEREAS, while the territory currently is located within the Vallecitos Water District, there are no water facilities able to serve the site that precludes the provision of water service from that District's distribution system; and

WHEREAS, because water service can be provided by Vista Irrigation District systems, representatives from both Districts agree to this reorganization; and

WHEREAS, the inclusion of the land will be for the best interest of the land, and the owners thereof consent to the inclusion of said land in the District; and

WHEREAS, the Board of Directors determines that all of the land described in said petition and hereinafter described shall be included in the District; that the proceedings held for the detachment and inclusion herein and above referred to were genuine and sufficient and in all respect complied with the Cortese-Knox Government Reorganization Act of 1985, beginning with Section 56000 of the Government Code of the State of California.

NOW, THEREFORE, BE IT RESOVED BY THE BOARD OF DIRECTORS OF THE VALLECTIOS WATER DISTRICT, finds, determines and orders as follows:

Section 1. The Board of Directors of the Vallecitos Water District does hereby order the detachment out of Vallecitos Water District and the annexation to Vista Irrigation District of all the land described in the petition above referred to; Exhibits "A" and "B", attached hereto and incorporated herein, is the legal description of the land included within the Vallecitos Water District pursuant to this Resolution and the proceedings above referred to, which said description is sufficient to identify this land.

Section 2. The conditions of said detachment from Vallecitos Water District.

Section 2.1: Payment of the Vallecitos detachment fee of \$1,756.98 \$1,362 per acre (1.29 acres).

Section 2.2: Payment of the VWD Administration deposit of \$1,000.00.

Section 2.3: Submittal of a geographic description of the property including plat map.

Section 3. The conditions of said annexation to Vista Irrigation District are as follows:

Section 3.1: Concurrent detachment from the Vallecitos Water Improvement District.

Section 3.2: Payment of Vallecitos Water District detachment and administration fees.

Section 3.3: No connection to the water main will be allowed until completion of the annexation to Vista Irrigation District and detachment from Vallecitos Water District, payment of all annexation fees, and payment of all current fees and charges.

Section 4. This resolution shall become effective immediately upon its final recordation.

Section 4.1: This resolution is adopted pursuant to Section 56322 of the Government Code of the State of California and pursuant to Resolution No. R098-1 of the Local Agency Formation Commission Adopted October 5, 1998.

Section 4.2: This resolution is adopted without notice or hearing and without an election being conducted in said territory all in accordance with Section 56322 of the Government Code of the State of California, and the resolution of the Local Agency Formation Commission as aforesaid.

Section 5: The Local Agency Formation Commission shall comply with the provision of Government Code Section 57203, and shall file with the County Recorder

of San Diego County certified copies of this resolution and certificates stating that this resolution is complete. The Secretary of the Local Agency Formation Commission shall further comply with the provisions of Government Code Section 57204 by filing with the State Board of Equalization and with the County Assessor and Auditor of San Diego County statements of change of boundary together with a map or plat of the area to be assessed.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 11<sup>th</sup> day of December, 2019, by the following roll call vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

---

Betty D. Evans, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District

**EXHIBIT "A"**  
**PROPOSAL \_\_\_\_\_; LAFCO REFERENCE NO. \_\_\_\_\_**  
**LEGAL DESCRIPTION**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF VISTA, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

A PORTION OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 11 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES SURVEY, APPROVED DECEMBER 14, 1885, BEING MORE PARTICULARLY DESCRIBED AS:

1. BEGINNING AT THE SOUTHEAST CORNER OF SAID NORTHWEST QUARTER OF SAID NORTHEAST QUARTER OF SAID SECTION 21 THENCE NORTH 39° 42' 15" WEST A DISTANCE OF 226.15 FEET TO A NON-TANGENT 200.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY WHOSE RADIAL BEARS NORTH 44° 24' 15" WEST;
2. THENCE ALONG SAID CURVE NORTHERLY THROUGH A CENTRAL ANGLE OF 11° 04' 14", A DISTANCE OF 38.64 FEET;
3. THENCE NORTH 34° 31' 31" EAST A DISTANCE OF 20.35 FEET TO THE BEGINNING OF A TANGENT 130.00 FOOT RADIUS CURVE, CONCAVE WESTERLY;
4. THENCE NORTHERLY ALONG AN ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 44° 00' 01", A DISTANCE OF 99.83 FEET;
5. THENCE TANGENT TO SAID CURVE, NORTH 9° 28' 30" WEST, A DISTANCE OF 232.20 FEET TO THE BEGINNING OF A TANGENT 15.00 FOOT RADIUS CURVE, CONCAVE SOUTHERLY;
6. THENCE NORTHERLY, EASTERLY AND SOUTHEASTERLY, ALONG AN ARC OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 147° 51' 30", A DISTANCE OF 38.71 FEET;
7. THENCE, TANGENT TO SAID CURVE, SOUTH 41° 37' 00" EAST, A DISTANCE OF 104.87 FEET ;
8. THENCE SOUTH 51° 38' 30" EAST, A DISTANCE OF 72.61 FEET TO A POINT IN THE EAST LINE OF SAID NORTHWEST QUARTER OF THE NORTHEAST QUARTER, DISTANT THEREON NORTH 3° 16' 38" EAST, 439.27 FEET FROM THE SOUTHEAST CORNER OF SAID NORTHWEST QUARTER OF THE NORTHEAST QUARTER;
9. THENCE, ALONG SAID EAST LINE, SOUTH 3° 16' 38" WEST, A DISTANCE OF 439.27 FEET TO SAID SOUTHEAST CORNER AND THE TRUE POINT OF BEGINNING.

CONTAINING AN AREA OF 54,336 SQUARE FEET (1.25 ACRES) MORE OR LESS.

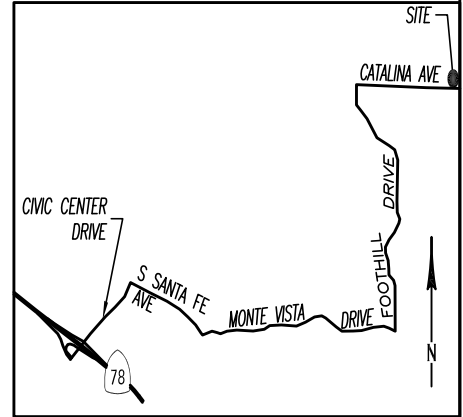
APN 178-040-45

FOR ASSESSMENT PURPOSES ONLY. THIS DESCRIPTION OF LAND IS NOT A LEGAL PROPERTY DESCRIPTION AS DEFINED IN THE SUBDIVISION MAP ACT AND MAY NOT BE USED AS THE BASIS FOR AN OFFER FOR SALE OF THE LAND DESCRIBED.

**EXHIBIT B**

**PROPOSAL \_\_\_\_\_; LAFCO REFERENCE NO. \_\_\_\_\_**

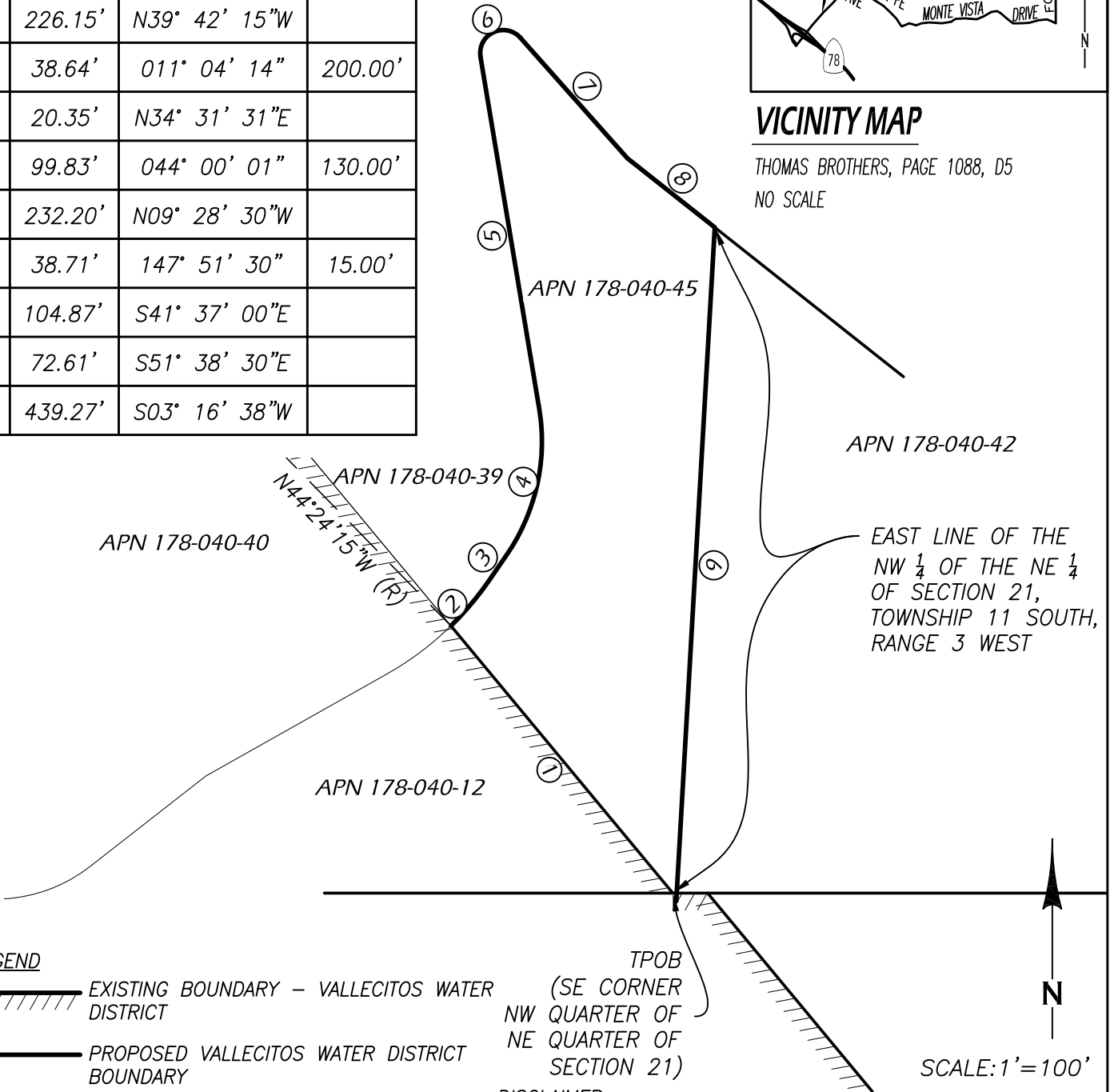
BEING A PORTION OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 11 SOUTH, RANGE 3 WEST, S.B.&M IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



**VICINITY MAP**

THOMAS BROTHERS, PAGE 1088, D5  
NO SCALE

| COURSE TABLE |         |                 |         |
|--------------|---------|-----------------|---------|
| #            | Length  | Direction/Delta | Radius  |
| 1            | 226.15' | N39° 42' 15"W   |         |
| 2            | 38.64'  | 011° 04' 14"    | 200.00' |
| 3            | 20.35'  | N34° 31' 31"E   |         |
| 4            | 99.83'  | 044° 00' 01"    | 130.00' |
| 5            | 232.20' | N09° 28' 30"W   |         |
| 6            | 38.71'  | 147° 51' 30"    | 15.00'  |
| 7            | 104.87' | S41° 37' 00"E   |         |
| 8            | 72.61'  | S51° 38' 30"E   |         |
| 9            | 439.27' | S03° 16' 38"W   |         |



**LEGEND**

- EXISTING BOUNDARY - VALLECITOS WATER DISTRICT
- PROPOSED VALLECITOS WATER DISTRICT BOUNDARY

TPOB  
(SE CORNER  
NW QUARTER OF  
NE QUARTER OF  
SECTION 21)

SCALE: 1' = 100'

**CE COFFEY ENGINEERING, INC.**

9666 BUSINESSPARK AVENUE, SUITE 210, SAN DIEGO, CA 92131  
PH (858) 831- 0111 FAX (858) 831- 0179

**DISCLAIMER:**

FOR ASSESSMENT PURPOSES ONLY. THIS DESCRIPTION OF LAND IS NOT A LEGAL PROPERTY DESCRIPTION AS DEFINED IN THE SUBDIVISION MAP ACT AND MAY NOT BE USED AS THE BASIS FOR AN OFFER FOR SALE OF THE LAND DESCRIBED.

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: APPROVAL OF CONSTRUCTION AGREEMENT FOR SEWER MAIN EXTENSION, WALNUT HILLS DRIVE, APN'S 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (ELITHARP, KLIMA, FROST, RICHARDSON & NELSON)**

**BACKGROUND:**

Several property owners on Walnut Hills Drive have requested sewer service from the Vallecitos Water District. The property owners have submitted improvement plans for a sewer extension and have completed the plan check process with the District. The project is located on Walnut Hills Drive south of East Barham Lane.

**DISCUSSION:**

A Construction Agreement is typically entered into between a developer and the District to ensure that the required public facilities are constructed to support the demands of the development.

The project will construct approximately 573 feet of 8-inch diameter PVC sewer main.

Upon completion of the sewer facilities, sewer service will be available to five single family homes. Approximately six additional properties could potentially benefit from the sewer line extension. The owners have opted to enter into a reimbursement agreement with the District which will be brought before the Board along with final acceptance of the project facilities. This agreement may reimburse the property owners for a proportionate share of the construction costs should any of the additional properties connect to the sewer in the future per VWD Ordinance No. 180 and the terms of the reimbursement agreement.

All engineering fees and inspection deposits have been paid prior to Board approval of the Construction Agreement. Wastewater capital facility fees in the amount of \$49,495.00 have been paid in full.

The property owners have submitted standard surety bonds to guarantee completion of the project. The following bond amounts have been reviewed and approved by staff:

|                      |             |
|----------------------|-------------|
| Labor and Materials  | \$77,506.00 |
| Faithful Performance | \$77,506.00 |

**FISCAL IMPACT:**

None. Future sewer revenues will offset costs of service.



**RECOMMENDATION:**

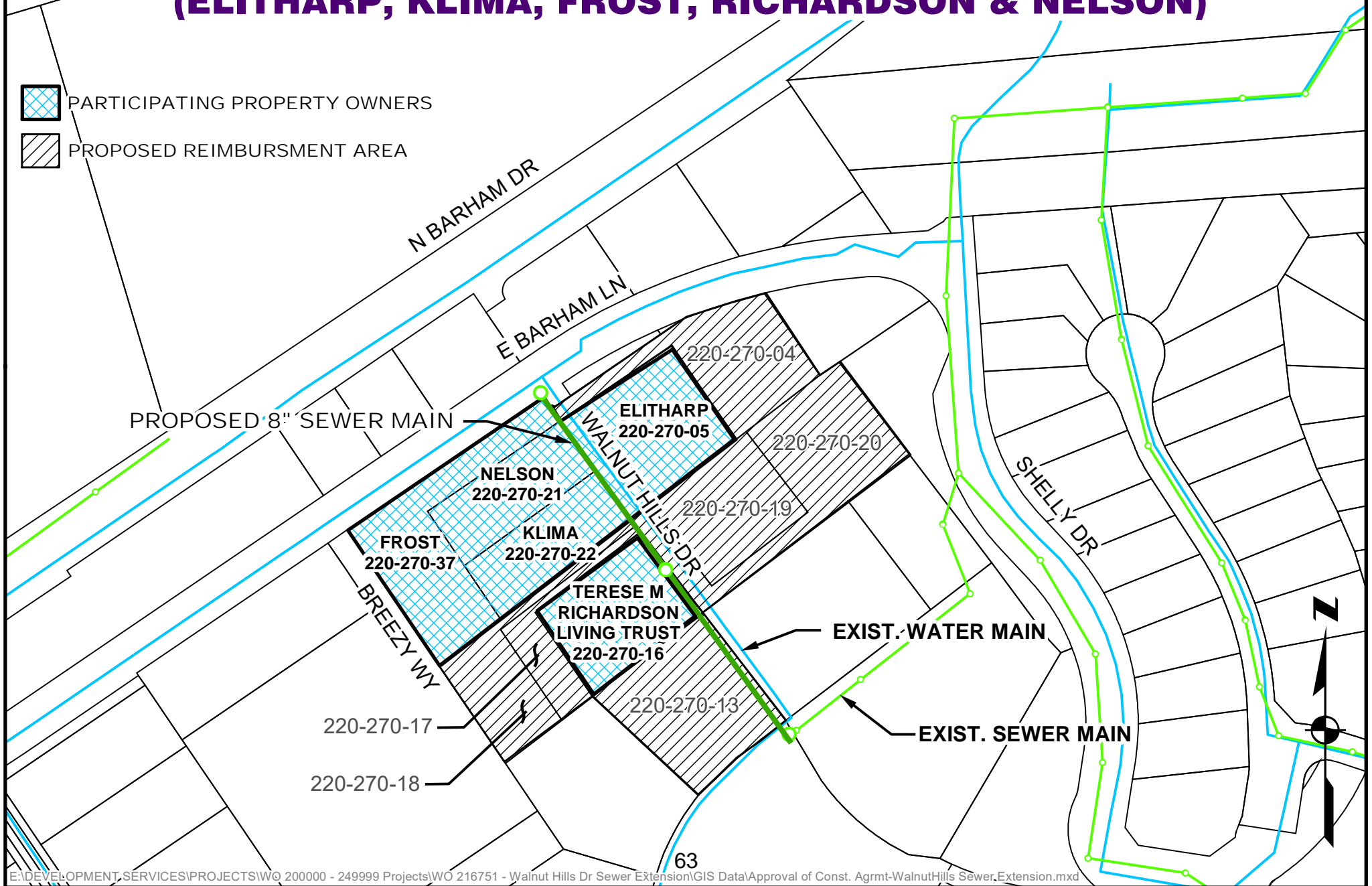
Approve the Construction Agreement for the Walnut Hills Drive sewer main extension.

**ATTACHMENTS:**

2 Map Exhibits – 1 Plat Map & 1 Aerial  
Construction Agreement

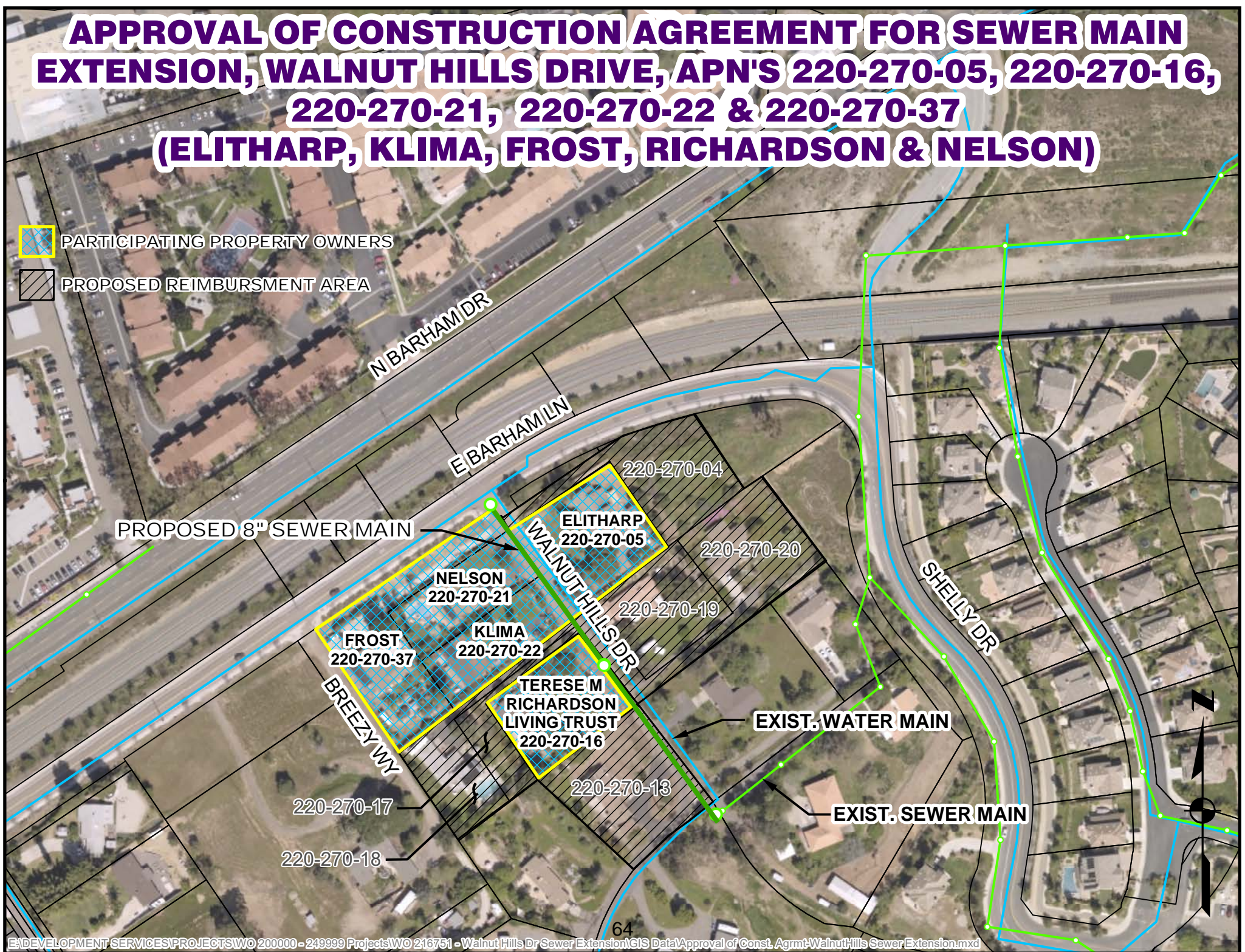
# APPROVAL OF CONSTRUCTION AGREEMENT FOR SEWER MAIN EXTENSION, WALNUT HILLS DRIVE, APN'S 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (ELITHARP, KLIMA, FROST, RICHARDSON & NELSON)

-  PARTICIPATING PROPERTY OWNERS
-  PROPOSED REIMBURSEMENT AREA



# APPROVAL OF CONSTRUCTION AGREEMENT FOR SEWER MAIN EXTENSION, WALNUT HILLS DRIVE, APN'S 220-270-05, 220-270-16, 220-270-21, 220-270-22 & 220-270-37 (ELITHARP, KLIMA, FROST, RICHARDSON & NELSON)

-  PARTICIPATING PROPERTY OWNERS
-  PROPOSED REIMBURSEMENT AREA





**AGREEMENT FOR CONSTRUCTION OF FACILITIES TO BE  
DEDICATED TO THE VALLECITOS WATER DISTRICT**

THIS AGREEMENT is entered into by and between VALLECITOS WATER DISTRICT (“DISTRICT”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code §§ 30000 et seq., and **N. Craig Elitharp and M. Diana Eng Elitharp; Heike Klima; Robert D. & Maria G. Frost; Terese M. Richardson Living Trust, Terese M. Richardson (Trustee), and Lloyd E. & Kelly L. Nelson** (OWNER/DEVELOPER”)

**RECITALS**

1. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **2.47** acres commonly described as Tax Assessor's Parcel Nos. **220-270-05, 220-270-22, 220-270-37, 220-270-21 & 220-270-16** (“PROJECT”).

2. DEVELOPER has requested that DISTRICT provide water and/or sewer service to parts of the PROJECT upon payment of applicable fees, construction and installation by DEVELOPER of the water and/or sewer facilities (“FACILITIES”) necessary to serve the PROJECT and acceptance of the FACILITIES by the DISTRICT.

3. DEVELOPER is required to submit plans and specifications for construction of the FACILITIES for review and approval by DISTRICT. The plans and specifications have been prepared by **RANCHO COASTAL ENGINEERING & SURVEYING** and are identified as **SEWER EXTENSION PLAN: WALNUT HILLS DRIVE** DEVELOPER shall construct the FACILITIES pursuant to the approved plans and specifications which shall include DISTRICT's standard specifications and applicable special provisions. DEVELOPER shall comply with all terms of this Agreement. All work covered by this Agreement shall be completed on or before \_\_\_\_\_, 202\_\_\_. In the event work is not completed by that date, this AGREEMENT shall terminate unless DEVELOPER obtains a written extension from DISTRICT.

**COVENANTS**

4. **CONDITIONS PRECEDENT TO EXECUTION OF AGREEMENT.** Each of the following items is an express condition precedent to the obligation of the DISTRICT to execute this Agreement:

- 4.1 FEES AND CHARGES.** DEVELOPER shall pay all fees and charges due as established by the DISTRICT in its discretion from time to time. All Capital Facility and Connection fees are non-refundable.
- 4.2 ENVIRONMENTAL REVIEW.** DEVELOPER shall provide the DISTRICT with all environmental documents previously utilized to obtain approvals for the PROJECT. In the event that the DISTRICT determines additional environmental review is necessary, all fees and costs to prepare this additional environmental review shall be borne solely by the DEVELOPER.
- 4.3 APPROVED PLANS AND SPECIFICATIONS.** DEVELOPER shall prepare and submit to the DISTRICT a set of plans and specifications for the FACILITIES. The plans and specifications for the FACILITIES include DISTRICT's standard specifications and applicable special provisions and are incorporated herein by reference as if set forth in full. Approval of these plans and specifications by the DISTRICT shall be a condition precedent to the obligations of the DISTRICT to execute this Agreement. Approval of these plans and specifications by the DISTRICT shall not relieve the DEVELOPER of liability for any improper design or construction of the FACILITIES.

**4.4 CHANGES TO PLANS AND SPECIFICATIONS.** DISTRICT, without liability to DISTRICT, DISTRICT's engineer and their consultants, and each of their directors, officers, employees, and agents, may require such changes, alterations, or additions to the plans and specifications which do not exceed ten percent (10%) of the original DISTRICT estimated cost of the work as may be determined necessary or desirable by DISTRICT in its sole discretion, including those necessary due to errors or omissions in the approved plans or specifications. Changes, alterations, or additions without said 10% limitation may be made for unforeseen conditions such as rock excavation, unstable soil conditions, or high water tables requiring dewatering.

**5. COMMERCIAL GENERAL LIABILITY AND AUTOMOBILE LIABILITY INSURANCE.** Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall provide and maintain the following commercial general liability and automobile liability insurance:

- 5.1 COVERAGE.** Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:
- A. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001);

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

**5.2 LIMITS.** The DEVELOPER shall maintain limits no less than the following:

A. General Liability - One million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to DISTRICT) or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.

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

**5.3 REQUIRED PROVISIONS.** The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

A. DISTRICT, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the DEVELOPER; products and completed operations of the DEVELOPER; premises owned, occupied or used by the DEVELOPER; and automobiles owned, leased, hired or borrowed by the DEVELOPER. The coverage shall contain no special limitations on the scope of protection afforded to DISTRICT, its directors, officers, employees, or authorized volunteers.

B. For any claims related to this project, the DEVELOPER's insurance shall be primary insurance as respects DISTRICT, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by DISTRICT, its directors, officers, employees, or authorized volunteers shall not contribute to it.

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

D. The DEVELOPER's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

E. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the DEVELOPER, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to DISTRICT.

Such liability insurance shall indemnify the DEVELOPER and his/her sub-DEVELOPER's against loss from liability imposed by law upon, or assumed under contract by, the DEVELOPER or his/her sub-DEVELOPER's for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

The general liability policy shall cover bodily injury and property damage liability, owned and non-owned equipment, blanket contractual liability, completed operations liability, explosion, collapse, underground excavation, and removal of lateral support. Additionally, the automobile liability policy shall cover all owned, non-owned, and hired automobiles.

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

**6. DEDUCTIBLES AND SELF-INSURED RETENTIONS.** Any deductible or self-insured retention must be declared to and approved by DISTRICT. At the option of DISTRICT, the insurer shall either reduce or eliminate such deductibles or self-insured retentions.

**7. ACCEPTABILITY OF INSURANCE.** Insurance is to be placed with insurers having a current A.M. Best rating of no less than A-:VII or equivalent or as otherwise approved by DISTRICT.

**8. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE.** The DEVELOPER and all sub-DEVELOPERs shall insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or about the construction site, in accordance with the "Workers' Compensation and Insurance Act", Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The DEVELOPER shall provide employer's liability insurance with limits of no less than \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

**9. RESPONSIBILITY FOR WORK.** Until the completion and final acceptance by DISTRICT of all the work under and implied by this agreement, the work shall be under the DEVELOPER's responsible care and charge. The DEVELOPER shall rebuild, repair, restore

and make good all injuries, damages, re-erections, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

**10. EVIDENCE OF INSURANCE.** Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall file with DISTRICT a certificate of insurance (Accord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against DISTRICT (if builder's risk insurance is applicable). Such evidence shall also include confirmation that coverage includes or has been modified to include **Required Provisions, A-E**.

The DEVELOPER shall, upon demand of DISTRICT, deliver to DISTRICT such policy or policies of insurance and the receipts for payment of premiums thereon.

**11. CONTINUATION OF COVERAGE.** If any of the required coverage expires during the term of this agreement, the DEVELOPER shall deliver the renewal certificate(s) including the general liability additional insured endorsement and evidence of waiver of rights of subrogation against DISTRICT (if builder's risk insurance is applicable) to DISTRICT at least ten (10) days prior to the expiration date.

**12. SUB-DEVELOPERS.** In the event that the DEVELOPER employs other DEVELOPERS (sub-DEVELOPERS) as part of the work covered by this agreement, it shall be the DEVELOPER's responsibility to require and confirm that each sub-DEVELOPER meets the minimum insurance requirements specified above.

**13. SECURITY.** Upon execution of this Agreement and prior to Board approval, DEVELOPER shall provide the DISTRICT with a payment bond and a performance bond, each in the amount of **\$ 77,506.00**. Each payment and performance bond shall represent 100% of the estimated construction costs of the FACILITIES. Bonds shall be furnished by surety companies satisfactory to the DISTRICT. Surety companies, to be acceptable to the DISTRICT, must have an acceptable rating from Best's Key Rating Guide, authorized to do business and have an agent for service of process in California.

If at any time a surety on any such bond is declared as bankrupt or loses its right to do business in the state of California for any reason, DEVELOPER shall, within ten (10) days after notice from the DISTRICT, substitute acceptable bonds in such form and sum and signed by such other surety or sureties as may be satisfactory to the DISTRICT in its sole discretion. The premium on such bonds shall be paid by the DEVELOPER.

In the event the PROJECT is sold, transferred or assigned the performance and payment bonds shall remain in effect unless new bonds acceptable to the DISTRICT have been provided.

The performance and the payment bonds must remain in effect throughout the period for performance of the work until the work is accepted by formal action of the Board of Directors of the DISTRICT.

In lieu of providing these performance and payment bonds, DEVELOPER may provide the DISTRICT with a cash deposit to replace either or both of these bonds, or may provide the DISTRICT with an Instrument of Credit, or Irrevocable Letter of Credit on a form acceptable to the DISTRICT. No substitution or modification of the DISTRICT's standard Instrument of Credit or Irrevocable Letter of Credit shall be accepted without approval of the DISTRICT.

