

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, DECEMBER 15, 2021, AT 5:00 P.M.  
AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT ELITHARP

NOTICE TO THE PUBLIC

IN PERSON BOARD MEETING. Until further notice, meetings of the Board of Directors of the Vallecitos Water District will be held in the Board Room at the District Offices located at 201 Vallecitos de Oro, San Marcos, California, on the date and time identified above.

MASKS WILL BE REQUIRED IN THE BOARD ROOM. Pursuant to Governor Newsom’s Executive Order N-29-20 dated March 17, 2020, and Executive Order N-33-20 dated March 19, 2020, issued with respect to the COVID-19 pandemic, all persons attending the meeting in person will be required to maintain social distancing and wear a facial covering at all times while in the Board Room.

BROADCAST OF THE MEETING. Members of the public may watch the meeting live via computer or smart device by going to the District’s website: <https://www.vwd.org/departments/board-of-directors/meetings-minutes> and clicking on the “Watch Live” icon; however, they will not be able to participate in the meeting remotely.

LISTEN TO THE MEETING. Members of the public may listen to the meeting live on their phone by dialing (888) 788-0099 (Toll Free) or (877) 853-5247 (Toll Free). When prompted, enter the meeting ID and Passcode displayed on the District’s website.

PLEDGE OF ALLEGIANCE

ROLL CALL

ADDITIONS TO THE AGENDA

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code upon a determination by a majority vote of the Vallecitos Board that an emergency situation exists, as defined in Section 54956.5, or upon a determination by a two-thirds vote of the Board present at the meeting, or, if less than two-thirds of the Board are present, a unanimous vote of Board members present, that there is a need to take immediate action and that the need for action came to the attention of the Vallecitos Water District subsequent to the agenda being posted.

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 15, 2021

PUBLIC COMMENT

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

PRESENTATIONS

The plaque to be installed at the Meadowlark Reclamation Facility administrative building honoring Wastewater Treatment Plant Supervisor Dawn McDougle's many years of service and contributions to the District will be unveiled.

President Elitharp will acknowledge the Huell Howser Excellence in Communication Award bestowed to the District by the Association of California Water Agencies for the "Work We Do" video series created by staff.

Director Sannella will be presented with a plaque commemorating his service as 2021 Board President.

CONSENT CALENDAR

All matters listed under the Consent Calendar are expected to be routine and non-controversial, to be acted upon by the Board 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. 6-26)

- A. REGULAR BOARD MEETING – NOVEMBER 17, 2021
- B. FINANCE/INVESTMENT COMMITTEE MEETING – NOVEMBER 22, 2021
- C. REGULAR BOARD MEETING – DECEMBER 1, 2021
- D. PUBLIC AWARENESS/PERSONNEL/POLICY COMMITTEE MEETING – DECEMBER 6, 2021
- E. ENGINEERING/EQUIPMENT COMMITTEE MEETING – DECEMBER 6, 2021

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

**Recommendation: Approve Minutes**

1.2 WARRANT LIST THROUGH DECEMBER 15, 2021 - \$806,708.30 (pp. 27-29)

**Recommendation: Approve Warrant List**

1.3 FINANCIAL REPORTS (pp. 30-49)

- A. WATER METER COUNT – NOVEMBER 30, 2021
- B. WATER PRODUCTION/SALES REPORT – 2021/2022
- C. PER CAPITA WATER CONSUMPTION – NOVEMBER 30, 2021
- D. WATER REVENUE AND EXPENSE REPORT – NOVEMBER 30, 2021
- E. SEWER REVENUE AND EXPENSE REPORT – NOVEMBER 30, 2021
- F. RESERVE FUNDS ACTIVITY – NOVEMBER 30, 2021
- G. INVESTMENT REPORT – NOVEMBER 30, 2021
- H. LEGAL FEES SUMMARY – NOVEMBER 30, 2021

1.4 PROPOSED 2022 INVESTMENT POLICY RESOLUTION (pp. 50-66)

*The District is required to adopt an investment policy every calendar year.*

**Recommendation: Adopt Resolution**

1.5 ARCHITECTURAL DESIGN PROFESSIONAL SERVICES AGREEMENT AWARD FOR THE MAINTENANCE SERVICES BUILDING C TENANT IMPROVEMENTS (pp. 67-69)

*This project will create a finished office space for staff in the Maintenance Services C Building at the District headquarters.*

**Recommendation: Authorize the General Manager to Execute a Professional Services Agreement with MBN Group Architects in the amount of \$49,443**

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

ACTION ITEM(S)

2.1 UPDATE ON WATER COST OF SERVICE STUDY (pp. 70-71)

*It is recommended that a full Cost of Service Study be completed at least every five years.*

**Recommendation: Request Board direction**

2.2 WATER SERVICE SHUT-OFF MORATORIUM (pp. 72)

*Senate Bill 155 was signed into law, extending the prohibition of water service shutoffs in California for non-payment until December 31, 2021.*

**Recommendation: For information only**

2.3 2022 STRATEGIC PLAN (pp. 73-83)

*The draft 2022 Strategic Plan incorporating the Board's requested modifications will be presented.*

**Recommendation: Adopt the 2022 Strategic Plan**

2.4 WATER SUPPLY CONDITIONS UPDATE (pp. 84)

**Recommendation: For information only**

2.5 COMMITTEE APPOINTEES AND REPRESENTATIVES (pp. 85-86)

*Annual Board appointments for 2022.*

**Recommendation: Request Board direction**

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

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

3.4 ENCINA WASTEWATER AUTHORITY

- Board of Directors Meeting
- 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, Ann Johnson, Administrative 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., Thursday, December 9, 2021.

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Ann Johnson

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, NOVEMBER 17, 2021, AT 5:00 PM, AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Present: Director Boyd-Hodgson  
Director Elitharp  
Director Hernandez  
Director Pennock  
Director Sannella

Staff Present: General Manager Pruim  
Assistant General Manager Gumpel  
Legal Counsel Gilpin  
Administrative Services Manager Emmanuel  
Finance Manager Owen  
Capital Facilities Senior Engineer Morgan  
Development Services Senior Engineer Lopez  
Asset Management Supervisor Bowman  
Public Information/Conservation Supervisor Robbins  
Principal Financial Analyst Arthur  
Information Technology Technician Todd

Others Present: Ari Elden, Hoch Consulting

Director Pennock led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 17, 2021

21-11-07 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 17, 2021.

PUBLIC COMMENT

None.

CONSENT CALENDAR

21-11-08 MOTION WAS MADE by Director Pennock, seconded by Director Boyd-Hodgson, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

A. Public Awareness/Personnel/Policy Committee Meeting – November 1, 2021

- B. Closed Session Board Meeting – November 3, 2021
  - C. Regular Board Meeting – November 3, 2021
- 1.2 Warrant List through November 17, 2021 - \$1,009,148.20
- 1.3 Financial Reports
- A. Water Meter Count – October 31, 2021
  - B. Water Production/Sales Report – 2021/2022
  - C. Per Capita Water Consumption – October 31, 2021
  - D. Water Revenue and Expense Report – October 31, 2021
  - E. Sewer Revenue and Expense Report – October 31, 2021
  - F. Reserve Funds Activity – October 31, 2021
  - G. Investment Report – October 31, 2021
  - H. Legal Fees Summary – October 31, 2021

PUBLIC HEARING

PUBLIC HEARING TO ADOPT AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT REPEALING ORDINANCE NO. 198 AND ADOPTING A DROUGHT RESPONSE WATER CONSERVATION PROGRAM THAT CONFORMS TO THE DISTRICT’S WATER SHORTAGE CONTINGENCY PLAN

President Sannella opened the hearing as duly noticed and posted to consider an ordinance repealing Ordinance No. 198 and adopting a Drought Response Water Conservation Program that conforms to the District’s Water Shortage Contingency Plan. The hearing opened at 5:04 p.m.

Public Information/Conservation Supervisor Robbins stated the Board approved the District’s 2020 Urban Water Management Plan and Water Shortage Contingency Plan on June 16, 2021. New requirements in these documents require water districts to modify drought ordinances to include six levels of drought. The proposed ordinance will replace Ordinance No. 198 which had only four levels of drought, and will include drought rates at levels 2 through 6. Public Information/Conservation Supervisor Robbins briefly reviewed highlights of the proposed ordinance including the six drought levels.

Staff recommended the Board adopt the ordinance repealing Ordinance No. 198 and adopting the Drought Response Water Conservation Program that conforms to the District’s Water Shortage Contingency Plan.

General discussion took place.

Gayle Martin, member of the public, inquired how the District will notify its customers of the drought levels and expressed her concern regarding a fountain in her community.

Further general discussion took place.

General Manager Pruim stated no written public comments were received. There being no other persons wishing to address the Board, President Sannella closed the hearing at 5:20 p.m.

21-11-09 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Hernandez, and carried unanimously, to adopt the ordinance.

Ordinance No. 219 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella  
NOES:  
ABSTAIN:  
ABSENT:

ACTION ITEM(S)

WATER SUPPLY CONDITIONS UPDATE

Public Information/Conservation Supervisor Robbins facilitated a presentation, Update on Water Supply Conditions, as follows:

- Vallecitos Declares a Level 1 – Drought Watch (Voluntary)
- Northern Sierra 8-Station Precipitation Index
- California Reservoir Storage
- Colorado River Shortage Declared
- Colorado River Status
- Three-Month Temperature Outlook
- Three-Month Precipitation Outlook
- New Ordinance and Video
- Conclusion

General discussion took place.

This item was presented for information only.

LAND OUTFALL WEST CONDITION ASSESSMENT UPDATE

Asset Management Supervisor Bowman and Ari Elden of Hoch Consulting presented an update on the Land Outfall West Condition Assessment which included:

- Project Team
- General Findings



- Condition Assessment
- Recommendations and Next Steps

Overall, the pipeline and manholes were found to be in decent condition given their age, materials of construction, and their 35 years of service. There were no defects identified that required immediate action. Next steps for this project will be to review and prioritize the recommendations, determine maintenance activities that can be performed by District staff, and begin work on a bid package for the renewal and replacement activities.

General discussion took place.

This item was presented for information only.

### SAN MARCOS INTERCEPTOR PHASE II PROJECT ACCEPTANCE

Capital Facilities Senior Engineer Morgan provided background information on the San Marcos Interceptor Phase II Project which consists of replacing existing 21-inch diameter sewer pipeline with 12,200 feet of new 42-inch diameter sewer pipeline between Twin Oaks Valley Road and Pacific Street. This is the final phase of the project. Multiple phases were completed between 2002 and 2014.

Capital Facilities Senior Engineer Morgan briefly reviewed amendments to the engineering services contract and three change orders to the construction contract totaling \$286,734. The project was completed on November 3, 2021, at a total cost of \$8,429,306 with a budget surplus of \$320,694.

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

21-11-10 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to accept the project and authorize the filing of a Notice of Completion and release of retention funds to the contractor following the 60-day notice period.

### REFUNDED PROCEEDS FROM THE RESOLUTION OF THE LAWSUITS BETWEEN SAN DIEGO COUNTY WATER AUTHORITY AND METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

General Manager Pruiem provided a presentation, Refunded Proceeds from Metropolitan Water District (MWD)/ San Diego County Water Authority (CWA) Lawsuits, as follows:

- History
- Current Issue

- Board Options
  - Utilize Refunds to Offset the Cost of Imported Water Purchased from CWA
  - Refund Proceeds Evenly Among All Current District Customers
  - Refund Proceeds to Customers Based on Meter Size
  - Refund Proceeds to Customers Based on Financial Contribution Over Lawsuit Time Period
- Meter Size Method

Gayle Martin, member of the Public, stated she did not receive an adequate share of her HOA's refund from the previous disbursement of MWD/CWA lawsuit proceeds, and requested the Board use these lawsuit proceeds to lower the increase of water rates.

General discussion of the options presented took place.

The Board directed the Finance/Investment Committee to further consider this item at their next meeting on November 22.

## REPORTS

### GENERAL MANAGER

None.

### DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin stated Cal/OSHA is scheduled to meet on November 18, 2021, regarding the Federal OSHA mandated vaccine requirements.

### SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp stated the CWA Board will meet on November 18.

### ENCINA WASTEWATER AUTHORITY

Director Hernandez provided a brief summary of actions taken at the EWA Board meeting this morning. The Board will continue to meet virtually at their next meeting. Interviews for the EWA General Manager position are scheduled for December 8.

### STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Elitharp reported on his attendance to the California Association of Sanitation Agencies Board strategic planning retreat on November 8.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Boyd-Hodgson asked if the Board or District participates in community service or charitable activities during the holidays. Staff will provide information to the Board on what was done previously before COVID.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 6:37 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, December 1, 2021, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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Michael A. Sannella, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE  
FINANCE/INVESTMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, NOVEMBER 22, 2021 AT 4:00 P.M.,  
AT THE DISTRICT OFFICE IN THE BOARD ROOM  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Sannella called the meeting to order at the hour of 4:00 p.m.

Present: Director Boyd-Hodgson  
Director Sannella  
General Manager Pruum  
Finance Manager Owen  
Accounting Supervisor Rathsam  
Principal Financial Analyst Arthur  
Information Technology Technician Todd  
Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr, LLP  
John Wright, Raftelis

ITEM(S) FOR DISCUSSION

FISCAL YEAR 2021 AUDIT RESULTS

Finance Manager Owen stated the audit for the fiscal year ending June 30, 2021, began in June and final field work was completed during the week of September 20. Staff has prepared the Comprehensive Annual Financial Report which will be presented to the Board on December 1, 2021, at their regular meeting.

Shannon Ayala of DavisFarr, LLP provided a presentation on the audit results during which she reviewed the audit reports, audit results, and areas of focus. The auditors issued an unmodified opinion dated November 12, 2021, the highest level of audit opinion that can be received, indicating that the financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles. No significant deficiencies or material weaknesses in internal controls were identified.

General discussion took place.

COST OF SERVICE STUDY UPDATE

General Manager Pruum stated the last time the District increased its water rates was in March 2020, and sewer rates have not increased in approximately four years. Since that time, the District has absorbed numerous cost increases associated with water

purchased from the San Diego County Water Authority, San Diego Gas & Electric charges, insurance, materials, and labor costs. The District can no longer continue to absorb these cost increases. In order to increase rates, the District must complete a Cost of Service Study (COSS) and adhere to the Proposition 218 process.

Principal Financial Analyst Arthur and John Wright of Raftelis facilitated a presentation on the COSS Update/Scenarios as follows:

- Cost of Service Study Process
- What is Cost of Service?
- California Proposition 218: A Cost of Service Mandate
- Cost of Service: Allocation to Cost Components
- Study Objectives
- Recent Water Cost of Service History
- Conclusions from Board Ranking of Pricing Objectives
- Current Commodity Rates
- Current Readiness to Serve Charges
- Current Pumping Surcharges
- Cost of Service Study Scenarios
- Rate Summary – Average Single Family Residence
  - Base Scenario
  - Desal as a Fixed Charge
  - Property Tax/RDA Offset (75/25) – Recommended Option
- Basis for Recommendation
- Incremental but Substantive Improvement
- Next Steps

Gayle Martin, member of the public, stated Tier 3 customers should see the most increase, not decrease, in rates as they use the most water.

A proposed schedule for the COSS was presented as follows:

- Board Workshop 1 – December 15, 2021
- Board Workshop 2 – January 11, 2022
- Notice of Public Hearing Mailed – January 14, 2022
- Public Hearing – March 2, 2022
- New Rates in Effect – March 3, 2022
- For Bills Mailed On or After April 3, 2022
- Bills Due No Earlier Than April 23, 2022

General discussion took place.

General Manager Pruim stated the three rate scenarios will be presented to the full Board at the first workshop which will likely be scheduled in mid-December and not at a regular Board meeting.

REFUND OF MWD/CWA LAWSUIT PROCEEDS

General Manager Pruim stated this item was discussed at the November 17, 2021, Board meeting. The Board directed the Finance/Investment Committee to further consider the second refund received as a result of the resolution of the lawsuits between the San Diego County Water Authority and Metropolitan Water District of Southern California. Four options were presented to the Board as follows:

- Refund proceeds evenly amongst all current customers regardless of meter size.
- Refund proceeds in proportion to meter size (this method was used for the first lawsuit proceeds previously received).
- Refund proceeds according to the amount of money customers contributed during the period of time referenced in the lawsuits (2015-2017).
- Use the refunds to defray the cost of imported water over a defined period of time such as a year.

General Manager Pruim further stated the Board focused on the second and fourth options. If the meter size method is used, each 5/8" and 3/4" meter would receive a one-time bill credit of \$43.28. If the proceeds were used to defray the cost of imported water over the next year, each unit of water sold would decrease by approximately 20 cents. A typical single-family customer would see a benefit of approximately \$31.20 over the course of a year depending on how much water they use.

General discussion took place regarding tenants of multi-family accounts, apartments, and mobile home parks that did not receive the previous credits directly. The District has no control over how HOAs and apartment complexes distribute refunds to their tenants.

The consensus of the Committee was to recommend refunding the lawsuit proceeds in the same manner as was done previously (by meter size).

