

**PURSUANT TO EXECUTIVE ORDER N-25-20 ISSUED BY GOVERNOR NEWSOM,  
ONE OR MORE BOARD MEMBERS MAY PARTICIPATE IN THE MEETING  
VIA TELECONFERENCE**

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, APRIL 1, 2020, AT 5:00 P.M.  
AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

NOTICE TO THE PUBLIC

Due to the evolving situation with the COVID-19 Novel Coronavirus and Executive Order N-35-20, so long as state or local public health officials have imposed or recommended social distancing measures Vallecitos Water District will hold future meetings via teleconferencing and allow members of the public to observe and address the meeting telephonically or otherwise electronically. During this period of time, Vallecitos Water District will not be making any physical location available for members of the public to observe the meeting and offer public comment. The public is encouraged to watch and participate in the meeting from the safety of their homes. The meeting can be viewed on the agenda page located on the main page of the District's website. Public comments or questions can be submitted to the following email address: [PublicComment@vwd.org](mailto:PublicComment@vwd.org). All written comments that are received at least two (2) hours before the meeting will be provided to the Board, and a record of the receipt of comment will be noted during the meeting.

CALL TO ORDER – PRESIDENT EVANS

PLEDGE OF ALLEGIANCE

ROLL CALL

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

ADOPT AGENDA FOR THE REGULAR MEETING OF APRIL 1, 2020

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.

CONSENT CALENDAR

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.

1.1 APPROVAL OF MINUTES (pp. 5-31)

- A. CLOSED SESSION BOARD MEETING – MARCH 4, 2020
- B. REGULAR BOARD MEETING – MARCH 4, 2020
- C. ENGINEERING/EQUIPMENT COMMITTEE MEETING – MARCH 9, 2020
- D. CLOSED SESSION BOARD MEETING – MARCH 18, 2020
- E. SPECIAL BOARD MEETING – MARCH 18, 2020
- F. FINANCE/INVESTMENT COMMITTEE MEETING – MARCH 23, 2020

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

**Recommendation: Approve Minutes**

1.2 WARRANT LIST THROUGH APRIL 1, 2020 – \$3,278,659.49 (pp. 32-33)

**Recommendation: Approve Warrant List**

1.3 APPROVAL OF CONSTRUCTION AGREEMENT FOR ORCHARD HILLS SUBDIVISION IMPROVEMENTS (WARMINGTON RESIDENTIAL CALIFORNIA, INC.) (pp. 34-50)

*The project is located on Richland Road between Tuscany Avenue and Tres Rancheros Lane in unincorporated San Diego County.*

**Recommendation: Approve the Construction Agreement for Orchard Hills Subdivision Improvements**

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

ACTION ITEM

2.1 PROPOSED 2020 INVESTMENT POLICY RESOLUTION (pp. 51-67)

*The investment policy is reviewed annually.*

**Recommendation: Adopt Resolution approving the Statement of Investment Policy for calendar year 2020**

\*\*\*\*\*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., Friday, March 27, 2020.

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Diane Posvar

MINUTES OF A CLOSED SESSION MEETING  
OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 4, 2020, AT 4:30 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Evans called the Closed Session meeting to order at the hour of 4:30 p.m.

Nicholaus Norvell, Legal Counsel, led the pledge of allegiance.

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

Staff Present: James Gumpel, District Engineer  
Legal Counsel Norvell  
Executive Secretary Posvar

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF MARCH 4, 2020

20-03-01 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Closed Session Meeting of March 4, 2020.

PUBLIC COMMENT

None.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

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

**\*\*\*\*\*END OF CLOSED SESSION\*\*\*\*\***

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 4:57 p.m. There was no reportable action from the Closed Session Meeting.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:58 p.m.

A meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 18, 2020 at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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James Gumpel, District Engineer  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 4, 2020, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Development Services Senior Engineer Scholl led the pledge of allegiance.

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

Staff Present: District Engineer Gumpel  
Legal Counsel Norvell  
Operations & Maintenance Manager Pedrazzi  
Development Services Senior Engineer Scholl  
Finance Manager Owen  
Executive Secretary Posvar

ADOPT AGENDA FOR THE MEETING OF MARCH 4, 2020

20-03-02 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Board Meeting of May 4, 2020.

PUBLIC COMMENT

None.

CONSENT CALENDAR

20-03-03 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Closed Session Board Meeting – February 26, 2020

1.2 Warrant list through March 4, 2020 - \$971,661.10

1.3 Approval of Construction Agreement for Sunset Ridge, APN 226-280-19 (Raecorte Development, LLC)

ACTION ITEMS

DISCUSSION REGARDING CERTAIN PROPERTY DESIGNATED AS "NORDAHL 15-LOT SUBDIVISION," APN 226-290-01 (REZA SAMANDARI AND SAHAR NAEEMI)

Development Services Senior Engineer Rob Scholl stated Reza Samandari and Sahar Naeemi have returned to the Board to discuss a 15-unit subdivision. This project location is off of Nordahl Road in between Rock Springs Road and El Norte Parkway. The project is in the Bennett area which is an area that has a lot of Vista Irrigation District (VID) served properties in it. Vallecitos' sewer service area is a little patchy. This project is within Vallecitos' sphere of influence and is currently outside both of its water and sewer service areas. The property does have one single family residence on it and currently receives service from Vista Irrigation District. The property is also served by septic.

Development Services Senior Engineer Scholl provided a presentation as follows:

- Property Location
- Property currently has one single family residence
  - Receives water service from Vista Irrigation District
  - Septic system service for wastewater
- Within VWD's Sphere of Influence but outside of its water and sewer service areas
- In 2017, Waring Family Trust and Tellier Family Trust applied for annexation into VWD's water and sewer service areas
  - Board approved annexation conditions on July 19, 2017
- VID determined it would provide water service
- December 1, 2017 – Sewer Study completed
  - Identified 7,000 feet of undersized pipe from the development to VWD's land outfall
  - Negotiated 137-foot section to be upsized by Waring
- August 2018 – Subdivision plan check opened
- April 1, 2019 – Waring sent an email to staff expressing concerns about the project's viability
  - Work ceased on plan check and annexation
- December 2019 – Project closed-out by staff due to inactivity
  - Plan check left incomplete
  - No approved construction agreement
  - Annexation conditions were not met
  - No written commitments made to secure the project
- December 2019 – Mr. Samandari and Ms. Naeemi approached VWD about resurrecting the project
  - Assumed previous development conditions still applied
- February 2020 – staff informs Mr. Samandari and Ms. Naeem that a new Water and Sewer Study is required for the following reasons:
  - Recent discussion with VID about water service to Bennett area developments



- New Master Plan has been adopted
- New sewer model and projections
- Mr. Samandari and Ms. Naeemi request that VWD honor the project requirements set with the previous property owners (Waring and Tellier)
- February 28, 2020 – staff met with VID
- Determined that VID would be in a better position to serve project
  - VID is already serving the existing on-site residence
  - VWD infrastructure extension would be cost-prohibitive
- Previous project with previous owner was closed-out without any written agreement
  - Equivalent to starting the process over
- New Master Plan and supporting sewer model updated sewer flow projections
  - Staff cannot properly set conditions for the project without evaluation through a new sewer study
- Conclusion – Staff requests that Mr. Samandari and Ms. Naeemi authorize staff to work on an updated sewer study to assist in setting development conditions

Development Services Senior Engineer Scholl stated that Mr. Samandari and Ms. Naeemi have requested that the District honor the project requirements set with the previous owners. Staff met with Vista Irrigation (VID) staff last Friday and determined that since VID is already serving the existing residence, they already have infrastructure in that area, and that Vallecitos does not. Vallecitos would need to do approximately a 1,000 foot line extension to serve this property. The parties are in agreement that VID would be in a better to serve this project.

Development Services Senior Engineer Scholl stated the previous project was closed out without any type of written agreement or anything to secure that project. Due to the fact there is a new Master Plan, the district has a new supporting sewer model with updated wastewater projections. Staff is not really in a position to properly set conditions on this project without evaluation through a new sewer study. Staff is requesting that Mr. Samandari and Ms. Naeemi authorize staff to work on an updated sewer study so that staff can assist in developing conditions.

Director Elitharp asked when the new property owners acquired the property. Mr. Samandari stated he acquired the property on February 1. Director Elitharp further asked if the new property owners came in and talked to staff before they acquired the property.

Development Services Senior Engineer Scholl confirmed the property owners started discussions with staff approximately mid-December of last year.

Director Martin asked what the sewer study costs.