**14. DEVELOPER'S FAILURE TO PROVIDE INSURANCE OR BONDS.** In the event any insurance or security provided to the DISTRICT in accordance with this Agreement is terminated or canceled for any reason, or is limited in the scope of coverage required by this Agreement, DEVELOPER shall have thirty (30) consecutive days from written notice from DISTRICT to procure the required insurance or security. The failure of DEVELOPER to present alternative insurance or security acceptable to DISTRICT within this thirty- (30-) day period shall constitute a material breach of this Agreement entitling the DISTRICT to unilaterally terminate this Agreement or sue DEVELOPER for damages at the election of the DISTRICT.

**15. EASEMENTS.** Prior to execution of this Agreement, DEVELOPER shall provide DISTRICT with a current preliminary title report issued within the last 90 days covering all properties in which easements are to be granted to the DISTRICT. The cost of the preliminary title report shall be borne solely by DEVELOPER. DEVELOPER shall provide the DISTRICT with such easements as the DISTRICT may require, as determined by the DISTRICT in its sole discretion. All easements to be conveyed to the DISTRICT shall be prepared on the DISTRICT's standard form easements. All easements shall: (1) be of a width satisfactory to DISTRICT, in no case less than twenty (20) feet without specified approval of the Board of Directors; (2) be free and clear of all liens and/or encumbrances which could affect title to the easement; and (3) have recorded subordination agreements for all trust deeds or other liens to insure that the DISTRICT has prior rights in any easements being conveyed to the DISTRICT. DEVELOPER shall procure a policy of title insurance in favor of the DISTRICT covering easements to be granted in amounts determined by the DISTRICT subject only to those conditions of record acceptable to the DISTRICT. All fees and costs to procure easements required by the DISTRICT shall be borne solely by DEVELOPER. Nothing in this Agreement shall obligate the DISTRICT to exercise its condemnation authorities to acquire any easement determined necessary by the DISTRICT. All easements being conveyed to the DISTRICT must be in a recordable form acceptable to the DISTRICT prior to approval of plans and specifications by the DISTRICT.

**16. QUALIFIED SERVICE COMMITMENT.** Nothing in this Agreement is intended to limit the power of the DISTRICT to restrict the use of water as provided by California Water Code §§ 350 et seq., and §§ 31026 et seq. DEVELOPER is advised and understands that the ability of the DISTRICT to provide water service to the PROJECT is dependent upon the continuing availability of water imported to the DISTRICT from other agencies. In the event of a water shortage, threatened water shortage, or an emergency, water service to DEVELOPER's project may not be available or may be curtailed or restricted. Consequently, the DISTRICT cannot guarantee that water will be available at the time service is requested. The declaration of a water shortage, threatened water shortage or emergency shall be exercised in the sole discretion of the DISTRICT. DEVELOPER agrees that the DISTRICT shall not be liable for any damages, costs, fees, or expenses of any kind, caused by any curtailment, restriction, or termination of potable water service determined necessary by the DISTRICT.

**17. CONSTRUCTION OF FACILITIES.** DEVELOPER shall not commence construction of any FACILITIES required by this Agreement until DEVELOPER has received written authorization from the DISTRICT to proceed. All work performed on the FACILITIES shall be done in strict compliance with the approved plans and specifications and in a good and workmanlike manner as determined by the DISTRICT in its sole discretion. All work performed on the FACILITIES by DEVELOPER shall be subject to inspection by the DISTRICT's designated representatives and DEVELOPER shall comply with all instructions given by the DISTRICT's representative during construction of the work. All fees and costs to construct the FACILITIES shall be borne by DEVELOPER.

**18. COMPLIANCE WITH APPLICABLE LAW.** DEVELOPER shall insure that all work performed on the project is performed in a manner which complies with all applicable federal and state laws and all county and local government rules and regulations, including all rules and regulations of DISTRICT, as these rules and regulations may be modified or changed from time to time. DEVELOPER shall be solely responsible for obtaining and paying for all permits, licenses and approvals necessary to construct the FACILITIES. DEVELOPER shall provide verification that permits, licenses and approvals have been obtained promptly upon demand from DISTRICT.

**19. PREVAILING WAGES.** DEVELOPER is aware of the provisions of California Labor Code §§ 1770 et seq., which requires the payment of prevailing wage rates and the performance of other requirements if it is determined that DEVELOPER's contract with its contractor to construct the FACILITIES is a public works contract. DEVELOPER agrees to hold the DISTRICT and its officers, employees and agents harmless from any claim of liability, including costs of defense and attorney's fees, arising from any alleged failure to comply with these provisions of the Labor Code.

DEVELOPER, and not the DISTRICT, shall be liable for insuring that prevailing wages, as set by the Director of the Department of Industrial Relations, have been paid for all work performed in accordance with this contract. In the event of any claim, DEVELOPER shall provide the DISTRICT with all information in DEVELOPER's possession concerning the claim within ten (10) consecutive days following written demand from the DISTRICT.

**20. UTILIZATION OF A PORTION OF WORK.** DISTRICT shall have the right upon written notification to the DEVELOPER to utilize such portions of the work DISTRICT deems sufficiently complete to be utilized or placed into service.

**21. ACCEPTANCE OF WORK.** Upon completion of the FACILITIES required by this Agreement to the satisfaction of the DISTRICT, the FACILITIES which have been constructed shall be presented to the Board of Directors of the DISTRICT for dedication and the filing of a Notice of Completion. The DISTRICT shall have no obligation to accept the FACILITIES or file a Notice of Completion if the design and/or construction of the work is not satisfactory to the DISTRICT in its sole discretion. Upon recordation of a Notice of Completion, all right, title, ownership and interest in the FACILITIES shall be deemed to have been transferred to the DISTRICT. DEVELOPER shall not allow any part of PROJECT to be occupied prior to acceptance of FACILITIES by DISTRICT.

**22. WATER SERVICE MAINTENANCE AFTER ACCEPTANCE OF WORK.** Due to the uncertainty of prompt sale/construction/occupancy of the project's lots and based on the need to provide adequate flow to residences, DEVELOPER shall be responsible for periodic flushing of the services within the subdivision until such time as the subdivision is sold. The DISTRICT and DEVELOPER will cooperate to provide manpower and schedule work.

**23. LIABILITY FOR WORK PRIOR TO FORMAL ACCEPTANCE.** Until the Board of Directors of the DISTRICT has formally accepted all work performed in accordance with this Agreement, DEVELOPER shall be solely responsible for all damage to the work regardless of cause and for all damages or injuries to any person or property from any cause excepting injury or damage caused by the sole or active negligence of DISTRICT, its agents, servants or employees.

**24. LIABILITY AFTER ACCEPTANCE OF WORK.** After the Board of Directors of the DISTRICT has accepted the FACILITIES by formal action of the Board, DEVELOPER and DEVELOPER's successors in interest shall remain liable for all injuries or damage to persons or property including damage to the work itself, arising from or related to design or construction of the FACILITIES.

**25. RELEASE OF SECURITY.** Forty (40) days after the Notice of Completion has been filed by the DISTRICT, the DISTRICT shall release any security previously provided by DEVELOPER, as long as no claims have been filed. The security shall not be released until the



DISTRICT has received a warranty bond or alternative security acceptable to the DISTRICT covering 25% of the original performance bond or alternative security amount. DISTRICT must have warranty bond prior to Board acceptance of the project. This new security shall remain in effect until the warranty period has expired One (1) year from final Board Acceptance and DEVELOPER has corrected all defects noted by the DISTRICT during the warranty period.

**26. WARRANTY.** DEVELOPER shall and hereby does guarantee all work and materials for the FACILITIES to be free from all defects due to faulty materials or workmanship for a period of one (1) year after the date of acceptance of the work by the DISTRICT. The DEVELOPER shall repair or remove and replace any and all such work, together with any other work which may be displaced in so doing, that is found to be defective in workmanship and/or materials within said one-year period without expense whatsoever to the DISTRICT, ordinary wear and tear and unusual abuse or neglect excepted. In the event DEVELOPER fails to comply with the above-mentioned conditions within one (1) week after being notified in writing, the DISTRICT is authorized to proceed to have the defects remedied and made good at the expense of DEVELOPER who agrees to pay the cost and charges therefore immediately upon demand. Such action by the DISTRICT will not relieve the DEVELOPER of the guarantee required by this section. This section does not in any way limit liability of the DEVELOPER for any design defects or defects in the work subsequently discovered by the DISTRICT.

**27. INDEMNITY.** DEVELOPER shall be solely responsible and liable for design defects or defects in work performed to construct the FACILITIES required by this Agreement. This shall include liability and responsibility for injury or damage to the work itself. DEVELOPER hereby agrees to hold harmless, indemnify and defend the DISTRICT, the DISTRICT's representatives and each of the DISTRICT's officers, employees and agents from any and all claims, suits or action of every name, kind and description brought for or on account of injuries to or death of any person or damage to any property resulting from design or construction of the FACILITIES except where the injury or damage has been caused by the sole and active negligence of the DISTRICT, its agents, servants or employees. In the event that any suit is instituted naming the DISTRICT as a party, the DISTRICT shall be entitled to appoint its own independent counsel to represent the DISTRICT; and DEVELOPER agrees to pay all attorney's fees and litigation costs associated with this defense. This indemnity shall extend to any claims arising because DEVELOPER has failed to properly secure any necessary easement, land right, contract or approval

**28. AS-BUILT DRAWINGS.** Prior to acceptance of the work by the Board of Directors of the DISTRICT, DEVELOPER shall provide the DISTRICT with two (2) blueprint copies of "as-built" drawings. Upon approval of the blueprint copies the DISTRICT will require a bonded

mylar or original drawing, disk and certification by a licensed engineer in the state of California as to the accuracy and completeness of the "as-built" drawings.

**29. CASH DEPOSITS.** DEVELOPER shall provide the DISTRICT with an initial cash deposit in the amount of **\$ 8,774.50** to cover all DISTRICT fees and costs associated with the FACILITIES. When this deposit has been drawn down to **\$ 1,500.00** DEVELOPER agrees to deposit such additional sums as the DISTRICT may determine from time to time to cover all fees and costs of the DISTRICT. Prior to final acceptance of the project, a final accounting will be forwarded to the developer for payment. Additional deposits for additional inspections after acceptance of the project may be requested.

**30. MISCELLANEOUS PROVISIONS.**

**30.1 VENUE.** In the event of any legal or equitable proceeding to enforce or interpret the terms or conditions of this Agreement, the parties agree that venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.

**30.2 MODIFICATION.** This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.

**30.3 ATTORNEY'S FEES.** In the event of any legal or equitable proceeding to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to all reasonable attorney's fees and costs in addition to any other relief granted by law. This provision shall apply to the entire Agreement.

**30.4 ENTIRE AGREEMENT.** This Agreement, together with all the exhibits attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda or agreements are in conflict with this Agreement are intended to be replaced in total by this Agreement and its exhibits.

**30.5 ASSIGNMENTS.** DEVELOPER shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior consent of the DISTRICT, which consent shall not be unreasonably withheld. Any purported assignment without the DISTRICT's prior written consent shall be void.

- 30.6 BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs and assigns.
- 30.7 UNENFORCEABLE PROVISIONS.** The terms, conditions and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.
- 30.8 REPRESENTATION OF CAPACITY TO CONTRACT.** Each of the parties to this Agreement represents and warrants that he has the authority to execute this Agreement on behalf of the entity represented by that individual.
- 30.9 OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT COUNSEL.** DEVELOPER has been advised and understands that this Agreement has been prepared by The Law Offices of Jeffrey G. Scott, general counsel, who represents only the DISTRICT. DEVELOPER warrants and represents that DEVELOPER has been advised to consult independent legal counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.
- 30.10 NO WAIVER.** The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant or condition of this Agreement at any later date or as a waiver of any term, covenant or condition of this Agreement.
- 30.11 NOTICES.** All letters, statements or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served or when sent certified mail, return receipt requested to the following addresses:
- 30.12 EFFECTIVE DATE.** The effective date of this Agreement, executed in counterparts in the North County Judicial District, County of San Diego, State of California, is \_\_\_\_\_.

**“DISTRICT”  
VALLECITOS WATER DISTRICT**

By: \_\_\_\_\_  
Glenn Pruim, Secretary  
Board of Directors  
Vallecitos Water District

Dated: \_\_\_\_\_

**“OWNER/DEVELOPER”**

Name: **N. Craig Elitharp and M. Diana Eng Elitharp** \_\_\_\_\_

Address: **137 Walnut Hills Drive, San Marcos, CA 92078**

APN: **220-270-05**

Signature\*: \_\_\_\_\_

Dated: \_\_\_\_\_

Signature\*: \_\_\_\_\_

Dated: \_\_\_\_\_

**“OWNER/DEVELOPER”**

Name: **Heike Klima** \_\_\_\_\_

Address: **138 Walnut Hills Drive, San Marcos, CA 92078**

APN: **220-270-22**

Signature\*: \_\_\_\_\_

Dated: \_\_\_\_\_

**“OWNER/DEVELOPER”**

Name: **Robert D. & Maria G. Frost**

Address: **134 Walnut Hills Drive, San Marcos, CA 92078** APN: **220-270-37**

Signature\*: \_\_\_\_\_ Dated: \_\_\_\_\_

Signature\*: \_\_\_\_\_ Dated: \_\_\_\_\_

**“OWNER/DEVELOPER”**

Name: **Terese M. Richardson Living Trust, Terese M. Richardson (Trustee)**

Address: **146 Walnut Hills Drive, San Marcos, CA 92078** APN: **220-270-16**

Signature\*: \_\_\_\_\_ Dated: \_\_\_\_\_

**“OWNER/DEVELOPER”**

Name: **Lloyd E. & Kelly L. Nelson**

Address: **136 Walnut Hills Drive, San Marcos, CA 92078** APN: **220-270-21**

Signature\*: \_\_\_\_\_ Dated: \_\_\_\_\_

Signature\*: \_\_\_\_\_ Dated: \_\_\_\_\_

\*Acknowledgment of the signature(s) of authorized representative(s) of DEVELOPER executing this Construction Agreement, by a Notary Public, is required. Attach acknowledgment to this page.

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: SURPLUS PERSONAL PROPERTY LISTING**

**BACKGROUND:**

On October 8, 2008, the Board of Directors adopted Resolution No. 1312, "...A Surplus Personal Property Policy." The policy authorizes staff to accumulate and dispose of surplus property items through a publicly noticed sale, with the highest bid taking title and possession of the property. Section 2 of the policy states that, "Items with an estimated value of greater than \$1,000 will be approved by the Board."

**DISCUSSION:**

Staff has identified 1 vehicle with an estimated value greater than \$1,000. The item is:

| <b><u>Manufacturer:</u></b> | <b><u>Model</u></b>          | <b><u>Est. Value:</u></b> |
|-----------------------------|------------------------------|---------------------------|
| <b>2008 FORD F-350</b>      | <b>VIN:1FTWF30R58EE06315</b> | <b>\$7,000</b>            |

**FISCAL IMPACT:**

Minimal fiscal impact to the District.

**RECOMMENDATION:**

Approve item to be made available for disposal through a public auction.

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: ANNUAL BOARD TRANSITION**

**BACKGROUND:**

Ordinance No. 212 provides guidance on the annual Board reorganization procedures. Historically the annual Board reorganization occurs at the first meeting in December.

**DISCUSSION**

At the first Board meeting in December, the Board considers and appoints the incoming Board President and Vice President and completes the Board reorganization. The current Board President is Director Martin and the current Vice President is Director Evans. A schedule showing the President and Vice President appointments for the last seven years has been attached for the Board's reference.

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Request Board direction regarding the appointment of the positions of President and Vice President.

**ATTACHMENTS:**

District Ordinance No. 212  
Board President Schedule

**ORDINANCE NO. 212**

**ORDINANCE OF THE VALLECITOS WATER DISTRICT  
ESTABLISHING THE GENERAL PROVISIONS FOR  
CONDUCTING THE BUSINESS OF THE BOARD AND  
REPEALING ORDINANCE NO. 210**

BE IT ORDAINED by the Board of Directors of the VALLECITOS Water District as follows:

**SECTION 1: BOARD OF DIRECTORS**

**Section 1.1: Regular Meetings - Time and Place**

Regular Meetings of the Board of Directors of the Vallecitos Water District shall be held with notice on the first and third Wednesday of each month, at the hour of 5:00 p.m. at the location of the principal place of business of the District, namely, 201 Vallecitos de Oro, San Marcos, California. Notification, including the location, shall be made in accordance with the Ralph M. Brown Act (California Government Code §54950 through §54926), as amended. Closed Sessions will be scheduled before the start of the meeting.

**Section 1.2: Adjourned Meetings**

A majority vote by the Board of Directors may terminate and adjourn a Board meeting at any place in the agenda to any time and place specified in the order of adjournment, except that if no Directors are present at any regular or adjourned regular meeting, the General Manager may declare the meeting adjourned to a stated time and place, and he/she shall cause written notice of adjournment in accordance with the Ralph M. Brown Act, as amended.

**Section 1.3: Special Meetings**

A. Special non-emergency Board meetings may be called by the Board President or a majority of the Board. Written notification shall be made and posted at least 24 hours in accordance with the Ralph M. Brown Act, as amended.

B. Special emergency Board Meetings may be held with notice in the event of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities. An emergency situation means a crippling disaster which impairs public health, safety, or both, as determined by the General Manager, Board President or Vice President in the President's absence.

**Section 1.4: Rules for Conducting Meetings**

Except as otherwise provided by law, or ordinance adopted by the Board, "Roberts Rules of Order, Revised," are hereby adopted as the rules of practice and procedure governing the conduct of the business and procedure before the Board. The Board President shall preside at all meetings and shall have a vote on all matters before the Board. In the absence of the President, the Vice President shall preside, and in the absence of both, the presiding officer shall be elected by a majority vote of the members of the Board.



Section 1.5: Agenda

The General Manager, in cooperation with the Board President, shall prepare an agenda for each regular, adjourned, and special meeting. Any Director may request any item to be placed on the agenda.

Section 1.6: Minutes of Meetings

A. The minutes of the Meetings of the Board shall be recorded and kept by the Secretary in a book maintained for that purpose for each calendar year. Unless otherwise expressly directed by the Board at the time of adoption, all ordinances and resolutions adopted by the Board may be referred to in the minutes of the meetings of the Board by number and title, but the same shall be recorded in full in separate books kept for that purpose for each calendar year.

B. The Board President or other person who may preside at the meeting, or the Secretary, shall authenticate the minutes, ordinances and resolutions after these have been transcribed into the appropriate books, and when so authenticated, these shall constitute the official minutes, ordinances and resolutions of the Board.

C. The Minute Book, the Ordinance Book and the Resolution Book shall be kept at the office of the Secretary at the principal place of business of the District.

Section 1.7: District Seal

The seal, an impression of which is herewith affixed to this document, bearing the words "Vallecitos Water District, Organized March 24, 1955," is adopted as the official seal of this District.

Section 1.8: Standing Advisory Committees

A. The District shall have the following standing advisory committees, each of whose function is to advise the Board of Directors and General Manager with respect to the subjects under its jurisdiction: Engineering/Equipment, Finance/Investment, Public Awareness/Personnel/Policy, and Legal/Legislative Affairs. Other standing committees may be established by the Board President. The precise and/or additional duties and responsibilities of each standing committee shall be as specified by the President from time to time. Each standing committee shall have two (2) members appointed by the President from the members of the Board; however, in no event shall the same two (2) members be permitted to serve together on more than one (1) standing committee without the unanimous approval of the Board. The President shall appoint a committee chairman from the two (2) members of the Board serving on each committee; however, no member shall be permitted to chair more than one (1) standing committee without the unanimous approval of the Board.

B. Ad Hoc advisory committees for special purposes not falling within the assigned function of an existing standing committee may be created and appointments made thereto from the members of the Board, not to exceed two (2) such members on any one ad hoc committee, from time to time by the President. Ad hoc committees may include members of the public and said appointment shall be made by the Board.

C. All committee members shall serve at the pleasure of the Board President. The General Manager shall be an ex-officio non-voting member of each committee. Each committee shall meet at such times, places, and frequency as may be directed by its chairman, by the President, or by the Board in accordance with the Ralph M. Brown Act, as amended. Each committee shall cause to be prepared and filed promptly with the Board current minutes of all of its meetings.

Section 1.9: Board Reorganization

A. Following a District election, on the first Tuesday after the first Monday in November in each even numbered year, the Board shall reorganize at the first meeting after the election is certified by the Registrar of Voters and appoint or reappoint its officers pursuant to the County Water District Act in conformance with the Uniform District Election Law, Elections Code, §23500 et. seq.

B. In addition to the minimum reorganization requirement, Board policy determines that the Board will reorganize annually to provide that each elected Director will have the opportunity to hold the office of President once during their first term. The President serves at the pleasure of the Board.

C. Each elected Director, who desires, shall have an opportunity to hold a position on the Encina Wastewater Authority and San Diego County Water Authority Boards at least once during their four-year term.

Section 1.10: Adoption of Ordinances and Resolutions

Except as otherwise provided by law, ordinances and resolutions of the District shall be adopted, amended, and repealed (in whole or in part) by the Board only in the following manner:

A. Ordinances shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by an ordinance adopted by the Board. The Board may adopt the ordinance (in whole or in part) as originally proposed or as modified by the Board.

B. Formal resolutions, that is, resolutions which are numbered and titled documents separate from the minutes of the meetings of the Board and required to be kept in the Resolution Book shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by a formal resolution or an ordinance adopted by the Board, only at a duly held meeting of the Board. The number and title of formal resolutions may but are not required to be, set forth in the agenda for the meeting.

C. At the time of presentation to the Board of the proposed ordinance or the proposed formal resolution, as the case may be, the reading in full thereof shall be deemed waived unless otherwise requested by any member of the Board. Ordinances and formal resolutions adopted by the Board shall contain the signed approval and attestation of the then Presiding Officer and Secretary, respectively, of the District.

D. Minute resolutions, as distinguished from formal resolutions, shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by a minute resolution or a formal resolution or an ordinance adopted by the Board, only at a duly held meeting of the Board.

**SECTION 2: DISTRICT MEMBERSHIPS, PER DIEM COMPENSATION, REIMBURSEMENTS, ETHICS TRAINING AND ELIGIBILITY FOR EMPLOYEE BENEFITS**

**Section 2.1: Authorized District Memberships**

The Board has determined it to be in the best interests of the District, and its constituents, to maintain memberships in affiliated national, state, and local organizations which have applicability to the functions of the District. The District shall hold membership in the following organizations:

American Water Works Association (AWWA)  
 Association of California Water Agencies (ACWA)  
 California Association of Sanitation Agencies (CASA)  
 California Special Districts Association (CSDA)  
 California Water Environment Association  
 Council of Water Utilities  
 North County Water Group  
 \*San Marcos Chamber of Commerce  
 Southern California Alliance of Publicly Owned Treatment Works (SCAP)  
 Southern California Water Coalition  
 Urban Water Institute  
 Water Education Foundation (WEF)  
 Water Environment Federation  
 WaterReuse

In addition to the above listed organizations, the Board may remove existing memberships or approve additional memberships and authorize attendance at meetings, events, or conferences by motion from time to time. The General Manager may approve District membership of, and employee participation in, professional, technical, and business related associations and organizations.

**Section 2.2: Per Diem Compensation**

Each Director shall receive compensation of \$200 per diem for attending meetings of the Board or for each day's service as a member of the Board, not to exceed compensation for one meeting in any 24-hour period or ten meetings per month. The Board may consider an annual increase in the per diem equivalent to the San Diego Consumer Price Index (CPI-U), up to a maximum of 5 percent, following the operative date of the last adjustment. Public notice shall be provided annually in accordance with Water Code Section 20203 if an increase is to be considered. Any increase adopted by this Section shall become effective 60 days from the date of approval. Compensable meetings which are pre-designated and considered occasions that constitute performance of official duties include the following:

\* San Marcos Chamber of Commerce events are not eligible for per diem reimbursement unless approved by the Board

A. Regular, Adjourned, and Special meetings of the Board, including pre-meetings with the Board Chair.

B. Committee Meetings, limited to the two Directors serving on the committee, other meetings, such as District sponsored special functions, open houses, and community out-reach functions, including pre-meetings with the appropriate representative(s).

C. Meetings of other public agencies of which the District is a member or sub-member agency such as the Encina Wastewater Authority, San Diego County Water Authority, the Metropolitan Water District of Southern California, and Local Agency Formation Commission (LAFCO), including pre-meetings with the appropriate representative(s).

D. Conferences, meetings, and other functions in which the District is a member of as listed in Section 2.1 above, and which have a significant and meaningful link to the purposes, policies, and interests of the District.

E. Meetings which provide educational training including ethics training in accordance with Government Code Section 53232.1.

F. Other meetings or conferences which the Board approves as an agenda item at a regular meeting that serves a benefit to the District and constitute the performance of official duties.

Any amounts paid as a per diem compensation by other organizations shall be deducted from the \$200 District per diem.

Board members shall report on meetings or conferences attended at a regularly scheduled Board meeting after the event, which may include a written report that can be distributed to all Board members electronically.

### Section 2.3: Reimbursement of Expenses and Reporting

Each Director shall be entitled to payment and/or reimbursement for actual and necessary expenses incurred in the performance of official duties including expenses incurred relating to travel, meals, lodging, and other actual and necessary expenses incurred for attendance at meetings and conferences of organizations listed in Section 2.1 or approved in accordance with Section 2.2F. Lodging expenses may not exceed the maximum group rate published by the conference or activity sponsor. Requests for Reimbursement must be submitted on a District approved Expense Form and shall include receipts documenting each expense in accordance with District Resolution 1365.

Director expenses and per diems shall be reported on a cumulative quarterly basis, (attaching a summary of per diems and expenses from District appointed positions to other agencies).

Section 2.4: Ethics training

In accordance with Government Code Section 53234, Board members and any designated employees shall have at least (2) hours of ethics training every two (2) years. Certificates of completion of ethics training shall be maintained for at least five (5) years.

Section 2.5: Eligibility for Employee Benefits


Members of the Board shall be eligible for all benefits, allowable by law, the same as full time, regular employees.

ALL OTHER ORDINANCES OR AMENDMENTS IN CONFLICT HEREWITH ARE HEREBY REPEALED.


This Ordinance shall become effective upon adoption, and a summary shall be published one time in a newspaper of general circulation within the District.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held this 21<sup>st</sup> day of August 2019, by the following roll call vote:

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

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

ATTEST:

  
\_\_\_\_\_  
James Gumpel  
District Engineer  
Vallecitos Water District

## Board President Schedule

| <u>Year</u> | <u>President</u> | <u>Vice President</u> | <u>Date Assumed Seat</u> |
|-------------|------------------|-----------------------|--------------------------|
| 2013        | Jim Hernandez    | Betty Ferguson        | December 19, 2012        |
| 2014        | Hal Martin       | Jim Poltl             | December 10, 2013        |
| 2015        | Betty Evans      | Mike Sannella         | December 10, 2014        |
| 2016        | Mike Sannella    | Craig Elitharp        | December 8, 2015         |
| 2017        | Craig Elitharp   | Jim Hernandez         | December 7, 2016         |
| 2018        | Jim Hernandez    | Hal Martin            | December 6, 2017         |
| 2019        | Hal Martin       | Betty Evans           | December 5, 2018         |

**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: COMMITTEE APPOINTEES AND REPRESENTATIVES**

**BACKGROUND:**

Ordinance No. 212 provides that the Board President appoint a Chair and second member to each standing advisory committee from the members of the Board. The President also makes recommendations for District representation at outside agencies of which the District is a member agency. The current appointments are presented in the attachment.

**DISCUSSION:**

The incoming President will present standing Committee appointments as well as recommend the District representatives to the following organizations:

- Encina Wastewater Authority (EWA) Board of Directors – 2 Board positions and 1 alternate
- San Diego County Water Authority (SDCWA) – 1 Board position
- California Association of Sanitation Agencies (CASA) – 1 Delegate and 2 alternates
- Association of California Water Agencies/Joint Powers Insurance Agency (ACWA/JPIA) – 1 Delegate and 1 Alternate

Appointments to ACWA and CASA committees or Boards are determined by those organizations and not established by the District Board of Directors.

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Request Board direction regarding Committee appointments and Agency Representatives.

**ATTACHMENT:**

Current District Committee Assignments and Agency Representatives

# Board Member Appointments January 1, 2019 – December 4, 2019

## Board Officers

|                     |                 |
|---------------------|-----------------|
| President           | Hal Martin      |
| Vice President      | Betty Evans     |
| Secretary           | Glenn Pruijm    |
| Assistant Secretary | Rhondi Emmanuel |
| Treasurer           | Vacant          |
| Assistant Treasurer | Glenn Pruijm    |

## Standing Committees

### **Engineering/Equipment**

Jim Hernandez (chair)  
Craig Elitharp

### **Legal/Legislative Affairs**

Mike Sannella (chair)  
Betty Evans

### **Finance/Investment**

Mike Sannella (chair)  
Hal Martin

### **Public Awareness/Personnel/Policy**

Hal Martin (chair)  
Jim Hernandez

## ACWA Appointed Representatives

### **ACWA Energy Committee**

Member: Craig Elitharp

### **ACWA Water Quality Committee**

Member: Craig Elitharp

### **ACWA Groundwater Committee**

Member: Jim Hernandez

### **ACWA Region 10 Board**

Member: Betty Evans

### **ACWA Membership Committee**

Member: Hal Martin

## Board appointed Representatives

### **ACWA Joint Powers Insurance Authority:**

Delegate: Hal Martin  
Alternate: Betty Evans

### **CASA:**

Delegate: Craig Elitharp  
Alternate: Hal Martin

### **Encina Wastewater Authority:**

Delegates: Jim Hernandez,  
Hal Martin  
Alternate: Glenn Pruijm

### **San Diego County Water Authority:**

Delegate: Betty Evans



**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: FISCAL YEAR 2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**BACKGROUND:**

The District retained the auditing services of Davis Farr, LLP in April 2018, for a three-year period, to audit the District's annual financial statements, beginning with the 2017/18 fiscal year. For fiscal year 2018/19, staff has transformed the Basic Financial Statements, as presented in the past, to a Comprehensive Annual Financial Report (CAFR) which may be eligible for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

**DISCUSSION:**

The financial statements are the responsibility of District management and the auditor's responsibility is to express an opinion on the financial position and results of operations presented in those financial statements.

Following generally accepted auditing standards, the auditor obtained reasonable assurance through testing and other audit procedures that, in the auditor's opinion, the financial statements present fairly, in all material respects, the financial position and results of operations of the District.

In fiscal year 2018/19 staff added an Introductory and a Statistical section to the Basic Financial Statements resulting in a CAFR. A brief description of each follows:

- **The Introductory section** gives the reader background of the District, describes District as a reporting entity, and provides current economic conditions and outlook of the District. The introductory section also lists the awards and acknowledgements of the District, presents the organization chart, lists the principal officials, and provides a service area map.
- **The Statistical section** provides users of the financial statements a historical background on how the government has performed by reporting multi-year data. It is designed to meet five objectives to help the reader assess the District's economic condition: 1) provide information on financial trends, 2) provide information on revenue capacity, 3) provide information on debt capacity, 4) provide demographic and economic information, and 5) provide operating information.

Mrs. Jennifer Farr will present the 2018/19 fiscal year audit to the Board and staff will present the Management Discussion and Analysis as well an overview of Introductory and Statistical sections. Copies of which are included in the Board packet along with the Statement of Auditing Standards, also known as the "Communication with the Board."