Gayle Martin, member of the public, expressed her opinion that the lawsuit proceeds should be used to lower future rate increases.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:40 p.m.

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE VALLECITOS WATER DISTRICT  
WEDNESDAY, DECEMBER 1, 2021, AT 5:00 PM AT THE DISTRICT OFFICE  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Present: Director Boyd-Hodgson  
Director Elitharp  
Director Pennock  
Director Sannella

Absent: Director Hernandez

Staff Present: General Manager Pruim  
Assistant General Manager Gumpel  
Legal Counsel Norvell  
Administrative Services Manager Emmanuel  
Finance Manager Owen  
Capital Facilities Senior Engineer Morgan  
Development Services Senior Engineer Lopez  
Information Technology Supervisor Labarrere  
Principal Financial Analyst Arthur  
Systems Administrator Drummond  
Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr, LLP

Director Boyd-Hodgson led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF DECEMBER 1, 2021

21-12-01 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to adopt the agenda for the Regular Board Meeting of December 1, 2021.

PUBLIC COMMENT

Gayle Martin, member of the public, requested the District's website be updated to state that the public does not have the ability to speak while viewing public meetings remotely via Zoom.

CONSENT CALENDAR

President Sannella stated General Manager Pruim requested Item 1.6 of the Consent Calendar be pulled for separate discussion.

21-12-02 MOTION WAS MADE by Director Elitharp, seconded by Director Boyd-Hodgson, and carried unanimously, with Director Hernandez absent, to approve Consent Calendar as presented with the exception of Item 1.6.

1.1 Approval of Minutes

A. Closed Session Board Meeting – November 17, 2021

1.2 Warrant List through December 1, 2021 - \$4,445,501.35

1.3 Request for Sewer Annexation Into the Sewer Improvement District (Mosqueda)

1.4 Approval of Construction Agreement for Woodspring Suites Water and Sewer Improvements (BSREP II WS San Marcos, LLC.)

1.5 Construction Contract Award for Palos Vista Pump Station Motor Starters Upgrade

1.6 Authorization to Execute a Three Year Agreement with Secureworks for Security Operations Services

General Manager Prum stated that regarding Item 1.6, subsequent to posting the agenda, the need for a slight modification to the agreement with Secureworks was identified. He requested the Board's authorization to execute the agreement with the addition of an addendum to the agreement to include insurance requirements the General Manager and the District's legal counsel have approved and agreed upon with Secureworks.

21-12-03 MOTION WAS MADE by Director Pennock, seconded by Director Boyd-Hodgson, and carried unanimously, with Director Hernandez absent, to approve Item 1.6 of the Consent Calendar with the modification as presented.

ACTION ITEM(S)

ANNUAL BOARD TRANSITION

General Manager Prum stated past practice has been to rotate the positions of Board President and Vice President annually in December. The usual rotation would suggest Director Elitharp be appointed President and Director Hernandez Vice President. He suggested the incoming office holders become effective at the December 15 Board meeting instead of during this meeting as has been done in the past, and making the committee assignments and representative appointments at that meeting as well.

21-12-04 MOTION WAS MADE by President Sannella, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to appoint Director Elitharp President and Director Hernandez Vice President of the Board of Directors effective December 15, 2021.



## FISCAL YEAR 2021 AUDIT AND COMPREHENSIVE ANNUAL FINANCIAL REPORT

Shannon Ayala of DavisFarr, LLP provided a presentation on the audit results for the fiscal year ended June 30, 2021, during which she reviewed the audit reports, audit results, and areas of focus. The auditors issued an unmodified opinion dated November 12, 2021, the highest level of audit opinion that can be received, indicating that the financial statements and footnotes are presented fairly, in all material respects, in accordance with generally accepted accounting principles. No significant deficiencies or material weaknesses in internal controls were identified.

Finance Manager Owen presented the Fiscal Year 2021 Comprehensive Annual Financial Report (CAFR) which included:

- Contents
  - Introductory Section
  - Financial Section
  - Statistical Section
- Financial Section
  - Financial Highlights
  - Current Year to Prior Year Analysis
  - Restrictions, Commitments and Limitations
  - Next Year's Budget and Rates
- Introductory Section
- Statistical Section
  - Financial Trends
  - Revenue Capacity
  - Debt Capacity
  - Demographic and Economic Information
  - Operating Information
- Next Steps

Staff recommended the Board accept the 2021 Comprehensive Annual Financial Report.

21-12-05 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, with Director Hernandez absent, to accept the 2021 Comprehensive Annual Financial Report.

## REDISTRICTING PROCESS UPDATE

Assistant General Manager Gumpel provided an update on the redistricting process, schedule, and division population and Director changes from 2012 to 2016 to 2020. The 2020 Census population data overall is equal to or closer, division by division, than the estimated 2016 population from the 2010 Census. At staff's request, the District's legal counsel reviewed the current divisions to see if they meet the requirements set for redistricting without modifications and found that the current divisions do not require modification.

Staff asked for a consensus of the Board for no change to the existing division boundaries based on the analysis of the 2020 Census data and to move forward with the public redistricting process. If a consensus was reached, staff would proceed with public outreach explaining no change to the division boundaries.

General discussion took place.

Gayle Martin, member of the public, expressed her concern that not all of the data may have been received yet.

The Board directed staff to move forward with public outreach to customers that will include existing division maps and population information without a recommendation of not changing boundaries. Information on two planned public hearings for public input on the redistricting process will also be included in the outreach.

#### REFUNDED PROCEEDS FROM THE RESOLUTION OF THE LAWSUITS BETWEEN SAN DIEGO COUNTY WATER AUTHORITY AND METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

General Manager Pruim provided background on the resolution of lawsuits between the San Diego County Water Authority (CWA) and Metropolitan Water District of Southern California (MWD) for the years 2015-2017. The District's share of the lawsuit proceeds is \$1,248,828.17. Several options for disbursement of the funds were presented to the Board at their November 17, 2021, meeting. The Board directed the Finance/Investment Committee to further discuss this item at the November 22 Committee meeting. The Committee recommended the proceeds be returned to the District's customers in the same manner as previous lawsuit proceeds, as a credit to customers of record based on meter size. Using this method, average single family customers will receive a one-time credit of approximately \$43.28 as of December 1, 2021, on their next billing cycle.

Gayle Martin, member of the public, urged the Board to use the lawsuit proceeds to offset the upcoming rate increase for one year.

General discussion took place.

21-12-06 MOTION WAS MADE by Director Boyd-Hodgson, seconded by President Sannella, and carried unanimously, with Director Hernandez absent, to provide the one-time credit to customers based on meter size.

#### ADJUSTMENT TO GENERAL MANAGER'S COMPENSATION

Legal Counsel Norvell stated the Board recently conducted a performance evaluation for General Manager Pruim. Following the evaluation, the Board and General Manager Pruim engaged in negotiations for potential changes to his compensation package. Proposed changes to General Manager Pruim's existing employment agreement include the following:

- Provide a one-time contribution to General Manager Pruim's Health Retirement Account (HRA) in the amount of \$13,287.20;
- Allow General Manager Pruim to convert the first 160 hours of vacation leave per calendar year to a HRA contribution; and
- Increase the allotment of Executive Leave from 40 hours per year to 50 hours per year.

21-12-07 MOTION WAS MADE by President Sannella, seconded by Director Elitharp, and carried unanimously, with Director Hernandez absent, to approve the adjustments to General Manager Pruim's compensation as presented.

## REPORTS

### GENERAL MANAGER

General Manager Pruim reported the following:

- Staff has completed the application for the State arrearages program to assist customers who fell behind in their utility bills. The District expects to receive \$276,082.05 from the program which will benefit 336 customers via bill credits.
- Construction for the Tesla batteries has begun at two of six District sites. The batteries will provide operational resilience and lower the District's operation costs.
- The Vallecitos Water District Financing Corporation will convene immediately after this Board meeting adjourns this evening.

### DISTRICT LEGAL COUNSEL

None.

### SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp provided a summary of actions taken at the November 18, 2021, CWA Board meeting.

### ENCINA WASTEWATER AUTHORITY

None.

### STANDING COMMITTEES

Director Sannella stated the Finance/Investment Committee met on November 22. Topics of discussion included the refund of CWA/MWD lawsuit proceeds, the CAFR and audit, and the upcoming Cost of Service Study.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

President Sannella reported on his attendance to the California Special Districts Association San Diego Chapter quarterly dinner meeting on November 18.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

This item was provided per Ordinance No. 216; no action required.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Boyd-Hodgson announced a charitable cause she is involved with during the holidays. She will post information on her personal Facebook page pertaining to donations for menstrual products for those in need.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 6:20 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, December 15, 2021, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

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Michael A. Sannella, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Glenn Pruum, Secretary  
Board of Directors  
Vallecitos Water District

MINUTES OF A MEETING OF THE  
PUBLIC AWARENESS/PERSONNEL/POLICY COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, DECEMBER 6, 2021, AT 10:00 A.M.  
AT THE DISTRICT OFFICE IN THE BOARD ROOM  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Boyd-Hodgson called the meeting to order at the hour of 10:00 a.m.

Present: Director Boyd-Hodgson  
Director Pennock  
General Manager Pruiam  
Assistant General Manager Gumpel  
Finance Manager Owen  
Development Services Senior Engineer Lopez  
Customer Service Supervisor Saavedra  
Meter Services Supervisor Tapia  
Public Information/Conservation Supervisor Robbins  
Administrative Secretary Johnson

PUBLIC COMMENT

None.

ITEMS FOR DISCUSSION

PERSONNEL

None.

PUBLIC AWARENESS

**(OLD BUSINESS) UPDATE ON VWD SCHOLARSHIP PROGRAM**

Public Information/Conservation Supervisor Robbins facilitated a discussion on scholarship criteria such as the number of scholarships and dollar amount to be offered, which high schools/colleges would be eligible, selection process (essay or application), method of payment to student or school, reimbursement or upfront payment, passing grade requirements, and budget considerations.

General discussion took place. General Manager Pruiam suggested the scholarship program mirror the District's existing employee tuition reimbursement program. Staff will provide the Committee with information on the employee program to assist in determining criteria for the scholarship program. The Committee favored providing the scholarship funds to the recipients up front and requiring them to report back to the Board as to how they were able to use the funds, what they learned, etc., with preference to students going into a water or wastewater related field of study.

General Manager Pruum stated the Board will have to approve a dollar amount for the scholarship program, eligibility criteria, and the selection process. Staff will prepare criteria based on the Committee's input for further discussion at the next Committee meeting.

**(OLD BUSINESS) UPDATE ON BILL DEAN PROGRAM**

General Manager Pruum stated the agreement with Bill Dean has been signed. Mr. Dean is currently reviewing schools, classrooms and teachers who will help with the program. The fifth-grade water unit generally takes place at the later part of the school year (April, May). The Committee will receive an update once the school, teacher, and classroom have been selected. \$25,000 has been set aside in the budget for this program.

POLICY

**(OLD BUSINESS) UPDATE ON SINGLE USE PLASTICS RESOLUTION**

Public Information/Conservation Supervisor Robbins has researched the cost of compostable knives, forks, and spoons for staff use versus plastic utensils. The cost difference is not significant, approximately \$270 more per year. The compostable utensils may be recycled. Providing boxed water for Board meetings instead of water in plastic bottles would cost approximately \$90 more per year. There also would not be a significant financial impact in using paper cups instead of plastic cups. Staff is prepared to move forward with the elimination of single-use plastics. The Committee is supportive of this.

Director Boyd-Hodgson would like the District to adopt a resolution in support of the City of San Marcos' recently adopted ordinance prohibiting single-use plastics. Staff recommended the resolution also include changes the District will make to their purchasing practices in regard to single-use plastics. Director Boyd-Hodgson will provide a copy of the City's ordinance to staff for reference in preparing a resolution for the Board's consideration.

**(NEW BUSINESS) PRIORITIZATION OF ORDINANCES/RESOLUTIONS/POLICIES REVIEW**

General Manager Pruum stated staff created a list of 14 ordinances, resolutions, policies or practices that either the Board or staff has expressed an interest in reviewing and updating. He asked for the Committee's input to narrow the list to six or so before presenting them to the Board to decide which ones to focus on. The Board, during General Manager Pruum's recent performance evaluation, suggested reviewing two to three ordinances, resolutions or policies per year.

Staff briefly reviewed each item on the list and the reasons they are recommended for review. The list included the timing of capacity fees, backflow device upgrades, inactive account status, Ordinance No. 216 (business of the Board), reserve levels, late bill payment arrangements, travel, purchasing, Board orientation handbook, fire service discharge to sewer, water/sewer lease capacity, reimbursement agreement policy, agricultural water, and temporary off-site agreements.

General discussion took place. Director Boyd-Hodgson requested the ordinance and resolution numbers of the items discussed.

Ordinances/resolutions/policies relating to the following were recommended for review:

- Ordinance No. 216 (business of the Board)
- reserve policy
- temporary off-site agreements
- water/sewer lease capacity
- backflow device upgrades
- Board orientation handbook
- reimbursement agreement policy

Staff will prepare an agenda item for a January Board meeting with recommendations for policy review.

NEXT MEETING DATE – OCTOBER 4, 2021

Due to the proximity of the holidays, the January 3, 2022, Committee meeting has been rescheduled to Monday, January 10, 2022.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at the hour of 11:30 a.m.

MINUTES OF A MEETING OF THE  
ENGINEERING/EQUIPMENT COMMITTEE  
OF THE VALLECITOS WATER DISTRICT  
MONDAY, DECEMBER 6, 2021, AT 3:00 P.M.  
AT THE DISTRICT OFFICE IN THE BOARD ROOM  
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

Director Elitharp called the meeting to order at the hour of 3:18 p.m.

Present: Director Elitharp  
Director Hernandez  
Assistant General Manager Gumpel  
Asset Management Supervisor Bowman  
Capital Facilities Senior Engineer Morgan  
Capital Facilities Engineer Santos  
Operations and Maintenance Manager Pedrazzi  
Development Services Senior Engineer Lopez  
Engineering Services Assistant Fretwell

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

MEADOWLARK RECLAMATION FACILITY AERATION BASIN IMPROVEMENTS  
PROJECT UPDATE

Capital Facilities Engineer Santos provided an update on the Aeration Basin Improvements Project. Panels have been replaced in 2007 and 2011, but they continued to show inefficiency. Since the panels were no longer being made, we were unable to get parts to make the necessary repairs. Therefore, a study was completed to update the aeration zone and add a biological selector. A notice to proceed with construction was issued in March 2021.

Capital Facilities Engineer Santos stated that due to supply chain issues, the Aeration Basin Improvements Project was delayed by three months. The supplies are scheduled to arrive on December 7 and progress will continue. The first basin will be tested by early January, and project completion is expected in March 2022. Even with the delays, the project is estimated to have a surplus of approximately \$330,000.

Assistant General Manager Gumpel added that the new biological selector has the primary goal of removing phosphorus, which contributes to algae in the Mahr Reservoir. Algae can be costly to treat since it feeds bugs and larvae and produces additional maintenance for the system. Also, the previous aeration basins used membranes, but they were susceptible to failure. By using the ceramic discs, it brings reliability.



### EMERGENCY BYPASS REHABILITATION PROJECT UPDATE

Capital Facilities Engineer Santos stated the Emergency Bypass Rehabilitation Project is being conducted due to three breaks over the last six years (2015, 2017, and 2019). The emergency bypass allows sewer flows to bypass the treatment plant to the sewer outfall and has not been operational since the last break in 2019. Constructed with 16" Techite fiberglass reinforced pipe in 1967, the fragile nature of the pipe material lends to failure. To address the issue, the 16" sewer bypass will be structurally lined with CIPP from Pine Nursery to Melrose Drive, 3,200 ft. Five manholes will be installed, one per 1,000 ft.

To conserve costs, this Emergency Bypass Rehabilitation Project will be combined with the Failsafe Rehabilitation Project. The projects run parallel to each other. The Failsafe Rehabilitation Project begins off Redwing Street and runs through the canyon along the bypass. The failsafe has also shown past failures nearby.

Capital Facilities Engineer Santos further stated that the engineers estimate is \$1.7 million, and \$3.2 million is currently budgeted for planning, design, and construction. In January 2022, the design will be completed and the bid documents will be advertised. The bid opening and project award will occur through February and early March.

Assistant General Manager Gumpel stated that the failsafe is in three sections divided by which agencies share the section. There will be multiple projects over the next few years involving the rehabilitation of the failsafe throughout the three sections.

### MAINTENANCE SERVICES DEPARTMENT OFFICE IMPROVEMENTS UPDATE

Capital Facilities Senior Engineer Morgan stated the Maintenance Services Department Office Improvements is a new item before the Committee to create an office space for the Maintenance Services Department. This newly created department does not have an office space and seeks to modify the existing shop area in Building C into an office setting. The current space is not finished and requires HVAC, mechanical, plumbing, electrical, and other updates to create the office space.

Capital Facilities Senior Engineer Morgan explained that the Operations and Maintenance Department requested the Capital Department facilitate planning, design, bid, and construction phases of this project. Proposals were solicited from qualified architects who have done work for other local agencies in the North County San Diego area. Over the next week, the four proposals received will be evaluated. This project is currently scheduled to begin in June 2022 with construction ending in 2023 or earlier. Currently \$150,000 is budgeted for in the 2021-2022 fiscal year.