Development Services Senior Engineer Scholl stated the sewer study is approximately \$3,000. This is a deposit, not a fee. Any funds that are not used at the completion of the study are refunded back to the depositor. The study is prepared by staff, he reviews the

study and makes any necessary adjustments. The draft study is given back to the developer for their review as well. If they confer with it, it is finalized. If there are comments, they are discussed and incorporated before finalizing.

President Evans reiterated the original sewer collection system study had been completed, and now completing an update. December 1 of 2017, the initial sewer study was completed for the project when the Waring Family Trust and Tellier Family Trust still owned the property. A \$3,000 deposit was provided. The study was completed and identified a lot of undersize pipe. Staff did engage in negotiations to discuss conditions for sewer improvements. The Master Plan has been updated, a brand new sewer model, and have higher future sewer projections. The owners were requested to authorize staff to perform a study so that staff can determine if there are any changes in the conditions.

Director Hernandez inquired if the project has changed from before and now. Development Services Senior Engineer Scholl stated the project is still being advertised as a 15-lot subdivision. The new owners have given the District a \$3,000 deposit and have told staff not to use the funds for a study – they wanted staff to resolve the water situation, which staff did, and to bring this before the Board for discussion.

Director Sannella stated that at the last Board meeting, they said the terms the District was proposing would make the project not viable economically.

Development Services Senior Engineer Scholl stated that staff does not have the information to be able to set conditions. Staff is trying to acquire that information for the updated sewer study. He would like to get their authorization to allow staff to complete/update the sewer study so that staff can start to work on the conditions.

Director Sannella asked Development Services Senior Engineer Scholl if he feels there is going to be significant changes to the study. Development Services Senior Engineer Scholl stated that some areas of the district have increased demand/future demand projections.

President Evans clarified that the study is so they will know what is needed to upgrade the sewer system. She also indicated that VID will now be supplying them with water. She further asked if the original information that Waring Family Trust and Tellier Family Trust had included a separate annexation for water and pipes as well as their expectations of funding needed.

Development Services Senior Engineer Scholl stated that the conditions have not changed with regard to the Waring Family Trust and Tellier Family. VID would serve water for the project, therefore, staff would not need to do a water study.

Mr. Samandari, stated they are the developer for this property and prior to their purchase, they came three times to the District. He has emails that showed no further study is needed. The same repairs are going to be honored – there were 137 feet of sewer line updated from

12 to 15 inch, they already have the contractor, the prices and set their budget. Three days before closing escrow he asked Lee Whittington to speak to staff to make sure everything is the same as before. Mr. Whittington called him back and told him he spoke with Eileen and they said yes, they do not need to do anything, they are good, and they closed escrow. His concern is with the shortages on the houses and that the profit margins on this land are very low. They cannot afford to do another study and come up with a significant couple hundred thousand dollars, sewer update, or other stuff. If this is going to be the case, they cannot move forward. We might just have to divide this for four lots and put septic on there because this is so expensive and they cannot move forward. This is why they are asking the Board to please consider this. This is what they promised us and we have many emails from Vallecitos saying they don't need to do anything and will be like the previous owner. They put us in a really bad spot with all this misprint. The mortgage is being paid and not doing anything. The contract had already been signed with him to move forward. They are on hold to see what is going to happen with this.

Director Martin addressed staff stating that the gentleman claims he has emails from VWD stating no further study needed. Director Sannella stated he had the same question Director Martin had.

Development Services Senior Engineer Scholl stated that what he thinks Mr. Samandari is referring to is an email that came from Eileen who is with my staff. It didn't say that no further study was required. He was referring to an email referencing the 137' sewer. When Mr. Scholl became aware of that email, he contacted staff directly to say that the District does not have a project with them. We have a new Master Plan, we have a new sewer model that we need to make sure that that condition is still valid.

Mr. Whittington stated the highlighted area says that the study will not be changed. Mr. Samandari stated they would not have bought this property if they knew there was a new Master Plan and had to do a new study.

President Evans asked if they have a signed agreement from the District regarding the prior study or the prior situation. Staff did convey that the subdivision improvement plan check was opened and they sent return plan comments, but they never received the corrected version. She asked if they still have something that was signed.

Mr. Lee Whittington introduced himself stating he is with Sweetwater Engineering and stated he wasn't sure anything was ever signed. The project was moving through the tentative map process and the County took almost four years to get this approved through a tentative map. During that time, they had started the annexation agreement with the District, did a sewer study and got all of the conditions. When the conditions say you have to have it finished in 180 days, they were a year away from when the tentative map was even approved. They filed an extension and were still eight months out before the tentative map got approved after the first extension. The second extension already expired. The tentative map was accepted in September of 2018 when the District's last study was almost six

months before that. Who is going to pay \$50,000 for the annexation fees plus the \$150,000 for the capacity fees, and everything else what's involved with repairing 137 feet of sewer when they don't even have a tentative map. The tentative map was finally approved right as it is expiring again and the owner was trying to sell the project as an approved tentative map. The purchasers were looking into it and they basically said there is no money in this project, so he couldn't find anybody to buy the project. The issue is where the offsite improvements and the water fees were very huge on this project. It took him a year at best to try and sell it. Mr. Samandari feels he can make some money off of this project and wanting to make sure all the agreements were still in place. He even asked me to call Eileen and she assured me that everything was the same. When they were deciding whether to file another extension or just let it sit, the owner was saying that he couldn't find anyone to buy this and might have to look at redesigning this project because nobody wants to buy it. We have numerous emails throughout the process where we were actually told that it's in our best interest to let it expire and "reopen the project" not start a new project. The owner decided to let it expire and reopen the project. He has found an owner to purchase it and they want to reopen it, but it sounds like we have to start totally new. They are afraid the new sewer study is going to be a drastic increase in the amount of sewer that is required to repair. They are willing to do the 137 feet, but if a new sewer study is required, they have to pay \$3,000 for it and will probably be a lot more and is going to kill the project.

Director Martin asked District Engineer Gumpel to explain what the email says in his mind. He stated it is hard to know without understanding the context of the conversation. The District does not have an agreement with the development or project that is active. The District needs a nexus to condition the developer. Conditions cannot be made up without a nexus. The study provides that nexus – the old study was no longer valid. He had staff reach out to the developer to hopefully meet with either himself or the General Manager to explain the amount of difference. Staff looks at projects holistically, have a better understanding what's going on in the region and also regionally. The developer may not realize that LAFCO, VID and Vallecitos Water District all have long-term planning and that the Bennett area will all annex in Vallecitos over time. Any development coming in will do that on a case by case basis. The study is black and white and from there, staff conditions projects appropriately.

Director Martin asked how long the study takes.

Development Services Senior Engineer Scholl stated the study could be updated in two to three weeks.

Mr. Whittington stated the annexation agreement, with staff conditions, the conditions they got never said it was 137 feet. The conditions they got say they will have to repair 7,000 feet. And this is all it's ever said. It took months to actually negotiate back and forth with the engineering department to finally come from 600 to 137 feet. They had to send out field crews to review pipes. It took months to reduce it down to the 137 feet. The conditions never got revised. Their conditions still say 7,000 feet, which is astronomical for a 15-lot

subdivision. He would like to question how staff do a sewer study. It seems to him that the Master Plan is the God of all plans. That study is 25-50 years into the future. This property was included in that study. This property is 3.8 acres and the density is 7.3 units per acre. That's where a maximum buildout of almost 28 units. The sewer study included this property for a 30-year build-out at 28 units and they're only building 15. The 2018 sewer study did not identify any of these pieces that they were being asked to repair.

President Evans stated the Master Plan is important but it is a speculation and it changes. Unfortunately, from the time Mr. Whittington got involved in this project until Mr. Samandari had gotten in the project, that Master Plan changed. It would be a mistake as a community if we said it never changed. It did change. What also changed is the growth around that piece of property. That growth effects your development just as your development will effect the property down the road. She feels he needs to speak with the General Manager and the supervisor in order to understand a little more about what has happened in that time period.

Mr. Whittington stated that he is not questioning the new ones that have been done, what he is questioning is why a sewer study was required in the first place. His understanding is that the District does a Master Plan and it identifies the problem areas, and that this is what the capital improvement fees is based on. It is sized upon the lots that have a density, and it's a 30-year buildout, at the maximum possible buildout of each of these properties. He understands if someone comes in with a new specific plan amendment and they're doing something bigger than what was previously studied by the Master Plan, they have to see how this bigger development affects their Master Plan. When someone comes in at half the size from what was previously studied, it seems like that's a decrease in flow and decrease in water. Why is the sewer study needed after the Master Plan already looked at this?