**RECOMMENDATION:**

Staff requests the Board consider and accept the fiscal year 2018/19 CAFR.

To the Board of Directors  
Vallecitos Water District

We have audited the financial statements of Vallecitos Water District ("District") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the which capital projects represent ordinary maintenance activities necessary to keep an asset operational for its originally intended useful life versus significant improvement, replacement, and life extending projects that should be capitalized as additions to capital assets is based on management's knowledge of the assets and their useful lives. We evaluated the key factors and assumptions used to develop the amounts added to capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of transactions related to net pension liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of transactions related to net OPEB liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of pensions in Note 8 to the financial statements.

The disclosure of OPEB in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There was one uncorrected misstatement to increase accumulated depreciation and depreciation expense. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, individually or in aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 3, 2019.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to *Management's Discussion & Analysis, Schedule of the Plan's Proportionate Share of Net Pension Liability, Schedule of Contributions – Defined Benefit Pension Plan, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions*, which are required supplementary information (RSI) that supplements the basic financial statements.

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *introductory section and statistical section*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
December 3, 2019



# VALLECITOS WATER DISTRICT

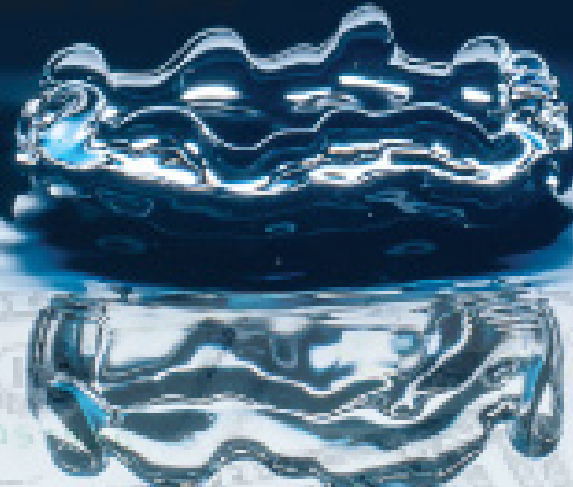
*Water and Wastewater Specialists since 1955*

San Marcos | California

# 2019

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For Fiscal Year Ended June 30, 2019*

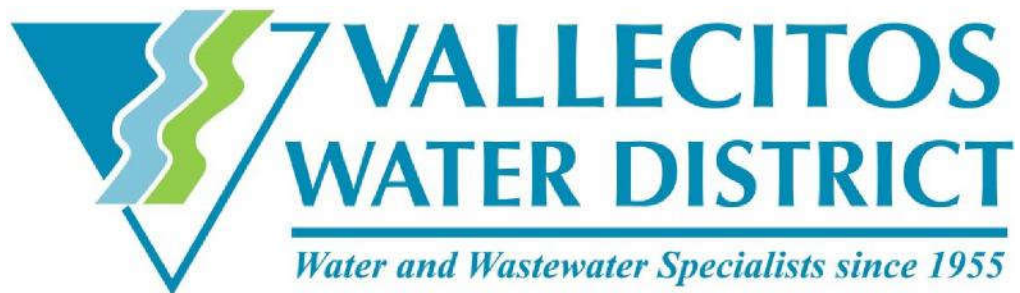


Present  
Short-Term  
Mid-Term  
Long-Term



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**Comprehensive Annual Financial Report**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**Prepared by the Finance Department**

**VALLECITOS WATER DISTRICT**  
**201 Vallecitos De Oro**  
**San Marcos, CA 92069**

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**VALLECITOS WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2019  
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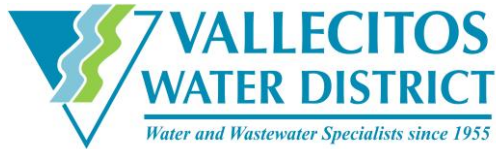


# INTRODUCTORY SECTION



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201 Vallecitos de Oro · San Marcos, California · 92069-1453 · (760) 744-0460

Date: December 3, 2019  
To: Honorable Board of Directors  
Regarding: Fiscal Year 2018/19 CAFR

I am pleased to present the Vallecitos Water District's (the "District") Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

This report was prepared by the District's Finance Department following guidelines set forth by the Government Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of the District's operations. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. GAAP requires that management provide a narrative introduction, overview, and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The District's MD&A can be found immediately following the Independent Auditor's Report.

The District's financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

### REPORTING ENTITY

The District is a publicly-owned water and sewer agency, originally founded on March 12, 1955 as the San Marcos County Water District and authorized as a California special district by the State Legislature, with an entitlement to import water under the provisions of the Municipal Water District Act of 1911. Its ordinances, policies, taxes, and rates for service are set by five Directors, elected by voters in their respective divisions, to serve staggered four-year terms on its Governing Board. The District is a "revenue neutral" public agency, meaning that each end-user pays only their fair share of the District's costs of water acquisitions, construction, operation, maintenance, renewal, and replacement of the public water and sewer facilities.

The General Manager reports directly to the Board of Directors and through District management, oversees day-to-day operations. There are four Managers overseeing the departments of Operations and Maintenance, Administrative Services, Finance, and Engineering. These and other lines of reporting are shown on the organization chart on page 8.

Over the last 64 years, the District has grown from a handful of customers and two employees to become an organization operating a network with more than 634 miles of pipelines, 19 operational reservoirs, a reclaimed water facility, and two of the largest prestressed concrete tanks in the world. The character of the service area has also changed from predominantly dry-land farming and cattle ranching, to businesses, high-tech industries, and large master-planned communities.

Today the District provides water service to nearly 22,000 potable water accounts within approximately 45.37 square miles of north San Diego county. Most of the potable water sold to customers is purchased through the San Diego County Water Authority (SDCWA). Much of this water is purchased from the region's water importer, the Metropolitan Water District of Southern California (MWD).

The Vallecitos Water District receives high-quality desalinated water directly from the Claude "Bud" Lewis Desalination Plant in Carlsbad, California. The direct connection pipe, located at the corner of Pawnee and Cherokee Streets in San Marcos, delivers as much as 4,083-acre feet of desalinated water annually to Vallecitos' distribution system. This equates to approximately 27 percent of the District's annual supply and is enough water to meet the needs of more than 8,100 families for one year. The District also entered into an agreement with the neighboring Olivenhain Municipal Water District to treat imported raw water, on behalf of the Vallecitos Water District. These two actions have brought regional water treatment closer to our customers and helped reduce dependence on water treatment facilities located outside San Diego County. These new water sources diversify the District's water supply and improves reliability.

The District also owns and operates a wastewater collection and recycling system providing public sewer service to more than 20,000 customer accounts within portions of the cities of San Marcos, Escondido, Carlsbad, Vista and the communities of Lake San Marcos, Twin Oaks Valley and other unincorporated areas. Most of the wastewater collected is conveyed to the District's Meadowlark Water Reclamation Facility (MRF), which can recycle up to 74 percent of the wastewater generated in the District's service area. Recycled water is used to irrigate golf courses, schools, public parks, roadway landscapes, and various other approved uses along the north San Diego county coast. The use of recycled water reduces dependency on imported supplies and provides a local supply, thereby diversifying regional water resources.

## BUDGETING CONTROLS

The District views the budget as an essential tool for proper financial management. The budget is developed with input from the various departments of the organization and is adopted prior to the start of each fiscal year. It is designed and presented for the general needs of the District, its staff, and customers. It is a comprehensive and balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow the users to gain a general understanding of the District's financial status and future. Monthly comparison reports of budget to actual are distributed and reviewed by all department heads, with top level information provided to the Board at the monthly board meetings.

## BUDGET SUMMARY

The District's Fiscal Year 2020 budget is \$98.1 million, with operating expenditures of \$58.6 million, capital expenditures of \$25.4 million, vehicles and equipment of \$0.7 million, debt service of \$5.4 million, and CalPERS Unfunded Accrued Liability (UAL) funding of \$8.1 million. The District's goal is to provide the most effective and efficient service possible while maintaining affordability of the water supply for the community.

The Vallecitos Water District's operating expenditures consist of two major sectors: potable water, and sewer, totaling \$58,551,000 for Fiscal Year 2020. Revenues from potable water are projected to be \$45,650,000, about \$550,000 (1.2%) more than the Fiscal Year 2019 budget. Water purchases are expected to increase as a result of water supply rate increases of 4.3% from SDCWA, because of the



high cost of supply programs, higher energy and operating costs. Sewer revenues are projected to be \$18,180,000, about \$226,000 more than the Fiscal Year 2019 budget, because of demand increases. The remaining revenue of \$3.6 million comes from reclaimed water sales, pumping charges, interest and other miscellaneous income.

The 2019-20 Capital Improvement Program (CIP) budget consists of 57 projects and a budget of \$25.4 million. The budget emphasizes long-term planning for on-going programs while functioning within

fiscal constraints and population growth. This year's CIP budget increased by \$8.1 million compared to last year's projection, which is due to increases in the cost of the San Marcos Interceptor Phase 2, increases in Encina Wastewater Authority capital costs, and the need to complete several projects earlier than anticipated such as the MRF – Biological Selector Improvements.

## ACCOUNTING SYSTEM

The Finance Department is responsible for providing financial services to the District, including financial accounting, reporting, payroll, accounts payable, investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, matching revenues against the costs of providing services. Revenues and expenses are recorded on the accrual basis in the period in which revenue is earned and expenses are incurred.

## INTERNAL CONTROLS

Vallecitos Water District operates within a system of internal controls established and continually reviewed by management. This provides reasonable assurance that assets are adequately safeguarded and transactions are recorded correctly according to District policies and procedures. When establishing or reviewing controls, management must also consider the cost of the control and the value of the benefit derived from its utilization. Management maintains and implements all sensitive controls, and those controls whose value adequately exceeds their cost.

Management believes the District's internal controls, procedures, and policies adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, the District maintains controls to provide for compliance with all finance related legal and contractual provisions. Management believes the activities reported within the presented Comprehensive Annual

Financial Report comply with these finance related legal and contractual provisions, including bond covenants and fiduciary responsibilities.

## MISSION, CURRENT ECONOMIC CONDITIONS, AND OUTLOOK

The mission of the District is to provide exceptional and sustainable water and wastewater services to the customers of the Vallecitos Water District.

As with the past few years, we continue to face numerous challenges, including ever increasing needs to conserve water due to drought conditions and large water supply cost increases. One of the primary issues affecting the District has been the cutback in imported water supply. The Metropolitan Water District of Southern California (MWD) delivers imported water to the SDCWA, which distributes the imported water to the SDCWA's member agencies. The State Water Project allocation to MWD has been at reduced levels through drought periods, and in some years, the reduction has been significant (less than 20 percent of requested supplies). Reduced deliveries require local water supply agencies to rely on dry



water year contingency plans to meet their needs. MWD and the SDCWA have, in turn, reduced allocations to member agencies during this period. These cutbacks directly affect how the District plans to meet existing and future water demands. Water conservation, water efficiency, and local supply development have been key factors in ensuring continued reliable service and will continue to be major drivers for local agencies in the future due to uncertainty in imported water supplies.

While overall growth in San Diego County has slowed over the last three years, population within the District's service area continues to increase albeit at a reduced rate. As of June 2019, it is estimated that the District served 105,700 residents. The San Diego Association of Governments (SANDAG), the regional planning agency, has estimated the District's growth will continue for a decade or more. The District projects an ultimate customer population of 124,000 residents.

## THE FUTURE

The coming years will continue to pose challenges for those in California's water community. Assembly Bill 1668, Senate Bill 606 and Executive Order B-37-16 establish an indoor residential per person water use goal of 55 gallons per day through 2025, 52.5 gallons from 2025 to 2030 and 50 gallons beginning in 2030.

Separate from legislation, but just as important, is California's weather and water supplies. The State of




California received good amounts of rainfall last winter but spring weather in 2019 has been dry. Further, finding compromise or addressing the environmental issues in the Bay Delta are difficult. These factors along with the ever-increasing costs of energy are driving up the price of water statewide. However, through foresight, investments in drought-proof desalinated water, conservation, and a water rate structure that incentivizes conservation, the Vallecitos Water District has maintained ample supplies for the public we serve.

As one would expect, the reduction in water usage can impact projected revenues and will continue to affect the District's finances. With that in mind, our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District, even as we move forward into uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, the District will achieve continued success as an organization and thus assure the well-being of the people we serve.

#### AWARDS AND ACKNOWLEDGMENTS

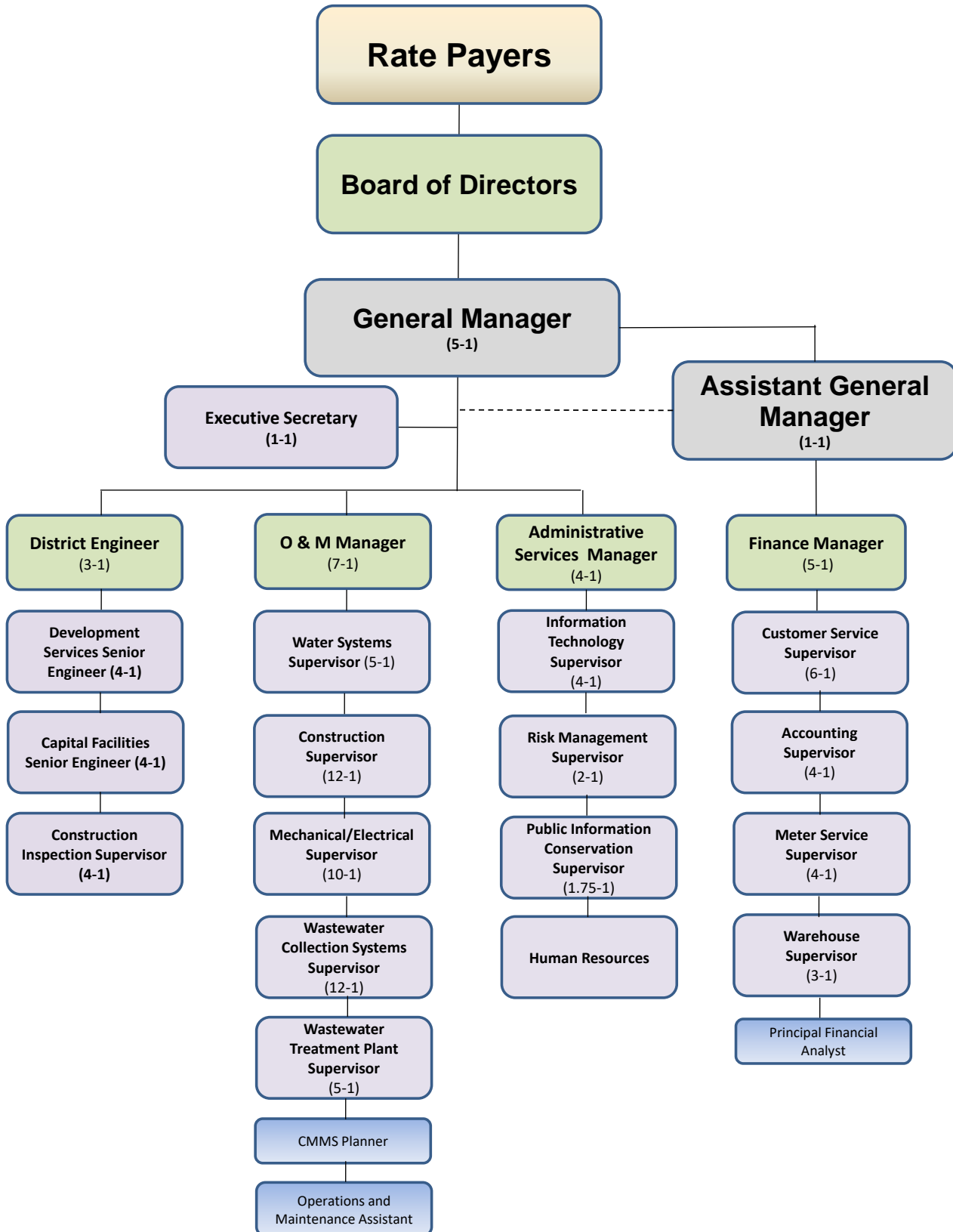
The *Special District Leadership Foundation* has certified Vallecitos with both the "District of Distinction" and the "District Transparency Certificate of Excellence" for outstanding efforts to promote a transparent, well-governed public agency. These certifications were made annually starting in 2016 through 2019.

I would like to thank all of the staff involved for their efforts in preparing this Comprehensive Annual Financial Report and for their hard work to ensure a successful outcome. I would also like to thank the firm of Davis Farr LLP, for their professional work and opinion. To the Board of Directors, staff and I acknowledge and appreciate their continued support and direction in achieving excellence in financial management.



Glenn Pruum, General Manager

# VALLECITOS WATER DISTRICT ORGANIZATION CHART



# LIST OF PRINCIPAL OFFICIALS

## Our Mission

The mission of Vallecitos Water District is to operate as water and wastewater specialists providing exceptional and sustainable services. This mission is reflected in this Comprehensive Annual Financial Report and in the attitudes and commitment of the Vallecitos Water District staff and Board Members.



Clockwise: Betty Evans, Hal Martin (center), Craig Elitharp, Mike Sannella and James Hernandez

### Board of Directors

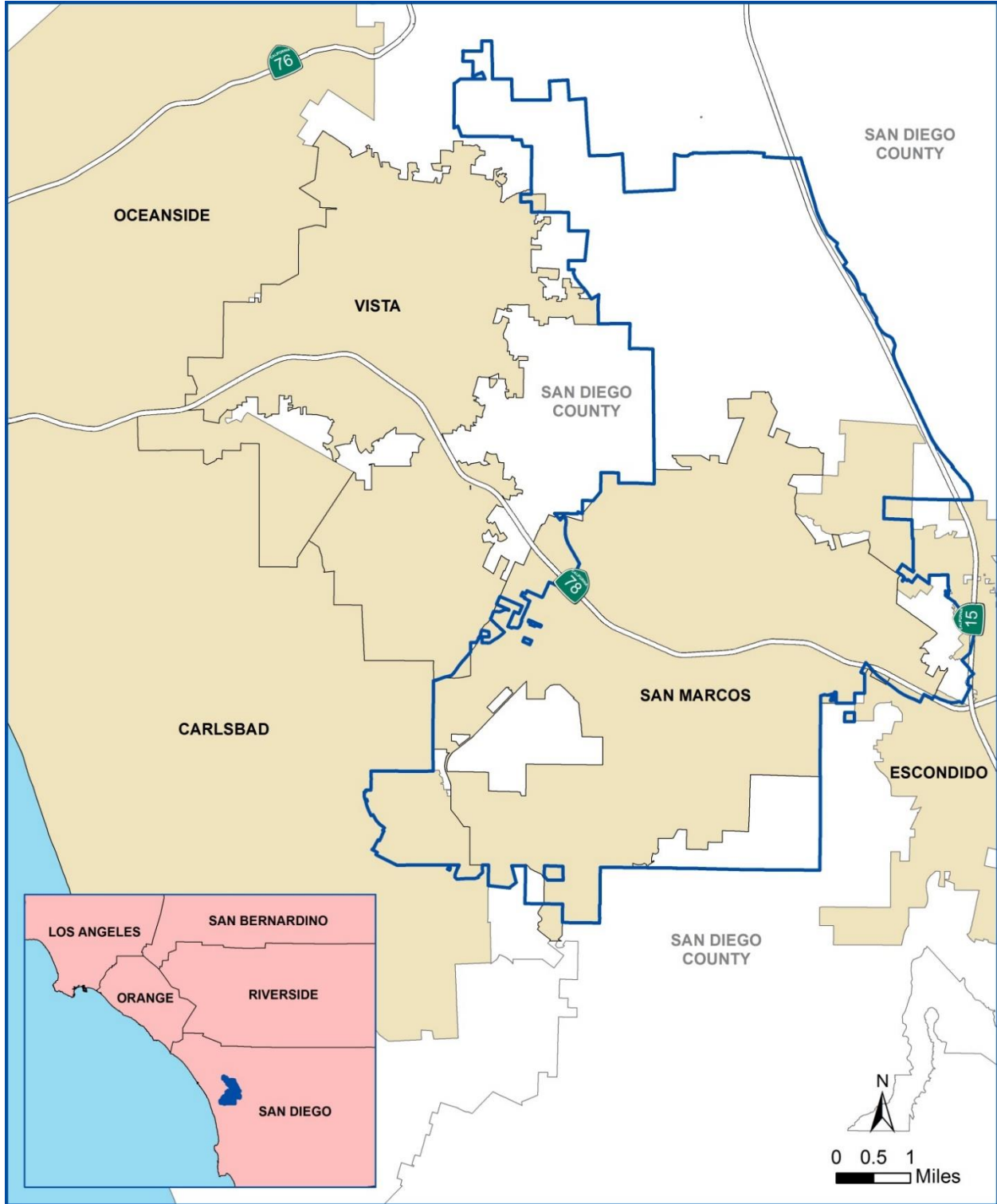
- Hal Martin, President
- Betty Evans, Vice President
- Craig Elitharp
- Mike Sannella
- James Hernandez

### District Financial Management

- Glenn Pruim, General Manager
- Westley Owen, Finance Manager

Vallecitos Water District is a public agency organized in 1955, proudly serving the City of San Marcos, portions of Escondido, Carlsbad, Vista, and the surrounding unincorporated areas.

# VALLECITOS WATER DISTRICT SERVICE AREA MAP



# FINANCIAL SECTION



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## **Independent Auditor's Report**

Board of Directors  
Vallecitos Water District  
San Marcos, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Vallecitos Water District ("District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vallecitos Water District, as of June 30, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Vallecitos Water District's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedule of the plan's proportionate share of the net pension liability, schedule of contributions – defined benefit pension plan, schedule of changes in net OPEB (asset) liability and the related ratios, and schedule of OPEB contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Vallecitos Water District's basic financial statements. The *introductory section and statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2019 on our consideration of the Vallecitos Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Vallecitos Water District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
December 3, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2019

Our discussion and analysis of the Vallecitos Water District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Management's Discussion and Analysis (MD&A) presents financial highlights; an overview of the accompanying financial statements; an analysis of financial position and results of operations; current-to-prior year analysis; discussion on restrictions, commitments and limitations; and discussion on significant activity involving capital assets and long-term debt.

#### FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2019 (2018/19), the following highlights impacted, or have the potential to impact, the finances of the District.

- The District experienced an unusually wet winter in fiscal year 2019 which reduced the overall demand for water from customers. As a result, water sales decreased by \$2.0 million or 6.9% from fiscal year 2017/18 to 2018/19.
- In fiscal year 2019 the District made a one-time additional discretionary payment of \$834,000 to the California Public Employee Retirement System (CalPERS) to reduce the unfunded accrued liability. The District anticipates paying off the full unfunded accrued liability over the next three fiscal years. This will result in significant interest savings to the District.
- In 2018/19, the District received \$8.9 million in capital facility fees from development, compared to \$6.4 million received the prior year.
- The District expended \$9.1 million in capital asset acquisition and construction compared to \$7.3 million the prior year.
- The District paid down \$3.4 million in long-term debt without incurring any additional debt.
- Revenue exceeded expenses resulting in an operating income of \$1.6 million compared to an operating income of \$0.5 million the prior year, and, with non-operating revenues and expenses, a net income before capital contributions of \$5.5 million, compared to \$1.3 million the prior year. After capital contributions of \$11.6 million, the District added \$17.0 million to its net position.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements present the financial position, results of operations, and changes in cash flow from the economic resources measurement focus using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Statement of Net Position

This statement presents information on all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

Statement of Revenues, Expenses, and Changes in Net Position

This statement presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Statement of Cash Flows

Reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities for the fiscal year. This statement differs from the Statement of Revenues, Expenses, and Changes in Net Position because the Statement of Cash Flows only accounts for transactions that result in cash receipts or disbursements.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above including a description of the accounting policies used and material disclosures required by generally accepted accounting principles that are not otherwise presented in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligation to provide pension and other post employment benefits to its employees.

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

During fiscal year 2019 the increase in net position of \$17,017,776 resulted from the increase in total assets and deferred inflows combined with the decrease in total liabilities and deferred outflows. Deferred outflows/inflows are defined in Note 1(P) of the Notes to the Financial Statements.

Analysis of Net Position

The increase in net position of \$17.0 million is attributable to contributed capital and net operating income.

- Cash and investments increased by \$12.4 million during fiscal year 18/19 inclusive of the market value adjustment on investments.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)

| Vallecitos Water District's Net Position |                |                |               |        |
|--|----------------|----------------|---------------|--------|
|  | 2018/19        | 2017/18        | Change        |        |
|  |                |                | Amount        | %      |
| Cash and investments                     | \$ 78,400,938  | \$ 65,951,744  | \$ 12,449,194 | 18.9%  |
| Capital assets                           | 269,072,630    | 267,069,089    | 2,003,541     | 0.8%   |
| Other assets                             | 10,634,117     | 10,630,020     | 4,097         | 0.0%   |
| Total Assets                             | 358,107,685    | 343,650,853    | 14,456,832    | 4.2%   |
| Deferred Outflows of Resources           | 9,193,344      | 10,825,087     | (1,631,743)   | -15.1% |
| Current liabilities                      | 16,313,795     | 14,823,040     | 1,490,755     | 10.1%  |
| Noncurrent liabilities                   | 70,454,625     | 76,326,221     | (5,871,596)   | -7.7%  |
| Total Liabilities                        | 86,768,420     | 91,149,261     | (4,380,841)   | -4.8%  |
| Deferred Inflows of Resources            | 1,353,014      | 1,164,860      | 188,154       | 16.2%  |
| Net Position                             |                |                |               |        |
| Net investment in capital assets         | 189,150,329    | 186,328,145    | 2,822,184     | 1.5%   |
| Restricted                               | 68,620         | 74,957         | (6,337)       | -8.5%  |
| Unrestricted                             | 89,960,646     | 75,758,717     | 14,201,929    | 18.7%  |
| Total Net Position                       | \$ 279,179,595 | \$ 262,161,819 | \$ 17,017,776 | 6.5%   |

Analysis of Net Position (continued)

- The capital assets increase of \$2.0 million was primarily from an increased investment in the Encina Wastewater Authority (EWA).
- Deferred Outflows of Resources decreased by \$1.6 million as a result of fully funding the net OPEB liability.
- Current liabilities increased as a result of payables related to increased operating and capital costs from the Encina Wastewater Authority (EWA).
- Long-term debt was paid-down by \$3.4 million and the District fully-funded its net OPEB liability, which contributed to the \$5.9 million decrease in noncurrent liabilities.

Analysis of Revenues and Expenses

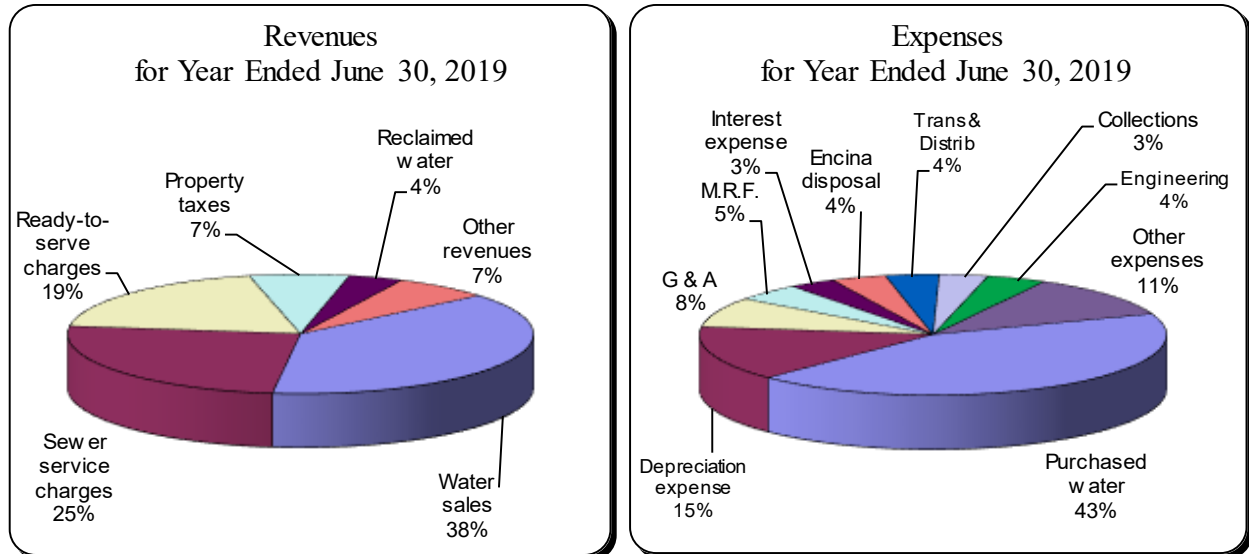
The composition of revenues and expenses for the 2018/19 fiscal year is illustrated in the following graphs. Water sales, ready-to-serve charges, and wastewater service charges continue to be the main sources of revenue funding District operations. Water sales are commodity charges assessed to cover the variable costs of purchasing and delivering water to customers. Ready-to-serve charges are intended to cover fixed costs in the wholesale water rate, and costs related to being able to provide water to customers.

Deductions from revenue to arrive at the operating income of \$1,618,048 include non-cash depreciation and amortization expense of \$9,726,503. Depreciation is the systematic allocation of a capital asset’s cost to expense over a specified period of time. The District has established reserve floors and ceilings for the replacement of aging infrastructure.

