

**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, AUGUST 19, 2020, AT 5:00 P.M.  
VIA TELECONFERENCE

**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 90 minutes before the meeting will be provided to the Board, and a record of the receipt of comment will be noted during the meeting. Members of the public viewing the meeting via the Zoom videoconferencing platform can express their desire to provide input at the appropriate time by utilizing the "Raise Hand" function. Additional instructions for online participation will be posted on the District's website. [www.vwd.org/meetings](http://www.vwd.org/meetings)

CALL TO ORDER – PRESIDENT EVANS

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 AUGUST 19, 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. Alternatively, persons wishing to address the Board at this time may utilize the "Raise Hand" feature of the Zoom videoconferencing platform. 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.

PRESENTATION

Chris Robbins and Dawn McDougale will accept the LaBounty Safety award on behalf of their team recognizing commitment to safety in the workplace.

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. 6-21)

- A. CLOSED SESSION BOARD MEETING – JULY 15, 2020
- B. REGULAR BOARD MEETING – JULY 15, 2020
- C. ENGINEERING/EQUIPMENT COMMITTEE MEETING – JULY 21, 2020
- D. FINANCE/INVESTMENT COMMITTEE MEETING – JULY 27, 2020
- E. CLOSED SESSION BOARD MEETING – AUGUST 6, 2020

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

**Recommendation: Approve Minutes**

1.2 WARRANT LIST THROUGH AUGUST 19, 2020 - \$8,427,600.34 (pp. 22-28)

**Recommendation: Approve Warrant List**

1.3 FINANCIAL REPORTS (pp. 29-48)

- A. WATER METER COUNT – JULY 31, 2020
- B. WATER PRODUCTION/SALES REPORT – 2020/2021
- C. PER CAPITA WATER CONSUMPTION – JULY 31, 2020
- D. WATER REVENUE AND EXPENSE REPORT – JULY 31, 2020
- E. SEWER REVENUE AND EXPENSE REPORT – JULY 31, 2020
- F. RESERVE FUNDS ACTIVITY – JULY 31, 2020
- G. INVESTMENT REPORT – JULY 31, 2020
- H. LEGAL FEES SUMMARY – JULY 31, 2020

1.4 ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "LINDAUER ANNEXATION," APN 182-101-01, AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICT 5 (LINDAUER FAMILY TRUST 08-18-06) (pp. 49-56)

*The single-family residential lot is located at 317 East Olive Street on the southeast corner of East Olive Street and Sycamore Drive in the City of San Marcos.*

**Recommendation: Adopt Resolution**

- 1.5 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE "PAPP-LUNDBLADE ANNEXATION," APN 182-101-43 & 44 INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5 (SZILARD PAPP & JEFF LUNDBLADE) (pp. 57-60)

*The properties are located south of East Olive Street and east of Sycamore Drive in the City of San Marcos.*

**Recommendation: Approve Conditions for the Annexation of APN 182-101-43 & 44 into the Vallecitos Water District and Sewer Improvement District 5**

- 1.6 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5, 6 & A (SAMANDARI/NAEEMI) (pp. 61-64)

*The property is located on the west side of Nordahl Road, north of Rock Springs Road and south of El Norte Parkway in unincorporated San Diego County.*

**Recommendation: Approve Conditions for the Annexation of APN 226-290-01 into the Vallecitos Water District and Sewer Improvement Districts 5, 6 & A**

- 1.7 POSITION RECLASSIFICATION OF PURCHASING/WAREHOUSE ASSISTANT TO MAINTENANCE SERVICES SUPERVISOR (pp. 65-68)

*The position reclassification will allow the District to utilize the position more effectively.*

**Recommendation: 1) Approve the Reclassification of the Vacant Purchasing/Warehouse Assistant to the new Classification of Maintenance Services Supervisor; and 2) Adopt the Resolution Approving the Annual Pay Schedule with the New Classification**

- 1.8 PROPOSED REVISIONS TO RESOLUTION 1529 – "ESTABLISHING PURCHASING POLICIES AND PROCEDURES FOR THE DISTRICT" (pp. 69-79)

*Several revisions are proposed to update and clarify the intent of the existing policy.*

**Recommendation: Adopt Resolution**

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

ACTION ITEM(S)

- 2.1 SAN DIEGO COUNTY WATER AUTHORITY REGIONAL CONVEYANCE SYSTEM FEASIBILITY STUDY REVIEW (pp. 80-121)

*A feasibility study was performed to look at three different alignments to take water from the Colorado River and deliver it to the CWA service area.*

**Recommendation:**           **1) Receive reports from CWA Representative and Member Agencies' consultant; 2) Discuss and provide input to President Evans; and 3) Take other actions as appropriate**

- 2.2 BUENA CROSS TIE WITH LAND OUTFALL MANHOLE EMERGENCY REPAIR  
(pp. 122-124)

*Cass Construction was hired to perform emergency repairs to the manhole after heavy rains in April necessitated the repairs.*

**Recommendation:**           **Approve Payment to Cass Construction in the amount of \$81,713.24**

- 2.3 COVID FINANCIAL REPORTING PRESENTATION (pp. 125)

*In preparing the FY 2021 budget, staff developed a series of assumptions to estimate the financial impact that COVID may have on the District.*

**Recommendation:**           **Receive presentation and provide direction**

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

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

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

3.5 STANDING COMMITTEES

3.6 DIRECTORS       REPORTS       ON       MEETINGS/CONFERENCES/SEMINARS  
ATTENDED

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

OTHER BUSINESS

4.1 MEETINGS

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

5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

6.1 ADJOURNMENT

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

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

Audio and video recordings of all Board meetings are available to the public at the District website [www.vwd.org](http://www.vwd.org)

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:00 p.m., Friday, August 14, 2020.

\_\_\_\_\_  
Diane Posvar

MINUTES OF A CLOSED SESSION MEETING  
OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, JULY 15, 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. The meeting was held via teleconference.

Present: Director Elitharp  
Director Martin  
Director Sannella  
Director Evans

Absent: Director Hernandez

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

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF JULY 15, 2020

20-07-05 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Closed Session Meeting of July 15, 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.

20-07-06 MOTION WAS MADE by Director Martin, seconded by Director Sannella, 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 4:57 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 Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, August 5, 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 Pruijm, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, JULY 15, 2020, AT 5:00 PM AT THE DISTRICT OFFICE,  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Evans called the Regular meeting to order at the hour of 5:00 p.m. The meeting was held via teleconference.

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

Staff Present: General Manager Pruim  
Legal Counsel Norvell  
Administrative Services Manager Emmanuel  
District Engineer Gumpel  
Finance Manager Owen  
Operations & Maintenance Manager Pedrazzi  
Public Information/Conservation Supervisor Robbins  
Principal Financial Analyst Arthur  
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 15, 2020

20-07-07 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 15, 2020.

PUBLIC COMMENT

None.

PRESENTATION

Public Information/Conservation Supervisor Robbins presented the District's "Work We Do" video, "Tank Cleaning," that highlights the District's efforts to maintain a safe water supply.

CONSENT CALENDAR

20-07-08 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. Finance/Investment Committee Meeting – June 29, 2020
  - B. Regular Board Meeting – July 1, 2020
- 1.2 Warrant List through July 15, 2020 - \$4,702,178.28
- 1.3
  - A. Water Meter Count – June 30, 2020
  - B. Water Production/Sales Report – 2019/2020
  - C. Quarterly Financial Report – June 30, 2020
  - D. Per Capita Water Consumption – June 30, 2020
  - E. Water Revenue and Expense Report – June 30, 2020
  - F. Sewer Revenue and Expense Report – June 30, 2020
  - G. Reserve Funds Activity – June 30, 2020
  - H. Investment Report – June 30, 2020
  - I. Legal Fees Summary – June 30, 2020
- 1.4 Operations & Maintenance Metrics Quarterly Report – June 30, 2020
- 1.5 Ordinance Establishing Administrative Charges to Recover Indirect Costs for Fiscal Year 2020/21
- 1.6 Resolution Adopting the Annual Pay Schedule with the Cost of Living Salary Adjustment for Fiscal Year 2020/21

#### PUBLIC HEARING

#### PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT “A” FOR THE FISCAL YEAR JULY 1, 2020 TO JUNE 30, 2021.

Finance Manager Owen stated the Board adopted Resolution No. 1570 at their Regular Board meeting on June 17, 2020, electing to collect sewer service fees on the tax roll for Improvement District “A” which includes all parcels that receive sewer service but not water service. The sewer service fees will be collected by the County of San Diego and then transferred to the District. The public hearing is required to receive public input on this item.

Staff recommended the Board adopt the resolution authorizing the sewer service fees for Improvement District “A” to be collected on the tax roll.

President Evans opened the hearing as duly noticed and posted to consider the collection of sewer service fees on the tax roll. The hearing opened at 5:14 p.m.

General discussion took place.

There being no persons wishing to address the Board, President Evans closed the hearing at 5:15 p.m.

20-07-09 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the resolution.

Resolution No. 1571 - The roll call vote was as follows:

AYES: Elitharp, Hernandez, Martin, Sannella, Evans  
NOES:  
ABSTAIN:  
ABSENT:

### ACTION ITEMS

#### APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020/21

Finance Manager Owen stated Article XIII B of the California Constitution (Proposition 4) requires the District to establish an appropriations limit on proceeds from property taxes each fiscal year (FY). The limit may increase annually by a factor comprised of the change in population and a change in the U.S. Consumer Price Index. Using those factors, the proposed limit for FY 2020/21 is increasing to \$894,356. The District receives an amount in excess of this limit; however, as a utility, the District is allowed to deduct depreciation in making the calculation. As the District's depreciation exceeds \$5 million, it is not affected by the limit.

Staff recommended the Board adopt the resolution establishing the appropriations limit for FY 2020/21.

20-07-10 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to adopt the resolution.

Resolution No. 1572 - The roll call vote was as follows:

AYES: Elitharp, Hernandez, Martin, Sannella, Evans  
NOES:  
ABSTAIN:  
ABSENT:

AWARD OF WATER RATE COST OF SERVICE STUDY CONSULTANT AGREEMENT

General Manager Pruim stated the purpose of the Cost of Service Study (COSS) is to determine how to fairly allocate costs associated with the District's water operations.

Finance Manager Owen stated that on August 7, 2019, the Board authorized the General Manager to enter into a contract with Raftelis Financial Consultants, Inc. to perform a COSS. Due to time restraints and unforeseen circumstances, Raftelis was unable to complete the COSS at that time; however, the District is still in need of a water COSS to establish the appropriate allocation of costs and develop a rate model. Staff negotiated with Raftelis for a Comprehensive Water COSS for 2021 at a fee of \$62,031 which is lower than the previous contract cost of \$63,020.

Staff recommended the Board authorize the General Manager to enter into a contract with Raftelis Financial Consultants, Inc. to prepare a Cost of Service Study for FY 2021.

General Manager Pruim clarified that the COSS will focus on water only and not wastewater. Consideration of any necessary rate adjustments could take place by the end of this calendar year to be effective in January or February of 2021.

General discussion took place.

20-07-11 MOTION WAS MADE by Director Martin, seconded by Director Elitharp, and carried unanimously, to authorize the General Manager to enter into a contract with Raftelis Financial Consultants, Inc.

COVID FINANCIAL REPORTING PRESENTATION

General Manager Pruim stated staff worked with other agencies and the American Water Works Association to estimate the financial impact COVID-19 may have on the District. In preparing the FY 2020/21 budget, staff developed assumptions based on the estimates to address the financial impacts. Staff committed to providing the Board monthly updates to determine the accuracy of the assumptions made in preparation of the budget. Data presented would reflect conditions through June 30, 2020.

Finance Manager Owen stated staff will provide actual versus budget data in the coming months, as FY 2020/21 has just begun, and historical trends.

Finance Manager Owen and Principal Financial Analyst Arthur facilitated a presentation, COVID-19 Financial Plan Update, as follows:

- Water Sales Composition
- Water Sales Comparison
- Water Sales/Production

- Billing Timelines in Days
- Delinquency Charges (Fees)
- Fee Waivers Due to COVID-19
- Number of Accounts Delinquent
- Delinquency Charges – Year-To-Date
- Accounts Not Locked Due to COVID-19 (June)
- Lock Charges – Year-To-Date
- Bad Debt Expense – Year-To-Date

General discussion took place during and after the presentation.

#### SAN MARCOS CHAMBER OF COMMERCE – MEET YOUR ELECTED OFFICIALS EVENT – PER DIEM APPROVAL

General Manager Pruim stated the San Marcos Chamber of Commerce’s annual “Meet Your Elected Officials” virtual event scheduled for July 23 is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 216; therefore, approval for per diem is required.

General discussion took place during which Director Sannella requested this event be added to the list of approved San Marcos Chamber of Commerce events.

Legal Counsel Norvell recommended the Board direct staff to bring back Ordinance No. 216 to be amended at a future Board meeting.

20-07-12 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to approve per diem for attendance to the San Marcos Chamber of Commerce “Meet Your Elected Officials” event.

Mike Hunsaker, member of the public, addressed the Board questioning if video conferenced “meet and greet” events should be eligible for per diems.

#### REPORTS

##### GENERAL MANAGER

General Manager Pruim reported the following:

- The contractor for the San Marcos Interceptor sewer project will be pot holing to determine intersecting existing utilities in Tamarisk Boulevard and San Marcos Boulevard beginning next week which may cause traffic disruptions.

- Vallecitos crews will be working in San Marcos Boulevard this evening after 8:00 p.m. to replace a water service line near the Green Thumb Nursery. The eastbound lanes of San Marcos Boulevard will be impacted.

#### DISTRICT LEGAL COUNSEL

Legal Counsel Norvell provided an update on the Fair Political Practices Commission's (FPPC) recent amendment to its rules regarding financial conflicts of interest. The FPPC now requires that when a public official who has a conflict on an agenda item leaves a meeting early or comes late and is not present when the item is addressed, they must state their conflict and financial interest on the record.

#### SAN DIEGO COUNTY WATER AUTHORITY

President Evans stated the next Board meeting is scheduled for July 23.

President Evans further stated the SDCWA recently completed the refunding of two bonds resulting in a savings of over \$67 million in debt financing. A total of \$235 million in bond refunding savings has been realized since 2010.

#### ENCINA WASTEWATER AUTHORITY

Director Hernandez reported that the Capital Improvement Committee met this morning at which discussion took place regarding the continuing work on the co-generation wall. The Committee authorized a contract with Kennedy Jenks and a contract for the SCADA system.

Director Martin reported on his attendance to the Policy and Finance Committee meeting on July 14 at which leasing at the South Parcel was discussed.

#### STANDING COMMITTEES

None.

#### DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

None.

#### OTHER BUSINESS

None.

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DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

President Evans complimented staff on the Operations & Maintenance Metrics Quarterly Report.

ADJOURNMENT

There being no further business to discuss, President Evans adjourned the Regular Meeting of the Board of Directors at the hour of 6:13 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, August 5, 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 Pruiam, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE  
ENGINEERING/EQUIPMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
TUESDAY, JULY 21, 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. The meeting was held via teleconference.

Present: Director Hernandez  
Director Elitharp  
General Manager Pruiam  
District Engineer Gumpel  
Capital Facilities Senior Engineer Morgan  
Development Services Senior Engineer Scholl  
Asset Management Supervisor Bowman  
Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

HIGH POINT PIPELINE CONDITION ASSESSMENT RESULTS AND RECOMMENDATIONS

Asset Management Supervisor Bowman provided a presentation, "High Point Pipeline Condition Assessment Results and Recommendations," as follows:

- Project Map
- Development Background
- Current Status
- Assessed Areas
  - 12-Inch Ductile Iron – Woodland Heights Glen
  - 8-Inch Ductile Iron – Kensington Glen
- Assessed Area Map
- Video: Condition Assessment with Pipeline Inspection and Condition Analysis Corporation (PICA) SeeSnake RFT Tool
- Corrosion Findings – 12-Inch Ductile Iron Pipe (DIP)
- Remaining Wall Thickness – 12-Inch DIP
- 8-Inch DIP Without Corrosion
- Remaining Wall Thickness – 8-Inch DIP
- Results and Recommendations

Asset Management Supervisor Bowman stated that a developer constructed water and sewer facilities for the High Point Country Manor development in 2007; however, the

developer abandoned the project. The facilities were never accepted by the District. In 2016, a new developer began the process of developing the High Point area. The District began working with the developer on conditions for acceptance of the dormant water and sewer facilities. A condition assessment to determine the wall thickness of the pipelines was necessary to determine if the existing mains can be brought back into service.

Asset Management Supervisor Bowman further stated that based on the findings of the sections of pipeline that were assessed, the engineering consultant that assisted the District with the condition assessment, Infrastructure Engineering Corporation (IEC), recommends replacement of the 12-inch Woodland Heights Glen pipe as it showed significant deterioration. The condition of the 8-inch Kensington Glen pipeline is "like new." IEC recommends inspection of the remaining Kensington Glen pipeline.

General discussion took place. Staff clarified that approximately 2,000 of the project's approximate 5,100 linear feet of 12-inch pipe was assessed. The pros and cons of alternatives to DIP were discussed. District Engineer Gumpel stated the District's standards no longer allow the use of DIP except for specific circumstances. Staff agrees with IEC's determination and does not recommend accepting the existing 12-inch pipe.

The Committee directed staff to bring this item to the Board at a future Board meeting with staff's recommendation that the District should not accept the existing 12-inch pipe.

#### DISTRICT WIDE SOLAR

Capital Facilities Senior Engineer Morgan stated the kick off of the project took place on July 6 at the Twin Oaks Reservoir site. Reservoir No. 1 was mobilized first. Installation of the racking has been completed, concrete ballast placements are occurring this week, and the installation of panels on top of the racking will begin as early as next week. At Reservoir No. 2, the racking is currently being installed. Concrete ballast placements and panel installation will take place in the next three weeks. The project at the Twin Oaks Reservoir site, including trenching and undergrounding of conduit and conductors, is anticipated to be completed by mid to late August. The reservoirs will be offline from SDG&E for three to four days at the completion of the project during the tie over to the switch gear improvements.

Capital Facilities Senior Engineer Morgan further stated the solar project at the Lift Station No. 1 site has been delayed due to a redesign of the panels, from south facing to west facing, and the array location to give more clearance from the panels to the back edge of pavement. The project is being submitted this week to the City of San Marcos for a site development permit. The permitting process could take three to four months. Staff anticipates all approvals will be finalized in mid-October, the project will be completed in December, and start up and energy production from both sites with SDG&E will begin in January 2021.



SEPTAGE HAULING STATION UPDATE

Development Services Senior Engineer Scholl stated staff had been waiting to hear from attorneys as to whether the District could serve other agencies with a septage hauling station. Attorneys for Encina Wastewater Authority (EWA) have opined that serving areas outside of EWA's service area would be problematic and would require amending the Revised Basic Agreement. The District could serve other EWA agencies with proper agreements in place and LAFCO approval which would help with the cost of this septage receiving service. Considering all of the costs involved, the District's cost to treat the septage would be approximately 15 to 20 cents per gallon. The current market supports only a 13 cents per gallon charge. Staff should receive a final technical memo on this project next week.

Development Services Senior Engineer Scholl further stated that he was recently contacted by Sedron Technologies, a small company looking to develop a site for a septage receiving station in the North County area. Sedron Technologies offered a few options such as partnering with the District, partnering with EWA, or the District not constructing a septage hauling station.

General discussion took place.

OTHER BUSINESS

General Manager Pruim stated development and capital projects updates will be on the agenda for the next Committee meeting. The Committee had no additional items to add to the agenda.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:57 p.m.

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, JULY 27, 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 4:00 p.m. The meeting was held via teleconference.

Present:                    Director Sannella  
                                 Director Martin  
                                 General Manager Pruum  
                                 Finance Manager Owen  
                                 Principal Financial Analyst Arthur  
                                 Administrative Secretary Johnson

ITEM(S) FOR DISCUSSION

ANNUAL YEAR IN REVIEW PRESENTATIONS

General Manager Pruum stated the Board receives monthly financial updates at the second Regular Board meeting of each month. The Fiscal Year (FY) 2019/20 ended on June 30, 2020. The annual financial audit process will not be completed until November; however, staff wanted to give the Committee more timely financial data regarding FY 2019/20.

Finance Manager Owen stated that the unaudited financial information that would be presented reflects actual versus budget for the fourth quarter of FY 2020 as of July 5, does not include accruals, and is subject to change as invoices for a significant amount of expenses for materials, services, and projects have not been received yet. He noted that the numbers for reserves are actual numbers that will not change as reserves are cash based.

Finance Manager Owen and Principal Financial Analyst Arthur facilitated a presentation on the FY 2020 Year in Review as follows:

- Water Operating Revenues
- Water Operating Expenses
- Sewer Operating Revenues
- Sewer Operating Expenses
- June 30, 2020 Reserves
- Replacement Reserves
- Capacity Reserves
- Budget Comparisons
- Next Steps

Principal Financial Analyst Arthur stated the District's customer base increased by .33% over the previous year with 77 additional water meters.

Finance Manager Owen stated that this presentation will be provided to the Board at the August 19 Regular Board meeting. Going forward, staff intends to provide a similar presentation to the Board annually at the first Board meeting of each fiscal year.

Finance Manager Owen further stated the audit field work will be completed September 21 – 25 and that staff will present the Comprehensive Annual Financial Report to the Board in November.

Mike Hunsaker, member of the public, addressed the Committee inquiring about the construction fee inflation rate factor, increases in water costs, and the decrease in desalinated water purchases. General Manager Pruim responded to Mr. Hunsaker's questions.

### PERS EARNINGS UPDATE

General Manager Pruim stated he recently watched a PERS webinar which provided an update on FY 2020 investment earnings. He briefly discussed PERS' investment performance, historical annualized returns, and asset class returns, noting the following:

- PERS' targeted rate of return is 7%.
- There was a \$70 billion loss in equity for February – March.
- The rate of return for FY 2020 was 4.7%
- FY 2020 ending asset valuation was \$389 billion. As of today, it is \$403 billion.
- It takes PERS over two years to incorporate changes into return rates when determining contribution levels for its members and member agencies. Impacts will start to be seen in FY 2023.
- The 5-year rate of return is 6.3%; over a 30-year period, the return is 8.0%.
- PERS is well diversified with five different asset classes.

General Manager Pruim further stated the latest PERS actuarial report should be released in August and an update will be provided to the Committee and the Board.

### OTHER BUSINESS

None.

### PUBLIC COMMENT

None.

### ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:46 p.m.

MINUTES OF A CLOSED SESSION MEETING  
OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
THURSDAY, AUGUST 6, 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. The meeting was held via teleconference.

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

Staff Present: General Manager Pruim  
Legal Counsel Gilpin  
Consulting Strategy Expert Fiona Hutton  
Consulting Strategy Expert Kendall Klinger  
Executive Secretary Posvar

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF AUGUST 6, 2020

20-08-01 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Closed Session Meeting of August 6, 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.

20-08-02 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to move into Closed Session pursuant to Government Code Section 54956.9.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 5:01 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 5:02 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, August 19, 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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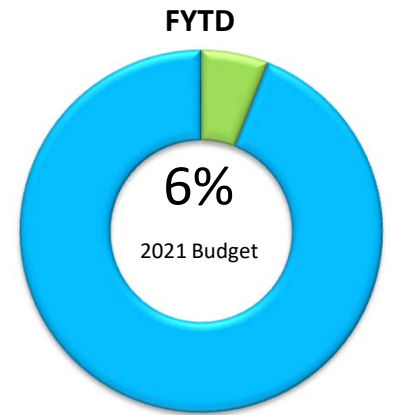
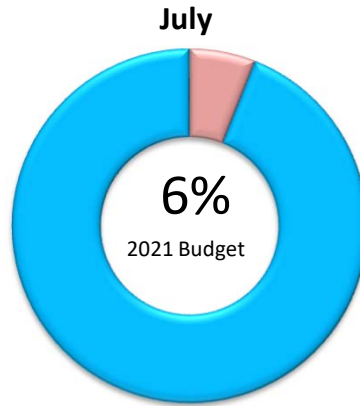
Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District

**VALLECITOS WATER DISTRICT  
DISBURSEMENTS SUMMARY  
July 31, 2020**

**Summary**

July Disbursements	\$	5,129,687 *
YTD Disbursements	\$	5,129,687 *
FY2021 Budget	\$	85,271,000

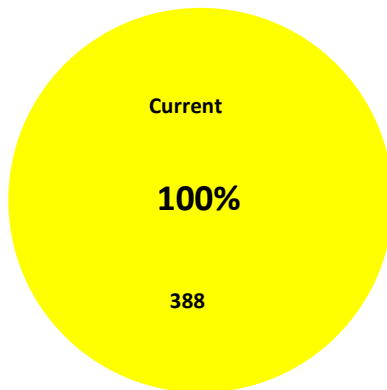
\* Excludes Debt Service



**Disbursements by Month**



**Invoices Processed**



**Top 10 Vendors - FYTD**

ENCINA WASTEWATER AUTHORITY	■	\$3.3M
SAN DIEGO COUNTY WATER AUTH.	■	\$2.8M
PUBLIC EMPLOYEES RETIRE SYSTEM	■	\$1.0M
ACWA/JOINT POWERS INSURANCE	■	\$260K
SAN DIEGO GAS & ELECTRIC	■	\$167K
OLIVENHAIN MWD	■	\$73K
CITY OF VISTA	■	\$72K
JWC ENVIRONMENTAL INC	■	\$72K
SUPERIOR READY MIX CONCRETE LP	■	\$42K
PENCCO, INC.	■	\$42K

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	119443 through	119444 -
Various Vendors	Reissue 14 Voided Checks	119445 through	119458 -
Garnishments	Payroll Garnishments	119459 through	119460 -
Action Mail	Postcard List Prj 20211-39	119461	1,547.69
ACWA/Joint Powers Insurance	Medical Insurance - Aug	119462	211,765.26
ACWA/Joint Powers Insurance	Worker's Compensation Quarter Ended 6-30-20	119463	48,903.58
Advanced Imaging Solutions, Inc.	Copier Lease - July & Annual San Diego Property Tax	119464	5,802.43
Air Pollution Control District	Emissions Fee Renewals 2	119465	965.00
Airgas USA LLC	Cylinder Rental	119466	3,441.69
Allied Universal Security	Weekly Deposit Svc	119467	163.24
Ambius	Plant Maintenance - June	119468	263.00
APGN	Filters - MRF	119469	697.34
Arne Risy	Closed Account Refund	119470	615.96
AT&T	Internet Svc - Aug	119471	89.50
AT&T	Phone Svc SCADA - July	119472	455.20
AT&T	Phone Svc - June & July	119473	2,435.07
Audio Associates of San Diego	Audio Visual Upgrades - Boardroom Prj 20151-2	119474	13,702.35
Automated Water Treatment	Calcium Hypochlorite	119475	3,592.41
B & C Crane Service Inc	Crane Rental - June	119476	435.00
Boot Barn	Safety Boots	119477	450.00
Boot World Inc	Safety Boots	119478	300.00
CA Dept of Forestry/Fire Protection	Crew Work - Mar	119479	1,347.48
California Special Dist Assn.	Membership Renewal 20-21	119480	150.00
City of Carlsbad	Quarterly Sewer Svc	119481	408.00
CDW Government Inc	SCADA Upgrade Wall Mount - MRF, Blue Beam Software Renewal 20-21	119482	1,611.69
Chandler Asset Management, Inc.	Investment Management Svcs - June	119483	3,917.50
Jeffrey Colwell	Video Production Svcs Prj 20201-41	119484	271.25
Core & Main LP	District Wide Valve Prj 20161-4	119485	4,673.40
Core Logic Information Solutions Inc	Real Quest Svc - Engineering Maps - June	119486	212.18
Corodata Media Storage Inc	Back Up Storage Tape - June	119487	160.76
County of San Diego	LAFCO Fees 20-21	119488	38,889.31
CWEA	Cert Renewal - D McDougle	119489	91.00
CWEA	Membership Renewal - J Bakken	119490	192.00
Davis Farr LLP	Audit Svcs Fiscal Year 2020	119491	5,000.00
DirecTV Inc	Satellite Svc - July	119492	200.78
EDCO Waste & Recycling Serv	Trash Svc - June	119493	1,225.40
Eddy Borysewicz	Closed Account Refund	119494	369.49
Emcor Service	Thermostat Replacement - MRF	119495	734.51
Fisher Scientific LLC	Lab Supplies - MRF	119496	387.70
Freedom Automation Inc	Valve Position Indicators - 9	119497	14,613.75
Golden State Graphics	Consumer Confidence Report Post Cards Prj 20211-39	119498	1,282.00
Haaker Equipment Co.	Vactor Swivels - 2, Vactor Repair Supplies - Veh 240	119499	4,353.52
Hach Company	Annual Preventative Maintenance & Water Quality Supplies	119500	5,172.32
Harrington Industrial	Pipe Repair - TOR	119501	808.50
Hawthorne Machinery Co.	HOA Locking Switches MRF & Hardware Supplies	119502	1,112.15
Hodge Products Inc	Padlocks - 10	119503	239.96
Home Depot Credit Services	Hardware Supplies - June	119504	55.75
Huntington & Associates, Inc.	Claval Rebuild Kit - MRF	119505	1,158.05
Infosend Inc	Postage & Printing - June & July	119506	9,460.67
Infrastructure Engr Corp	High Point Prj 20191-544	119507	152.50
Ingrid Stichter	Filing Fees 6-11-20	119508	132.80
Insituform Technologies, LLC	Sewer Rehabilitation & Repairs Prj 20191-5	119509	30,464.35
Jeff Bromage	Closed Account Refund	119510	814.72
Jim Waring	Closed Account Refund	119511	1,315.14
JCI Jones Chemicals Inc	Chlorine	119512	4,086.42
Jorge Aceves	Commercial Drivers License Renewal	119513	48.00

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

PAYEE	DESCRIPTION	CHECK#	AMOUNT
JWC Environmental Inc.	Pump Station Grinder Replacement Prj 20201-601	119514	71,717.34
Kaman Industrial Technologies	Pressure Switch - TOR Generator	119515	458.11
Knight Security & Fire Systems	Answering, Patrol, & Monitoring Svc - June & July	119516	1,313.38
Left Coast Window Cleaning	Disinfecting Svcs HQ; Cleaning & Disinfecting Svcs - MRF	119517	3,273.13
Lloyd Pest Control	Pest Control Svc - July	119518	120.00
Matheson Tri-Gas Inc	Cylinder Rental	119519	62.86
Matthew Thompson	Safety Boots	119520	150.00
Mission Resource Conservation District	Water Use Evaluations Prj 20201-43	119521	222.50
New Horizons Computer Learning Center	IT Service Management Certification Training - J Todd	119522	1,610.25
North County Auto Parts	Fleet Supplies - June	119523	4,548.48
North County Tool & Abrasive	Hardware Supplies	119524	61.78
Olivenhain MWD	Treated Water - June	119525	72,828.20
One Source Distributors LLC	SCADA Distribution Prj 20201-04, Batteries	119526	882.09
Ostari Inc	Tech Infrastructure Upgrades Prj 20201-23, IT Support - July	119527	22,041.50
Perrault Corporation	Rock & Cold Mix	119528	2,753.14
Petty Cash Custodian	Petty Cash	119529	268.93
Plumbers Depot Inc	Work Station for CCTV Van & Smart Cover Sensor	119530	6,086.24
Progressive Business Publications	Supervisors Legal Update Subscription Renewal 20-21	119531	284.40
Recycled Aggregate Materials Co Inc	Concrete Recycling	119532	775.00
Rely Environmental	Fuel Island Maintenance - July	119533	199.50
Rick Post Welding	Welding Svcs Prj 20161-4	119534	1,957.50
Rusty Wallis Inc	Soft Water Tank Svc - July	119535	310.00
Ryan Herco Products Corp.	Pressure Sensor - Twin Oaks	119536	1,103.60
SDG&E	Power - June	119537	103,082.81
SHI International Corp.	IT Hardware	119538	2,671.34
Six To Six Equipment Rentals	Scissor Lift Rental	119539	1,300.00
Southern Counties Lubricants, LLC	Diesel Fuel	119540	1,912.10
Specialty Seals & Accessories	Mechanical Seal Refurbishment Parts - MRF	119541	2,027.29
Standard Insurance Company	LIFE, LTD & ADD Insurance June - Aug	119542	17,703.53
Staples Advantage	Office Supplies - June	119543	289.90
State Board of Equalization	Annexation Fees - Lindauer	119544	350.00
State Water Resources Control	Cert Renewal - J Aceves	119545	80.00
Steel-Toe-Shoes.com	Safety Boots	119546	422.31
Steven Enterprises Inc	Xerox Supplies	119547	289.08
Technique Data Systems Inc	Check Scanner Maintenance 20-21	119548	438.00
Terra Verde Energy LLC	District Wide Solar Prj 20201-4	119549	7,306.50
Thomas Beier	SSCP Cert Renewal 20-21	119550	125.00
Total Resource Mgt Inc	Maximo Support Feb-June	119551	28,946.90
Turner Designs Inc	Meter Calibration Solution	119552	192.13
UPS	Shipping Svcs - June & July	119553	70.09
Lisa Urabe	Conservation Supplies Prj 20191-627	119554	296.04
V & A Consulting Engineers Inc	Pipeline Assessment Prj 20141-4	119555	8,095.50
Verizon Wireless	I Pad Svc - June; Cell Phone Svc - May & June	119556	4,644.20
Vista Irrigation District	Annual Chlorine Plant Lease 20-21	119557	360.00
Walters Wholesale Electric	Hardware Supplies	119558	264.38
Erik Warner	Webinars - 3, Collection Cert Renewal - CWEA	119559	229.00
Waxie Sanitary Supply	Disinfectant Wipes	119560	356.36
Work Partners Occupational Medical Group	Medical Svcs - May & June	119561	1,115.00
Environmental Resource Associates	Sewer Sampling - MRF	119562	621.64
Aloha Printing	District Letterhead	119563	811.87
Aqua-Metric Sales Co	Meters 56, Registers 50	119564	18,828.60
Calolympic Safety	Chlorine Gas - For Hazmat Trailer	119565	345.72
Electrical Sales Inc	Hardware Supplies Prj 20201-4	119566	28.15
Federal Express Corp.	Shipping Svcs - July	119567	29.23
Gallade Chemical Inc.	Sodium Hypochlorite, Phosphoric Acid	119568	815.46
Grainger Inc	Rust Prevention Spray & Hardware Supplies	119569	1,570.83
Harper & Associates Inc	North Twin Oaks Tank Prj 20191-03	119570	7,815.00



VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

PAYEE	DESCRIPTION	CHECK#	AMOUNT
International Public Management Association	Membership Renewal - B Anderson	119571	114.00
Interstate Batteries	Batteries	119572	232.09
Mallory Safety & Supply, LLC	Hand Sanitizer	119573	182.76
Matchpoint Water Asset Management Inc	Leak Detection Svcs	119574	1,000.00
Michael Baker International, Inc.	Montiel Lift Station Prj 20201-02	119575	1,640.00
Pacific Pipeline Supply	Air Vac Cans 6, Air Valves 12	119576	5,188.34
Pencco, Inc.	Sulfend RT, Calcium Nitrate	119577	16,297.06
Unifirst Corporation	Uniform Delivery	119578	2,414.19
Univar USA Inc	Sodium Hypo Liquichlor, Caustic Soda	119579	7,496.22
Vortex Industries Inc	Back Gate - District Head Quarters	119580	2,027.57
Aaron & Denise Krummel	Closed Account Refund	119581	14.54
ACWA/Joint Powers Insurance	Medical Insurance - Sept	119582	210,054.36
Adam Zimmnicki	Closed Account Refund	119583	76.99
Adkins Bee Removal	Bee Removals - 5 Locations	119584	562.50
Angela Weldon	Closed Account Refund	119585	72.85
Ashley Farnan	Closed Account Refund	119586	13.15
Ashley Walkins	Closed Account Refund	119587	83.31
Audax, Inc	Long Range Reader - Back Gate Blue Wave Door Controllers	119588	3,636.21
B & C Crane Service Inc	Crane Rental - MRF	119589	507.50
BC Rental Inc	Closed Account Refund	119590	78.85
Boncor Water Systems	Soft Water Svc - Aug	119591	1,764.00
Boot World Inc	Safety Boots	119592	126.05
Brian Bailey or Vincent Apodaca	Closed Account Refund	119593	59.65
Cass Construction Inc	Mainline Break Repair - Palomar Oaks Way & Camino Vida Roble	119594	157,180.25
Cathy Gutierrez	Closed Account Refund	119595	62.77
CDW Government Inc	Varonis Subscription & Support 20-21	119596	8,200.01
Consolidated Electrical Distributors, Inc.	LED Pole Lights 10 - District Yard Lighting	119597	5,990.90
Centre Builders, Inc.	Closed Account Refund	119598	608.61
Charles Dukik	Closed Account Refund	119599	67.24
Christian & Kaitlin Taylor	Closed Account Refund	119600	52.99
Christie Vrevich	Closed Account Refund	119601	21.40
Cole Pepper Plumbing	Drain Line Clearing - MRF	119602	260.00
Jeffrey Colwell	Video Production Svcs Prj 20211-40	119603	446.25
Connor Yost	Closed Account Refund	119604	77.02
Craig Eckenrodt	Closed Account Refund	119605	15.30
CWEA	Membership Renewal - R Rodarte	119606	192.00
CWEA	Membership & Cert Renewal - D Joiner	119607	288.00
David Vaumber	Closed Account Refund	119608	94.93
DirecTV Inc	Satellite Svc - Aug	119609	81.79
Don B McEntire	Closed Account Refund	119610	420.45
Electrical Sales Inc	Pump Motor Starter, Rebuild Kits - MRF	119611	2,171.84
Elie & Agnes Cohen	Closed Account Refund	119612	42.81
Encina Wastewater Authority	Sewer Testing	119613	17,056.65
Erin & Ryan Dunigan	Closed Account Refund	119614	50.10
Ethan Gura	Closed Account Refund	119615	59.40
Franchise Tax Board	Income Tax Withholding	119616	187.50
Gabriel & Tira Boenecke	Closed Account Refund	119617	64.72
Hach Company	Portable Water Analysis Machine & Turbidimeter	119618	9,955.86
Heidi France	Closed Account Refund	119619	43.49
Home Depot Credit Services	Hardware Supplies - July	119620	662.66
Hunter Anderson	Closed Account Refund	119621	19.16
Inductive Automation LLC	Total Care Annual Support & Maintenance 20-21	119622	14,084.40
Infosend Inc	Postage & Printing, Support Fee - July	119623	5,839.36
Intra Corp-Davia East Development LLC	Closed Account Refund	119624	60.40
Izaak Urias	Closed Account Refund	119625	37.49
J W D'Angelo Co Inc	Couplings 20 - Construction Crew Repair	119626	1,331.04
Jamie Cook	Closed Account Refund	119627	10.52