Operations and Maintenance Manager Pedrazzi stated that the Facilities Maintenance Department includes landscapers, mechanics, and warehouse workers. The department needs a place to work and meet.

Assistant General Manager Gumpel stated this is an informational item that will come to the Board for architectural award acceptance in either December 2021 or January 2022. The construction budget will be assessed for the 2022-2023 fiscal year.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:44 p.m.

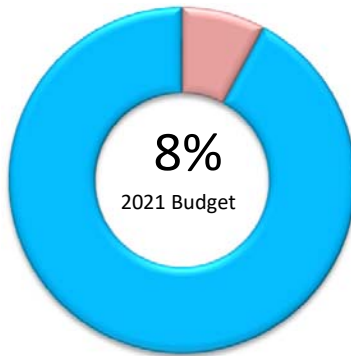
**VALLECITOS WATER DISTRICT  
DISBURSEMENTS SUMMARY  
November 30, 2020**

**Summary**

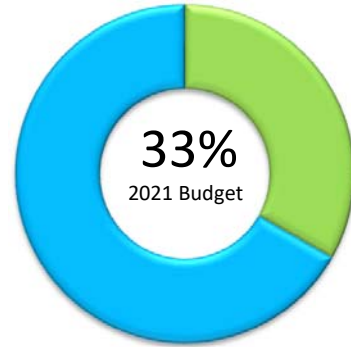
November Disbursements	\$	6,665,562 *
YTD Disbursements	\$	28,344,347 *
FY2021 Budget	\$	85,271,000

\* Excludes Debt Service

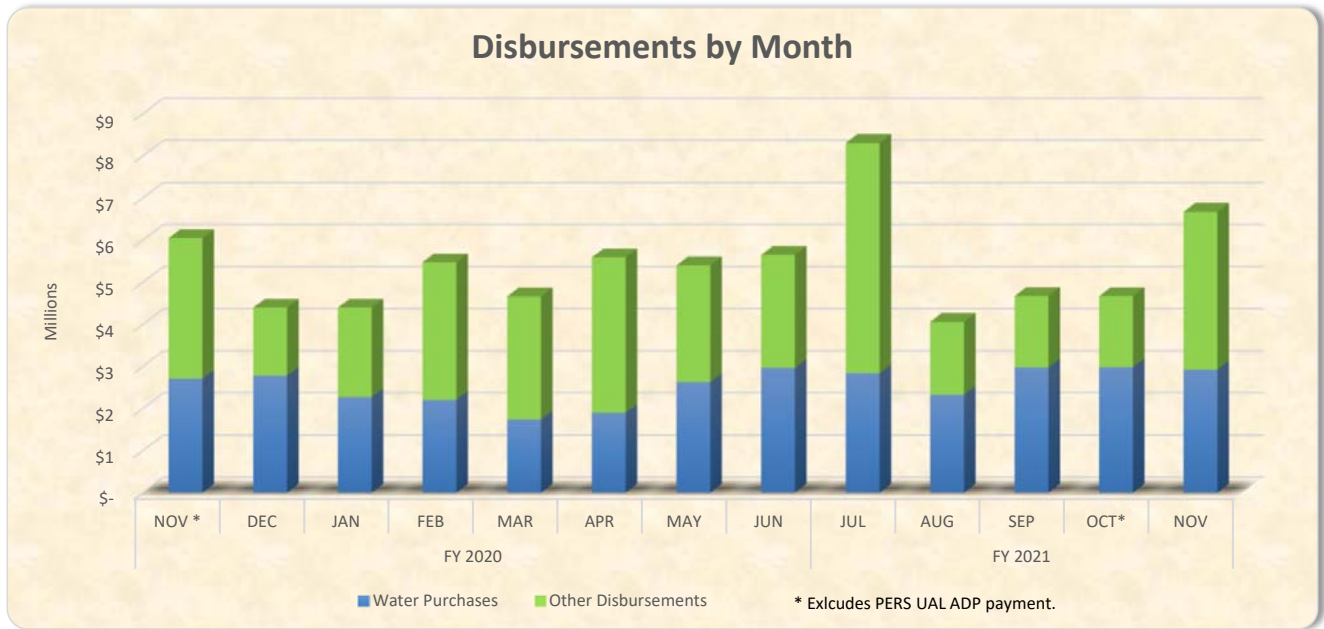
**November**



**FYTD**



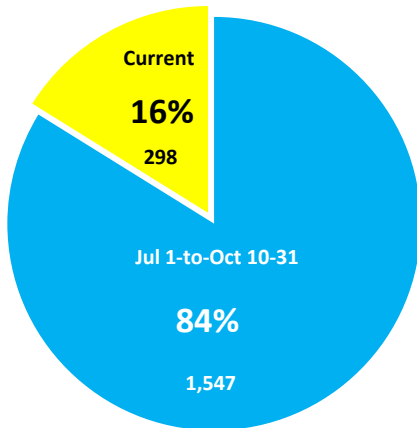
**Disbursements by Month**



**Top 10 Vendors - FYTD**

SAN DIEGO COUNTY WATER AUTH.	\$14.1M
ENCINA WASTEWATER AUTHORITY	\$5.7M
PUBLIC EMPLOYEES RETIRE SYSTEM	\$1.7M
ACWA/JOINT POWERS INSURANCE	\$1.4M
SAN DIEGO GAS & ELECTRIC	\$685.8K
OLIVENHAIN MWD	\$416.4K
CAPITAL INDUSTRIAL COATINGS, LLC	\$334.2K
HAAKER EQUIPMENT CO.	\$288.0K
TC CONSTRUCTION CO INC	\$266.0K
BEST BEST & KRIEGER	\$239.6K

**Invoices Processed**



VALLECITOS WATER DISTRICT  
WARRANTS LIST  
December 15, 2021

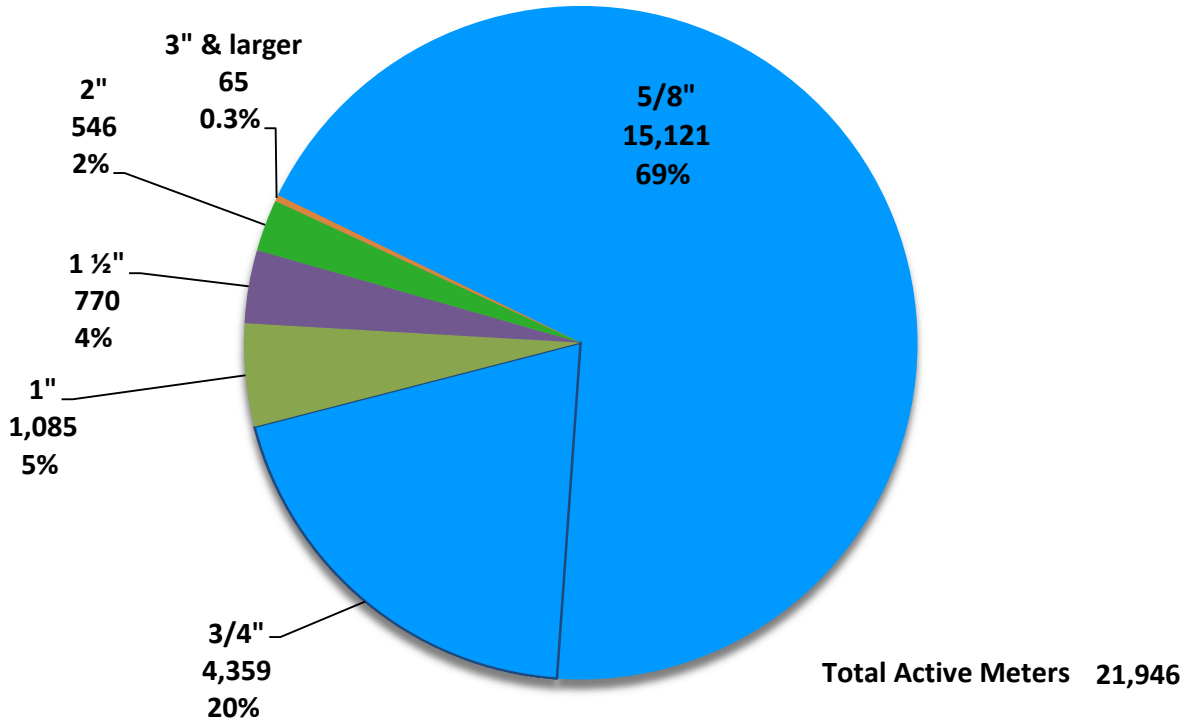
PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	123089 through	123091 -
Action Mail	Splash Newsletter Fall 2021 Prj 20221-48		123092 1,268.16
Adam Zeineddine	Closed Account Refund		123093 34.50
Airwave Mechanical	Cleaning & Inspection - HVAC System - Bldg A, Chiller Repair - HVAC - HQ		123094 7,332.00
Alfredo Ramirez	Closed Account Refund		123095 43.20
Alison Huntley	Closed Account Refund		123096 113.22
All Tubes Inc.	Coil Tube Repair - South Lake Pump Station		123097 600.00
Aqua-Metric Sales Co	3/4" Meters - Qty 196		123098 23,230.90
Air Resources Control Board	Portable Equipment Registration Program Fees		123099 735.00
ASCE	Pipeline & Environment Meeting 12-9-21 - 5 Employees		123100 200.00
AT&T	Phone Svc - Nov		123101 704.83
Becker Realty	Closed Account Refund		123102 170.01
Best Best & Krieger	Legal Svcs - Oct		123103 26,298.50
Black & Veatch Corporation	Engineering Svcs Oct & Nov: Prj 20161-2, 20171-2, 20181-11, 20191-2, 20211-9		123104 34,943.50
Bo Chase or Aubriegh Chase	Closed Account Refund		123105 119.80
Boncor Water Systems	Soft Water Svc - Nov		123106 1,037.50
Bruce Shipley	Closed Account Refund		123107 38.74
Core & Main LP	Warehouse Gate Valve Inventory - 2		123108 1,928.73
Corodata Media Storage Inc	Backup Storage Tapes - Oct		123109 144.84
County of San Diego	Facility Permit - HQ		123110 2,481.00
Craig Elitharp	CASA Board Strategic Planning Meeting 11-7-21		123111 679.11
Cummins Pacific, LLC	Oil Sample Kits		123112 376.95
Donald Smith	Closed Account Refund		123113 27.92
Electrical Sales Inc	Electrical Supplies PVPS 20201-11 & Hardware Supplies		123114 1,235.35
Elizabeth Lovenberg	Closed Account Refund		123115 112.12
Eurofins Eaton Analytical Inc	Algae Identification		123116 210.00
Golden State Graphics	Between The Pipes Newsletter Prj 20221-48		123117 5,753.85
Grainger Inc	Hardware Supplies		123118 30.29
Granicus, LLC	District Website Redesign Prj 20221-35		123119 6,157.31
Jack Henry & Assoc Inc	Remit Plus Maintenance - Oct & Nov		123120 288.64
Jaclyn & Antonio Aguirrie	Closed Account Refund		123121 105.80
Joe Lao	Closed Account Refund		123122 80.78
John Ketron	Closed Account Refund		123123 124.82
John Ross	Overpayment Refund		123124 5,051.15
JCI Jones Chemicals Inc	Chlorine		123125 3,577.04
Joshep Williams	Closed Account Refund		123126 98.37
Kaman Industrial Technologies	LS1 Pump 4 Spare Parts & Basin Motor - MRF		123127 2,572.80
Kevin Grayson	Closed Account Refund		123128 65.01
Lantelligence, Inc.	Desk Phones - 10 Prj 20201-23		123129 4,654.80
Lloyd Pest Control	Pest Control Svcs - Oct & Nov		123130 513.00
Mark & Nancy Bower	Closed Account Refund		123131 13.98
Matheson Tri-Gas Inc	Cylinder Rental		123132 73.97
Mike Arthur	COSS Meeting with Raftelis 11-15-21		123133 45.36
Mike Sannella	CSDA Dinner Meeting 11-18-21		123134 32.93
Morton Salt, Inc.	Industrial Salt		123135 4,416.40
National Safety Council	District Membership 21-22		123136 495.00
North County Tool & Abrasive	Hardware Supplies		123137 98.59
Occu Med Ltd	Medical Svcs - Nov		123138 270.50
Olivenhain MWD	Woodard & Curran 2020 Grant Admin. Costs & Blue Water Strategies Payment		123139 12,254.75
Opendoor Labs, Inc	Closed Account Refund		123140 68.19
Ostari Inc	Duo Software Subscription - Nov		123141 71.00
Pacific Pipeline Supply	Warehouse Brass Inventory, Air Vac Cans - 4, & Air Valve Enclosures - 3		123142 5,259.77
Parkhouse Tire Inc	Tires 2 - Veh 181 & 187		123143 420.72
Patriot Portable Restroom Inc	Portable Restroom Rental - Nov		123144 268.40
Red Wing Shoes	Safety Shoes		123145 150.00
Richard W. Gittings	Hillside Development & Retainer for Alta Survey - Nov		123146 3,210.00
Robert Burgess	Closed Account Refund		123147 84.33
Roseanna Sanchez	Closed Account Refund		123148 30.43
Rusty Wallis Inc	Soft Water Tank Svc - Nov		123149 220.00
SDG&E	Power - Oct		123150 41,288.96
San Marcos Trophy	Name Plates - 9		123151 114.22
Schmidt Fire Protection Co Inc	Semi-Annual Maintenance Inspection of Aerosol Systems		123152 1,072.00
Signpost Homes Inc	Closed Account Refund		123153 128.60
Southern Counties Lubricants, LLC	Oil & Diesel Fuel		123154 2,186.70
Staples Advantage	Office Supplies - Nov		123155 808.65
State Water Resources Control	Environmental Laboratory Accreditation Program Renewal		123156 3,550.00
Sue Dehesa	Closed Account Refund		123157 65.67

VALLECITOS WATER DISTRICT  
WARRANTS LIST  
December 15, 2021

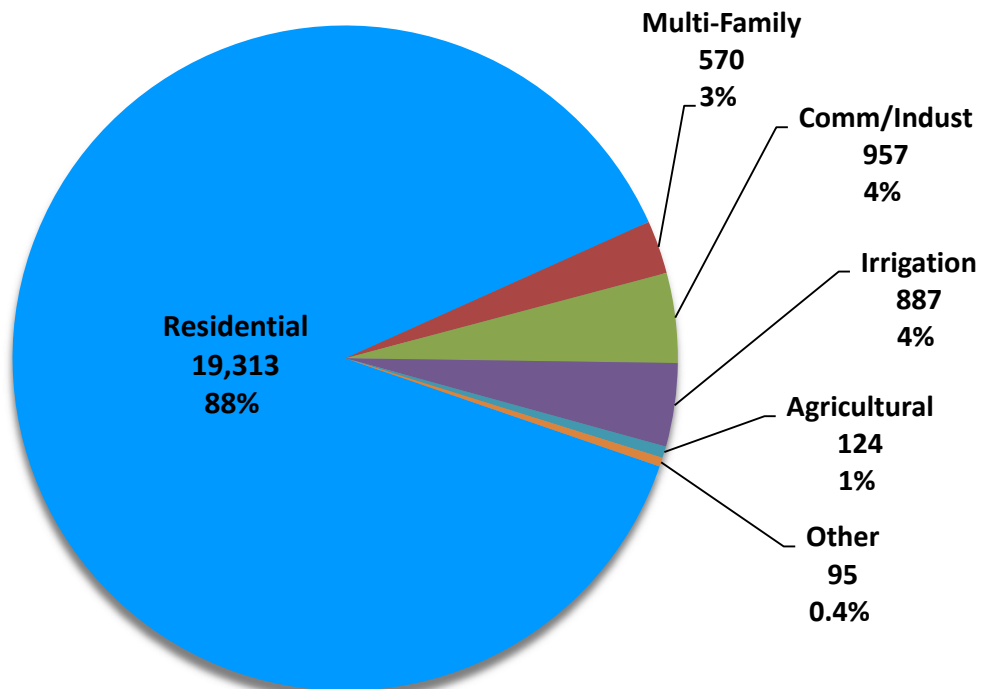
PAYEE	DESCRIPTION	CHECK#	AMOUNT
T.S. Industrial Supply	Marking Paint Stock & Pressure Washer Trailer Mount	123158	1,697.09
Talley Communications	Radio Communication Cables - Mahr Prj 20221-34	123159	336.17
Total Resource Mgt Inc	Maximo Support - Oct	123160	3,376.25
Union Bank	COP Admin Fees 21-22	123161	2,605.00
Unitis, Inc.	Rapid Set Concrete Mix & Filled Sand Bags - Qty 306	123162	2,169.89
UPS	Shipping Svcs - Nov	123163	22.42
Verizon Wireless	Ipad Svc - Nov	123164	426.91
Veronica Goff	Closed Account Refund	123165	79.00
Warmington San Marcos Associates LLC	Closed Account Refund	123166	138.66
Weck Analytical Environmental Services, Inc.	Water Sampling	123167	1,160.00
Alex Goddard	Closed Account Refund	123168	80.79
Bill Howe Plumbing	Plumbing Repairs - Men's Rest Room - Bldg A	123169	314.52
Botanic Wonders	Closed Account Refund	123170	132.92
CCI	Water Treatment - Nov	123171	220.00
Commercial Mobile Systems	Covid 19 Trailer Rental - MRF	123172	511.81
Doane & Hartwig Water Systems Inc	Lead Gaskets For Chlorine Containers - Qty 100	123173	777.33
Electrical Sales Inc	IT Supplies District Wide SCADA Prj 20201-4	123174	282.26
Gallade Chemical Inc.	Sodium Hypochlorite	123175	40.73
Grainger Inc	Warehouse Inventory	123176	4,005.07
Harris	W-2 & 1099 Forms	123177	302.86
Lawnmowers Plus Inc	Chainsaw Sharpening	123178	9.99
LDJ Manufacturing, Inc.	Portable Emergency Fuel Trailer Prj 20211-42	123179	27,480.56
Michael Baker International, Inc.	Montiel Lift Station Baker Prj 20201-2	123180	38,735.00
Pencco, Inc.	Calcium Nitrate	123181	15,898.20
Plumbers Depot Inc	CCTV Van Poles - 6	123182	660.39
Recycled Aggregate Materials Co Inc	Concrete Recycling	123183	125.00
SHI International Corp.	LED Monitors - 4	123184	1,253.69
Steven Enterprises Inc	Ink - OCE Printer	123185	782.14
Traffic Supply Inc	Customs Safety Signs - 4	123186	347.82
Underground Service Alert	Dig Alert Svcs & State of CA Regulatory Fees - Dec	123187	833.10
Unifirst Corporation	Uniform Delivery	123188	1,032.54
Univar USA Inc	Caustic Soda	123189	4,896.59
Total Disbursements (98 Checks)			<u>320,573.36</u>
<b>WIRES</b>			
Public Employees Retirement System	Retirement Contribution - November 30, 2021 Payroll	Wire	79,068.99
<b>PAYROLL</b>			
Total direct deposits		Wire	248,327.13
VWD Employee Association		123089	572.00
Payroll & Garnishments	123090 through	123091	1,091.52
IRS	Federal payroll tax deposits	Wire	94,441.53
Employment Development Department	California payroll tax deposit	Wire	19,592.25
CalPERS	Deferred compensation withheld	Wire	18,162.48
VOYA	Deferred compensation withheld	Wire	7,225.56
Total November 30, 2021 Payroll Disbursements			<u>389,412.47</u>
Total direct deposits		Wire	10,257.55
IRS	Federal payroll tax deposits	Wire	6,116.81
Employment Development Department	California payroll tax deposit	Wire	1,279.12
Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)			<u>17,653.48</u>
Total Payroll Disbursements			<u>407,065.95</u>
<b>TOTAL DISBURSEMENTS</b>			<u><u>806,708.30</u></u>