**VALLECITOS WATER DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)**



A comparative analysis of revenues, expenses and discussion of variances between fiscal years are presented below.

| Vallecitos Water District's Revenues and Expenses |                       |                       |                      |              |
|---|-----------------------|-----------------------|----------------------|--------------|
|   | For Fiscal Year:      |                       | Change               |              |
|   | 2018/19               | 2017/18               | Amount               | %            |
| Water sales                                       | \$ 27,339,732         | \$ 29,380,737         | \$ (2,041,005)       | -6.9%        |
| Wastewater service charges                        | 18,077,717            | 18,000,233            | 77,484               | 0.4%         |
| Ready-to-serve charges                            | 13,931,114            | 13,721,328            | 209,786              | 1.5%         |
| Property taxes                                    | 4,975,086             | 4,446,432             | 528,654              | 11.9%        |
| Reclaimed water sales                             | 2,725,110             | 1,761,559             | 963,551              | 54.7%        |
| Other revenues                                    | 4,832,396             | 1,999,656             | 2,832,740            | 141.7%       |
| <b>Total Revenues</b>                             | <b>71,881,155</b>     | <b>69,309,945</b>     | <b>2,571,210</b>     | <b>3.7%</b>  |
| Purchased water                                   | 28,535,460            | 30,678,093            | (2,142,633)          | -7.0%        |
| Depreciation expense                              | 9,726,503             | 9,624,575             | 101,928              | 1.1%         |
| General and administrative                        | 5,326,781             | 5,940,142             | (613,361)            | -10.3%       |
| Meadowlark Reclamation Facility (M.R.F.)          | 3,091,684             | 2,827,395             | 264,289              | 9.3%         |
| Interest expense                                  | 2,128,335             | 2,215,193             | (86,858)             | -3.9%        |
| Encina disposal                                   | 2,512,824             | 2,555,168             | (42,344)             | -1.7%        |
| Engineering                                       | 2,740,725             | 2,497,803             | 242,922              | 9.7%         |
| Collections                                       | 2,237,130             | 1,917,754             | 319,376              | 16.7%        |
| Transmission & Distribution                       | 2,464,824             | 1,565,815             | 899,009              | 57.4%        |
| Other expenses                                    | 7,654,544             | 8,200,842             | (546,298)            | -6.7%        |
| <b>Total Expenses</b>                             | <b>66,418,810</b>     | <b>68,022,780</b>     | <b>(1,603,970)</b>   | <b>-2.4%</b> |
| Net Income/(Loss) before contributions            | 5,462,345             | 1,287,166             | 4,175,179            | 324.4%       |
| Capital contributions                             | 11,555,431            | 9,688,731             | 1,866,700            | 19.3%        |
| Change in Net Position                            | 17,017,776            | 10,975,897            | 6,041,879            | 55.0%        |
| Total Net Position at Beginning of Year Restated  | 262,161,819           | 251,185,922           | 10,975,897           | 4.4%         |
| <b>Total Net Position, End of Year</b>            | <b>\$ 279,179,595</b> | <b>\$ 262,161,819</b> | <b>\$ 17,017,776</b> | <b>6.5%</b>  |

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (continued)**

- The decrease in water purchases and water sales reflects a temporary decrease in demand due to an unusually wet winter.
- Property tax receipts continue to increase primarily from discontinued Redevelopment Agencies in fiscal year 18/19. The District anticipates receipts from discontinued Redevelopment Agencies to decrease in subsequent years.
- Reclaimed water sales increased in fiscal year 18/19 because a greater amount of capital costs were recovered through reclaimed water sales.
- Other revenues increased by \$2.8 million in fiscal year 18/19. Other revenues are a mixture of new annexations; investment income received and market valuation increases; pumping cost recovery; recovery of damaged property and delinquency fee receipts.
- The \$0.6 million decrease in General and administrative expenses was due primarily to lower staffing-related costs at the management level in fiscal year 18/19.
- Collections expenses increased as a result of more materials purchased and outside services performed than the previous year.
- Transmission & distribution increased as a result of more repair costs due to main breaks.
- Other expenses decreased by \$0.5 million due, in large part, to completing the District-wide poly to copper service line conversion.

**RESTRICTIONS, COMMITMENTS, AND LIMITATIONS**

The District’s net revenue requirement is 1.15 times the total debt service of the District. The District’s 2018/19 net revenue was 4.93 times debt service as calculated per the official statement for the bonds. Debt per capita within the District is \$530 exclusive of other debt such as San Diego County Water Authority and Metropolitan Water District.

Capital Facility Fees

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 June 30, 2019, the water capacity fund had a deficit of \$8,333,147 and the sewer capacity had a deficit of \$6,268,379. (The District maintains separate funds for specific purposes. Funds are combined for financial statement presentation.)

Capital Projects

The following budgeted projects have been contracted for at least the design phase before 2018/19:

| Project Description                           | 2019/20 Budget | Spent Through<br>June 30, 2019 | Remaining |
|---|----------------|--------------------------------|-----------|
| San Marcos Interceptor Phase 2                | 7,540,000      | 1,086,936                      | 6,453,064 |
| Meadowlark Tank #3                            | 4,552,000      | 488,961                        | 4,063,039 |
| Mountain Belle Pump Station & Pipeline Design | 3,860,000      | -                              | 3,860,000 |
| MRF - Biological Selector Improvements        | 1,878,000      | 57,795                         | 1,820,205 |
| Rock Springs Sewer Replacement                | 3,440,000      | 3,156,767                      | 283,233   |

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**RESTRICTIONS, COMMITMENTS, AND LIMITATIONS (continued)**

The budget amounts in the previous table indicate the amount anticipated for completion of the projects. For some of these projects the District has only committed to the design phase through contractual obligations, and the construction has not yet been through the bidding process. Construction of the land outfall, Meadowlark tank, and Mountain Bell project will not commence unless there is significantly more growth than anticipated. Details are provided in the District’s 2019/20 Budget on these and several other committed projects less than \$1 million in scope.

**CAPITAL ASSETS AND LONG-TERM DEBT**

Capital Assets

The District’s capital assets (net of accumulated depreciation) as of June 30, 2019, totaled \$239.5 million, which represents a 0.21% decrease from the prior fiscal year.

|  | 2018/19        | 2017/18        |
|--|----------------|----------------|
| Land   | \$ 4,981,505   | \$ 4,981,505   |
| Construction in Progress                     | 8,795,099      | 8,451,903      |
| Total Capital Assets, Not Depreciated        | 13,776,604     | 13,433,408     |
| Water Transmission and Distribution System   | 204,106,247    | 200,023,591    |
| Wastewater System                            | 141,807,671    | 140,385,064    |
| Buildings                                    | 17,236,207     | 16,137,578     |
| Transportation Equipment                     | 5,061,992      | 4,777,709      |
| Field and Shop Equipment                     | 11,041,945     | 9,916,142      |
| Office Equipment                             | 2,097,643      | 2,193,125      |
| Accumulated Depreciation                     | (155,598,238)  | (146,831,322)  |
| Total Capital Assets, Being Depreciated, Net | 225,753,467    | 226,601,887    |
| Total Capital Assets, Net                    | \$ 239,530,071 | \$ 240,035,295 |

As indicated by the figures in the table above, the majority of capital assets added during the fiscal year were related to the Water Transmission and Distribution System and the Wastewater System. Additional information on the District’s capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2019, the District had \$56.0 million in outstanding long-term debt, a decrease of \$3.4 million, or 5.74%, from the prior year. The outstanding debt, including amortized bond issuance costs, consisted of the following obligations:

|                                     | 2018/19       | 2017/18       |
|-------------------------------------|---------------|---------------|
| Revenue Refunding Bonds             | \$ 49,249,511 | \$ 51,519,480 |
| Certificates of Participation (COP) | 2,991,000     | 3,732,000     |
| Bank Loan                           | 3,800,000     | 4,200,000     |
| Total Long-Term Debt                | \$ 56,040,511 | \$ 59,451,480 |

Additional information on the District’s long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District considered the following economic factors in establishing 2019/20 budget amounts:

- Increases in water usage by customers as normal rainfall is expected to return
- Slow but steady recovery in construction
- Increasing regulatory compliance

As a result of these factors, the 2019/20 budget includes:

- Water sales reflective of a bounce back from the wet winter as customer are using more water
- Staffing levels remaining steady as the District continues to scrutinize the need for all positions and only fill positions if absolutely necessary.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Vallecitos Water District's Finance Department, 201 Vallecitos de Oro, San Marcos, CA 92069, call (760) 744-0460, or visit our website at [www.vwd.org](http://www.vwd.org).

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## **BASIC FINANCIAL STATEMENTS**

**VALLECITOS WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
**(with prior year summarized comparative totals)**

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| Current Assets:                                       |                |                |
| Cash and cash equivalents (note 2)                    | \$ 24,672,679  | \$ 33,076,547  |
| Restricted cash and cash equivalents (note 2)         | 3,105,251      | 3,028,350      |
| Investments (note 2)                                  | 50,623,008     | 29,846,847     |
| Accounts receivable, net:                             |                |                |
| Water and wastewater sales and services, net (note 3) | 7,118,259      | 8,374,366      |
| Taxes and assessments (note 3)                        | 129,937        | 108,442        |
| Other governmental entities                           | 1,016,632      | 131,686        |
| Other   | 509,798        | 465,596        |
| Accrued interest receivable                           | 355,496        | 296,312        |
| Inventories   | 1,036,613      | 768,600        |
| Prepaid items   | 398,762        | 410,061        |
| Total Current Assets                                  | 88,966,435     | 76,506,807     |
| Noncurrent Assets:                                    |                |                |
| Restricted capital facility fees                      | 68,620         | 74,957         |
| Net OPEB asset (note 9)                               | 8,572          | -              |
| Investment in Encina Wastewater Authority (note 5)    | 29,533,987     | 27,033,794     |
| Capital assets not being depreciated (note 4)         | 13,776,604     | 13,433,408     |
| Net capital assets being depreciated (note 4)         | 225,753,467    | 226,601,887    |
| Total Noncurrent Assets                               | 269,141,250    | 267,144,046    |
| Total Assets  | 358,107,685    | 343,650,853    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                |                |
| Pension related (note 8)                              | 6,115,714      | 6,008,587      |
| OPEB related (note 9)                                 | 522,110        | 2,100,518      |
| Deferred charges from debt retirement                 | 2,555,520      | 2,715,982      |
| Total Deferred Outflows of Resources                  | 9,193,344      | 10,825,087     |
| <b>LIABILITIES</b>                                    |                |                |
| Current Liabilities:                                  |                |                |
| Accounts payable                                      | 9,913,977      | 8,329,599      |
| Accrued compensation                                  | 475,428        | 474,106        |
| Construction and service deposits                     | 473,859        | 561,954        |
| Interest payable                                      | 1,100,595      | 1,167,183      |
| Current portion of long term debt (note 6)            | 3,509,969      | 3,410,969      |
| Current portion of compensated absences (note 6)      | 839,967        | 879,229        |
| Total Current Liabilities                             | 16,313,795     | 14,823,040     |
| Noncurrent Liabilities:                               |                |                |
| Loan payable (note 6)                                 | 3,400,000      | 3,800,000      |
| Long term debt (note 6)                               | 49,130,543     | 52,240,511     |
| Compensated absences (note 6)                         | 553,007        | 590,926        |
| Net pension liability (note 8)                        | 17,371,075     | 17,770,848     |
| Net OPEB liability (note 9)                           | -              | 1,923,936      |
| Total Noncurrent Liabilities                          | 70,454,625     | 76,326,221     |
| Total Liabilities                                     | 86,768,420     | 91,149,261     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                |                |
| Pension related (note 8)                              | 1,353,014      | 1,138,806      |
| OPEB related (note 9)                                 | -              | 26,054         |
| Total Deferred Inflows                                | 1,353,014      | 1,164,860      |
| <b>NET POSITION</b>                                   |                |                |
| Net investment in capital assets (note 7)             | 189,150,329    | 186,328,145    |
| Restricted for future capital projects                | 68,620         | 74,957         |
| Unrestricted  | 89,960,646     | 75,758,717     |
| Total Net Position                                    | \$ 279,179,595 | \$ 262,161,819 |

See accompanying notes to the financial statements.

**VALLECITOS WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(with prior year summarized comparative totals)**

|   | <u>2019</u>           | <u>2018</u>           |
|---|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>                             |                       |                       |
| Water sales   | \$ 27,339,732         | \$ 29,380,737         |
| Wastewater service charges                            | 18,077,717            | 18,000,233            |
| Ready-to-serve charges                                | 13,931,114            | 13,721,328            |
| Reclaimed water sales                                 | 2,725,110             | 1,761,559             |
| Pumping charges                                       | 302,676               | 311,817               |
| Other services and abatements                         | <u>1,803,809</u>      | <u>959,587</u>        |
| Total Operating Revenues                              | <u>64,180,158</u>     | <u>64,135,261</u>     |
| <b>OPERATING EXPENSES</b>                             |                       |                       |
| Purchased water                                       | 28,535,460            | 30,678,093            |
| General and administrative                            | 5,326,781             | 5,940,142             |
| Meadowlark wastewater treatment plant                 | 3,091,684             | 2,827,395             |
| Encina disposal                                       | 2,512,824             | 2,555,168             |
| Collection and conveyance                             | 2,237,130             | 1,917,754             |
| Engineering   | 2,740,725             | 2,497,803             |
| Transmission and distribution                         | 2,464,824             | 1,565,815             |
| Customer accounts                                     | 1,161,704             | 1,092,194             |
| Information technology                                | 1,587,704             | 1,490,217             |
| Meter reading and repairs                             | 664,213               | 712,760               |
| Buildings and grounds                                 | 629,659               | 659,143               |
| Equipment and vehicles                                | 418,315               | 498,547               |
| Other water operating expenses                        | 389,732               | 519,857               |
| Other wastewater operating expenses                   | 548,495               | 558,212               |
| Water quality and treatment                           | 568,416               | 651,495               |
| Tanks and reservoirs                                  | 400,706               | 364,239               |
| Pumping   | <u>866,870</u>        | <u>839,884</u>        |
| Total Operating Expenses                              | <u>54,145,242</u>     | <u>55,368,718</u>     |
| Operating income before overhead absorption           | 10,034,916            | 8,766,543             |
| Overhead absorption                                   | <u>1,309,635</u>      | <u>1,337,347</u>      |
| Operating income before depreciation and amortization | 11,344,551            | 10,103,890            |
| Depreciation and amortization                         | <u>(9,726,503)</u>    | <u>(9,624,575)</u>    |
| Operating Income                                      | <u>1,618,048</u>      | <u>479,315</u>        |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>              |                       |                       |
| Property taxes  | 4,975,086             | 4,446,432             |
| Interest income                                       | 1,576,811             | 873,487               |
| Unrealized appreciation (depreciation) of investments | 1,081,223             | (271,451)             |
| Annexation fees                                       | -                     | 25,964                |
| Change in Encina Joint Venture assets                 | (1,728,365)           | (2,151,640)           |
| Interest expense                                      | (2,128,335)           | (2,215,193)           |
| Other non-operating revenues/(expenses), net          | <u>67,877</u>         | <u>100,252</u>        |
| Total Non-Operating Revenues (Expenses), Net          | <u>3,844,297</u>      | <u>807,851</u>        |
| Net income (loss) before capital contributions        | 5,462,345             | 1,287,166             |
| <b>CAPITAL CONTRIBUTIONS</b>                          | <u>11,555,431</u>     | <u>9,688,731</u>      |
| Change in net position                                | 17,017,776            | 10,975,897            |
| Total Net Position, Beginning of Year                 | <u>262,161,819</u>    | <u>251,185,922</u>    |
| Total Net Position, End of Year                       | <u>\$ 279,179,595</u> | <u>\$ 262,161,819</u> |

See accompanying notes to the financial statements.

**VALLECITOS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019  
(with prior year summarized comparative totals)**

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                      |                      |
| Receipts from water and wastewater customers                                   | \$ 64,507,117        | \$ 63,703,487        |
| Payments for water   | (29,198,616)         | (30,530,200)         |
| Payments for services and supplies   | (8,918,505)          | (8,118,482)          |
| Payments for employee wages, benefits, and related costs                       | <u>(15,818,716)</u>  | <u>(15,563,598)</u>  |
| Net Cash Provided by Operating Activities                                      | <u>10,571,280</u>    | <u>9,491,207</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                         |                      |                      |
| Receipts from taxes and assessments  | <u>4,953,591</u>     | <u>4,448,517</u>     |
| Net Cash Provided by Noncapital Financing Activities                           | <u>4,953,591</u>     | <u>4,448,517</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |                      |                      |
| Receipts relating to annexation fees and cell tower rentals                    | 55,334               | 69,342               |
| Acquisition and construction of capital assets                                 | (9,150,715)          | (7,292,089)          |
| Principal paid on long-term debt   | (3,046,000)          | (3,012,000)          |
| Interest payments on long-term debt  | (2,402,069)          | (2,466,065)          |
| Principal paid on capital lease  | -                    | (26,460)             |
| Capacity fees received   | <u>8,868,923</u>     | <u>6,421,283</u>     |
| Net Cash Provided by Capital and Related Financing Activities                  | <u>(5,674,527)</u>   | <u>(6,305,989)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                      |                      |
| Purchase of investments  | (31,973,789)         | (7,489,823)          |
| Proceeds from calls and maturities of investments                              | 12,401,448           | 4,471,412            |
| Investment earnings received   | 1,395,030            | 730,194              |
| Collections on note receivable from City of San Marcos                         | <u>-</u>             | <u>141,146</u>       |
| Net Cash (Used for)/Provided by Investing Activities                           | <u>(18,177,311)</u>  | <u>(2,147,071)</u>   |
| Net Increase (Decrease) in Cash and Cash Equivalents                           | (8,326,967)          | 5,486,664            |
| Cash and Cash Equivalents, Beginning of Year                                   | <u>36,104,897</u>    | <u>30,618,233</u>    |
| Cash and Cash Equivalents, End of Year   | <u>\$ 27,777,930</u> | <u>\$ 36,104,897</u> |
| <b>Reconciliation of cash and cash equivalents to statement of net assets:</b> |                      |                      |
| Cash and cash equivalents  | 24,672,679           | 33,076,547           |
| Restricted cash and cash equivalents   | <u>3,105,251</u>     | <u>3,028,350</u>     |
| <b>Total cash and cash equivalents</b>   | <u>\$ 27,777,930</u> | <u>\$ 36,104,897</u> |

**VALLECITOS WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019  
(with prior year summarized comparative totals)  
(Continued)**

| <b>Reconciliation of Operating Income (Loss) to net Cash Provided by Operating Activities:</b> | <b>2019</b>          | <b>2018</b>         |
|--|----------------------|---------------------|
| Operating income (loss)  | \$ 1,618,048         | \$ 479,315          |
| <b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>   |                      |                     |
| Depreciation and amortization  | 9,726,503            | 9,624,575           |
| <b>Changes in operating assets and liabilities:</b>  |                      |                     |
| Accounts receivable from water and wastewater sales and services                               | 1,256,107            | (956,025)           |
| Accounts receivable from other governmental entities   | (884,946)            | 356,191             |
| Accounts receivable - other  | (44,202)             | 168,060             |
| Inventories  | (268,013)            | (54,765)            |
| Prepaid expenses   | 11,299               | 8,001               |
| Net OPEB asset   | (8,572)              | -                   |
| Accounts payable   | (94,811)             | 366,232             |
| Accrued compensation   | 1,322                | (35,657)            |
| Compensated absences   | (77,181)             | (19,101)            |
| Deferred Outflows - pension related  | (107,127)            | (1,327,133)         |
| Deferred Inflows - pension related   | 214,208              | 135,266             |
| Deferred Outflows - OPEB related   | 1,578,408            | (2,100,518)         |
| Deferred Inflows - OPEB related  | (26,054)             | 26,054              |
| Net pension liability  | (399,773)            | 2,611,951           |
| Net OPEB liability   | <u>(1,923,936)</u>   | <u>208,761</u>      |
| Total Adjustments  | <u>8,953,232</u>     | <u>9,011,892</u>    |
| Net Cash Provided by Operating Activities  | <u>\$ 10,571,280</u> | <u>\$ 9,491,207</u> |
| <b>Noncash Investing, Capital and Financing Activities:</b>                                    |                      |                     |
| Contribution of assets by developers   | <u>\$ 2,456,745</u>  | <u>\$ 3,379,192</u> |

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Vallecitos Water District ("District") was organized in March of 1955 under the provisions of the California Water Code. By Board action in 1989, the District's name was changed from San Marcos County Water District to Vallecitos Water District. The District was organized to finance, construct, operate, and maintain a water and wastewater system serving portions of northern San Diego County. Currently, the District services approximately 29,000 acres and provides water and wastewater service to the City of San Marcos, portions of the cities of Escondido and Carlsbad, and portions of surrounding unincorporated areas. The District has approximately 21,848 active water meters and 20,644 active sewer accounts as of June 30, 2019.

The District is the primary governmental unit based on the foundation of a separately elected governing board elected by geographic division of the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Vallecitos Water District Financing Corporation ("Corporation") was incorporated in March 1998. The Corporation is a California nonprofit public benefit corporation formed to assist the District by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the District and leasing or selling such property to the District. The Corporation has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations. No separate financial statements are prepared for the Corporation.

**B. Basis of Presentation**

The District's financial activities are accounted for as an enterprise fund. An enterprise fund is a Proprietary-type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. "Basis of accounting" refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Under the economic measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.



**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**D. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**E. Restricted Assets**

Certain assets of the District are restricted in use by law or debt covenant, and accordingly, are shown as restricted assets on the accompanying Statement of Net Position. Certificates of Participation construction funds set aside from Certificates of Participation proceeds are restricted for construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenses meeting the criteria imposed on the use of restricted resources by a third party.

**F. Investments and Investment Policy**

The District has adopted an investment policy directing the District's Treasurer to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**G. Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The hierarchy level of an asset or liability is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

**H. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts to be uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**I. Water and Wastewater Sales and Services**

Water and wastewater sales and services are billed on a monthly cyclical basis. Estimated unbilled water and wastewater revenue through June 30, 2019 has been accrued as of year-end.

**J. Property Taxes and Assessments**

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar is as follows:

|                  |   |
|------------------|---|
| Lien Date:       | January 1, 2019   |
| Levy Date:       | July 1, 2019  |
| Due Date:        | First Installment - November 1, 2018<br>Second Installment - February 1, 2019 |
| Delinquent Date: | First Installment - December 10, 2018<br>Second Installment - April 10, 2019  |

Property taxes and assessments are collected by the County of San Diego, and are remitted to the District periodically according to the following estimated schedule:

**VALLECITOS WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 (Continued)  
 YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

|                   |  |
|-------------------|--|
| December 10, 2018 | 30% Advance - First Installment        |
| January 24, 2019  | Balance on First Installment (to 55%)  |
| April 8, 2019     | 10% Advance - Second Installment       |
| May 13, 2019      | Balance of Second Installment (to 95%) |
| August 1, 2019    | Third Installment (to 100%)            |

**K. Water-In-Storage Inventory**

The District owns the water within its transmission and distribution system. This water has been recorded on the District's books at the cost at which the water was purchased using the first-in-first-out (FIFO) method.

**L. Materials and Supplies Inventory**

Materials and supplies inventory consist primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system and wastewater system. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense or work-in-process at the time that individual items are withdrawn from inventory or consumed.

**M. Prepaid Items**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**N. Encina Wastewater Authority**

The District's participation in the Encina Wastewater Authority ("EWA") is included in the accompanying financial statements. The District's investment in EWA is capitalized as a percentage of ownership of capital expenditures incurred by EWA. Ownership percentages are determined by joint agreements at the time the assets are acquired.

**O. Capital Assets and Depreciation**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets expected to have a useful life of more than two years at \$10,000. Donated assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

|                               | <u>Useful Life</u> |
|-------------------------------|--------------------|
| Transmission and distribution | 10 - 75 years      |
| Wastewater system             | 5 - 50 years       |
| Buildings                     | 50 years           |
| Transportation equipment      | 7 - 15 years       |
| Field and shop equipment      | 5 - 20 years       |
| Office equipment              | 3 - 10 years       |

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. Two are related to pension and OPEB contributions subsequent to the measurement date of the net pension and OPEB liabilities and other amounts, which are amortized over an actuarially determined period. The third is related to the deferred charges related to debt refunding.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow (revenue) until that time. The District has two items that qualify for reporting in this category. These items are related to pension and OPEB. These amounts are amortized over an actuarially determined period.

**Q. Construction Deposits**

Construction deposits represent deposits received in aid of construction, which are refundable if the applicable construction does not take place. Construction deposits are transferred to contributed capital when the District is no longer liable for the applicable construction project.

**R. Compensated Absences**

The District has a policy whereby an employee can accumulate unused paid time off including vacation and sick time. An employee can accrue up to a maximum of 240 vacation hours. When an employee has accumulated the maximum hours, no further hours are accrued. In addition, an employee can accrue an unlimited number of sick leave hours. An employee who separates from the District is entitled to receive 100 percent of their accumulated unused vacation hours. An employee who separates from the District with less than five years of service is entitled to receive 25 percent of their unused sick leave hours, whereas an employee with more than five years of service is entitled to receive 50 percent of their unused sick leave hours.

The District provided for these future costs by accruing 100 percent of all earned and unused vacation hours, 25 percent of all earned and unused sick leave hours for employees with less than five years of service, and 50 percent of all earned and unused sick leave hours for employees with more than five years of service.

**S. Pension Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**VALLECITOS WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 (Continued)  
 YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2017                 |
| Measurement Date   | June 30, 2018                 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

**T. Other Post-Employment Benefits**

For purposes of measuring the net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | April 1, 2017                 |
| Measurement Date   | June 30, 2018                 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

**U. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**V. Use of Estimates**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

**W. Prior Year Data**

Selected information relating to the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which the selected financial data was derived.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS**

Cash and investments are classified in the accompanying financial statements as of June 30, 2019:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash and cash equivalents            | \$ 24,672,679        |
| Restricted cash and cash equivalents | 3,105,251            |
| Investments                          | <u>50,623,008</u>    |
| Total cash and investments           | <u>\$ 78,400,938</u> |

Cash and investments consist of the following at June 30, 2019:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on hand                         | \$ 2,000             |
| Deposits with financial institutions | 747,951              |
| Investments                          | <u>77,650,987</u>    |
| Total cash and investments           | <u>\$ 78,400,938</u> |

*Investments Authorized by the California Government Code and the District's Investment Policy*

The following table identifies the investment types that are authorized by the District in accordance with the District's investment policy, which is more restrictive than the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

| <u>INVESTMENT TYPE</u>                     | <u>MAXIMUM MATURITY</u> | <u>MAXIMUM SPECIFIED % OF PORTFOLIO</u> |
|--|-------------------------|---|
| Asset-Backed Securities                    | 5 years                 | 20%                                     |
| Bankers' Acceptances                       | 180 days                | 20%                                     |
| Collateralized Bank Deposits               | None                    | 100%                                    |
| Commercial Paper                           | 270 days                | 25%                                     |
| County Pooled Investment Funds             | None                    | 100%                                    |
| Local Agency Investment Fund (LAIF)        | None                    | 100%                                    |
| Medium-Term Notes                          | 5 years                 | 25%                                     |
| Mutual Funds and Money Market Mutual Funds | None                    | 20%                                     |
| Negotiable Certificates of Deposit         | 5 years                 | 20%                                     |
| Non-negotiable Certificates of Deposit     | 5 years                 | 20%                                     |
| Repurchase Agreements                      | 1 year                  | 25%                                     |
| State Obligations— CA and Others           | 5 years                 | 25%                                     |
| Supranational Obligations                  | 5 years                 | 25%                                     |
| U.S. Agency and U.S. Treasury Obligations  | 5 years                 | 100%                                    |

**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

Investments Authorized by Debt Agreements

Investment of debt proceeds are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Each debt agreement notes the investment types that are authorized for investments and identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The District's investment policy considers aversion to custodial credit risk by requiring all participants in the investment process to invest no more than 25% of the portfolio with one financial institution, with the exception of LAIF, the U.S. Treasury and funds advanced or in trustee accounts for project construction.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

San Diego County Pooled Investment Fund

The San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the County of San Diego Board of Supervisors and administered by the County of San Diego Treasurer and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SDCPIF does not impose a maximum investment limit.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

The County of San Diego's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of San Diego Auditor-Controller's Office - 1600 Pacific Coast Highway - San Diego, CA 92101.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages interest rate risk by limiting terms of investment as noted in the section of this note titled Investments Authorized by the California Government Code and the District's Investment Policy.

The District also manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2019 are as follows:

| Type of Investment                 | Total                | 12 months or less    | One to Three<br>Years | Three to Five<br>Years |
|------------------------------------|----------------------|----------------------|-----------------------|------------------------|
| Treasury Securities                | \$ 13,839,448        | \$ 2,100,420         | \$ 7,000,284          | \$ 4,738,744           |
| Federal Agency Securities          | 19,500,469           | 4,736,341            | 13,204,415            | 1,559,713              |
| Local Agency Investment Fund       | 17,428,515           | 17,428,515           | -                     | -                      |
| Corporate Medium-Term Notes        | 8,438,373            | -                    | 7,390,107             | 1,048,266              |
| Asset Backed Securities            | 3,342,102            | -                    | 2,638,284             | 703,818                |
| Supranational                      | 1,515,722            | -                    | 1,515,722             | -                      |
| Money Market Mutual Funds          | 1,188,721            | 1,188,721            | -                     | -                      |
| Negotiable Certificates of Deposit | 3,944,340            | 2,489,075            | 1,455,265             | -                      |
| San Diego County Investment Pool   | 5,348,047            | 5,348,047            | -                     | -                      |
| Held by Fiscal Agent:              |                      |                      |                       |                        |
| Money Market Funds                 | 3,105,250            | 3,105,250            | -                     | -                      |
| Total                              | <u>\$ 77,650,987</u> | <u>\$ 36,396,369</u> | <u>\$ 33,204,077</u>  | <u>\$ 8,050,541</u>    |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the Moody's rating as of year-end for each investment type.



**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

Credit ratings of investments as of June 30, 2019 were as follows:

| Investment   | Total               | Legal<br>Rating | Not Required<br>to be Rated | AAA                 | AA                 | A                  | P-1                | Unrated             |
|--|---------------------|-----------------|-----------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| U.S. Treasury Securities                           | \$13,839,448        | N/A             | \$13,839,448                | \$ -                | \$ -               | \$ -               | \$ -               | \$ -                |
| U.S. Government Sponsored<br>Agency Securities:    |                     |                 |                             |                     |                    |                    |                    |                     |
| FFCB   | 4,678,500           | N/A             | -                           | 4,678,500           | -                  | -                  | -                  | -                   |
| FHLB   | 5,081,694           | N/A             | -                           | 5,081,694           | -                  | -                  | -                  | -                   |
| FHLMC  | 4,507,732           | N/A             | -                           | 4,507,732           | -                  | -                  | -                  | -                   |
| FNMA   | 5,232,543           | N/A             | -                           | 5,232,543           | -                  | -                  | -                  | -                   |
| Local Agency Investment Fund                       | 17,428,515          | N/A             | -                           | -                   | -                  | -                  | -                  | 17,428,515          |
| Corporate Medium-Term Notes                        | 8,438,373           | A               | -                           | -                   | 2,870,713          | 5,567,660          | -                  | -                   |
| Asset Backed Securities                            | 3,342,102           | AA              | -                           | 3,342,102           | -                  | -                  | -                  | -                   |
| Supranational                                      | 1,515,722           | AA              | -                           | 1,515,722           | -                  | -                  | -                  | -                   |
| Money Market Mutual Funds                          | 1,188,721           | AAA             | -                           | 1,188,721           | -                  | -                  | -                  | -                   |
| Negotiable Certificates of Deposit                 | 3,944,340           | A               | -                           | -                   | -                  | -                  | 1,999,997          | 1,944,343           |
| San Diego County Investment Pool                   | 5,348,047           | N/A             | -                           | 5,348,047           | -                  | -                  | -                  | -                   |
| Held by Fiscal Agent:<br>Money Market Mutual Funds | <u>3,105,250</u>    | AAA             | -                           | <u>3,105,250</u>    | -                  | -                  | -                  | -                   |
| Total  | <u>\$77,650,987</u> |                 | <u>\$13,839,448</u>         | <u>\$34,000,311</u> | <u>\$2,870,713</u> | <u>\$5,567,660</u> | <u>\$1,999,997</u> | <u>\$19,372,858</u> |

The investment policy of the District limits the amount that can be invested in any one issuer to 10% of the portfolio. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments at June 30, 2019 are as follows:

| Issue                                  | Investment Type           | Reported<br>Amount | Percentage of<br>Portfolio |
|--|---------------------------|--------------------|----------------------------|
| Federal Farm Credit Banks              | U.S. Government Sponsored | \$ 4,678,500       | 6.03%                      |
| Federal Home Loan Bank                 | U.S. Government Sponsored | 5,081,693          | 6.54%                      |
| Federal Home Loan Mortgage Association | U.S. Government Sponsored | 4,507,732          | 5.81%                      |
| Federal National Mortgage Association  | U.S. Government Sponsored | 5,232,543          | 6.74%                      |

The District has the following recurring fair value measurements as of June 30, 2019:

|                                    | Total         | Quoted<br>Prices<br>Level 1 | Observable<br>Inputs<br>Level 2 | Unobservable<br>Inputs<br>Level 3 |
|------------------------------------|---------------|-----------------------------|---------------------------------|-----------------------------------|
|                                    |               | Level 1                     | Level 2                         | Level 3                           |
| U.S. Treasury Securities           | \$ 13,839,448 | \$ -                        | \$ 13,839,448                   | \$ -                              |
| U.S. Government Sponsored:         |               |                             |                                 |                                   |
| Agency Securities                  |               |                             |                                 |                                   |
| FFCB                               | 4,678,500     | -                           | 4,678,500                       | -                                 |
| FHLB                               | 5,081,694     | -                           | 5,081,694                       | -                                 |
| FHLMC                              | 4,507,732     | -                           | 4,507,732                       | -                                 |
| FNMA                               | 5,232,543     | -                           | 5,232,543                       | -                                 |
| Corporate Medium Term Notes        | 8,438,373     | -                           | 8,438,373                       | -                                 |
| Asset Backed Securities            | 3,342,102     | -                           | 3,342,102                       | -                                 |
| Supranational                      | 1,515,722     | -                           | 1,515,722                       | -                                 |
| Negotiable Certificates of Deposit | 3,944,340     | -                           | 3,944,340                       | -                                 |
| Total Investments at Fair Value    | 50,580,454    | <u>\$ -</u>                 | <u>\$ 50,580,454</u>            | <u>\$ -</u>                       |

Investments not subject to categorization:

|                                     |                      |
|-------------------------------------|----------------------|
| Money Market Mutual Funds           | 4,293,971            |
| Local Agency Investment Fund (LAIF) | 17,428,515           |
| San Diego County Investment Pool    | 5,348,047            |
|                                     | <u>\$ 77,650,987</u> |

**VALLECITOS WATER DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**(Continued)**  
**YEAR ENDED JUNE 30, 2019**

**3. ACCOUNTS RECEIVABLE**

Customer Account Receivable

The customer accounts receivable balance at June 30, 2019 consist of the following:

|   |                     |
|---|---------------------|
| Water and wastewater sales and services         | \$ 7,156,619        |
| Allowance for uncollectible accounts            | <u>(38,360)</u>     |
| Accounts Receivable - water and wastewater, net | <u>\$ 7,118,259</u> |

Property Tax Receivable

Taxes and assessments receivable of \$133,877 have been reduced by an allowance for estimated uncollectible taxes of \$3,940 for a net receivable of \$129,937 at June 30, 2019.