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Janice Ohno	Closed Account Refund	119628	112.24
Jeanine & Todd Frank	Closed Account Refund	119629	42.34
Jennifer & Evan Day	Closed Account Refund	119630	52.70
Jessa & Preston Packard	Closed Account Refund	119631	58.13
JCI Jones Chemicals Inc	Chlorine	119632	4,086.42
Joseph Senhaji or Lamiaa Yacoubi Akbil	Closed Account Refund	119633	49.90
Katrina Nelson	Closed Account Refund	119634	34.79
Kim Harnett	Closed Account Refund	119635	22.26
Kristin Alles	Closed Account Refund	119636	113.49
Lloyd Pest Control	Pest Control - July	119637	620.00
Luis Olaguibel	Closed Account Refund	119638	96.27
Lynn Feely	Closed Account Refund	119639	40.11
Madelyn Solomon or Anthony Weitzel	Closed Account Refund	119640	55.22
Marilyn Wilson	Closed Account Refund	119641	121.98
Mark Hopper	Closed Account Refund	119642	63.15
Melissa Sutley	Closed Account Refund	119643	19.39
Nick Ostermann	Closed Account Refund	119644	86.60
Ostari Inc	Cisco Cloud Subscription Licenses 20, FY 20-21	119645	1,790.20
Pacific Pipeline Supply	Repair Clamp, Pulling Cables & Adapters	119646	1,228.45
Parkhouse Tire Inc	Tires 2 Veh 279, Shop Tire Disposal	119647	379.96
Penco, Inc.	Sulfend RT & Calcium Nitrate	119648	20,036.89
Pitney Bowes	Mail System Lease May - Aug	119649	601.80
Progressive Business Publications	Payroll Newsletter 20-21	119650	299.00
PSI Water Technologies, Inc	Load Cell - Mahr	119651	9,129.24
Road Soup LLC	Asphalt Bags - 50	119652	743.48
Robert Anastasia	Closed Account Refund	119653	35.18
Ronald Tebbetts	Closed Account Refund	119654	59.92
SDG&E	Power - June	119655	21,051.89
Schmidt Fire Protection Co Inc	Quarterly Sprinkler Maintenance	119656	75.00
Shelby Quail	Closed Account Refund	119657	16.36
Shred-It US JV LLC	Shredding Svcs - July	119658	260.85
Southern Counties Lubricants, LLC	Oil	119659	253.22
Staples Advantage	Office Supplies - July	119660	317.54
Wade Brugger	Welding Svcs - Water Main Break - Coronado Hills	119661	1,596.13
Tana Cantor	Closed Account Refund	119662	50.44
Tatiana Galvin	Closed Account Refund	119663	72.27
Thyssen Krupp Elevator	Elevator Maintenance Aug-Oct	119664	1,060.58
Union Bank FKA 1st Bank Card	Meetings & Travel - July	119665	5,008.09
Union Bank FKA 1st Bank Card	Meetings & Travel - July	119666	1,771.00
Union Bank	Debt Admin Fees 20-21	119667	2,605.00
Unitis, Inc.	Rapid Set Concrete Mix	119668	3,537.08
Viasat Inc	Internet Svc - Aug	119669	100.76
VWR International	Lab Supplies - MRF	119670	470.07
West Coast Telcom Products	Line Locator Equipment - Inspections Dept	119671	7,469.43
Wells Ceco LLC	Closed Account Refund	119672	628.64
Wienhoff & Associates Inc.	Designated Employer Representative Training - A Longville	119673	75.00
Garnishments	Payroll Garnishments	119674	-
Ababa Bolt Inc	Hardware Supplies	119675	33.04
APGN Inc.	Aeration Blowers Annual Svc	119676	7,675.00
Backflow Solutions, Inc.	Backflow Tests July - Qty 321	119677	4,798.95
Garnishments	Payroll Garnishments	119678	-
Calolympic Safety	Snake Guards 9, Full Body Harnesses - 2	119679	1,223.37
Capital Industrial Coatings, LLC	North Twin Oaks Tank 1 Prj 20191-3	119680	104,409.75
CCI	Water Treatment - July	119681	866.50
Chandler Asset Management, Inc.	Investment Management Svcs - July	119682	3,921.39
County of San Diego	Recording Fees - June	119683	1.92
Doane & Hartwig Water Systems Inc	Ammonia Solution	119684	173.71

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Ferguson Enterprises, Inc	Pressure Regulator Gauge, Hardware Supplies	119685	2,129.94
Fisher Scientific LLC	Water Quality Supplies	119686	466.52
Grainger Inc	Tool Box, Hardware Supplies	119687	617.36
Huntington & Associates, Inc.	Meter Rebuild Parts - DPPS	119688	1,260.38
Kaman Industrial Technologies	Hardware Supplies	119689	77.79
Lantelligence, Inc.	Shoretel Phone Support 20-21	119690	7,954.54
Left Coast Window Cleaning	Disinfecting Svcs HQ; Cleaning & Disinfecting Svcs - MRF	119691	3,193.13
One Source Distributors LLC	Rockwell Software Maintenance SCADA 20-21	119692	3,955.38
Patten Systems, Inc.	Flowmeter - MRF	119693	5,057.68
Specialty Seals & Accessories	Primary Pump Mechanical Seal - MRF	119694	769.45
T.S. Industrial Supply	Pressure Washer Repair Parts Veh 255, Hardware Supplies	119695	606.23
Total Resource Mgt Inc	Maximo Subscription, Rules Manager Licensing & Support 20-21	119696	79,526.27
Traffic Safety Solutions LLC	Traffic Control Svcs	119697	1,650.00
Underground Service Alert	Dig Alert Svc & CA State Regulatory Costs - July	119698	586.85
Unifirst Corporation	Uniform Delivery	119699	907.28
Univar USA Inc	Sodium Bisulfite	119700	2,367.91
Walters Wholesale Electric	Hardware Supplies	119701	198.61
Waxie Sanitary Supply	Cleaning Supplies	119702	1,169.00
Weck Analytical Environmental Services, Inc.	Water Sampling	119703	1,160.00
Total Disbursements (241 Checks)			<u>1,639,735.57</u>
 WIRES			
San Diego County Water Authority	June Water Bill	Wire	2,317,777.02
Encina Wastewater Authority	Quarterly Billing	Wire	3,060,983.94
Public Employees Retirement System	Retirement Contribution - July 14, 2020 Payroll	Wire	78,362.69
Public Employees Retirement System	Retirement Contribution - July 28, 2020 Payroll	Wire	80,270.68
Public Employees Retirement System	Retirement Contribution - August 11, 2020 Payroll	Wire	80,127.16
Total Wires			<u>5,617,521.49</u>
 PAYROLL			
Total direct deposits		Wire	239,561.86
VWD Employee Association		119443	566.00
Payroll & Garnishments		119444	689.06
IRS	Federal payroll tax deposits	Wire	94,561.03
Employment Development Department	California payroll tax deposit	Wire	18,126.58
CalPERS	Deferred compensation withheld	Wire	21,126.45
VOYA	Deferred compensation withheld	Wire	7,429.09
Total July 14, 2020 Payroll Disbursements			<u>382,060.07</u>
 Total direct deposits			
		Wire	248,734.70
VWD Employee Association		119459	572.00
Payroll & Garnishments		119460	689.06
IRS	Federal payroll tax deposits	Wire	100,863.25
Employment Development Department	California payroll tax deposit	Wire	20,060.13
CalPERS	Deferred compensation withheld	Wire	21,087.99
VOYA	Deferred compensation withheld	Wire	7,414.33
Total July 28, 2020 Payroll Disbursements			<u>399,421.46</u>
 Total direct deposits			
		Wire	243,146.56
VWD Employee Association		119674	572.00
Payroll & Garnishments		119678	689.06
IRS	Federal payroll tax deposits	Wire	97,225.92
Employment Development Department	California payroll tax deposit	Wire	18,772.61
CalPERS	Deferred compensation withheld	Wire	20,916.27
VOYA	Deferred compensation withheld	Wire	7,539.33
Total August 11, 2020 Payroll Disbursements			<u>388,861.75</u>

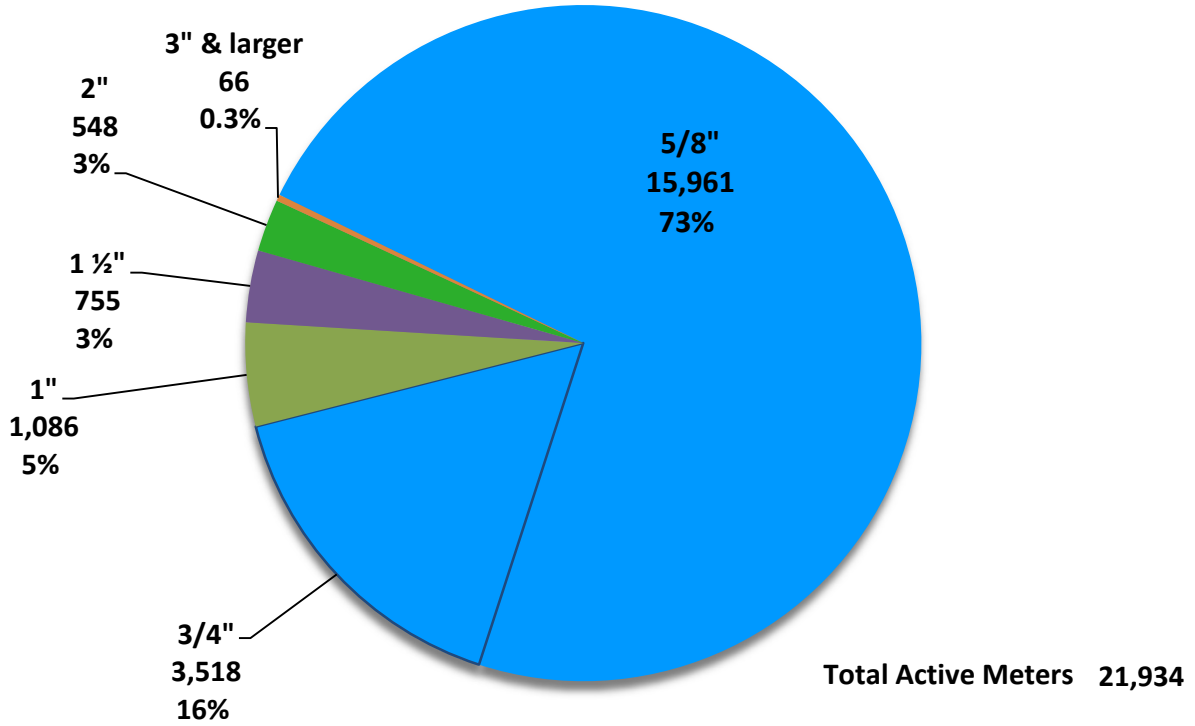
VALLECITOS WATER DISTRICT  
WARRANTS LIST  
August 19, 2020

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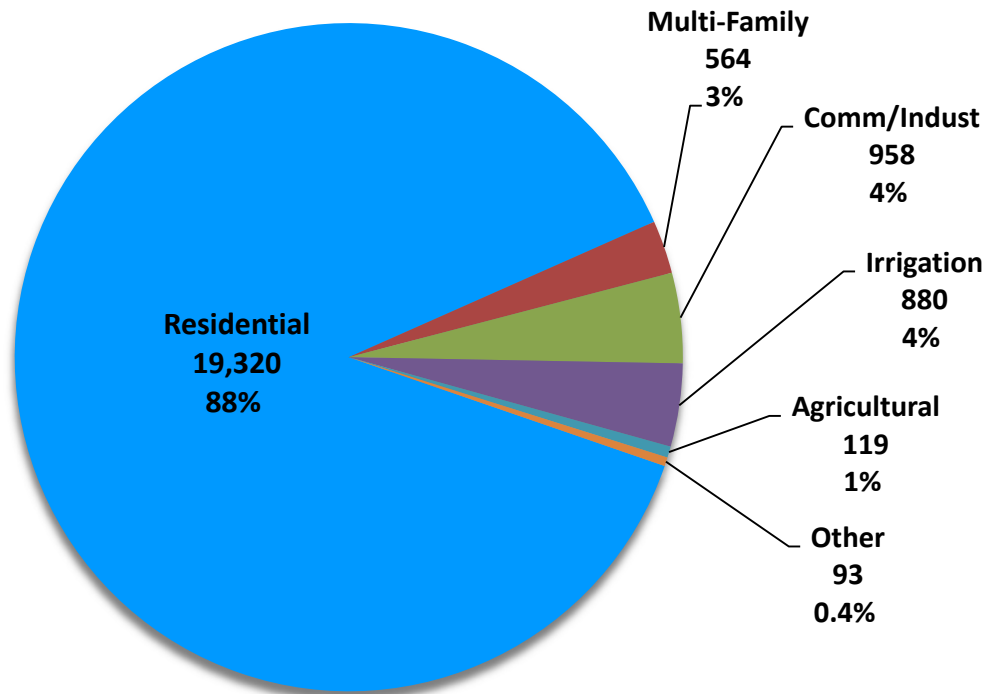
<u>PAYEE</u>	<u>DESCRIPTION</u>	<u>CHECK#</u>	<u>AMOUNT</u>
Total Payroll Disbursements			<u>1,170,343.28</u>
TOTAL DISBURSEMENTS			<u><u>8,427,600.34</u></u>

Vallecitos Water District  
 Active Water Meters  
 July 31, 2020

Active Meters by Size as of July 31, 2020

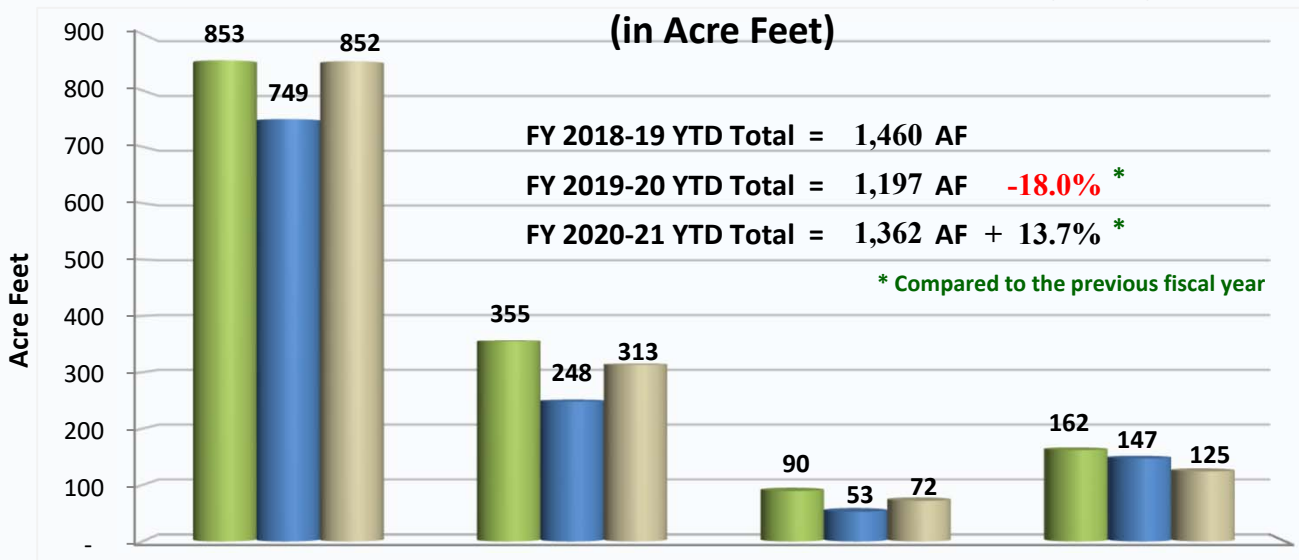


Active Meters by Type as of July 31, 2020



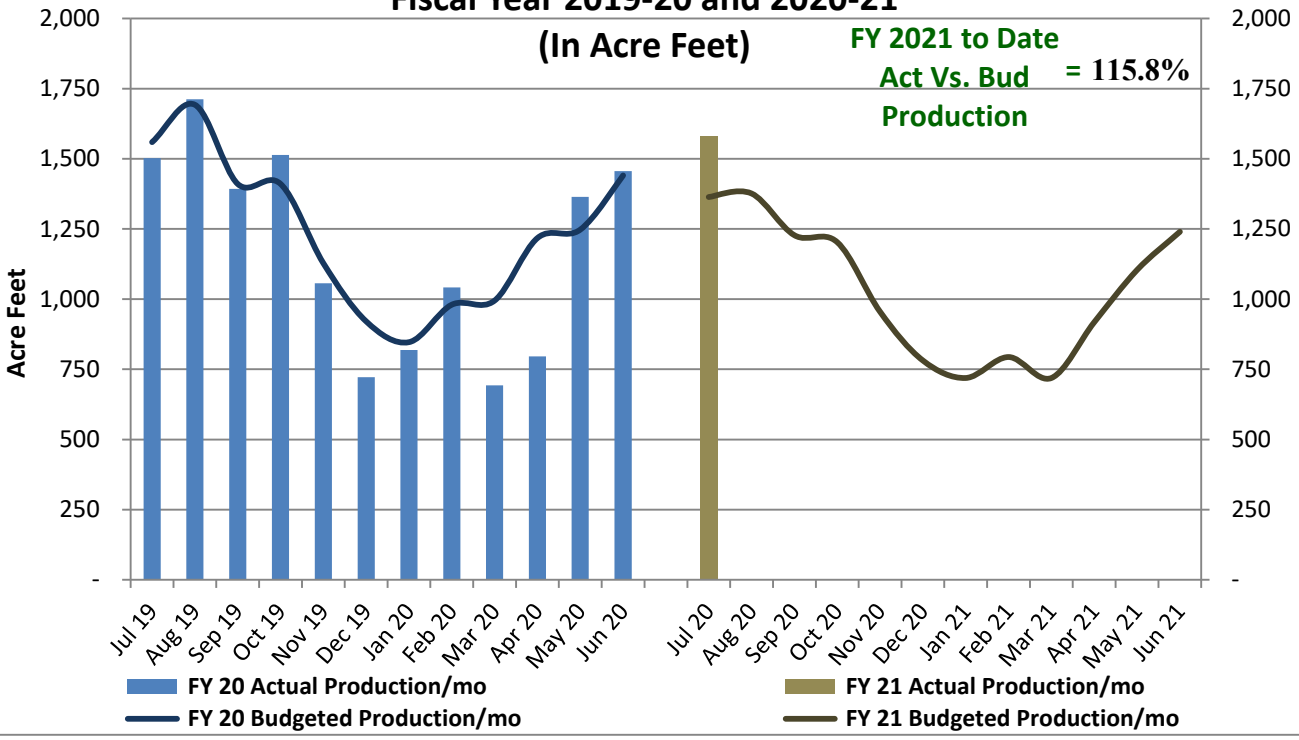
Vallejos Water District  
 Water Production/Sales  
 July 31, 2020

**Water Sales FY 18-19, FY 19-20 and FY 20-21 (FYTD)**  
**(in Acre Feet)**

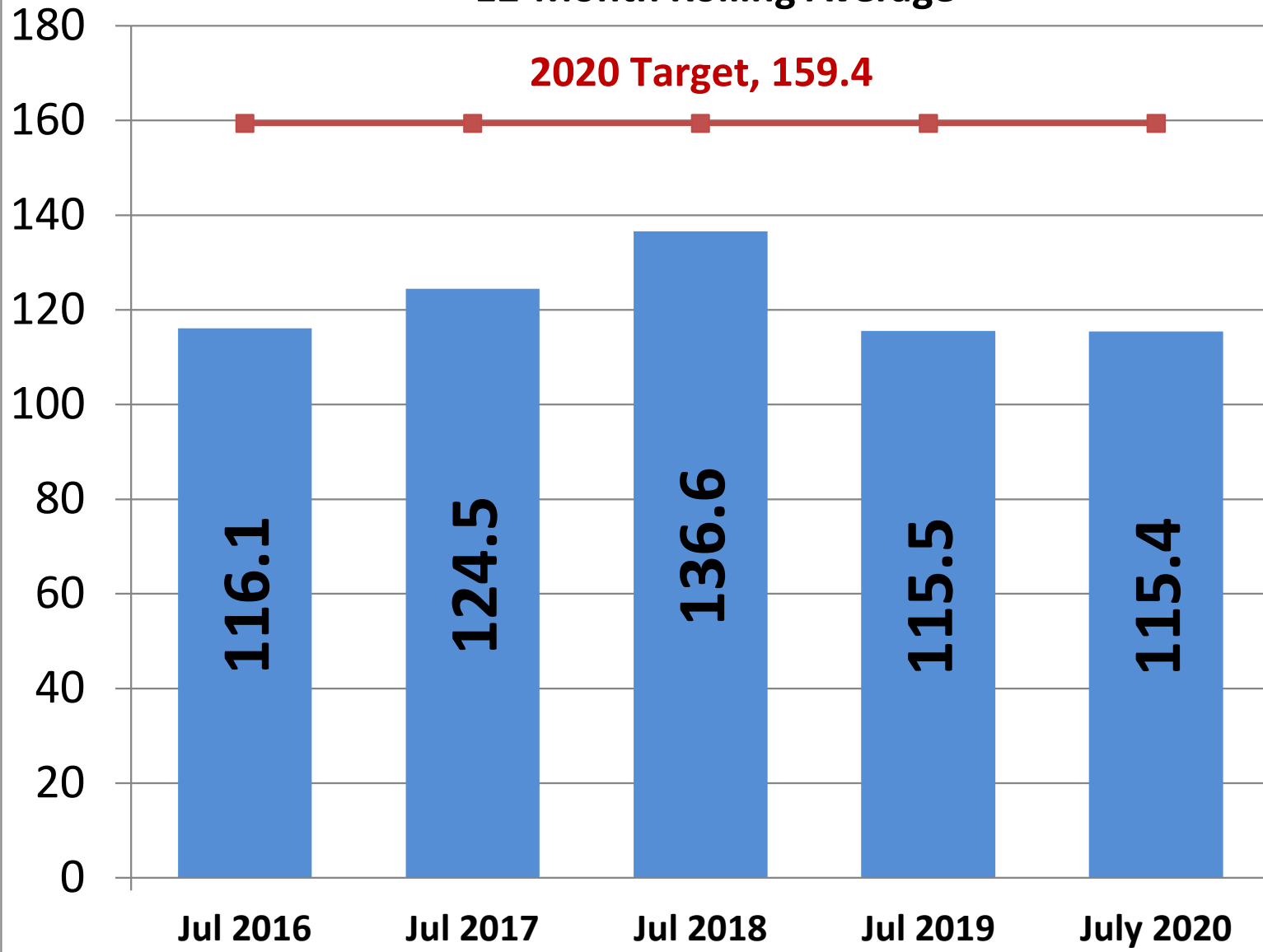


	Residential	Irrigation	Agricultural	Commer/ Indust/ Construct/ Other
FY 2018-19	853	355	90	162
FY 2019-20	749	248	53	147
FY 2020-21	852	313	72	125

**Water Production Budget vs. Actual**  
**Fiscal Year 2019-20 and 2020-21**  
**(In Acre Feet)**



### Gallons per Capita per Day 12-Month Rolling Average



**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: MONTHLY FINANCIAL REPORTS**

**BACKGROUND:**

The Monthly Revenue and Expense Reports and the Reserve Report for the month ended July 31, 2020 are presented.

**DISCUSSION:**

The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 1-month period. Comparisons to prior year actual and current year budget amounts are also presented. Each statement contains footnotes regarding significant variances exceeding predetermined dollar and percentage amounts. Any excess of revenues over expenses are transferred to reserves and reflected in the Reserve Report. Any excess of expenses above revenues are paid for out of reserves in the current fiscal year.

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

**RECOMMENDATION:**

For information only.



Vallecitos Water District  
Water Revenue and Expense Report  
For the One Month Ended July 31, 2020

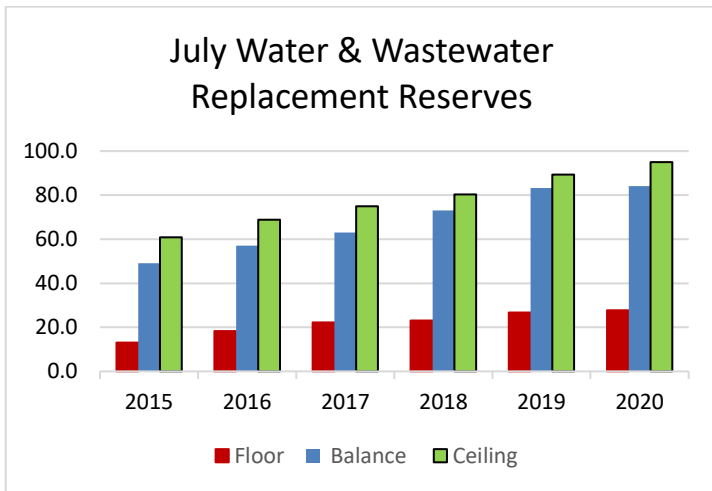
	Current	Prior Year Actual			Current Year Budget		
	Year	Amount	Variance		Amount	Variance	
	Actual		\$	%		\$	%
<b>Revenue</b>							
Water Sales	\$ 3,057,419	\$2,516,547	\$ 540,872	21.5%	\$2,748,000	\$ 309,419	11.3%
Ready-to-serve	1,216,011	1,193,266	22,745	1.9%	1,205,000	11,011	0.9%
Pumping charges	44,844	33,850	10,994	32.5%	43,000	1,844	4.3%
Late & lock charges	17,139	26,637	(9,498)	-35.7%	19,000	(1,861)	-9.8%
Backflow fees	9,345	7,791	1,554	19.9%	9,000	345	3.8%
Other revenue	10,029	11,600	(1,571)	-13.5%	9,500	529	5.6%
Total Revenue	<u>4,354,787</u>	<u>3,789,691</u>	565,096	14.9%	<u>4,033,500</u>	321,287	8.0%
<b>Expenses</b>							
Water costs	3,142,030	2,896,621	245,409	8.5%	2,657,000	485,030	18.3%
Pumping cost recovery	64,707	70,114	(5,407)	-7.7%	108,000	(43,293)	-40.1%
Water quality	3,653	6,542	(2,889)	-44.2%	15,000	(11,347)	-75.6%
Water treatment	40,447	52,864	(12,417)	-23.5%	37,000	3,447	9.3%
Tanks & reservoirs	8,363	28,312	(19,949)	-70.5%	39,000	(30,637)	-78.6%
Trans & distribution	121,873	110,496	11,377	10.3%	155,000	(33,127)	-21.4%
Services	4,382	3,688	694	18.8%	6,000	(1,618)	-27.0%
Meters	58,035	62,944	(4,909)	-7.8%	61,000	(2,965)	-4.9%
Backflow prevention	4,964	1,896	3,068	161.8%	5,000	(36)	-0.7%
Customer accounts	48,424	49,834	(1,410)	-2.8%	86,000	(37,576)	-43.7%
Building & grounds	26,015	35,390	(9,375)	-26.5%	34,000	(7,985)	-23.5%
Equipment & vehicles	20,995	16,000	4,995	31.2%	26,000	(5,005)	-19.3%
Engineering	116,424	147,283	(30,859)	-21.0%	135,000	(18,576)	-13.8%
Safety & compliance	13,843	17,699	(3,856)	-21.8%	25,000	(11,157)	-44.6%
Information Technology	65,981	84,578	(18,597)	-22.0%	92,000	(26,019)	-28.3%
General & administrative	174,408	289,644	(115,236)	-39.8%	259,000	(84,592)	-32.7%
Total Expenses	<u>3,914,544</u>	<u>3,873,905</u>	40,639	1.0%	<u>3,740,000</u>	174,544	4.7%
Net Operating Income	<u>\$ 440,243</u>	<u>\$ (84,214)</u>	524,457	-622.8%	<u>\$ 293,500</u>	146,743	50.0%

Vallecitos Water District  
Sewer Revenue and Expense Report  
For the One Month Ended July 31, 2020

	Current	Prior Year Actual			Current Year Budget		
	Year	Amount	Variance		Amount	Variance	
	Actual		\$	%		\$	%
<b>Revenue</b>							
Sewer service charges	\$ 1,506,330	\$1,541,642	\$ (35,312)	-2.3%	\$1,383,000	\$ 123,330	8.9%
Reclaimed water sales	232,833	205,500	27,333	13.3%	233,000	(167)	-0.1%
Other revenue	11,564	5,839	5,725	98.0%	7,000	4,564	65.2%
Total Revenue	<u>1,750,727</u>	<u>1,753,153</u>	(2,426)	-0.1%	<u>1,623,000</u>	127,727	7.9%
<b>Expenses</b>							
Collection & conveyance	146,422	142,532	3,890	2.7%	196,000	(49,578)	-25.3%
Lift stations	13,687	14,493	(806)	-5.6%	26,000	(12,313)	-47.4%
Source Control	10,171	14,648	(4,477)	-30.6%	17,000	(6,829)	-40.2%
Effluent disposal	253,750	292,917	(39,167)	-13.4%	253,000	750	0.3%
Meadowlark	155,641	226,203	(70,562)	-31.2%	258,000	(102,359)	-39.7%
Customer Accounts	24,748	25,670	(922)	-3.6%	50,000	(25,252)	-50.5%
Building & grounds	13,205	18,496	(5,291)	-28.6%	26,000	(12,795)	-49.2%
Equipment & vehicles	12,962	12,384	578	4.7%	18,000	(5,038)	-28.0%
Engineering	62,633	53,104	9,529	17.9%	63,000	(367)	-0.6%
Safety & compliance	5,237	9,525	(4,288)	-45.0%	17,000	(11,763)	-69.2%
Information technology	49,978	62,425	(12,447)	-19.9%	69,000	(19,022)	-27.6%
General & administrative	116,488	78,830	37,658	47.8%	117,000	(512)	-0.4%
Total Expenses	<u>864,922</u>	<u>951,227</u>	(86,305)	-9.1%	<u>1,110,000</u>	(245,078)	-22.1%
Net Operating Income	<u>\$ 885,805</u>	<u>\$ 801,926</u>	83,879	10.5%	<u>\$ 513,000</u>	372,805	72.7%

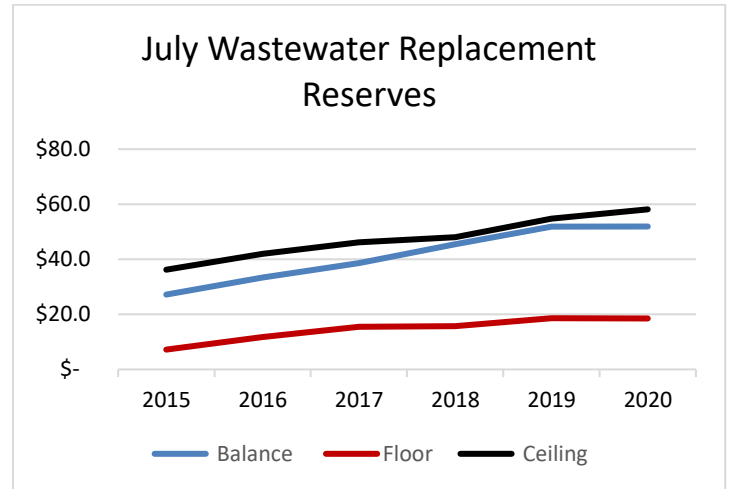
**REPLACEMENT RESERVES**

The District maintains two replacement reserves in cash equivalents and investments: One for the District’s water system, and the other for the District’s wastewater system. The District’s reserve policy establishes a floor of the sum of the next three years of projected system replacement costs, and a ceiling of the sum of the next ten years of system replacement costs. As of July 31, 2020, the total water and wastewater replacement reserve balance was \$84.1 million, 1 percent greater than July 31, 2019.



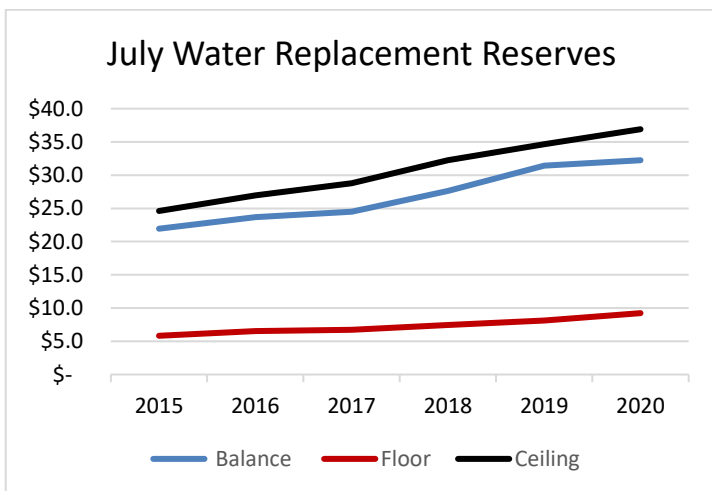
**WASTEWATER REPLACEMENT RESERVE**

As of July 31, 2020, the balance in the District’s wastewater replacement reserve totaled \$51.9 million, an increase of 0.13 percent, or \$0.1 million, from the same month of the prior year. The month-end balance is within the approved floor and ceiling.



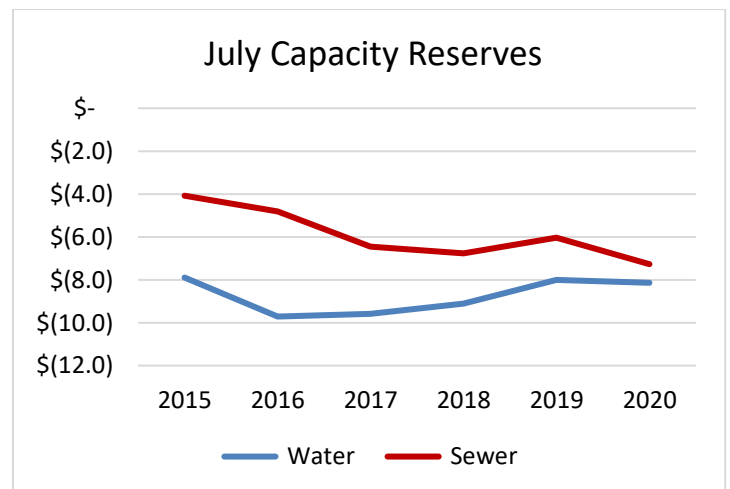
**WATER REPLACEMENT RESERVE**

As of July 31, 2020, the District’s water replacement reserve totaled \$32.2 million, an increase of 2.4 percent, or \$0.7 million, from the same month of the prior year. The month-end balance is within the floor and ceiling established by the reserve policy, leaving the District with sufficient reserves to meet infrastructure replacement needs.



**CAPACITY RESERVES**

The District collects capital facility fees from new development and increased demands from existing customers, maintains the collected fees in separate funds (one for water and one for wastewater), and uses the funds exclusively to provide capacity to serve new development and fund future construction of facilities identified in the District’s Master Plan and capital budget. As of July 31, 2020, the water capacity fund had a deficit of \$8.1 million and the sewer capacity fund had a deficit of \$7.3 million. The District’s capital facility fees situation is expected to improve with the adoption of the new Master Plan and the corresponding capacity fee study.