Vallecitos Water District  
 Active Water Meters  
 November 30, 2021

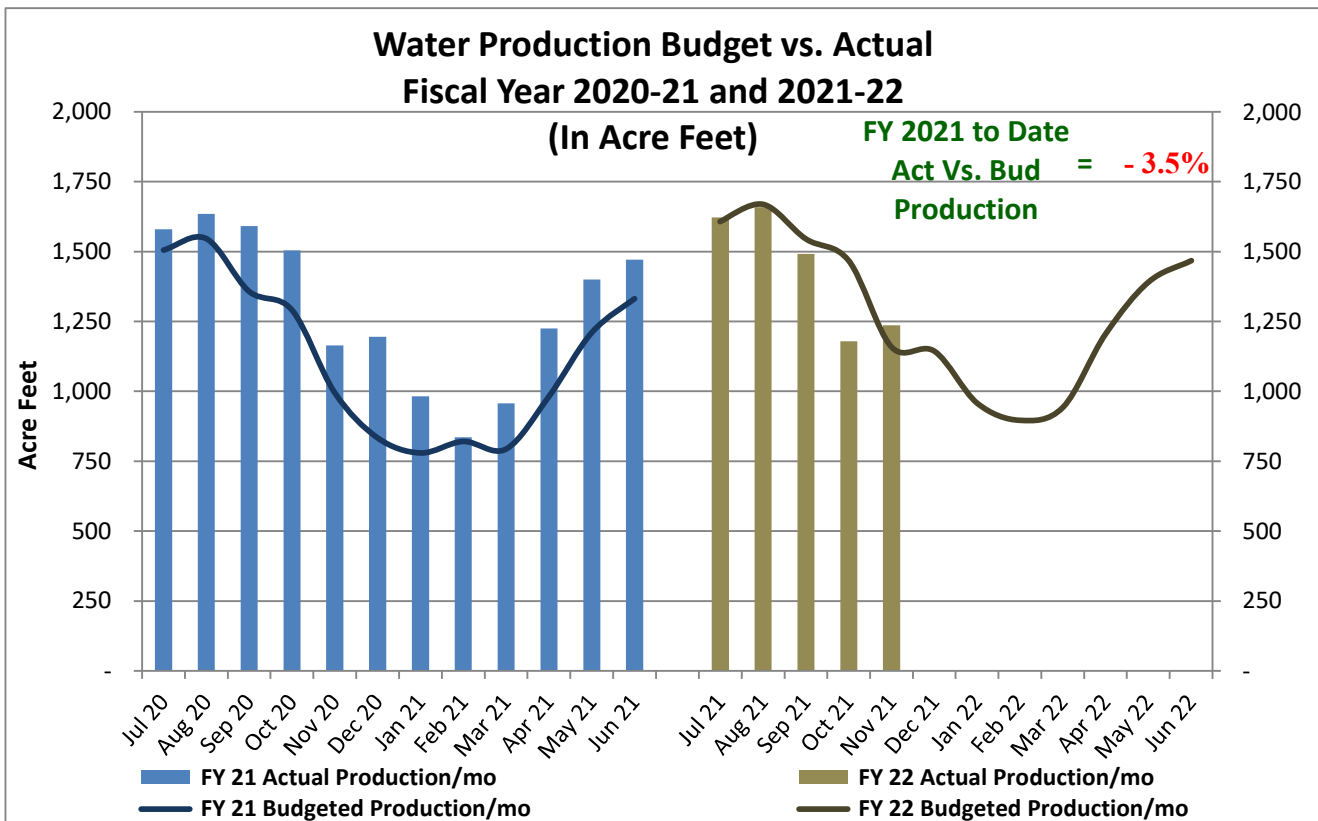
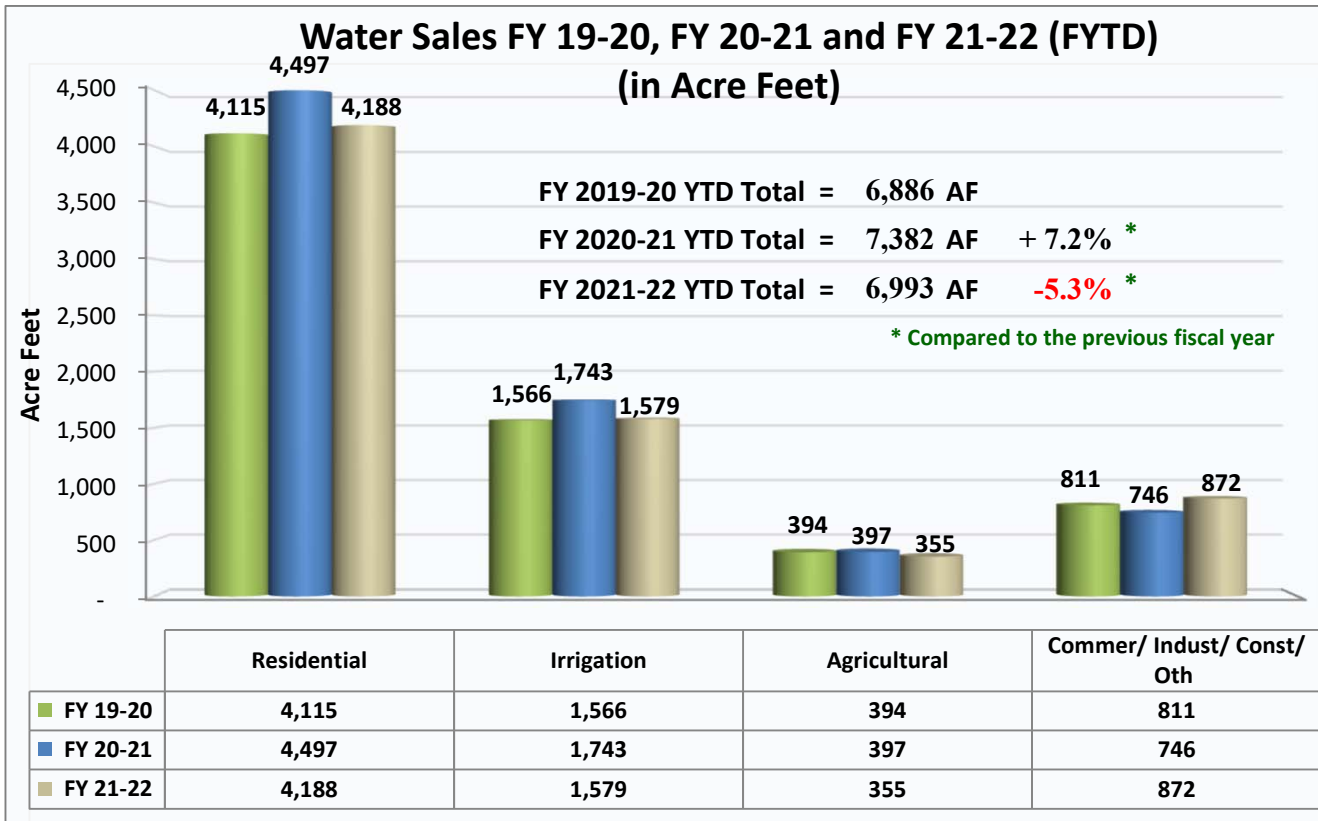
Active Meters by Size as of November 30, 2021



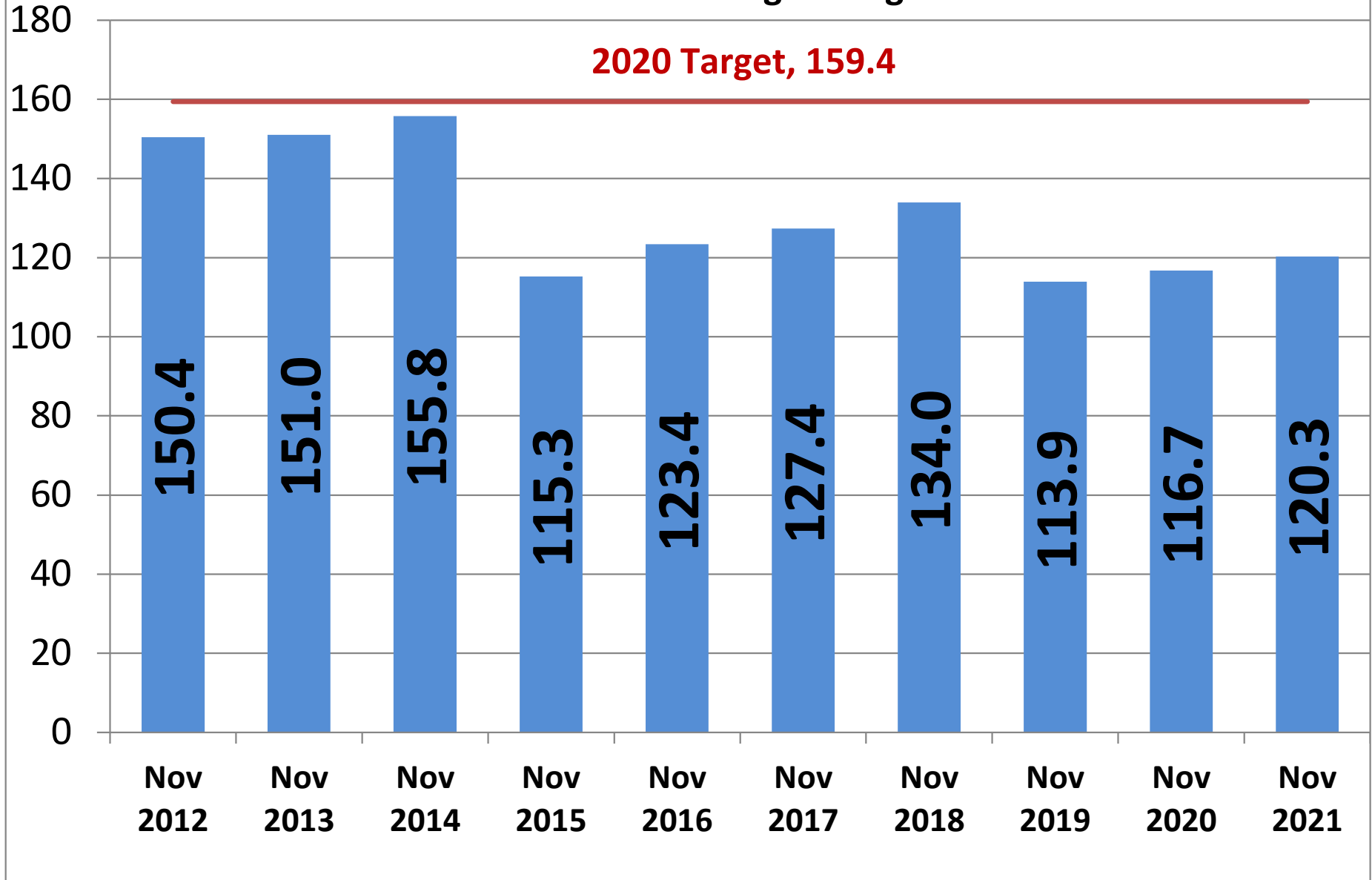
Active Meters by Type as of November 30, 2021



Vallejos Water District  
 Water Production/Sales  
 November 30, 2021



# Gallons per Capita per Day 12-Month Rolling Average





**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: MONTHLY FINANCIAL REPORTS**

**BACKGROUND:**

The Monthly Revenue and Expense Reports and the Reserve Report for the five months ended November 30, 2021, are presented.

**DISCUSSION:**

The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 5-month period. Comparisons to prior year actual and current year budget amounts are also presented. Each statement contains footnotes regarding significant variances exceeding predetermined dollar and percentage amounts. Any excess of revenues over expenses are transferred to reserves and any excess of expenses above revenues are paid for out of reserves. It's important to note that amounts shown in the in the Revenue and Expense reports are unaudited and do not reflect actual transfers to/from reserves. Actual transfers will be posted upon completion of the fiscal year-end audit.

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, debt service, PERS UAL Additional Discretionary Payments (ADP), and interest expense. Unaudited amounts for operating transfers are reflected in the reserve report using the most recent information available at the time of reporting. Actual transfers will be posted upon completion of the audit in December of the following fiscal year which may result in adjustments to the beginning reserve balances.

**RECOMMENDATION:**

For information only.

Vallecitos Water District  
Water Revenue and Expense Report  
For the Five Months Ended November 30, 2021

	Current Year Actual	Prior Year Actual			Current Year Budget		
		Amount	Variance		Amount	Variance	
			\$	%		\$	%
<b>Revenue</b>							
Water Sales	\$ 16,133,192	\$ 17,032,998	\$ (899,806)	-5.3%	\$ 16,026,000	\$ 107,192	0.7%
Ready-to-serve	6,103,942	6,083,488	20,454	0.3%	5,959,000	144,942	2.4%
Pumping charges	206,903	233,962	(27,059)	-11.6%	213,000	(6,097)	-2.9%
Late & lock charges	133,917	132,219	1,698	1.3%	160,106	(26,189)	-16.4%
Backflow fees	48,606	44,417	4,189	9.4%	35,918	12,688	35.3%
Other revenue	183,440	55,520	127,920	230.4%	47,200	136,240	288.6%
<b>Total Revenue</b>	<b>22,810,000</b>	<b>23,582,604</b>	<b>(772,604)</b>	<b>-3.3%</b>	<b>22,441,224</b>	<b>368,776</b>	<b>1.6%</b>
<b>Expenses</b>							
Water costs	14,192,412	14,334,951	(142,539)	-1.0%	15,188,000	(995,588)	-6.6%
Pumping costs	341,343	341,598	(255)	-0.1%	474,000	(132,657)	-28.0%
Water quality	134,356	41,501	92,855	223.7%	86,000	48,356	56.2%
Water treatment	184,829	190,540	(5,711)	-3.0%	198,000	(13,171)	-6.7%
Tanks & reservoirs	170,567	86,967	83,600	96.1%	160,000	10,567	6.6%
Trans & distribution	658,519	767,052	(108,533)	-14.1%	793,000	(134,481)	-17.0%
Services	23,158	25,932	(2,774)	-10.7%	30,000	(6,842)	-22.8%
Meters	319,585	314,399	5,186	1.6%	400,000	(80,415)	-20.1%
Backflow prevention	14,338	36,290	(21,952)	-60.5%	30,000	(15,662)	-52.2%
Customer accounts	366,168	291,734	74,434	25.5%	370,000	(3,832)	-1.0%
Building & grounds	206,646	160,365	46,281	28.9%	208,000	(1,354)	-0.7%
Equipment & vehicles	92,589	100,616	(8,027)	-8.0%	138,000	(45,411)	-32.9%
Engineering	611,717	592,980	18,737	3.2%	680,000	(68,283)	-10.0%
Safety & compliance	48,089	78,005	(29,916)	-38.4%	121,000	(72,911)	-60.3%
Information Technology	433,306	339,643	93,663	27.6%	469,000	(35,694)	-7.6%
General & administrative	1,100,927	972,467	128,460	13.2%	1,309,000	(208,073)	-15.9%
<b>Total Expenses</b>	<b>18,898,549</b>	<b>18,675,040</b>	<b>223,509</b>	<b>1.2%</b>	<b>20,654,000</b>	<b>(1,755,451)</b>	<b>-8.5%</b>
<b>Net Operating Income</b>	<b>\$ 3,911,451</b>	<b>\$ 4,907,564</b>	<b>(996,113)</b>	<b>-20.3%</b>	<b>\$ 1,787,224</b>	<b>2,124,227</b>	<b>118.9%</b>

Explanation of Significant Variances

*Other revenue* has a favorable prior year variance as a result of a rebate received from the District Wide Solar project.