District Engineer Gumpel stated that the Master Plan looks at the SANDAG projections for 30 years. The maximum development of the projects and maximum density happens in the ultimate. That is not time definitive. Staff wants to make sure each project is holistically encompass, in other words we are not affecting our existing ratepayers by this new project – it's a neutral project. The project pays for itself as far as from an infrastructure standpoint without actually affecting our existing ratepayers and their pocketbooks as well as the existing infrastructure. The Master Plan also does not look at a single replacement project. Every single project in the Master Plan is growth-related. There are replacement components, so it doesn't identify whether water and sewer study, why identified projects that are pure replacement projects based on the existing flow rates and then flow rates of low project needs. The Master Plan itself does not identify what their project may be affecting on the existing sewer lines that do not need upsizing. It also does not account for the growth related projects in a 30 year time-span. One would have to go out 100 – 200 years to get that maximum flow. Staff sets conditions to something that is realistic for your project to ensure that we have a nexus of conditioning you and can prove not just you as a developer, but to any citizen that comes in that we are appropriately conditioning a project without hurting the community at large.

Mr. Samandari addressed the Board stating he came here three times. If they told us this is what they were going to be involved with, would really think twice about this. If the County and the City were to tell them what they were going to go through, then he would make up his mind to go forward or not. He has been put in an awkward position because they do not have any choice. He's afraid they have to start at the beginning.

Director Hernandez addressed Mr. Samandari asking if he understands that he would need to increase 137 feet of 8" pipe to 15" pipe. Mr. Samandari stated he understands that. His opinion is that the \$3,000 study is not going to make or break this project. Until they know if there is any differential and what the differential is, he feels Mr. Samandari needs to do the study and then get with staff or come back.

President Evans concurred with Director Hernandez. They will not know until the study is completed. She hopes they will come back when they have the results.

Mr. Whittington stated that the new Master Plan identified new areas and it identified these new areas with this density in place which they're coming in at half of. What does a separate sewer study look for different in the Master Plan?

President Evans suggested they meet with the General Manager and District Engineer as staff is operating under a new Master Plan.

Mr. Whittington stated in a project recently, the Lupa project, the District waived the water annexation and only made them apply for sewer and they were wondering since they are not going to utilize the District's water, if they can do the same.

District Engineer Gumpel stated that VID's own planning document has that area to annex into Vallecitos. LAFCO direction was for that whole area, since it's in Vallecitos' sphere, to annex into Vallecitos. All ordinances are ready to support that. Mr. Lupas' property was unique because it was two separate APNs with one APN that was grandfathered in prior to those actions. It ended up being two different tax bases which he was combining. It became a State Board of Equalization issue as one cannot have two properties in two different tax basis converted to a single, legal lot. Mr. Samandari's property that he is developing fits the statutes of the intent of LAFCO, the long-range planning documents of VID, and Vallecitos' ordinance which are all in alignment.

Mr. Whittington stated he spoke with LAFCO and it was his understanding that through LAFCO, they've changed the boundaries so that the LAFCO boundary is now in an overlap boundary of VID and VWD. According to LAFCO, he thinks they have to only annexed for sewer.

Development Services Senior Engineer Scholl stated that the Board's conditions for annexation have not been met for water or sewer for this property. It also includes the District's annexation fees.

Mr. Whittington stated the annexation agreement with the conditions never said it was 137 feet. The conditions they get say that we have to repair 7,000 feet. It took months to negotiate back and forth with the Engineering Department to finally come from 600 to 137 feet and they had to send out field crews, it took months to reduce that down to the 137 feet. The conditions never got revised, the conditions still say 7,000 feet which is astronomical for a 15-lot subdivision.

Director Sannella stated he understands the challenges they are facing. Also need to be mindful that whatever impact they bring new into the District, that they burden some of the cost that current residents and customers that live here have already paid. He recommended they go through the process and the study.

Director Martin stated he appreciates the situation they are in and understand it. Staff is not going to go out of its way to try to get them to do something they don't have to. Staff worked diligently in getting the exact numbers they need.

Development Services Senior Engineer Scholl needs written authorization that staff are authorized to move forward with the sewer study.

#### ADJUSTMENT TO GENERAL MANAGER'S COMPENSATION

Legal Counsel Norvell stated that the Brown Act requires specific notice and oral summary of a recommendation when something concerns the compensation of benefits of an executive level individual at the District.

Recently the Board conducted the annual performance review for General Manager Pruim. The item before the Board is a proposed one-time bonus based on his performance evaluation. Under the Brown Act, the Board is required to provide an oral summary of the recommended salary or compensation change of the District Executive. The proposed action is a one-time lump sum bonus in the amount of \$10,000. It will not be included in the calculation of his CalPERS retirement benefit. No other changes to the General Manager's compensation or benefits are proposed.

20-03-05 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to approve a one-time lump sum bonus.

#### REPORTS

##### GENERAL MANAGER

District Engineer Gumpel provided an update on the litigation that was filed with the District in Santa Clara County for cost of service based on water use for fire protections and the proper allocation of it. A summons was received today.

Staff is working on rescheduling the goal setting workshop.

### DISTRICT LEGAL COUNSEL

None.

### SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated there was a meeting last week. There are two Bills being sponsored by the Water Authority. One is introducing a place holder legislation to ensure there is an opportunity during 2020 to determine whether there is a statutory path available so San Vicente Dam can be used for energy storage.

Senator John Moorlach has introduced SB 11386 that is being cosponsored by the Water Authority and Irvine Ranch Water District. Its purpose is intended to clarify existing law regarding the imposition of fire related water service charges being implemented across the customer base in compliance with Proposition 218. The legal action that the attorney - they are saying that the cost of the water should be paid for by the fire departments, not the citizens. The Water Authority is trying to reaffirm that existing water service charge practices are relative to the situation.

#### Public Safety Issues:

- Price gauging prohibition related to purchases for generators in an emergency situation.
- A bill is coming forward for including de-energization events as a condition constituting a state emergency.
- Exempt the operation of emergency backup generators from local, regional and state regulations regarding operation.
- Sales tax exemptions for local government entities purchasing backup generators.
- Provide flexibility for use of emergency backup generators during a PSPS event.

There were 2,200 new bills introduced on February 21.

Discussions took place on Metropolitan Water District. There also was an article in the paper regarding the offer that the San Diego County Water Authority gave to Metropolitan Water District.

### ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee is scheduled for March 18.

### STANDING COMMITTEES

Director Hernandez stated the Engineering Committee will be having a meeting on March 9.



Director Martin stated the Finance Committee discussed the budget for next year. The finance committee gave an excellent report going back six years and looking at the budget versus the actuals. Budget to Actuals: sewer keeps doing a fantastic job of coming in under budget. Their new I.T. gentleman saved the agency \$100,000 last year. Are receiving more money for the purple pipe water. Are on schedule to continue paying down PERS.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

None.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Special Meeting of the Board of Directors at the hour of 6:01 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 18, 2020, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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James Gumpel, District Engineer  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE  
ENGINEERING/EQUIPMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, MARCH 9, 2020 AT 3:00 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

Director Hernandez called the meeting to order at the hour of 3:00 p.m.

Present: Director Hernandez  
Director Elitharp  
General Manager Pruim  
District Engineer Gumpel  
Capital Facilities Senior Engineer Morgan  
Development Services Senior Engineer Scholl  
Capital Facilities Engineer Santos  
Asset Management Supervisor Bowman  
Executive Secretary Posvar

ITEM(S) FOR DISCUSSION

General Manager Pruim stated the agenda would be modified to combine Item 4., Solar Project Update, and Item 2., CIP Update.

DEVELOPMENT UPDATE

Development Services Senior Engineer Scholl reviewed development projects currently under construction, in plan check, and in design/planning as of the fourth quarter of 2019. A map showing project locations was provided to the Committee as well as a listing of the projects indicating the number of EDUs and capacity fees. Proposed capacity fees to be collected for the projects under construction for water and sewer are \$434,280 and \$324,650 respectively. Paid capacity fees are estimated at \$317,996 for water and \$69,741 for sewer.

Staff will provide another development update to the Committee in August.

CIP UPDATE/SOLAR PROJECT UPDATE

Capital Facilities Engineer Santos demonstrated how to find information regarding Capital Improvement Program (CIP) projects on the District's website. Available information includes the title and brief description of the project, quarterly updates, change orders, projected schedules, outstanding issues, maps, and a financial summary. There are currently nine active CIP projects. He provided FY 2019/2020 second quarter updates on three projects: the MRF Biological Selector/Aeration Basin, 2019 Sewer Lining and Rehabilitation, and Lawrence Welk Waterline Replacement.

Capital Facilities Senior Engineer Morgan provided updates on the San Marcos Interceptor Phase II and Tres Amigos Waterline Replacement projects. Staff is coordinating with the City of San Marcos on the San Marcos Interceptor Phase II project as it will involve extensive work on San Marcos Boulevard.