**VALLECITOS WATER DISTRICT**

**RESERVE ACTIVITY FOR THE MONTH ENDED JULY 31, 2020**

	110 Water 120		210 Wastewater 220		Total
	Replacement	Capacity	Replacement	Capacity	
BEGINNING BALANCE	\$ 37,926,769	\$ (8,191,036)	\$ 59,840,514	\$ (7,282,511)	\$ 82,293,735
REVENUES					
FY 20/21 Operating Transfers	440,243	-	885,805	-	1,326,048
Investment Earnings	65,083	-	55,273	-	120,355
Capital Facility Fees	-	63,050	-	32,267	95,317
Annexation Fees	85,641	-	-	-	85,641
Property Tax	17,417	-	14,297	-	31,713
TOTAL REVENUES	<u>608,383</u>	<u>63,050</u>	<u>955,374</u>	<u>32,267</u>	<u>1,659,074</u>
LESS DISTRIBUTIONS					
Capital Projects					
Encina Wastewater Authority Five Year Plan	-	-	2,136,008	-	2,136,008
MRF Grinder Pump 1	-	-	72,894	-	72,894
Sewer Rehabilitation And Repairs	-	-	31,507	-	31,507
Septage Hauler Disposal Siting Study	-	-	29,491	-	29,491
North Twin Oaks Tank 1 Refurb	22,609	-	-	-	22,609
San Marcos interceptor sewer	-	-	4,595	10,228	14,823
Audiovisual Upgrade	6,988	-	6,714	-	13,702
District Wide Solar Project	6,395	-	6,144	-	12,539
District-Wide SCADA Upgrade Project	5,557	-	5,339	-	10,895
District Wide Valve Replacement	10,627	-	-	-	10,627
Asset Managment Replacement Schedule	4,701	-	4,516	-	9,217
MRF Biological Selector Improvements	-	-	8,216	-	8,216
Technology Infrastructure Upgrades	1,974	-	1,896	-	3,870
Montiel Lift Station And Forcemain Replacement	-	-	1,665	680	2,345
MRF Headworks - Upgrade/Replace Equipment	-	-	1,898	-	1,898
Failsafe Buena Sewer Outfall Condition Assessment	-	-	1,168	-	1,168
Tres Amigos Water Line Replacement Phase 1	1,098	-	-	-	1,098
MRF Grinder Pump 3	-	-	875	-	875
MRF - Tertiary Influent Chamber Repairs	-	-	527	-	527
MRF Site Lighting Upgrade and Repairs	-	-	280	-	280
Palos Vista Pump Station - Motor Starter Upgrade	92	-	-	-	92
Total Capital Project Expenditures	<u>60,041</u>	<u>-</u>	<u>2,313,736</u>	<u>10,908</u>	<u>2,384,685</u>
Interest Expense	-	10,085	-	8,987	19,072
TOTAL DISTRIBUTIONS	<u>60,041</u>	<u>10,085</u>	<u>2,313,736</u>	<u>19,895</u>	<u>2,403,757</u>
ENDING BALANCE	\$ 38,475,111	\$ (8,138,071)	\$ 58,482,152	\$ (7,270,139)	\$ 81,549,052
Less: Operating Reserves	<u>6,310,400</u>	<u>-</u>	<u>6,563,800</u>	<u>-</u>	<u>12,874,200</u>
Replacement Reserves/Restricted Funds	<u>\$ 32,164,711</u>	<u>\$ (8,138,071)</u>	<u>\$ 51,918,352</u>	<u>\$ (7,270,139)</u>	<u>\$ 68,674,852</u>
Replacement reserve floor	<u>\$ 9,233,800</u>		<u>\$ 18,557,900</u>		
Replacement reserve ceiling	<u>\$ 36,905,000</u>		<u>\$ 58,145,300</u>		

VALLECITOS WATER DISTRICT  
INVESTMENT REPORT FOR JULY 2020

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

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

Investment activity for the month of July follows:

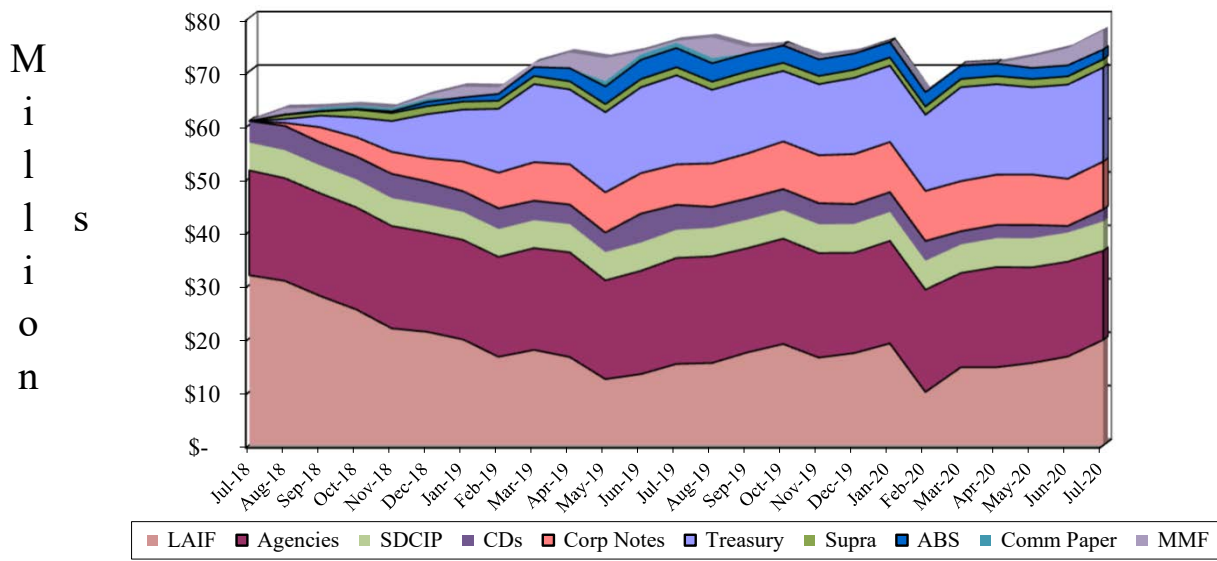
<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
07/08/20	Matured	HSBC BANK USA C/D	(245,000)	07/08/20	1.40%
07/09/20	Deposit	LAIF	1,000,000	Open	0.93%
07/10/20	Purchased	FNMA	873,119	07/10/23	0.25%
07/15/20	Sold	JDOT 2017-B A3	(14,122)	10/15/21	1.82%
07/15/20	Sold	NAR 2016-C A4	(56,677)	01/17/23	1.38%
07/15/20	Sold	TAOT 2017-B CLA3	(20,862)	07/15/21	1.76%
07/15/20	Sold	TAOT 2019-A A2A	(26,610)	10/15/21	2.83%
07/15/20	Sold	JDOT 2019-A A2	(24,726)	12/15/21	2.85%
07/15/20	Interest	LAIF	67,448	Open	0.93%
07/16/20	Withdrawal	LAIF	(2,200,000)	Open	0.93%
07/20/20	Sold	HAROT 2017-3 A3	(17,395)	09/20/21	1.79%
07/20/20	Sold	HONDA AUTO RECV	(7,260)	05/18/22	3.01%
07/20/20	Sold	HAROT 2019-1 A2	(36,391)	09/20/21	2.75%
07/21/20	Sold	HAROT 2018-3 A3	(12,966)	08/22/22	2.95%
07/23/20	Deposit	LAIF	500,000	Open	0.93%
07/28/20	Withdrawal	LAIF	(2,650,000)	Open	0.93%
07/31/20	Withdrawal	LAIF	(300,000)	Open	0.93%
Change in investments during the month			<u>\$ (3,171,443)</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	1.660%
Weighted average days to maturity	504

The State Treasurer's Office provides fair market values of LAIF quarterly on their web site. The most recent valuation, which is used on this report, is as of June 30, 2020. The San Diego County Treasurer provides the fair values for the County investment pool. The most recent values and returns, which are used for this report, are for June 30, 2020. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting

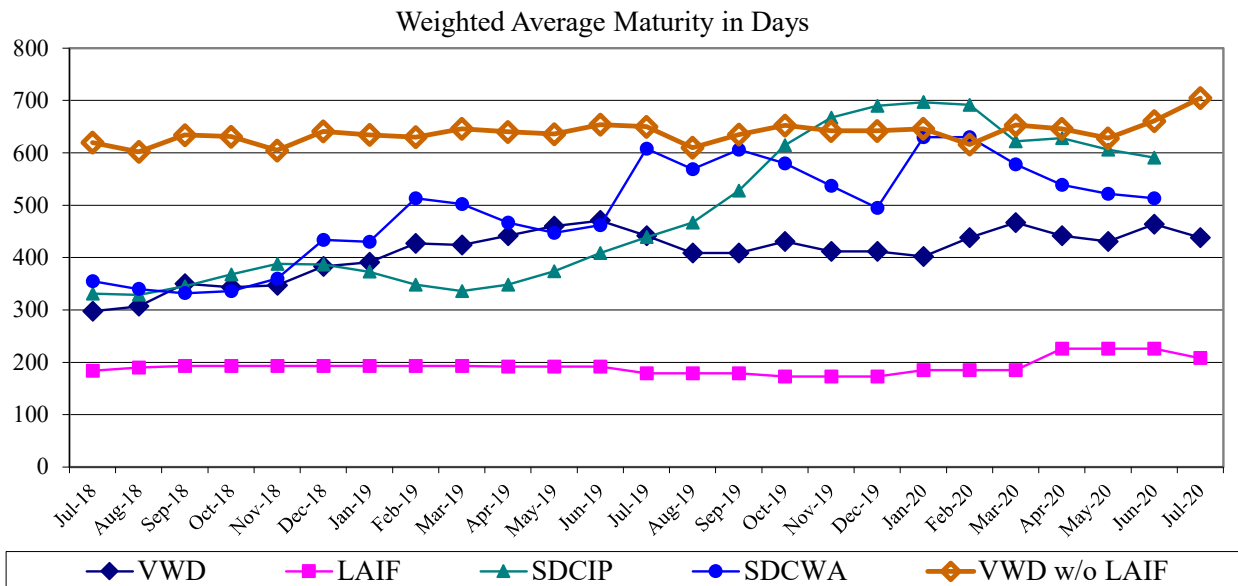
Safety

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



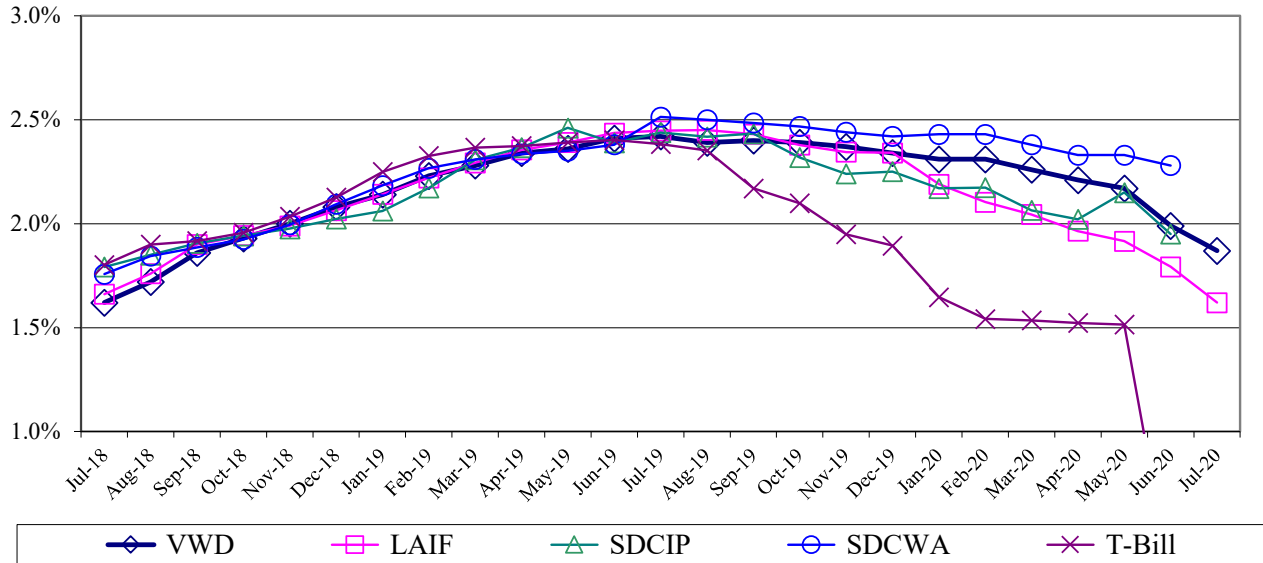
Liquidity

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District averts interest rate risk by limiting terms of investments in accordance with the Investment Policy. Maturity in days is a measure of liquidity. The next graph compares the District’s liquidity to other managed portfolios. The District’s liquidity is graphed with and without LAIF. With LAIF the District is in fact very liquid with \$14.1 million available the same day. But for comparative purposes LAIF is eliminated from the District’s portfolio and shown separately.



Yield

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



Investment/Debt Management

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



**PORTFOLIO CHARACTERISTICS**

Average Modified Duration	1.38
Average Coupon	1.63%
Average Purchase YTM	1.66%
Average Market YTM	0.46%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	1.45 yrs
Average Life	1.41 yrs

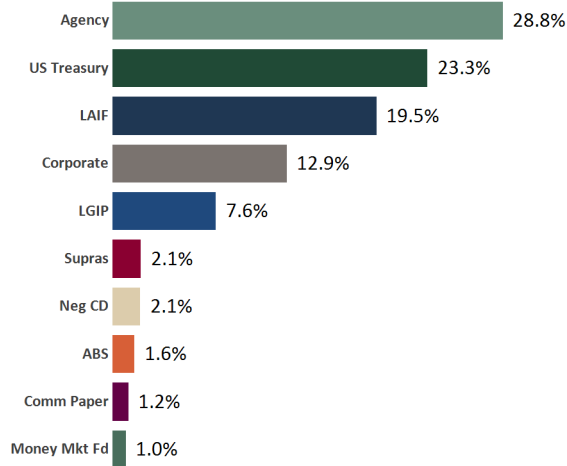
**ACCOUNT SUMMARY**

	Beg. Values as of 6/30/20	End Values as of 7/31/20
Market Value	75,916,094	72,465,250
Accrued Interest	276,044	225,458
<b>Total Market Value</b>	<b>76,192,138</b>	<b>72,690,708</b>
Income Earned	100,954	98,520
Cont/WD		
Par	74,318,344	70,867,012
Book Value	74,463,789	71,013,145
Cost Value	74,298,740	70,847,875

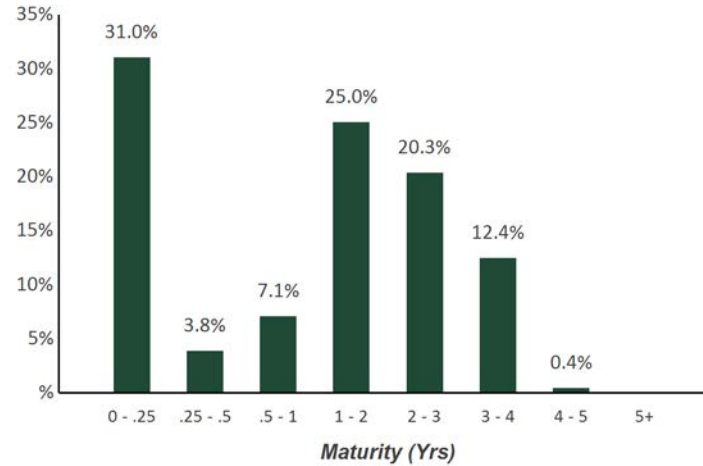
**TOP ISSUERS**

Government of United States	23.3%
Local Agency Investment Fund	19.5%
Federal Farm Credit Bank	9.2%
Federal Home Loan Bank	7.8%
County of San Diego Pooled Inve	7.6%
Federal National Mortgage Assoc	6.3%
Federal Home Loan Mortgage Corp	5.5%
Royal Bank of Canada	1.4%
<b>Total</b>	<b>80.6%</b>

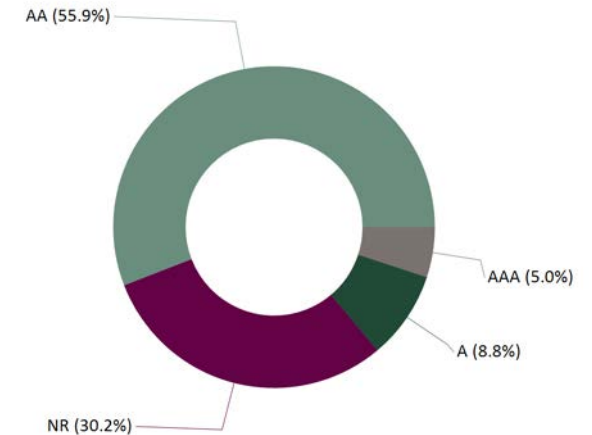
**SECTOR ALLOCATION**



**MATURITY DISTRIBUTION**



**CREDIT QUALITY (S&P)**





**Vallecitos Water District Consolidated Account**

Account #10594

**Holdings Report**

As of July 31, 2020



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>ABS</b>									
89190BAD0	Toyota Auto Receivables Trust 2017-B A3 1.76% Due 7/15/2021	41,315.03	09/26/2018 2.78%	40,832.48 41,150.56	100.10 0.49%	41,357.25 32.32	0.06% 206.69	Aaa / AAA NR	0.96 0.08
43814PAC4	Honda Auto Receivables Trust 2017-3 A3 1.79% Due 9/20/2021	73,313.46	12/11/2018 2.73%	72,362.67 72,923.56	100.30 0.24%	73,536.77 47.39	0.10% 613.21	NR / AAA AAA	1.14 0.20
43814WAB1	Honda Auto Receivables Trust 2019-1 A2 2.75% Due 9/20/2021	144,122.39	02/19/2019 2.77%	144,113.10 144,118.27	100.44 0.35%	144,759.11 143.12	0.20% 640.84	NR / AAA AAA	1.14 0.18
47788BAD6	John Deere Owner Trust 2017-B A3 1.82% Due 10/15/2021	46,265.49	11/14/2018 3.14%	45,627.53 46,001.67	100.15 0.53%	46,332.78 37.42	0.06% 331.11	Aaa / NR AAA	1.21 0.11
89239AAB9	Toyota Auto Receivables Trust 2019-A A2A 2.83% Due 10/15/2021	97,380.84	02/05/2019 2.85%	97,372.00 97,376.85	100.44 0.15%	97,807.65 122.48	0.13% 430.80	Aaa / AAA NR	1.21 0.15
47789JAB2	John Deere Owner Trust 2019-A A2 2.85% Due 12/15/2021	99,401.40	03/05/2019 2.87%	99,396.87 99,399.15	100.38 0.27%	99,783.00 125.91	0.14% 383.85	Aaa / NR AAA	1.38 0.15
43814UAG4	Honda Auto Receivables Trust 2018-2 A3 3.01% Due 5/18/2022	71,427.62	05/22/2018 3.03%	71,426.06 71,426.91	101.31 0.35%	72,364.67 77.64	0.10% 937.76	NR / AAA AAA	1.80 0.49
43815HAC1	Honda Auto Receivables Trust 2018-3 A3 2.95% Due 8/22/2022	151,473.79	08/21/2018 2.98%	151,453.01 151,463.06	101.62 0.26%	153,927.91 124.12	0.21% 2,464.85	Aaa / NR AAA	2.06 0.60
65478WAE5	Nissan Auto Receivables Trust 2016-C A4 1.38% Due 1/17/2023	167,003.65	01/24/2019 2.95%	163,507.02 165,451.16	100.11 0.11%	167,181.00 102.43	0.23% 1,729.84	Aaa / NR AAA	2.47 0.08
47789KAC7	John Deere Owner Trust 2020-A A3 1.1% Due 8/15/2024	275,000.00	03/04/2020 1.11%	274,983.20 274,984.68	101.03 0.61%	277,825.35 134.44	0.38% 2,840.67	Aaa / NR AAA	4.04 2.07
<b>Total ABS</b>		<b>1,166,703.67</b>	<b>2.47%</b>	<b>1,161,073.94</b> <b>1,164,295.87</b>	<b>0.35%</b>	<b>1,174,875.49</b> <b>947.27</b>	<b>1.62%</b> <b>10,579.62</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>2.20</b> <b>0.68</b>
<b>AGENCY</b>									
3133EJ3B3	FFCB Note 2.8% Due 12/17/2021	1,000,000.00	12/26/2018 2.70%	1,002,780.00 1,001,287.61	103.61 0.17%	1,036,131.00 3,422.22	1.43% 34,843.39	Aaa / AA+ AAA	1.38 1.36

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of July 31, 2020



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>AGENCY</b>									
3135G0U92	FNMA Note 2.625% Due 1/11/2022	500,000.00	03/05/2019 2.60%	500,350.00 500,177.35	103.59 0.14%	517,942.00 729.17	0.71% 17,764.65	Aaa / AA+ AAA	1.45 1.42
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	1,000,000.00	03/25/2020 0.63%	1,031,090.00 1,025,042.10	103.21 0.16%	1,032,105.00 1,187.50	1.42% 7,062.90	Aaa / AA+ AAA	1.45 1.43
3133EKBV7	FFCB Note 2.55% Due 3/1/2022	750,000.00	02/27/2019 2.55%	750,075.00 750,039.48	103.75 0.18%	778,088.25 7,968.75	1.08% 28,048.77	Aaa / AA+ AAA	1.58 1.55
313378WG2	FHLB Note 2.5% Due 3/11/2022	500,000.00	04/08/2019 2.36%	501,945.00 501,070.02	103.71 0.19%	518,562.00 4,861.11	0.72% 17,491.98	Aaa / AA+ NR	1.61 1.57
3133ELWD2	FFCB Note 0.375% Due 4/8/2022	930,000.00	04/03/2020 0.45%	928,623.60 928,840.43	100.36 0.16%	933,344.28 1,094.69	1.29% 4,503.85	Aaa / AA+ AAA	1.69 1.68
3135G0V59	FNMA Note 2.25% Due 4/12/2022	1,000,000.00	03/24/2020 0.59%	1,033,760.00 1,027,937.75	103.59 0.13%	1,035,932.00 6,812.50	1.43% 7,994.25	Aaa / AA+ AAA	1.70 1.66
3133ELYR9	FFCB Note 0.25% Due 5/6/2022	1,050,000.00	04/30/2020 0.31%	1,048,666.50 1,048,825.42	100.17 0.16%	1,051,746.15 619.79	1.45% 2,920.73	Aaa / AA+ AAA	1.76 1.76
3134GVJ66	FHLMC Note 0.25% Due 6/8/2022	1,000,000.00	06/04/2020 0.28%	999,400.00 999,444.38	99.90 0.30%	999,007.00 368.06	1.37% (437.38)	Aaa / NR AAA	1.85 1.85
3133ELN26	FFCB Note 0.26% Due 6/22/2022	1,000,000.00	06/17/2020 0.28%	999,530.00 999,555.75	100.13 0.19%	1,001,296.00 281.67	1.38% 1,740.25	Aaa / AA+ AAA	1.89 1.89
313383WD9	FHLB Note 3.125% Due 9/9/2022	500,000.00	01/30/2019 2.68%	507,580.00 504,425.98	106.15 0.20%	530,754.50 6,163.19	0.74% 26,328.52	Aaa / AA+ AAA	2.11 2.03
3130AFE78	FHLB Note 3% Due 12/9/2022	1,000,000.00	01/25/2019 2.71%	1,010,700.00 1,006,521.62	106.58 0.20%	1,065,818.00 4,333.33	1.47% 59,296.38	Aaa / AA+ AAA	2.36 2.28
3137EAER6	FHLMC Note 0.375% Due 5/5/2023	985,000.00	05/05/2020 0.39%	984,586.30 984,618.85	100.41 0.23%	989,046.38 861.88	1.36% 4,427.53	Aaa / AA+ AAA	2.76 2.74
3135G04Q3	FNMA Note 0.25% Due 5/22/2023	1,055,000.00	05/20/2020 0.35%	1,051,824.45 1,052,030.35	100.06 0.23%	1,055,601.35 505.52	1.45% 3,571.00	Aaa / AA+ AAA	2.81 2.80
3133834G3	FHLB Note 2.125% Due 6/9/2023	650,000.00	10/30/2019 1.66%	660,432.50 658,254.11	105.31 0.26%	684,503.95 1,995.14	0.94% 26,249.84	Aaa / AA+ NR	2.86 2.78
3137EAES4	FHLMC Note 0.25% Due 6/26/2023	965,000.00	06/24/2020 0.35%	962,182.20 962,274.84	100.00 0.25%	965,018.34 234.55	1.33% 2,743.50	Aaa / AA+ AAA	2.90 2.89
3135G05G4	FNMA Note 0.25% Due 7/10/2023	875,000.00	07/08/2020 0.32%	873,118.75 873,156.55	100.00 0.25%	875,040.25 127.60	1.20% 1,883.70	Aaa / AA+ AAA	2.94 2.93



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<b>AGENCY</b>									
3133EKZK5	FFCB Note 1.6% Due 8/14/2023	1,000,000.00	08/28/2019 1.48%	1,004,700.00 1,003,601.38	104.03 0.27%	1,040,257.00 7,422.22	1.44% 36,655.62	Aaa / AA+ AAA	3.04 2.95
3130A3DL5	FHLB Note 2.375% Due 9/8/2023	700,000.00	10/09/2019 1.44%	724,864.00 719,713.72	106.51 0.27%	745,602.20 6,603.82	1.03% 25,888.48	Aaa / AA+ NR	3.11 2.98
3130A3VC5	FHLB Note 2.25% Due 12/8/2023	1,000,000.00	02/13/2020 1.46%	1,029,240.00 1,025,692.58	106.72 0.24%	1,067,239.00 3,312.50	1.47% 41,546.42	Aaa / AA+ NR	3.36 3.24
3135G0V34	FNMA Note 2.5% Due 2/5/2024	1,000,000.00	01/30/2020 1.44%	1,041,280.00 1,036,127.04	107.79 0.27%	1,077,926.00 12,222.22	1.50% 41,798.96	Aaa / AA+ AAA	3.52 3.35
3133EKMX1	FFCB Note 2.23% Due 2/23/2024	750,000.00	07/30/2019 1.91%	760,425.00 758,131.25	107.03 0.25%	802,700.25 7,340.42	1.11% 44,569.00	Aaa / AA+ AAA	3.57 3.41
3130A7PH2	FHLB Note 1.875% Due 3/8/2024	1,000,000.00	03/03/2020 0.85%	1,040,350.00 1,036,218.60	105.67 0.29%	1,056,717.00 7,447.92	1.46% 20,498.40	Aaa / AA+ NR	3.61 3.47
<b>Total Agency</b>		<b>20,210,000.00</b>	<b>1.18%</b>	<b>20,447,503.30</b> <b>20,402,987.16</b>	<b>0.22%</b>	<b>20,860,377.90</b> <b>85,915.77</b>	<b>28.82%</b> <b>457,390.74</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>2.44</b> <b>2.38</b>
<b>COMMERCIAL PAPER</b>									
62479LJE6	MUFG Bank Ltd Discount CP 0.25% Due 9/14/2020	850,000.00	06/25/2020 0.25%	849,527.78 849,740.28	99.97 0.25%	849,740.28 0.00	1.17% 0.00	P-1 / A-1 NR	0.12 0.12
<b>Total Commercial Paper</b>		<b>850,000.00</b>	<b>0.25%</b>	<b>849,527.78</b> <b>849,740.28</b>	<b>0.25%</b>	<b>849,740.28</b> <b>0.00</b>	<b>1.17%</b> <b>0.00</b>	<b>Aaa / AA</b> <b>NR</b>	<b>0.12</b> <b>0.12</b>
<b>CORPORATE</b>									
40428HPV8	HSBC USA Inc Note 2.75% Due 8/7/2020	250,000.00	10/10/2018 3.26%	247,772.50 249,979.90	100.02 1.49%	250,051.75 3,322.92	0.35% 71.85	A2 / A- A+	0.02 0.02
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	500,000.00	09/27/2018 3.21%	490,920.00 498,882.83	100.33 0.40%	501,629.00 2,811.11	0.69% 2,746.17	A3 / A A	0.26 0.17
69371RN93	Paccar Financial Corp Note 2.8% Due 3/1/2021	300,000.00	07/23/2018 3.12%	297,585.00 299,461.07	101.42 0.36%	304,262.10 3,500.00	0.42% 4,801.03	A1 / A+ NR	0.58 0.58
06406FAA1	Bank of NY Mellon Corp Callable Note Cont 03/15/2021 2.5% Due 4/15/2021	500,000.00	08/24/2018 3.05%	493,125.00 498,161.42	101.42 0.22%	507,093.00 3,680.56	0.70% 8,931.58	A1 / A AA-	0.71 0.62



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<b>CORPORATE</b>									
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	350,000.00	06/28/2018 3.08%	349,247.50 349,796.60	102.07 0.33%	357,246.40 2,333.33	0.49% 7,449.80	A2 / A NR	0.78 0.77
857477AV5	State Street Bank Note 1.95% Due 5/19/2021	500,000.00	10/12/2018 3.30%	483,360.00 494,881.35	101.36 0.25%	506,807.00 1,950.00	0.70% 11,925.65	A1 / A AA-	0.80 0.79
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	320,000.00	Various 3.09%	321,372.10 320,341.66	102.13 0.30%	326,806.73 2,022.23	0.45% 6,465.07	A2 / A A	0.81 0.72
931142EJ8	Wal-Mart Stores Note 3.125% Due 6/23/2021	290,000.00	06/20/2018 3.13%	289,985.50 289,995.67	102.57 0.24%	297,462.57 956.60	0.41% 7,466.90	Aa2 / AA AA	0.90 0.89
02665WBG5	American Honda Finance Note 1.7% Due 9/9/2021	500,000.00	07/20/2018 3.19%	478,045.00 492,239.88	101.35 0.47%	506,761.50 3,352.78	0.70% 14,521.62	A3 / A- NR	1.11 1.09
89233P5F9	Toyota Motor Credit Corp Note 3.4% Due 9/15/2021	500,000.00	05/31/2018 3.03%	505,785.00 501,978.19	103.43 0.33%	517,159.00 6,422.22	0.72% 15,180.81	A1 / A+ A+	1.13 1.10
24422ETL3	John Deere Capital Corp Note 2.65% Due 1/6/2022	500,000.00	Various 3.29%	489,627.50 495,697.48	103.40 0.27%	517,009.50 920.14	0.71% 21,312.02	A2 / A A	1.44 1.41
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	300,000.00	06/27/2018 3.15%	292,848.00 296,965.65	102.71 0.34%	308,124.00 3,389.17	0.43% 11,158.35	A2 / A NR	1.55 1.26
037833CQ1	Apple Inc Callable Note Cont 4/11/22 2.3% Due 5/11/2022	500,000.00	10/30/2018 3.30%	483,395.00 491,639.44	103.38 0.30%	516,905.50 2,555.56	0.71% 25,266.06	Aa1 / AA+ NR	1.78 1.66
68389XBB0	Oracle Corp Callable Note Cont 3/15/2022 2.5% Due 5/15/2022	500,000.00	Various 3.28%	486,304.00 493,531.32	103.52 0.32%	517,603.00 2,638.89	0.72% 24,071.68	A3 / A A-	1.79 1.59
084664BT7	Berkshire Hathaway Note 3% Due 5/15/2022	500,000.00	12/11/2018 3.31%	495,015.00 497,397.74	105.20 0.09%	526,012.50 3,166.67	0.73% 28,614.76	Aa2 / AA A+	1.79 1.75
09247XAJ0	Blackrock Inc Note 3.375% Due 6/1/2022	500,000.00	11/28/2018 3.36%	500,215.00 500,112.46	105.49 0.37%	527,462.00 2,812.50	0.73% 27,349.54	Aa3 / AA- NR	1.84 1.78
06051GEU9	Bank of America Corp Note 3.3% Due 1/11/2023	400,000.00	09/05/2019 2.13%	414,984.00 410,967.80	106.80 0.50%	427,182.80 733.33	0.59% 16,215.00	A2 / A- A+	2.45 2.36
90331HNL3	US Bank NA Callable Note Cont 12/23/22 2.85% Due 1/23/2023	480,000.00	07/22/2019 2.24%	489,580.80 486,709.63	105.96 0.35%	508,618.08 304.00	0.70% 21,908.45	A1 / AA- AA-	2.48 2.33
69353RFL7	PNC Bank Callable Note Cont 5/9/2023 3.5% Due 6/8/2023	500,000.00	06/11/2019 2.44%	519,580.00 513,881.75	108.32 0.48%	541,591.50 2,576.39	0.75% 27,709.75	A2 / A NR	2.85 2.66

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>CORPORATE</b>									
69371RQ82	Paccar Financial Corp Note 0.8% Due 6/8/2023	300,000.00	06/01/2020 0.85%	299,583.00 299,603.56	100.78 0.53%	302,325.00 353.33	0.42% 2,721.44	A1 / A+ NR	2.85 2.82
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.4% Due 6/26/2023	500,000.00	05/21/2019 2.65%	514,115.00 509,911.35	108.60 0.33%	542,988.00 1,652.78	0.75% 33,076.65	Aa2 / AA AA	2.90 2.71
<b>Total Corporate</b>		<b>8,990,000.00</b>	<b>2.95%</b>	<b>8,942,444.90</b> <b>8,992,136.75</b>	<b>0.37%</b>	<b>9,311,100.93</b> <b>51,454.51</b>	<b>12.88%</b> <b>318,964.18</b>	<b>A1 / A+</b> <b>A+</b>	<b>1.53</b> <b>1.45</b>
<b>LAIF</b>									
90LAIF\$00	Local Agency Investment Fund State Pool	14,147,682.76	Various 0.84%	14,147,682.76 14,147,682.76	1.00 0.84%	14,147,682.76 13,529.98	19.48% 0.00	NR / NR NR	0.00 0.00
<b>Total LAIF</b>		<b>14,147,682.76</b>	<b>0.84%</b>	<b>14,147,682.76</b> <b>14,147,682.76</b>	<b>0.84%</b>	<b>14,147,682.76</b> <b>13,529.98</b>	<b>19.48%</b> <b>0.00</b>	<b>NR / NR</b> <b>NR</b>	<b>0.00</b> <b>0.00</b>
<b>LOCAL GOV INVESTMENT POOL</b>									
90SDCP\$00	County of San Diego Pooled Investment Pool	5,551,000.00	Various 1.64%	5,551,000.00 5,551,000.00	1.00 1.64%	5,551,000.00 0.00	7.64% 0.00	NR / NR AAA	0.00 0.00
<b>Total Local Gov Investment Pool</b>		<b>5,551,000.00</b>	<b>1.64%</b>	<b>5,551,000.00</b> <b>5,551,000.00</b>	<b>1.64%</b>	<b>5,551,000.00</b> <b>0.00</b>	<b>7.64%</b> <b>0.00</b>	<b>NR / NR</b> <b>AAA</b>	<b>0.00</b> <b>0.00</b>
<b>MONEY MARKET FUND FI</b>									
261908206	Dreyfus Treasury Money Market Fund	711,625.31	Various 0.01%	711,625.31 711,625.31	1.00 0.01%	711,625.31 0.00	0.98% 0.00	Aaa / AAA NR	0.00 0.00
<b>Total Money Market Fund FI</b>		<b>711,625.31</b>	<b>0.01%</b>	<b>711,625.31</b> <b>711,625.31</b>	<b>0.01%</b>	<b>711,625.31</b> <b>0.00</b>	<b>0.98%</b> <b>0.00</b>	<b>Aaa / AAA</b> <b>NR</b>	<b>0.00</b> <b>0.00</b>
<b>NEGOTIABLE CD</b>									
254672L89	Discover Bank Negotiable CD 1.5% Due 10/26/2020	245,000.00	10/26/2016 1.50%	245,000.00 245,000.00	100.28 0.31%	245,694.33 976.64	0.34% 694.33	NR / NR NR	0.24 0.24
78012UVJ1	Royal Bank of Canada Yankee CD 1% Due 2/19/2021	1,000,000.00	04/20/2020 1.00%	1,000,000.00 1,000,000.00	100.00 1.00%	1,000,000.00 2,833.33	1.38% 0.00	P-1 / A-1+ F-1+	0.56 0.55

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<b>NEGOTIABLE CD</b>									
20033AQU3	Comenity Capital Bank Negotiable CD 1.65% Due 6/30/2021	245,000.00	06/30/2016 1.65%	245,000.00 245,000.00	101.35 0.17%	248,307.26 22.15	0.34% 3,307.26	NR / NR NR	0.92 0.91
<b>Total Negotiable CD</b>		<b>1,490,000.00</b>	<b>1.19%</b>	<b>1,490,000.00</b>	<b>0.75%</b>	<b>1,494,001.59</b> <b>3,832.12</b>	<b>2.06%</b> <b>4,001.59</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>0.56</b> <b>0.56</b>
<b>SUPRANATIONAL</b>									
4581X0CD8	Inter-American Dev Bank Note 2.125% Due 11/9/2020	750,000.00	05/22/2018 2.81%	737,865.00 748,651.67	100.49 0.32%	753,675.75 3,630.21	1.04% 5,024.08	Aaa / AAA AAA	0.28 0.27
459058GH0	Intl. Bank Recon & Development Note 2.75% Due 7/23/2021	750,000.00	07/24/2018 2.86%	747,607.50 749,220.74	102.43 0.26%	768,251.25 458.33	1.06% 19,030.51	Aaa / AAA NR	0.98 0.97
<b>Total Supranational</b>		<b>1,500,000.00</b>	<b>2.84%</b>	<b>1,485,472.50</b> <b>1,497,872.41</b>	<b>0.29%</b>	<b>1,521,927.00</b> <b>4,088.54</b>	<b>2.10%</b> <b>24,054.59</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>0.63</b> <b>0.62</b>
<b>US TREASURY</b>									
912828L65	US Treasury Note 1.375% Due 9/30/2020	750,000.00	06/27/2018 2.53%	731,044.92 748,621.45	100.20 0.17%	751,502.25 3,465.68	1.04% 2,880.80	Aaa / AA+ AAA	0.17 0.17
912828WC0	US Treasury Note 1.75% Due 10/31/2020	750,000.00	07/20/2018 2.64%	735,292.97 748,389.48	100.39 0.17%	752,955.00 3,316.92	1.04% 4,565.52	Aaa / AA+ AAA	0.25 0.25
912828A42	US Treasury Note 2% Due 11/30/2020	750,000.00	11/28/2018 2.85%	737,695.31 747,966.03	100.61 0.17%	754,581.75 2,540.98	1.04% 6,615.72	Aaa / AA+ AAA	0.33 0.33
912828N89	US Treasury Note 1.375% Due 1/31/2021	750,000.00	10/30/2018 2.86%	725,859.38 744,632.16	100.61 0.16%	754,570.50 28.02	1.04% 9,938.34	Aaa / AA+ AAA	0.50 0.50
912828U81	US Treasury Note 2% Due 12/31/2021	750,000.00	11/08/2018 3.05%	726,650.39 739,484.54	102.64 0.14%	769,775.25 1,304.35	1.06% 30,290.71	Aaa / AA+ AAA	1.42 1.40
912828W55	US Treasury Note 1.875% Due 2/28/2022	1,000,000.00	01/30/2019 2.56%	979,921.88 989,710.86	102.76 0.13%	1,027,578.00 7,846.47	1.42% 37,867.14	Aaa / AA+ AAA	1.58 1.56
912828W89	US Treasury Note 1.875% Due 3/31/2022	750,000.00	09/27/2018 2.92%	724,013.67 737,676.80	102.89 0.14%	771,708.75 4,725.92	1.07% 34,031.95	Aaa / AA+ AAA	1.67 1.64