**4. CAPITAL ASSETS**

Changes in capital assets are as follows:

|  | June 30,<br>2018      | Additions/<br>Transfers | Deletions/<br>Transfers | June 30,<br>2019      |
|--|-----------------------|-------------------------|-------------------------|-----------------------|
| Capital Assets, Not Depreciated:             |                       |                         |                         |                       |
| Land   | \$ 4,981,505          | \$ -                    | \$ -                    | \$ 4,981,505          |
| Construction-in-progress                     | <u>8,451,903</u>      | <u>6,572,277</u>        | <u>(6,229,081)</u>      | <u>8,795,099</u>      |
| Total Capital Assets, Not Depreciated        | <u>13,433,408</u>     | <u>6,572,277</u>        | <u>(6,229,081)</u>      | <u>13,776,604</u>     |
| Capital Assets, Being Depreciated:           |                       |                         |                         |                       |
| Water transmission and distribution system   | 200,023,591           | 4,224,667               | (142,011)               | 204,106,247           |
| Wastewater system                            | 140,385,064           | 1,571,571               | (148,964)               | 141,807,671           |
| Buildings                                    | 16,137,578            | 1,136,144               | (37,515)                | 17,236,207            |
| Transportation equipment                     | 4,777,709             | 533,707                 | (249,424)               | 5,061,992             |
| Field and shop equipment                     | 9,916,142             | 1,411,994               | (286,191)               | 11,041,945            |
| Office equipment                             | <u>2,193,125</u>      | <u>-</u>                | <u>(95,482)</u>         | <u>2,097,643</u>      |
| Total Capital Assets, Being Depreciated      | <u>373,433,209</u>    | <u>8,878,083</u>        | <u>(959,587)</u>        | <u>381,351,705</u>    |
| Less: Accumulated Depreciation:              |                       |                         |                         |                       |
| Water transmission and distribution system   | (73,994,904)          | (4,763,468)             | 142,011                 | (78,616,361)          |
| Wastewater system                            | (46,450,723)          | (2,737,038)             | 148,964                 | (49,038,797)          |
| Buildings                                    | (14,079,082)          | (1,344,248)             | 37,515                  | (15,385,815)          |
| Transportation equipment                     | (3,250,021)           | (339,900)               | 249,424                 | (3,340,497)           |
| Field and shop equipment                     | (7,156,744)           | (296,108)               | 286,191                 | (7,166,661)           |
| Office equipment                             | <u>(1,899,848)</u>    | <u>(245,741)</u>        | <u>95,482</u>           | <u>(2,050,107)</u>    |
| Total Accumulated Depreciation               | <u>(146,831,322)</u>  | <u>(9,726,503)</u>      | <u>959,587</u>          | <u>(155,598,238)</u>  |
| Total Capital Assets, Being Depreciated, Net | <u>226,601,887</u>    | <u>(848,420)</u>        | <u>-</u>                | <u>225,753,467</u>    |
| Total Capital Assets, Net                    | <u>\$ 240,035,295</u> | <u>\$ 5,723,857</u>     | <u>\$ (6,229,081)</u>   | <u>\$ 239,530,071</u> |

Depreciation expense for the year ended June 30, 2019 is \$9,726,503 and is included in Depreciation and Amortization expense on the Statement of Revenues, Expenses, and Changes in Net Position.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**5. ENCINA WASTEWATER AUTHORITY**

The Revised Basic Agreement is a joint exercise of powers agreement by and among the cities of Carlsbad, Vista, and Encinitas, the Buena Sanitation District, the Vallecitos Water District, and the Leucadia Wastewater District for the ownership and operation of a joint sewerage system. The Encina Wastewater Authority (EWA) board is composed of representatives of these Member Agencies. Each Member Agency has an investment in EWA's assets and owns a corresponding proportion of the capacity of the joint system. As of June 30, 2019, the Member Agencies have the following approximate ownership interest:

|                              |        |
|------------------------------|--------|
| City of Vista                | 25.20% |
| City of Carlsbad             | 24.24% |
| Vallecitos Water District    | 22.42% |
| Leucadia Wastewater District | 16.80% |
| Buena Sanitation District    | 7.09%  |
| City of Encinitas            | 4.25%  |

The latest available financial statements of EWA, dated June 30, 2018, are available directly from EWA (6200 Avenida Encinas, Carlsbad, California 92011), and depict the following:

|                                |                |
|--------------------------------|----------------|
| Total assets                   | \$ 140,926,435 |
| Deferred outflows of resources | 6,659,307      |
| Total liabilities              | 19,424,840     |
| Deferred inflows of resources  | 593,211        |
| Total net position             | 127,567,691    |
| Increase in net position       | 6,410,001      |

**6. LONG TERM DEBT**

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2019:

|                              | <u>Balance</u><br><u>June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u>     | <u>Balance</u><br><u>June 30, 2019</u> | <u>Due within</u><br><u>one year</u> |
|------------------------------|--|------------------|----------------------|--|--------------------------------------|
| 2008 UBOC Loan               | \$ 4,200,000                           | \$ -             | \$ (400,000)         | \$ 3,800,000                           | \$ 400,000                           |
| 2012 COP                     | 3,732,000                              | -                | (741,000)            | 2,991,000                              | 725,000                              |
| 2015 Refunding Revenue Bonds | 45,315,000                             | -                | (1,905,000)          | 43,410,000                             | 2,020,000                            |
| Bond Premium                 | 6,204,480                              | -                | (364,969)            | 5,839,511                              | 364,969                              |
| Compensated Absences         | 1,470,155                              | 897,931          | (975,111)            | 1,392,975                              | 839,967                              |
| Total                        | <u>\$ 60,921,635</u>                   | <u>\$897,931</u> | <u>\$(4,386,080)</u> | <u>\$57,433,486</u>                    | <u>\$4,349,936</u>                   |

2008 UBOC Loan Payable

On November 12, 2008, the District entered into a variable rate tax-exempt private placement loan with Union Bank of California (UBOC) in the amount of \$8,000,000 to partially finance the District's share of the expansion costs at the Encina Wastewater Authority's treatment plant. Terms of the agreement call for interest to accrue at an interest rate per annum equal to 64.72% of the LIBOR index plus 0.79% (2.50557% at June 30, 2019). Principal payments of \$200,000 plus interest are payable semi-annually. The loan matures in 2029.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**6. LONG TERM DEBT (Continued)**

The District's outstanding loan is secured with the pledge of Net Revenues. The outstanding debt contains (1) a provision that in an event of default, the bank may declare all sums of interest and principal and any other amounts owing under the note immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or any other notices or demands and (2) From and after the occurrence of an Event of Default up through and including the maturity date, inclusive, and for so long as any event of default is continuing, interest shall accrue on the unpaid principal owing under the note at a rate per annum equal to the bank's reference rate plus 3%.

The annual requirements to amortize the 2008 Loan Payable outstanding at June 30, 2019 are as follows:

| Fiscal Year | Principal           | Interest          | Total               |
|-------------|---------------------|-------------------|---------------------|
| 2020        | \$ 400,000          | \$ 87,695         | \$ 487,695          |
| 2021        | 400,000             | 77,673            | 477,673             |
| 2022        | 400,000             | 67,650            | 467,650             |
| 2023        | 400,000             | 57,628            | 457,628             |
| 2024        | 400,000             | 47,606            | 447,606             |
| 2025-2029   | <u>1,800,000</u>    | <u>90,201</u>     | <u>1,890,201</u>    |
| Total       | <u>\$ 3,800,000</u> | <u>\$ 428,453</u> | <u>\$ 4,228,453</u> |

2012 Certificates of Participation

On December 5, 2012, the Board of Directors of Vallecitos Water District authorized the issuance of direct placement debt. The District received \$7.1 million of proceeds at a 1.98% fixed interest rate over the ten-year life of the loan. The proceeds will support the San Marcos Sewer Interceptor and Linda Vista Sewer Line projects.

The District's outstanding certificates of participation are secured with the pledge of Net Revenues. The outstanding debt contains (1) a provision that in an event of default, the holder of any outstanding Parity Obligations is entitled to accelerate such Indebtedness, Bank may declare all sums of interest and principal and any other amounts owing under the Note or under any other Loan Document immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or any other notices or demands. Otherwise, an Event of Default hereunder shall not result in an acceleration of Borrower's obligations hereunder or under the Note and (2) a provision that the District may prepay all, but not less than all of the aggregate unpaid amounts after giving the Original Purchaser 30 days' prior written notice and at a price of 101% of the principal amount so paid.

The annual requirements to amortize the 2012 Certificates of Participation outstanding at June 30, 2019 are as follows:

| Fiscal Year | Principal           | Interest          | Total               |
|-------------|---------------------|-------------------|---------------------|
| 2020        | \$ 725,000          | \$ 52,044         | \$ 777,044          |
| 2021        | 739,000             | 37,551            | 776,551             |
| 2022        | 755,000             | 22,760            | 777,760             |
| 2023        | <u>772,000</u>      | <u>7,643</u>      | <u>779,643</u>      |
| Total       | <u>\$ 2,991,000</u> | <u>\$ 119,998</u> | <u>\$ 3,110,998</u> |

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**6. LONG TERM DEBT (Continued)**

2015 Refunding Revenue Bonds

On July 9, 2015, the District issued \$45,315,000 of Refunding Revenue Bonds due July 1, 2035. The 2015 Bonds were issued to provide funds to provide a portion of the money to prepay a portion of the 2005A Certificates of Participation, and to pay costs of the issuance of the 2015 Bonds.

The annual requirements to amortize the 2015 Refunding Revenue Bonds Certificates outstanding at June 30, 2019 are as follows:

| Fiscal Year | Principal            | Interest             | Total                |
|-------------|----------------------|----------------------|----------------------|
| 2020        | \$ 2,020,000         | \$ 2,120,000         | \$ 4,140,000         |
| 2021        | 2,125,000            | 2,016,375            | 4,141,375            |
| 2022        | 2,235,000            | 1,907,375            | 4,142,375            |
| 2023        | 2,345,000            | 1,792,875            | 4,137,875            |
| 2024        | 2,465,000            | 1,672,625            | 4,137,625            |
| 2025-2029   | 14,345,000           | 6,333,375            | 20,678,375           |
| 2030-2034   | 13,115,000           | 2,648,125            | 15,763,125           |
| 2035-2039   | 4,760,000            | 241,000              | 5,001,000            |
| Total       | <u>\$ 43,410,000</u> | <u>\$ 18,731,750</u> | <u>\$ 62,141,750</u> |

**7. NET POSITION**

Net investment in capital assets at June 30, 2019 consists of the following:

|  |                       |
|--|-----------------------|
| Capital assets not being depreciated   | \$ 13,776,604         |
| Net capital assets being depreciated   | 225,753,467           |
| Notes payable                          | (3,800,000)           |
| Certificates of participation          | (2,991,000)           |
| Refunding bonds                        | (43,410,000)          |
| Bond premium                           | (5,839,513)           |
| Deferred loss on refunding             | 2,555,520             |
| Add back: unspent bond proceeds        | <u>3,105,251</u>      |
| Total net investment in capital assets | <u>\$ 189,150,329</u> |

**8. DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan ("Plan") administered by the California Public Employees' Retirement System ("CalPERS"). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law ("PERL"), the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

|  | Prior to<br>January 1,<br>2013 | On or after<br>January 1,<br>2013 |
|--|--------------------------------|-----------------------------------|
| Hire date  |                                |                                   |
| Benefit formula                                      | 3.0% at 60                     | 2.0% at 62                        |
| Benefit vesting schedule                             | 5 years of service             | 5 years of service                |
| Benefit payments                                     | monthly for life               | monthly for life                  |
| Retirement age                                       | 50 - 60                        | 52 - 62                           |
| Monthly benefits, as a %<br>of eligible compensation | 2.0% to 3.0%                   | 1.0% to 2.0%                      |
| Required employee contribution rates                 | 8.00%                          | 6.25%                             |
| Required employer contribution rates                 | 13.44%                         | 6.84%                             |

Contributions

Section 20814(c) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**B. Net Pension Liability**

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

|  |  |
|--|--|
| <b>Actuarial Cost Method:</b>          | Entry Age Normal   |
| <b>Actuarial Assumptions:</b>          |  |
| Discount Rate                          | 7.15%  |
| Inflation                              | 2.50%  |
| Salary Increases                       | Varies by Entry Age and Service  |
| Investment Rate of Return              | 6.25%, assuming actuarially determined contributions funded into CERBT Investment Strategy 2                               |
| <br>                                   |  |
| Mortality Rate <sup>(1)</sup>          | Derived using CalPERS' Membership Data for all funds   |
| <br>                                   |  |
| Pre-Retirement Turnover <sup>(2)</sup> | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter. |

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2018.

| <u>Asset Class</u> <sup>(1)</sup> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1 - 10</u> <sup>(2)</sup> | <u>Real Return Years 11+</u> <sup>(3)</sup> |
|-----------------------------------|---------------------------------|--|---|
| Global Equity                     | 50.00%                          | 4.80%  | 5.98%                                       |
| Fixed Income                      | 28.00                           | 1.00   | 2.62  |
| Inflation Assets                  | -                               | 0.77   | 1.81  |
| Private Equity                    | 8.00                            | 6.30   | 7.23  |
| Real Assets                       | 13.00                           | 3.75   | 4.93  |
| Liquidity                         | 1.00                            | -  | (0.92)                                      |

(1) In the system's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in short-term investments; inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.5% used for this period.

(3) An expected inflation of 3.0% used for this period.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.



**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**C. Proportionate Share of Net Pension Liability**

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

|                            | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability<br/>(c) = (a) - (b)</b> |
|----------------------------|--|--|--|
| Balance at: 6/30/2017      | \$ 72,806,418                              | \$ 55,035,570  | \$ 17,770,848  |
| Balance at: 6/30/2018      | 77,320,943                                 | 59,949,868   | 17,371,075   |
| Net Changes during 2017-18 | <u>\$ 4,514,525</u>                        | <u>\$ 4,914,298</u>  | <u>\$ (399,773)</u>                                  |

The District's proportion of the net pension liability determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at, [www.calpers.ca.gov](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

|                                     | Miscellaneous   |
|-------------------------------------|-----------------|
| Proportionate Share - June 30, 2017 | 0.45080%        |
| Proportionate Share - June 30, 2018 | <u>0.46093%</u> |
| Change - Increase (Decrease)        | <u>0.01013%</u> |

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

|                              | <b>Discount Rate - 1%<br/>6.15%</b> | <b>Current Discount Rate<br/>7.15%</b> | <b>Discount Rate + 1%<br/>8.15%</b> |
|------------------------------|-------------------------------------|--|-------------------------------------|
| Plan's Net Pension Liability | \$ 27,830,370                       | \$ 17,371,075                          | \$ 8,737,099                        |

*Recognition of Gains and Losses*

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The amortization period differs depending on the source of the gain or loss:

|  |   |
|--|---|
| Difference between projected and actual earnings | 5-year straight-line amortization   |
| All other amounts                                | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period. |

The EARSL for the Plan for the measurement date ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the measurement period ending June 30, 2018 (the measurement date), the District incurred pension expense of \$2,585,817 for the Plan.

As of June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension Contributions Made Subsequent to Measurement Date       | \$ 2,878,512                      | \$ -                             |
| Changes of Assumptions  | 1,980,354                         | 485,347                          |
| Differences between Expected and Actual Experience              | 666,497                           | 226,805                          |
| Net Difference between Projected and Actual Investment Earnings | 85,878                            | -                                |
| Difference in Actual vs. Project Contributions                  | -                                 | 640,862                          |
| Change in Employer's Proportion                                 | 504,473                           | -                                |
| Total   | \$ 6,115,714                      | \$ 1,353,014                     |

Contributions subsequent to the measurement date of \$2,878,512 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

| Measurement<br>Period<br>Ended June 30: | Deferred<br>Outflows/(Inflows)<br>of Resources |
|---|--|
| 2020                                    | \$ 1,655,789                                   |
| 2021                                    | 940,372  |
| 2022                                    | (555,730)                                      |
| 2023                                    | (156,243)                                      |
| 2024                                    | -  |
| Thereafter                              | -  |

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The District provides post-employment health benefits, in accordance with a resolution approved by the Board of Directors, to all employees who retire from the District under the retirement criteria established by CalPERS up to the age of 65. At June 30, 2019, there were twenty-eight retired employees who met these eligibility requirements and are, therefore, receiving the benefits.

Plan Description

For employees who retired before July 1, 2013, The District's OPEB provides continued medical coverage for an eligible retired employee, spouse or registered domestic partner, and eligible dependent at no cost to the retired employee. Coverage will continue for the retiree and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Coverage for the retirees' eligible dependents will continue until they are eligible for coverage under any other health care plan or public health care program or are no longer eligible for coverage under the District's group health plans according to the terms and conditions of the agreement between the group health plan and the District.

For employees who retire after June 30, 2013, the District's OPEB provides continued medical coverage for an eligible retired employee and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Medical premiums paid by the District are established per the most current Memorandum of Understanding (MOU). Plan premiums elected by the retiree above those established in the MOU are paid by the retiree.

To become eligible for partial OPEB benefits, non-retired employees hired before July 1, 2013, must be age 50 and have five years of continuous service with the District. OPEB benefits increase with each year of continuous service up to ten years when the employee becomes 100% vested to receive the maximum amount of premium established in the most current MOU at retirement.

The OPEB benefit is not offered to employees hired after July 1, 2013.

Eligible retirees may enroll in any of the plans the District offers through the CalPERS Program.

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

|  |     |
|--|-----|
| Active employees   | 76  |
| Inactive employees or beneficiaries currently receiving benefits | 28  |
| Inactive employees entitled to, but not yet receiving benefits   | -   |
| Total  | 104 |

Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District's cash contributions were \$378,566 of direct payments and the estimated implied subsidy was \$125,434 resulting in total payments of \$504,000.

Net OPEB (Asset) Liability

The District's net OPEB (asset) liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation dated April 1, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

|  |   |
|--|---|
| <b>Actuarial Cost Method:</b>          | Entry Age Normal  |
| <b>Actuarial Assumptions:</b>          |   |
| Discount Rate                          | 6.25%   |
| Inflation                              | 2.75%   |
| Salary Increases                       | 3.00% per annum, in aggregate   |
| Investment Rate of Return              | 6.25%, assuming actuarially determined contributions funded into CERBT Investment Strategy 2  |
| Mortality Rate <sup>(1)</sup>          | Derived using CalPERS' Membership Data for all funds  |
| Pre-Retirement Turnover <sup>(2)</sup> | Derived using CalPERS' Membership Data for all funds  |
| Healthcare Trend Rate                  | Based on recent premium experience assuming 1%-2% increase due to market trends then reduced to a rate reflecting medical price inflation |

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>  | <b>Target Allocation</b> | <b>Long-Term expected real rate of return*</b> |
|---------------------|--------------------------|--|
| Global Equity       | 40.00%                   | 5.50%  |
| Global Fixed Income | 39.00%                   | 2.35%  |
| TIPS                | 10.00%                   | 1.50%  |
| REITs               | 8.00%                    | 3.65%  |
| Commodities         | 3.00%                    | 1.75%  |
| Total               | 100.00%                  |  |

\* Long-term expected rate of return is 6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB (Asset) Liability

The changes in the net OPEB (asset) liability for the Plan are as follows:

|  | Total<br>OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability/<br>(Asset)<br>(c) = (a) - (b) |
|--|-----------------------------------|---------------------------------------|--|
| Balance at June 30, 2018<br>(Measurement Date June 30, 2017) | \$ 5,490,158                      | \$ 3,566,222                          | \$ 1,923,936   |
| Changes recognized for the measurement period:               |                                   |                                       |  |
| Service cost   | 180,948                           | -                                     | 180,948  |
| Interest   | 336,647                           | -                                     | 336,647  |
| Contributions - employer                                     | -                                 | 2,229,507                             | (2,229,507)  |
| Net investment income  | -                                 | 227,493                               | (227,493)  |
| Benefit payments   | (569,507)                         | (569,507)                             | -  |
| Administrative expense                                       | -                                 | (6,897)                               | 6,897  |
| Net changes  | (51,912)                          | 1,880,596                             | (1,932,508)  |
| Balance at June 30, 2019<br>(Measurement Date June 30, 2018) | \$ 5,438,246                      | \$ 5,446,818                          | \$ (8,572)   |

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

|                                   | <b>1%<br/>Decrease<br/>(5.25%)</b> | <b>Current<br/>Discount Rate<br/>(6.25%)</b> | <b>1% Increase<br/>(7.25%)</b> |
|-----------------------------------|------------------------------------|--|--------------------------------|
| <b>Net OPEB (Asset) Liability</b> | \$333,220                          | \$(8,572)                                    | \$(322,235)                    |

*Sensitivity of the Net OPEB (Asset) Liability to Changes in the Health Care Cost Trend Rates*

The following presents the net OPEB (asset) liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

|                                   | <b>1% Decrease<br/>(5.50%HMO/6.00%PPO<br/>decreasing to<br/>4.00%HMO/4.00%PPO)</b> | <b>Current Healthcare<br/>Cost Trend Rates<br/>(6.50%HMO/7.00%PPO)<br/>decreasing to<br/>5.00%HMO/5.00%PPO)</b> | <b>1% Increase<br/>(7.50%HMO/8.00%PPO<br/>decreasing to<br/>6.00%HMO/6.00%PPO)</b> |
|-----------------------------------|--|---|--|
| <b>Net OPEB (Asset) Liability</b> | \$(448,489)  | \$(8,572)   | \$490,759  |

*OPEB Plan Fiduciary Net Position*

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

*Recognition of Deferred Outflows and Deferred Inflows of Resources*

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

|   |   |
|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | 5 years   |
| All other amounts   | Expected average remaining service lifetime (EARSL) |

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$252,842. As of fiscal year, ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

**VALLECITOS WATER DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 (Continued)  
 YEAR ENDED JUNE 30, 2019**

**9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> |
|--|---|
| OPEB contributions subsequent to measurement date                                | \$ 504,000                                    |
| Net difference between projected and actual earnings<br>on OPEB plan investments | 18,110  |
| Total  | \$ 522,110                                    |

The \$504,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB (asset) liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

| <b>Fiscal Year<br/>Ended June 30:</b> | <b>Deferred<br/>Outflows/(Inflows)<br/>of Resources</b> |
|---------------------------------------|---|
| 2020                                  | \$ 2,898  |
| 2021                                  | 2,898   |
| 2022                                  | 2,896   |
| 2023                                  | 9,418   |
| 2024                                  | -   |
| Thereafter                            | -   |

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster.

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority ("Association"), which arranges for and provides various forms of liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested.

The Association is governed by a board consisting of elected representatives of member agencies. This governing board controls the operation of the Association independent of any influence by the District. The Association is independently accountable for its fiscal matters and maintains its own accounting records. The Association's budgets are not subject to any approval other than by its governing board. Member agencies share surpluses and deficits proportionately to their participation in the Association. The relationship between the District and the Association is such that the Association is not a component unit of the District for financial reporting purposes. Separate financial statements of the Association may be obtained from ACWA/JPIA at the following address: 2100 Professional Drive, Roseville, CA 95661-3700.

At June 30, 2019, the District participated in the following insurance programs of the Association:

General Liability: Includes commercial, contractual, products/completed operations and personal injury with coverage limits of \$60,000,000.

**VALLECITOS WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
(Continued)  
YEAR ENDED JUNE 30, 2019**

**10. RISK MANAGEMENT (Continued)**

Auto Liability: Includes owned automobiles, non-owned automobiles, and hired automobiles with coverage limits of \$60,000,000 and a varying deductible up to \$5,000 depending on the vehicle.

Public Officials' Liability: Includes errors and omissions with coverage limits of \$60,000,000.

Cyber Liability: Includes cyber security with coverage limits of \$3 million per occurrence and \$5 million aggregate.

Real and Personal Property: Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss. Otherwise, property loss is paid at the actual cash value up to \$100 million per occurrence with a deductible of \$10,000, excluding boiler and machinery equipment. Boiler and machinery deductibles vary from \$25,000 to \$50,000, depending on the type of equipment. The total self-insurance limit is \$100,000. However, the District purchased additional insurance with coverage limits of \$500 million.

Crime: Includes public employee dishonesty, forgery or alteration, computer fraud, and ERISA with coverage limits of \$100,000 and a deductible of \$1,000.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$2,000,000 for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**11. COMMITMENTS AND CONTINGENCIES**

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. These include the following:

| Project Name                       | Total<br>Approved<br>Contract(s) | Construction<br>Costs<br>to Date | Remaining<br>Obligation |
|------------------------------------|----------------------------------|----------------------------------|-------------------------|
| Palos Vista Pump Station Generator | \$ 180,321                       | \$ (69,017)                      | \$ 111,304              |
| Schoolhouse Tank Refurbishment     | 541,144                          | (57,918)                         | 483,226                 |
| Rock Springs Sewer Replacement     | 2,160,534                        | (1,917,147)                      | 243,387                 |
| Total                              | <u>\$ 2,881,999</u>              | <u>\$ (2,044,082)</u>            | <u>\$ 837,917</u>       |

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.



**REQUIRED SUPPLEMENTARY INFORMATION**

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years\***

|  | Measurement Date |               |               |               |              |
|--|------------------|---------------|---------------|---------------|--------------|
|  | 6/30/2018        | 6/30/2017     | 6/30/2016     | 6/30/2015     | 6/30/2014    |
| Proportion of the collective net pension liability   | 0.45776%         | 0.45080%      | 0.43637%      | 0.41797%      | 0.40328%     |
| Proportionate share of the collective net pension liability                                  | \$ 17,371,075    | \$ 17,770,848 | \$ 15,158,897 | \$ 11,466,898 | \$ 9,967,048 |
| Covered payroll  | \$ 8,696,329     | \$ 9,261,146  | \$ 8,582,083  | \$ 8,295,604  | \$ 7,801,034 |
| Proportionate share of the collective net pension liability as percentage of covered payroll | 199.75%          | 191.89%       | 176.63%       | 138.23%       | 127.77%      |
| Plan fiduciary net position as a percentage of the total pension liability                   | 77.69%           | 75.39%        | 76.65%        | 81.35%        | 83.03%       |

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.500 percent to 7.000 percent using a three year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2018-19 determined in this valuation were calculated using a discount rate of 7.375 percent. In 2015, amounts reported reflect an adjustment of the discount rate from 7.500 percent (net of administrative expense) to 7.650 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.500 percent discount rate.

\* - Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN**  
**Last Ten Fiscal Years\***

|  | Fiscal Year           |                    |                    |                    |                    |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|
|  | 6/30/2019             | 6/30/2018          | 6/30/2017          | 6/30/2016          | 6/30/2015          |
| Actuarially determined contribution                                  | \$ 1,210,511          | \$ 1,765,087       | \$ 1,690,724       | \$ 1,465,868       | \$ 1,304,486       |
| Contributions in relation to the Actuarially Determined Contribution | <u>(2,878,512)</u>    | <u>(1,765,087)</u> | <u>(1,690,724)</u> | <u>(1,465,868)</u> | <u>(1,304,486)</u> |
| Contribution deficiency (excess)                                     | <u>\$ (1,668,001)</u> | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered payroll  | \$ 9,079,529          | \$ 8,696,329       | \$ 9,261,146       | \$ 8,582,083       | \$ 8,295,604       |
| Contributions as a percentage of covered payroll                     | 31.70%                | 20.30%             | 18.26%             | 17.08%             | 15.73%             |

Notes to Schedule:

Fiscal Year End: 06/30/19  
Valuation Date: 06/30/16

Methods and assumptions used to determine contribution rates:

|                           |  |
|---------------------------|--|
| Actuarial Cost Method     | Entry age  |
| Amortization Method       | Level percent of payroll   |
| Asset Valuation Method    | Market Value   |
| Discount Rate             | 7.35%  |
| Projected Salary Increase | 3.30% to 14.20% depending on age, service, and type of employment.   |
| Inflation                 | 2.50%  |
| Payroll Growth            | 3.00%  |
| Individual Salary Growth  | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%. |

*\*Fiscal year 2015 was the first year of implementation, therefore only five years are shown.*

**VALLECITOS WATER DISTRICT**  
**SCHEDULE OF CHANGES IN NET OPEB (ASSET) LIABILITY AND RELATED RATIOS**  
**Last Ten Fiscal Years\***

| Measurement Period: June 30   | 2018                | 2017                |
|---|---------------------|---------------------|
| Total OPEB liability  |                     |                     |
| Service cost  | \$ 180,948          | \$ 170,304          |
| Interest on the total OPEB liability  | 336,647             | 341,526             |
| Actual and expected experience difference                                   | -                   | -                   |
| Changes in assumptions  | -                   | -                   |
| Changes in benefit terms  | -                   | -                   |
| Benefit payments  | <u>(569,507)</u>    | <u>(631,560)</u>    |
| Net change in total OPEB liability  | (51,912)            | (119,730)           |
| Total OPEB liability - beginning  | <u>5,490,158</u>    | <u>5,609,888</u>    |
| Total OPEB liability - ending (a)   | <u>\$ 5,438,246</u> | <u>\$ 5,490,158</u> |
| <br>Plan Fiduciary Net Position   |                     |                     |
| Contribution - employer   | \$ 2,229,507        | \$ 631,560          |
| Net investment income   | 227,493             | 240,481             |
| Benefit payments  | (569,507)           | (631,560)           |
| Administrative expense  | <u>(6,897)</u>      | <u>(1,753)</u>      |
| Net change in plan fiduciary net position                                   | 1,880,596           | 238,728             |
| Plan fiduciary net position - beginning                                     | <u>3,566,222</u>    | <u>3,327,494</u>    |
| Plan fiduciary net position - ending (b)                                    | <u>\$ 5,446,818</u> | <u>\$ 3,566,222</u> |
| <br>Net OPEB (asset) liability - ending (a)-(b)                             | <u>\$ (8,572)</u>   | <u>\$ 1,923,936</u> |
| <br>Plan fiduciary net position as a percentage of the total OPEB liability | 100.16%             | 64.96%              |
| <br>Covered-employee payroll  | \$ 6,593,511        | \$ 6,883,715        |
| <br>Net OPEB (asset) liability as a percentage of covered-employee payroll  | -0.13%              | 27.95%              |

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**VALLECITOS WATER DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
Last Ten Fiscal Years\***

|   | 2019         | 2018           |
|---|--------------|----------------|
| Fiscal Year Ended June 30                                 |              |                |
| Actuarially Determined Contribution (ADC)                 | \$ 504,000   | \$ 631,560     |
| Contributions in relation to the ADC                      | (504,000)    | (2,100,518)    |
| Contribution deficiency (excess)                          | \$ -         | \$ (1,468,958) |
| Covered-employee payroll                                  | \$ 6,379,207 | \$ 6,593,511   |
| Contributions as a percentage of covered-employee payroll | 7.90%        | 31.86%         |

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were from the April 1, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:

|                             |  |
|-----------------------------|--|
| Actuarial Cost Method       | Entry Age Normal   |
| Amortization Method/Period  | Level percent of payroll over a closed rolling 15-year period  |
| Asset Valuation Method      | Market Value   |
| Inflation                   | 2.75%  |
| Payroll Growth              | 3% per annum, in aggregate   |
| Investment Rate of Return   | 6.25%, assuming actuarially determined contributions funded into California Employers' Retiree Benefit Trust Investment Strategy 2.  |
| Healthcare cost-trend rates | Based on recent premium experience, assuming 1%-2% increase due to market trends then reduced to a rate reflecting medical price inflation.  |
| Retirement Age              | Tier 1 employees - 2.5% @55 and Tier 2 employees - 2.0% @62<br>The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.  |
| Mortality                   | Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS. |

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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# STATISTICAL SECTION



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# Statistical Section

Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, requires statistical information as part of the Comprehensive Annual Financial Report (CAFR). The statistical section is designed to meet five objectives to help the reader assess the District's economic condition: 1) provide information on financial trends, 2) provide information on revenue capacity, 3) provide information on debt capacity, 4) provide demographic and economic information, and 5) provide operating information.

## Contents

### Financial Trends

These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

## Tables

1 - 2

Net Position is the accumulated value of the District's assets minus its liabilities. Changes in Net Position (total revenue less total expenses) measures the success of the District's operations during the reporting period and its ability to meet its financial commitments.

### Revenue Capacity

These tables provide detailed information about the District's revenues and expenses. The tables presented in this section show the District's activities during the reporting year broken down by source to help the reader assess the District's financial health.

3 - 9

### Debt Capacity

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.

10 - 11

### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

12 - 14

### Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services it provides and the activities it performs.

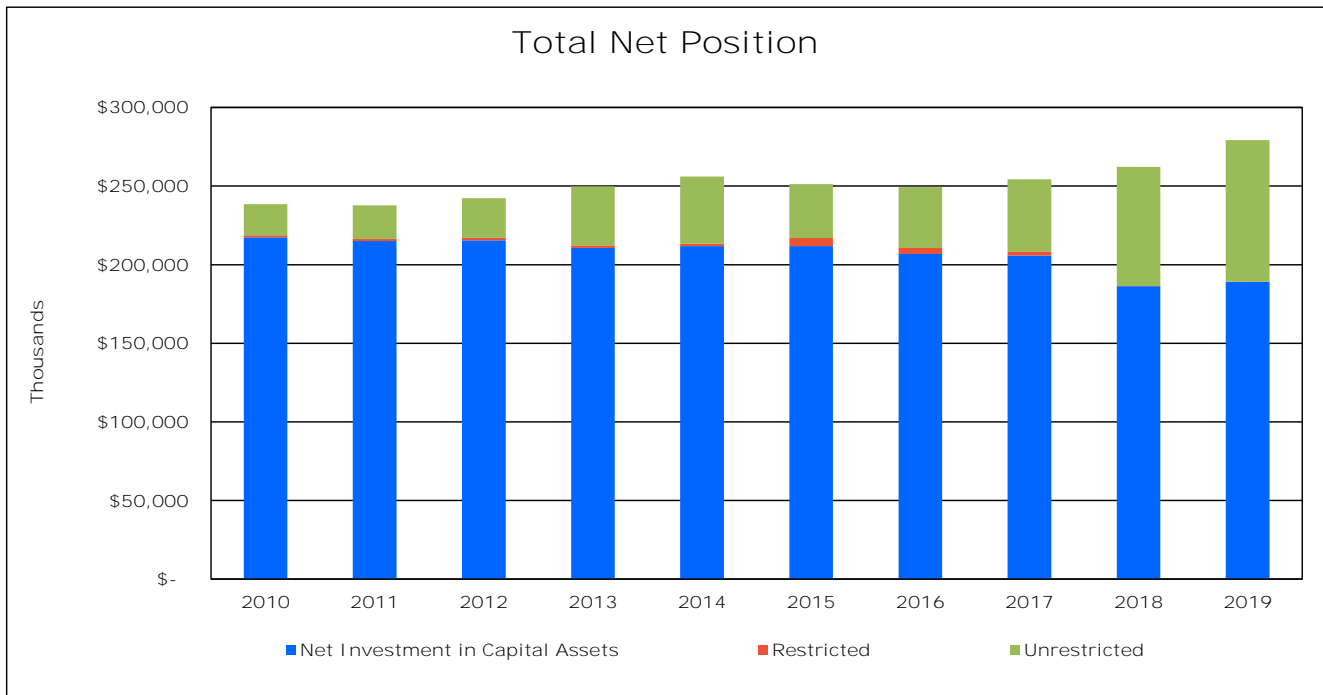
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VALLECITOS WATER DISTRICT  
TABLE 1 - NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

|                                  | Fiscal Year ended June 30 |                       |                       |                       |                       |
|----------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                  | 2019                      | 2018                  | 2017                  | 2016                  | 2015                  |
| Net Investment in Capital Assets | \$ 189,150,329            | \$ 186,328,145        | \$ 205,840,028        | \$ 206,775,864        | \$ 211,866,038        |
| Restricted                       | 68,620                    | 74,957                | 2,578,677             | 3,906,413             | 5,117,540             |
| Unrestricted                     | 89,960,646                | 75,758,717            | 45,901,052            | 38,710,870            | 34,287,556            |
| Total Net Position               | <b>\$ 279,179,595</b>     | <b>\$ 262,161,819</b> | <b>\$ 254,319,757</b> | <b>\$ 249,393,147</b> | <b>\$ 251,271,134</b> |

|                    | 2014                             | 2013                  | 2012                  | 2011                  | 2010                  |
|--------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                    | Net Investment in Capital Assets | \$ 211,842,759        | \$ 210,637,696        | \$ 215,509,964        | \$ 214,976,399        |
| Restricted         | 1,645,172                        | 1,536,415             | 1,504,206             | 1,427,825             | 1,366,993             |
| Unrestricted       | 42,620,873                       | 37,577,307            | 25,250,602            | 21,266,561            | 19,696,647            |
| Total Net Position | <b>\$ 256,108,804</b>            | <b>\$ 249,751,418</b> | <b>\$ 242,264,772</b> | <b>\$ 237,670,785</b> | <b>\$ 238,426,592</b> |



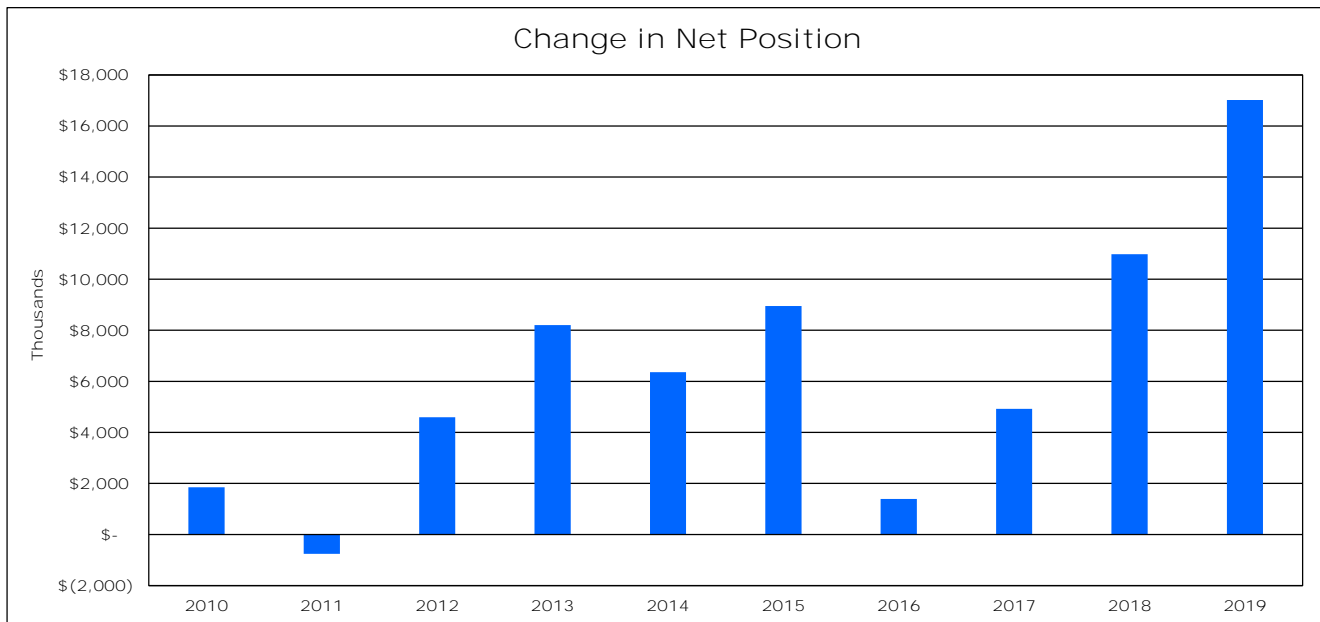
Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
TABLE 2 - CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

|  | Fiscal Year ended June 30 |                |                |                |                |
|--|---------------------------|----------------|----------------|----------------|----------------|
|  | 2019                      | 2018           | 2017           | 2016           | 2015           |
| Total Operating Revenues                     | \$ 64,180,158             | \$ 64,135,261  | \$ 57,422,074  | \$ 51,840,554  | \$ 56,026,623  |
| Total Operating Expenses (1)                 | 62,562,110                | 63,655,946     | 58,971,143     | 52,647,405     | 51,491,469     |
| Operating Income (Loss)                      | 1,618,048                 | 479,315        | (1,549,069)    | (806,851)      | 4,535,154      |
| Total Non-Operating Revenues/(Expenses), Net | 3,844,297                 | 807,851        | (285,011)      | (4,884,002)    | (3,996,773)    |
| Capital Contributions                        | 11,555,431                | 9,688,731      | 6,760,690      | 7,083,887      | 8,414,260      |
| Change in Net Position                       | 17,017,776                | 10,975,897     | 4,926,610      | 1,393,034      | 8,952,641      |
| Total Net Position, Beginning of Year        | 262,161,819               | 254,319,757    | 249,393,147    | 251,271,134    | 256,108,804    |
| Prior year adjustment/equity adjustment      | -                         | (3,133,835)    | -              | (3,271,021)    | (13,790,311)   |
| Total Net Position, End of Year              | \$ 279,179,595            | \$ 262,161,819 | \$ 254,319,757 | \$ 249,393,147 | \$ 251,271,134 |

|  | 2014                     | 2013           | 2012           | 2011           | 2010           |
|--|--------------------------|----------------|----------------|----------------|----------------|
|  | Total Operating Revenues | \$ 55,282,649  | \$ 51,404,536  | \$ 45,335,932  | \$ 41,572,875  |
| Total Operating Expenses (1)                 | 52,707,863               | 50,329,121     | 46,492,690     | 44,793,125     | 44,345,366     |
| Operating Income (Loss)                      | 2,574,786                | 1,075,415      | (1,156,758)    | (3,220,250)    | (4,347,831)    |
| Total Non-Operating Revenues/(Expenses), Net | 779,700                  | (1,357,436)    | (517,794)      | (1,814,152)    | (512,725)      |
| Capital Contributions                        | 3,002,900                | 8,484,563      | 6,268,539      | 4,278,595      | 6,709,625      |
| Change in Net Position                       | 6,357,386                | 8,202,542      | 4,593,987      | (755,807)      | 1,849,069      |
| Total Net Position, Beginning of Year        | 249,751,418              | 242,264,772    | 237,670,785    | 238,426,592    | 236,577,523    |
| Prior year adjustment/equity adjustment      | -                        | (715,896)      | -              | -              | -              |
| Total Net Position, End of Year              | \$ 256,108,804           | \$ 249,751,418 | \$ 242,264,772 | \$ 237,670,785 | \$ 238,426,592 |



Source: Vallecitos Water District

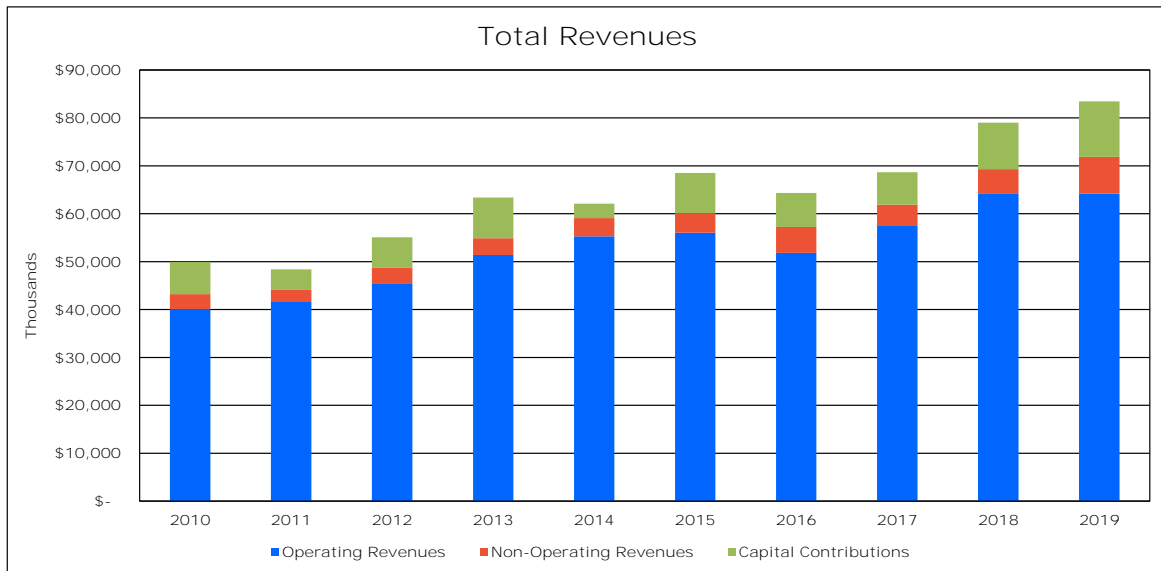
Note: (1) Includes overhead absorption and depreciation and amortization.

VALLECITOS WATER DISTRICT  
TABLE 3 - REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

|   | Fiscal Year ended June 30 |                      |                      |                      |                      |
|---|---------------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2019                      | 2018                 | 2017                 | 2016                 | 2015                 |
| Water Sales                               | \$ 27,339,732             | \$ 29,380,737        | \$ 23,180,452        | \$ 18,797,274        | \$ 23,399,045        |
| Wastewater Service Charges                | 18,077,717                | 18,000,233           | 17,503,448           | 17,286,888           | 16,817,149           |
| Ready-To-Serve Charges                    | 13,931,114                | 13,721,328           | 13,850,592           | 13,602,800           | 12,958,338           |
| Reclaimed Water Sales                     | 2,725,110                 | 1,761,559            | 1,711,156            | 1,069,074            | 1,725,650            |
| Pumping Charges                           | 302,676                   | 311,817              | 171,186              | 138,870              | 170,806              |
| Other Services and Abatements             | 1,803,809                 | 959,587              | 1,005,240            | 945,648              | 955,635              |
| <b>Total Operating Revenues</b>           | <b>64,180,158</b>         | <b>64,135,261</b>    | <b>57,422,074</b>    | <b>51,840,554</b>    | <b>56,026,623</b>    |
| Property Taxes                            | 4,975,086                 | 4,446,432            | 4,162,701            | 3,830,522            | 3,460,439            |
| Investment Income, net of FMV Adjustments | 2,658,034                 | 602,036              | 191,724              | 477,589              | 345,131              |
| Annexation Fees                           | 0                         | 25,964               | 39,969               | 1,105,819            | 117,852              |
| Other                                     | 67,877                    | 100,252              | 77,620               | -                    | 147,870              |
| <b>Total Non-Operating Revenues</b>       | <b>7,700,997</b>          | <b>5,174,684</b>     | <b>4,472,014</b>     | <b>5,413,930</b>     | <b>4,071,292</b>     |
| Capital Contributions                     | 11,555,431                | 9,688,731            | 6,760,690            | 7,083,887            | 8,414,260            |
| <b>Total Revenues</b>                     | <b>\$ 83,436,586</b>      | <b>\$ 78,998,676</b> | <b>\$ 68,654,778</b> | <b>\$ 64,338,371</b> | <b>\$ 68,512,175</b> |

|   | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Water Sales                               | \$ 26,031,460        | \$ 23,364,573        | \$ 19,164,527        | \$ 17,298,173        | \$ 16,798,224        |
| Wastewater Service Charges                | 15,128,763           | 14,921,894           | 13,780,015           | 12,855,742           | 12,013,152           |
| Ready-To-Serve Charges                    | 11,484,584           | 10,638,282           | 9,945,683            | 9,080,597            | 7,833,940            |
| Reclaimed Water Sales                     | 1,533,203            | 1,718,013            | 1,710,914            | 1,604,276            | 2,151,145            |
| Pumping Charges                           | 192,427              | 171,107              | 157,887              | 171,875              | 194,907              |
| Other Services and Abatements             | 912,212              | 590,667              | 576,906              | 562,212              | 1,006,167            |
| <b>Total Operating Revenues</b>           | <b>55,282,649</b>    | <b>51,404,536</b>    | <b>45,335,932</b>    | <b>41,572,875</b>    | <b>39,997,535</b>    |
| Property Taxes                            | 3,077,966            | 3,519,081            | 3,397,004            | 2,245,553            | 2,438,173            |
| Investment Income, net of FMV Adjustments | 378,608              | (46,165)             | 82,013               | 210,677              | 529,282              |
| Annexation Fees                           | 288,580              | 11,204               | (50,947)             | 44,370               | 246,110              |
| Other                                     | 40,935               | -                    | 28,460               | 38,063               | 11,830               |
| <b>Total Non-Operating Revenues</b>       | <b>3,786,089</b>     | <b>3,484,120</b>     | <b>3,456,530</b>     | <b>2,538,663</b>     | <b>3,225,395</b>     |
| Capital Contributions                     | 3,002,900            | 8,484,563            | 6,268,539            | 4,278,595            | 6,709,625            |
| <b>Total Revenues</b>                     | <b>\$ 62,071,638</b> | <b>\$ 63,373,219</b> | <b>\$ 55,061,001</b> | <b>\$ 48,390,133</b> | <b>\$ 49,932,555</b> |



Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
TABLE 4 - EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS

|                                       | Fiscal Year ended June 30 |                      |                      |                      |                      |
|---------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2019                      | 2018                 | 2017                 | 2016                 | 2015                 |
| Purchased Water                       | \$ 28,535,460             | \$ 30,678,093        | \$ 27,392,003        | \$ 22,190,912        | \$ 22,332,619        |
| General and Administrative            | 5,326,781                 | 5,940,142            | 5,637,471            | 5,851,489            | 5,197,584            |
| Meadowlark Wastewater Treatment Plant | 3,091,684                 | 2,827,395            | 2,993,914            | 2,750,187            | 2,930,822            |
| Encina Disposal                       | 2,512,824                 | 2,555,168            | 2,529,715            | 2,485,765            | 2,493,629            |
| Collection and Conveyance             | 2,237,130                 | 1,917,754            | 1,896,688            | 1,756,927            | 1,878,791            |
| Engineering                           | 2,740,725                 | 2,497,803            | 1,988,197            | 1,889,037            | 1,939,139            |
| Transmission and Distribution         | 2,464,824                 | 1,565,815            | 1,747,767            | 1,195,405            | 1,279,927            |
| Customer Accounts                     | 1,161,704                 | 1,092,194            | 958,266              | 904,015              | 914,372              |
| Information Technology                | 1,587,704                 | 1,490,217            | 1,320,845            | 1,347,023            | 1,045,315            |
| Meter Reading and Repairs             | 664,213                   | 712,760              | 625,576              | 713,164              | 661,883              |
| Building and Grounds                  | 629,659                   | 659,143              | 629,850              | 546,043              | 529,042              |
| Equipment and Vehicles                | 418,315                   | 498,547              | 471,380              | 485,403              | 566,737              |
| Other Water Operating Expenses        | 389,732                   | 519,857              | 446,430              | 503,378              | 363,922              |
| Other Wastewater Operating Expenses   | 548,495                   | 558,212              | 614,248              | 539,112              | 545,551              |
| Water Quality and Treatment           | 568,416                   | 651,495              | 604,844              | 522,191              | 489,034              |
| Tanks and Reservoirs                  | 400,706                   | 364,239              | 312,604              | 371,156              | 279,886              |
| Pumping                               | 866,870                   | 839,884              | 612,069              | 531,774              | 436,432              |
| Overhead Absorption                   | (1,309,635)               | (1,337,347)          | (1,236,032)          | (1,125,180)          | (1,241,173)          |
| Depreciation and Amortization         | 9,726,503                 | 9,624,575            | 9,425,308            | 9,189,604            | 8,847,957            |
| Total Operating Expenses              | <u>62,562,110</u>         | <u>63,655,946</u>    | <u>58,971,143</u>    | <u>52,647,405</u>    | <u>51,491,469</u>    |
| Change in Encina Joint Venture Assets | 1,728,365                 | 2,151,640            | 2,603,384            | 6,789,867            | 5,559,372            |
| Interest Expense                      | 2,128,335                 | 2,215,193            | 2,153,641            | 2,512,597            | 2,508,693            |
| Other                                 | -                         | -                    | -                    | 995,468              | -                    |
| Total Non-Operating Expenses          | <u>3,856,700</u>          | <u>4,366,833</u>     | <u>4,757,025</u>     | <u>10,297,932</u>    | <u>8,068,065</u>     |
| Total Expenses                        | <u>\$ 66,418,810</u>      | <u>\$ 68,022,779</u> | <u>\$ 63,728,168</u> | <u>\$ 62,945,337</u> | <u>\$ 59,559,534</u> |

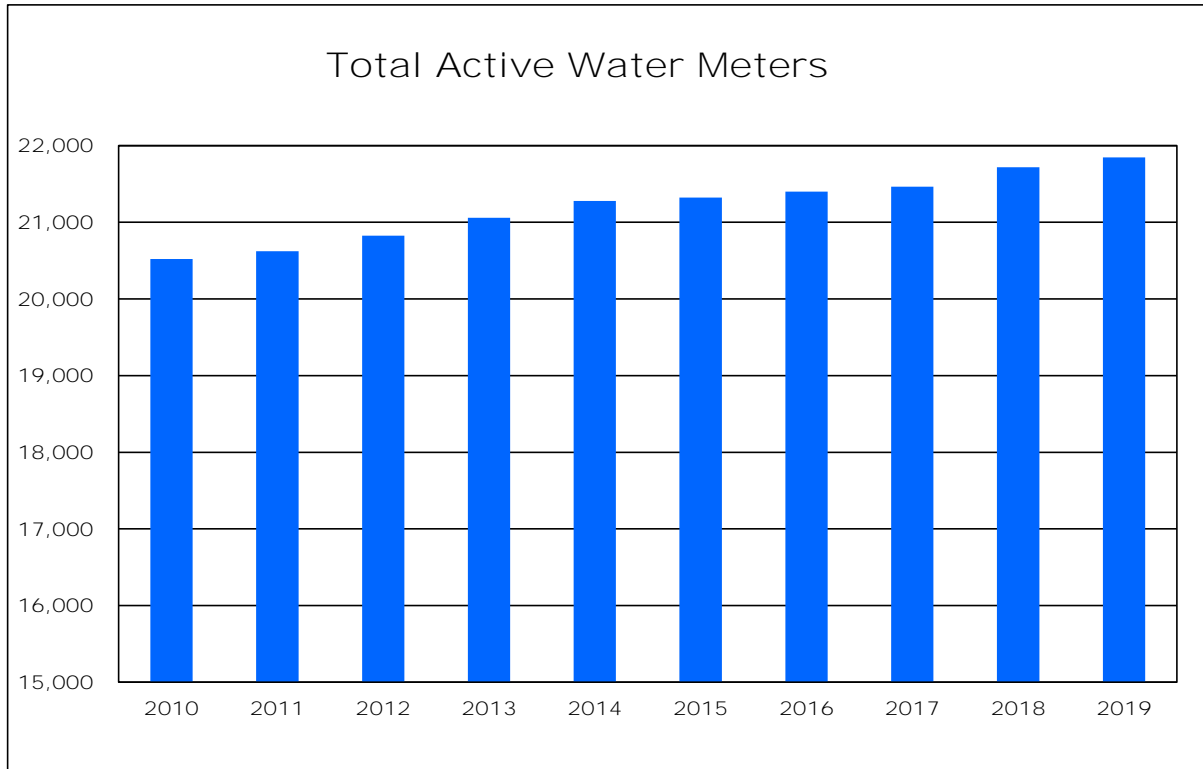
|                                       | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Purchased Water                       | \$ 24,145,579        | \$ 21,982,845        | \$ 19,107,271        | \$ 16,468,792        | \$ 15,603,958        |
| General and Administrative            | 5,173,986            | 4,879,580            | 4,842,082            | 5,224,802            | 5,216,874            |
| Meadowlark Wastewater Treatment Plant | 2,993,578            | 2,777,837            | 2,653,869            | 3,116,849            | 3,456,133            |
| Encina Disposal                       | 2,450,330            | 2,709,307            | 2,078,337            | 2,097,610            | 2,162,753            |
| Collection and Conveyance             | 1,632,347            | 1,633,839            | 1,737,981            | 1,737,012            | 1,664,388            |
| Engineering                           | 1,698,699            | 1,703,359            | 1,784,054            | 2,078,053            | 2,006,925            |
| Transmission and Distribution         | 1,154,882            | 1,068,907            | 1,022,862            | 1,122,921            | 1,079,479            |
| Customer Accounts                     | 825,805              | 886,279              | 950,480              | 995,965              | 1,009,342            |
| Information Technology                | 865,655              | 831,423              | 813,691              | 758,418              | 781,409              |
| Meter Reading and Repairs             | 614,784              | 561,274              | 504,405              | 511,121              | 545,029              |
| Building and Grounds                  | 600,159              | 496,637              | 495,033              | 565,199              | 581,514              |
| Equipment and Vehicles                | 443,827              | 490,875              | 403,289              | 373,264              | 438,358              |
| Other Water Operating Expenses        | 396,935              | 418,890              | 400,147              | 427,874              | 404,873              |
| Other Wastewater Operating Expenses   | 495,999              | 374,529              | 402,564              | 394,043              | 400,230              |
| Water Quality and Treatment           | 434,191              | 410,473              | 360,717              | 336,759              | 310,718              |
| Tanks and Reservoirs                  | 308,031              | 299,360              | 357,022              | 400,277              | 519,649              |
| Pumping                               | 352,823              | 325,591              | 279,569              | 266,670              | 395,716              |
| Overhead Absorption                   | (1,040,244)          | (477,239)            | (414,977)            | (303,018)            | (357,915)            |
| Depreciation and Amortization         | 9,160,497            | 8,955,355            | 8,714,294            | 8,220,514            | 8,125,933            |
| Total Operating Expenses              | <u>52,707,863</u>    | <u>50,329,121</u>    | <u>46,492,690</u>    | <u>44,793,125</u>    | <u>44,345,366</u>    |
| Change in Encina Joint Venture Assets | 334,093              | 2,040,544            | 1,514,166            | 1,662,667            | 698,832              |
| Interest Expense                      | 2,672,296            | 2,758,728            | 2,511,105            | 2,645,778            | 2,793,178            |
| Other                                 | -                    | 42,284               | -                    | -                    | -                    |
| Total Non-Operating Expenses          | <u>3,006,389</u>     | <u>4,841,556</u>     | <u>4,025,271</u>     | <u>4,308,445</u>     | <u>3,492,010</u>     |
| Total Expenses                        | <u>\$ 55,714,252</u> | <u>\$ 55,170,677</u> | <u>\$ 50,517,961</u> | <u>\$ 49,101,570</u> | <u>\$ 47,837,376</u> |

Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
TABLE 5 - ACTIVE WATER METERS BY SIZE  
LAST TEN FISCAL YEARS

| Meter Size    | Fiscal Year ended June 30 |               |               |               |               |
|---------------|---------------------------|---------------|---------------|---------------|---------------|
|               | 2019                      | 2018          | 2017          | 2016          | 2015          |
| 3/4" & 5/8"   | 19,441                    | 19,353        | 19,163        | 19,144        | 19,086        |
| 1"            | 1,067                     | 1,057         | 1,030         | 1,003         | 992           |
| 1-1/2"        | 735                       | 716           | 690           | 685           | 681           |
| 2"            | 539                       | 528           | 516           | 504           | 498           |
| 3" and larger | 66                        | 65            | 65            | 65            | 65            |
| <b>Total</b>  | <b>21,848</b>             | <b>21,719</b> | <b>21,464</b> | <b>21,401</b> | <b>21,322</b> |