Capital Facilities Senior Engineer Morgan stated staff is in receipt of 90% design for the District-wide solar project. The Coronavirus has led to a Force Majeure claim due to the factories in China being closed, delaying the inverters and panels. Delivery of those items is expected in late April.

#### SEPTAGE HAULING STATION UPDATE

Development Services Senior Engineer Scholl stated a Professional Service Agreement with Woodard & Curran was executed on October 15, 2019 to perform a study on a possible septage hauling station. The scope of the study included siting the septage receiving facility at Lift Station No. 1, reviewing the site configuration, determining necessary improvements, security measures, electronics, administration of the project, staffing at the site during hours of operation, operation and maintenance of the facility, financial considerations, and various types of permitting.

Development Services Senior Engineer Scholl reviewed a handout of the conceptual layout of the facility depicting the truck hauling route from San Marcos Boulevard. Staff is exploring a self-contained approach before considering a public/private partnership. Staff is waiting for a response from Encina Wastewater Authority's legal counsel. A final technical memo should be completed within a few weeks and will be presented to the Committee to develop a recommendation to the Board.

Staff will research an automated septage facility for the Committee to tour.

General Manager Pruim stated he has been contacted by a developer who is interested in pursuing a utility-scale battery storage project close to an electrical substation on Discovery Street. He will meet with the developer and report back to the Committee.

#### HIGH POINT CONDITION ASSESSMENT UPDATE

District Engineer Gumpel stated a developer who went bankrupt at the start of the 2008 Recession before finalizing the High Point project had installed a pump station and 12-inch and 8-inch pipelines throughout the property. None of the improvements were accepted by the District and remained idle for over 10 years. Several developers have approached the District over the years about the project and were supplied with a list of items that needed to be done, including removal or replacement of all of the pipe. The current prospective developer paid a deposit to the District for staff and consultant time. The District's consultant, Infrastructure Engineering Corporation (IEC) hired Pipeline Inspection and Condition Analysis Corporation (PICA) to evaluate the pipes. Of the sections of pipeline that were evaluated, two areas of severe corrosion were identified as well as areas of deterioration normal with pipes of that age. Staff is currently

reviewing the report from PICA. IEC will determine from PICA's report standard deterioration and how much service life is left. District Engineer Gumpel recommended the entire ductile iron pipeline be evaluated before moving forward and determining what the District is willing to accept.

### ASSET MANAGEMENT ROAD MAP

Asset Management Supervisor Bowman provided a presentation on the Asset Management Roadmap as follows:

- Definition
- Background
- Strategic Alignment
  - Infrastructure Integrity
  - Asset Management
  - Replacement Schedule
- Principles
  - What do we own?
  - Where is it located?
  - What condition is it in?
  - What is the remaining useful life?
  - How likely is it to fail?
  - What is the consequence of that failure?
  - What is my desired level of service?
  - What maintenance should we be doing?
  - What capital investment should we be making?
- Activities Progression
  - Prepare
  - Develop
  - Implement
  - Perform

General discussion took place during which District Engineer Gumpel stated the asset management plan will include a proposed replacement schedule which staff will track to determine if asset life is being extended or if assets are falling short of their expected life cycles.

### GROUNDWATER GRANT DISCUSSION

District Engineer Gumpel stated there is approximately \$6,800 left over from the District's groundwater study. Additional funding would be necessary to pursue grant opportunities such as drilling a test well. Based on the Board's reaction to the study, staff is not moving forward with this project. At the end of the current fiscal year, the funds will be returned to the funding source.

General Manager Pruim will reach out to Olivenhain Municipal Water District staff to discuss the costs associated with the grant they received.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:35 p.m.

MINUTES OF A CLOSED SESSION MEETING  
OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 18, 2020, AT 4:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Present: Director Elitharp (Via Teleconference)  
Director Martin (Via Teleconference)  
Director Sannella (Via Teleconference)  
Director Evans (Via Teleconference)

Absent: Director Hernandez

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

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF MARCH 18, 2020

20-03-06 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Closed Session Meeting of March 18, 2020.

PUBLIC COMMENT

None.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to (2) or (3) of subdivision (d) of Section 54956.9: One Potential Case – San Diego Regional Water Quality Control Board Notice of Violation and Investigative Order R9-2019-0110 (ECM DH 4068848)

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) subdivision (d) of Section 54956.9: One Potential Case

20-03-07 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, with Director Hernandez absent, to move into Closed Session pursuant to Government Code Section 54956.9.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 4:33 p.m. There was no reportable action from the Closed Session Meeting.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:34 p.m.

A Special Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 18, 2020 at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, MARCH 18, 2020, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Evans called the Special meeting to order at the hour of 5:00 p.m.

Present: Director Elitharp (Via Teleconference)  
Director Martin (Via Teleconference)  
Director Sannella (Via Teleconference)  
Director Evans (Via Teleconference)

Absent: Director Hernandez

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

ADOPT AGENDA FOR THE SPECIAL MEETING OF MARCH 18, 2020

20-03-08 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Special Board Meeting of March 18, 2020.

PUBLIC COMMENT

None.

CONSENT CALENDAR

20-03-09 MOTION WAS MADE by Director Martin, seconded by President Evans, and carried unanimously, with Director Hernandez absent, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Special Board Meeting – February 26, 2020
- B. Special Board Meeting – February 27, 2020
- C. Finance/Investment Committee Meeting – March 2, 2020

1.2 Warrant List through March 18, 2020 - \$2,907,382.13



1.3 Financial Reports

- A. Water Meter Count – February 29, 2020
  - B. Water Production/Sales Report – 2019/2020
  - C. Per Capita Water Consumption – February 29, 2020
  - D. Water Revenue and Expense Report – February 29, 2020
  - E. Sewer Revenue and Expense Report – February 29, 2020
  - F. Reserve Funds Activity – February 29, 2020
  - G. Investment Report – February 29, 2020
  - H. Legal Fees Summary – February 29, 2020
- 1.4 Final Acceptance of Water and Sewer Improvements for Fitzpatrick Town Homes, APNS 220-100-82, 220-100-83 & 220-100-85 (KB Home Coastal)
- 1.5 Approval of Construction Agreement for Orchard Hills Off-Site Sewer Improvements (Warmington Residential California, Inc.)
- 1.6 Adoption of Resolution Recognizing the Detachment of Certain Property Designated as the “Wilmott Detachment” APN 172-091-28 from the Vallecitos Water District
- 1.7 Request for Annexation of Certain Property Designated as “North Coast Church” APNS 228-370-39 & 228-370-20 into the Vallecitos Water District Sewer Improvement Districts 5 & 6 (North Coast Church)

ACTION ITEMS

CONSTRUCTION CONTRACT AWARD OF NORTH TWIN OAKS TANK NO. 1 REFURBISHMENT

District Engineer Gumpel stated the North Twin Oaks Tank No. 1 was built in 1961. Upon inspection in 2015, it was determined that the existing interior lining and exterior coating had deteriorated and requires full refurbishment. Staff received and reviewed bids from three contractors on February 18, 2020. Capital Industrial Coatings LLC was determined to be the lowest bidder at \$446,425. The Engineer’s estimate was \$425,000. Staff received a protest letter from the second lowest bidder, Paso Robles Tank, questioning the experience of the low bidder. Further review of the low bidder revealed that Capital Industrial Coatings LLC had the proper amount of experience necessary to perform the work. Two minor deviations were identified in Capital Industrial Coatings LLC’s bid; however, staff and counsel recommended waiving the deviations. Harper & Associates performed the design and will also provide specialty inspection services for the project. The project budget came in with a shortfall of \$54,131 primarily due to the project being over the Engineer’s estimate and the project had to be put out for bid twice to get a competitive bid.

Staff recommended the Board waive the two minor deviations in Capital Industrial Coatings LLC's bid, reject the protest letter from Paso Robles Tank, increase the project budget by \$54,131, and authorize the General Manager to execute a construction contract with Capital Industrial Coatings LLC in the amount of \$446,425, subject to provisions of the contract.

General discussion took place.

20-03-10 MOTION WAS MADE by Director Elitharp, seconded by Director Sannella, and carried unanimously, with Director Hernandez absent, to approve staff's recommendations.