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<b>US TREASURY</b>									
912828XR6	US Treasury Note 1.75% Due 5/31/2022	750,000.00	09/24/2018 2.93%	719,208.98 734,696.13	102.97 0.13%	772,295.25 2,223.36	1.07% 37,599.12	Aaa / AA+ AAA	1.83 1.81
912828XW5	US Treasury Note 1.75% Due 6/30/2022	350,000.00	09/07/2018 2.80%	336,792.97 343,363.21	103.09 0.13%	360,814.30 532.61	0.50% 17,451.09	Aaa / AA+ AAA	1.92 1.89
9128282P4	US Treasury Note 1.875% Due 7/31/2022	1,000,000.00	12/28/2018 2.53%	977,617.19 987,525.18	103.49 0.13%	1,034,922.00 50.95	1.42% 47,396.82	Aaa / AA+ AAA	2.00 1.97
912828L24	US Treasury Note 1.875% Due 8/31/2022	750,000.00	09/20/2018 2.94%	720,439.45 734,398.60	103.64 0.12%	777,333.75 5,884.85	1.08% 42,935.15	Aaa / AA+ AAA	2.08 2.04
9128282W9	US Treasury Note 1.875% Due 9/30/2022	1,000,000.00	03/19/2019 2.43%	981,406.25 988,613.13	103.80 0.12%	1,037,969.00 6,301.23	1.44% 49,355.87	Aaa / AA+ AAA	2.17 2.12
912828M80	US Treasury Note 2% Due 11/30/2022	800,000.00	12/24/2019 1.70%	806,875.00 805,467.87	104.37 0.12%	834,968.80 2,710.38	1.15% 29,500.93	Aaa / AA+ AAA	2.33 2.28
9128284D9	US Treasury Note 2.5% Due 3/31/2023	1,000,000.00	02/21/2019 2.51%	999,414.06 999,619.80	106.33 0.12%	1,063,281.00 8,401.64	1.47% 63,661.20	Aaa / AA+ AAA	2.67 2.58
912828R28	US Treasury Note 1.625% Due 4/30/2023	1,000,000.00	12/04/2019 1.60%	1,000,898.44 1,000,724.83	104.13 0.12%	1,041,250.00 4,106.66	1.44% 40,525.17	Aaa / AA+ AAA	2.75 2.69
912828R69	US Treasury Note 1.625% Due 5/31/2023	1,100,000.00	Various 2.00%	1,083,765.62 1,088,854.52	104.25 0.12%	1,146,750.00 3,028.01	1.58% 57,895.48	Aaa / AA+ AAA	2.83 2.77
912828T91	US Treasury Note 1.625% Due 10/31/2023	1,000,000.00	09/25/2019 1.60%	1,000,898.44 1,000,712.27	104.84 0.13%	1,048,398.00 4,106.66	1.45% 47,685.73	Aaa / AA+ AAA	3.25 3.17
912828V80	US Treasury Note 2.25% Due 1/31/2024	1,000,000.00	12/16/2019 1.71%	1,021,210.94 1,017,999.72	107.34 0.15%	1,073,359.00 61.14	1.48% 55,359.28	Aaa / AA+ AAA	3.50 3.39
912828X70	US Treasury Note 2% Due 4/30/2024	1,000,000.00	03/03/2020 0.71%	1,052,539.06 1,047,347.45	106.89 0.16%	1,068,906.00 5,054.35	1.48% 21,558.55	Aaa / AA+ AAA	3.75 3.62
<b>Total US Treasury</b>		<b>16,250,000.00</b>	<b>2.28%</b>	<b>16,061,544.92</b> <b>16,205,804.03</b>	<b>0.14%</b>	<b>16,842,918.60</b> <b>65,690.18</b>	<b>23.26%</b> <b>637,114.57</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>2.08</b> <b>2.03</b>
<b>TOTAL PORTFOLIO</b>		<b>70,867,011.74</b>	<b>1.66%</b>	<b>70,847,875.41</b> <b>71,013,144.57</b>	<b>0.46%</b>	<b>72,465,249.86</b> <b>225,458.37</b>	<b>100.00%</b> <b>1,452,105.29</b>	<b>Aa1 / AA+</b> <b>AAA</b>	<b>1.45</b> <b>1.38</b>
<b>TOTAL MARKET VALUE PLUS ACCRUED</b>						<b>72,690,708.23</b>			

**VALLECITOS WATER DISTRICT  
SUMMARY OF LEGAL FEES**

<b>Matter Description</b>	<b>Jun-19</b>	<b>Jul-19</b>	<b>Aug-19</b>	<b>Sep-19</b>	<b>Oct-19</b>	<b>Nov-19</b>	<b>Dec-19</b>	<b>Jan-20</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>Apr-20</b>	<b>May-20</b>	<b>Jun-20</b>	<b>Total</b>
General Counsel Services	\$5,284	\$2,215	\$12,391	\$6,930	\$10,083	\$7,810	\$18,504	\$5,857	\$11,254	\$9,723	\$9,182	\$6,304	\$565	\$106,100
Labor/Employment	5,447	2,135	3,679	3,948	2,359	3,504	4,073	468	1,666	2,089	889	2,297	559	\$33,111
Engineering - Construction/Contracting	546	1,641	1,968	2,878	4,143	3,433	1,615	2,200	2,662	8,528	7,968	8,966	9,810	\$56,359
Fees and Taxes	-	2,744	7,241	5,491	1,204	-	1,802	1,812	2,562	2,550	240	-	180	\$25,825
Environmental	-	-	1,800	2,910	678	-	-	-	-	-	870	870	-	\$7,128
Adv. Butler	-	30	417	-	1,702	138	2,831	8,593	1,063	81	646	319	797	\$16,615
Renewable Energy	-	-	-	-	4,710	1,824	-	-	-	305	-	630	-	\$7,469
Driscoll & Omens Prop 218 Sole	-	-	-	-	-	-	-	-	-	500	691	592	188	\$1,971
Driscoll & Omens Prop 218 Shared	-	-	-	-	-	-	-	-	-	2,323	1,089	1,406	466	\$5,285
<b>Total</b>	<b>\$11,277</b>	<b>\$8,764</b>	<b>\$27,495</b>	<b>\$22,157</b>	<b>\$24,878</b>	<b>\$16,708</b>	<b>\$28,825</b>	<b>\$18,931</b>	<b>\$19,207</b>	<b>\$26,098</b>	<b>\$21,575</b>	<b>\$21,383</b>	<b>\$12,565</b>	<b>\$259,863</b>



**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "LINDAUER ANNEXATION", APN 182-101-01, AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICT 5 (LINDAUER FAMILY TRUST 08-18-06)**

**BACKGROUND:**

The 4-acre Lindauer property is a single-family residential lot located at 317 East Olive Street on the southeast corner of East Olive Street and Sycamore Drive, in the City of San Marcos. The property is currently within the Vista Irrigation District (VID) and receives water from a well. The property is on a septic system.

**DISCUSSION:**

Lloyd Lindauer requested annexation into the District's water and sewer service areas in June 2020. The District's conditions for annexation were approved at the June 17, 2020 Board of Directors meeting. Detachment from VID has been approved by the Vista Irrigation District.

The property owner has paid \$19,484 in water annexation fees and \$38,696 in sewer annexation fees in accordance with Ordinance No. 200. He has also paid \$350 in State Board of Equalization fees per the conditions of annexation listed in the June 17, 2020 staff report.

The owner has entered into a Contractual Water and Sewer Service Agreement with the District due to a failing well and septic system. The agreement allows temporary connections to the District's water and sewer systems prior to the formal annexation approval by LAFCO for public health and safety reasons. This agreement received administrative approval from LAFCO on July 24, 2020.

**FISCAL IMPACT:**

Payment of \$19,484 (\$4,871/acre x 4 acres) in water annexation fees and \$38,696 (\$9,674/acre x 4 acres) in sewer annexation fees have been collected in accordance with Ordinance No. 200. All other fees will cover actual costs and have no fiscal impact.

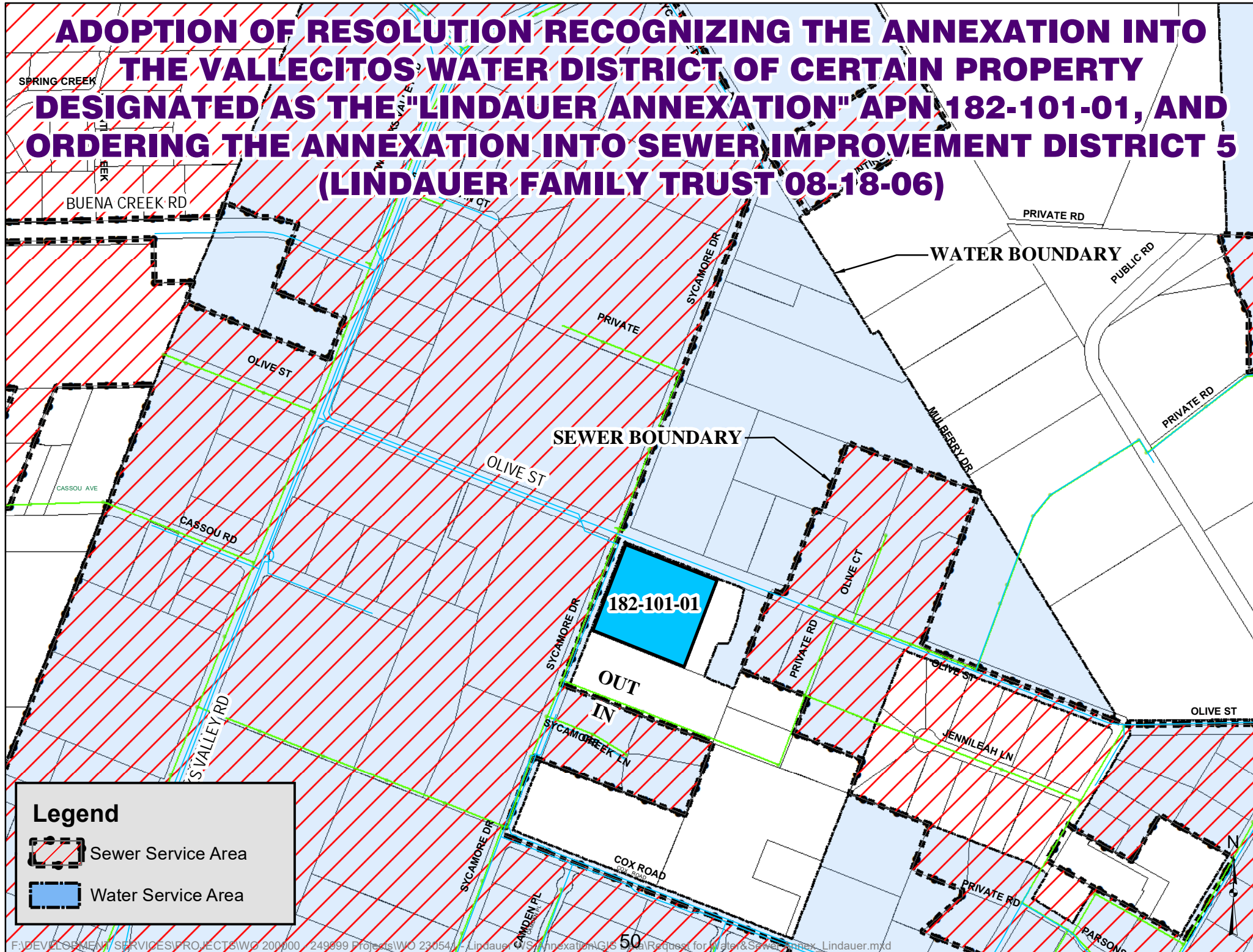
**RECOMMENDATION:**

Adopt the resolution recognizing the annexation of APN 182-101-01 into the Vallecitos Water District and Sewer Improvement District 5.

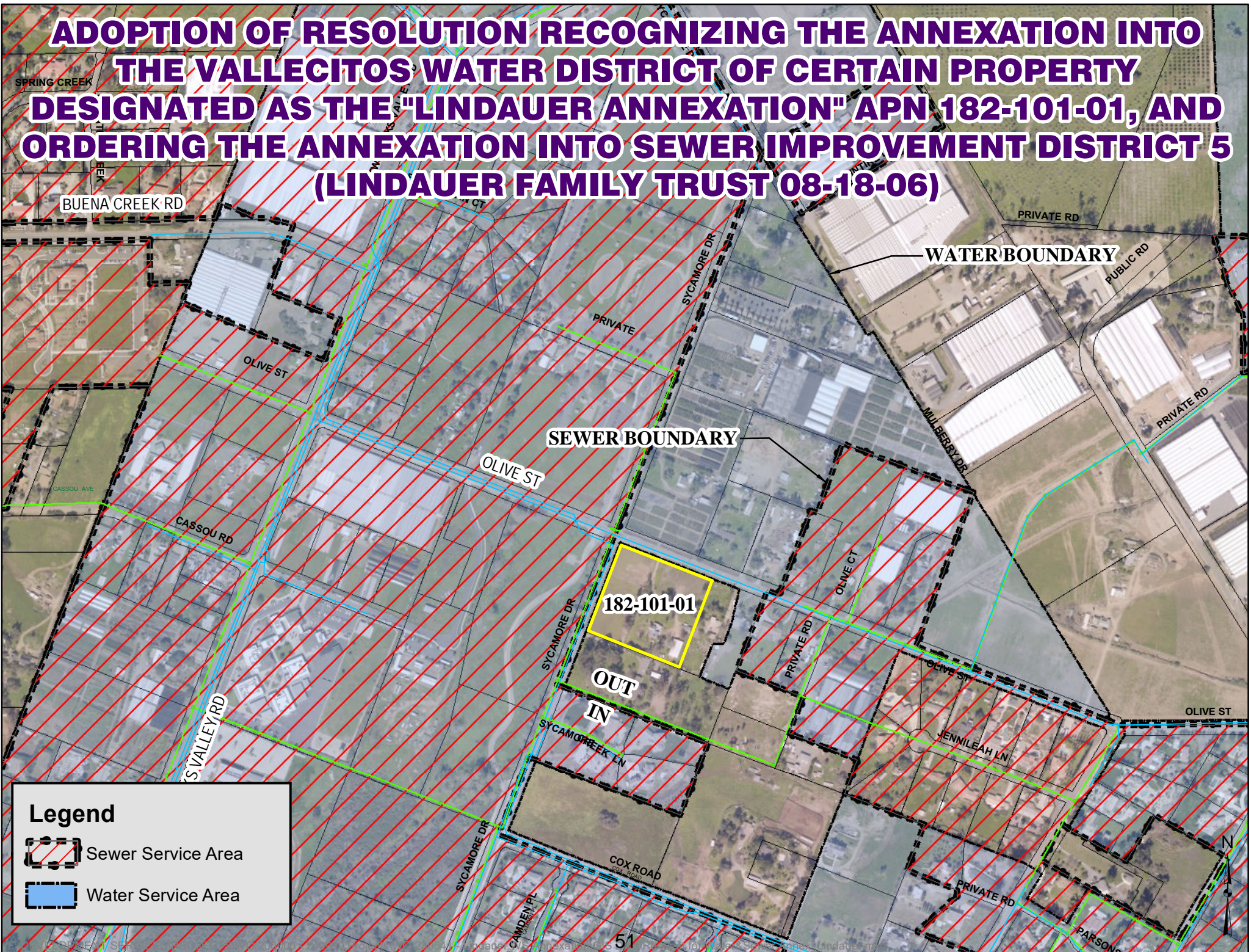
**ATTACHMENTS:**

2 Map Exhibits - 1 Plat & 1 Aerial  
Resolution



# ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "LINDAUER ANNEXATION" APN 182-101-01, AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICT 5 (LINDAUER FAMILY TRUST 08-18-06)



**ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "LINDAUER ANNEXATION" APN 182-101-01, AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICT 5 (LINDAUER FAMILY TRUST 08-18-06)**



**Legend**

-  Sewer Service Area
-  Water Service Area

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
VALLECITOS WATER DISTRICT RECOGNIZING THE ANNEXATION  
INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS  
THE “LINDAUER ANNEXATION,” APN 182-101-01 AND ORDERING ANNEXATION INTO  
SEWER IMPROVEMENT DISTRICT 5**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VALLECITOS WATER  
DISTRICT AS FOLLOWS:

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

Section 1.1: That the Vallecitos Water District owns, operates, and maintains a sewage disposal system under and by virtue of Sewer Improvement District 5 of the Vallecitos Water District.

Section 1.2: That the owners of the land described in this resolution, consisting of approximately 4.0 acres, and also referred to as APN 182-101-01, have given their written consent to the annexation of said lands to the Sewer Improvement Districts hereinafter designated and have, in writing, requested the annexation of said lands to said Sewer Improvement Districts.

Section 1.3: That the owners of the land described in this resolution have advanced to the Secretary of the Vallecitos Water District the costs of this annexation, including, but not limited to, advertising, engineering and attorney’s fees.

Section 1.4: The inclusion of said land within the designated Sewer Improvement Districts will be for the best interest of the designated Sewer Improvement Districts.

Section 1.5: The inclusion of said land within said Sewer Improvement Districts will be for the best interest of the land, and the owners thereof consent to the inclusion of said land in the designated Sewer Improvement Districts of the Vallecitos Water District.

Section 1.6: The Board of Directors determines that all the land hereinafter described shall be included in the designated Sewer Improvement Districts; that the proceedings had for the annexation and inclusion herein and above referred to were genuine and sufficient and in all respects complied with the Water Code of the State of California commencing at Section 32550.

Section 1.7: That the land herein described was previously not within the boundaries of the Vallecitos Water District and said lands are not a part of an Improvement District constituted for a purpose similar to the purpose of Improvement District 5 of the Vallecitos Water District.

Section 1.8: For annexations into the Sewer Improvement District, the Board requires as a condition of the annexation that the property also be annexed into the Vallecitos Water District.

SECTION 2: The Board of Directors of the Vallecitos Water District does hereby recognize the annexation of all the lands hereinafter described to the Vallecitos Water District and orders the annexation of such lands to Sewer Improvement District 5 of the Vallecitos Water District pursuant to this resolution and the proceedings above referred to, which description contained in Exhibit "A" attached hereto and made a part hereof, is sufficient to identify the land.

SECTION 3: The condition of said annexation to Vallecitos Water District and Sewer Improvement District 5 of the Vallecitos Water District are as follows:

Section 3.1: Payment by petitioners of the sum of \$4,871 per acre or fraction thereof for annexation of the territory into the Vallecitos Water District and \$9,674 per acre or fraction thereof for annexation of the territory into Sewer Improvement District 5 for the use or right of use of the existing property in the Improvement Districts.

Section 3.2: Payment by the petitioners of the sum of \$1,000 to cover costs of annexation, which includes attorney fees, publication, filing fees and miscellaneous costs of annexation.

Section 3.3: The lands annexed to an Vallecitos Water District and Sewer Improvement Districts 5 shall be subject to existing bond issues and indebtedness of the Improvement District from and after the filing with the San Diego County Assessor of a certified copy of this resolution as set forth in Section 32553 of the Water Code of the State of California.

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

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 19<sup>th</sup> day of August, 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 Pruiim, Secretary  
Board of Directors  
Vallecitos Water District

EXHIBIT 'A'

ANNEXATION NO. \_\_\_\_\_.

**"LINDAUER FAMILY TRUST"  
ANNEXATION TO VALLECITOS WATER DISTRICT**

**GEOGRAPHIC DESCRIPTION**

A PORTION OF LOT 3 IN BLOCK 34 OF RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY DECEMBER 21, 1895, DESCRIBED AS FOLLOWS:

**BEGINNING** AT THE NORTHWESTERLY CORNER OF SAID LOT 3;

THENCE, **(1)** ALONG THE NORTHEASTERLY LINE OF SAID LOT 3, SOUTH 69°15'00" EAST, 430.00 FEET;

THENCE, **(2)** LEAVING SAID NORTHEASTERLY LINE, SOUTH 20°45'00" WEST, 405.21 FEET;

THENCE, **(3)** NORTH 69°15'00" WEST, 430.00 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 3;

THENCE, **(4)** ALONG THE NORTHWESTERLY LINE OF SAID LOT 3, NORTH 20°45'00" EAST, 405.21 FEET TO THE **POINT OF BEGINNING** AND CONTAINING 4.00 ACRES OF LAND MORE OR LESS.

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



Jake D. Logan, PLS 9042

7-16-2020

Date

250 125 0 250 500



SCALE IN FEET  
SCALE: 1" = 250'

**COURSES:**

1. S 69°15'00" E 430.00'
2. S 20°45'00" W 405.21'
3. N 69°15'00" W 430.00'
4. N 20°45'00" E 405.21'

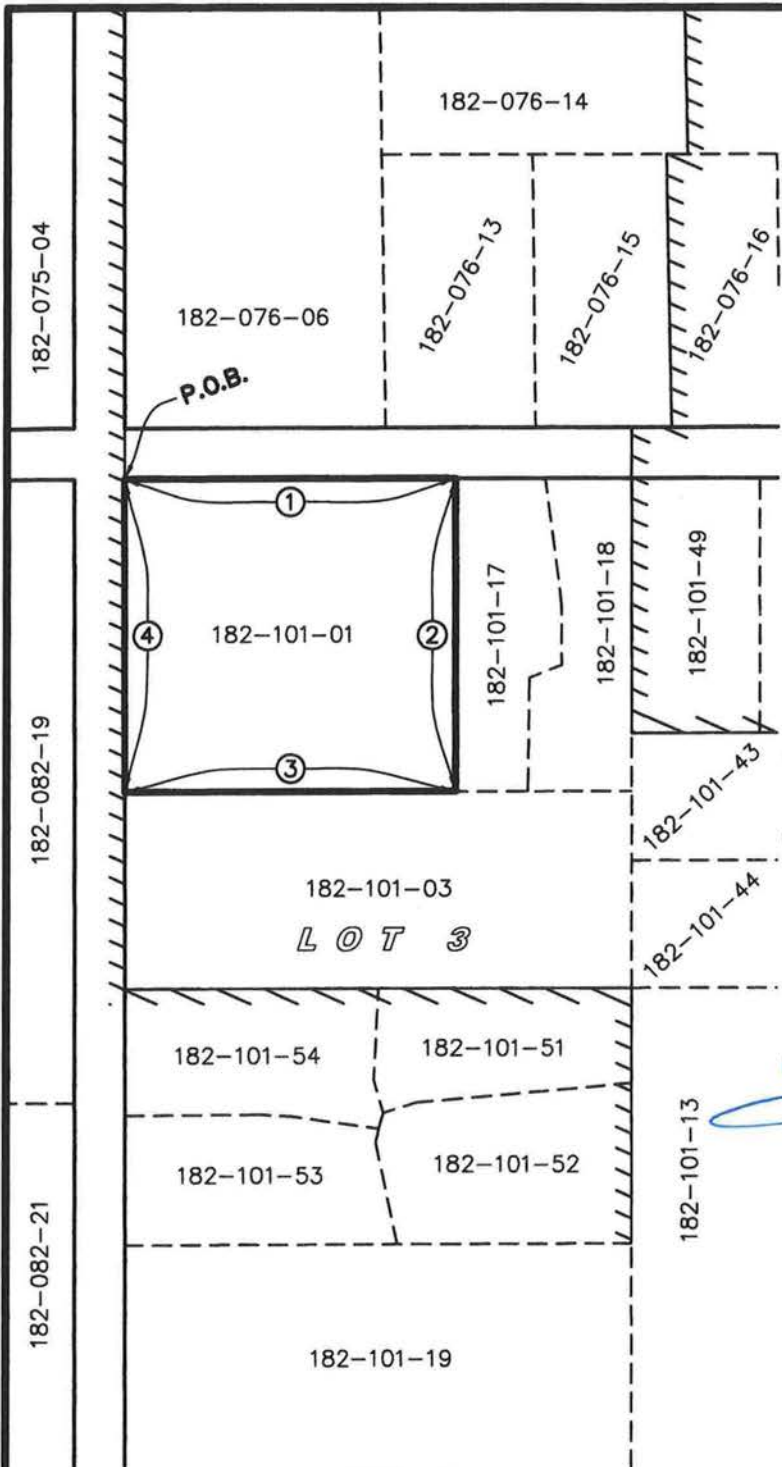


**LEGEND:**

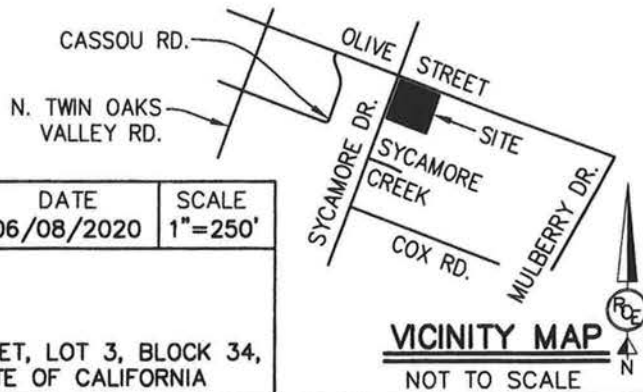
P.O.B. POINT OF BEGINNING

EXISTING VALLECITOS WATER DISTRICT SEWER BOUNDARY

PROPOSED VALLECITOS WATER DISTRICT BOUNDARY



7-16-2020  
JAKE D. LOGAN, PLS 9042 DATE



ASSESSORS PARCEL NO: 182-101-01	LAFCO RESOLUTION NUMBER XXXX-XX	ACREAGE 4.00	DATE 06/08/2020	SCALE 1"=250'
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"LINDAUER FAMILY TRUST"  
ANNEXATION TO VALLECITOS WATER DISTRICT

THE NORTHWESTERLY 430 FEET OF THE NORTHEASTERLY 405.21 FEET, LOT 3, BLOCK 34,  
MAP NO. 806, CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

**VICINITY MAP**  
NOT TO SCALE

**RANCHO COASTAL**  
**ENGINEERING & SURVEYING**  
SINGLE SOURCE DEVELOPMENT CONSULTANT  
310 S. TWIN OAKS VALLEY RD., #107-297  
SAN MARCOS, CA. 92078  
(760) 510-3152 Ph / (760) 510-3153 Fax

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



**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS THE “PAPP-LUNDBLADE ANNEXATION”, APN 182-101-43 & 44 INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5 (SZILARD PAPP & JEFF LUNDBLADE)**

**BACKGROUND:**

Szilard Papp, owner of APN 182-101-43 (1.16 acres), & Jeff Lundblade, owner of APN 182-101-44 (1.15 acres), are requesting annexation into the Vallecitos Water District (VWD) for water and sewer service. The properties total approximately 2.31 acres and are located south of East Olive Street and east of Sycamore Drive in the City of San Marcos.

**DISCUSSION:**

Both properties are vacant and currently within the Vista Irrigation District (VID). The properties will need to detach from VID, and annex into VWD and Sewer Improvement District 5 to receive water and sewer service from VWD.

The VWD annexation and the VID detachment of APN 182-101-43 & 44 will also require processing through the Local Agency Formation Commission (LAFCO) and the State Board of Equalization (SBOE) for the water and sewer service boundary changes.

**FISCAL IMPACT:**

Payment of \$11,252.01 (\$4,871/acre x 2.31 acres) in water annexation fees and \$22,346.94 (\$9,674/acre x 2.31 acres) in sewer annexation fees will be collected in accordance with Ordinance No. 200. All other fees will cover actual costs and have no fiscal impact.

The Water and Wastewater Capital Facility Fees will be due prior to service being granted.

**RECOMMENDATION:**

Approve the conditions for annexation of APN 182-101-43 & 44 into the VWD and Sewer Improvement District 5 which include the following:

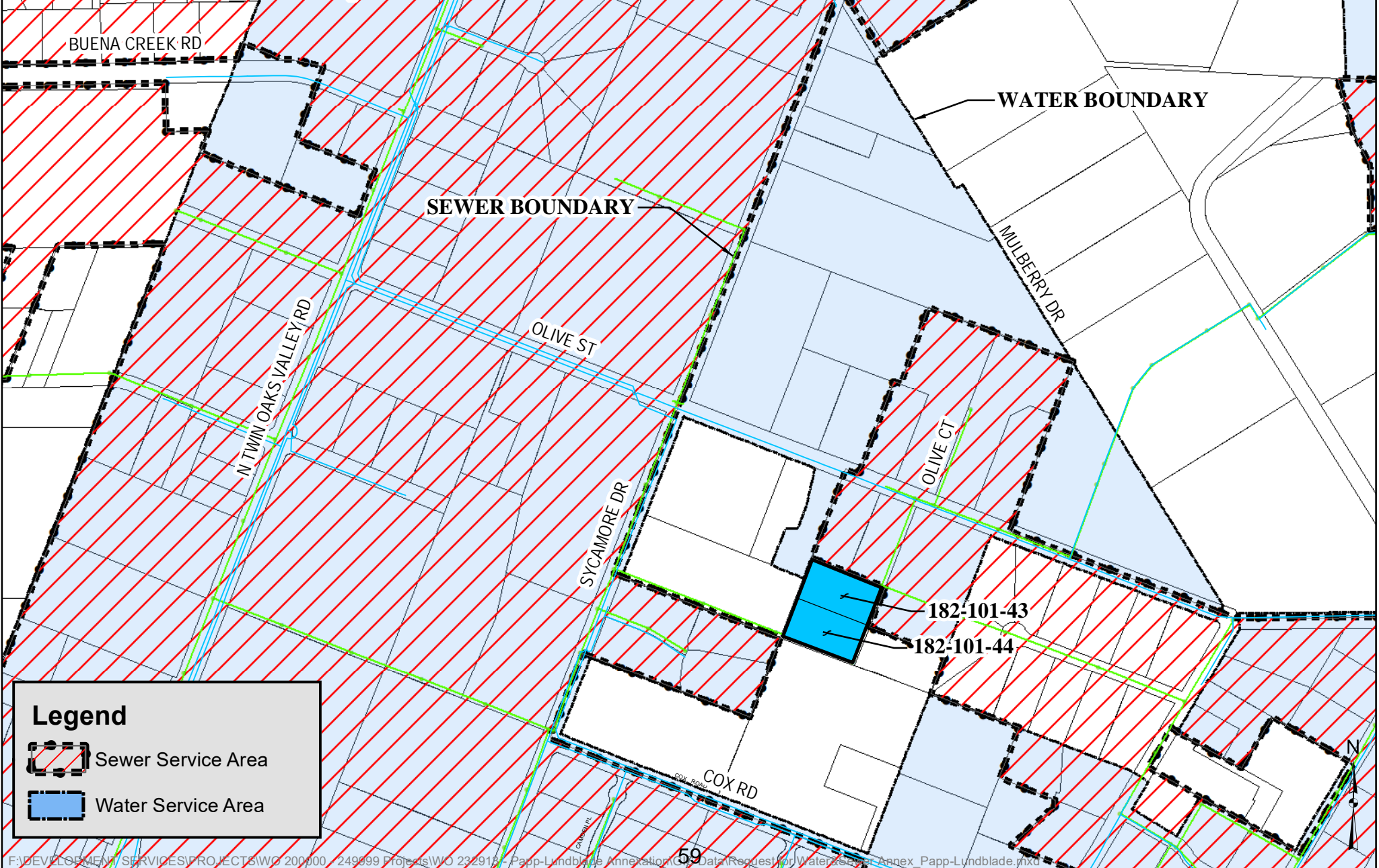
1. Payment of water annexation fee of \$5,650.36 for APN 182-101-43 (1.16 acres).
2. Payment of water annexation fee of \$5,601.65 for APN 182-101-44 (1.15 acres).
3. Payment of sewer annexation fee of \$11,221.84 for APN 182-101-43 (1.16 acres).
4. Payment of sewer annexation fee of \$11,125.10 for APN 182-101-44 (1.15 acres).
5. Payment of \$1,000 administration deposit (already paid).
6. Payment of State Board of Equalization fee of \$300.

7. Complete process for annexation through LAFCO.
8. Submittal of a copy of the title report initiated or updated within the last 6 months showing ownership and a geographic description of the property including a plat map.
9. Completion of annexation within 2 years of initial Board approval. If annexation is not complete within 2 years of Board approval, a new request for annexation may be required.

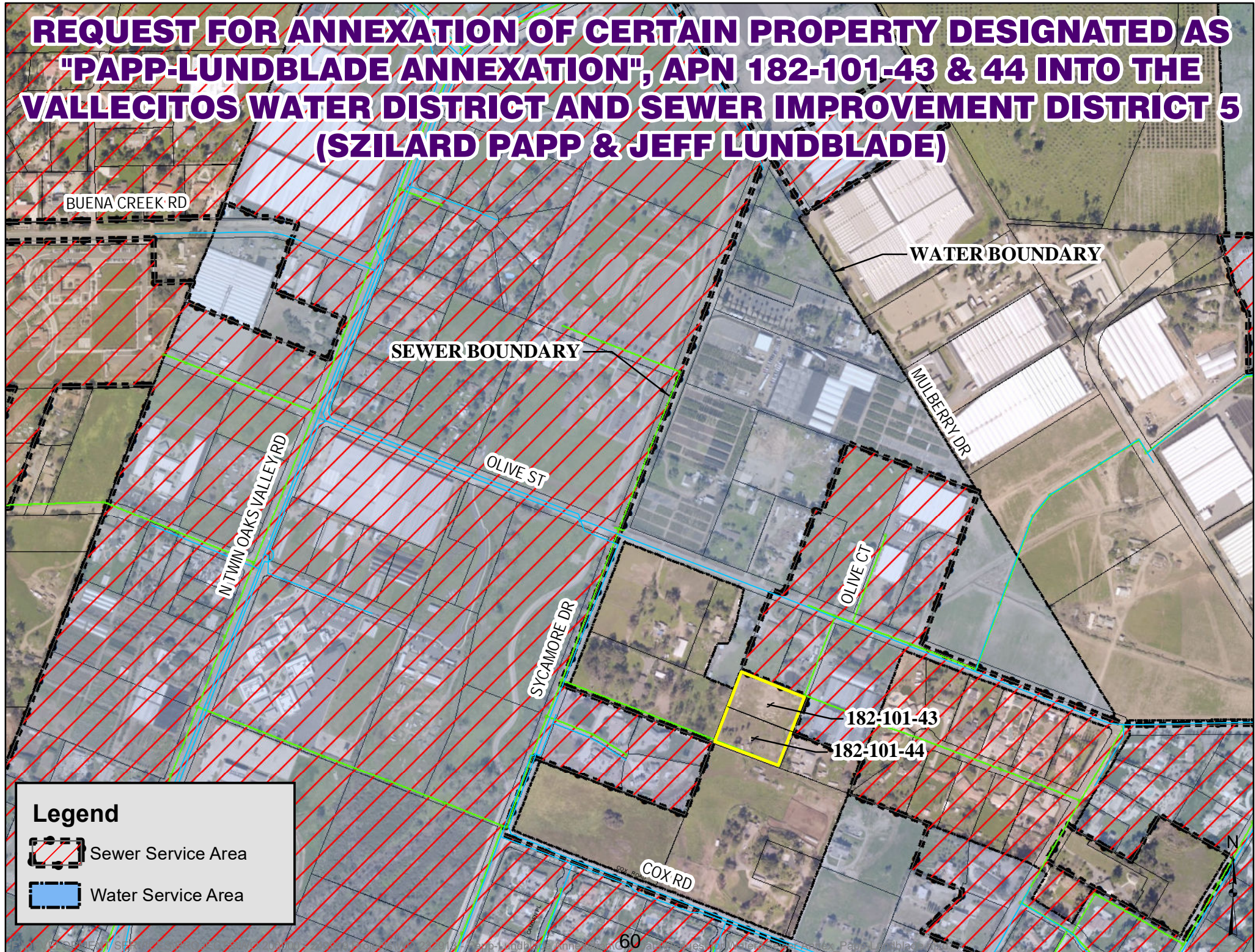
**ATTACHMENTS:**

2 Map Exhibits - 1 Plat & 1 Aerial



# REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "PAPP-LUNDBLADE ANNEXATION", APN 182-101-43 & 44 INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5 (SZILARD PAPP & JEFF LUNDBLADE)



# REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "PAPP-LUNDBLADE ANNEXATION", APN 182-101-43 & 44 INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5 (SZILARD PAPP & JEFF LUNDBLADE)



**Legend**

-  Sewer Service Area
-  Water Service Area

**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5, 6 & A (SAMANDARI/NAEEMI)**

**BACKGROUND:**

Reza Samandari and Sahar Naeemi, owners of the property, are requesting annexation into the Vallecitos Water District for water and sewer service. The Nordahl Road Subdivision is a proposed 15-lot single-family residential development. The property is on approximately 3.8 acres located on the west side of Nordahl Road, north of Rock Springs Road and south of El Norte Parkway in unincorporated San Diego County.

**DISCUSSION:**

On July 19, 2017, the Board of Directors approved conditions of annexation for the previous owners of the property. The annexation was not completed, and the property was sold to the current owners on January 29, 2020.

The property is currently within the Vallecitos Water District (VWD) Sphere of Influence but not within either the water or sewer service boundaries of the District. The property is currently within Vista Irrigation District's (VID) water service boundary and will require processing through the Local Agency Formation Commission (LAFCO) and the State Board of Equalization (SBOE) for the changes to the water and sewer boundaries.

Since VWD does not have water facilities nearby and VID has water facilities directly adjacent to the property, the owners are requesting to be served through an exchange agreement with VID. VWD and VID staff are currently in discussion on how to best serve the property; however, this decision will not impact the need for the property to annex into VWD for water and sewer.

**FISCAL IMPACT:**

Payment of \$18,509.80 (\$4,871 x 3.8 acres) in water annexation fees and payment of \$36,761.20 (\$9,674 x 3.8 acres) in sewer annexation fees will be collected in accordance with Ordinance No. 200. All other fees will cover actual costs and have no fiscal impact.