*Pumping costs* have a favorable budget variance thus far this year due to less than anticipated outside services being performed and lower power costs.

*Water quality* has an unfavorable prior year and budget variance due to timing of outside services being performed.

*Tanks & reservoirs* has an unfavorable prior year variance as a result of planned increases in labor and outside services.

*Meters* has a favorable budget variance because of product supply shortages causing delays in the meter testing and replacement program.

*Customer accounts* has an unfavorable prior year variance due to increases in bad debt expense.

*Buildings & grounds* has an unfavorable prior year variance due to the planned increases in labor.

*Equipment & vehicles* has a favorable budget variance due to the timing of outside services performed.

*Safety & compliance* has a favorable budget variance due to lower than anticipated labor costs.

*Information technology* has an unfavorable prior year variance due to anticipated increases in outside services performed.

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

Vallecitos Water District  
Sewer Revenue and Expense Report  
For the Five Months Ended November 30, 2021

	Current Year Actual	Prior Year Actual			Current Year Budget		
		Amount	Variance		Amount	Variance	
			\$	%		\$	%
<b>Revenue</b>							
Sewer service charges	\$7,733,014	\$7,648,580	\$ 84,434	1.1%	\$7,456,000	\$ 277,014	3.7%
Reclaimed water sales	1,239,583	1,164,167	75,416	6.5%	1,241,000	(1,417)	-0.1%
Other revenue	132,332	48,709	83,623	171.7%	121,000	11,332	9.4%
<b>Total Revenue</b>	<b>9,104,929</b>	<b>8,861,456</b>	<b>243,473</b>	<b>2.7%</b>	<b>8,818,000</b>	<b>286,929</b>	<b>3.3%</b>
<b>Expenses</b>							
Collection & conveyance	872,771	971,837	(99,066)	-10.2%	991,000	(118,229)	-11.9%
Lift stations	72,892	134,648	(61,756)	-45.9%	96,000	(23,108)	-24.1%
Source control	68,479	60,437	8,042	13.3%	84,000	(15,521)	-18.5%
Effluent disposal	1,280,046	1,124,329	155,717	13.8%	1,393,000	(112,954)	-8.1%
Meadowlark	1,166,005	1,036,345	129,660	12.5%	1,274,000	(107,995)	-8.5%
Customer Accounts	191,537	174,940	16,597	9.5%	236,000	(44,463)	-18.8%
Building & grounds	135,322	97,336	37,986	39.0%	140,000	(4,678)	-3.3%
Equipment & vehicles	75,258	78,006	(2,748)	-3.5%	108,000	(32,742)	-30.3%
Engineering	263,805	297,628	(33,823)	-11.4%	374,000	(110,195)	-29.5%
Safety & compliance	29,902	48,087	(18,185)	-37.8%	77,000	(47,098)	-61.2%
Information technology	361,795	291,317	70,478	24.2%	362,000	(205)	-0.1%
General & administrative	562,229	568,461	(6,232)	-1.1%	594,000	(31,771)	-5.3%
<b>Total Expenses</b>	<b>5,080,041</b>	<b>4,883,371</b>	<b>196,670</b>	<b>4.0%</b>	<b>5,729,000</b>	<b>(648,959)</b>	<b>-11.3%</b>
<b>Net Operating Income</b>	<b>\$4,024,888</b>	<b>\$3,978,085</b>	<b>46,803</b>	<b>1.2%</b>	<b>\$3,089,000</b>	<b>935,888</b>	<b>30.3%</b>

Explanation of Significant Variances

**Other revenue** has a favorable prior year variance as a result of a rebate received from the District Wide Solar project.

**Lift stations** has favorable prior year variance due to the timing of outside services being performed.

**Engineering** has a favorable budget variance due to timing of outside services being performed.

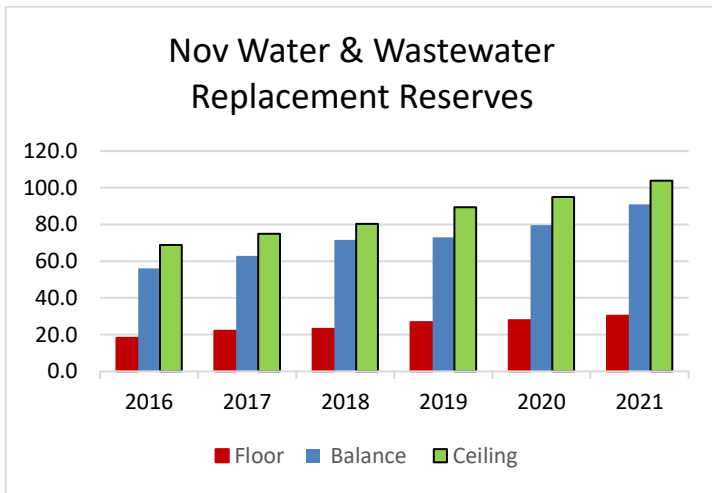
**Safety & compliance** has a favorable budget variance as a result of lower than anticipated labor costs.

**Information technology** has an unfavorable prior year variance due to anticipated increases in outside services performed.

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

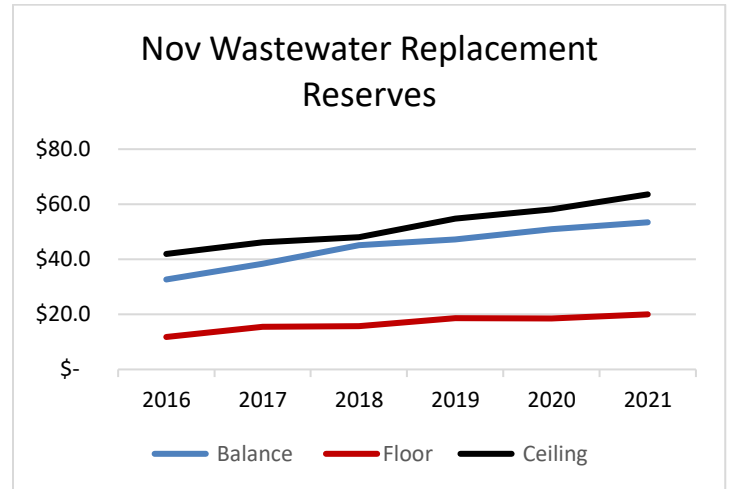
**REPLACEMENT RESERVES**

The District maintains two replacement reserves in cash equivalents and investments: One for the District’s water system, and the other for the District’s wastewater system. The District’s reserve policy establishes a floor of the sum of the next three years of projected system replacement costs, and a ceiling of the sum of the next ten years of system replacement costs. As of November 30, 2021, the total water and wastewater replacement reserve balance was \$90.9 million, 14.1 percent greater than November 30, 2020.



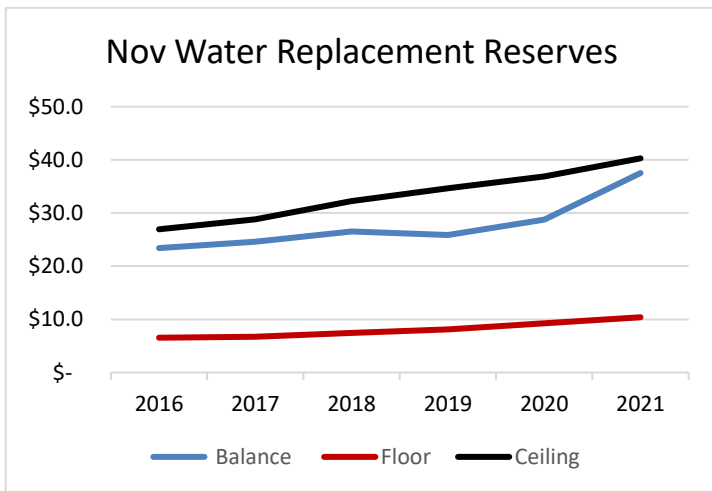
**WASTEWATER REPLACEMENT RESERVE**

As of November 30, 2021, the balance in the District’s wastewater replacement reserve totaled \$53.4 million, an increase of 5.0 percent, or \$2.5 million, from the same month of the prior year. The month-end balance is within the approved floor and ceiling.



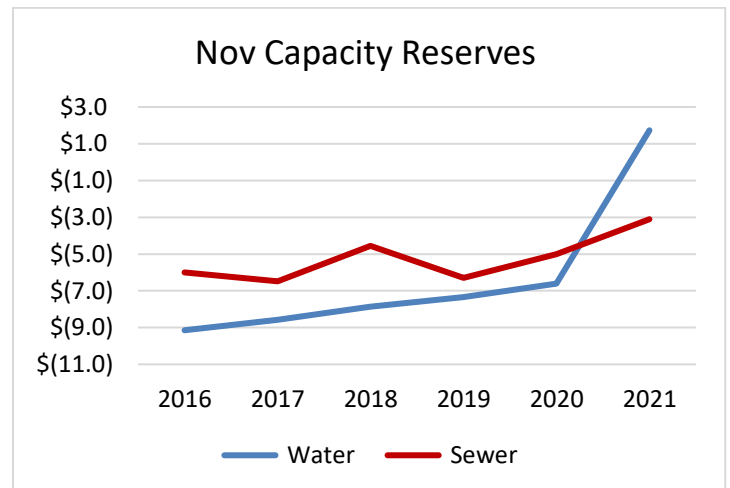
**WATER REPLACEMENT RESERVE**

As of November 30, 2021, the District’s water replacement reserve totaled \$37.5 million, an increase of 30.3 percent, or \$8.7 million higher from the same month of the prior year. The month-end balance is within the floor and ceiling established by the reserve policy, leaving the District with sufficient reserves to meet infrastructure replacement needs.



**CAPACITY RESERVES**

The District collects capital facility fees from new development and increased demands from existing customers, maintains the collected fees in separate funds (one for water and one for wastewater), and uses the funds exclusively to provide capacity to serve new development and fund future construction of facilities identified in the District’s Master Plan and capital budget. As of November 30, 2021, the water capacity fund had a balance of \$1.7 million and the sewer capacity fund had a deficit of \$3.1 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 FIVE MONTHS ENDED NOVEMBER 30, 2021**

	110	120	210	220	Total
	Water Replacement	Capacity	Wastewater Replacement	Capacity	
BEGINNING BALANCE <sup>(1)</sup>	\$ 39,389,445	\$ (7,871,529)	\$ 60,698,440	\$ (9,842,681)	\$ 82,373,675
<b>REVENUES</b>					
Debt Proceeds	85,394	-	10,250,131	5,435,080	15,770,605
Interfund Transfer	-	8,504,394	-	1,831,131	10,335,525
FY 21/22 Operating Transfers <sup>(2)</sup>	3,911,451	-	4,024,888	-	7,936,339
Capital Facility Fees	-	1,112,248	-	1,477,731	2,589,979
Annexation Fees	765,564	-	112,015	-	877,579
Investment Earnings	255,282	-	192,883	-	448,165
Property Tax	144,082	-	115,775	-	259,858
<b>TOTAL REVENUES</b>	<b>5,161,774</b>	<b>9,616,642</b>	<b>14,695,692</b>	<b>8,743,942</b>	<b>38,218,050</b>
<b>LESS DISTRIBUTIONS</b>					
Capital Projects					
Encina Wastewater Authority Five Year Plan	-	-	2,773,952	-	2,773,952
San Marcos Interceptor Sewer	-	-	437,694	974,224	1,411,918
MRF Headworks - Upgrade/Replace Equipment	-	-	450,689	-	450,689
MRF Biological Selector Improvements	-	-	233,995	-	233,995
MRF - Odor Scrubber #1 Replacement	-	-	170,146	-	170,146
Land Outfall West Condition Assessment	-	-	128,919	-	128,919
District-Wide Valve Replacement Program	125,855	-	-	-	125,855
MRF Site Lighting Upgrade and Repairs	-	-	115,143	-	115,143
16-Inch Emergency Bypass Pipeline Rehabilitation	-	-	88,585	-	88,585
Montiel Lift Station And Forcemain Replacement	-	-	61,937	25,298	87,235
Energy Management Study	34,400	-	33,051	-	67,451
MRF - Replacement of Valve Actuators	-	-	66,451	-	66,451
MRF: Conversion to Sodium Hypochlorite	-	-	65,616	-	65,616
Technology Infrastructure Upgrades	32,730	-	31,446	-	64,176
South Lake Pump Station Fence	56,974	-	-	-	56,974
Tres Amigos Water Line Replacement Phase 1	54,565	-	-	-	54,565
District-Wide SCADA Upgrade Project	26,108	-	25,084	-	51,192
MRF - Flow Control Valve & Actuator	-	-	49,062	-	49,062
MRF - Tertiary Influent Chamber Repairs	-	-	40,374	-	40,374
Wulff Pressure Reducing Station	39,377	-	-	-	39,377
Meadowlark Failsafe Rehabilitation (Buena Reach)	-	-	35,416	-	35,416
GEMS AB Suite 6.1 Upgrade	15,401	-	14,797	-	30,198
Sage Canyon Tank Refurbishment	26,132	-	-	-	26,132
Chlorine Contact Tank Expansion	-	-	24,823	-	24,823
District Wide Solar Project	10,603	-	10,188	-	20,791
Fire Services - Backflow Preventer Upgrades	18,890	-	-	-	18,890
Sewer Lining and Rehab	-	-	18,694	-	18,694
Mahr Reservoir - Algae Monitoring	-	-	18,031	-	18,031
Neogov Applicant Tracking Software	7,737	-	7,433	-	15,170
Palos Vista Pump Station - Motor Starter Upgrade	14,910	-	-	-	14,910
Via Vera Cruz Tank I: Asphalt Repair and Sealcoat	14,140	-	-	-	14,140
District-Wide Valve Replacement Program	14,065	-	-	-	14,065
Ductile Iron Pipe Condition Assessment	13,456	-	-	-	13,456
Water Operations Control Room Upgrades	12,185	-	-	-	12,185
Palos Vista Tank I: Asphalt Repair and Sealcoat	11,760	-	-	-	11,760
Richland Tank I: Asphalt Repair and Sealcoat	10,294	-	-	-	10,294
Richland Tank II: Asphalt Repair and Sealcoat	10,110	-	-	-	10,110
All other capital projects	19,745	-	17,521	2,435	39,701
Capital Budget - Vehicles/Mobile Equipmnt	2,909	-	2,795	-	5,705
Total Capital Project Expenditures	572,346	-	4,921,842	1,001,957	6,496,145
Interfund Transfer	85,394	-	10,250,131	-	10,335,525
Debt Service	-	-	-	977,180	977,180
Interest Expense	-	13,448	-	28,363	41,811
<b>TOTAL DISTRIBUTIONS</b>	<b>657,740</b>	<b>13,448</b>	<b>15,171,973</b>	<b>2,007,501</b>	<b>17,850,662</b>
ENDING BALANCE	\$ 43,893,479	\$ 1,731,665	\$ 60,222,159	\$ (3,106,240)	\$ 102,741,063
Less: Operating Reserves	6,375,900	-	6,791,700	-	13,167,600
Replacement Reserves/Restricted Funds	\$ 37,517,579	\$ 1,731,665	\$ 53,430,459	\$ (3,106,240)	\$ 89,573,463
Replacement reserve floor	\$ 10,394,000	-	\$ 20,006,200	-	-
Replacement reserve ceiling	\$ 40,281,800	-	\$ 63,574,100	-	-

**Notes:**

(1) Beginning balances represent ending balances from the prior year which are adjusted to actual cash and investment balances after completion of the audit around December of the current year

(2) Operating transfers from the unaudited revenue and expense reports are calculated using the most recent information available at the time of this report. Included for reporting purposes, actual transfer amounts will differ.