### GENERAL MANAGER'S UPDATE REGARDING THE DISTRICT'S RESPONSE TO THE CORONAVIRUS OUTBREAK

General Manager Pruum discussed how the Coronavirus (COVID-19) is affecting the District's operation. Rapidly changing information is being received constantly from the state and federal government. The District's primary objective is to ensure the health and safety of its customers and employees, and to provide at all times adequate supplies of safe, reliable water and to ensure that the wastewater system continues to operate properly. To accomplish those goals, staff proposed the following actions:

- Monitor all COVID-19 related information to remain up to date.
- Reduction of staffing levels. Essential staff have been identified and they continue to report to work. Non-essential staff will be working from their homes. Technology needs are being assessed so that those working from home can be productive. Alternate work schedules will begin on March 23. Approximately 60% - 70% of staff will still report to work at the District which includes most of field operations, inspection personnel, meter readers, all managers, and General Manager Pruum.
- Assist employees in any way possible. There are no reported cases of COVID-19 at the District office and none of the employees' families have been affected. As the schools have been closed, some employees must stay home with their children.
- Enhancement of cleaning and disinfection protocols at all District facilities. The priorities of custodial staff have changed, and outside cleaning services have been contracted.
- Ensure adequate supplies necessary for District operation are maintained such as paper products and chemicals for facilities, lift stations, and wastewater treatment.
- Effective March 19, 2020, the District office will be closed to the public, as are most other agencies. Accommodations will be made for package deliveries and for customers wishing to pay their bills. The front doors will not be open, but signs have been placed on the doors to inform customers of alternative ways to pay their bill. This information is also on the District's website.

- Coordination of activities with fellow water and wastewater agencies including the San Diego County Water Authority (SDCWA) and Encina Wastewater Authority (EWA). A meeting is scheduled for March 23 to discuss a North County cooperative agreement so agencies can help each other share resources if needed. The District is participating in the SDCWA's web Emergency Operations Center where all member agencies can report on a daily basis how things are going, what is needed, and what resources they may be able to offer.
- Increased communication with the public on the District's website and newsletters. Discussed utilizing a reversed 911 system if necessary.
- Proposed placing a temporary suspension on disconnecting water service and late fee accrual to ensure all customers (residential and commercial) have access to water for health and sanitation reasons and to recognize financial hardships customers may be experiencing with job losses, etc.
- Tracking all COVID-19 response related costs for possible reimbursement from FEMA and other agencies.
- Cancellation of all large group face-to-face meetings and no scheduling of new meetings. Staff is not attending any functions that they have been invited to. No large staff meetings, in-person regional coordination meetings, conference travel, or community outreach events such as the San Marcos Street Fair.
- All Board meetings will be conducted remotely, and this should apply to Board committee meetings as well. Business will get done, just in an alternative method.

General Manager Pruim assured the Board and public that water and wastewater services will be reliable. Updates will be provided to the Board and the public as necessary and as conditions change.

General discussion took place during which Director Sannella suggested public outreach should include information regarding late payments and disconnections.

## REPORTS

### GENERAL MANAGER

None.

### DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated things are changing rapidly regarding COVID-19. The meeting today was modified per the Governor's Executive Order issued last week. Another Executive Order was issued on March 17 amending the prior Executive Order with a change that would allow the public to participate telephonically or no longer require to have physical space available for them. The Board may want to consider a way for the public to participate so that a space does not have to be made available.

SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated the SDCWA is adhering to all rules, regulations and cautionary measures relating to the COVID-19 situation. The Board meeting via teleconferencing is scheduled on March 26.

ENCINA WASTEWATER AUTHORITY

Director Martin reported that EWA has cancelled all of their Capital Improvement and Policy and Finance Committee meetings for the foreseeable future.

STANDING COMMITTEES

Director Martin stated the Finance and Investment Committee met on March 2. The Committee reviewed the schedule for the upcoming budget process. He requested any presentations be forwarded to the Committee prior to future meetings.

Director Martin stated the Ad Hoc Committee met with the consultant regarding the adjacent hillside property. He anticipates the Committee will provide a full report to the Board within the next few months.

Director Elitharp stated the Engineering and Equipment Committee met on March 9 at which the Committee received several updates on development, capital projects, septage hauling station, District-wide solar project, and the High Point condition assessment. The Committee heard a presentation on the District's asset management program and discussed groundwater grants.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Martin reported on his attendance to a General Plan Advisory Committee (GPAC) meeting on March 11. Future GPAC meetings have been cancelled.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Special Meeting of the Board of Directors at the hour of 5:29 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, April 1, 2020, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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Betty D. Evans, 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, MARCH 23, 2020 AT 4:00 P.M.  
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,  
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:07 p.m.

Present:                    Director Sannella  
                                 Director Martin  
                                 General Manager Pruim  
                                 Finance Manager Owen  
                                 Operations & Maintenance Manager Pedrazzi  
                                 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

OPERATING BUDGET REQUESTS

General discussion took place regarding the COVID-19 situation's effect on staffing levels, Information Technology (IT) security, and water sales.

Finance Manager Owen provided an overview on the budget process to date. Preliminary budget requests have been received from all departments. He reviewed the draft operating budget for water and sewer budget-to-budget rather than budget-to-actual because it is too early as there are four months left in the current fiscal year. All numbers are very preliminary and subject to change.

Water operating expenses increased \$277,000 or 2.29%. The most significant increases are in Pumping at \$128,000, specifically Outside Repair/Service and Power, and General & Admin at \$114,000. Operations & Maintenance Manager Pedrazzi stated the increase in Pumping was due to compliance with new OSHA regulations concerning high voltage panels and the cost of SDG&E power. Finance Manager Owen stated that for General & Admin (G&A), Cost of Labor decreased \$83,000 mainly due to staff turnover with new staff coming in at lower salaries. The Admin Credit Transfer, or overhead, is decreasing by \$142,000 resulting in an increase in G&A costs because the engineers are spending more time in the office working on transmission and distribution issues and less time on projects.

Sewer operating expenses decreased by \$129,000 or 1.1%. Expenses decreased for the District's Meadowlark Reclamation Facility (MRF) by \$151,000 due to decreased chemical costs and outside services at the plant. Operations & Maintenance Manager Pedrazzi stated media filters have been changed out and inefficient blowers have been replaced with more efficient ones. Finance Manager Owens stated expenses for Building and Grounds increased \$60,000 mainly due to furniture replacement in Building A, anti-skate boarding devices in the yard, installation of a handicapped parking space in the employee parking lot outside of Building A, and installation of water shut-off valves in Building A. Expenses for IT increased \$51,000 mainly due to outside services for licensing, Maximo support, additional costs for asset management, and the Ignition support (SCADA software).

PRELIMINARY PAYROLL ESTIMATES

Finance Manager Owen presented preliminary salary and benefit estimates based on comparisons of Projected vs. Budget FY 19/20, Projected vs. FY 18/19, and Budget vs. Budget. Total salaries and benefits are projected to be \$85,000 less than what was budgeted for this fiscal year. The main reason is that group insurance is decreasing \$384,000 because Other Post Employee Benefits (OPEB) is fully funded and the District can be reimbursed from the OPEB trust to pay for health insurance for its retirees. Total labor for water and sewer is budgeted to increase by \$224,000, or 2.24% over the FY19/20 budget. Total Salaries & Benefits is budgeted to be \$298,000 less than the FY19/20 budget because PERS is decreasing. The District made an \$8 million payment on the Unfunded Accrued Liability (UAL) which saved the District money on interest and \$432,000 on the principal of the UAL. The group insurance will decrease \$271,000 as the cost for retirees will be funded through the OPEB trust.

Finance Manager Owen reviewed the budget calendar for April through June as follows:

- April 13 – Committee will review capital budget requests.
- April 27 – Committee will discuss Cost of Service Study (tentative) and Board requested items.
- May 4 – Committee will review draft proposed budget and discuss Board requested items.
- May 20 – Board workshop for first review of the proposed budget.
- June 3 – Recommended budget to be presented to the Board for approval.

General Manager Pruiim suggested the Committee meetings be conducted via teleconference.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:07 p.m.