**RECOMMENDATION:**

Approve the conditions for annexation of APN 226-290-01 into the Vallecitos Water District and Sewer Improvement Districts 5, 6 & A which include the following:

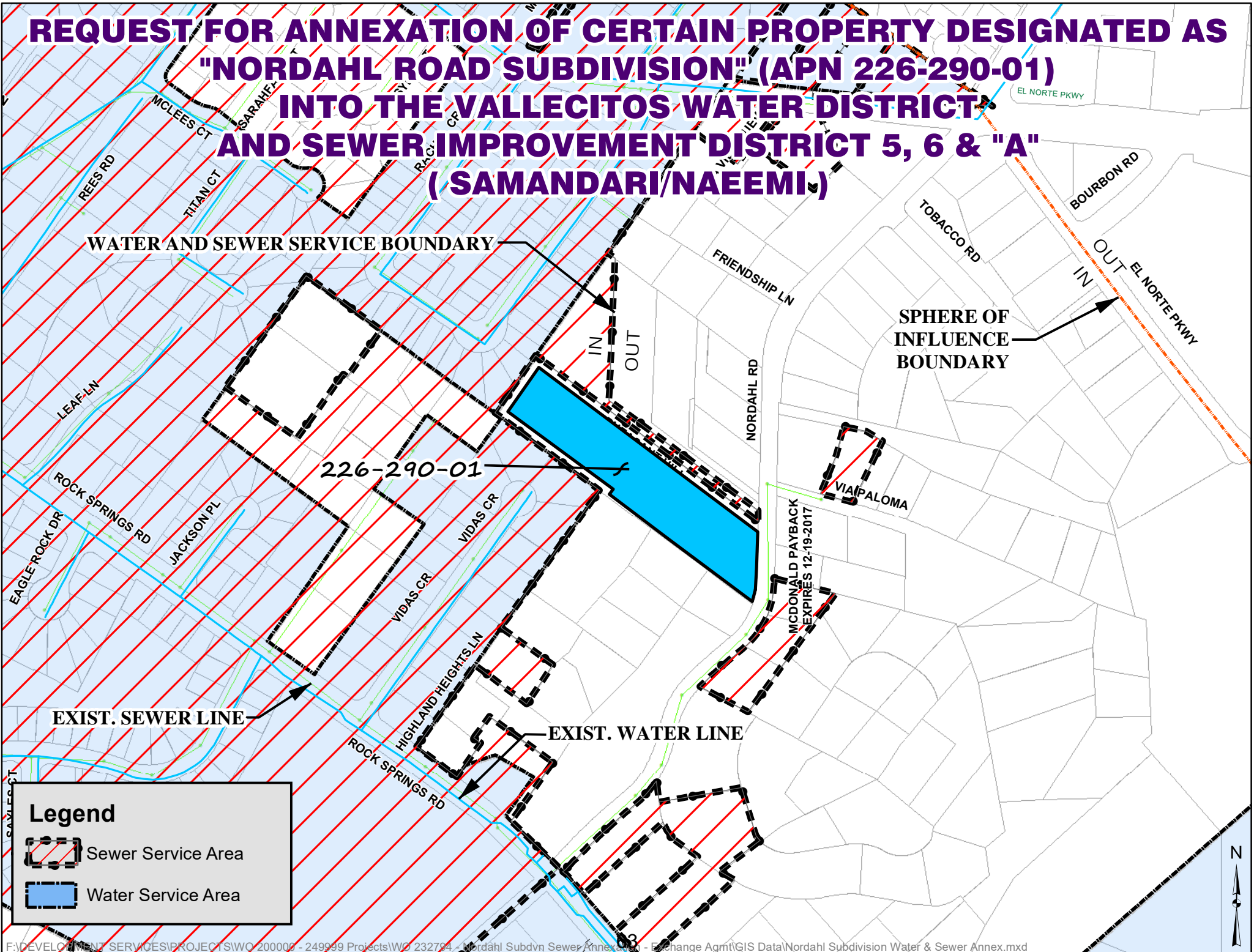
1. Payment of water annexation fee of \$18,509.80.
2. Payment of sewer annexation fee of \$36,761.20.
3. Payment of \$1,000 administration deposit (already paid).
4. Payment of State Board of Equalization fee of \$300.

5. Complete process for annexation through LAFCO.
6. Submittal of a copy of the title report initiated or updated within the last 6 months showing ownership and a geographic description of the property including a plat map.
7. Completion of annexation within 2 years of initial Board approval. If annexation is not completed within 2 years of Board approval, a new request for annexation may be required.



**ATTACHMENTS:**

2 Map Exhibits - 1 Plat & 1 Aerial

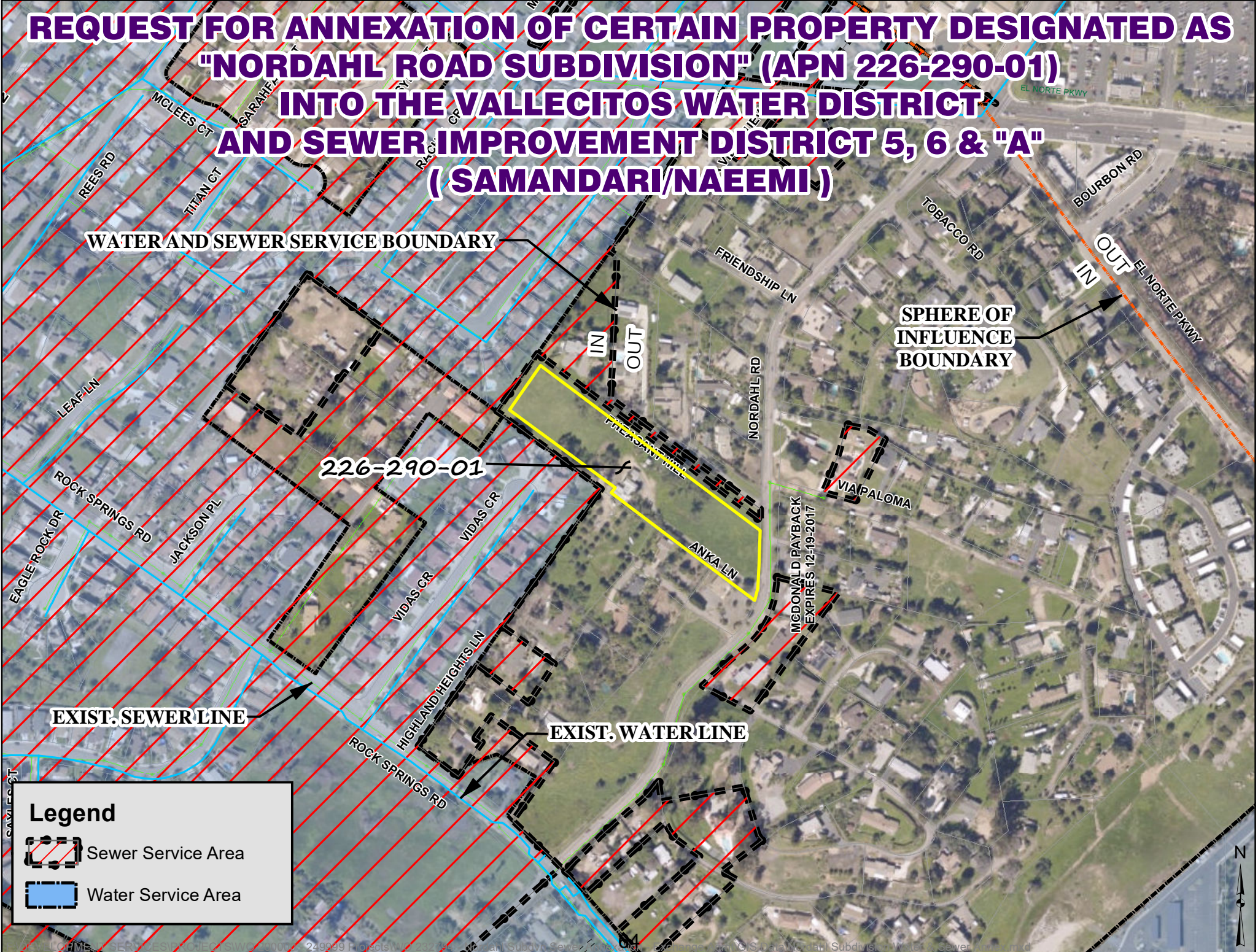
# REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5, 6 & "A" ( SAMANDARI/NAEEMI )



**Legend**

-  Sewer Service Area
-  Water Service Area

# REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICT 5, 6 & "A" (SAMANDARI/NAEEMI)



**Legend**

- Sewer Service Area
- Water Service Area



**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: POSITION RECLASSIFICATION OF PURCHASING/WAREHOUSE ASSISTANT TO MAINTENANCE SERVICES SUPERVISOR**

**BACKGROUND:**

The District’s Employee Handbook, Section V – Compensation and Classification, provides for reclassification of positions due to significant changes in the job duties and responsibilities, taking into consideration the needs of the District and the best use of available resources. Position reclassifications require Board approval.

**DISCUSSION:**

The position reclassification from Purchasing/Warehouse Assistant to Maintenance Services Supervisor is requested in preparation for a recruitment to fill the currently vacant Purchasing/Warehouse Assistant position as a supervisor in Operations and Maintenance (O&M) responsible for the warehouse and maintenance related functions, including landscape, fleet, and building and grounds.

The new supervisor will result in a new department in O&M called Maintenance Services and the transfer of six positions with employees in the above functional areas. Five positions are currently assigned to three different departments in O&M: one Warehouse Assistant II, two Landscape Maintenance Workers, and two Mechanics. The sixth position, Building and Grounds Worker, is currently in Finance. Two of the six positions report directly to managers, which is not an ideal reporting relationship.

The position reclassification from Purchasing/Warehouse Assistant to Maintenance Services Supervisor will allow the District to utilize the position more effectively by consolidating maintenance related functions under one supervisor and freeing up time for the two managers with the direct reports to focus on other higher priority assignments. Reclassifying the Purchasing/Warehouse Assistant position is not expected to increase workload of other staff.

The position reclassification requires updating the District’s salary schedule with the title change; however, it will not increase the number of full-time equivalents for the District.

**FISCAL IMPACT:**

An increase in cost of \$17,500 for salaries and benefits was included in the Fiscal Year 2021/22 budget in anticipation of this position reclassification.

**RECOMMENDATIONS:**

1) Approve the reclassification of the vacant Purchasing/Warehouse Assistant position to the new classification of Maintenance Services Supervisor; and, 2) Adopt the resolution to approve the annual pay schedule with the new classification.

**ATTACHMENTS:**

Resolution Adopting District Pay Schedule with Exhibit “A”, Vallecitos Water District Personnel Classification and Annual Pay Schedule

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT ADOPTING THE ANNUAL PAY SCHEDULE WITH POSITION RECLASSIFICATION FROM PURCHASING/WAREHOUSE ASSISTANT TO MAINTENANCE SERVICES SUPERVISOR**

WHEREAS, the Board of Directors approved authorized positions and position changes in the budget for Fiscal Year 2020/21;

WHEREAS, the Vallecitos Water District Employee Handbook provides a position reclassification is a change in job classification due to significant changes in the job duties and responsibilities of a position to an existing or new classification as approved by the Board;

WHEREAS, the Board of Directors desires to approve the position reclassification of Purchasing/Warehouse Assistant to a new classification, with the title of Maintenance Services Supervisor; and,

WHEREAS, to comply with CalPERS regulations, the Board is required to publicly approve a District pay schedule, and the District Pay Schedule has been amended to incorporate the changes from the position reclassification;

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

DISTRICT PAY SCHEDULE. The Board of Directors does hereby approve and adopt the Vallecitos Water District Personnel Classification and Annual Pay Schedule, attached hereto as Exhibit "A".

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on the 19<sup>th</sup> day of August, 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

**VALLECITOS WATER DISTRICT PERSONNEL CLASSIFICATION AND ANNUAL PAY SCHEDULE**

Effective 8/19/2020

POSITION/TITLE	EXPERIENCE STEPS							LONGEVITY	
	A	B	C	D	E	F	G	H	I
Accounting Supervisor	96,216	101,027	106,078	111,382	116,951	122,799	128,939	135,386	142,155
Accounting Technician	59,064	62,017	65,118	68,374	71,793	75,382	79,151	83,109	87,264
Administrative Secretary	66,732	70,069	73,572	77,251	81,113	85,169	89,427	93,899	98,594
Administrative Services Manager	145,668	152,951	160,599	168,629	177,060	185,913	195,209	204,970	215,218
Applications Specialist I	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Applications Specialist II	91,632	96,214	101,024	106,075	111,379	116,948	122,796	128,935	135,382
Asset Management Supervisor	98,592	103,522	108,698	114,133	119,839	125,831	132,123	138,729	145,665
Assistant General Manager	168,624	177,055	185,908	195,203	204,964	215,212	225,972	237,271	249,134
Building and Grounds Worker	40,968	43,016	45,167	47,426	49,797	52,287	54,901	57,646	60,528
Capital Facilities Assistant Engineer	75,384	79,153	83,111	87,266	91,630	96,211	101,022	106,073	111,377
Capital Facilities Engineer	93,900	98,595	103,525	108,701	114,136	119,843	125,835	132,127	138,733
Capital Facilities Senior Engineer	108,696	114,131	119,837	125,829	132,121	138,727	145,663	152,946	160,593
Cashier / Receptionist	47,424	49,795	52,285	54,899	57,644	60,526	63,553	66,730	70,067
CMMS Planner	70,068	73,571	77,250	81,112	85,168	89,426	93,898	98,593	103,522
Construction Inspection Supervisor	83,112	87,268	91,631	96,213	101,023	106,074	111,378	116,947	122,794
Construction Inspector I	62,016	65,117	68,373	71,791	75,381	79,150	83,107	87,263	91,626
Construction Inspector II	71,796	75,386	79,155	83,113	87,268	91,632	96,214	101,024	106,075
Construction Supervisor	83,112	87,268	91,631	96,213	101,023	106,074	111,378	116,947	122,794
Construction Worker I	48,600	51,030	53,582	56,261	59,074	62,027	65,129	68,385	71,804
Construction Worker II	56,256	59,069	62,022	65,123	68,380	71,798	75,388	79,158	83,116
Control Systems Specialist	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Customer Service Representative I	46,284	48,598	51,028	53,580	56,258	59,071	62,025	65,126	68,383
Customer Service Representative II	52,284	54,898	57,643	60,525	63,552	66,729	70,066	73,569	77,247
Customer Service Representative III	54,900	57,645	60,527	63,554	66,731	70,068	73,571	77,250	81,112
Customer Service Supervisor	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Development Services Coordinator	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Development Services Senior Engineer	108,696	114,131	119,837	125,829	132,121	138,727	145,663	152,946	160,593
District Engineer	149,268	156,731	164,568	172,796	181,436	190,508	200,033	210,035	220,537
Electrical/Instrumentation Technician	73,572	77,251	81,113	85,169	89,427	93,899	98,594	103,523	108,699
Engineering Technician I	56,256	59,069	62,022	65,123	68,380	71,798	75,388	79,158	83,116
Engineering Technician II	65,124	68,380	71,799	75,389	79,159	83,117	87,272	91,636	96,218
Engineering Technician III	75,384	79,153	83,111	87,266	91,630	96,211	101,022	106,073	111,377
Executive Secretary	81,108	85,163	89,422	93,893	98,587	103,517	108,692	114,127	119,833
Facility Locator	62,016	65,117	68,373	71,791	75,381	79,150	83,107	87,263	91,626
Finance Assistant	52,284	54,898	57,643	60,525	63,552	66,729	70,066	73,569	77,247
Finance Manager	145,668	152,951	160,599	168,629	177,060	185,913	195,209	204,970	215,218
General Manager	261,302	261,302	261,302	261,302	261,302	261,302	261,302	261,302	261,302
GIS/CADD Technician	63,552	66,730	70,066	73,569	77,248	81,110	85,166	89,424	93,895
Human Resources Analyst	71,796	75,386	79,155	83,113	87,268	91,632	96,214	101,024	106,075
Information Technology Supervisor	103,524	108,700	114,135	119,842	125,834	132,126	138,732	145,669	152,952
Information Technology Technician	70,068	73,571	77,250	81,112	85,168	89,426	93,898	98,593	103,522
Landscape Maintenance Worker I	47,424	49,795	52,285	54,899	57,644	60,526	63,553	66,730	70,067
Landscape Maintenance Worker II	52,284	54,898	57,643	60,525	63,552	66,729	70,066	73,569	77,247
Maintenance Services Supervisor	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Mechanic	60,528	63,554	66,732	70,069	73,572	77,251	81,113	85,169	89,427
Mechanical / Electrical Supervisor	85,164	89,422	93,893	98,588	103,517	108,693	114,128	119,834	125,826

**VALLECITOS WATER DISTRICT PERSONNEL CLASSIFICATION AND ANNUAL PAY SCHEDULE**

Effective 8/19/2020

POSITION/TITLE	EXPERIENCE STEPS							LONGEVITY	
	A	B	C	D	E	F	G	H	I
Mechanical Maintenance Worker I	52,284	54,898	57,643	60,525	63,552	66,729	70,066	73,569	77,247
Mechanical Maintenance Worker II	60,528	63,554	66,732	70,069	73,572	77,251	81,113	85,169	89,427
Meter Service Supervisor	77,244	81,106	85,162	89,420	93,891	98,585	103,514	108,690	114,125
Meter Service Worker I	46,284	48,598	51,028	53,580	56,258	59,071	62,025	65,126	68,383
Meter Service Worker II	53,580	56,259	59,072	62,026	65,127	68,383	71,802	75,392	79,162
Operations and Maintenance Assistant	52,284	54,898	57,643	60,525	63,552	66,729	70,066	73,569	77,247
Operations and Maintenance Manager	145,668	152,951	160,599	168,629	177,060	185,913	195,209	204,970	215,218
Principal Financial Analyst	91,632	96,214	101,024	106,075	111,379	116,948	122,796	128,935	135,382
Public Information Representative	73,572	77,251	81,113	85,169	89,427	93,899	98,594	103,523	108,699
Public Information/Conservation Supervisor	87,276	91,640	96,222	101,033	106,085	111,389	116,958	122,806	128,946
Pump and Motor Technician I	60,528	63,554	66,732	70,069	73,572	77,251	81,113	85,169	89,427
Pump and Motor Technician II	70,068	73,571	77,250	81,112	85,168	89,426	93,898	98,593	103,522
Purchasing/Warehouse Assistant	57,648	60,530	63,557	66,735	70,072	73,575	77,254	81,117	85,172
Risk Management Supervisor	96,216	101,027	106,078	111,382	116,951	122,799	128,939	135,386	142,155
Safety Technician	66,732	70,069	73,572	77,251	81,113	85,169	89,427	93,899	98,594
Senior Accountant	73,572	77,251	81,113	85,169	89,427	93,899	98,594	103,523	108,699
Senior Construction Worker	65,124	68,380	71,799	75,389	79,159	83,117	87,272	91,636	96,218
Senior Customer Service Representative	59,064	62,017	65,118	68,374	71,793	75,382	79,151	83,109	87,264
Senior Pump and Motor Technician	75,384	79,153	83,111	87,266	91,630	96,211	101,022	106,073	111,377
Senior Purchasing Specialist	70,068	73,571	77,250	81,112	85,168	89,426	93,898	98,593	103,522
Senior Wastewater Collections Systems Worker	62,016	65,117	68,373	71,791	75,381	79,150	83,107	87,263	91,626
Senior Wastewater Treatment Plant Operator	75,384	79,153	83,111	87,266	91,630	96,211	101,022	106,073	111,377
Senior Water Systems Operator	71,796	75,386	79,155	83,113	87,268	91,632	96,214	101,024	106,075
Source Control Technician	65,124	68,380	71,799	75,389	79,159	83,117	87,272	91,636	96,218
Systems Administrator	83,112	87,268	91,631	96,213	101,023	106,074	111,378	116,947	122,794
Valve Maintenance Technician	62,016	65,117	68,373	71,791	75,381	79,150	83,107	87,263	91,626
Warehouse Assistant I	47,424	49,795	52,285	54,899	57,644	60,526	63,553	66,730	70,067
Warehouse Assistant II	54,900	57,645	60,527	63,554	66,731	70,068	73,571	77,250	81,112
Wastewater Collection Systems Supervisor	83,112	87,268	91,631	96,213	101,023	106,074	111,378	116,947	122,794
Wastewater Collection Systems Worker I	47,424	49,795	52,285	54,899	57,644	60,526	63,553	66,730	70,067
Wastewater Collection Systems Worker II	54,900	57,645	60,527	63,554	66,731	70,068	73,571	77,250	81,112
Wastewater Treatment Plant Operator I	54,900	57,645	60,527	63,554	66,731	70,068	73,571	77,250	81,112
Wastewater Treatment Plant Operator II	63,552	66,730	70,066	73,569	77,248	81,110	85,166	89,424	93,895
Wastewater Treatment Plant Supervisor	89,424	93,895	98,590	103,519	108,695	114,130	119,837	125,829	132,120
Water Systems Operator I	54,900	57,645	60,527	63,554	66,731	70,068	73,571	77,250	81,112
Water Systems Operator II	63,552	66,730	70,066	73,569	77,248	81,110	85,166	89,424	93,895
Water Systems Supervisor	89,424	93,895	98,590	103,519	108,695	114,130	119,837	125,829	132,120

**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: PROPOSED REVISIONS TO RESOLUTION 1529 - "ESTABLISHING PURCHASING POLICIES AND PROCEDURES FOR THE DISTRICT"**

**BACKGROUND:**

On February 21, 2018, the Board adopted Resolution No. 1529, Establishing Purchasing Policies and Procedures of the District. Section 5 addresses contracts for consulting services and construction. Section 5.1 discusses the criteria for "as-needed" consulting service contracts but omits the criteria for "as-needed" construction contracts.

Several sections throughout the policy refer to the "Purchasing/Warehouse Supervisor." This position has since been reclassified and the designated position is now "Senior Purchasing Specialist."

Sections 2.1 and 7.1 do not include the Accounting Supervisor as an approver of supporting documentation for purchases. Approving supporting documentation requires control review and general ledger account verification which is a function of the Accounting Supervisor.

**DISCUSSION:**

To update and clarify the intent of the policy, staff recommends revising the purchasing policy as follows:

- Add language to define requirements for "as-needed" contracts for contractors doing construction.
- Remove instances of the title "Purchasing/Warehouse Supervisor" and replace them with "Senior Purchasing Specialist."
- Add "Accounting Supervisor" to sections 2.1 and 7.1 to be listed as an approver of supporting documentation for purchases.

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Adopt revised resolution establishing purchasing policies and procedures for the District

**ATTACHMENTS:**

1. Resolution - Proposed Purchasing Policy
2. Redlined Purchasing Policy - Resolution 1529

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
ESTABLISHING PURCHASING POLICIES AND PROCEDURES  
FOR THE DISTRICT AND REPEALING AND REPLACING RESOLUTION NO. 1529**

WHEREAS, the Board reviews and approves an annual budget authorizing the purchase of materials, supplies, equipment and inventory; funding for capital items and projects; professional services and the general operation of the District's water and wastewater systems; and

WHEREAS, the Board of Directors recognizes that the efficient operation of the District requires the execution of contracts for services; the purchase of materials, supplies, equipment, inventory and the need to supply and re-stock inventory; and

WHEREAS, said Board reviews and approves all purchases of non-emergency unbudgeted capital items prior to their purchase; and

WHEREAS, in times of emergency, purchases are made and contracts approved by staff and post-approved by the Board of Directors; and

WHEREAS, the Board of Directors of the Vallecitos Water District desires to establish formal purchasing policies and procedures; and

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Vallecitos Water District does hereby enact as follows:

**Section 1: General Provisions**

Section 1.1: All purchases of materials, supplies, equipment, inventory, and services shall follow the best practices and procedures established for the asset management and finance systems.

Section 1.2: Purchases up to \$1,500 for materials, supplies and equipment shall be made at the discretion of the Department Supervisor without the need for a competitive bid process. Purchases should be made from local suppliers and businesses if the cost and quality of material or service to be provided are equal to those from other areas, and should be in the best interest of the District. Random vendors and or purchases in this category shall be chosen periodically for internal review as follows:

1.2a: Selected purchases shall be reviewed for sufficient detail demonstrating why a vendor or service was chosen and may consider price, availability, responsiveness, quality and past purchase relationships

1.2b: Selected purchases shall also be reviewed for frequency of purchase from a single vendor and compared to other vendors supplying the same or substantially the same products or services

Section 1.3: Purchases between \$1,500 and \$25,000 for materials, supplies and equipment shall be made through the use of a competitive bid process when practical. Three bids or proposals shall be obtained when possible and practical. Purchases should

be made from local suppliers and businesses if the cost and quality of material or service to be provided are equal to those from other areas.

Section 1.4: Purchases over \$25,000 for materials, supplies and equipment shall be procured through a competitive bid process, including, but not limited to, the preparation and circulation of a request for a proposal to qualified sources, as determined in the discretion of the General Manager or designee, to permit reasonable competition consistent with the nature and requirements of the proposed acquisition.

Section 1.5: Purchases are not to be made unless sufficient funds are authorized in the budget, or by separate Board action, consistent with this policy.

Section 1.6: The Senior Purchasing Specialist shall coordinate the purchase of materials, supplies, equipment, inventory, and services after receipt of purchase requisitions approved by the requesting department's supervisor.

Section 1.7: Purchases made to replace broken or lost small tools where the District has established credit accounts (i.e., Home Depot) are to be approved, in writing, by the requesting department's supervisor prior to the purchase and are not to exceed \$50 per single item and \$250 in total including tax.

Section 1.8: The General Manager shall execute all contracts on behalf of the District with the exception of routine annual maintenance and service contracts such as office equipment and facilities maintenance which may be executed by the Senior Purchasing Specialist within the authorization limits of Section 2.

Section 1.9: Materials and supplies and/or outside services which can be obtained from only one vendor are exempt from competitive bidding. Sole-source purchases may include proprietary items sold directly from a manufacturer, items that have only one distributor authorized to sell in this area or a certain product has been proven to be the only product acceptable or in use by the District. All sole-source purchases shall be supported by written documentation signed by the appropriate department Manager and forwarded and maintained in a project or accounts payable file. Final authorization of a sole-source purchase will be approved according to authorization limits in Section 2.

Section 1.10: Vendors supplying annual services or materials in an amount of \$100,000 or greater in any one fiscal year are required to provide a bid for similar services or materials no less than once every five subsequent fiscal years.

## **Section 2: Authorization Limits:**

Section 2.1: Purchases of materials, supplies, equipment, inventory and capital items up to \$5,000 shall be submitted by department supervisors and may be approved by the Senior Purchasing Specialist, Accounting Supervisor, or Finance Manager.

Section 2.2: Purchases of materials, supplies, equipment, inventory, capital items and professional services or construction between \$5,000 and \$10,000 may be approved by the appropriate department manager.

Section 2.3: Purchases of materials, supplies, equipment, inventory, capital items and professional services or construction between \$10,000 and \$50,000 may be submitted by a department supervisor or manager and shall be approved by the Assistant General Manager and General Manager.

Section 2.4: Purchases of materials, equipment, inventory, capital items, professional services or construction above \$50,000 shall be presented to the Board of Directors for approval.

### **Section 3: Purchase Orders**

Section 3.1: The Senior Purchasing Specialist shall control and issue purchase orders.

Section 3.2: A contract for outside services, signed by the General Manager or approved by the Board of Directors, shall serve as a purchase order and an additional purchase order is not necessary.

Section 3.3: Vendors requiring “open purchase orders” for items such as office supplies or auto parts for a specific period of time, not more than annually and within the same budget year, shall be made on purchase orders approved by the General Manager.

### **Section 4: General Inventory and Supplies**

Section 4.1: The Senior Purchasing Specialist is authorized to purchase materials which are primarily stored as inventory and supplies for operating and maintenance and general District use such as office supplies. When practical, a minimum of three (3) quotations should be obtained for all purchases unless the Board has approved the material as a “standardized item,” such as meters. In order to eliminate obsolete material or supplies, there shall be regular review of all stock, and the District shall maintain only a reasonable quantity and generally limited to one year’s expected requirements.

### **Section 5: Contracts for Consulting Services and Construction**

Section 5.1: For all consultants and contractors providing “as needed” consulting services or construction for various projects or to offer assistance in-lieu of increasing staff, a review and approval process shall include, but not be limited to, experience, expertise, availability of consultant’s or contractor’s staff, completeness and responsiveness of proposal, and cost to ensure the consultant’s or contractor’s experience and expertise in the area of the service being provided or construction being performed. Consultants and contractors will be required to enter into contracts at fixed rates valid for up to a two year term and provide proof of all necessary insurances to the satisfaction of the District.

Section 5.2: Contracts for consulting services up to \$50,000; an existing “as needed” consultant may be selected to provide a proposal. If existing “as needed” consultants do not have sufficient experience, up to three (3) proposals must be obtained from experienced and reputable professionals in the particular field. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants staff, completeness and responsiveness of proposal, and cost. The requesting department’s manager shall make a recommendation for final approval by the General Manager.



Section 5.3: Contracts for consulting services between \$50,000 and \$150,000; a minimum of three (3) proposals must be obtained and may include existing "as needed" consultants. Interviews of consultants may be conducted at the discretion of the requesting department's manager. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants staff, completeness and responsiveness of proposal, and cost. The requesting department's manager shall recommend the most qualified proposal to the General Manager for Board consideration and approval.

Section 5.4: Contracts for consulting services in excess of \$150,000; a minimum of three (3) proposals must be obtained from experienced and reputable professionals in the particular field. Interviews of the consultants may be conducted at the discretion of the requesting department's manager. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants' staff, completeness and responsiveness of proposal, and cost. The requesting department's manager shall recommend the most qualified proposal to the General Manager for Board consideration and approval.

Section 5.5: Construction contracts up to \$50,000; a review and approval process shall include, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. Contractors will be required to enter into contracts and provide proof of all necessary insurances to the satisfaction of the District.

Section 5.6: Construction contracts between \$50,000 and \$500,000; a minimum of three (3) bids must be obtained with a review and approval process of the bids including, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. The requesting department's manager shall recommend the most responsive and responsible bidder to the General Manager for Board approval.

Section 5.7: Construction contracts in excess of \$500,000 shall be publicly advertised a minimum of 48 hours at various construction plan rooms sufficient to reach qualified contractors. A review and approval process of the bids shall include, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. The requesting department's manager shall recommend the most responsive and responsible bidder to the General Manager for Board approval.

## **Section 6: Petty Cash**

Section 6.1: Occasionally, purchases will be required from vendors or businesses that require cash payment. Such purchases may be authorized from petty cash funds by the Department Supervisor or Manager and shall be limited to individual purchases not exceeding \$150.

## **Section 7: Payment**

Section 7.1: Prior to rendering payment, all appropriate documentation including invoice, packing slip and purchase order information shall be reviewed and approved by the Senior Purchasing Specialist or, the appropriate department supervisor and the Accounting Supervisor, or Finance Manager.

Section 7.2: Unless otherwise approved, all payments shall be made by warrant or Automated Clearing House (ACH) upon approval of the disbursements by the Board of Directors at a regular Board meeting.

Section 7.3: In special cases, upon approval of the General Manager, the District may provide partial up-front payments for materials, supplies, and equipment, inventory or capital items, not to exceed 50% of the quoted material costs.

**Section 8: Emergency Purchases**

Section 8.1: Notwithstanding the foregoing provisions, the General Manager, or designee, may make emergency purchases, approve service or construction contracts without compliance with the preceding sections, upon a determination that such purchase is required for the health, safety and welfare of the customers of the District, for the protection of the District's property, or if there is an immediate need or emergency which could not be reasonably foreseen. All emergency purchases and contracts shall be reported to the Board President as soon as feasible, and shall be reported to and approved by the Board at its next Board meeting.

Any and all other Resolutions, Articles or Sections of Resolutions, or Amendments in conflict herewith are hereby rescinded.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on the 19<sup>th</sup> day of August 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

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
ESTABLISHING PURCHASING POLICIES AND PROCEDURES  
FOR THE DISTRICT AND REPEALING AND REPLACING RESOLUTION NO. 1529**

WHEREAS, the Board reviews and approves an annual budget authorizing the purchase of materials, supplies, equipment and inventory; funding for capital items and projects; professional services and the general operation of the District's water and wastewater systems; and

WHEREAS, the Board of Directors recognizes that the efficient operation of the District requires the execution of contracts for services; the purchase of materials, supplies, equipment, inventory and the need to supply and re-stock inventory; and

WHEREAS, said Board reviews and approves all purchases of non-emergency unbudgeted capital items prior to their purchase; and

WHEREAS, in times of emergency, purchases are made and contracts approved by staff and post-approved by the Board of Directors; and

WHEREAS, the Board of Directors of the Vallecitos Water District desires to establish formal purchasing policies and procedures; and

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Vallecitos Water District does hereby enact as follows:

**Section 1: General Provisions**

Section 1.1: All purchases of materials, supplies, equipment, inventory, and services shall follow the best practices and procedures established for the asset management and finance systems.

Section 1.2: Purchases up to \$1,500 for materials, supplies and equipment shall be made at the discretion of the Department Supervisor without the need for a competitive bid process. Purchases should be made from local suppliers and businesses if the cost and quality of material or service to be provided are equal to those from other areas, and should be in the best interest of the District. Random vendors and or purchases in this category shall be chosen periodically for internal review as follows:

1.2a: Selected purchases shall be reviewed for sufficient detail demonstrating why a vendor or service was chosen and may consider price, availability, responsiveness, quality and past purchase relationships

1.2b: Selected purchases shall also be reviewed for frequency of purchase from a single vendor and compared to other vendors supplying the same or substantially the same products or services

Section 1.3: Purchases between \$1,500 and \$25,000 for materials, supplies and equipment shall be made through the use of a competitive bid process when practical. Three bids or proposals shall be obtained when possible and practical. Purchases should

be made from local suppliers and businesses if the cost and quality of material or service to be provided are equal to those from other areas.

Section 1.4: Purchases over \$25,000 for materials, supplies and equipment shall be procured through a competitive bid process, including, but not limited to, the preparation and circulation of a request for a proposal to qualified sources, as determined in the discretion of the General Manager or designee, to permit reasonable competition consistent with the nature and requirements of the proposed acquisition.

Section 1.5: Purchases are not to be made unless sufficient funds are authorized in the budget, or by separate Board action, consistent with this policy.

Section 1.6: The Senior Purchasing Specialist ~~Purchasing/Warehouse Supervisor~~ shall coordinate the purchase of materials, supplies, equipment, inventory, and services after receipt of purchase requisitions approved by the requesting department's supervisor.

Section 1.7: Purchases made to replace broken or lost small tools where the District has established credit accounts (i.e., Home Depot) are to be approved, in writing, by the requesting department's supervisor prior to the purchase and are not to exceed \$50 per single item and \$250 in total including tax.

Section 1.8: The General Manager shall execute all contracts on behalf of the District with the exception of routine annual maintenance and service contracts such as office equipment and facilities maintenance which may be executed by the Senior Purchasing Specialist ~~Purchasing/Warehouse Supervisor~~ within the authorization limits of Section 2.

Section 1.9: Materials and supplies and/or outside services which can be obtained from only one vendor are exempt from competitive bidding. Sole-source purchases may include proprietary items sold directly from a manufacturer, items that have only one distributor authorized to sell in this area or a certain product has been proven to be the only product acceptable or in use by the District. All sole-source purchases shall be supported by written documentation signed by the appropriate department Manager and forwarded and maintained in a project or accounts payable file. Final authorization of a sole-source purchase will be approved according to authorization limits in Section 2.

Section 1.10: Vendors supplying annual services or materials in an amount of \$100,000 or greater in any one fiscal year are required to provide a bid for similar services or materials no less than once every five subsequent fiscal years.

## **Section 2: Authorization Limits:**

Section 2.1: Purchases of materials, supplies, equipment, inventory and capital items up to \$5,000 shall be submitted by department supervisors and may be approved by the Senior Purchasing Specialist, Accounting Supervisor, Purchasing/Warehouse Supervisor or Finance Manager.

Section 2.2: Purchases of materials, supplies, equipment, inventory, capital items and professional services or construction between \$5,000 and \$10,000 may be approved by the appropriate department manager.

Section 2.3: Purchases of materials, supplies, equipment, inventory, capital items and professional services or construction between \$10,000 and \$50,000 may be submitted by a department supervisor or manager and shall be approved by the Assistant General Manager and General Manager.

Section 2.4: Purchases of materials, equipment, inventory, capital items, professional services or construction above \$50,000 shall be presented to the Board of Directors for approval.

### **Section 3: Purchase Orders**

Section 3.1: The Senior Purchasing Specialist ~~Purchasing/Warehouse Supervisor~~ shall control and issue purchase orders.

Section 3.2: A contract for outside services, signed by the General Manager or approved by the Board of Directors, shall serve as a purchase order and an additional purchase order is not necessary.

Section 3.3: Vendors requiring “open purchase orders” for items such as office supplies or auto parts for a specific period of time, not more than annually and within the same budget year, shall be made on purchase orders approved by the General Manager.

### **Section 4: General Inventory and Supplies**

Section 4.1: The Senior Purchasing Specialist ~~Purchasing/Warehouse Supervisor~~ is authorized to purchase materials which are primarily stored as inventory and supplies for operating and maintenance and general District use such as office supplies. When practical, a minimum of three (3) quotations should be obtained for all purchases unless the Board has approved the material as a “standardized item,” such as meters. In order to eliminate obsolete material or supplies, there shall be regular review of all stock, and the District shall maintain only a reasonable quantity and generally limited to one year’s expected requirements.

### **Section 5: Contracts for Consulting Services and Construction**

Section 5.1: For all consultants and contractors providing “as needed” consulting services or construction for various projects or to offer assistance in-lieu of increasing staff, a review and approval process shall include, but not be limited to, experience, expertise, availability of consultant’s or contractor’s staff, completeness and responsiveness of proposal, and cost to ensure the consultant’s or contractor’s experience and expertise in the area of the service being provided or construction being performed. Consultants and contractors will be required to enter into contracts at fixed rates valid for up to a two year term and provide proof of all necessary insurances to the satisfaction of the District.

Section 5.2: Contracts for consulting services up to \$50,000; an existing “as needed” consultant may be selected to provide a proposal. If existing “as needed” consultants do not have sufficient experience, up to three (3) proposals must be obtained from experienced and reputable professionals in the particular field. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants staff, completeness and

responsiveness of proposal, and cost. The requesting department's manager shall make a recommendation for final approval by the General Manager.

Section 5.3: Contracts for consulting services between \$50,000 and \$150,000; a minimum of three (3) proposals must be obtained and may include existing "as needed" consultants. Interviews of consultants may be conducted at the discretion of the requesting department's manager. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants staff, completeness and responsiveness of proposal, and cost. The requesting department's manager shall recommend the most qualified proposal to the General Manager for Board consideration and approval.

Section 5.4: Contracts for consulting services in excess of \$150,000; a minimum of three (3) proposals must be obtained from experienced and reputable professionals in the particular field. Interviews of the consultants may be conducted at the discretion of the requesting department's manager. Approval criteria shall include, but not be limited to, experience, expertise, availability of consultants staff, completeness and responsiveness of proposal, and cost. The requesting department's manager shall recommend the most qualified proposal to the General Manager for Board consideration and approval.