VALLECITOS WATER DISTRICT  
INVESTMENT REPORT FOR NOVEMBER 2021

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

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

Investment activity for the month of November follows:

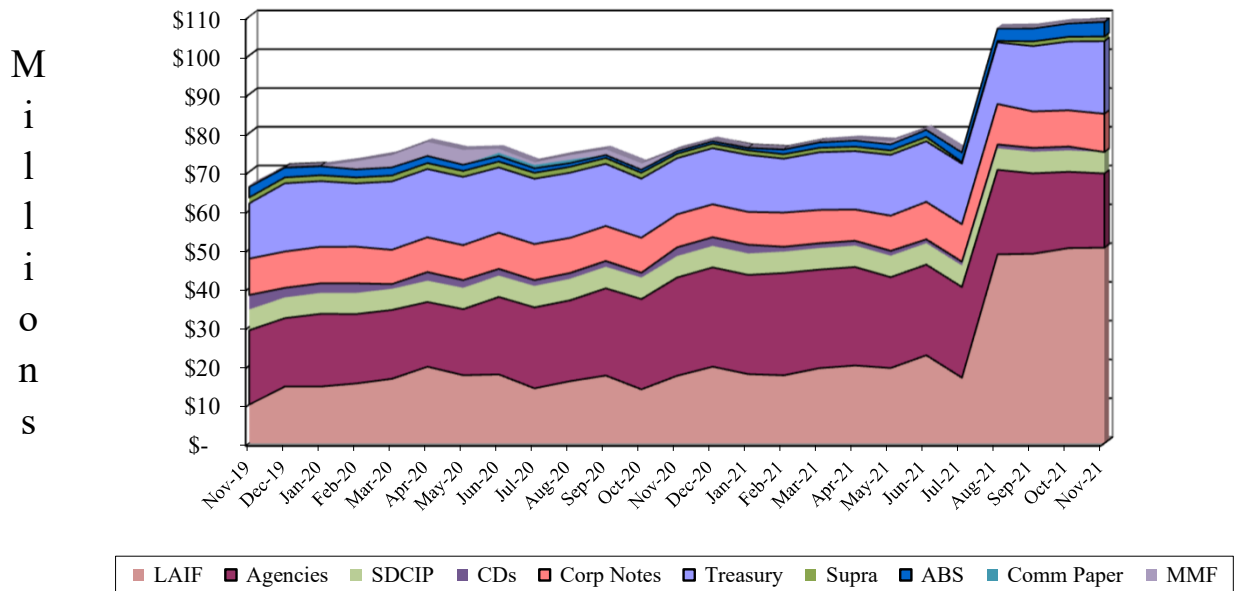
<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
11/01/21	Deposit	LAIF	750,000	Open	0.20%
11/01/21	Sold	FHLB	(514,967)	09/09/22	3.13%
11/01/21	Purchased	Master Card Inc Corp Note	620,227	03/03/25	2.00%
11/08/21	Withdrawal	LAIF	(300,000)	Open	0.20%
11/10/21	Purchased	United Health Inc Corp Note	229,281	05/15/24	0.55%
11/15/21	Deposit	LAIF	1,400,000	Open	0.20%
11/15/21	Sold	John Deere Corp Note	(19,010)	08/15/24	1.10%
11/15/21	Sold	Praxiar Inc	(300,000)	02/15/22	2.45%
11/15/21	Purchased	Toyota Auto Rec	159,997	04/15/26	0.71%
11/16/21	Withdrawal	LAIF	(2,500,000)	Open	0.20%
11/19/21	Deposit	LAIF	750,000	Open	0.26%
11/22/21	Sold	Honda Auto Rec	(3,137)	08/22/22	2.95%
11/24/21	Matured	Bank of Nova Scotia CD	(1,000,000)	11/24/21	0.28%
11/24/21	Purchased	Honda Auto Rec	174,963	01/21/26	0.88%
11/30/21	Purchased	US Treasury Note	998,475	11/15/24	0.75%
Change in investments during the month			<u>\$ 445,829</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	0.690%
Weighted average days to maturity	321

The State Treasurer's Office provides fair market values of LAIF quarterly on their web site. The most recent valuation, which is used on this report, is as of September 30, 2021. The San Diego County Treasurer provides the fair values for the County investment pool. The most recent values and returns, which are used for this report, are for October 31, 2021. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting.

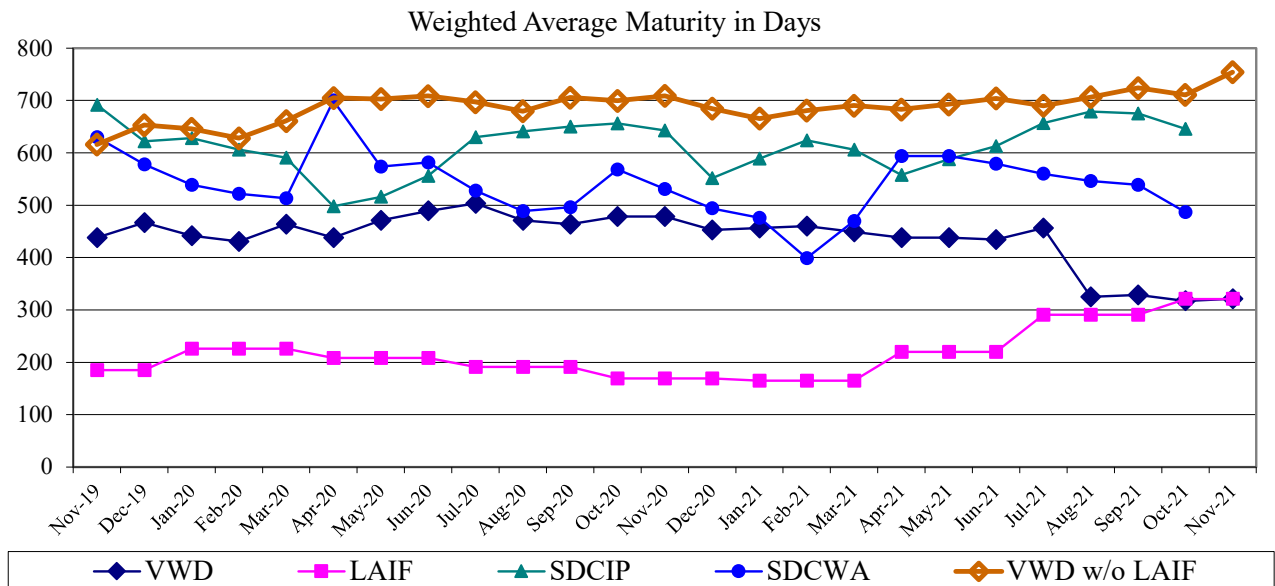
Safety

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.



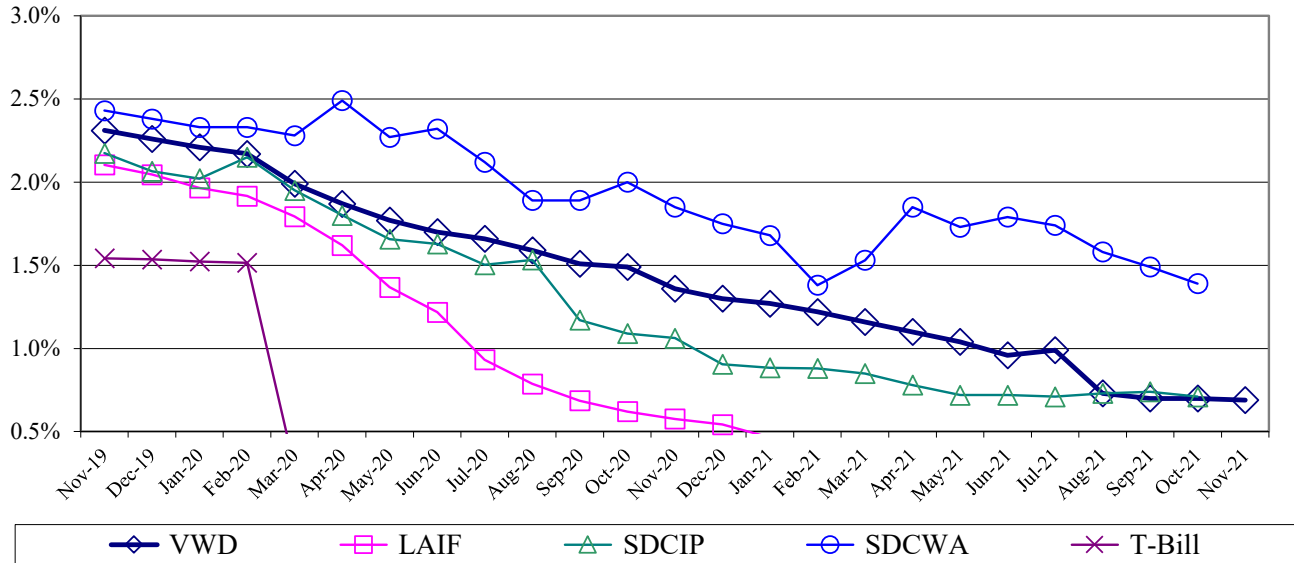
Liquidity

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 \$50.4 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	0.88
Average Coupon	0.76%
Average Purchase YTM	0.69%
Average Market YTM	0.42%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	0.97 yrs
Average Life	0.89 yrs

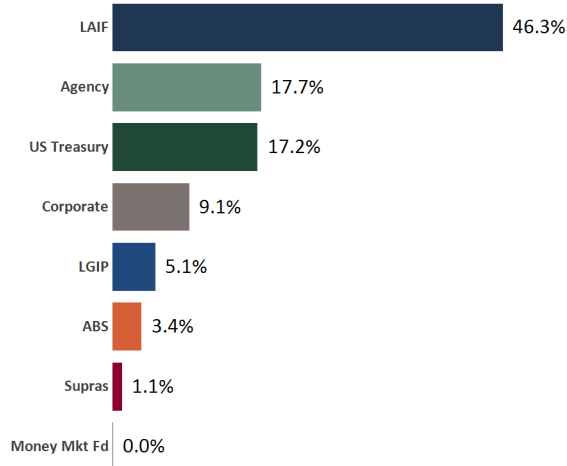
**ACCOUNT SUMMARY**

	Beg. Values as of 10/31/21	End Values as of 11/30/21
Market Value	108,571,345	108,664,275
Accrued Interest	180,863	194,074
<b>Total Market Value</b>	<b>108,752,208</b>	<b>108,858,349</b>
Income Earned	61,572	58,845
Cont/WD		
Par	108,126,071	108,286,388
Book Value	108,297,542	108,465,091
Cost Value	108,385,490	108,560,479

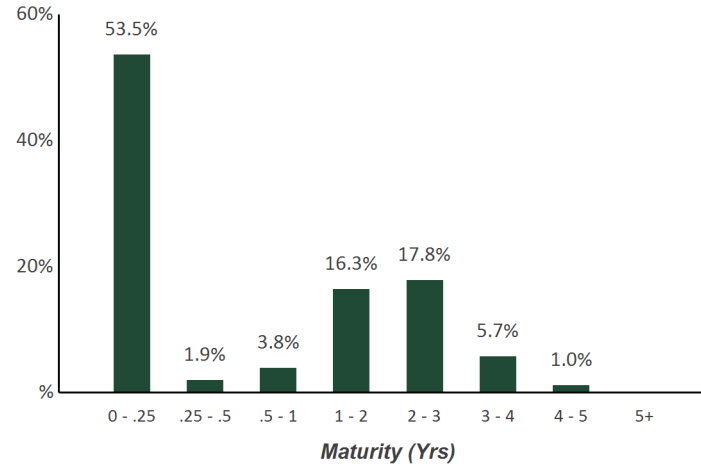
**TOP ISSUERS**

Local Agency Investment Fund	46.3%
Government of United States	17.2%
County of San Diego Pooled Inve	5.1%
Federal Farm Credit Bank	5.0%
Federal Home Loan Mortgage Corp	4.9%
Federal Home Loan Bank	4.2%
Federal National Mortgage Assoc	3.7%
JP Morgan Chase & Co	0.8%
<b>Total</b>	<b>87.1%</b>

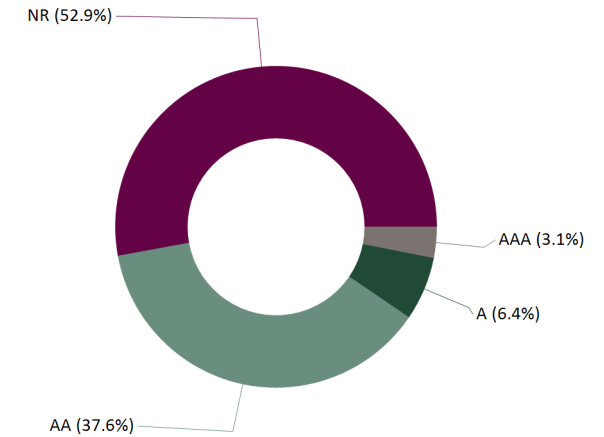
**SECTOR ALLOCATION**



**MATURITY DISTRIBUTION**



**CREDIT QUALITY (S&P)**



Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of November 30, 2021



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>									
47789KAC7	John Deere Owner Trust 2020-A A3 1.1% Due 8/15/2024	255,990.21	03/04/2020 1.11%	255,974.57 255,980.66	100.40 0.52%	257,002.14 125.15	0.24% 1,021.48	Aaa / NR AAA	2.71 0.68
36262XAC8	GM Financial Auto Lease Trust 2021-3 A2 0.39% Due 10/21/2024	360,000.00	08/10/2021 0.39%	359,995.10 359,995.68	99.28 0.81%	357,417.36 42.90	0.33% (2,578.32)	NR / AAA AAA	2.89 1.70
58769KAD6	Mercedes-Benz Auto Lease Trust 2021- B A3 0.4% Due 11/15/2024	255,000.00	06/22/2021 0.40%	254,980.75 254,983.96	99.34 0.81%	253,319.55 45.33	0.23% (1,664.41)	NR / AAA AAA	2.96 1.62
09690AAC7	BMW Vehicle Lease Trust 2021-2 A3 0.33% Due 12/26/2024	160,000.00	09/08/2021 0.34%	159,983.49 159,985.02	99.40 0.72%	159,036.00 8.80	0.15% (949.02)	Aaa / NR AAA	3.07 1.57
89236XAC0	Toyota Auto Receivables 2020-D A3 0.35% Due 1/15/2025	220,000.00	10/06/2020 0.36%	219,959.01 219,969.92	99.83 0.53%	219,620.06 34.22	0.20% (349.86)	NR / AAA AAA	3.13 0.94
43813GAC5	Honda Auto Receivables Trust 2021-1 A3 0.27% Due 4/21/2025	130,000.00	02/17/2021 0.27%	129,997.62 129,998.21	99.47 0.70%	129,317.11 9.75	0.12% (681.10)	Aaa / NR AAA	3.39 1.23
89240BAC2	Toyota Auto Receivables Owners 2021- A A3 0.26% Due 5/15/2025	475,000.00	02/02/2021 0.27%	474,911.84 474,934.91	99.61 0.56%	473,158.43 54.89	0.43% (1,776.48)	Aaa / NR AAA	3.46 1.29
47788UAC6	John Deere Owner Trust 2021-A A3 0.36% Due 9/15/2025	185,000.00	03/02/2021 0.37%	184,964.44 184,971.63	99.36 0.74%	183,824.88 29.60	0.17% (1,146.75)	Aaa / NR AAA	3.79 1.68
44933LAC7	Hyundai Auto Receivables Trust 2021-A A3 0.38% Due 9/15/2025	225,000.00	04/20/2021 0.38%	224,976.33 224,980.94	99.43 0.74%	223,708.73 38.00	0.21% (1,272.21)	NR / AAA AAA	3.79 1.61
43815EAC8	Honda Auto Receivables 2021-3 A3 0.41% Due 11/18/2025	340,000.00	08/17/2021 0.41%	339,995.04 339,995.45	99.24 0.81%	337,421.44 50.34	0.31% (2,574.01)	NR / AAA AAA	3.97 1.90
44934KAC8	Hyundai Auto Receivables Trust 2021-B A3 0.38% Due 1/15/2026	465,000.00	07/20/2021 0.39%	464,897.37 464,908.66	99.04 0.89%	460,515.54 78.53	0.42% (4,393.12)	NR / AAA AAA	4.13 1.90
43815GAC3	Honda Auto Receivables Trust 2021-4 A3 0.88% Due 1/21/2026	175,000.00	11/16/2021 0.89%	174,963.11 174,963.33	100.01 0.88%	175,013.48 29.94	0.16% 50.15	Aaa / NR AAA	4.15 2.23
47789QAC4	John Deere Owner Trust 2021-B A3 0.52% Due 3/16/2026	220,000.00	07/13/2021 0.52%	219,980.38 219,982.34	99.12 0.97%	218,054.76 50.84	0.20% (1,927.58)	Aaa / NR AAA	4.29 1.99