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
April 1, 2020

| PAYEE                                  | DESCRIPTION   | CHECK# | AMOUNT     |
|--|---|--------|------------|
| <b>CHECKS</b>                          |   |        |            |
| Action Mail                            | Spring Splash Mailing Prj 20201-40                                | 118682 | 1,263.02   |
| ACWA/Joint Powers Insurance            | Medical Insurance - Apr   | 118683 | 213,385.24 |
| Adkins Bee Removal                     | Bee Removal   | 118684 | 112.50     |
| Airgas USA LLC                         | Cylinder Rental   | 118685 | 126.17     |
| Aloha Printing                         | Driver Time Record Cards - 2000                                   | 118686 | 239.59     |
| Ambius                                 | Plant Maintenance - Feb   | 118687 | 263.00     |
| Bridget Anderson                       | IPMA SR Professional Cert   | 118688 | 250.00     |
| Aqua-Metric Sales Co                   | Meters - 105  | 118689 | 14,348.70  |
| ASAP Drain & Plumbing                  | Multiple Plumbing Repairs - District Main Offices                 | 118690 | 1,630.00   |
| AT&T                                   | Phone Svc - Feb   | 118691 | 2,669.50   |
| James D Austin                         | Membership Fee - CWEA   | 118692 | 220.00     |
| Best Best & Krieger                    | Legal Fees - Jan  | 118693 | 18,930.57  |
| Boncor Water Systems                   | Soft & Drinking Water Service - Mar                               | 118694 | 3,491.00   |
| Boot Barn                              | Safety Boots  | 118695 | 146.13     |
| Boys & Girls Club of San Marcos        | Gala Auction Table  | 118696 | 1,750.00   |
| Jeffrey Colwell                        | Video Production Svcs Prj 20201-41                                | 118697 | 472.50     |
| County of San Diego                    | Encroachment Permit Application                                   | 118698 | 155.00     |
| DirecTV Inc                            | Satellite Svcs - Feb  | 118699 | 199.53     |
| EDCO Waste & Recycling Serv            | Trash Svc - Feb   | 118700 | 878.13     |
| Employment Screening Services Inc      | Employment Screening Svcs   | 118701 | 24.00      |
| Ewing Irrigation Products              | PVC Supplies  | 118702 | 187.03     |
| Franchise Tax Board                    | Income Tax Withholding  | 118703 | 37.50      |
| G & R Auto & Truck Repair Inc          | Crew Truck Repair - Engine Oil & Coolant Leak - Veh 225           | 118704 | 2,700.27   |
| Gallade Chemical Inc.                  | Sodium Hypochlorite   | 118705 | 197.62     |
| Eric D Garcia                          | Lower Colorado River Tour 3-10-20                                 | 118706 | 177.62     |
| Glenn Pruim                            | San Diego County Water Authority Meeting 3-12-20                  | 118707 | 33.00      |
| Golden State Graphics                  | Year In Review & Between the Pipes Spring Newsletter Prj 20201-40 | 118708 | 4,594.58   |
| Harrington Industrial                  | Injection Pump Repair Supplies                                    | 118709 | 984.71     |
| Dustin Harris                          | CWEA Cert Renewal   | 118710 | 286.00     |
| Home Depot Credit Services             | Hardware Supplies - Feb   | 118711 | 56.53      |
| Industrial Electric Machinery          | Motor Aeration Cooling Fan - MRF                                  | 118712 | 450.52     |
| Infinisource                           | Cobra Notices & Admin Svcs 20-21                                  | 118713 | 1,898.00   |
| JCI Jones Chemicals Inc                | Chlorine  | 118714 | 2,043.21   |
| Kaman Industrial Technologies          | Hardware Supplies   | 118715 | 144.76     |
| Kelsey Structural APC                  | Mixer Plate & Sampler Structural Design - MRF                     | 118716 | 738.00     |
| Ken Grody Ford                         | Chrome Bumper, Oil Filters 24, Fleet Supplies                     | 118717 | 826.31     |
| Steven Klein                           | ConExpo 3-12-20   | 118718 | 162.15     |
| Knight Security & Fire Systems         | Answering, Monitoring, Patrol Svc Mar, Fire System Upgrade        | 118719 | 1,423.44   |
| Lawnmowers Plus Inc                    | Hardware Supplies   | 118720 | 446.15     |
| Left Coast Window Cleaning             | Floor Scrubbing & Waxing - Main Offices, Cleaning Svcs Mar - MRF  | 118721 | 1,892.13   |
| LG Sonic B.V.                          | Interactive Algae Control 19-20                                   | 118722 | 7,512.00   |
| Lloyd Pest Control                     | Pest Control - Mar  | 118723 | 48.00      |
| Matheson Tri-Gas Inc                   | Cylinder Rentals  | 118724 | 302.21     |
| Noregon Systems, Inc.                  | Diagnostic Software - Used by Mechanics for Large Fleet Vehicles  | 118725 | 1,999.00   |
| North County Auto Parts                | Fleet Supplies Prj 20201-33                                       | 118726 | 1,675.08   |
| Olivenhain MWD                         | Treated Water - Feb   | 118727 | 47,538.60  |
| Pencco, Inc.                           | Calcium Nitrate   | 118728 | 9,654.83   |
| Perrault Corporation                   | Gravel & Asphalt  | 118729 | 3,345.85   |
| Pete's Road Service Inc                | Alignment - Veh 273   | 118730 | 155.00     |
| Proteus Consulting                     | Asset Management Program Prj 20141-4                              | 118731 | 5,040.00   |
| Quality Hoist & Electric               | Cal OSHA Testing - Chlorine Hoist Load Test - MRF                 | 118732 | 950.00     |
| Red Truck Fire & Safety Co.            | Fire Extinguisher Maintenance                                     | 118733 | 2,691.60   |
| Air Quality Compliance Solutions, Inc. | Fuel Island Maintenance - Feb                                     | 118734 | 199.50     |
| Richard W. Gittings                    | Hillside Development - Feb  | 118735 | 1,400.00   |
| SDG&E                                  | Power - Feb   | 118736 | 55,254.80  |
| Shi International Corp.                | Video Intercom System - MRF                                       | 118737 | 1,934.03   |
| Spatial Wave Inc                       | Software Installation, Field Mapplet Support & Maintenance 20-21  | 118738 | 7,463.30   |
| Steel-Toe-Shoes.com                    | Safety Boots  | 118739 | 116.36     |
| Susan Bowman                           | AWWA/WEF Utility Management Conference 2-26-20                    | 118740 | 108.67     |
| T.S. Industrial Supply                 | Paint, Brooms, Hoses, Fall Protection Grating - MRF               | 118741 | 1,553.77   |
| Talley Communications                  | Scada Antennas 13 Prj 20201-04,                                   | 118742 | 1,448.19   |
| John Truppa                            | ConExpo 3-12-20   | 118743 | 92.19      |
| Trussell Technologies Inc              | Biological Evaluations Prj 20191-2                                | 118744 | 10,150.00  |
| Unifirst Corporation                   | Uniform Delivery  | 118745 | 5.92       |
| Union Bank FKA 1st Bank Card           | Meetings & Travel - Feb   | 118746 | 6,689.23   |
| Union Bank FKA 1st Bank Card           | Meetings & Travel - Feb   | 118747 | 5,392.46   |
| Union Bank FKA 1st Bank Card           | Meetings & Travel - Feb   | 118748 | 4,047.78   |
| UPS                                    | Shipping Svcs - Mar   | 118749 | 25.68      |