Section 5.5: Construction contracts up to \$50,000; a review and approval process shall include, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. Contractors will be required to enter into contracts and provide proof of all necessary insurances to the satisfaction of the District.

Section 5.6: Construction contracts between \$50,000 and \$500,000; a minimum of three (3) bids must be obtained with a review and approval process of the bids including, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. The requesting department's manager shall recommend the most responsive and responsible bidder to the General Manager for Board approval.

Section 5.7: Construction contracts in excess of \$500,000 shall be publicly advertised a minimum of 48 hours at various construction plan rooms sufficient to reach qualified contractors. A review and approval process of the bids shall include, but not be limited to, cost, experience, expertise, availability of contractor staff, completeness and responsiveness of proposal to ensure the contractors experience and expertise in the area of the service being provided. The requesting department's manager shall recommend the most responsive and responsible bidder to the General Manager for Board approval.

## **Section 6: Petty Cash**

Section 6.1: Occasionally, purchases will be required from vendors or businesses that require cash payment. Such purchases may be authorized from petty cash funds by the Department Supervisor or Manager and shall be limited to individual purchases not exceeding \$150.

## **Section 7: Payment**

Section 7.1: Prior to rendering payment, all appropriate documentation including invoice, packing slip and purchase order information shall be reviewed and approved by the Senior Purchasing Specialist ~~Purchasing/Warehouse Supervisor~~ or, the appropriate department supervisor and the Accounting Supervisor, or Finance Manager.

Section 7.2: Unless otherwise approved, all payments shall be made by warrant or Automated Clearing House (ACH) upon approval of the disbursements by the Board of Directors at a regular Board meeting.

Section 7.3: In special cases, upon approval of the General Manager, the District may provide partial up-front payments for materials, supplies, and equipment, inventory or capital items, not to exceed 50% of the quoted material costs.

### **Section 8: Emergency Purchases**

Section 8.1: Notwithstanding the foregoing provisions, the General Manager, or designee, may make emergency purchases, approve service or construction contracts without compliance with the preceding sections, upon a determination that such purchase is required for the health, safety and welfare of the customers of the District, for the protection of the District's property, or if there is an immediate need or emergency which could not be reasonably foreseen. All emergency purchases and contracts shall be reported to the Board President as soon as feasible, and shall be reported to and approved by the Board at its next Board meeting.

Any and all other Resolutions, Articles or Sections of Resolutions, or Amendments in conflict herewith are hereby rescinded.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on the ~~19<sup>th</sup> day of August 2020~~ 20<sup>th</sup> day of April, 2016, by the following roll call vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

Betty Evans~~Mike Sannella~~, President  
Board of Directors  
Vallecitos Water District

ATTEST:

Glenn Prui~~Dennis O. Lamb~~, Secretary  
Board of Directors  
Vallecitos Water District

**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: SAN DIEGO COUNTY WATER AUTHORITY REGIONAL CONVEYANCE SYSTEM FEASIBILITY STUDY REVIEW**

**BACKGROUND:**

As a Member Agency, Vallecitos receives the majority of its water supplies from the San Diego County Water Authority (CWA). The Water Authority, in turn, receives most of its supplies from the Colorado River, either through purchasing water from Metropolitan Water District of Southern California (MWD) or from its own Colorado River water supplies, obtained through a Transfer Agreement with Imperial Irrigation District and water supply credits associated with the lining of the All American and Coachella Valley Canals. CWA's annual allocation of Transfer Agreement water is 200,000 AF and extends through 2047. The Canal Lining entitlement is 77,500 AF per year and extends through 2112. CWA's independent Colorado River water supplies will hereafter be referred to as QSA Supplies.

Currently, regardless of whether Colorado River water is purchased from MWD or comes from QSA Supplies, the water is transported from the Colorado River to the CWA service area through the MWD Colorado River Aqueduct (CRA). In order to utilize MWD's CRA, CWA entered into an Exchange Agreement with MWD that specifies the terms under which the transport of QSA Supplies takes place. The Exchange Agreement includes a cost inflator which is applied annually to the Exchange Rate, which is the amount MWD charges CWA per acre-foot of QSA Supplies transported via the CRA. The Exchange Agreement term expires in 2047. Terms and conditions of any new or extended agreement after 2047 would need to be negotiated between MWD and CWA.

**DISCUSSION:**

CWA has expressed concerns that rapidly increasing costs to utilize the MWD CRA to transport its QSA Supplies will greatly increase imported water costs and will lessen the value of the QSA Supplies. Transportation costs beyond 2047 are unknown and make long term financial planning difficult. CWA has recently embarked on a study to determine the feasibility of constructing its own facility to transport its QSA Supplies. The facility is known as the Regional Conveyance System (RCS) and consists of a series of tunnels, pipelines, canals, pump stations and a demineralization facility. CWA retained consultant services to perform a feasibility study and looked at three different alignments, all of which take water from the Colorado River and deliver it to the CWA service area. The feasibility study looked at the financial and economic impacts of a proposed RCS, as well as the technical feasibility and environmental impacts associated with the undertaking.

The financial analysis looked at the overall costs of the project, including planning, design, environmental approvals, construction, operation, maintenance and repair of the facilities over the project life. The economic analysis looked at how those project costs would impact CWA costs over time. As part of the feasibility study, CWA developed a computer model that allows a user to run analyses using different assumptions to explore the sensitivity of the overall project costs to multiple variables, including borrowing costs, inflation rates, energy costs, future MWD Exchange Rate costs, etc.



The construction cost alone of the RCS is estimated to be approximately \$5.5 billion. Annual operating costs are estimated to be in excess of \$130 million. Due to the magnitude of the project, and the significant cost impact on CWA's Member Agencies, 18 Member Agencies agreed to jointly fund the costs of obtaining a consultant to perform an independent analysis (copy attached) of the CWA Feasibility Study. At the August 19, 2020, meeting, the Board will hear presentations about the RCS project from CWA and from the Member Agencies' consultant.

When CWA first embarked on the Feasibility Study, they broke the project into multiple phases, based on input from the Member Agency General Managers and Representatives. The first phase, Phase A, is nearing conclusion with the presentation of the Feasibility Study to the CWA Board at their meeting on August 27, 2020. At that meeting, it is expected that CWA staff will be recommending that the CWA Board approve moving on to Phase B of the study, which will look more closely at project issues, including the development of potential project partners. The CWA biannual budget did include funding for both phases of the project/study, with the understanding that there will be an "off ramp" at the conclusion of Phase A. At that point, the CWA Board could elect to continue forward on to Phase B, or terminate the project. Director Evans will be representing Vallecitos' interests at the CWA meeting on August 27, 2020.

**FISCAL IMPACT:**

Vallecitos' share of the consultant's costs for the independent review of the CWA Feasibility Study was \$4,000 and will be paid out of previously budgeted professional services funds. The long-term cost impacts to Vallecitos and its customers of securing its QSA Supplies through the construction of an alternative conveyance facility is not fully known at this time.

**RECOMMENDATIONS:**

Receive the reports from the CWA Representative and from the Member Agencies' consultant.

Discuss the issue and provide input to President Evans, for her consideration, as she represents Vallecitos at the CWA Board meeting.

Take other actions as appropriate.

**ATTACHMENT:**

Report of the MAM Independent Consultant: SDCWA Regional Conveyance System Feasibility Review

# Member Agency Managers Group

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Report of the MAM Independent Consultant:

## **SDCWA Regional Conveyance System Feasibility Review**

July 2020



Prepared by:



In association with:



# Member Agency Managers Group

Report of the MAM Independent Consultant:

## SDCWA Regional Conveyance System Feasibility Review

July 2020

Prepared by:



In association with:



A handwritten signature in black ink, appearing to read "Donald L MacFarlane".

Don MacFarlane, P.E.  
Project Manager



A handwritten signature in blue ink, appearing to read "Douglas P. Gillingham".

Doug Gillingham, P.E., BCEE



The contents of this report represent the analysis and professional judgement of the above authors.

# PROJECT TEAM AND ACKNOWLEDGEMENTS

---

## CONSULTANT TEAM

### DLM Engineering

Don MacFarlane, P.E.

### Gillingham Water

Doug Gillingham, P.E. BCEE



## PARTICIPATING MEMBER AGENCIES

Escondido, City of  
Fallbrook Public Utility District  
Helix Water District  
Lakeside Water District  
Oceanside, City of  
Olivenhain Municipal Water District  
Otay Water District  
Padre Dam Municipal Water District  
Rainbow Municipal Water District  
Ramona Municipal Water District  
Rincon Del Diablo Municipal Water District  
San Diego, City of  
San Dieguito Water District  
Sweetwater Authority  
Vallecitos Water District  
Valley Center Municipal Water District  
Vista Irrigation District  
Yuima Municipal Water District

### MAM Coordination Lead:

Kimberly Thorner, Esq. –  
General Manager, Olivenhain MWD

**Thank you also** to the San Diego County Water Authority for providing draft reports and the draft economic model, and access to staff for coordination review and comments during the development of our work.

### SDCWA Study Coordination Review Team

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Nathan Faber, P.E.  
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# Executive Summary

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Our review of the Water Authority's Regional Conveyance System (RCS) June 2020 project reports leads us to the following summary observations:

## 1) **The Draft Study's finding of RCS technical feasibility appears reasonable, as does its estimate of project costs.**

The engineering components of the Draft Study are sound and demonstrate the technical feasibility of an RCS project. Also, the estimates of the project's capital and annual costs appear to us generally reasonable, with only modest exceptions as noted in our report.

## 2) **The Draft Study's finding that the project is economically competitive with other supply and transportation options is not reasonable. We find the project to be substantially more costly than other options.**

The Draft Study's economic analysis states the RCS project is "cost-competitive with" and "provides significant savings" in comparison to MWD Reliance (Exchange) and other supply and transportation scenario options. Our review finds otherwise for the following reasons:

- **The project is not cost-effective when evaluated using reasonable assumptions of MWD price escalation.** The Draft Study's economic findings are predicated on the assumption that MWD rates will escalate at levels substantially higher than all other water supply costs throughout an extended 92-year period of analysis. Our review demonstrates the assumed escalation is not economically sustainable, and its occurrence therefore highly implausible. Over the long-term, MWD will either have to reduce the costs that drive the rate escalation, shift costs away from volumetric-based charges to firm unavoidable fixed charges, or a combination of the two. When the economic model inputs for MWD price escalation are modified accordingly, the project loses any cost advantage and becomes significantly more costly than the other options.
- **There is significant risk of long-term Water Authority sales being insufficient to utilize the project's planned capacity.** The Draft Study's assessment of project economic risks omits the possibility, or probability, that long-term Water Authority sales will decline to levels below its 330,000 AF/yr of core supplies, putting at risk the ability to utilize a RCS facility at full capacity and thereby further diminishing the project's cost-feasibility. Until such time as a new Water Authority demand forecast provides sound evidence to the contrary, we recommend project planning recognize the likelihood of long-term declines in Water Authority sales.

## 3) **A Negotiated Exchange option appears to offer economic advantage.**

The option of a negotiated exchange rate with MWD, with price escalation set at the industry-standard construction cost index, may offer significant cost advantage in comparison to the other supply and transportation options, and may warrant further consideration.

## 4) **Recommendation: Refocus long-term QSA supply planning.**

The technical and economic feasibility of the RCS have now been advanced to reasonable levels of planning certainty. Rather than investing further in the evaluation of an RCS project, it appears the larger QSA planning uncertainties facing the Water Authority now revolve around the extension of the IID Supply and MWD Exchange agreements, the opportunity for a Negotiated Exchange agreement, and the consequences of long-term Water Authority sales declines. Accordingly, it appears budgets and staffing schedules set aside for RCS investigations could be applied more productively to refining those more consequential planning uncertainties.

# 1. Introduction

---

## 1.1. Purpose

This report presents our review of a draft study by the San Diego County Water Authority (Water Authority, or SDCWA) to evaluate the technical and economic feasibility of a Regional Conveyance System (RCS) project. Our report was commissioned by 18 of the Water Authority Member Agency Managers (MAM) to provide independent engineering and economic analysis, and to help inform the decision on whether the Water Authority should continue, pause, or table further efforts to evaluate and advance the project.

## 1.2. Background

### Water Authority Reports and Presentations and Files Reviewed

The Water Authority has studied variations of a RCS project many times since its formation in 1947, but past iterations have not advanced beyond the planning review phase. For its current round of evaluation, the Water Authority has produced or commissioned the following reports and presentations, and these are the documents we have reviewed to conduct our work.

Document / File	Author / Date	Abbreviation used in this report
<b>1. Draft Regional Conveyance System Study Phase A</b>	Black & Veatch (B&V) / June 2020	Draft Study
<b>2. Independent 3rd Party Review of Financial Analysis for the Regional Conveyance System</b>	Hunter Pacific Group (HPG) / May 2020	Independent Cost Review
<b>3. Water Authority Transmittal Letter of June 12, 2020</b>	SDCWA / June 2020	Draft Study Transmittal Letter
<b>4. Water Authority RCS board presentation to March 12 special board meeting</b>	SDCWA / March 2020	March Board Presentation Materials
<b>5. SDCWA letter to member agencies of April 27</b>	SDCWA / April 2020	SDCWA Letter of April 27
<b>6. Economic Model</b>	SDCWA / June 2020 Revised by IC / July 2020	Economic Model

### Water Authority Phase B Go/No Go decision

The Water Authority has recently completed a round of engineering analysis and limited economic analysis, work it refers to as Phase A. The Water Authority is now considering whether to proceed with additional investigations it refers to as Phase B. These additional investigations would include:

- Multi-use, partnerships & funding
- Conveyance alignment & tunneling site layouts
- Geotechnical desktop study
- Additional risk analysis
- Additional economic analysis (if needed to supplement the work contained in this report)

### The Water Authority’s QSA Supplies and MWD Exchange Agreement

Through the Quantification Settlement Agreement (QSA) the Water Authority has acquired a 200,000 acre-foot per year (AF/yr) supply of conserved water from the Imperial Irrigation District (IID) and also a 77,700 AF/yr supply from funding the lining of the All American and Coachella Canals. These supplies, known collectively as the “QSA supplies”, make up the majority of the Water Authority’s long-term supply portfolio. The agreement with IID expires in 2047, but has an option to renew for 30 years to 2077 by mutual agreement. Beginning in 2035, the current pricing terms of the agreement shift from a Federal inflation index (Gross Domestic Product Implicit Price Deflator) to either a market-based formula or to the Base Contract Price terms, which are based on MWD rates and other factors. The canal lining supply expires in 2112.

Currently, both the IID and Canal Lining supplies are conveyed to the Water Authority via the Colorado River Aqueduct (CRA) owned and operated by the Metropolitan Water District of Southern California (Metropolitan, or MWD), through an Exchange Agreement that expires in 2047. The 2020 exchange rate is \$482 per acre-foot (AF).

### The Regional Conveyance System Concept

The RCS would be an 85 to 132-mile long conveyance system, depending on the alignment, to convey the IID and Canal Lining supplies directly to San Diego County as shown in **Figure 1-1**. The facility would provide an alternative and redundant conveyance capability for the San Diego region and could be funded, built, owned, and operated by the Water Authority. The supplies would originate at the western end of the All American Canal (AAC), at its connection to the Westside Main Canal. For the Northern Alignment (3A), , water from the AAC would be conveyed through approximately 47 miles of canal, 39 miles of pipeline, and 47 miles of tunnel. The total pump lift is approximately 2,000 feet.

The Water Authority has stated they would not proceed with the RCS unless the IID supply can be secured through 2112.

**FIGURE 1-1: RCS Study Area and Alignments**



Source: SDCWA



One major difference between the CRA and the RCS is the need to desalinate the supply. The CRA takes its supply from Lake Havasu where generally the level of total dissolved solids (TDS) is acceptable for delivery to Metropolitan's member agencies directly or through blending with State Water Project supplies. At the RCS All American Canal diversion point, the TDS has increased to the point where desalination is required for use in the Water Authority service area. The RCS includes a 154 million gallon per day (mgd) reverse osmosis (RO) membrane desalination treatment plant located in the Imperial Valley, with the stated goal of delivering water with a TDS concentration of no more than 500 milligrams per liter (mg/l). For comparison, existing supplies delivered by Metropolitan are typically in that same range, but may at times trend up to approximately 600 mg/l during periods when the Skinner service area (inclusive of SDCWA) is being supplied predominantly from Metropolitan's Colorado River supplies and less so from the State Water Project (SWP).

The RCS would provide conveyance independence from Metropolitan, and the Draft Study finds the project is cost competitive with other alternatives including continuing conveyance through Metropolitan and the development of local San Diego County supplies.

### 1.3. Scope of Services

In general, the Independent Consultant (IC) scope of services includes:

1. Review of the Draft Study, Independent Cost Review, and Water Authority presentations and correspondence. Provide comments on the engineering and economic aspects of the work.
2. Review of the Water Authority's Economic Model. Provide comments on the Water Authority's analysis. Prepare sensitivity analysis of assumptions and develop and evaluate additional alternatives.
3. Coordinate with the Member Agency Managers and the Water Authority staff.
4. Prepare a summary report of findings (this report).

### 1.4. Review Process

The participating Member Agency Managers specified that this would be a transparent process and that interim results would be provided to the Water Authority staff as soon as they had been reviewed by the MAM. This process was implemented to avoid surprises when the Water Authority received this report.

The Water Authority hosted an initial RCS briefing for the IC on June 19 focused on presentation of the Economic Model. For the following three weeks, the IC and Water Authority staff met to review approaches, answer questions, provide comments and present results. For two of the three follow-up meetings, the IC briefed the MAM in the morning and then presented the same presentation to Water Authority staff that afternoon.

The MAM and IC appreciate the Water Authority's cooperation and support of the project review and transparent process.

## 1.5. The Economic Model

Soon after the Water Authority distributed the Draft Study on June 12, the IC through the MAM requested the Water Authority make available the Economic Model referenced by the Draft Study for review. The Water Authority agreed to this request and provided the model to the IC on June 19. The Water Authority noted the model was in draft form, and the IC acknowledged this limitation.

The Economic Model has proven extremely useful to our review, and we are thankful to the Water Authority for making it available to us. The main value of the Economic Model lies in its easy ability to test the sensitivity of findings about the economic merits of the RCS to changes in economic and financial inputs, for factors such as the period of analysis, interest and discount rates, MWD price escalation rates, and more.

The model contains highly granular data on more than 100 line items of capital and annual cost estimates developed by the Draft Study, and allocates these over time, including accounting for multiple tranches of bond financing.

### Economic Model Comprehensive Cost Accounting

We have been asked about the comprehensiveness of the model's cost accounting, in particular about the following two items, which we address here:

- **Inclusion of IID AAC Wheeling Costs:** The model accounts for the cost to compensate IID for use of their capacity in the AAC. This is a relatively modest cost (2020 cost is \$17/AF, escalating at 2.5 percent per year per the Economic Model's default settings), and is in addition to approximately \$140 million in annual costs reported by the Draft Study for alignment alternative 3A.
- **Inclusion of RO Concentrate Losses:** As described above, the Draft Study's design concept includes a desalting plant located in the Imperial Valley to reduce the water's dissolved mineral content prior to the first RCS pump lift. This treatment process would generate a waste stream of RO concentrate totaling approximately 20,000 AF/yr, reducing the Water Authority's available QSA supplies by a like amount, from 277,700 AF/yr to 257,000 AF/yr. Although this quantity of water is lost to the Water Authority and will not be conveyed through the RCS system under the terms of the Transfer Agreement the Water Authority must still pay the supply price to IID.

Rather than using this reduced volume as the denominator for unit cost calculations, the Economic Model instead accounts for the cost of an equivalent volume of MWD Tier 1 purchases as an additional annual cost of the project. This cost is in addition to the approximately \$140 million in annual costs reported by the Draft Study for alignment alternative 3A. In this way the model presents costs for a supply to San Diego of 277,700 AF/yr, equal to the full amount of QSA supply before losses to desalting.

### IC Modifications to Economic Model

In the course of our work, we have modified the original draft model provided by the Water Authority to include an expanded Dashboard, with expanded functionality for sensitivity testing and with additional graphical reporting of how project costs and benefits are distributed over time. The Economic Model is referenced frequently in our report, in particular in Section 2 on Economic Analysis. Most of the figures and dollar amounts reported in Section 2 are from the

model. The latest version of the model, **Version 1.1 dated 07/20/20**, accompanies and is an integral part of this report. Additional information on the Economic Model, including a complete list of the model’s input variables and default settings, is included in **Appendix B** of our report.

## 1.6. Supply and Transportation Scenario Alternatives

The Draft Study presents the net present value costs of the RCS in comparison to MWD Reliance and Local Supply Development alternatives. The Economic Model supplements these by parsing the MWD Reliance option into three different options, resulting in five options total inclusive of the RCS option. The RCS option also has its own alignment alternatives, of which alternative 3A, the Northern Alignment, is the least costly. We have elected to present results and comparisons for that alignment only, to the exclusion of the more costly 5A and 5C described in the Draft Study, and the revised model dashboard includes only the 3A alignment option of the RCS.

The five supply options are defined below:

- **RCS 3A:** RCS alignment alternative 3A (Northern Alignment) is the least costly and is used here for comparison. RCS becomes operational in 2045.
- **MWD Exchange Ends 2047:** This option assumes the MWD Exchange Agreement expires without renewal at the end of 2047, along with the IID agreement. SDCWA then transitions to buying 200,000 AF/yr of MWD Tier 1 supply. Canal lining water continues at the MWD Exchange Rate. (This option is titled “MWD Reliance” in the Draft Study.)
- **MWD Exchange Ends 2077:** Similar to above, but the IID and MWD Exchange agreements are extended through 2077.
- **MWD Exchange Ends 2112:** IID and MWD Exchange agreements are both extended to 2112, in alignment with the end date for Canal water.
- **2048 Local Supply:** The IID agreement expires at the end of 2047, after which SDCWA transitions to 200,000 AF/yr of new local supply development projects.

To this list the IC has added a sixth option:

- **MWD Negotiated Exchange:** This option replaces the current exchange agreement with new terms through 2112, with price escalation tied to the Engineering News Record 20-Cities Construction Cost Index (ENR\_CCI).

All six options are included in the Economic Model accompanying this report.

## 1.7. What Next? Member Agency Manager Use of This Report

We recommend the Member Agency Managers provide the information in this report to their SDCWA board representatives, and that collectively they work with the Water Authority to apply whatever is useful in our review to the budgeting and supply planning questions concerned.

The Water Authority has described its evaluation of RCS feasibility as part of a triad of long-term supply and transportation planning issues that also includes the potential for extension of the IID supply agreement and the extension of the MWD Exchange agreement. The technical and economic feasibility of the RCS have now been advanced to reasonable levels of planning certainty, and are no longer the weak leg of the planning triad. Further investigation of the RCS

therefore appears unwarranted at this time. Likewise, additional refinement of the project’s engineering design is unlikely to alter the key findings already available. Rather than investing further in the evaluation of an RCS project, it appears the larger planning uncertainties facing the Water Authority now revolve around the extension of the IID Supply and MWD Exchange agreements, and long-term demand and water sales projections, and that budgets and staffing schedules set aside for RCS investigations could be applied more productively to refining those opportunities.

## 1.8. Report Organization

The remainder of the briefing document is organized into sections as follows. The report also includes appendices as listed in the Table of Contents.

<u>Section:</u>	<u>Page</u>
• <b>SECTION 2:</b> Economic Analysis .....	8
• <b>SECTION 3:</b> Engineering, Cost, and Risk Review .....	22

## 2. Economic Analysis

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### 2.1. The Draft Study’s economic analysis is insufficient to support informed decision-making. We have endeavored to provide the additional information needed.

The Draft Study states the RCS project is “cost-competitive with” and “provides significant savings” in comparison to MWD Reliance (Exchange) and other supply and transportation scenario options. In reaching these findings, the Draft Study’s economic analysis has utilized unusually long evaluation timeframes, and has relied on certain price escalation assumptions that are highly implausible. The brevity of the Draft Study’s economic review, amounting to two pages out of a more than 500 page report, is insufficient to support informed decision-making, and insufficient to provide transparent and objective rationale to the public and ratepayers at large. Our review in this section addresses these issues, and seeks to provide key parts of the supplemental information needed.

### 2.2. The RCS is not cost-effective under standard measures of economic efficiency.

The Water Authority’s draft economic analysis has overlooked conventional public works and utility economic feasibility reporting methods in favor of a non-standard approach. Before addressing the Water Authority’s approach and why we find it insufficient to support informed decision-making, it is important first to understand the typical public works economic review methods that have been overlooked.

#### **Standard First-Year Unit Cost Analysis**

Most economic assessments of public agency water supply projects begin with a basic comparative measure of first-year unit costs in dollars per acre-foot. The first step of this process is to gauge the capital costs of the project, as well as the ongoing annual costs of operations, maintenance, repair, and replacement (OMRR) necessary to sustain the project over its economic lifetime. For the RCS project, the Draft Study and the Independent Cost Review have combined to develop capital and OMRR costs to a level of detail sufficient to support planning decisions. These costs are summarized in **Table 2-1**.

**TABLE 2-1: RCS Cost Estimates**

<b>RCS 3A</b>	<b>March Board</b>	<b>Independent Cost Review</b>	<b>Draft Study</b>
<b>Capital</b>	\$4.2 B	\$5.3 B	<b>\$5.0 B</b>
<b>Annual (OMRR)</b>	\$130 M	\$130 M	<b>\$143 M</b>

Using the June final draft cost numbers, the calculation of first-year unit costs then proceeds as follows:

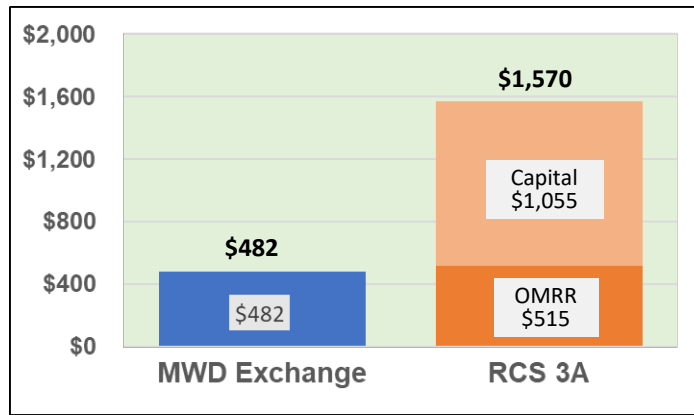
**RCS First-Year Typical Analysis** (in 2020 Dollars, exclusive of supply):

- 1) Escalate five years to Mid-Point of Construction: \$5.0B → **\$5.8B**
- 2) Amortize (40 yrs., 4%): → **\$293M/yr**
- 3) Calculate Total Equivalent Annual Costs: + \$143M/yr = **\$436M/yr**
- 4) Divide by Yield for Unit Cost: ÷ 277,700 AF/yr = **\$1,570/AF**

Note: A previous version of this calculation presented in draft form amortized the project capital at an interest rate of 3 percent per year. We have increased the rate used here to 4 percent per year to be closer to the Draft Study’s default rate of 5 percent per year, recognizing current market conditions are lower. MAM financial officers have advised the actual rate could be driven upwards by the magnitude of the debt undertaking.

Finally, first-year unit cost of the project is compared to its most relevant alternative, in this case the conveyance of the Water Authority’s QSA supplies via the terms of the existing MWD Exchange Agreement. For calendar year 2020, the MWD exchange price is \$482/AF. The comparison is illustrated in **Figure 2-1**.

**FIGURE 2-1: First-Year Unit Cost Comparison in Dollars per Acre-Foot**  
(RCS 3A vs. MWD Exchange; transportation only, exclusive of supply costs; in 2020 dollars)



On a standard first-year unit cost basis, the RCS project fairs poorly in comparison to the current MWD exchange rate. However, the first-year unit cost analysis is only a snapshot, and does not account for the potential for some costs to escalate at different rates over time.

**Standard 30 or 40 Year Cost Analysis**

To address the limitations of a first-year unit cost analysis, a conventional economic review would supplement that snapshot with an assessment of project costs over a period of time. The time period is commonly set at 30 or 40 years, corresponding to capital finance borrowing terms. The alignment of the time period of economic analysis with the term of the financing reflects two common principles, neither of which are written in stone but nevertheless reflect common practices and thinking for analyzing these types of projects . These are:

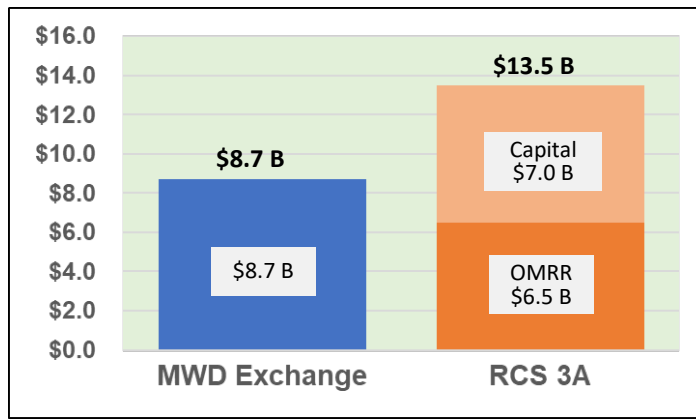
- 1) **Benefit-Cost Nexus:** Project costs should be paid by project beneficiaries. This same general point is contained in the Water Authority’s 2015 Long Range Financing Plan, which cites as Guiding Principles (Section 2.1.3):
  - a. Ensure all beneficiaries of services pay a fair share of costs; and
  - b. Support intergenerational equity
- 2) **Future Uncertainty:** Predictions about the future are uncertain and become more so with longer periods of forecast. Economic analysis typically discounts future costs and benefits in part to account for this uncertainty.

Because the Water Authority has the capability of bonding with 40 year terms, we will use that period for analysis. A standard 40-year net present value (NPV) analysis would proceed with the following calculations:

- **RCS Capital Costs:** The \$5.8 billion RCS capital cost (escalated to mid-point of construction) is amortized over 40 years at an interest rate of 4 percent per year (same interest rate as for First Year unit cost analysis), and brought back to present worth at the Draft Study’s default discount rate of 3 percent. NPV = \$6.5 billion.
- **RCS Annual Costs:** The \$143 million of RCS annual costs are escalated for 40 years at the Draft Study’s default OMRR rate of 3.7 percent, and then brought back to present worth at the Draft Study’s default discount rate of 3 percent. NPV = \$7.0 billion.
- **MWD Exchange Costs:** MWD Exchange costs, calculated as \$482/AF times 277,700 AF/yr, are escalated for 40 years at the Draft Study’s default rate of 5.1 percent, and then brought back to present worth at the Draft Study’s default discount rate of 3 percent. NPV = \$8.7 billion.

The resulting cost comparison is depicted in **Figure 2-2**. In comparison to the comparison presented in Figure 2-1, the data of Figure 2-2 indicate the RCS is still more expensive than the MWD Exchange alternative, but a lesser ratio. This demonstrates the effect of the differential escalation rates compounding over forty years.

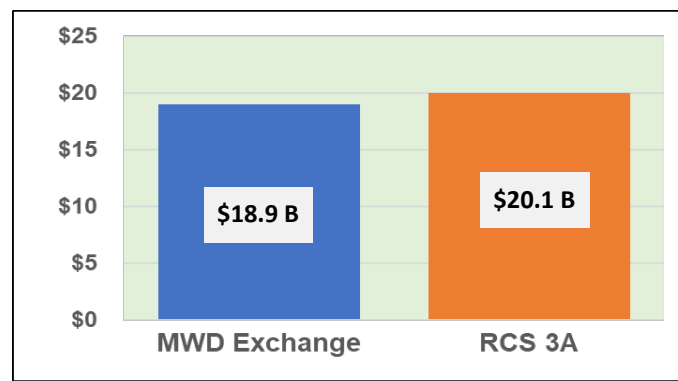
**FIGURE 2-2: Forty-Year Cost Comparison**  
 (RCS 3A vs. MWD Exchange 2047; transportation only, exclusive of supply costs)  
 (in billions of 2020 dollars)



## **Modified 40-Year / 60-Year Cost Analysis**

The period of analysis question for the RCS is complicated by the 25-year schedule identified in the Draft Study for project planning, permitting, design, and construction. A more detailed analysis is available using the Economic Model. Applying the model to this situation, we can set the period of analysis to 40 years from the dollar-weighted midpoint of project financing in 2040. This extends the period of analysis to 2080, 60 years from now. Setting the period of review in this manner and holding all other input variables (interest and discount rates, capital and OMRR escalation rates, MWD price escalation rates, etc.) constant at the Economic Model's default assumption values, results in the cost comparison presented in **Figure 2-3**.

**FIGURE 2-3: Sixty-Year Cost Comparison**  
(RCS 3A vs. MWD Exchange 2047; transportation only, exclusive of supply costs)  
(in billions of 2020 dollars)



The analysis of the RCS project over a 60-year escalation period presents much more positive results than those of the first-year unit cost approach depicted in Figure 2-1 and the 40-year analysis presented in Figure 2-2. The project is still more costly than its default alternative (we will define this and the other alternatives later in this section), and while still not cost-advantaged, is close enough to be considered cost-competitive.

As we will describe later, we find certain of the assumptions used to generate this cost-competitive outcome to be highly implausible, but the comparison of Figure 2-3 nevertheless serves to demonstrate the potential for Period of Analysis to exert strong influence on economic outcomes. This then raises the question of what would happen to the project economic analysis if we evaluated the project over even longer periods.

### **2.3. The RCS project is non-standard, and may warrant non-standard economic evaluation. Extended period analysis deserves consideration, but needs transparent review.**

The RCS is a non-standard project not just in the magnitude of its cost, but also in the extent of the 25-year schedule identified in the Draft Study for project planning, permitting, design, and construction. The project would also be built to have a design life well in excess of standard periods of economic analysis. This of itself is not unusual – many water facility capital investments have long design lifetimes – but lends support to the possibility of evaluating the economic merits of the project over longer than standard time periods.

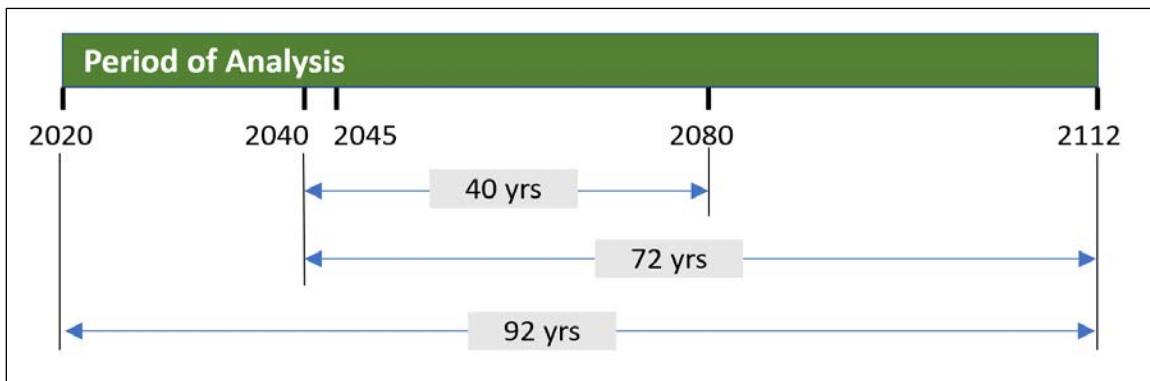


## Extended Period Analysis

This is the approach utilized in the Draft Study. The Draft Study presents an economic analysis of the project conducted using a period of analysis extending to the year 2112. The selected date aligns with the end-date of the Water Authority’s Canal Lining supply agreements, but otherwise has no significance to economic theory or analysis.

This timescale is illustrated in **Figure 2-4**, where 2040 is the approximate midpoint of project financing, 2045 is the project on-line date, 2080 is the end-date of a 40-year analysis period subsequent to the midpoint of project financing, and 2112 is the selected end date of the Draft Study’s period of analysis.

**FIGURE 2-4: Period of Analysis Timeline**



## Transparency Required

An extension of the period of analysis to 92 years from now, or to 72 years past the projected midpoint of project financing, is neither right nor wrong, but is unusual and requires an explanation of: 1) the rationale for why such an extended period may be appropriate, and 2) the distribution of costs and benefits over time.

Both explanations are absent in the Draft Study and in presentations made to date to the Water Authority board, and both are necessary to provide transparency and completeness of review essential to informed decision-making. The first is easily remedied by stating the case for why the RCS project deserves extended period consideration, even though it fares poorly when evaluated over conventional terms. The second is remedied by applying the Economic Model to the analysis of costs and benefits over time, as presented in the next section. With this information available to a decision-making body, the decision becomes a matter of policy for their consideration.