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of November 30, 2021



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>									
89238JAC9	Toyota Auto Receivables Trust 2021-D A3 0.71% Due 4/15/2026	160,000.00	11/09/2021 0.71%	159,996.59 159,996.64	99.63 0.88%	159,410.24 50.49	0.15% (586.40)	NR / AAA AAA	4.38 2.20
362554AC1	GM Financial Securitized Term 2021-4 A3 0.68% Due 9/16/2026	130,000.00	10/13/2021 0.68%	129,996.69 129,996.80	99.41 1.16%	129,234.43 36.83	0.12% (762.37)	Aaa / AAA NR	4.80 1.24
<b>Total ABS</b>		<b>3,755,990.21</b>	<b>0.47%</b>	<b>3,755,572.33</b> <b>3,755,644.15</b>	<b>0.76%</b>	<b>3,736,054.15</b> <b>685.61</b>	<b>3.43%</b> <b>(19,590.00)</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>3.61</b> <b>1.59</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 1,000,040.96	100.12 0.19%	1,001,231.00 12,755.56	0.93% 1,190.04	Aaa / AA+ AAA	0.05 0.05
3133EKBV7	FFCB Note 2.55% Due 3/1/2022	750,000.00	02/27/2019 2.55%	750,075.00 750,006.16	100.63 0.04%	754,752.00 4,781.25	0.70% 4,745.84	Aaa / AA+ AAA	0.25 0.25
3135G0V59	FNMA Note 2.25% Due 4/12/2022	1,000,000.00	03/24/2020 0.59%	1,033,760.00 1,005,957.65	100.79 0.10%	1,007,865.00 3,062.50	0.93% 1,907.35	Aaa / AA+ AAA	0.36 0.37
3130AFE78	FHLB Note 3% Due 12/9/2022	1,000,000.00	01/25/2019 2.71%	1,010,700.00 1,002,828.56	102.81 0.25%	1,028,143.00 14,333.33	0.96% 25,314.44	Aaa / AA+ AAA	1.02 1.00
3137EAER6	FHLMC Note 0.375% Due 5/5/2023	985,000.00	05/05/2020 0.39%	984,586.30 984,803.18	99.96 0.40%	984,607.97 266.77	0.90% (195.21)	Aaa / AA+ AAA	1.43 1.42
3135G04Q3	FNMA Note 0.25% Due 5/22/2023	1,055,000.00	05/20/2020 0.35%	1,051,824.45 1,053,442.68	99.78 0.40%	1,052,673.73 65.94	0.97% (768.95)	Aaa / AA+ AAA	1.47 1.47
3133834G3	FHLB Note 2.125% Due 6/9/2023	650,000.00	10/30/2019 1.66%	660,432.50 654,396.38	102.58 0.42%	666,798.60 6,599.31	0.62% 12,402.22	Aaa / AA+ NR	1.52 1.49
3135G05G4	FNMA Note 0.25% Due 7/10/2023	875,000.00	07/08/2020 0.32%	873,118.75 873,993.23	99.72 0.42%	872,580.63 856.77	0.80% (1,412.60)	Aaa / AA+ AAA	1.61 1.60
3133EKZK5	FFCB Note 1.6% Due 8/14/2023	1,000,000.00	08/28/2019 1.48%	1,004,700.00 1,002,018.46	101.85 0.51%	1,018,499.00 4,755.56	0.94% 16,480.54	Aaa / AA+ AAA	1.70 1.68
3137EAEV7	FHLMC Note 0.25% Due 8/24/2023	1,000,000.00	09/24/2020 0.24%	1,000,230.00 1,000,136.53	99.56 0.51%	995,563.00 673.61	0.92% (4,573.53)	Aaa / AA+ AAA	1.73 1.73
3130A3DL5	FHLB Note 2.375% Due 9/8/2023	700,000.00	10/09/2019 1.44%	724,864.00 711,240.13	103.34 0.48%	723,392.60 3,832.99	0.67% 12,152.47	Aaa / AA+ NR	1.77 1.73

Vallecitos Water District Consolidated Account

Account #10594

Holdings Report

As of November 30, 2021



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>									
3137EAEW5	FHLMC Note 0.25% Due 9/8/2023	660,000.00	09/02/2020 0.26%	659,782.20 659,871.98	99.58 0.49%	657,227.34 380.42	0.60% (2,644.64)	Aaa / AA+ AAA	1.77 1.76
3133EMBS0	FFCB Note 0.2% Due 10/2/2023	1,000,000.00	11/12/2020 0.28%	997,720.00 998,549.29	99.45 0.50%	994,489.00 327.78	0.91% (4,060.29)	Aaa / AA+ AAA	1.84 1.83
3137EAEY1	FHLMC Note 0.125% Due 10/16/2023	825,000.00	10/14/2020 0.25%	821,922.75 823,077.77	99.26 0.52%	818,887.58 128.91	0.75% (4,190.19)	Aaa / AA+ AAA	1.88 1.87
3137EAEZ8	FHLMC Note 0.25% Due 11/6/2023	1,075,000.00	11/03/2020 0.28%	1,074,032.50 1,074,377.66	99.46 0.53%	1,069,242.30 186.63	0.98% (5,135.36)	Aaa / AA+ AAA	1.93 1.92
3137EAF2	FHLMC Note 0.25% Due 12/4/2023	770,000.00	12/02/2020 0.28%	769,237.70 769,489.71	99.34 0.58%	764,924.16 946.46	0.70% (4,565.55)	Aaa / AA+ AAA	2.01 2.00
3130A3VC5	FHLB Note 2.25% Due 12/8/2023	1,000,000.00	02/13/2020 1.46%	1,029,240.00 1,015,470.12	103.38 0.57%	1,033,821.00 10,812.50	0.96% 18,350.88	Aaa / AA+ NR	2.02 1.96
3135G0V34	FNMA Note 2.5% Due 2/5/2024	1,000,000.00	01/30/2020 1.44%	1,041,280.00 1,022,413.97	104.14 0.59%	1,041,412.00 8,055.56	0.96% 18,998.03	Aaa / AA+ AAA	2.18 2.12
3133EKMX1	FFCB Note 2.23% Due 2/23/2024	750,000.00	07/30/2019 1.91%	760,425.00 755,087.50	103.53 0.64%	776,444.25 4,552.92	0.72% 21,356.75	Aaa / AA+ AAA	2.23 2.17
3133EMRZ7	FFCB Note 0.25% Due 2/26/2024	850,000.00	02/22/2021 0.26%	849,694.00 849,771.69	99.26 0.58%	843,732.95 560.76	0.78% (6,038.74)	Aaa / AA+ AAA	2.24 2.23
3130A7PH2	FHLB Note 1.875% Due 3/8/2024	1,000,000.00	03/03/2020 0.85%	1,040,350.00 1,022,805.32	102.73 0.66%	1,027,311.00 4,322.92	0.95% 4,505.68	Aaa / AA+ NR	2.27 2.22
<b>Total Agency</b>		<b>18,945,000.00</b>	<b>1.02%</b>	<b>19,140,755.15</b> <b>19,029,778.93</b>	<b>0.45%</b>	<b>19,133,598.11</b> <b>82,258.45</b>	<b>17.65%</b> <b>103,819.18</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>1.58</b> <b>1.56</b>
<b>CORPORATE</b>									
24422ETL3	John Deere Capital Corp Note 2.65% Due 1/6/2022	500,000.00	Various 3.29%	489,627.50 499,703.84	100.23 0.35%	501,145.50 5,336.80	0.47% 1,441.66	A2 / A A	0.10 0.10
037833CQ1	Apple Inc Callable Note Cont 4/11/2022 2.3% Due 5/11/2022	500,000.00	10/30/2018 3.30%	483,395.00 497,922.76	100.67 0.46%	503,345.50 638.89	0.46% 5,422.74	Aa1 / AA+ NR	0.44 0.36
084664BT7	Berkshire Hathaway Note 3% Due 5/15/2022	500,000.00	12/11/2018 3.31%	495,015.00 499,341.45	101.17 0.43%	505,869.50 666.67	0.47% 6,528.05	Aa2 / AA A+	0.45 0.46
09247XAJ0	Blackrock Inc Note 3.375% Due 6/1/2022	500,000.00	11/28/2018 3.36%	500,215.00 500,030.59	101.56 0.28%	507,775.00 8,437.50	0.47% 7,744.41	Aa3 / AA- NR	0.50 0.49

**Vallecitos Water District Consolidated Account**

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**Holdings Report**

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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>									
06051GEU9	Bank of America Corp Note 3.3% Due 1/11/2023	400,000.00	09/05/2019 2.13%	414,984.00 404,986.48	103.01 0.58%	412,047.20 5,133.33	0.38% 7,060.72	A2 / A- AA-	1.12 1.09
90331HNL3	US Bank NA Callable Note Cont 12/23/2022 2.85% Due 1/23/2023	480,000.00	07/22/2019 2.24%	489,580.80 482,970.97	102.24 0.73%	490,745.28 4,864.00	0.46% 7,774.31	A1 / AA- AA-	1.15 1.04
69353RFL7	PNC Bank Callable Note Cont 5/9/2023 3.5% Due 6/8/2023	500,000.00	06/11/2019 2.44%	519,580.00 507,194.89	104.14 0.60%	520,717.00 8,409.72	0.49% 13,522.11	A2 / A A+	1.52 1.39
69371RQ82	Paccar Financial Corp Note 0.8% Due 6/8/2023	300,000.00	06/01/2020 0.85%	299,583.00 299,789.02	100.17 0.69%	300,519.60 1,153.33	0.28% 730.58	A1 / A+ NR	1.52 1.51
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.4% Due 6/26/2023	500,000.00	05/21/2019 2.65%	514,115.00 505,215.99	104.29 0.50%	521,470.00 7,319.44	0.49% 16,254.01	Aa2 / AA AA	1.57 1.44
808513BN4	Charles Schwab Corp Callable Note Cont 2/18/2024 0.75% Due 3/18/2024	600,000.00	Various 0.70%	600,858.00 600,653.17	99.61 0.93%	597,651.60 912.50	0.55% (3,001.57)	A2 / A A	2.30 2.19
023135BW5	Amazon.com Inc Note 0.45% Due 5/12/2024	420,000.00	05/10/2021 0.50%	419,386.80 419,500.38	98.94 0.89%	415,551.78 99.75	0.38% (3,948.60)	A1 / AA AA-	2.45 2.43
91324PEB4	United Health Group Inc Callable Note Cont 5/15/2022 0.55% Due 5/15/2024	230,000.00	11/08/2021 0.78%	228,679.80 228,710.03	99.08 2.58%	227,882.39 56.22	0.21% (827.64)	A3 / A+ A	2.46 0.45
14913R2L0	Caterpillar Financial Service Note 0.45% Due 5/17/2024	665,000.00	05/10/2021 0.50%	664,108.90 664,269.88	98.74 0.97%	656,643.61 116.38	0.60% (7,626.27)	A2 / A A	2.46 2.44
24422EVQ9	John Deere Capital Corp Note 0.45% Due 6/7/2024	395,000.00	06/07/2021 0.49%	394,506.25 394,584.85	98.81 0.93%	390,285.68 844.31	0.36% (4,299.17)	A2 / A A	2.52 2.49
89114QCA4	Toronto Dominion Bank Note 2.65% Due 6/12/2024	500,000.00	08/25/2021 0.61%	528,130.00 525,482.47	104.08 1.02%	520,391.00 6,220.14	0.48% (5,091.47)	A1 / A AA-	2.53 2.43
89236TJH9	Toyota Motor Credit Corp Note 0.5% Due 6/18/2024	400,000.00	06/15/2021 0.54%	399,524.00 399,596.09	98.70 1.02%	394,814.00 905.56	0.36% (4,782.09)	A1 / A+ A+	2.55 2.52
79466LAG9	Salesforce.com Inc Callable Note Cont 7/15/2022 0.625% Due 7/15/2024	105,000.00	06/29/2021 0.64%	104,946.45 104,953.37	99.21 1.90%	104,171.34 253.39	0.10% (782.03)	A2 / A+ NR	2.62 0.62
69371RR40	Paccar Financial Corp Note 0.5% Due 8/9/2024	255,000.00	08/03/2021 0.52%	254,862.30 254,876.62	98.70 0.99%	251,673.78 396.67	0.23% (3,202.84)	A1 / A+ NR	2.69 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>									
78015K7C2	Royal Bank of Canada Note 2.25% Due 11/1/2024	500,000.00	05/19/2021 0.74%	525,645.00 521,696.48	103.08 1.17%	515,416.50 937.50	0.47% (6,279.98)	A2 / A AA-	2.92 2.82
46647PBY1	JP Morgan Chase & Co Callable Note Cont 2/16/2024 0.563% Due 2/16/2025	365,000.00	02/09/2021 0.54%	365,000.00 365,000.00	98.96 1.04%	361,189.40 599.36	0.33% (3,810.60)	A2 / A- AA-	3.22 2.19
57636QAN4	MasterCard Inc Callable Note 1x 02/03/2025 2% Due 3/3/2025	600,000.00	10/28/2021 1.04%	618,294.00 617,832.81	102.85 1.08%	617,122.80 2,933.33	0.57% (710.01)	A1 / A+ NR	3.26 3.06
46647PCH7	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due 6/1/2025	555,000.00	05/24/2021 0.74%	555,720.85 555,630.56	98.83 1.30%	548,529.81 2,286.60	0.51% (7,100.75)	A2 / A- AA-	3.50 2.46
<b>Total Corporate</b>		<b>9,770,000.00</b>	<b>1.53%</b>	<b>9,865,757.65</b> <b>9,849,942.70</b>	<b>0.85%</b>	<b>9,864,958.27</b> <b>58,521.39</b>	<b>9.12%</b> <b>15,015.57</b>	<b>A1 / A+</b> <b>A+</b>	<b>1.95</b> <b>1.73</b>
<b>LAIF</b>									
90LAIF\$00	Local Agency Investment Fund State Pool	50,416,639.75	Various 0.21%	50,416,639.75 50,416,639.75	1.00 0.21%	50,416,639.75 17,088.98	46.33% 0.00	NR / NR NR	0.00 0.00
<b>Total LAIF</b>		<b>50,416,639.75</b>	<b>0.21%</b>	<b>50,416,639.75</b> <b>50,416,639.75</b>	<b>0.21%</b>	<b>50,416,639.75</b> <b>17,088.98</b>	<b>46.33%</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	5,535,000.00	Various 0.70%	5,535,000.00 5,535,000.00	1.00 0.70%	5,535,000.00 0.00	5.08% 0.00	NR / NR AAA	0.00 0.00
<b>Total Local Gov Investment Pool</b>		<b>5,535,000.00</b>	<b>0.70%</b>	<b>5,535,000.00</b> <b>5,535,000.00</b>	<b>0.70%</b>	<b>5,535,000.00</b> <b>0.00</b>	<b>5.08%</b> <b>0.00</b>	<b>NR / NR</b> <b>AAA</b>	<b>0.00</b> <b>0.00</b>
<b>MONEY MARKET FUND</b>									
261908206	Dreyfus Treasury Money Market Fund	38,758.33	Various 0.01%	38,758.33 38,758.33	1.00 0.01%	38,758.33 0.00	0.04% 0.00	Aaa / AAA NR	0.00 0.00
<b>Total Money Market Fund</b>		<b>38,758.33</b>	<b>0.01%</b>	<b>38,758.33</b> <b>38,758.33</b>	<b>0.01%</b>	<b>38,758.33</b> <b>0.00</b>	<b>0.04%</b> <b>0.00</b>	<b>Aaa / AAA</b> <b>NR</b>	<b>0.00</b> <b>0.00</b>