VALLECITOS WATER DISTRICT  
WARRANTS LIST  
April 1, 2020

| PAYEE   | DESCRIPTION  | CHECK# | AMOUNT                     |
|---|--|--------|----------------------------|
| USA Blue Book   | Ph Probe - MRF   | 118750 | 805.52                     |
| V & A Consulting Engineers Inc  | Pipeline Condition Assessment Prj 20141-4  | 118751 | 2,878.00                   |
| Versatile Systems Inc.  | Fall Protection Inspection   | 118752 | 2,400.00                   |
| Woodard & Curran Inc  | Septage Disposal Siting Study Prj 20201-508  | 118753 | 22,084.63                  |
| Tri-City Emergency Medical Group  | Medical Svcs   | 118754 | 95.00                      |
| Garnishments  | Payroll Garnishments   | 118755 | -                          |
| All Star Signs, Inc   | Office Wall Signs - 2  | 118756 | 361.68                     |
| Garnishments  | Payroll Garnishments   | 118757 | -                          |
| County of San Diego   | Recording Fees - Feb   | 118758 | 3.20                       |
| Electrical Sales Inc  | Enclosure to House SCADA Equipment - Prj 20201-04, Hardware Supplies               | 118759 | 4,746.57                   |
| Ferguson Enterprises, Inc   | Valve, Water Testing Stations 4  | 118760 | 2,133.45                   |
| Goldak Inc  | Supplies For Crew Truck Repair -Veh 284  | 118761 | 177.46                     |
| Grainger Inc  | Window & Door Sealant, Rubbing Alcohol, Tools Veh 228, Signs 10, Hardware Supplies | 118762 | 2,956.84                   |
| Grangetto's Farm Garden Supply  | Landscaping Supplies   | 118763 | 149.33                     |
| Hach Company  | Annual Service - Water Quality Equipment, Lab Supplies                             | 118764 | 5,341.85                   |
| Interstate Batteries  | Batteries  | 118765 | 91.26                      |
| Garnishments  | Payroll Garnishments   | 118766 | -                          |
| Morton Salt, Inc.   | Industrial Salt  | 118767 | 3,916.78                   |
| One Source Distributors LLC   | Batteries - 14 For PLC, Wire Adapters 6  | 118768 | 853.61                     |
| Pacific Pipeline Supply   | Repair Clamps - 2 Prj 20201-528  | 118769 | 395.02                     |
| Recycled Aggregate Materials Co Inc                                       | Concrete Recycling   | 118770 | 225.00                     |
| SCAP  | 2020 Membership Dues   | 118771 | 538.00                     |
| State Water Resources Control   | Annual Storm Water Permit Fees - Rock Springs Sewer Replacement Prj 90003          | 118772 | 442.00                     |
| Streamline Auto Body  | Painting - Veh 221   | 118773 | 1,992.04                   |
| Unifirst Corporation  | Uniform Delivery   | 118774 | 920.69                     |
| Univar USA Inc  | Caustic Soda   | 118775 | 3,208.35                   |
| Vortex Industries Inc   | Metal Door Repairs - MRF   | 118776 | 525.00                     |
| Xylem Dewatering Solutions Inc  | Chlorine Injection Pump - MRF  | 118777 | 13,614.21                  |
| Total Disbursements (93 Checks)   |  |        | <u>527,483.65</u>          |
| <b>WIRES</b>  |  |        |                            |
| San Diego County Water Authority  | February Water Bill  | Wire   | 2,200,843.60               |
| San Diego County Water Authority  | FY 19 Desal Reconciliation   | Wire   | 53,399.00                  |
| Public Employees Retirement System  | Retirement Contribution - March 24, 2020 Payroll                                   | Wire   | 73,253.56                  |
| Bank of America   | Bank of America loan payment - Interest  | Wire   | 22,433.40                  |
| Union Bank  | Union Bank debt payment - Interest   | Wire   | 25,974.85                  |
| Total Wires   |  |        | <u>2,375,904.41</u>        |
| <b>PAYROLL</b>  |  |        |                            |
| Total direct deposits   |  | Wire   | 232,428.92                 |
| VWD Employee Association  |  | 118755 | 572.00                     |
| Payroll & Garnishments  | 118757 and   | 118766 | 1,001.06                   |
| IRS   | Federal payroll tax deposits   | Wire   | 92,223.65                  |
| Employment Development Department   | California payroll tax deposit   | Wire   | 17,233.44                  |
| CalPERS   | Deferred compensation withheld   | Wire   | 23,803.84                  |
| VOYA  | Deferred compensation withheld   | Wire   | 7,877.87                   |
| Total March 24, 2020 Payroll Disbursements                                |  |        | <u>375,140.78</u>          |
| Total direct deposits   |  | Wire   | 76.17                      |
| IRS   | Federal payroll tax deposits   | Wire   | 45.26                      |
| Employment Development Department   | California payroll tax deposit   | Wire   | 9.22                       |
| Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.) |  |        | <u>130.65</u>              |
| Total Payroll Disbursements   |  |        | <u>375,271.43</u>          |
| <b>TOTAL DISBURSEMENTS</b>  |  |        | <u><u>3,278,659.49</u></u> |

**DATE: APRIL 1, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: APPROVAL OF CONSTRUCTION AGREEMENT FOR ORCHARD HILLS SUBDIVISION IMPROVEMENTS (WARMINGTON RESIDENTIAL CALIFORNIA, INC.)**

**BACKGROUND:**

Warmington Residential California, Inc., owner of the project, has completed the plan check process with the District. The proposed project is a 20-lot single-family residential development located on Richland Road, between Tuscany Avenue and Tres Rancheros Lane in unincorporated San Diego County.

**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 856 feet of 8-inch PVC water main, 1,858 feet of 8-inch PVC sewer main, including appurtenances and water and sewer service connections. Upon completion of the water and sewer facilities, water and sewer service will be available to 20 single-family homes.

All engineering fees and inspection deposits have been paid prior to Board approval of the Construction Agreement. Water and wastewater capital facility fees are due and payable prior to issuance of the final building inspection and/or utility release per District Resolution No. 1441.

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

|                      |              |
|----------------------|--------------|
| Labor and Materials  | \$448,049.00 |
| Faithful Performance | \$448,049.00 |

**FISCAL IMPACT:**

None. Future water and sewer revenues will offset costs of service.

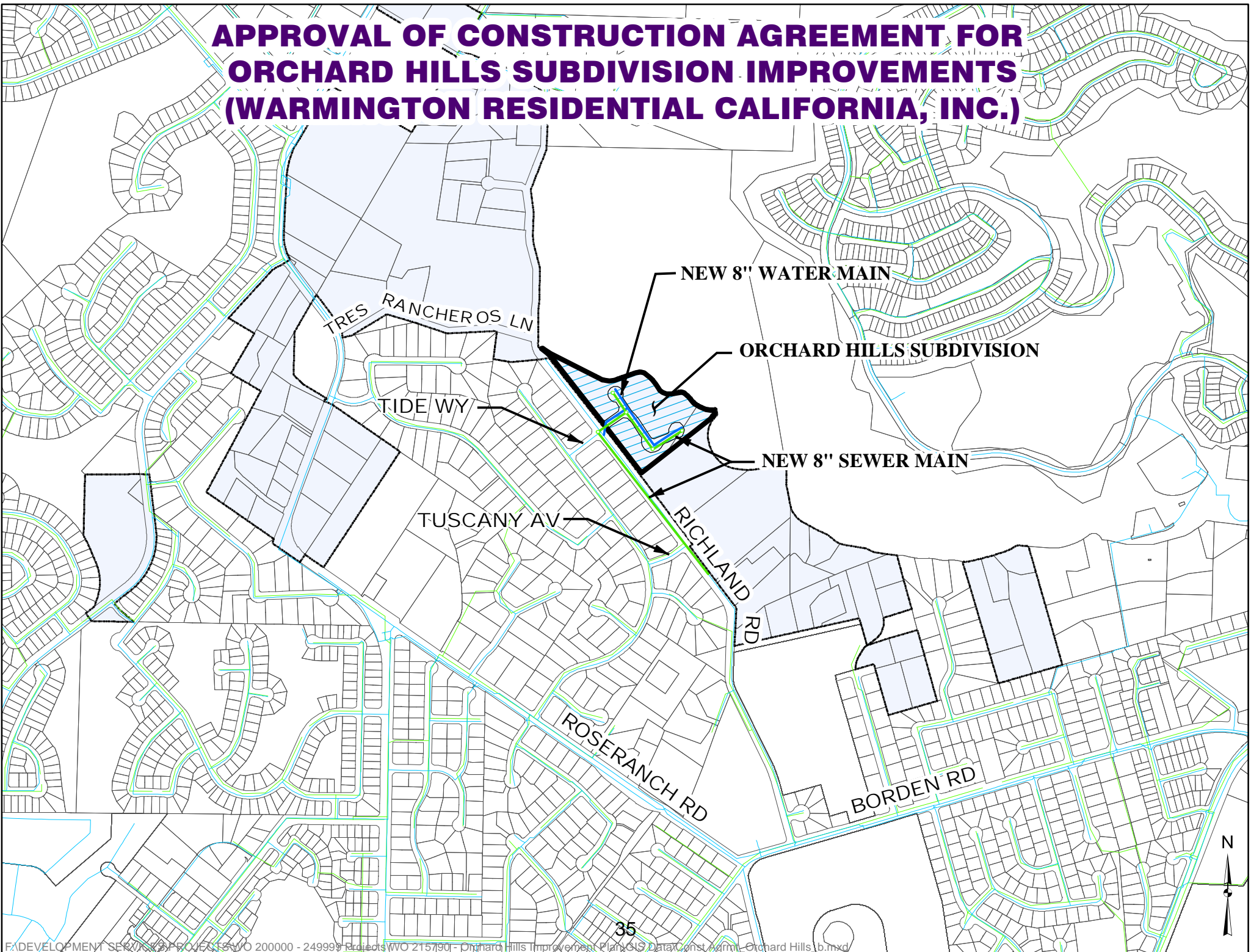
**RECOMMENDATION:**

Approve the construction agreement for Orchard Hills Subdivision Improvements.