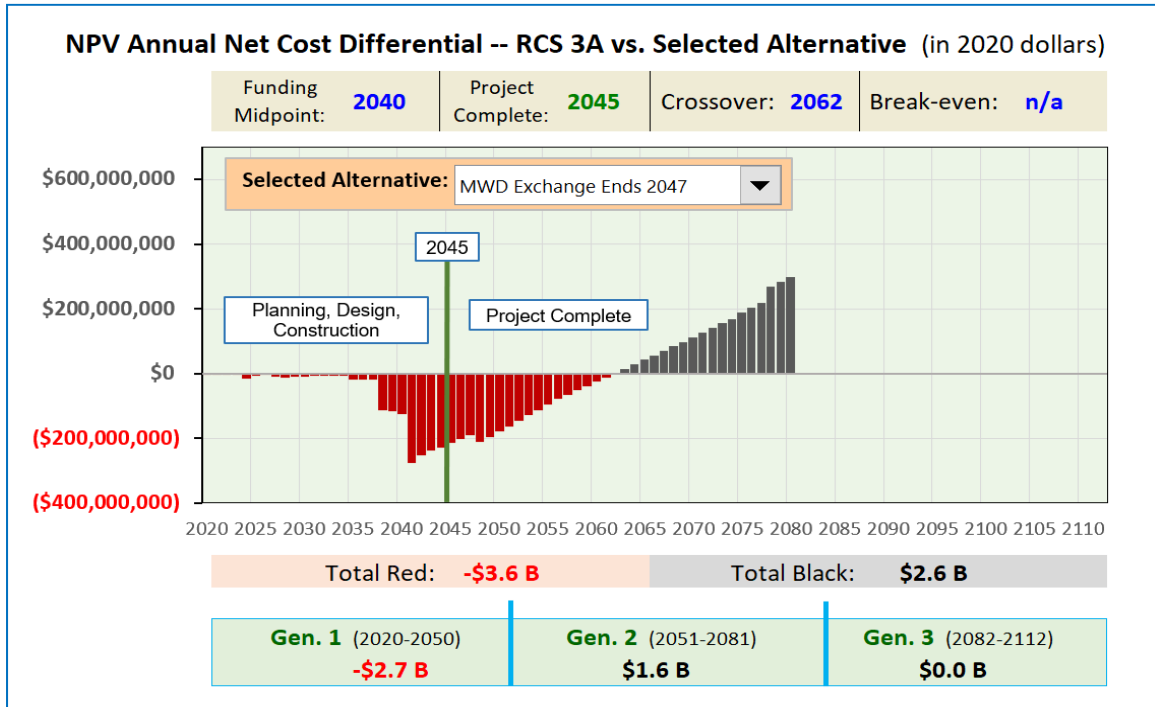
### 2.4. An extended period of analysis entails generational transfers of costs and benefits.

If an extended period of analysis is warranted given the unusual timescale of the RCS, then the economic evaluation should identify the distribution of costs and benefits over time. Put another way, if the RCS is a generational project, then the economic analysis should examine the generational transfers of costs and benefits. We have adapted the Economic Model to provide this generational analysis.

## Case 1: Period of Analysis Ending 2080

We begin with the same comparison of alternatives illustrated in Figure 2-3 for the period of analysis extending to 2080, 60 years from now and 40 years past the midpoint of project financing, and with all input variables (interest and discount rates, capital and OMRR escalation rates, MWD price escalation rates, etc.) set at the Economic Model’s default assumption values. (A complete list of model default inputs is included in **Appendix B**.) This results in the time period distribution of net costs and benefits presented in **Figure 2-5** and further described below.

**FIGURE 2-5: Cost and Benefit Distribution for Period Ending 2080**  
(RCS 3A vs. MWD Exchange 2047)



The data in Figure 2-5 provides a much broader understanding of the economic comparison than the simple total NPV comparison of Figure 2-3. The red/black bar chart illustrates how the project at first incurs additional net losses in comparison to its alternative, and then transitions to providing net benefits. The data boxes above the chart note key dates, including the Crossover year when net losses transition to net benefits, and the year of break-even, when cumulative benefits begin to exceed net losses. Data boxes at the bottom summarize the cumulative totals of net losses and net gains, and the net loss or gain to each of three generations spanning the 92-year period of analysis. For this example, losses outweigh benefits, and the project does not achieve a break-even date.

## Case 2: Period of Analysis Ending 2112

The next step is to extend the period of analysis to 2112, the sole period examined in the Draft Study. This extends the economic analysis to 92 years from now and 72 years past the midpoint of project financing. Applying the economic model with this extended period, while keeping all other inputs at the levels, results in the time period distribution of net costs and benefits presented in **Figure 2-6**.

**FIGURE 2-6: Cost and Benefit Distribution for Period Ending 2112**  
(RCS 3A vs. MWD Exchange 2047)

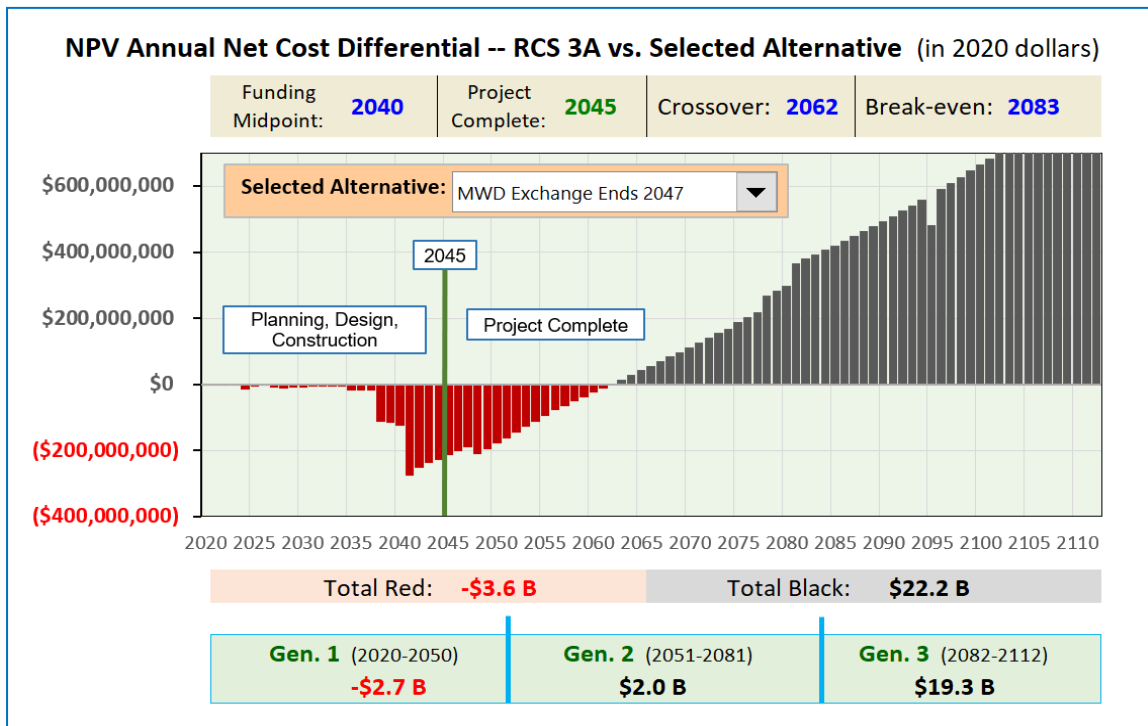


Figure 2-6 illustrates that for every year the period of analysis is extended beyond standard terms, the RCS gains additional advantage as black bars are added with ever-increasing net benefits. Although the chart ends at 2112, the analysis could be extended further, and this would result in still further advantage for the RCS, but conditioned on the validity or accuracy of the model input assumptions. With reference to our previous observation about forecast uncertainty increasing the further out in time the forecast, there are different levels of certainty associated with the red bars and the black bars. The occurrence and magnitude of the red bars has a high degree of certainty, as these are costs that arise from the financing of almost \$6 billion in capital. In contrast, the black bars have a high degree of uncertainty, as they arise from a mix of assumptions about of MWD price escalation rates and other factors whose future is unknown.

**The merits of generation transfers are a policy matter.**

The contrast of Figure 2-6 with Figure 2-5 is dramatic. The addition of 32 years to the period of analysis adds 32 progressively higher black bars to the right of the chart, resulting in a cumulative advantage for the RCS over its alternative of approximately \$19 billion (sum of Total Red and Total Black). The project does not achieve Break-even until 2083, 43 years after the mid-point of project financing, but after that the gains continue to accrue. We see that Generation 1 incurs a net loss of almost \$3 billion, but the amount seems modest in comparison to the gains accruing to future generations and to Generation 3 in particular. While the overall Net Present Value clearly favors the RCS, the generational transfers entailed make clear that a decision to invest in the project entails policy matters broader than just the overall Net Present Value.

## 2.5. The Draft Study’s assumptions of MWD price escalation are highly implausible.

The Draft Study over-extrapolates a 20-year historical trendline of MWD price escalation, applying the historical trend unchanged throughout the period of analysis. As we demonstrate in this subsection, this assumption is highly implausible.

Accurate forecasting of long term water rates is difficult. Many factors drive the price of water, including capital costs, increased operating cost, and changing sales volumes. A standard assumption on rate forecasting is that the further out the forecast horizon, the more inaccurate the future projection, because it is impossible to anticipate with any accuracy future conditions and their effect on rates. When forecasting future water rates, most projections will trend back to assumptions on underlying inflation or some small increment above inflation so as not to overstate the compounding effect of escalation factors. This is also reflected in the more standard approach to the length of an economic analysis so as not to skew the results based on diminishing accuracy of forecasted key variables and cost drivers.

### Escalation rates have limits; systems adapt and adjust

The economic analysis presented in the Draft Study assumes MWD prices will escalate at 5.1 percent per year throughout the 92-year period of analysis. Additional data presented by Water Authority staff at its March 12, 2020 special board meeting documented that MWD Tier 1 Supply prices have a 20-year escalation average of 5.1 percent per year and that the Exchange rate components (System Access + Water Stewardship + System Power) have a collective 20-year escalation average of 4.5 percent per year. The Draft Study uses the higher 5.1 percent rate for both Tier 1 Supply and Exchange rates.

The effect of MWD rates escalating at 5.1 percent per year over 92 years is illustrated in **Table 2-2**. The table includes for reference a typical member agency local supply project, which consistent with the default assumptions of the Economic Model has initial costs inflating at 3 percent per year, but then being discounted back to present worth at the same 3 percent rate.



**The New York Times**  
*Lake Mead Could Be Within a Few Years of Going Dry, Study Finds*  
 By Felicity Barringer  
 Feb. 19, 2008

Lake Mead, the vast reservoir for the Colorado River water that sustains the fast-growing cities of Phoenix and Las Vegas, could lose water faster than previously thought and run dry within 13 years, according to a new study by scientists at the Scripps Institution of Oceanography.

The lake, located in Nevada and Arizona, has a 50 percent chance of becoming unusable by 2021, the scientists say, if the demand for water remains unchanged and if human-induced climate change

**Implausible Extrapolations.** Yes, if trends had continued Lake Mead would have gone dry, but the unacceptability of that outcome led governments and institutions to change course. Systems adapt and adjust to unsustainable forecasts.

**TABLE 2-2: MWD Price Escalation at 5.1%/yr Over 92 Years**

NPV in 2020 dollars	2020	2045	2085	2112
Pure Water (example)	\$2,300/AF	\$2,300/AF	\$2,300/AF	\$2,300/AF
MWD Tier 1 Raw All-In	\$840/AF	\$1,400/AF	\$3,100/AF	\$5,400/AF

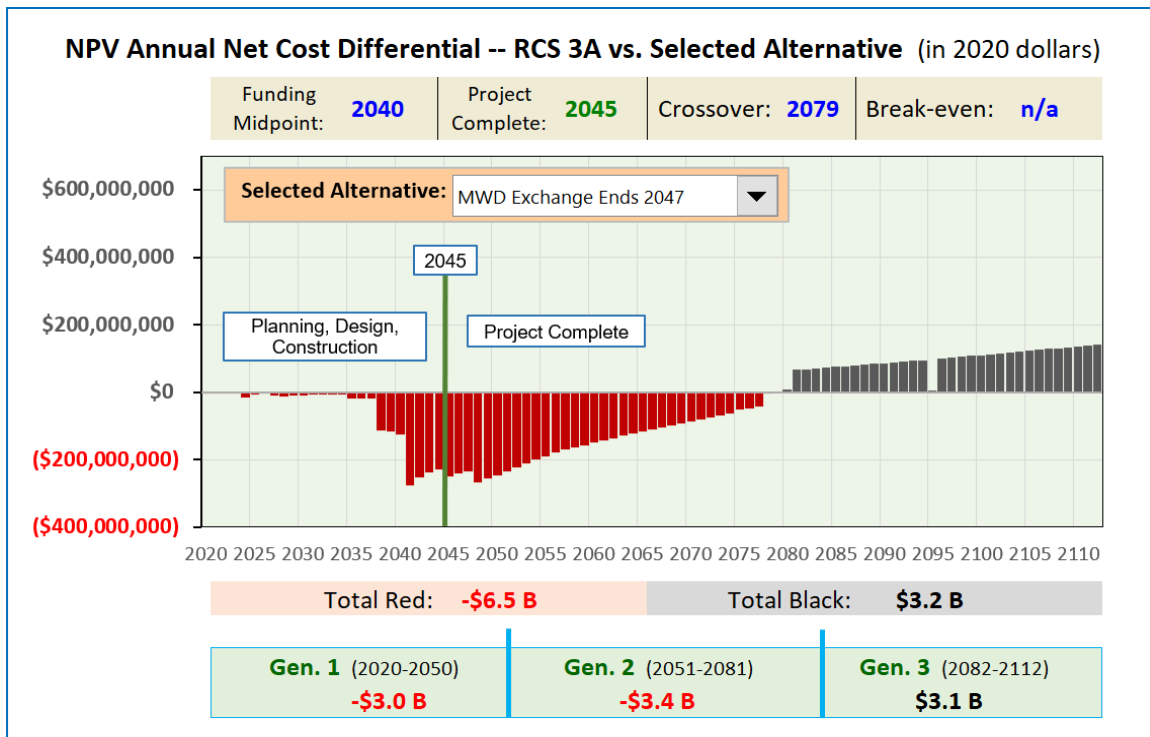
The point is that MWD price escalation at 5.1 percent over the entire 92 year period of analysis is not sustainable, and is therefore highly unlikely to occur; the system will need to adapt and adjust. Rather than basing economic analysis on such an unlikely occurrence, it seems to us prudent, and much more plausible, to assume MWD will make adaptations and adjustments to prevent rates from increasing to the point where they drive away most or all of their water sales. Whether those adjustments entail reductions in the costs driving the price increases, shifting costs to unavoidable fixed charges, or other measures is beyond the scope of our review. Nevertheless, the finding holds that rates are highly unlikely to increase at these levels relative to other supply options for the simple reason they cannot.

### Lesser escalation rates quickly move the RCS from black to red

The draft economic analysis presented in the Draft Study is highly sensitive to changes in assumptions about MWD price escalation. The effect of reducing the MWD escalation rates or capping the term of the escalation, is significant, quickly reducing the future benefits illustrated previously in Figure 2-6. For comparison, **Figure 2-7** presents the same analysis with the same extended period through 2112, but with the following adjustments to MWD price escalation:

- **Tier 1 Supply:** Rates escalate at the default 5.1 percent per year, but only for 20 years, and thereafter, escalate at the default melded OMRR rate of 3.7 percent per year. The 3.7 percent rate is the same that applies to OMRR escalation for the RCS.
- **Exchange Rate:** The composite exchange rate escalates at its 20-year average of 4.5 percent per year rather than the Draft Study’s default of 5.1 percent, and after 20 years, the escalation declines to the default melded OMRR rate of 3.7 percent per year.

**FIGURE 2-7: Cost and Benefit Distribution with Modified MWD Price Escalation**  
(RCS 3A vs. MWD Exchange 2047) (Period of analysis through 2112)



The modest changes to the long term MWD price escalations eliminate the \$19 billion cost advantage of the RCS reflected in Figure 2-6, and result instead in the net \$3 billion disadvantage reflected in Figure 2-7. The actual future of MWD price escalation is uncertain, but we are confident the escalation rates underlying the data in Figure 2-7 represent a much more plausible scenario than those for Figure 2-6. On this basis we conclude the project is not cost-effective.

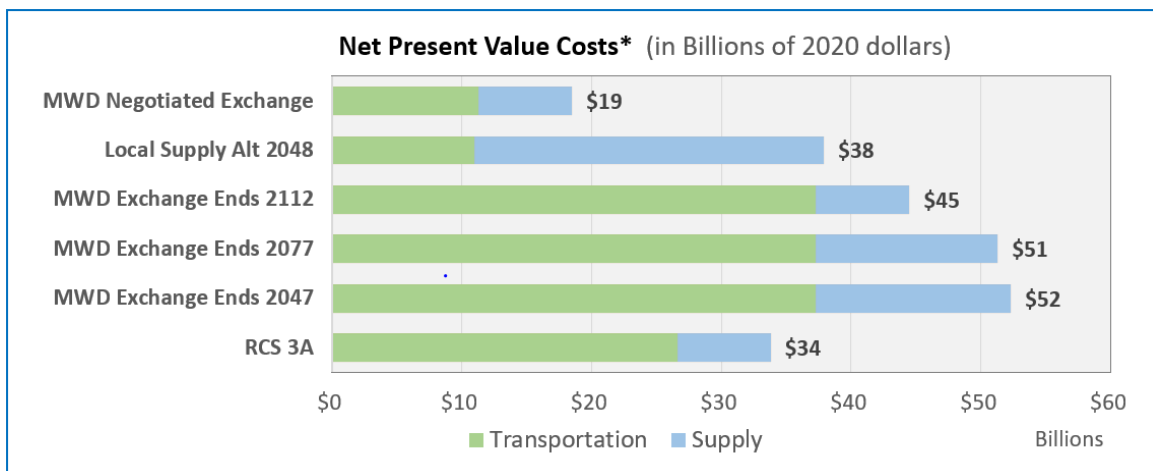
## 2.6. A Negotiated Exchange option appears economically advantageous.

As requested by the Member Agency Managers, we modified the Economic Model to include an additional option we have labeled Negotiated Exchange. This option would replace the current Exchange Agreement with new terms through 2112, with price escalation tied to the Engineering News Record 20-Cities Construction Cost Index (ENR\_CCI). These financial terms were contained in MWD’s December 2019 Settlement Offer to the Water Authority, and in the Water Authority’s subsequent counter-offer to MWD. The MWD offer allowed for an additional increase beyond the ENR escalator for transportation-allocated costs of the Delta Conveyance project, and the Water Authority’s counter-offer did not. We have included functionality in the model to examine the scenario with or without the Delta Conveyance included.

Our analysis of this option is limited to the economic aspects derived from the settlement offers, and does not extend in any way to the legal aspects of the offers, which are beyond our scope of work.

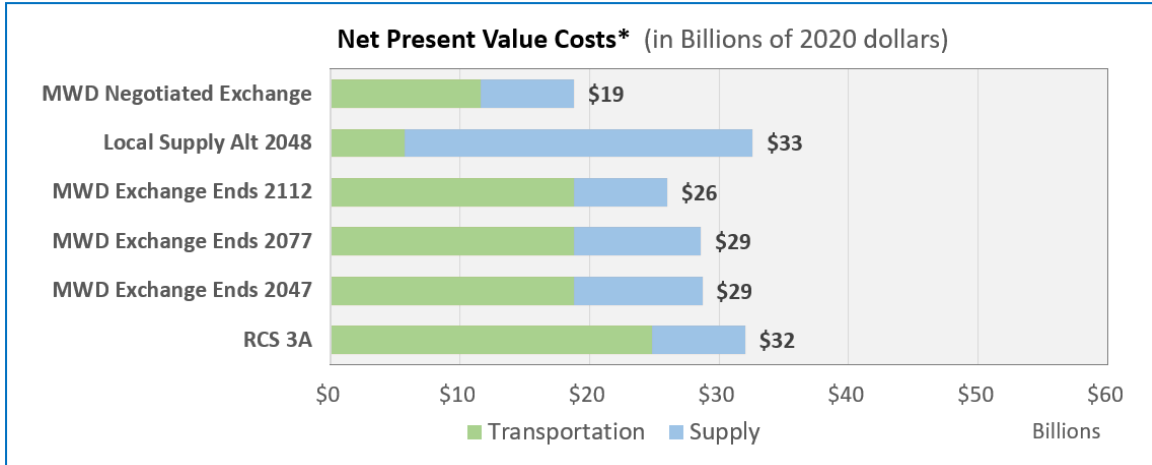
Beginning with all of the Draft Study’s default financial and economic assumptions, and maintaining the period of analysis at 92 years, the Negotiated Exchange option provides a Net Present Value advantage as illustrated in **Figure 2-8**. The alternative provides an advantage of approximately \$15 billion in comparison to the RCS alternative, and \$26 billion in comparison to the least costly MWD Exchange alternative. This is with the Delta Conveyance included; with the Delta Conveyance excluded the advantage would increase by an additional two to three billion dollars depending on assumptions.

**FIGURE 2-8: Net Present Value Comparison with SDCWA Default Inputs**  
(Period of analysis through 2112)



Because the data in Figure 2-8 assumes MWD rates are escalating at unsustainable levels, the results overstate the benefit of the Negotiated Exchange option relative to the other options, and relative to the other MWD Exchange options in particular. Adjusting the MWD Tier 1 Supply and Exchange escalation rates in the same exact manner as for Figure 2-7, 20 years at 5.1 and 4.5 percent respectively, then 3.7 percent thereafter, we arrive at the Net Present Value comparison illustrated in **Figure 2-9**.

**FIGURE 2-9: Net Present Value Comparison with Modified MWD Price Escalation**  
(Period of analysis through 2112)



With MWD price escalation modified to reflect a more likely rate forecast scenario, the Negotiated Exchange option still maintains a benefit of \$7 billion in comparison to the next least-costly alternative, and \$10 billion in comparison to the Draft Study’s default alternative of MWD Exchange 2047.

**MWD rate structure adjustments could alter these projections.**

The above analysis of the Negotiated Exchange option, as well as all of the previous comparisons, rely on an assumption that MWD will maintain its existing rate structure intact, complete with its heavy reliance on volumetric commodity charges. A shift by MWD of costs from volumetric commodity charges to fixed charges could reduce its commodity rates, and in the process could reduce the avoided costs that provide the economic advantage of a Negotiated Exchange option. This same consideration would apply to the RCS option, reducing the potential benefits of the project. Detailed consideration of the future of MWD rate structures is beyond our scope of work.

**2.7. The Draft Study’s assumptions of IID Supply price escalation do not account for risk of future price increases above inflation.**

The contractual price paid by the Water Authority for IID transfer water is currently indexed to a published inflation factor, the federal Gross Domestic Product Implicit Price Deflator (GDPIPD). According to the 2009 Amended Water Transfer Agreement, the use of the index ends after 2034 and transitions or resets to a market based price.

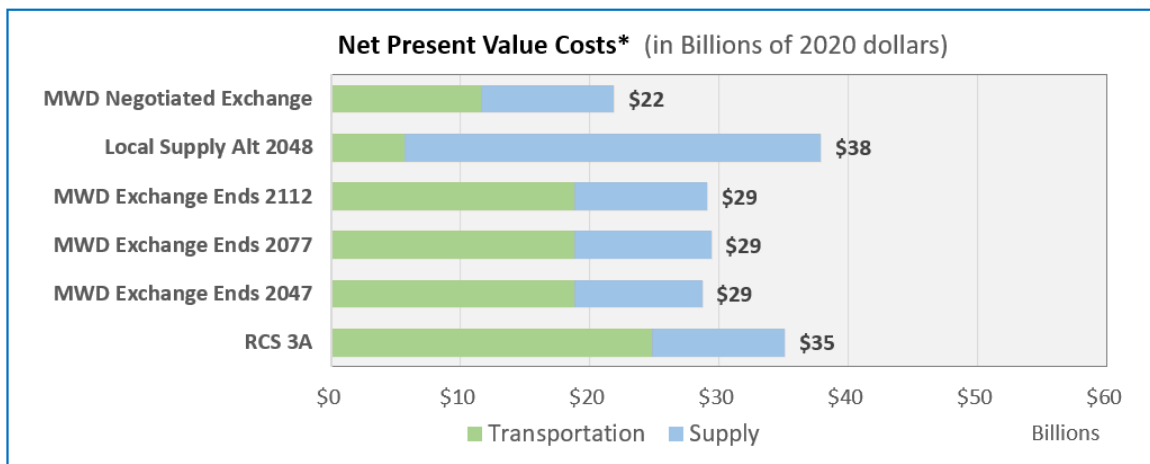
The Draft Study’s economic analysis assumes a continuation of IID supply costs at the underlying rate of inflation. This is in contrast to, and appears to us inconsistent with, the assumption that MWD will increase well above underlying inflation. Under the terms of the Transfer Agreement, the use of the GDPIPD index expires at the end of 2034, to be replaced either by a market-based process if an established market exists, or by the agreement’s Base Contract Price which is based on MWD rates. This at a minimum would appear to introduce a significant risk, if not the likelihood that IID supply prices under the Transfer Agreement will escalate over the long-term at rates greater than inflation, contrary to the Draft Study’s assumptions. Any increase in the assumed rate of IID price escalation further disadvantages the RCS in comparison to the MWD Exchange 2047 option.

We have adapted the Economic Model to include additional functionality for IID supply price escalation sensitivity testing. We will use Figure 2-9 as a point of comparison. Figure 2-9 presents NPV results with MWD Tier 1 and Exchange escalation rates adjusted from default conditions to be fixed for 20 years at 5.1 and 4.5 percent respectively, and thereafter at 3.7 percent. Leaving all of those adjustments in place, we will next adjust the IID price escalation assumptions as follows:

- Initial Escalation Rate: 1.9 percent, equal to the 20-year average of the GDPIPD
- Time-Out Date: Initial escalation rate ends after 2034, as per the Transfer Agreement
- Subsequent Escalation Rate: 3.5 percent, reflecting a small discount from the Economic Model’s default OMRR escalation of 3.7 percent

With those modifications entered into the Economic Model, the NPV comparison of the supply and transportation alternatives is as depicted in **Figure 2-10**.

**FIGURE 2-10: Net Present Value Comparison with Modified IID Price Escalation**  
(Period of analysis through 2112)



Notice the NPV cost premium for the RCS has now grown in comparison to the other alternatives, and that the MWD Exchange 2047, 2077, and 2112 options have reached a level of parity with each other. The data presented in Figure 2-10 is just one of many scenarios that could be evaluated with the Economic Model, and suggests there may be opportunity to apply the model to support further investigation of alternative QSA supply and transportation futures.



## 2.8. Grant funding, if available, could reduce the RCS cost premium in comparison to the other alternatives.

The Draft Study notes the prospect that the project could receive State, Federal, or other funding assistance, reducing the capital cost incurred by the Water Authority and boosting the project’s economic status in comparison to the other supply and transportation alternatives.

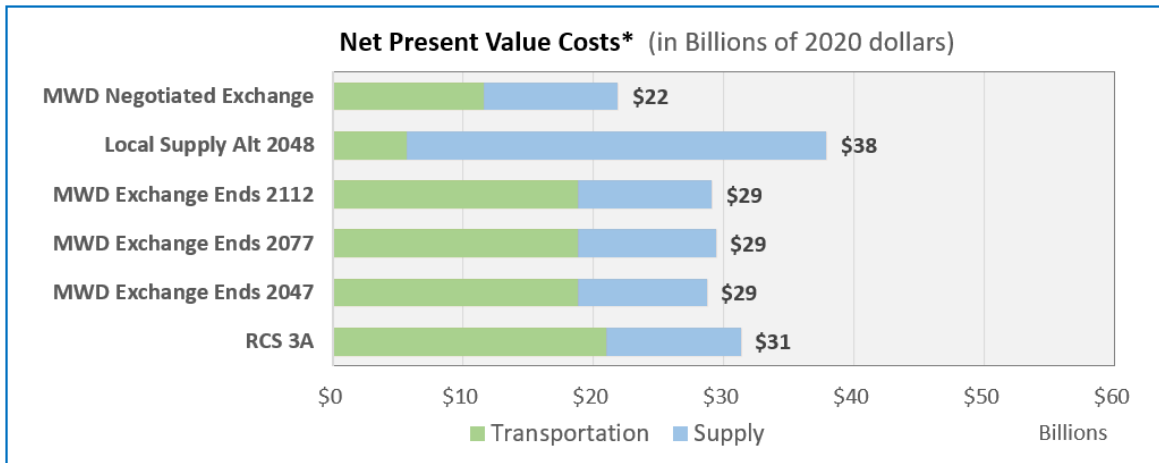
Some of the member agency managers have suggested the prospect of grant funding is unlikely, citing probable opposition from the remainder of the MWD service area and from the other Colorado River basin states. Conversely, Water Authority staff have pointed to project’s role in securing the IID Transfer and maintaining peace on the river. Resolving the divide between those opinions is beyond the limits of our scope.

We have adapted the Economic Model to provide sensitivity testing of RCS capital costs. Using the Figure 2-10 scenario as a point of comparison, we can adjust the RCS capital cost as follows:

- **RCS Capital Cost Adjustment:** Assume 50 percent of project capital is grant funded, reducing the capital cost to the Water Authority from \$5.0 billion (before escalation to midpoint) to \$2.5 billion.

With that modification entered into the Economic Model, and otherwise maintaining all of the same settings as for Figure 2-10, the NPV comparison of the supply and transportation alternatives is as depicted in **Figure 2-11**.

**FIGURE 2-11: Net Present Value Comparison with 50% Capital Grant Funding**  
(Period of analysis through 2112)



The effect of the grant funding is to reduce the project’s NPV by approximately \$4 billion, bringing the project closer in cost to the other alternatives but still more expensive.

## 2.9. The Local Supply option is specific to SDCWA local project development and is not intended to reflect the economic merits of local project development by member agencies.

Several of the MAMs have asked us to comment on the nature of the Local Supply option and on the economic data reported on the option by Economic Model.

### Contrast Between SDCWA and Member Agency Local Supply Economics

The first thing to note about the Local Supply option is that it is intended to reflect the economics of local supply development by SDCWA, not by member agencies. When SDCWA evaluates the economics of such a project, its logical point of comparison is to the cost and reliability of MWD Tier 1 supplies. In contrast, when a member agency evaluates a similar (if smaller) project, their logical point of comparison is to all-in SDCWA rates, which are currently on the order of \$600/AF higher than MWD rates. In addition, for the case of a Pure Water type local project, a member agency may be in a better position to benefit from the avoided costs of such a project to its local wastewater system. For these and other reasons, member agencies are likely to find economic merit in local projects that would be too costly for SDCWA.

### Project Sizing

The second thing to note about the Local Supply option is that SDCWA has sized the option for the full 200,000 AF/yr needed to replace its IID supply after 2047. (Per the option definition, the IID agreement would be allowed to expire after 2047 and SDCWA would then need to replace that supply from MWD or from local supply development.) SDCWA has based the option on a large seawater desalination facility such as could possibly be built at Camp Pendleton. The Economic Model includes a default cost for this option of \$3,000/AF in 2020 dollars. We concur with the use of this default setting when the intent is to gauge the costs of SDCWA project development independent of the member agencies.

In contrast, individual projects undertaken by member agencies will necessarily be sized at capacities less than the full 200,000 AF/yr of IID supply. Whether a combination of individual projects could achieve this threshold is a matter of speculation, but it appears at least plausible and perhaps likely that a combination of local projects could replace a significant share of the IID supply.

### Additional Testing Using Economic Model

The Economic Model allows for testing of the Local Supply option across a range of input assumptions. Member agencies can use the model to test the results of modified local supply options populated by multiple smaller member agency projects. Additional notes on the model and on testing suggestions are included in **Appendix B**.

## 2.10. Potential rate increases to fund an RCS can be estimated using the Red/Black charts.

In Figure 2-7 (“Cost and Benefit Distribution with Modified MWD Price Escalation”), the cumulative net costs of the RCS project before the economic crossover point in 2079 total \$6.5 billion. Annual net costs exceed \$200 million per year from 2041 through 2054, a period of 15 years. During this period, average net costs are approximately \$230 million per year. If these costs were funded by the Water Authority Merged Supply Rate and/or its Transportation Charge then depending on the Water Authority annual sales volume they would result in the All-In rate increases listed in **Table 2-3**. Note that the rate increases shown are just those needed to fund the RCS, and are in addition to other rate increases the Water Authority will need to fund its ongoing operations, capital program, and MWD purchase and exchange costs.

**TABLE 2-3: SDCWA Rate Increase to Fund \$230M/yr in New Costs**  
(in 2020 dollars)

Period	Average Annual Cost	Rate Increase for Given SDCWA Annual Sales Volume in AF				
		200,000	250,000	300,000	350,000	400,000
2041-2054	\$230 M	\$1,150/AF	\$920/AF	\$770/AF	\$660/AF	\$580/AF
2038-2077	\$160 M	\$800/AF	\$640/AF	\$530/AF	\$460/AF	\$400/AF

Prior to 2041 and after 2054 continuing to 2079, lesser increases would be needed to fund the net costs. After 2079, net costs transition to net benefits and water rates would then be reduced in comparison to the selected RCS point of comparison.

Some of the member agency finance directors have noted that additional rate impacts might arise from debt coverage ratio policies, credit rating requirements, bond requirements, and related issues associated with the issuance of approximately \$6 billion in debt. Analysis of these issues is beyond the scope of our review.

### 3. Engineering, Cost, and Risk Review

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#### 3.1. Engineering Review: The engineering components of the Draft Study are sound and demonstrate the technical feasibility of an RCS project.

The Draft Study’s engineering work updates the many previous studies prepared on the topic, and advances the conceptual project design by demonstrating the potential merits of a Northern Alignment alternative, by incorporating desalting operations and a Westside Main Canal parallel, and via other improvements. Our high-level review of the project’s engineering has identified only modest opportunities for revision, and we find the project engineering overall to be sound.

Our comments on the Draft Study’s engineering and general planning aspects are listed below:

- 1) 1.5 Previous Studies: Include the 2002 Regional Colorado River Conveyance Feasibility Study.
- 2) 3.2 TOVDS Delivery Point Day Tank Level Control: The text of this section needs clarification; it is not clear how storage in the day tank is to be regulated. If the goal of the day tank is to be able to feed the rejection tower at a normal water elevation (NWL) of 1140, this suggests the bottom of the tank needs to be above that elevation, and equipped with a 400 cfs flow control facility (FCF) regulating flow out of the tank, otherwise the tank is just floating at the rejection tower NWL as regulated by the existing pressure control facility (PCF) and not providing any operating storage. Also, the text should note the significant topographic and environmental constraints to siting a tank at this elevation in Twin Oaks vicinity. These constraints, and the addition of a FCF if needed, would add to project costs.
- 3) 7.4 Summary of Environmental Issues re: Greenhouse Gas Emissions: Even though this section is mostly conceptual and directed toward a process description, it should note GHG emissions as an issue of concern for the RCS. Data in the report indicates the RCS 3A will have an energy footprint of approximately 2,800 kWh/AF, or approximately 40 percent greater than for conveyance via the Colorado River Aqueduct. This leads to the possibility that the RCS might not be the environmentally preferred alternative for project environmental documentation under the California Environmental Quality Act (CEQA) and the National Environmental Project Act (NEPA). Depending on the nature of federal environmental permits and approvals needed for the project, this could present risk to project approval.
- 4) 9.0 Screening Criteria and Evaluation: The methodology of combining costs and benefits into a scoring matrix is problematic. We recommend costs be pulled out into their own category and then weighed against benefits, reflecting the way budgets and policy are typically evaluated in the public agency and utility arena.



**Weighing Costs and Benefits.** Costs and benefits are the two sides of the balance scale. Matrix scoring evaluations that combine costs and benefits into a single scoring rubric fail to capture this real-world balancing act.

- 5) 10.12 Report Summary re: Cost Competitiveness: The summary text states, “Alternatives 3A and 5A are economically competitive and provide long-term reliability and low cost water to the region”, and “As discussed in the key findings summarized above, Alignments 3A and 5A are viable alternatives to the current status quo for the Water Authority.” Our analysis in Section 2 of this report demonstrates otherwise, and the summary text should be revised to present a more accurate and complete assessment of the project’s economics.

### 3.2. Cost Analysis: We have only minor comments and suggestions for consideration.

The independent review of the project cost estimates commissioned by the Water Authority appears to have been a valuable undertaking that has helped refine and validate the current estimates. Our high-level review of the project’s costs has identified modest questions and concerns as identified in our report, but these are not of a magnitude to alter the overall economics of the project. Although much attention is paid in the Draft Study and related documents to capital costs, these are a minority of the project’s life-cycle costs, and their share diminishes as the economic period of analysis increases. Annual costs are a more significant driver of RCS life-cycle costs, and life-cycle costs are more sensitive to changes in annual costs than to capital costs.

Our cost-related review comments are listed below:

- 1) Construction Management (CM) Costs: The report estimates CM costs at approximately 22 percent of construction costs before contingencies. The 22 percent figure warrants further review and comparison to the Water Authority’s historical CM costs on projects such as the San Vicente Pipeline tunnel. Also, the application of the selected percentage to construction costs before contingencies is unusual and warrants re-consideration or explanation.
- 2) Labor Cost Multipliers: The report uses a labor cost multiplier of 1.6. This appears low if the intent is to include comprehensive labor costs inclusive of payroll overhead, office space, equipment, and administrative and managerial overhead.
- 3) Replacement Costs: The report identifies a replacement cost averaging approximately \$2.5M per year for Alternative 3A. This appears unduly low for a \$5B capital project, amounting to only 0.05 percent of capital costs. Replacement costs should be revisited, with a recognition that it is not possible to ensure all project components meet their design lifetimes. Construction, material, and equipment flaws may arise decades after project completion and lead to unexpected costs.
- 4) Tunnel Repair Costs: Depending on the return interval of large movements on the Elsinore Fault and depending on the probability of those movements damaging the tunnel, the cost analysis should consider including a sinking fund repair line item for tunnel repairs. Tunnel repairs could be enormously expensive if required, and might warrant a sinking fund of millions or tens of millions of dollars per year.
- 5) TOVDS Deliver Point Day Tank: See our comments on this item in Section 3.1.
- 6) Response to HPG Comments: We recommend the final version of the report provide specific responses to each of the findings and recommendations of the Independent Cost Review.

### 3.3. Risk Review: The risk of declining water demands appears real and warrants consideration.

The Draft Study does not account for the risk of declining demands in its Risk Registry. We think it likely that long-term Water Authority demands are at significant risk of declining to below 330,000 AF/yr, perhaps by a considerable margin, and for this reason we recommend the Draft Study be revised to address demand risk.