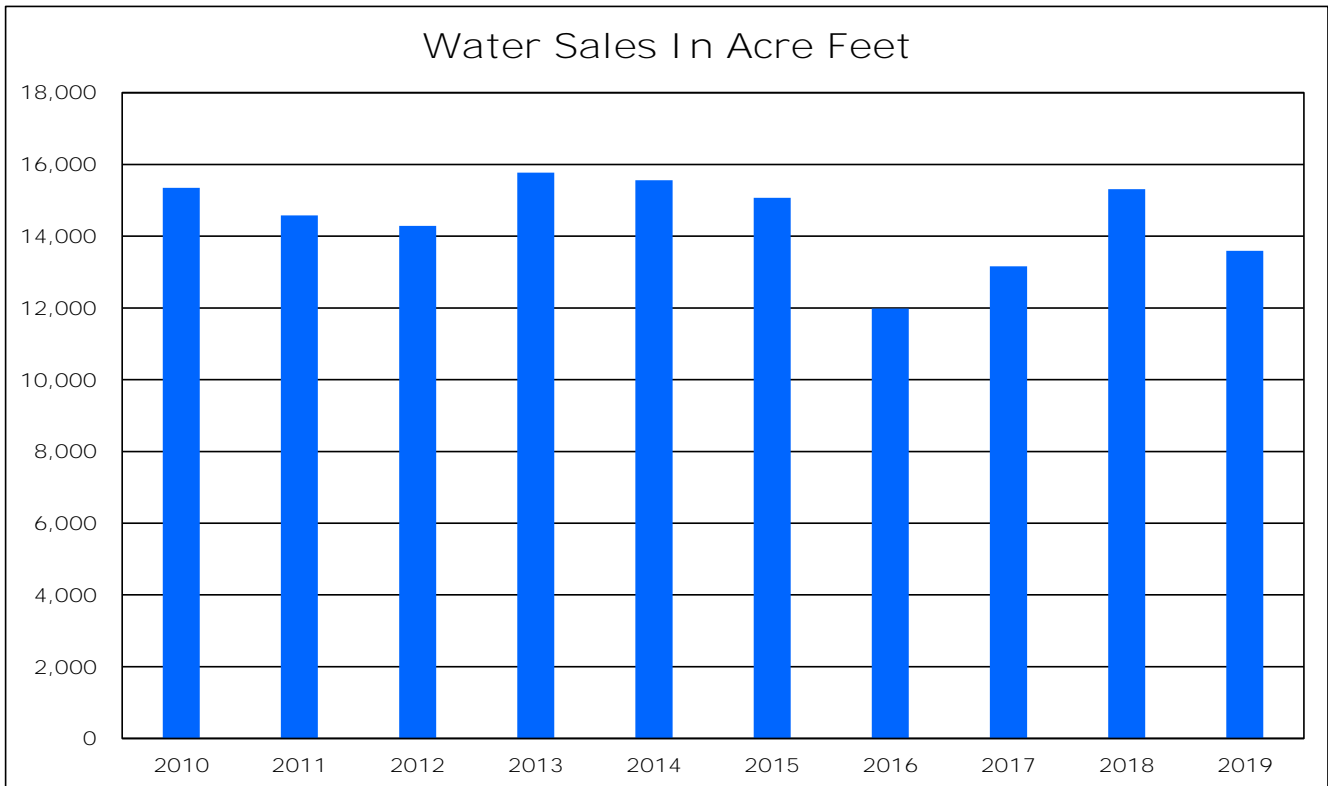
| Meter Size    | Fiscal Year ended June 30 |               |               |               |               |
|---------------|---------------------------|---------------|---------------|---------------|---------------|
|               | 2014                      | 2013          | 2012          | 2011          | 2010          |
| 3/4" & 5/8"   | 19,087                    | 18,895        | 18,691        | 18,488        | 18,407        |
| 1"            | 973                       | 941           | 929           | 915           | 906           |
| 1-1/2"        | 674                       | 673           | 666           | 662           | 657           |
| 2"            | 496                       | 485           | 473           | 491           | 487           |
| 3" and larger | 48                        | 66            | 67            | 67            | 65            |
| <b>Total</b>  | <b>21,278</b>             | <b>21,060</b> | <b>20,826</b> | <b>20,623</b> | <b>20,522</b> |



Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
 TABLE 6 - WATER PURCHASES AND SALES  
 LAST TEN FISCAL YEARS

| Year | Acre Feet       |             |
|------|-----------------|-------------|
|      | Water Purchases | Water Sales |
| 2019 | 14,232          | 13,589      |
| 2018 | 16,142          | 15,310      |
| 2017 | 14,411          | 13,157      |
| 2016 | 12,980          | 11,981      |
| 2015 | 15,300          | 15,072      |
| 2014 | 17,900          | 15,557      |
| 2013 | 17,430          | 15,769      |
| 2012 | 16,174          | 14,290      |
| 2011 | 15,433          | 14,581      |
| 2010 | 16,308          | 15,346      |



Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
TABLE 7 - VARIABLE WATER RATES  
LAST TEN FISCAL YEARS

|                                   | Fiscal Year ended June 30 |         |         |         |         |         |         |         |         |         |
|-----------------------------------|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                   | 2019                      | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    |
| <u>Non-Agricultural Customers</u> |                           |         |         |         |         |         |         |         |         |         |
| Tier 1                            | \$ 3.66                   | \$ 3.38 | \$ 3.08 | \$ 2.62 | \$ 2.62 | \$ 3.41 | \$ 3.31 | \$ 2.92 | \$ 2.64 | \$ 2.44 |
| Tier 2                            | 4.60                      | 4.43    | 4.12    | 3.66    | 3.66    | 4.26    | 4.13    | 3.65    | 3.30    | 3.05    |
| Tier 3                            | 8.87                      | 8.47    | 5.33    | 4.87    | 4.87    | 5.12    | 4.96    | 4.38    | 3.96    | 3.66    |
| Tier 4                            |                           |         | 7.41    | 6.95    | 6.95    |         |         |         |         |         |
| <u>Agricultural Customers</u>     |                           |         |         |         |         |         |         |         |         |         |
| Participating                     | 3.76                      | 3.49    | 3.25    | 2.93    | 2.93    | 2.76    | 2.73    | 2.74    | 2.48    | 2.33    |
| Non-Participating                 | 4.60                      | 4.43    | 4.12    | 3.66    | 3.66    | 3.41    | 3.31    | 2.92    | 2.64    | 2.44    |

Source: Vallecitos Water District

Note: All customers, other than Agricultural customers, are charged tiered water rates based on their meter size and usage. Agricultural customers are charged a flat rate and fall into two categories: participating and non-participating. Participating agricultural customers are enrolled in a program that provides them discounted water; however, if there is a drought, they must cut back their usage more than non-participants.

VALLECITOS WATER DISTRICT  
TABLE 8 - FIXED WATER AND SEWER RATES  
LAST TEN FISCAL YEARS

|                                     | Fiscal Year ended June 30 |          |          |          |          |          |          |          |          |          |
|-------------------------------------|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                     | 2019                      | 2018     | 2017     | 2016     | 2015     | 2014     | 2013     | 2012     | 2011     | 2010     |
| <u>Water Ready-to-Serve Charge</u>  |                           |          |          |          |          |          |          |          |          |          |
| 5/8"                                | \$ 35.32                  | \$ 33.25 | \$ 31.42 | \$ 31.42 | \$ 29.29 | \$ 27.16 | \$ 25.03 | \$ 23.12 | \$ 21.16 | \$ 18.36 |
| 3/4"                                | 36.52                     | 36.52    | 36.52    | 36.52    | 35.60    | 34.68    | 33.76    | 33.28    | 31.74    | 27.54    |
| 1"                                  | 55.29                     | 5,529.00 | 55.29    | 55.29    | 55.29    | 55.29    | 55.29    | 54.99    | 52.90    | 45.90    |
| 1 1/2"                              | 130.67                    | 120.63   | 110.59   | 110.59   | 110.59   | 110.59   | 110.59   | 110.00   | 105.80   | 91.80    |
| 2"                                  | 214.68                    | 194.35   | 178.11   | 178.11   | 178.11   | 178.11   | 178.11   | 176.56   | 169.28   | 146.88   |
| 3"                                  | 356.22                    | 356.22   | 356.22   | 356.22   | 356.22   | 356.22   | 356.22   | 353.10   | 338.56   | 293.76   |
| 4"                                  | 552.94                    | 552.94   | 552.94   | 552.94   | 552.94   | 552.94   | 552.94   | 549.96   | 529.00   | 459.00   |
| 6"                                  | 1,105.88                  | 1,105.88 | 1,105.88 | 1,105.88 | 1,105.88 | 1,105.88 | 1,105.88 | 1,099.93 | 1,058.00 | 918.00   |
| 10"                                 | 2,549.36                  | 2,549.36 | 2,549.36 | 2,549.36 | 2,549.36 | 2,549.36 | 2,549.36 | 2,532.65 | 2,433.40 | 2,111.40 |
| Multiple Units (above 1st unit)     | 11.18                     | 11.18    | 18.26    | 18.26    | 16.35    | 14.43    | 12.52    | 11.57    | 10.58    | 9.18     |
| Temporary Construction Meter        | 257.33                    | 230.91   | 204.48   | 204.48   | 172.52   | 140.57   | 108.62   | 103.90   | 103.90   | 92.03    |
| <u>Fire Line</u>                    |                           |          |          |          |          |          |          |          |          |          |
| Per diameter inch per service       | \$ 5.87                   | \$ 5.87  | \$ 5.87  | \$ 5.87  | \$ 5.00  | \$ 4.13  | \$ 3.26  | \$ 3.12  | \$ 3.12  | \$ 2.76  |
| <u>Sewer Monthly Service Charge</u> |                           |          |          |          |          |          |          |          |          |          |
| Residential - Single Family         | \$ 38.99                  | \$ 38.99 | \$ 38.99 | \$ 38.99 | \$ 37.45 | \$ 35.91 | \$ 35.91 | \$ 34.04 | \$ 32.22 | \$ 30.40 |
| Residential - Multi-Family          | 35.09                     | 35.09    | 35.09    | 35.09    | 33.71    | 32.32    | 32.32    | 30.64    | 29.00    | 27.36    |
| Mobile Homes                        | 31.19                     | 31.19    | 31.19    | 31.19    | 29.96    | 28.73    | 28.73    | 27.23    | 25.78    | 24.36    |
| Non-residential (per 100 cu ft)     | 4.96                      | 4.96     | 4.96     | 4.96     | 4.77     | 4.57     | 4.57     | 4.33     | 4.10     | 3.87     |
| Church/theater per seat             | 0.31                      | 0.31     | 0.31     | 0.31     | 0.30     | 0.32     | 0.32     | 0.31     | 0.29     | 0.28     |
| Comm/Industrial per employee        | 3.51                      | 3.51     | 3.51     | 3.51     | 3.37     | 3.23     | 3.23     | 3.06     | 2.90     | 2.73     |
| Hotel/Motel per living unit         | 19.50                     | 19.50    | 19.50    | 19.50    | 18.73    | 18.39    | 18.39    | 17.43    | 16.50    | 15.57    |
| Laundromat per machine              | 32.44                     | 32.44    | 32.44    | 32.44    | 31.16    | 29.87    | 29.87    | 28.31    | 26.80    | 25.28    |
| Restaurant per seat                 | 2.34                      | 2.34     | 2.34     | 2.34     | 2.25     | 2.31     | 2.31     | 2.19     | 2.07     | 1.95     |
| Schools per student                 | 0.78                      | 0.78     | 0.78     | 0.78     | 0.75     | 0.71     | 0.71     | 0.68     | 0.64     | 0.61     |
| Minimum charge                      | 24.45                     | 24.45    | 24.45    | 24.45    | 23.59    | 22.63    | 22.63    | 21.45    | 20.30    | 19.11    |

Source: Vallecitos Water District



VALLECITOS WATER DISTRICT  
 TABLE 9 - PRINCIPAL WATER CUSTOMERS  
 CURRENT FISCAL YEAR AND NINE YEARS PRIOR

Fiscal Year Ended June 30, 2019

| Customer Name                         | Usage (AF) | % of Water Sold |
|---------------------------------------|------------|-----------------|
| City of San Marcos                    | 578.3      | 4.26%           |
| San Marcos Unified School District    | 207.0      | 1.52%           |
| Altman Specialty Plants               | 171.3      | 1.26%           |
| San Elijo Hills Community Association | 118.4      | 0.87%           |
| Emerald Heights Association           | 109.4      | 0.81%           |
| San Marcos Prominence Inc.            | 100.8      | 0.74%           |
| Palomar College                       | 99.8       | 0.73%           |
| Meadowridge HOA                       | 95.5       | 0.70%           |
| Coronado Ranch HOA                    | 91.5       | 0.67%           |
| Palomar Estates West                  | 82.0       | 0.60%           |
| Total Top Ten Customers               | 1,654.0    | 12.16%          |
| Other Customers                       | 11,935.0   | 87.84%          |
| Total Water Billed                    | 13,589.0   | 100.00%         |

Fiscal Year Ended June 30, 2010

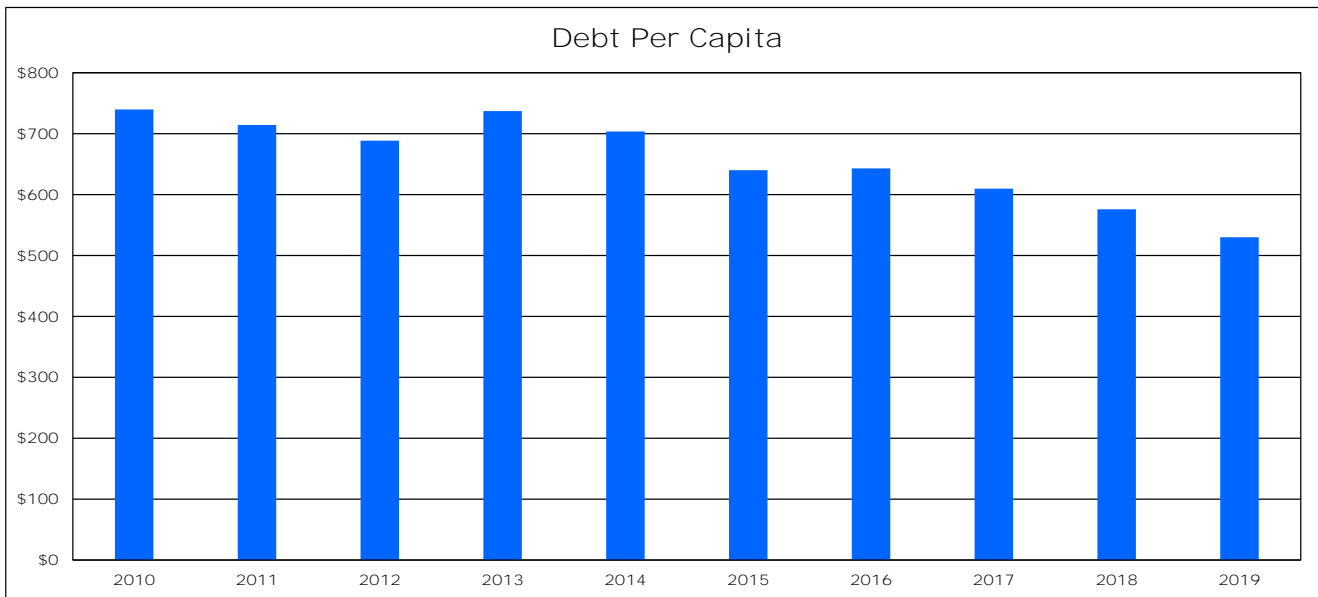
| Customer Name                         | Usage (AF) | % of Water Sold |
|---------------------------------------|------------|-----------------|
| City of San Marcos                    | 463.0      | 3.02%           |
| San Marcos Unified School District    | 199.5      | 1.30%           |
| Bonsall Farms                         | 172.0      | 1.12%           |
| Cal State University San Marcos       | 134.7      | 0.88%           |
| Citizens Development                  | 132.8      | 0.87%           |
| San Elijo Hills Community Association | 122.9      | 0.80%           |
| Emerald Heights Association           | 122.1      | 0.80%           |
| Meadowridge HOA                       | 121.6      | 0.79%           |
| Palomar Estates West                  | 107.4      | 0.70%           |
| San Marcos Prominence Inc.            | 88.9       | 0.58%           |
| Total Top Ten Customers               | 1,664.9    | 10.86%          |
| Other Customers                       | 13,681.3   | 89.14%          |
| Total Water Billed                    | 15,346.2   | 100.00%         |

Source: Vallecitos Water District

Note: (1) Includes only potable water.

VALLECITOS WATER DISTRICT  
TABLE 10 - NET OUTSTANDING LONG-TERM DEBT  
LAST TEN FISCAL YEARS

| Fiscal Year | Population Estimate | Capital Lease | 2015 Revenue Refunding Bonds (1) | 2012 COP     | 2008 Bank Loan | 2005 Series A COP (1) | Total         | Per Capita | Percentage of Personal Income |
|-------------|---------------------|---------------|----------------------------------|--------------|----------------|-----------------------|---------------|------------|-------------------------------|
| 2019        | 105,741             | \$ -          | \$ 49,249,511                    | \$ 2,991,000 | \$ 3,800,000   | \$ -                  | \$ 56,040,511 | \$ 530     | 0.85%                         |
| 2018        | 103,233             | -             | 51,519,480                       | 3,732,000    | 4,200,000      | -                     | 59,451,480    | 576        | 0.96%                         |
| 2017        | 103,112             | 26,460        | 51,884,451                       | 4,434,000    | 4,600,000      | 1,910,000             | 62,854,911    | 610        | 1.05%                         |
| 2016        | 102,992             | 73,361        | 52,249,420                       | 5,122,000    | 5,000,000      | 3,752,583             | 66,197,364    | 643        | 1.15%                         |
| 2015        | 102,871             | -             | -                                | 5,795,000    | 5,400,000      | 54,639,475            | 65,834,475    | 640        | 1.17%                         |
| 2014        | 97,489              | -             | -                                | 6,455,000    | 5,800,000      | 56,314,934            | 68,569,934    | 703        | 1.35%                         |
| 2013        | 96,622              | -             | -                                | 7,100,000    | 6,200,000      | 57,920,392            | 71,220,392    | 737        | 1.49%                         |
| 2012        | 95,763              | -             | -                                | -            | 6,600,000      | 59,321,832            | 65,921,832    | 688        | 1.43%                         |
| 2011        | 94,911              | -             | -                                | -            | 7,000,000      | 60,775,763            | 67,775,763    | 714        | 1.54%                         |
| 2010        | 94,067              | -             | -                                | -            | 7,400,000      | 62,169,695            | 69,569,695    | 740        | 1.68%                         |

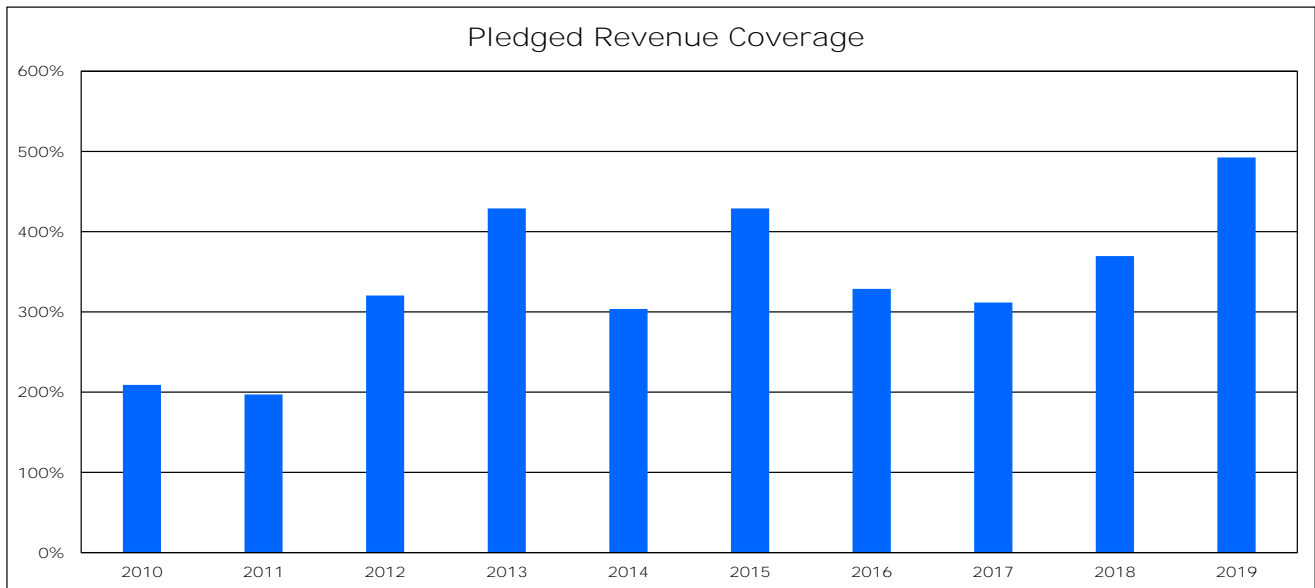


Source:  
California Department of Finance  
Vallecitos Water District

Notes:  
(1) Includes amortized bond issuance costs.

VALLECITOS WATER DISTRICT  
TABLE 11 - PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS

| Fiscal Year | Total Revenues (1) | Total Operating Expenses (2) | Net Revenue Available For Debt Service | Debt Service Requirements (3) |              |              | Coverage Factor (4) |
|-------------|--------------------|------------------------------|--|-------------------------------|--------------|--------------|---------------------|
|             |                    |                              |  | Principal                     | Interest     | Total        |                     |
| 2019        | \$ 80,979,842      | \$ 54,145,242                | \$ 26,834,600                          | \$ 3,046,000                  | \$ 2,402,069 | \$ 5,448,069 | 493%                |
| 2018        | 75,619,484         | 55,368,718                   | 20,250,766                             | 3,012,000                     | 2,466,065    | 5,478,065    | 370%                |
| 2017        | 67,761,328         | 50,781,867                   | 16,979,461                             | 2,898,000                     | 2,548,596    | 5,446,596    | 312%                |
| 2016        | 62,829,969         | 44,582,981                   | 18,246,988                             | 3,183,947                     | 2,367,734    | 5,551,681    | 329%                |
| 2015        | 67,963,097         | 43,884,685                   | 24,078,412                             | 2,695,000                     | 2,917,335    | 5,612,335    | 429%                |
| 2014        | 61,642,682         | 44,587,610                   | 17,055,072                             | 2,610,000                     | 3,004,832    | 5,614,832    | 304%                |
| 2013        | 62,438,443         | 41,851,005                   | 20,587,438                             | 1,885,001                     | 2,914,360    | 4,799,361    | 429%                |
| 2012        | 53,705,328         | 38,193,373                   | 15,511,955                             | 1,820,000                     | 3,020,262    | 4,840,262    | 320%                |
| 2011        | 46,433,047         | 36,875,629                   | 9,557,418                              | 1,760,000                     | 3,089,577    | 4,849,577    | 197%                |
| 2010        | 46,054,090         | 36,577,348                   | 9,476,742                              | 1,705,000                     | 2,829,861    | 4,534,861    | 209%                |

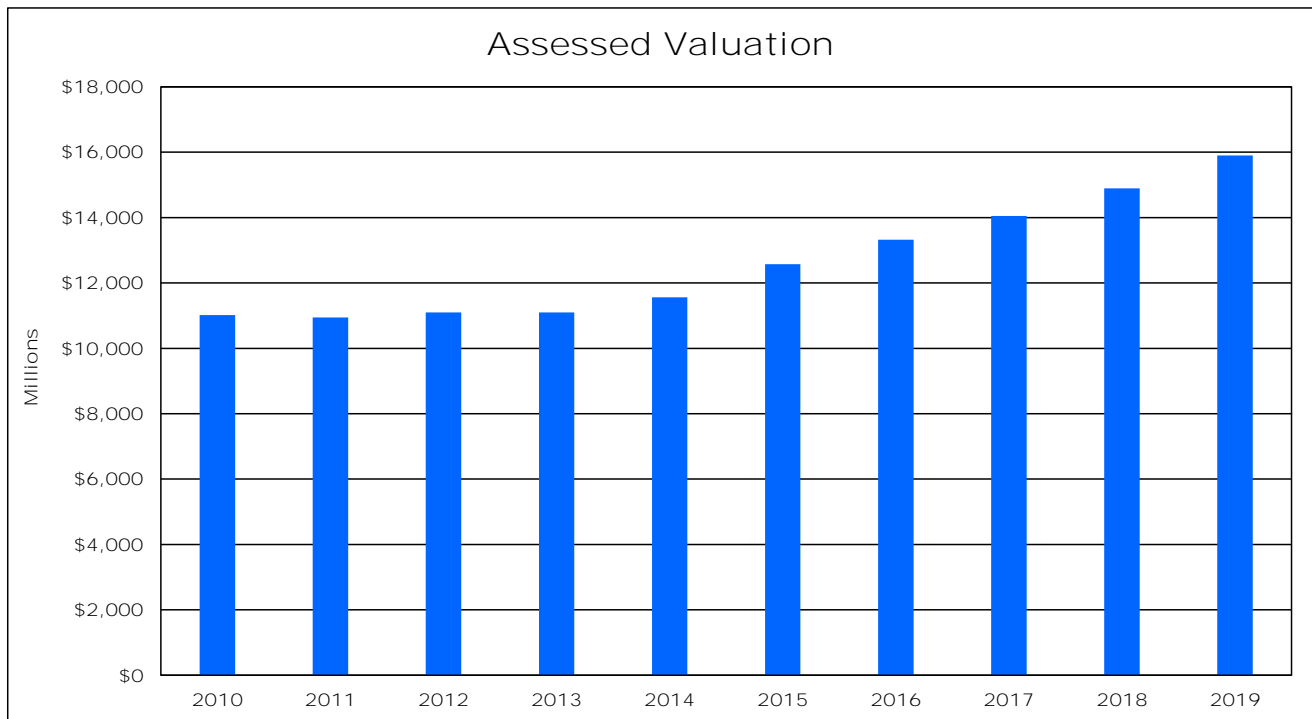


Source:  
Vallecitos Water District

- Note:
- (1) Total revenues of the District less contributed capital.
  - (2) Total operating expenses of the District excluding overhead absorption and depreciation and amortization.
  - (3) Pledged debts include the 2008 Bank Loan, 2005A and 2012 Certificates of Participation (COPS), and the 2015 Revenue Refunding Bonds.
  - (4) The District's bond covenants require a minimum coverage factor of 115%

VALLECITOS WATER DISTRICT  
TABLE 12 - ASSESSED VALUATION  
LAST TEN FISCAL YEARS

| Year | Secured           | Unsecured      | Total             | Change |
|------|-------------------|----------------|-------------------|--------|
| 2019 | \$ 15,530,939,622 | \$ 370,551,852 | \$ 15,901,491,474 | 6.74%  |
| 2018 | 14,559,870,015    | 338,104,245    | 14,897,974,260    | 6.03%  |
| 2017 | 13,723,214,216    | 327,489,319    | 14,050,703,535    | 5.46%  |
| 2016 | 13,002,974,379    | 320,326,468    | 13,323,300,847    | 5.97%  |
| 2015 | 12,241,691,036    | 331,083,454    | 12,572,774,490    | 8.77%  |
| 2014 | 11,220,883,652    | 337,826,991    | 11,558,710,643    | 4.15%  |
| 2013 | 10,749,957,402    | 348,712,281    | 11,098,669,683    | -0.03% |
| 2012 | 10,755,217,486    | 346,467,100    | 11,101,684,586    | 1.45%  |
| 2011 | 10,600,146,556    | 342,963,870    | 10,943,110,426    | -0.65% |
| 2010 | 10,668,875,155    | 345,461,577    | 11,014,336,732    | -6.03% |



Source: County of San Diego Auditor and Controller

VALLECITOS WATER DISTRICT  
TABLE 13 - DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

| Year | Population Estimate | Average Household Size (1) | Unemployment Rate (2) | Per Capita Personal Income (3) | Total Personal Income |
|------|---------------------|----------------------------|-----------------------|--------------------------------|-----------------------|
| 2019 | 105,741             | 3.17                       | 3.3%                  | \$ 62,098 (4)                  | \$ 6,566,298,391      |
| 2018 | 103,233             | 3.18                       | 3.6%                  | 59,969 (4)                     | 6,190,777,283         |
| 2017 | 103,112             | 3.17                       | 4.2%                  | 57,913                         | 5,971,552,757         |
| 2016 | 102,992             | 3.15                       | 5.0%                  | 56,116                         | 5,779,480,367         |
| 2015 | 102,871             | 3.14                       | 5.3%                  | 54,742                         | 5,631,364,282         |
| 2014 | 97,489              | 3.13                       | 6.5%                  | 52,166                         | 5,085,595,955         |
| 2013 | 96,622              | 3.10                       | 8.2%                  | 49,460                         | 4,778,913,530         |
| 2012 | 95,763              | 3.09                       | 9.5%                  | 48,256                         | 4,621,118,706         |
| 2011 | 94,911              | 3.07                       | 10.7%                 | 46,505                         | 4,413,836,055         |
| 2010 | 94,067              | 3.05                       | 10.7%                 | 44,113                         | 4,149,577,571         |

Source:

California Department of Finance

CALMIS, Employment Development Department (EDD)

U.S. Department of Labor Statistics, Bureau of Economic Analysis, Regional Data

Vallecitos Water District

Notes:

(1) Values are for the City of San Marcos, which represents about 84% of the District's billable accounts.

(2) The unemployment rates illustrated are for San Diego County. Values taken from June of each fiscal year.

(3) Per Capita Personal Income figures illustrated are for San Diego County.