**ATTACHMENTS:**

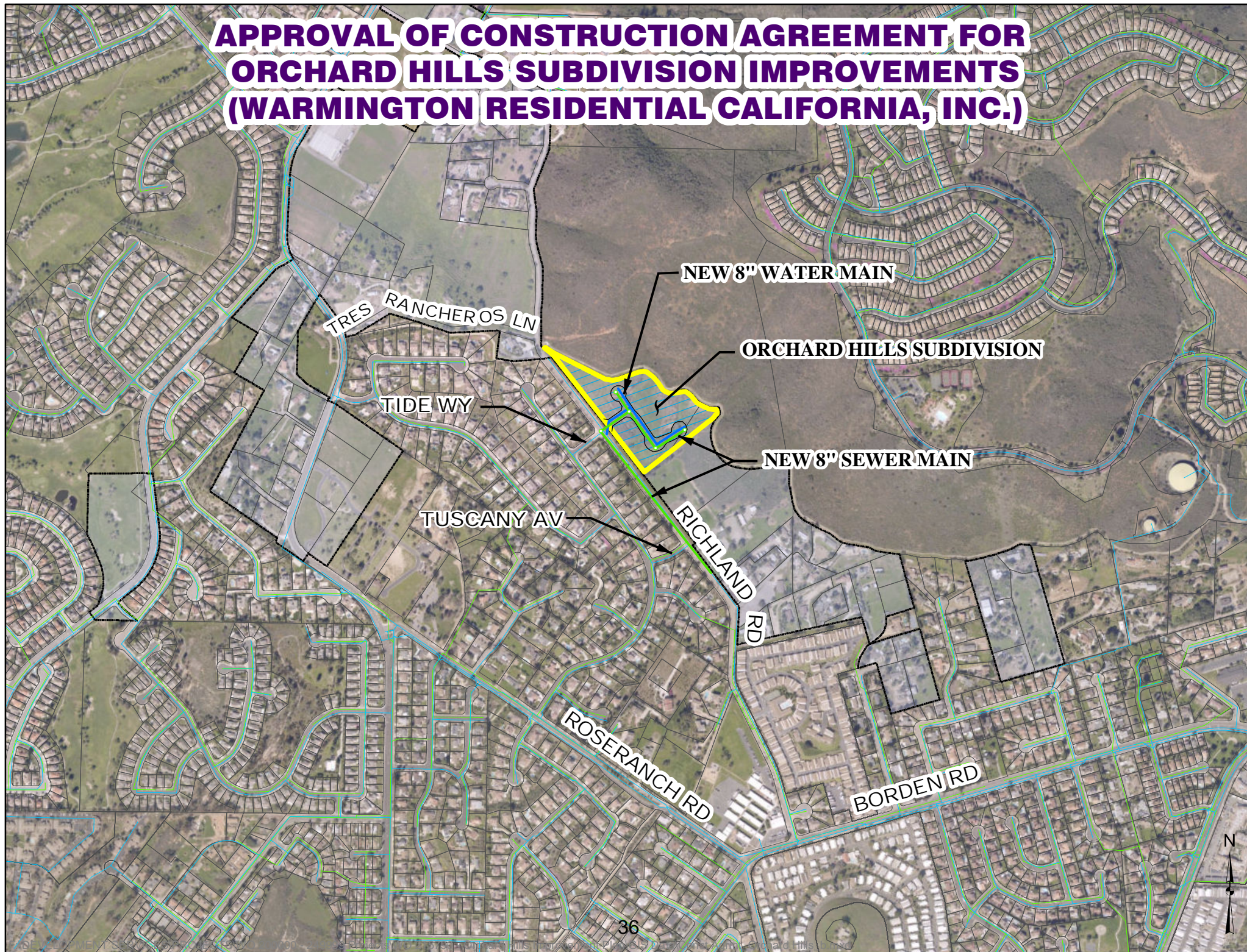
2 Map Exhibits – 1 Plat Map & 1 Aerial  
Construction Agreement

# APPROVAL OF CONSTRUCTION AGREEMENT FOR ORCHARD HILLS SUBDIVISION IMPROVEMENTS (WARMINGTON RESIDENTIAL CALIFORNIA, INC.)





# APPROVAL OF CONSTRUCTION AGREEMENT FOR ORCHARD HILLS SUBDIVISION IMPROVEMENTS (WARMINGTON RESIDENTIAL CALIFORNIA, INC.)





**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 **WARMINGTON SAN MARCOS ASSOCIATES, LLC** ("DEVELOPER"), a California Corporation.

**RECITALS**

1. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **21.36** acres commonly described as Tax Assessor's Parcel Nos. **218-220-10 & 218-220-17** ("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 **Latitude 33** and are identified as **Richland Road, Tide Way and Gable Court (Orchard Hills)**. 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 \_\_\_\_\_, **2021**. 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 **\$ 448,049**. 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 \$ 25,339 to cover all DISTRICT fees and costs associated with the FACILITIES. When this deposit has been drawn down to \$ 2,500, 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 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 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:

DISTRICT:

Vallecitos Water District  
201 Vallecitos de Oro  
San Marcos, CA 92069  
Attn: Glenn Pruim

DEVELOER:

Warmington San Marcos Associates, LLC  
3090 Pullman Street  
Costa Mesa, CA 92626  
Attn: Greg Ocasek

**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 Pruum, Secretary  
Board of Directors  
Vallecitos Water District

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

**“DEVELOPER”**

Company: WARMINGTON SAN MARCOS ASSOCIATES, LLC, a California limited liability company  
BY: WRG BUILDER V, L.P., a California limited partnership, its Manager  
BY: WARMINGTON RESIDENTIAL CALIFORNIA, INC., a California corporation, its General Partner

Name: James J. Deckard

Title: Senior Vice President

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

Dated: 3-5-20

\*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.

## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Orange )

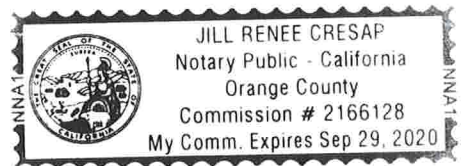
On 3/5/2020 before me, Jill Renee Cresap, Notary Public  
(insert name and title of the officer)

personally appeared James J. Deckard,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Jill Renee Cresap* (Seal)



Description of Attached Document:  
\_\_\_\_\_

Date:  
\_\_\_\_\_

**DATE: APRIL 1, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: PROPOSED 2020 INVESTMENT POLICY RESOLUTION**

**BACKGROUND:**

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

**DISCUSSION:**

A draft Resolution for the Investment Policy of the Vallecitos Water District for calendar year 2020 is presented for your consideration and approval.

After comparing the investment policy to California Government State Code (CGC) and best practices, no changes are recommended.

**FISCAL IMPACT:**

There is no fiscal impact associated with adopting the investment policy.

**RECOMMENDATION:**

Staff recommends the Board approve and adopt the Annual Investment Policy Resolution for calendar year 2020.

**ATTACHMENT:**

Draft Resolution Approving the Statement of Investment Policy for Calendar Year 2020

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
VALLECITOS WATER DISTRICT APPROVING THE STATEMENT  
OF INVESTMENT POLICY FOR CALENDAR YEAR 2020**

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

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

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Section 1: General Provisions and Objectives

Section 1.1: Introduction

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

Section 1.2: Scope

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

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

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

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

#### Section 1.3: Pooling of Funds

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

#### Section 1.4: Prudence

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

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

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

#### Section 1.5: Objectives

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

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

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

### Section 2: Delegation of Authority

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

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

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

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

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

### Section 3: Ethics and Conflicts of Interest

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

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

#### Section 4: Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

#### Section 6: Authorized Investments

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

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

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

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

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

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



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

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

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

Section 6.4: Banker's Acceptances, provided that:

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

Section 6.5: Commercial Paper, provided that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 6.13: Supranationals, provided that:

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

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

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

Section 7: Prohibited Investment Vehicles and Practices

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

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

#### Section 8: Investment Pools/Mutual Funds

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

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

#### Section 9: Collateralization

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

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

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

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

#### Section 10: Delivery, Safekeeping and Custody

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

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

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

#### Section 11: Maximum Maturity

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

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

#### Section 12: Risk Management and Diversification

##### Section 12.1: Mitigating Credit Risk in the Portfolio

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

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

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

#### Section 12.2: Mitigating Market Risk in the Portfolio

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

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

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

#### Section 12.3: Foreign Currency Risk

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

### Section 13: Review and Reporting

#### Section 13.1: Review of Investment Portfolio

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

#### Section 13.2: Performance Evaluation

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

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

#### Section 13.3: Monthly Reports

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

#### Section 13.4: Quarterly Reports

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

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

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

#### Section 13.5: Annual Reports

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

#### Section 13.6: Review of Investment Policy

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

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

#### Section 14: Glossary of Terms

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

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

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

#### Certificates of Deposit

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Annual Statement of Investment Policy for calendar year 2020 is hereby approved and replaces and previous versions. The District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 1<sup>st</sup> day of April 2020, 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 Pruum, Secretary  
Board of Directors  
Vallecitos Water District