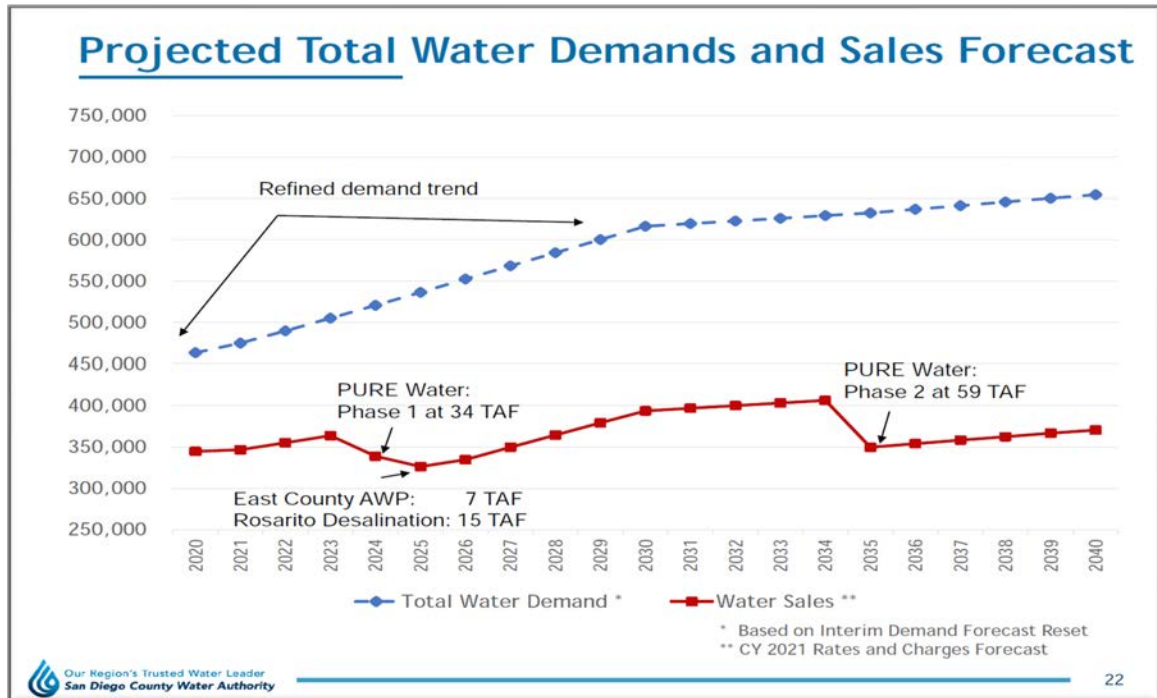
The 330,000 AF/yr threshold is significant because it represents the Water Authority’s current core supply of water, the rounded total of 277,700 AF/yr of QSA supplies and 50,000 AF/yr of ocean desal. Of these, the Water Authority is obligated to pay for the IID and desal supplies regardless of whether it uses them. If demands dropped below the 330,000 AF/yr threshold, the Water Authority might need to leave some of its core supply unused. If such reductions are to its QSA supplies, then an RCS facility built at a capacity to match full QSA supplies could become oversized. If the RCS could no longer be operated at capacity, the unit costs of the facility would increase, jeopardizing the potential to ever recover the capital investment in the project.

Also, it is clear from the Draft Study that downsizing the RCS would result in significant cost-inefficiencies, particularly with regard to the project’s tunnels which for constructability reasons must be sized for 14 foot or 16 foot diameter bores regardless of finished inside diameter. This makes it unlikely the demand risk could be mitigated by downsizing the facility without compounding the project’s economic challenges.

#### Water Authority Demand Forecast

The Water Authority’s current demand forecast is summarized in **Figure 3-1**, which is a presentation slide presented by Water Authority staff at its March 12 special board meeting.

**FIGURE 3-1: SDCWA Current Demand Forecast**



Source: Presentation Materials from SDCWA board meeting of March 12, 2020

The upper blue line of the chart depicts total regional water demands. The lower red line depicts Water Authority sales, which are lower than regional demands by a volume equal to member agency local supplies. As new local supplies come on line in future years, the red line adjusts accordingly. The message of the chart is that Water Authority demands (sales) are a function of 1) regional demands, and 2) member agency local supply development. The chart depicts total regional demands increasing over time, but member agency local project development increasing as well, with the result that long-term Water Authority demands remain in a range of approximately 330,000 to 400,000 AF/yr. The Draft Study relies on this forecast to conclude that long-term Water Authority demands will remain safely above the 330,000 AF/yr threshold.

In presenting this slide, Water Authority staff have noted the forecast is founded in work from the agency's 2015 Urban Water Management Plan, and that the Water Authority is in the process of developing new demand forecasts due out later this year. Further, they have noted the initial upward slope of the blue line, which continues to an inflection point in 2030, arises from the 2015 forecast assumption that unit demands post-2008 have been depressed by various extenuating circumstances, and will gradually return to pre-2008 levels, completing this return in 2030.

#### Possible Forecast Modifications

We are not aware of any member agencies that believe their per-capita water demands will return to pre-2008 levels. Further, considering increasing water prices, advancing conservation practices, changing landscape ethics, and pending dictates of the State Water Resources Control Board, we find it more likely that per capita demands are more likely to continue their decline than resume an increase.

Nevertheless, if we make only one adjustment to Figure 2-10, it would be to bring the initial upward slope of the blue line down to the slope of the post-2030 section of the line, while holding its 2020 value at approximately 460,000 AF/yr. This reduces the red line post-2030 by approximately 125,000 AF/yr, bringing Water Authority sales down to the vicinity of 250,000 AF/yr in the later years of the chart. This revision is illustrated in **Figure 3-2** (next page).

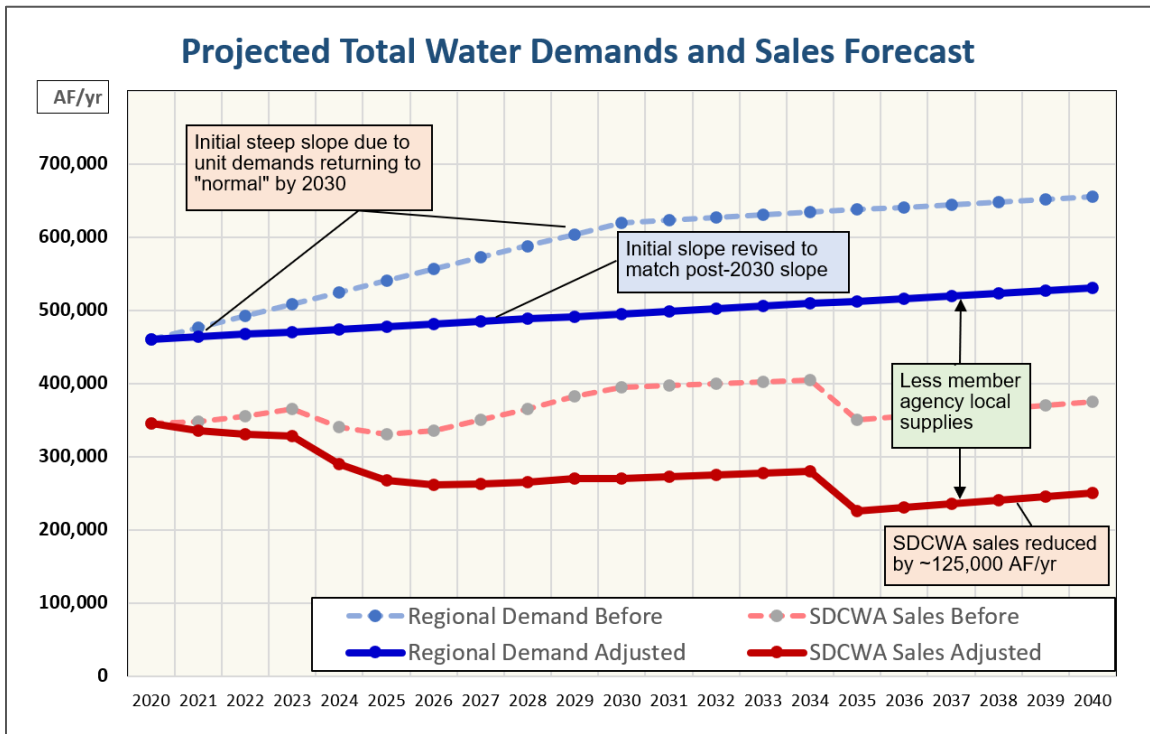
#### Resulting Upward Incentive for Member Agency Local Supply Development

The downward adjustment of the blue Regional Demand line has a compounding effect on Water Authority sales. Not only does the reduction in regional demand lead to a direct reduction in Water Authority sales, but it also drives Water Authority rate increases as fixed costs are distributed to a declining sales volume. This in turn creates additional economic incentive of member agency local supply development, which if it occurred would further diminish Water Authority sales.

#### The Future of Ocean Outfalls?

Some of the member agencies have also noted the possibility that ocean discharge regulations could be modified in the future to ban or significantly reduce wastewater discharges, and that legislation has been introduced to this effect. This would create further incentive or even requirements for Pure Water type local supply development, further diminishing Water Authority sales.

**FIGURE 3-2: Conceptual Adjusted Water Authority Sales Forecast**



Demand Risk Summary

The Water Authority’s new demand forecasts are eagerly awaited. In the meantime, any consideration of the RCS should account for the probability that long-term demands for Water Authority water will be insufficient to utilize the full 330,000 AF/yr of the combined core supplies. Demands may even decline below 250,000 AY/yr, the combined IID and Seawater Desalination supplies. The Water Authority should consider the impact on demands if there is State legislation that prohibits wastewater treatment plants discharging to the ocean.



## **APPENDICES:**

- A. Comments from Member Agency Chief Financial Officers**
  
- B. Economic Model Overview and User's Guide**

# **APPENDIX A: Comments from Member Agency Chief Financial Officers**

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## **A.1. Summary Comments**

A draft version of this reports main economic findings and a draft of the Economic Model were made available to a group of member agency chief financial officers for quality review and comment. Their comments are summarized below:

- An assumption that MWD's rates will increase by 5.1 percent for 92 years is not realistic. At this escalation, the MWD rate would double every 14.4 years and this could significantly overestimate MWD's rates 20+ years out. This assumption also assumes MWD will not change its rate structure for the next 100 years.
- An assumption of 5 percent interest rates for project bonds may be too low. For the Water Authority to take on \$5 billion in debt, it would be challenging to meet debt service coverage ratios and this may result in a lower credit rating. If the project is funded by a Public-Private Partnership, the interest rate will be higher. A cost of funds closer to 6.5 percent seems far more reasonable.
- The Water Authority analysis should include the cost of stranded or underutilized assets resulting from the RCS. In particular, what is the Water Authority's share of MWD's cost to operate, maintain, repair, and replace their conveyance facilities? Are there Water Authority facilities that are stranded or underutilized? It seems very probable that MWD will alter its rate structure at some point to collect the cost of maintaining the Water Authority's underutilized capacity, rather than charging the other member agencies for these costs.
- In making assumptions, there should be a link between the IID and MWD rate escalation. Assuming IID's rates escalate at only 2.5 percent while MWD's rates increase 5.1 percent is too large of a difference. It is not unreasonable to assume that the IID costs will increase at or near the same levels as MWD. The Water Authority's most readily available alternative supply of 200,000 acre-feet is MWD. The assumption that IID would not push hard for higher rates, once the Water Authority committed to the pipeline, is overly optimistic. A term sheet for a long-term rate schedule should be negotiated with IID before this project is started.
- The RCS project should be decided by a ballot measure, financed with General Obligation Bonds, and paid for by residents on the property tax bills. The charge should be in a meter equivalent like the Water Authority's Infrastructure Access Rate.
- The period of analysis and generational equity is important and should be explained and discussed with the Water Authority Board of Directors. For the RCS, what are the costs and benefits, by generation. Note that costs of public facilities paid by previous generations benefit us today; an analysis beyond 30- to 40-years should be included.
- The Water Authority should explain the basis for all of their assumptions, in all alternatives, complete a sensitivity analysis on them, and perform probability analysis.
- The Water Authority should break down the transportation costs by capital and operation and maintenance.

- As member agencies reduce demands on the Water Authority, what impact does that have on the RCS?
- In the economic analysis, the Water Authority should treat the local supply alternative as a project, like the other alternatives, rather than simply escalating \$3,000/AF.
- RCS repair and replacement costs may be underestimated.
- Is there a benefit to pursuing longer-term debt?
- Periodically, if the project progresses, and before debt is issued, review the assumptions and costs, and provide additional project off ramps.
- Is there an opportunity to connect member agency reservoirs in the south County, that are not currently connected?
- Could the Water Authority monetize the value of the IID water to another entity, like the Central Arizona Project (or even MWD), to offset the cost of a local water supply?
- For each alternative, identify the quantifiable and non-quantifiable project and environmental risks.
- Is there a value that should be given to a local water supply because it is a long-term, drought-proof supply?
- The Water Authority should review the IC modifications to their model to help identify any improvements.

# APPENDIX B: Economic Model Overview and Guide

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## B.1. Model Overview and Background

The RCS Economic Model is a spreadsheet model providing analysis of SDCWA's proposed Colorado River Regional Conveyance System (RCS). The RCS would convey water from the Imperial Valley to San Diego over or through the Laguna Mountain range and provide an alternative to use of the MWD's Colorado River Aqueduct (CRA) for delivery of SDCWA's IID Transfer and All American Canal Lining water. The model allows for comparison of the RCS to other water supply and transportation options in terms of Net Present Value (NPV), annual net benefits, and other metrics. Key economic input variables, including the term of analysis, escalation rates, and other factors, are readily adjustable by the user to test the sensitivity of outcomes to input.

The original version of the model was developed by SDCWA and dated June 18, 2020. SDCWA made that version available to the IC, and subsequently the IC has modified the model to provide an upgraded Dashboard with enhanced sensitivity analysis capabilities and graphical summaries.

Projects of the magnitude of the RCS are inherently political. Informed analysis of project economics, provided at the earliest practicable stage of project development, can help guide policy making and help ensure that projects of merit gather support, and those lacking merit be tabled or dismissed. Our goal for the model is to provide a user-friendly tool to test economic assumptions and to support objective and transparent review of the RCS project.

## B.2. Supply and Transportation Scenario Alternatives

The Draft Study presents the net present value costs of the RCS in comparison to MWD Reliance and Local Supply Development alternatives. The Economic Model supplements these by parsing the MWD Reliance option into three different options, resulting in five options total inclusive of the RCS option. The RCS option also has its own alignment alternatives, of which alternative 3A, the Northern Alignment, is the least costly. We have elected to present results and comparisons for that alignment only, to the exclusion of the more costly 5A and 5C described in the Draft Study, and the revised model dashboard includes only the 3A alignment option of the RCS.

The five supply and transportation options are defined below:

- **RCS 3A:** RCS alignment alternative 3A (Northern Alignment) is the least costly and is used here for comparison. RCS becomes operational in 2045.
- **MWD Exchange Ends 2047:** This option assumes the MWD Exchange Agreement expires without renewal at the end of 2047, along with the IID agreement. SDCWA then transitions to buying 200,000 AF/yr of MWD Tier 1 supply. Canal lining water continues at the MWD Exchange Rate. (This option is titled "MWD Reliance" in the Draft Study.)
- **MWD Exchange Ends 2077:** Similar to above, but the IID and MWD Exchange agreements are extended through 2077.
- **MWD Exchange Ends 2112:** IID and MWD Exchange agreements are both extended to 2112, in alignment with the end date for Canal water.
- **2048 Local Supply:** The IID agreement expires at the end of 2047, after which SDCWA transitions to 200,000 AF/yr of new local supply development projects.

To this list the IC has added a sixth option:

- MWD Negotiated Exchange:** This option replaces the current exchange agreement with new terms through 2112, with price escalation tied to the Engineering News Record 20-Cities Construction Cost Index (ENR\_CCI).

### B.3. Model Economic and Financial Inputs and Default Settings

The model’s main economic and financial inputs are included in the dashboard, and are described below by category. The left-hand column displays a screenshot of an input section of the model, and the right-hand column contains notes and explanations. All model descriptions in this report are for **version 1.1 dated 07/20/20**.

When the model is first opened, all inputs are set to the default conditions utilized by the Draft Study.

Financial Terms and Project Costs	Notes
Interest Rate (Conventional) <small>(SDCWA Default = 5.0%)</small> <input type="text" value="5.00%"/>	Default setting is conservative by current market standards, but may be appropriate given challenge of \$5B financing
Discount Rate <small>(SDCWA Default = 3.0%)</small> <input type="text" value="3.00%"/>	SDCWA advises the default discount rate reflects general water system cost escalation
End Date for NPV Calculation <small>(SDCWA Default = 2112)</small> <input type="text" value="2112"/>	Default period runs 92 years through 2112
RCS Capital Cost 2020 <small>(SDCWA Default = \$5.0B)</small> <input type="text" value="\$5.0 B"/>	Per the Draft Study, RCS 3A, the least costly alignment alternative, has a capital cost of \$5.0 B and an annual OMRR cost of \$140 M
RCS Annual Costs (OMRR) 2020 <small>(SDCWA Default = \$140M)</small> <input type="text" value="\$140 M"/>	

MWD Price Escalation Rates	Notes
<b>Tier 1 Supply</b> (20-yr avg. = 5.1%) Initial Rate: <input type="text" value="5.10%"/> (5.17%) Continuing For: <input type="text" value="100 Yrs"/> Thereafter: <input type="text" value="3.70%"/>	Default Tier 1 Supply escalation is 5.1%/yr continuing for the duration of the 92-year period. The Time-out function and subsequent escalation rate inputs are additions by the IC. We recommend settings of 20 years and 3.7%.
<b>Exchange Rate (SA+WS+SP)</b> (20-yr avg. = 4.5%) Initial Rate: <input type="text" value="5.10%"/> (5.28%) Continuing For: <input type="text" value="100 Yrs"/> Thereafter: <input type="text" value="3.70%"/>	
<b>Negotiated Exchange Option</b> <small>(See Rate worksheet for adtl. adjustments)</small> <input type="checkbox"/> On <input checked="" type="checkbox"/> Off	The Exchange Rate escalation default is 5.1%, even though the 20-year average is 4.5%. We recommend the lower rate. The time-out date and subsequent escalation rate are set by the Tier 1 inputs.
Escalation Rate <small>(ENR 20-Cities 20-yr avg. = 3.2%)</small> <input type="text" value="3.20%"/>	
Beginning Exchange Rate <small>(2020 Rate = \$482/AF)</small> <input type="text" value="\$482/AF"/>	The Negotiated Exchange option and settings additions made by the IC to the original model. Our recommended defaults are as listed.
Add Delta Fix? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
% Allocated to Transportation <small>IC recommended default = 75%</small> <input type="text" value="75%"/>	This section allows costs for a Delta Conveyance project to be added to the exchange rate over and above the specified escalation rate. Additional inputs for the Delta Conveyance option are included in the Rate Forecasting worksheet. The gray-shaded box reports the effective escalation rate inclusive of the Delta Conveyance.
Effective Escalation Rate = <small>over period 2020 to NPV end date</small> <input type="text" value="3.28%"/>	

**QSA Supply Cost Escalation** (SDCWA Default = 2.5%)

Initial Rate	Continuing Through	Thereafter
2.50%	2112	3.50%

**Notes**

Default QSA (IID and Canal supply) escalation is 2.5%, continuing for the duration of the period. The Time-out function and subsequent escalation rate inputs are additions by the IC. We recommend settings of 2134, corresponding to the date after which IID rates become subject to new terms, and 3.5%, reflecting a small discount from the default 3.7% OMRR escalation used for Tier 1 supply.

Also, we recommend the initial escalation rate be set at 1.9%, the current 20-year average of the GDP Implicit Price Deflator specified in the IID agreement as the determinant of rate escalation through 2034.

**Local (San Diego) Supply Assumptions (Post 2045)**

(See Rate worksheet for adtl. adjustments)

Local Water Supply Cost 2020 (\$/AF) (SDCWA / BV default = \$3,000/AF)	\$3,000
Percent Arising from Capital (IC suggested default = 60%)	60%

**Notes**

The Draft Study default is \$3,000 AF in 2020 dollars. We have modified the model to recognize a percentage of the unit cost as capital and finance that over a defined term. Additional inputs are included in the Rate Forecasting worksheet.

**Construction & Operations Escalators** (defaults in blue)

Operations & Maintenance	3	3.00%
Energy	4	4.00%
Labor	3	3.00%
Major Replacements	3	3.00%
Melded OMRR (Per 3A Costs)		3.68%
Construction	3	3.00%

**Notes**

The Draft Study defaults are as listed.

The Melded OMRR value is calculated as a weighted average of the prior escalators as applied to the dollar distribution of the RCS 3A annual costs. This melded value is used as the OMRR escalator for the portion of local supply costs not allocated to capital.

The Draft Study default for construction escalation is 3 percent. For comparison, the 20-year average of the ENR 20-Cities CCI is 3.2%.

**Miscellaneous Assumptions**

RCS Delivered AF	277,700
MWD's '21 & '22 Rates Baseline (If No, rates escalated from 2020 baseline)	Yes
Interest Only Until Operational	Yes
Debt Term (years) (SDCWA default = 40 years)	40

**Notes**

The delivery volume is part of the original model version and is not fully functional. We recommend leaving the value set at the QSA total of 277,700 AF/yr.

The Yes/No options allow for adjustments to the MWD rate escalation baseline, and to adjust whether RCS financing is interest-only until project completion. The Draft Study defaults are as shown.

The RCS finance term can be set at 30 or 40 years. The default is 40 years.

## B.4. Model Outputs

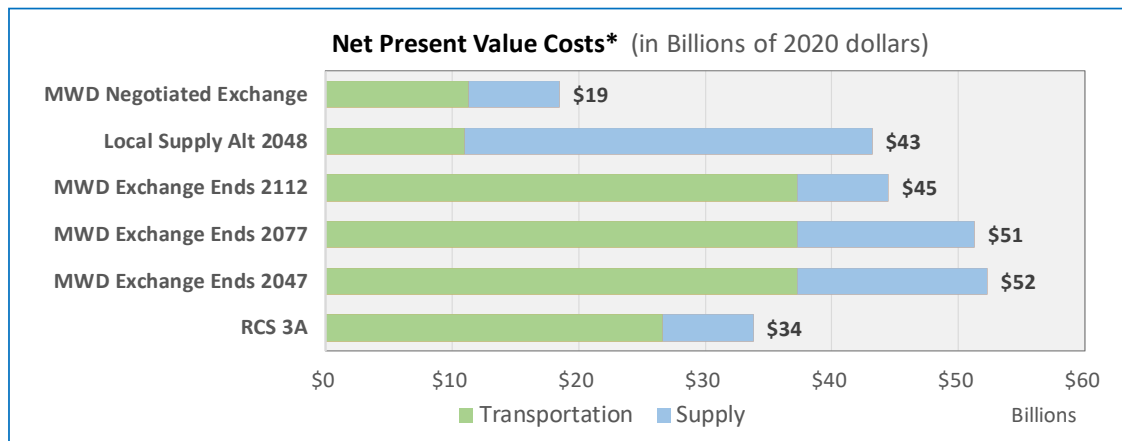
The right-hand side of the dashboard displays results, in three sections.

### Uppermost Section (Green/Blue chart)

The uppermost section presents a tabular summary of Net Present Value for each of the options, and below this the same data is presented in a horizontal bar graph. We refer to the bar chart at the Green/Blue chart. Aside from formatting modifications and the addition of the Negotiated Exchange option, this part of the dashboard is unchanged from the original model version provided by SDCWA.

A screenshot of this section is shown below and reflects the model results when all of the Draft Study's default inputs are applied.

Net Present Value Analysis (2020 Dollars)*				
Supply Option	Transportation	Supply	Total	Unit Cost
RCS 3A	\$26,600,000,000	\$7,200,000,000	\$33,800,000,000	\$1,790/AF
MWD Exchange Ends 2047	\$37,300,000,000	\$15,000,000,000	\$52,300,000,000	\$2,770/AF
MWD Exchange Ends 2077	\$37,300,000,000	\$14,000,000,000	\$51,300,000,000	\$2,720/AF
MWD Exchange Ends 2112	\$37,300,000,000	\$7,200,000,000	\$44,500,000,000	\$2,360/AF
Local Supply Alt 2048	\$11,000,000,000	\$32,200,000,000	\$43,200,000,000	\$2,290/AF
MWD Negotiated Exchange	\$11,300,000,000	\$7,200,000,000	\$18,500,000,000	\$980/AF



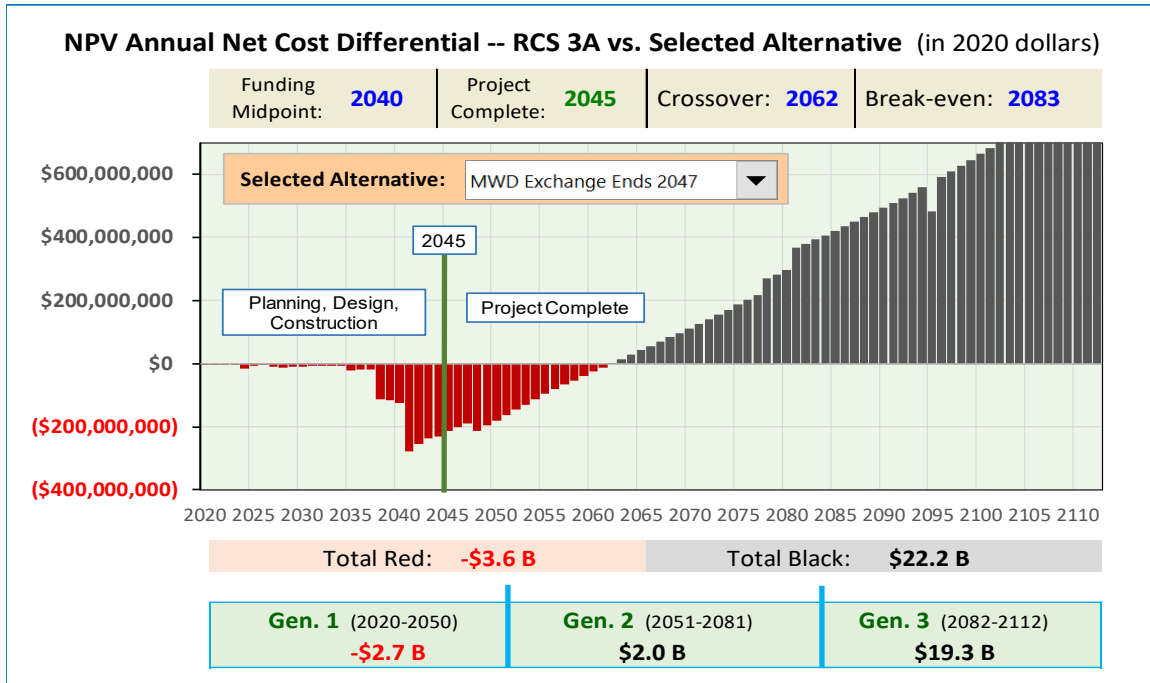
### Middle Section (Red/Black chart)

The middle section presents the NPV Annual Net Cost Differential chart, also known as the Red/Black chart. The chart and accompanying data summaries detail the annual cost differential between the RCS 3A project and whichever alternative is selected by the user. When the model opens, the alternative selected is the MWD Exchange 2047 option because this is the default point of comparison used by the Draft Study. This part of the dashboard was added by the IC.

The Red/Black chart is important because it supplements the Green/Blue chart's depiction of total NPV over the period of analysis with detail on how RCS costs and benefits are distributed over time.

The period of the charted data can be truncated by adjusting downward the NPV End Date variable in the Financial Terms input section at left.

A screenshot of this section is shown below and reflects the model results when all of the Draft Study’s default inputs are applied.

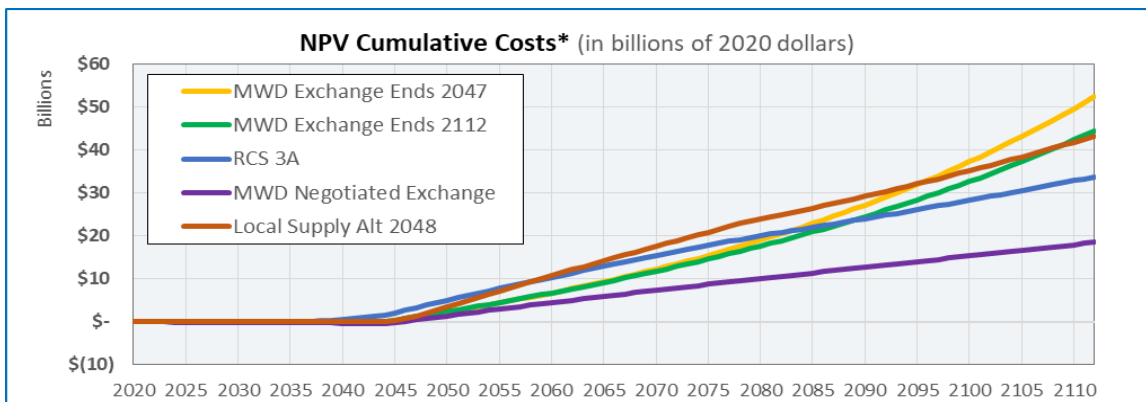


Other key data outputs listed in this section are:

- **Data windows above the chart** indicate the year of Crossover from net losses to net gains, and the year of breakeven, when upfront project investments are recouped.
- **Red / Black data windows below the chart** indicate the cumulative net draws and returns over the period of analysis.
- **Generational Cost Summary boxes below the chart** indicate the net cumulative NPV cost and benefits to each of three generations.

### Lower Section (Cumulative Cost Chart)

The lower section of the results area contains a chart displaying cumulative costs in 2020 dollars over time for each of the alternatives. This chart was included in the original model on another worksheet and moved to the dashboard by the IC. A screenshot of this section is shown below and reflects the model results when all of the Draft Study’s default inputs are applied.





## B.5. Instructions

- 1) **General -- Start with the Dashboard:** The **RCS Dashboard** worksheet provides summary cost and economic comparisons, and the ability to easily adjust most of the key input variables. Adjustable inputs are indicated by **orange cell shading**. Use these to test the sensitivity of results to changes in assumptions.
- 2) **Intermediate User Adjustments:** See the **Rate Forecasting** worksheet for additional user adjustments relative to the Negotiated Exchange, Local Water, and other options. The adjustments on this worksheet are generally less consequential than those on the Dashboard, but may be of interest to some users.

## B.6. Architecture

The Spreadsheet is structured into worksheets as follows. Additional notes and instructions are included in the main worksheets.

- **Hello:** Description, architecture, and general instructions
- **RCS Dashboard:** Main user-input and results summary page
- **Rate Forecasting:** Generates year-by-year costs for the non-RCS supply and transportation options
- **Cash Flows:** Generates the cash-flow analysis summarized on the Dashboard.
- **Other Worksheets:** The worksheets to the right of the Other Worksheets tab contain detailed cost estimates and cost scheduling data for each of the three RCS alignment alternatives. Only Alternative 3A, the least costly of the three, is used in the Dashboard.

## B.7. User Notes / Suggestions for Sensitivity Testing

We suggest new users experiment with the following sensitivity testing.

- **End Date for NPV Calculation:** The model opens at the default setting of 2112 as the end date for NPV calculation. Experiment with dialing down the end date in increments. Note the black bars truncate from right to left on the Red/Black chart, driving down RCS project benefits.
- **MWD Rate Escalation:** The model opens with MWD rates escalating at 5.1 percent per year for the full period of analysis. Experiment with timing-out the initial escalation rates, and with adjusting the initial rate for Exchange escalation downward to its 20-year average. Escalation rates can also be dialed up. This testing demonstrates the comparison of RCS results to MWD Exchange results to be highly sensitive to MWD rate escalation assumptions.
- **Local Supply Adjustments:** Adjust Local Supply unit costs on the dashboard. Also, experiment with alternative settings for QSA price escalation, perhaps setting this closer to MWD price escalation levels. This testing demonstrates the comparison of the Local Supply option to other options is sensitive to local supply unit costs and to QSA escalation rates.
- **Negotiated Exchange Option:** Experiment with alternative NPV end dates and MWD escalation rates to test the sensitivity of the Negotiated Exchange option to changes in these variables.

**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: BUENA CROSS TIE WITH LAND OUTFALL MANHOLE EMERGENCY REPAIR**

**BACKGROUND:**

A portion of the District's wastewater is conveyed to the Encina Water Pollution Control Facility (EWPCF) using the District's Land Outfall. The Land Outfall is approximately 8 miles long and conveys flow by gravity as well as pressure through siphon sections. The eastern portions of the Land Outfall are owned and operated wholly by the District. The westerly facilities are owned by the District, with shared capacity and cost agreement with the City of Carlsbad and the Buena Sanitation District (BSD).

From El Camino Real to the EWPCF, the District owns the Land Outfall, but shares capacity with Carlsbad and BSD. The facilities include three siphons and gravity pipelines ranging from 21-inches to 39-inches in diameter. The pipeline conveys flows westerly and is generally aligned south of, or within, Camino Vida Roble and Palomar Airport Road.



*The Land Outfall is a critical component of the District's infrastructure. The alignment includes narrow easements along environmentally sensitive corridors and major streets.*

**DISCUSSION:**

After the significant rainfall that occurred in early April, staff inspected portions of the Land Outfall for damage or blockage. Staff discovered that a VWD manhole, originally constructed in 1986, could fail due to the excessive rain and was in need of immediate repair. This manhole is in a section of pipeline where turbulence generated by a sharp angle along the sewer alignment causes the release of hydrogen sulfide gases which can corrode concrete and weaken the manhole over time.

The failure of this manhole could result in a major sewage spill affecting the nearby Encinas Creek Habitat Conservation Area (HCA), ultimately spilling into the Pacific Ocean a mile downstream. The Encinas Creek HCA is part of the City of Carlsbad's habitat management preserve. It includes riparian habitat and is known to be home to state and federally protected species.

On May 12, Engineering and Collections staff met to assess the situation and determined emergency repairs were required. Although the Vallecitos Water District has proper easement rights to access, operate, and maintain the pipeline, the agency must avoid any impact to the existing habitat while repairing the manhole.

Instead of replacing the manhole, the District used a polymer concrete replacement product to build a new manhole within the old manhole. As a result, no excavation was needed. Unlike regular concrete, the new material is corrosion-proof and should provide District customers with many decades of reliable service while protecting the environment.

The District kept all construction activities within its existing easement to avoid any impacts to existing riparian vegetation. Construction crews constructed a temporary bridge over an existing stream obstructing access to the manhole. The bridge installation was designed to be temporary, and not affect the existing stream with footings or other supports. Constructing the bridge for access turned out to be the most complex part of the repair project.

Cass Construction was selected to perform the work due to their previous experience with the District installing capital improvement projects, water system repairs, and their ability to mobilize quickly. Construction management and inspection was performed by District engineering staff.

District crews working with Cass Construction took advantage of the lower sewage flow during the early morning hours, starting work at 3 a.m. to get as low into the waterline as possible.

Staff hired Cass Construction to perform emergency repairs to the manhole under the District's emergency purchasing policy. District staff were unable to perform this repair primarily due to the depth and equipment required to complete this repair. Under normal conditions, Resolution No. 1481 requires Board approval for construction above \$50,000. However, under Section 8 of this Resolution, the General Manager can authorize emergency purchases above \$50,000 if it is required "for the health, safety and welfare of the customers of the District, for the protection of the District's property, or if there is an immediate need or emergency which could not be reasonably foreseen." Board approval is required at the next available Board meeting. Final billings from Cass were received in July and reviewed by District staff for accuracy and submitted herein to the Board of Directors for approval.

- On May 12, staff met with Cass to discuss requirements and permits
- On May 19, Cass began construction of temporary bridge
- Between May 20 and June 8, manhole rehabilitation was completed
- On June 4, patching to the curb where equipment accessed the easement was completed

Cass Construction completed the repairs and restoration between the dates of May 19 and June 6.

As joint partners on the Land Outfall, per the 1985 Agreement, incurred costs, including emergency repairs, are distributed among the agencies as follows:

Agency		
Vallecitos WD	Buena SD	City of Carlsbad
58.03%	17.99%	23.98%

**FISCAL IMPACT:**

	<u>Totals</u>
Cass Construction repair construction	\$81,713.24
Land Surveying Consultants	\$1,666.00
Staff/Equipment & Overhead (estimated)	\$6,965.00
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Total	\$90,344.24
BSD responsibility	\$16,252.93
City of Carlsbad responsibility	\$21,664.55
VWD responsibility	\$52,426.76

Staff time includes the coordination with City of Carlsbad, assisting the contractor during the repair, coordination with the property owners, and inspection time.

Funding for the repair will be from Fund 200 – sewer operations. The City of Carlsbad is requiring a Coastal Development Permit associated with this work. Staff will track these costs for reimbursement also.

**RECOMMENDATION:**

Staff recommends the Board approve payment to Cass Construction in the amount of \$81,713.24 for emergency repair of the manhole.

**DATE: AUGUST 19, 2020**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: COVID FINANCIAL REPORTING PRESENTATION**

**BACKGROUND:**

The COVID pandemic has had far reaching impacts on society and has resulted in significant changes in how businesses and citizens act. Of particular interest to Vallecitos is how those societal changes may affect District operations and finances. In preparing the FY2021 budget, staff developed a series of assumptions to estimate the financial impact that COVID may have on the District.

Several discussions have taken place with the Finance Committee and the Board in conjunction with the budget development regarding metrics that could be developed and tracked to determine the accuracy of the assumptions made in the preparation of the budget. Staff committed to providing monthly updates of the financial tracking metrics to the Board.

**DISCUSSION:**

Staff will be providing an update on the financial tracking metrics at the August 19, 2020, Board meeting. The information provided will reflect conditions up to July 31, 2020. This is the first month in which information can be compared to the assumptions developed for the FY2021 budget. Because it is the first month of the Fiscal Year, we are not able to develop a trend. Subsequent updates will determine the direction in which certain metrics are trending and enable the Board and staff to determine the need for any budget-related course corrections.

It may take several months for patterns to emerge and it would be advisable to receive several months' worth of data before any changes are considered. In addition, it is important to note that several of the indicators/metrics have a built-in time lag, meaning the data presented does not necessarily reflect the results for the month in which the data is presented. For example, when staff reports in August on water sales, the data will be for July billings, which reflect June usage. This time lag is important when the District is trying to correlate the data it compiles with how society is reacting to COVID-related restrictions.

**FISCAL IMPACT:**

There are no fiscal impacts associated with receiving the staff presentation. The information provided will enable the District to determine how well the data compares to the estimates upon which the Fiscal Year 2021 budget was prepared.

**RECOMMENDATION:**

Receive the staff presentation and provide direction as appropriate.