VALLECITOS WATER DISTRICT  
 TABLE 14 - LARGEST EMPLOYERS IN SAN DIEGO COUNTY  
 CURRENT FISCAL YEAR AND NINE YEARS PRIOR

Fiscal Year Ended June 30, 2019 (1)

| Employer  | # of Employees | % of Total Employment |
|---|----------------|-----------------------|
| University of California, San Diego               | 34,448         | 2.32%                 |
| United States Navy, San Diego                     | 34,185         | 2.30%                 |
| Sharp Healthcare                                  | 18,364         | 1.24%                 |
| County of San Diego                               | 17,413         | 1.17%                 |
| Scripps Healthcare                                | 14,941         | 1.01%                 |
| San Diego Unified School District                 | 13,815         | 0.93%                 |
| Qualcomm  | 11,800         | 0.79%                 |
| City of San Diego                                 | 11,462         | 0.77%                 |
| Kaiser Foundation Hospital                        | 9,606          | 0.65%                 |
| UC San Diego Health                               | 8,932          | 0.60%                 |
| Total Top Ten Employers                           | 174,966        | 11.78%                |
| Total Number of Employees in San Diego County (3) |                | 1,486,300             |

Fiscal Year Ended June 30, 2010 (2)

| Employer  | # of Employees | % of Total Employment |
|---|----------------|-----------------------|
| Marine Corps Base, Camp Pendleton                 | 60,000         | 4.93%                 |
| Federal Government                                | 43,500         | 3.57%                 |
| United States Navy                                | 42,000         | 3.45%                 |
| State of California                               | 40,900         | 3.36%                 |
| University of California, San Diego               | 26,000         | 2.13%                 |
| County of San Diego                               | 20,500         | 1.68%                 |
| City of San Diego                                 | 19,500         | 1.60%                 |
| San Diego Unified School District                 | 15,881         | 1.30%                 |
| Sharp Healthcare                                  | 14,390         | 1.18%                 |
| Scripps Healthcare                                | 12,700         | 1.04%                 |
| Total Top Ten Employers                           | 295,371        | 24.24%                |
| Total Number of Employees in San Diego County (3) |                | 1,218,100             |

Source:

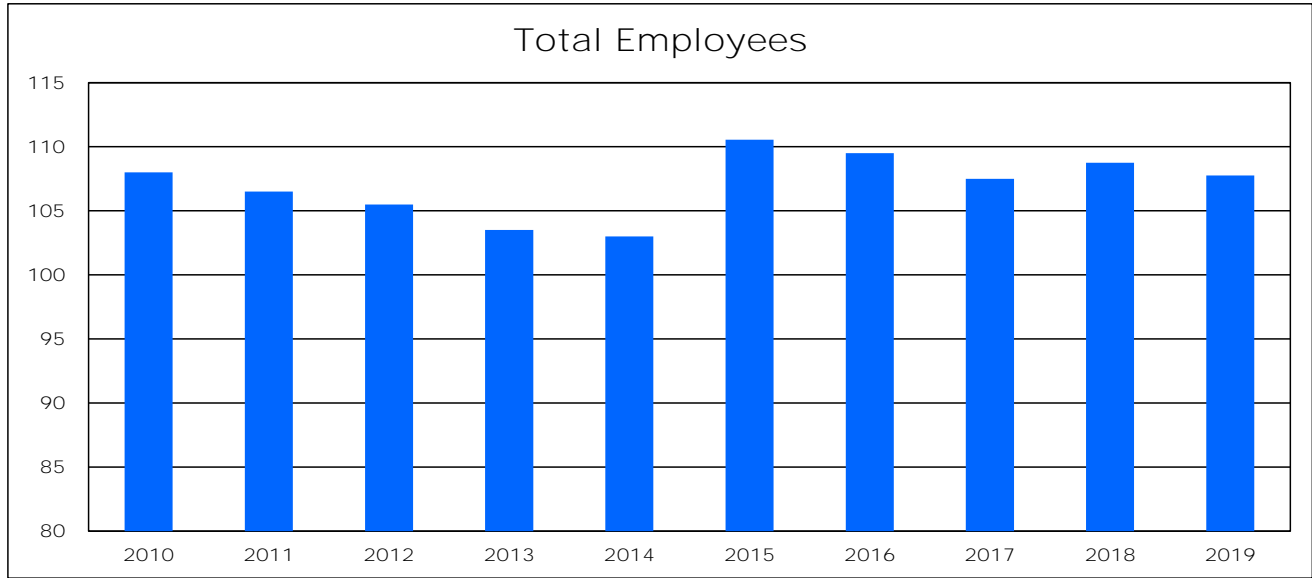
(1) *San Diego Business Journal*

(2) *The Daily Transcript, Sourcebook*

(3) *California Employment Development Department*

VALLECITOS WATER DISTRICT  
TABLE 15 - TOTAL EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

|                | Fiscal Year ended June 30 |               |               |               |               |               |               |               |               |               |
|----------------|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                | 2019                      | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          |
| Operations     | 54.00                     | 52.00         | 52.00         | 52.00         | 50.10         | 48.00         | 49.00         | 51.00         | 52.00         | 54.00         |
| Engineering    | 16.00                     | 17.00         | 16.00         | 16.00         | 16.80         | 15.00         | 15.00         | 16.00         | 17.00         | 17.00         |
| Finance        | 21.00                     | 23.00         | 22.75         | 24.25         | 25.75         | 22.00         | 22.00         | 20.00         | 20.00         | 20.00         |
| Administration | 16.75                     | 16.75         | 16.75         | 17.25         | 17.90         | 18.00         | 17.50         | 18.50         | 17.50         | 17.00         |
| <b>Total</b>   | <b>107.75</b>             | <b>108.75</b> | <b>107.50</b> | <b>109.50</b> | <b>110.55</b> | <b>103.00</b> | <b>103.50</b> | <b>105.50</b> | <b>106.50</b> | <b>108.00</b> |



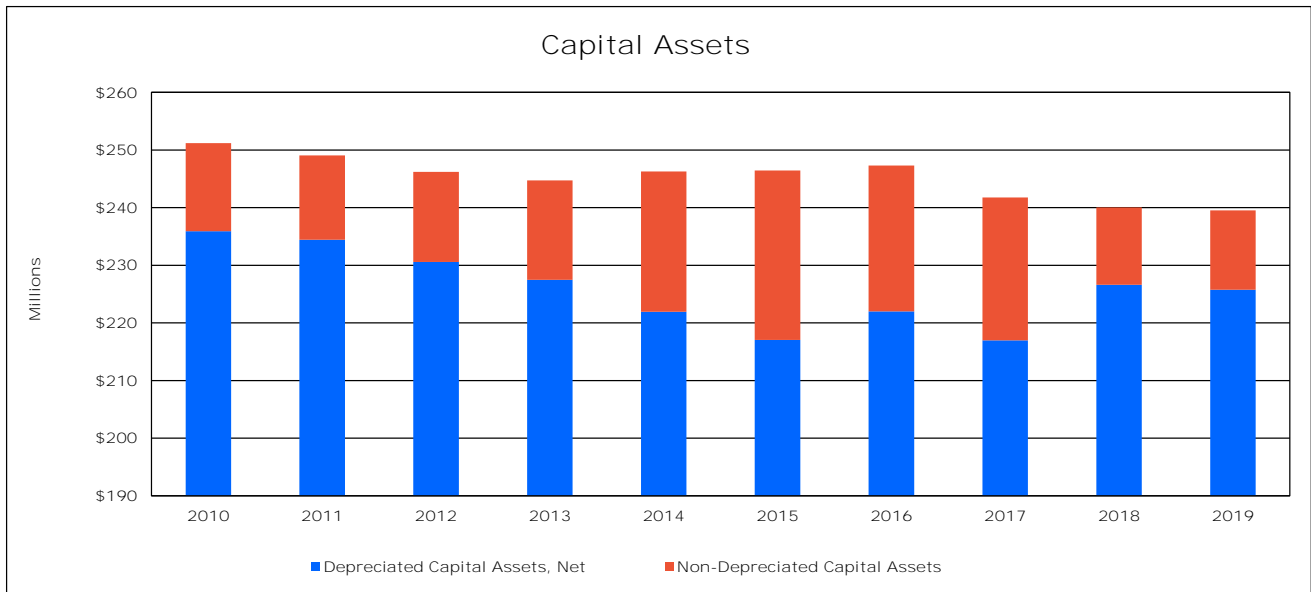
Source: Vallecitos Water District

VALLECITOS WATER DISTRICT  
TABLE 16 - CAPITAL ASSETS  
LAST TEN FISCAL YEARS

|  | Fiscal Year ended June 30 |                |                |                |                |
|--|---------------------------|----------------|----------------|----------------|----------------|
|  | 2019                      | 2018           | 2017           | 2016           | 2015           |
| Land   | \$ 4,981,505              | \$ 4,981,505   | \$ 4,981,505   | \$ 4,981,505   | \$ 4,761,505   |
| Construction in Progress                     | 8,795,099                 | 8,451,903      | 19,785,305     | 20,293,565     | 24,641,438     |
| Total Capital Assets, Not Depreciated        | 13,776,604                | 13,433,408     | 24,766,810     | 25,275,070     | 29,402,943     |
| Water Transmission and Distribution System   | 204,106,247               | 200,023,591    | 196,880,917    | 196,941,476    | 190,810,104    |
| Wastewater System                            | 141,807,671               | 140,385,064    | 125,580,427    | 123,478,344    | 117,102,203    |
| Buildings                                    | 17,236,207                | 16,137,578     | 15,653,556     | 15,427,261     | 15,311,551     |
| Transportation Equipment                     | 5,061,992                 | 4,777,709      | 4,635,046      | 4,515,658      | 4,130,159      |
| Field and Shop Equipment                     | 11,041,945                | 9,916,142      | 11,830,842     | 11,201,974     | 10,709,739     |
| Office Equipment                             | 2,097,643                 | 2,193,125      | 2,351,205      | 2,343,625      | 2,277,078      |
| Accumulated Depreciation                     | (155,598,238)             | (146,831,322)  | (139,942,275)  | (131,897,746)  | (123,314,886)  |
| Total Capital Assets, Being Depreciated, Net | 225,753,467               | 226,601,887    | 216,989,718    | 222,010,592    | 217,025,948    |
| Total Capital Assets, Net                    | \$ 239,530,071            | \$ 240,035,295 | \$ 241,756,528 | \$ 247,285,662 | \$ 246,428,891 |

|  | 2014           | 2013           | 2012           | 2011           | 2010           |
|--|----------------|----------------|----------------|----------------|----------------|
|  | Land           | \$ 4,761,505   | \$ 4,761,505   | \$ 4,744,508   | \$ 4,744,508   |
| Construction in Progress                     | 19,554,005     | 12,492,200     | 10,894,549     | 9,873,843      | 10,543,341     |
| Total Capital Assets, Not Depreciated        | 24,315,510     | 17,253,705     | 15,639,057     | 14,618,351     | 15,287,849     |
| Water Transmission and Distribution System   | 188,859,948    | 187,395,706    | 183,821,481    | 182,571,956    | 180,518,409    |
| Wastewater System                            | 115,788,763    | 115,092,483    | 114,106,726    | 110,517,704    | 108,488,967    |
| Buildings                                    | 15,300,427     | 15,252,215     | 15,229,776     | 16,729,776     | 14,898,399     |
| Transportation Equipment                     | 4,345,521      | 3,793,371      | 3,550,629      | 3,539,177      | 3,472,797      |
| Field and Shop Equipment                     | 10,670,338     | 10,309,062     | 10,000,563     | 10,852,234     | 10,553,274     |
| Office Equipment                             | 2,449,293      | 2,473,211      | 2,414,300      | 2,337,185      | 1,896,286      |
| Accumulated Depreciation                     | (115,478,982)  | (106,836,812)  | (98,565,502)   | (92,125,085)   | (83,935,458)   |
| Total Capital Assets, Being Depreciated, Net | 221,935,308    | 227,479,236    | 230,557,973    | 234,422,947    | 235,892,674    |
| Total Capital Assets, Net                    | \$ 246,250,818 | \$ 244,732,941 | \$ 246,197,030 | \$ 249,041,298 | \$ 251,180,523 |



Source: Vallecitos Water District



**DATE: DECEMBER 11, 2019**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: HILLSIDE DEVELOPMENT PROJECT UPDATE AND POLICY DIRECTION**

**BACKGROUND:**

The District owns an approximately 48-acre parcel that contains the District headquarters and operations facilities along with an undeveloped portion along the east side of the property. This undeveloped portion has become known as the Hillside Property and consists of approximately 32.7 acres of the 48 acres.

In an effort to keep utility rates as low as possible, the Board directed staff to pursue the development of the Hillside Property to generate ongoing revenue for the District. In April of 2019, the Board established an Ad Hoc Committee consisting of Board President Martin and Director Hernandez to work with staff on moving the Hillside Development Project forward. Recognizing that District staff does not possess the detailed land development knowledge and experience to ensure the District maximizes the revenue potential of the site, the Board awarded a consulting contract to Rick Gittings (Consultant) to assist the District in its efforts.

The original Board direction was to maximize the revenue associated with development of the property while incurring minimal expense and risk. The Board established funding in the amount of \$50,000 to pay for the Consultant and some preliminary biological work. This report is to update the Board on progress to date and seek policy direction moving forward.

**DISCUSSION:**

During recent Ad Hoc Committee meetings, it was discussed that the District would likely increase its overall revenue generation if the District were willing to take on some of the work and costs associated with entitling the property for future development. Entitling a property (which, generally, refers to obtaining certain permits and approvals from affected agencies that are required prior to improving the land) reduces the financial risks associated with property development. Once entitled, a development partner would likely pay the District more in exchange for the ability to develop the land than they would have had the property not been entitled.

**Goals of Project:**

1. Develop an on-going revenue stream from development of the approximate 32.7-acre site to help defray future costs to ratepayers.
2. Use the City's current General Plan Update process to maximize the density of the site in a multi-family framework (go from R-3-10, which allows 12-20 units to the acre, to a R-3-6 zoning, which allows 20-30 units per acre, or a higher density if the City authorizes a new zoning criteria).

3. Work with a development partner (yet to be selected) to achieve a high-quality, multi-family development on the property with VWD providing the site on a long-term ground lease as their part of the partnership.

Process:

1. Utilize City General Plan Update process to maximize density on the site.
2. VWD has a seat and an alternate on the General Plan Advisory Committee.
3. During the General Plan process (current schedule calls for a 2-3-year process) VWD can provide specific technical studies to be included in the City's EIR so when the process concludes the Hillside property will be CEQA-entitled for the ultimate density provided for within the City's EIR.
4. Entitlement work/technical studies to be accomplished during this 2-3-year timeframe would include the following topic areas:
  - Traffic
  - Biological (already underway as the first step to determine ability to develop the site)
  - Soils
  - Noise
  - Air Quality
  - Greenhouse Gases
  - Cultural Resources
  - Phase 1 Environmental Site Assessment geotechnical report (already completed by SMUSD-Tetra Tech) - This completed study evaluated the Recognized Environmental Concerns (RECs) associated with the site. The report's findings were that there were no RECs on site and there were two hazardous pipelines within 1,500 of the site (one natural gas pipeline and one high volume water pipeline). The only other finding was the site, like most sites in San Marcos, has a documented presence of naturally occurring arsenic in the soils.
  - Specific Plan (assuming City desires one for the site)

The cost of accomplishing the above technical studies is estimated to be approximately \$100,000, including the cost of the District's current consultant's time and effort to coordinate the work. This would be in addition to the \$50,000 already budgeted for the project. This is an estimate only and will depend in part on the City's input during the development of the scope of work.

5. The additional and more expensive entitlement efforts would not be undertaken until the Board selects a development partner. This work would include a site development plan, grading and engineering plans, a tentative map or parcel map, and building plans and architectural analysis.

Timing/Costs/Other Issues:

1. City is estimating 2-3 years to complete their General Plan process.

2. The site is currently zoned R-3-10 (12-20 units per acre) and a higher density would create more value for the District and development partner.
3. The estimated cost to conduct the necessary technical CEQA studies referenced above to accompany the City's EIR is \$100,000, plus the remaining amount of the original \$50,000 budgeted for this project for a total of \$150,000.
4. There is approximately \$32,000 remaining in the current budget authorization. Staff is currently reviewing a next step biological study that will cost approximately \$20,000. This work could be completed within the existing authorized funds.
5. VWD staff time to work with the consultant will consist of approving consultant contracts, reviewing draft consultant reports, and ultimately negotiating an agreement with a development partner in conjunction with Board oversight and approval.
6. Typical valuation increases from the above-mentioned work is difficult to predict but the further along the project is when you select a development partner, the less risk/unknowns for them to consider in making an offer to the District in valuing a long-term ground lease. Typical increases in value based on our Consultant's experience is 4-10 times the cost of the work completed. Any expenditures by the District, as with our recent solar Power Purchase Agreement project, can be included in a future agreement to be repaid to the District by the District's development partner.
7. There is a possibility a portion or all of the above-mentioned costs could be grant funded through SB 2 or SB 50. SB 2 is law; SB 50 is proposed but appears to have significant support.
8. The current site is all one parcel (including the District's administrative HQ and operations facilities) and at some point the District may want to subdivide the 32.7-acre site into a separate parcel or parcels depending on the development plan.

Policy Direction:

The Ad Hoc Committee, staff and the District's consultant have met on numerous occasions to discuss options and priority of work. The assumptions and suggestions to date have been the following:

1. The District would rather maintain ownership of the site rather than selling the site. This is in order to develop a long-term revenue stream from the site to assist the District and its rate payers in defraying costs of water and sewer operations in the future.
2. The proposed "additional work" proposed in this report under "Process" was considered by the Ad Hoc Committee, staff and consultant as "value added" to the site and process but needs the full Board's discussion and approval.

**RECOMMENDATION:**

For the Board to discuss this report and provide policy direction to staff.

201 Vallecitos de Oro • San Marcos, California • 92069-1453 (760) 744-0460

**NOTICE OF PUBLIC HEARING ON PROPOSED CHANGES IN  
WATER RATES**

**Date: Wednesday, February 19, 2020**  
**Time: 5:00 p.m.**  
**Location: 201 Vallecitos de Oro, San Marcos, CA 92069**

You are receiving this notice because you are a Vallecitos Water District customer. This notice is being furnished to you pursuant to the California Constitution Article XIID, also known as Proposition 218. The February 19, 2020, public hearing will cover the proposed adjustments for water rates to become effective March 1, 2020. For a typical single-family residential water customer, your water bill will increase by 3.5% per month. This notice addresses why rate changes are necessary, what the water rates fund, and the basis for the proposed rates.

**What is the impact to the average single family residence?**

**EXAMPLE**

The proposed rates will result in the following increases to the average single family residential bill. Your resulting increase will vary depending on your water usage and meter size. Visit [www.vwd.org/ratecalculator](http://www.vwd.org/ratecalculator) to learn how rates will impact you.

| Average Single Family Residential Customer Bill* |                 |                 |                |             |
|--|-----------------|-----------------|----------------|-------------|
|  | Current         | Mar 2020        | Increase       |             |
|  |                 |                 | Amount         | %           |
| Water Commodity                                  | \$ 54.16        | \$ 56.06        | \$ 1.90        | 3.5%        |
| Ready-to-Serve                                   | 35.32           | 36.56           | 1.24           | 3.5%        |
| <b>Total Water Bill</b>                          | <b>\$ 89.48</b> | <b>\$ 92.62</b> | <b>\$ 3.14</b> | <b>3.5%</b> |

\*The average Single Family Residential Bill assumes a 5/8" meter using 13 units (9,724 gallons) of water per month.

**Why are rate increases necessary?**

Rate increases are necessary to continue to provide safe, reliable and sustainable water service to our customers and are required to cover the increased cost of wholesale water, electricity cost increases, inflationary cost increases, escalating costs to comply with increasingly stringent environmental regulations, replace aging infrastructure, fund an asset replacement program and meet debt service requirements.

Even with the proposed rate increases, Vallecitos is a public agency that does not operate for profit. Vallecitos is revenue neutral, so only those charges sufficient to support your service are billed to you. Each end user pays a fair share of the cost of water acquisition and delivery, as well as the rehabilitation, operation and maintenance of the public water facilities. As always, we will continue to honor our commitment to provide the most reliable service at the lowest possible cost. The District also continually strives to be among the lower cost water service providers in San Diego County.

## How to provide comments or protest the rate adjustment.

You may comment or ask questions at any time by contacting Vallecitos Water District at (760) 744-0460 or [vwd@vwd.org](mailto:vwd@vwd.org), or participating in the February 19, 2020, Public Hearing at 5:00 pm. However, if you wish to submit a formal protest against the adoption of the proposed water rates, please make sure to read the following information carefully to make sure your protest will count. Any record owner of a parcel upon which the water rates are proposed to be imposed and any tenant directly liable for the payment of water rates (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the Vallecitos Water District's water rates; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed water rate increases; (2) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted in one of the following manners: (1) by mail to Vallecitos Water District, ATTN: Board Secretary, 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received by Board Secretary of the Vallecitos Water District by 4:00 p.m. on February 19, 2020; (2) in person, addressed to the Board Secretary at 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received prior to 4:00 p.m. on February 19, 2020; or (3) at the Public Hearing on February 19, 2020, so long as the protest is received prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the Vallecitos Water District Attn: Rate Hearing.

The Board of Directors will consider all written protests and will consider all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as valid protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rate increases as described in this notice. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases.

## What do water rates fund?

The proposed rates are being considered solely for the purpose of covering costs incurred by the water system, which include treated water purchases, water system operation and maintenance, facility and equipment maintenance, water system rehabilitation, regulatory compliance, metering, billing, and account management. The rate structure is tiered to encourage conservation, fund conservation programs, comply with drought alerts and cover the costs of public awareness, education and outreach, and water reliability and diversification. The proposed rate increases cover rising costs of acquiring imported water from the Colorado River and Northern California which result in wholesale water cost increases from our wholesaler, the San Diego County Water Authority (CWA). CWA has adopted rate increases of 5.3% for calendar year 2019 and proposed rate increases of 3.4% for 2020 and these wholesale rates are passed through to our customers.

## What is Vallecitos doing to control costs?

Vallecitos' priority to ensure financial stability is to control costs. In recent years, Vallecitos has restructured its organization, eliminating positions, and redistributing workload to maximize productivity and efficiency. The last three labor negotiations have resulted in cuts to employee benefits. Vallecitos contracted with the Olivenhain Municipal Water District for water treatment services at a cost of 20% less than the San Diego County Water Authority's treatment charge. Vallecitos has engaged consultants to perform energy and operational efficiency studies and has implemented recommendations from the studies. Vallecitos has also obtained input from staff, including installing energy efficient lighting and pumping equipment, in-house mechanical and fleet maintenance, critical asset condition assessments, predictive asset maintenance and replacement, and strategic use of technology throughout field operations and customer billing. Staff evaluates the effectiveness of changes implemented and continuously improves efficiency of operations.

## How are water rates determined?

A comprehensive Cost of Service Study was performed. One of the major goals of the study was to ensure equitable water rates that produce adequate revenues to meet the District's financial needs, recognize customer costs of service and encourage water conservation in a resource-constricted environment. For more information, the report is posted to [www.vwd.org/rates](http://www.vwd.org/rates).

| Water Monthly Ready-to-Serve Charges |          |            |
|--------------------------------------|----------|------------|
| Meter Size                           | Current  | March 2020 |
| 5/8"                                 | \$ 35.32 | \$ 36.56   |
| 3/4"                                 | 36.52    | 37.80      |
| 1"                                   | 55.29    | 57.23      |
| 1.5"                                 | 130.67   | 135.24     |
| 2"                                   | 214.68   | 222.19     |
| 3"                                   | 356.22   | 368.69     |
| 4"                                   | 552.94   | 572.29     |
| 6"                                   | 1,105.88 | 1,144.59   |
| 10"                                  | 2,549.36 | 2,638.59   |
| Multiple Dwelling Unit               | 11.18    | 11.57      |
| Temporary Meters                     | 257.33   | 266.34     |
| Fire Line per diameter inch          | 5.87     | 6.08       |

The monthly **Ready-to-Serve Charge** is assessed to recover fixed charges paid by the District to the District's wholesaler, the San Diego County Water Authority, expenses associated with meters and service lines, operating expenses not directly related to the flow of water (general and administrative, engineering, information technology, etc.), and capital asset replacement costs of service lines, meters, and general facilities. These expenses are incurred by the District even if no water is delivered to our customers. Charges for Multiple Dwelling Units are on a per dwelling unit basis.

| Tier Structure in Units (748 gallons) - (no change) |                      |           |         |
|---|----------------------|-----------|---------|
| Meter Size  | Effective March 2020 |           |         |
|   | Tier 1               | Tier 2    | Tier 3  |
| 5/8" & 3/4"   | 1 - 6                | 7 - 21    | 22 +    |
| 1"  | 1 - 16               | 17 - 78   | 79 +    |
| 1.5"  | 1 - 43               | 44 - 196  | 197 +   |
| 2"  | 1 - 85               | 86 - 335  | 336 +   |
| >2"   | 1 - 430              | 431-1,190 | 1,191 + |
| Agricultural  | 1 +                  |           |         |
| Temporary Construction                              |                      |           | 1 +     |

**Tier allocations** are based on average usage for each meter size. Water rates consist of three inclining tiers, with tier widths established based on the size of the meter serving the property. This rate structure, known as a "meter overlay," allocates greater amounts of water in tiers 1 and 2 to larger meters, to compensate for the additional capacity property owners with such meters serving their property have purchased in the water system through both previously-paid capacity charges and the readiness-to-serve charge. This structure also reflects the unique demands placed on the water system by such meters.

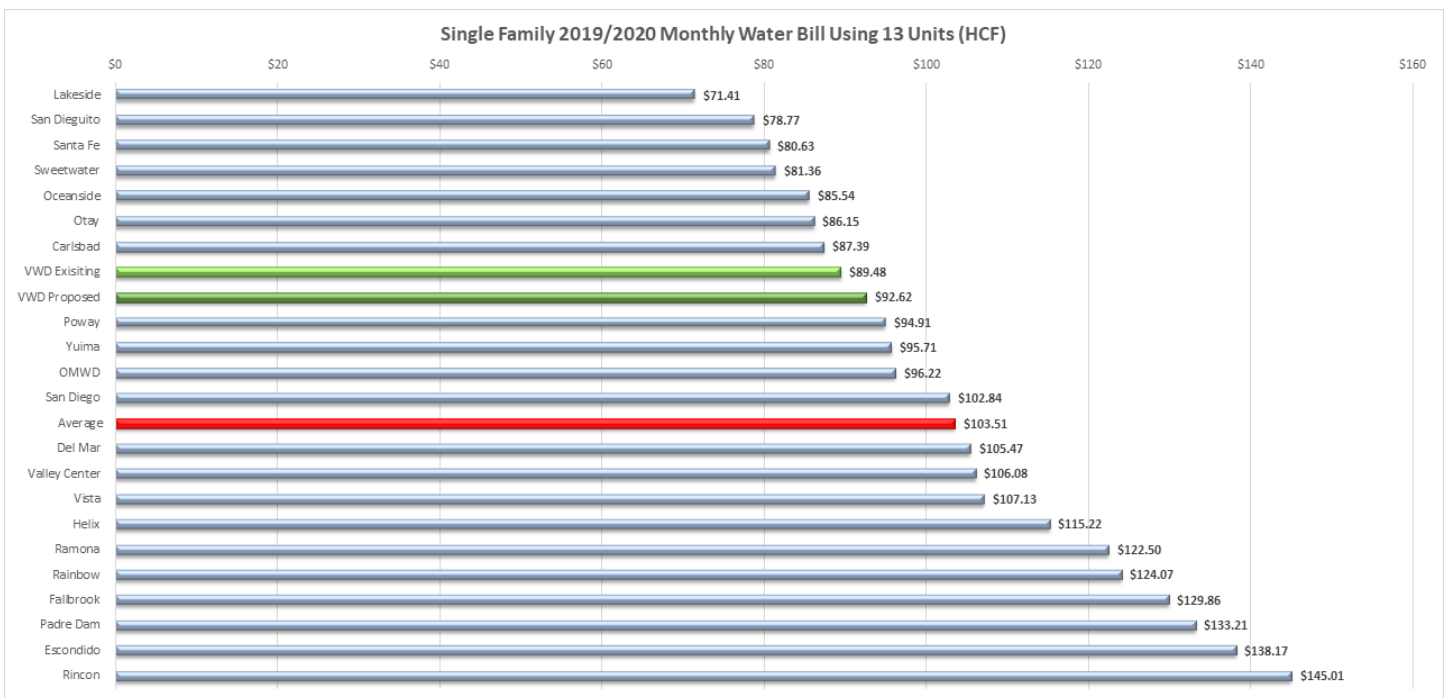
| Water Commodity Rates per Unit |         |            |
|--------------------------------|---------|------------|
|                                | Current | March 2020 |
| Tier 1                         | \$ 3.66 | \$ 3.79    |
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**Water Commodity Rates** recover the cost of water supply, expenses directly associated with water flow (transmission and distribution, water treatment, tanks and reservoirs, etc.), conservation costs, and capital replacement costs of assets directly associated with water flow (tanks and reservoirs, transmission and distribution, pumping, etc.).

This legal notice contains important information regarding rates associated with providing 21,000 plus customers in San Marcos, portions of Carlsbad, Escondido, Vista and unincorporated areas in San Diego County with safe, reliable water and wastewater services. (Para información en Español, visítenos en [www.vwd.org](http://www.vwd.org) o llámenos a (760)744-0460.)



### Regional Water Cost Comparison for San Diego County



For comparison purposes only. Based on data gathered December 10, 2019.

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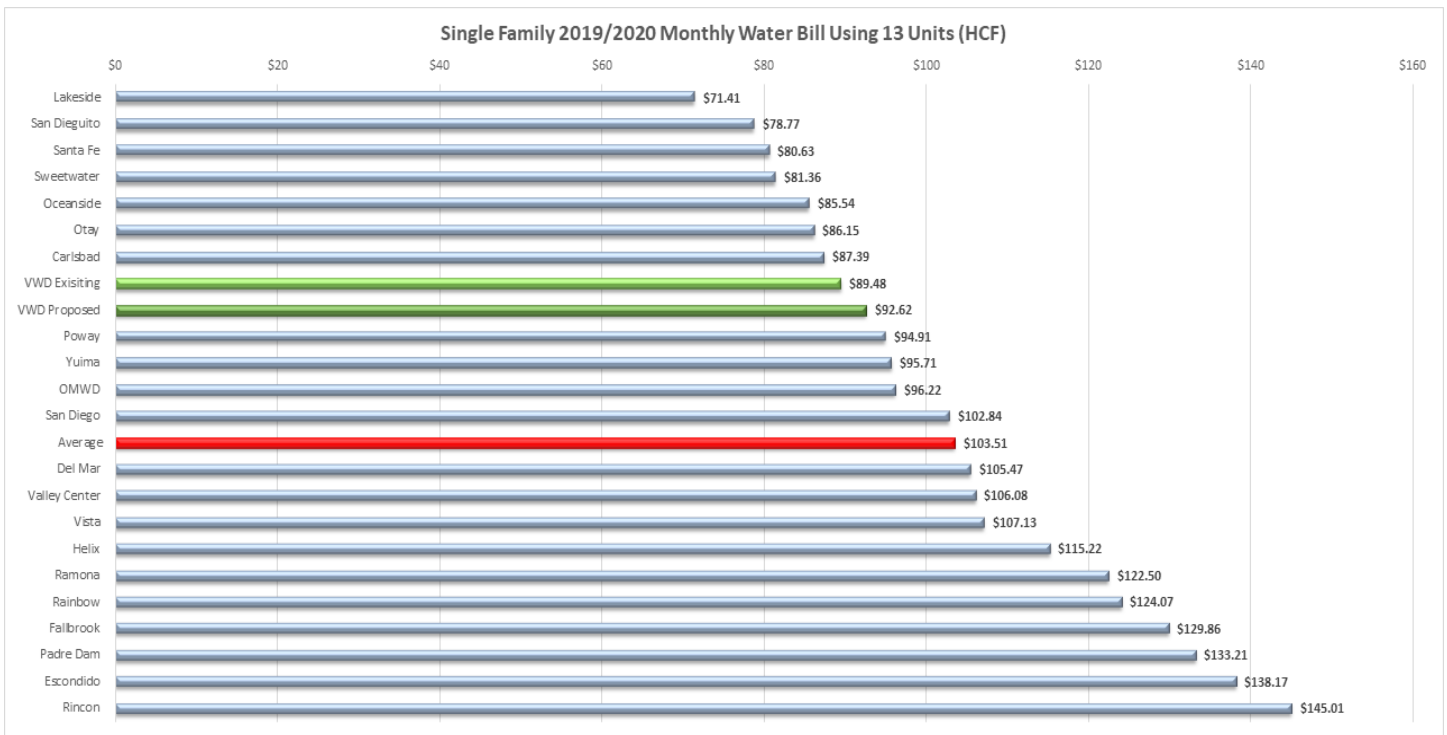
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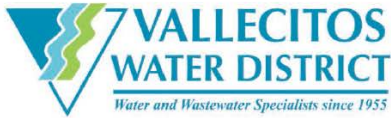
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