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>SUPRANATIONAL</b>									
459058JM6	Intl. Bank Recon & Development Note 0.25% Due 11/24/2023	395,000.00	11/17/2020 0.32%	394,150.75 394,439.26	99.41 0.55%	392,652.52 19.20	0.36% (1,786.74)	Aaa / AAA AAA	1.98 1.97
4581X0DZ8	Inter-American Dev Bank Note 0.5% Due 9/23/2024	830,000.00	09/15/2021 0.52%	829,385.80 829,424.47	98.94 0.88%	821,205.32 783.89	0.76% (8,219.15)	Aaa / AAA NR	2.82 2.78
<b>Total Supranational</b>		<b>1,225,000.00</b>	<b>0.46%</b>	<b>1,223,536.55</b> <b>1,223,863.73</b>	<b>0.78%</b>	<b>1,213,857.84</b> <b>803.09</b>	<b>1.12%</b> <b>(10,005.89)</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>2.55</b> <b>2.52</b>
<b>US TREASURY</b>									
9128282P4	US Treasury Note 1.875% Due 7/31/2022	1,000,000.00	12/28/2018 2.53%	977,617.19 995,858.84	101.16 0.14%	1,011,602.00 6,266.98	0.94% 15,743.16	Aaa / AA+ AAA	0.67 0.66
912828L24	US Treasury Note 1.875% Due 8/31/2022	750,000.00	09/20/2018 2.94%	720,439.45 744,395.81	101.29 0.15%	759,668.25 3,573.90	0.70% 15,272.44	Aaa / AA+ AAA	0.75 0.74
9128282W9	US Treasury Note 1.875% Due 9/30/2022	1,000,000.00	03/19/2019 2.43%	981,406.25 995,632.63	101.40 0.19%	1,014,023.00 3,193.68	0.93% 18,390.37	Aaa / AA+ AAA	0.83 0.83
912828M80	US Treasury Note 2% Due 11/30/2022	800,000.00	12/24/2019 1.70%	806,875.00 802,338.79	101.75 0.25%	814,000.00 43.96	0.75% 11,661.21	Aaa / AA+ AAA	1.00 0.99
9128284D9	US Treasury Note 2.5% Due 3/31/2023	1,000,000.00	02/21/2019 2.51%	999,414.06 999,810.29	102.87 0.34%	1,028,672.00 4,258.24	0.95% 28,861.71	Aaa / AA+ AAA	1.33 1.31
912828R28	US Treasury Note 1.625% Due 4/30/2023	1,000,000.00	12/04/2019 1.60%	1,000,898.44 1,000,372.54	101.80 0.35%	1,018,008.00 1,391.57	0.94% 17,635.46	Aaa / AA+ AAA	1.41 1.40
912828R69	US Treasury Note 1.625% Due 5/31/2023	1,100,000.00	Various 2.00%	1,083,765.62 1,094,108.96	101.86 0.38%	1,120,410.50 49.11	1.03% 26,301.54	Aaa / AA+ AAA	1.50 1.49
912828T91	US Treasury Note 1.625% Due 10/31/2023	1,000,000.00	09/25/2019 1.60%	1,000,898.44 1,000,419.79	102.14 0.50%	1,021,367.00 1,391.57	0.94% 20,947.21	Aaa / AA+ AAA	1.92 1.89
91282CBE0	US Treasury Note 0.125% Due 1/15/2024	1,000,000.00	01/12/2021 0.24%	996,445.31 997,484.12	99.03 0.58%	990,312.00 472.15	0.91% (7,172.12)	Aaa / AA+ AAA	2.13 2.12
912828V80	US Treasury Note 2.25% Due 1/31/2024	1,000,000.00	12/16/2019 1.71%	1,021,210.94 1,011,140.67	103.58 0.59%	1,035,781.00 7,520.38	0.96% 24,640.33	Aaa / AA+ AAA	2.17 2.11
912828X70	US Treasury Note 2% Due 4/30/2024	1,000,000.00	03/03/2020 0.71%	1,052,539.06 1,030,492.04	103.19 0.67%	1,031,875.00 1,712.71	0.95% 1,382.96	Aaa / AA+ AAA	2.42 2.36
91282CCC3	US Treasury Note 0.25% Due 5/15/2024	1,000,000.00	05/12/2021 0.36%	996,875.00 997,440.59	98.94 0.69%	989,375.00 110.50	0.91% (8,065.59)	Aaa / AA+ AAA	2.46 2.44



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>US TREASURY</b>									
91282CCG4	US Treasury Note 0.25% Due 6/15/2024	1,000,000.00	06/10/2021 0.33%	997,695.31 998,050.69	98.84 0.71%	988,359.00 1,154.37	0.91% (9,691.69)	Aaa / AA+ AAA	2.54 2.52
91282CCX7	US Treasury Note 0.375% Due 9/15/2024	1,000,000.00	09/10/2021 0.44%	997,929.69 998,075.14	98.92 0.77%	989,219.00 797.65	0.91% (8,856.14)	Aaa / AA+ AAA	2.79 2.77
912828YM6	US Treasury Note 1.5% Due 10/31/2024	1,000,000.00	08/06/2021 0.45%	1,033,554.69 1,030,310.22	102.00 0.80%	1,020,000.00 1,284.53	0.94% (10,310.22)	Aaa / AA+ AAA	2.92 2.85
91282CDH1	US Treasury Note 0.75% Due 11/15/2024	1,000,000.00	11/29/2021 0.81%	998,164.06 998,165.76	99.83 0.81%	998,281.00 331.49	0.92% 115.24	Aaa / AA+ AAA	2.96 2.92
912828ZF0	US Treasury Note 0.5% Due 3/31/2025	1,000,000.00	03/03/2021 0.54%	998,515.63 998,786.97	98.66 0.91%	986,602.00 851.65	0.91% (12,184.97)	Aaa / AA+ AAA	3.33 3.29
912828ZL7	US Treasury Note 0.375% Due 4/30/2025	950,000.00	04/12/2021 0.66%	939,238.28 940,927.54	98.12 0.93%	932,150.45 305.08	0.86% (8,777.09)	Aaa / AA+ AAA	3.42 3.38
912828ZT0	US Treasury Note 0.25% Due 5/31/2025	1,000,000.00	10/14/2021 0.78%	980,976.56 981,651.86	97.57 0.96%	975,703.00 6.87	0.90% (5,948.86)	Aaa / AA+ AAA	3.50 3.47
<b>Total US Treasury</b>		<b>18,600,000.00</b>	<b>1.26%</b>	<b>18,584,458.98</b> <b>18,615,463.25</b>	<b>0.57%</b>	<b>18,725,408.20</b> <b>34,716.39</b>	<b>17.23%</b> <b>109,944.95</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>2.12</b> <b>2.09</b>
<b>TOTAL PORTFOLIO</b>		<b>108,286,388.29</b>	<b>0.69%</b>	<b>108,560,478.74</b> <b>108,465,090.84</b>	<b>0.42%</b>	<b>108,664,274.65</b> <b>194,073.91</b>	<b>100.00%</b> <b>199,183.81</b>	<b>Aa1 / AA+</b> <b>AAA</b>	<b>0.97</b> <b>0.88</b>
<b>TOTAL MARKET VALUE PLUS ACCRUED</b>						<b>108,858,348.56</b>			



**VALLECITOS WATER DISTRICT  
SUMMARY OF LEGAL FEES**

<b>Matter Description</b>	<b>Sep-20</b>	<b>Oct-20</b>	<b>Nov-20</b>	<b>Dec-20</b>	<b>Jan-21</b>	<b>Feb-21</b>	<b>Mar-21</b>	<b>Apr-21</b>	<b>May-21</b>	<b>Jun-21</b>	<b>Jul-21</b>	<b>Aug-21</b>	<b>Sep-21</b>	<b>Total</b>
General Counsel Services	\$ 32,375	\$ 6,534	\$ 34,002	\$ 7,971	\$ 4,303	\$ 33,300	\$ 10,756	\$ 4,232	\$ 13,238	\$ 16,885	\$ 6,265	\$ 5,404	\$ 9,160	\$ 184,424
Labor/Employment	785	1,123	1,013	2,859	1,275	1,183	800	2,241	2,487	1,627	1,075	368	461	17,296.55
Engineering - Construction/Contracting	11,791	7,949	5,363	6,985	5,005	3,575	4,180	1,348	3,033	2,640	2,640	990	2,915	58,412.00
Fees and Taxes	-	-	-	-	-	-	890	491	-	645	-	-	461	2,486.79
Environmental	-	-	-	-	154	1,934	-	-	-	-	-	-	-	2,087.60
Adv. Butler	2,949	658	1,412	-	138	2,757	4,150	1,722	275	1,458	1,267	3,489	2,947	23,219.35
Renewable Energy	-	-	215	92	-	307	-	-	645	276	-	-	215	1,749.90
Litigation	4,386	5,312	3,937	3,197	5,198	4,276	7,568	6,060	4,840	-	3,745	3,469	3,991	55,979.86
Driscoll & Omens Prop 218 Sole	887	1,462	2,972	911	2,598	2,938	1,609	1,209	1,562	163	3,935	333	324	20,903.20
Driscoll & Omens Prop 218 Shared	1,685	1,021	502	547	429	204	142	301	318	281	229	151	85	5,896.12
Driscoll & Omens Prop 218 PRA Requests	2,138	964	1,280	3,544	774	1,272	510	619	481	767	252	545	835	13,980.83
<b>Total</b>	<b>\$ 56,996</b>	<b>\$ 25,024</b>	<b>\$ 50,695</b>	<b>\$ 26,106</b>	<b>\$ 19,873</b>	<b>\$ 51,745</b>	<b>\$ 30,605</b>	<b>\$ 18,223</b>	<b>\$ 26,877</b>	<b>\$ 24,742</b>	<b>\$ 19,407</b>	<b>\$ 14,751</b>	<b>\$ 21,392</b>	<b>\$ 386,436</b>

**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: PROPOSED 2022 INVESTMENT POLICY RESOLUTION**

**BACKGROUND:**

The Investment Policy is reviewed by staff on an annual basis and brought to the Board for consideration. The District is required to adopt an investment policy every calendar year.

**DISCUSSION:**

A draft Resolution for the Investment Policy of the Vallecitos Water District for calendar year 2022 is presented for your consideration and approval.

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

**FISCAL IMPACT:**

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

**RECOMMENDATION:**

Staff recommends the Board approve and adopt the Annual Investment Policy Resolution for calendar year 2022.

**ATTACHMENT:**

Draft Resolution Approving the Statement of Investment Policy for Calendar Year 2022

**RESOLUTION NO.**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
VALLECITOS WATER DISTRICT APPROVING THE STATEMENT  
OF INVESTMENT POLICY FOR CALENDAR YEAR 2022**

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

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

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Section 1: General Provisions and Objectives

Section 1.1: Introduction

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

Section 1.2: Scope

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

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

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

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

#### Section 1.3: Pooling of Funds

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

#### Section 1.4: Prudence

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

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

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

#### Section 1.5: Objectives

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

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

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

### Section 2: Delegation of Authority

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

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

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

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

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

### Section 3: Ethics and Conflicts of Interest

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

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

#### Section 4: Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

#### Section 6: Authorized Investments

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

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

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

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

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

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

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

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

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

Section 6.4: Banker's Acceptances, provided that:

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

Section 6.5: Commercial Paper, provided that:

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Section 6.13: Supranationals, provided that:

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

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

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

Section 7: Prohibited Investment Vehicles and Practices

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

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

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

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

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

#### Section 9: Collateralization

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

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

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

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

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

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

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

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

#### Section 11: Maximum Maturity

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

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

#### Section 12: Risk Management and Diversification

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

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

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

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

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

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

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

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

#### Section 12.3: Foreign Currency Risk

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

### Section 13: Review and Reporting

#### Section 13.1: Review of Investment Portfolio

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

#### Section 13.2: Performance Evaluation

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

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

#### Section 13.3: Monthly Reports

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

#### Section 13.4: Quarterly Reports

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

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

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

#### Section 13.5: Annual Reports

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

#### Section 13.6: Review of Investment Policy

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

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

#### Section 14: Glossary of Terms

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

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

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

#### Certificates of Deposit

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

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

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

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

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

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

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

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

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

Local Government Investment Pool (LGIP) is a collection of funds from various governmental entities invested in a common portfolio. Each investor earns interest



proportional to their investment in the overall pool.

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

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

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

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

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

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

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

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

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

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

include:

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

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

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

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

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

The Annual Statement of Investment Policy for calendar year 2022 is hereby approved and replaces and previous versions. The District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 15<sup>th</sup> day of December 2021, by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Craig Elitharp, President  
Board of Directors  
Vallecitos Water District

ATTEST:

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Glenn Prum, Secretary  
Board of Directors  
Vallecitos Water District

**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: ARCHITECTURAL DESIGN PROFESSIONAL SERVICES AGREEMENT**  
**AWARD FOR THE MAINTENANCE SERVICES BUILDING C TENANT**  
**IMPROVEMENTS**

**BACKGROUND:**

The recently created Maintenance Services Group in the Operations & Maintenance Department does not currently have an office space. This project will initiate a tenant improvement design in an underutilized shop area to create a finished office space for the supervisor and department staff in the Maintenance Services C Building at District headquarters.

**DISCUSSION:**

On October 28, The District submitted a request for proposals to four local architectural firms. The firms were asked to present their experience in designing commercial tenant improvements of a similar nature. The four firms that staff requested proposals from included:

- Marlene Imirzian & Associates Architects (MIA)
- OBR Architecture, Inc. (OBR)
- MBN Group Architects (MBN)
- Jeff Katz Architectural Corporation (JKA)

On December 2, staff received proposals from all four firms. District staff reviewed the proposals and rated each firm based on their experience with similar projects, how well they addressed the RFP requirements, project approach, scope of work, fee/labor hours, and schedule. MBN was determined to be the most responsive and qualified consultant with a fee of \$49,443 for design phase services.

On December 6, staff presented this item to the Engineering and Equipment Committee, providing an update on the process.

**FISCAL IMPACT:**

The project is identified in the FY 21/22 Budget with a budget amount of \$150,000. The project funding source is 51% from Water Replacement funds and 49% from Sewer Replacement funds. The itemized budget summary is as follows:

Budget	\$ 150,000
Design Phase Services (MBN)	\$ 49,443
Staff Design Phase Services	\$ 6,000*
Staff Overhead	\$ 13,500*
Construction Contract	\$ <u>TBD</u>
Total	\$ 68,943

\*Estimated Cost

**RECOMMENDATION:**

Staff, with support from the Engineering and Equipment Committee, recommends that the Board of Directors authorize the General Manager to execute a professional services agreement with MBN in the amount of \$49,443 for design phase services for the Maintenance Services Building C Tenant Improvements Project.

**ATTACHMENT**

Exhibit



# ARCHITECTURAL DESIGN PROFESSIONAL SERVICES AGREEMENT AWARD FOR THE MAINTENANCE SERVICES BUILDING C TENANT IMPROVEMENTS



VWD ADMIN.  
BUILDING "A"

PARKING

BUILDING "C"

BUILDING "E"

BUILDING "B"



**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: UPDATE ON WATER COST OF SERVICE STUDY (COSS)**

**BACKGROUND:**

The last full Cost of Service Study (COSS) was completed in August 2017, which was updated in February 2020. It is recommended that a full COSS be done at least every 5 years.

In June 2020, Raftelis was selected to provide a full COSS for the water fund to include several rate structure alternatives in addition to looking at methods to pass through costs from the San Diego County Water Authority to the customer.

On September 9, 2020, a Board Pricing Objectives Workshop was held. From that workshop, the following objectives were determined to be a high priority:

- Affordability for essential and average use
- Importance of customer understanding
- Equitable allocation of water supply costs

On November 22, 2021, the Finance Committee was provided with an update on the progress of the COSS, which included a timeline and some potential rate scenarios, with the goal to bring refined options to the full Board on December 15, 2021.

**DISCUSSION:**

A COSS requires that there is an equitable allocation of costs to customers and there is a cost-based foundation for compliance with Proposition 218. Staff has analyzed several options and is providing the Board with detail on three scenarios which adhere to the Proposition 218 guidelines. The three scenarios and a brief description are:

1. Base Scenario – Continue with the current rate structure updating the model with the most recent budget expenditures and customer water demands.
2. Partial allocation of desal as a fixed charge - Allocate a portion of the District’s desalinated water supply costs to the fixed (Readiness-to Serve) portion of the customer’s bill.
3. Property Tax/RDA revenue offset – Equitably allocate the cost of the District’s water supply costs across all tiers and use some of the District’s discretionary revenue to offset the cost of Tier 1 and/or Tier 2 water. This option would allow the allocation of the Property Tax/RDA revenue to be split between Tiers 1 and 2 at the Board’s discretion.



At the meeting on December 15, staff will be looking for direction from the Board regarding which option(s) to bring back to a future Board meeting to ultimately be incorporated into the final Cost of Service Study document. This document will become the administrative record supporting the establishment of new water rates. The COSS and the initiation of the formal rate setting process will occur at a future Board meeting.

**RECOMMENDATION:**

Receive the staff presentation and provide direction to staff.

**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: WATER SERVICE SHUT-OFF MORATORIUM**

**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. The District curtailed shut-offs for non-payment of water and wastewater accounts in February 2020 ahead of the Governor's executive order in April 2020. On September 15, 2021 the Board directed staff to resume pre-COVID practices regarding water service shut-offs for non-payment on October 1, 2021 if Executive Order N-42-20 was not extended past September 30, 2021.

**DISCUSSION:**

SB 155 was signed into law on September 23, 2021, extending the prohibition of water service shutoffs in California for non-payment until at least December 31, 2021, and expanding the prohibition to apply to all classes of customers. (See Health & Saf. Code § 116773.4(e)(2).) SB 155 requires the District to provide customers with arrearages accrued during the COVID-19 pandemic bill relief period (defined as March 4, 2020 to June 15, 2021) a payment plan notice and 30-day opportunity to enter into a payment plan. (Health & Saf. Code § 116773.4(e)(1).) The Arrearages Payment Program Guidelines established by the State Water Resources Control Board pursuant to SB 155 contain additional requirements for payment plan notices and water service shutoff practices. SB 155 prohibits shutting off water service due to non-payment before the later of the following dates: (1) December 31, 2021, or (2) for a customer that has been offered a payment plan, the date the customer misses the 30-day enrollment deadline for, or defaults on, the payment plan. (Health & Saf. Code § 116773.4(e)(2).) For customers the District is required to offer a payment plan to, this means that the District must wait to shut-off water service until the customer misses the payment plan enrollment deadline or defaults on a payment plan, in addition to waiting until December 31, 2021. The District participated in the Arrearages Payment Program established under SB 155 and is expecting to receive funding shortly. Based on previous Board direction, staff plans to resume pre-COVID practices regarding water service shut-offs for non-payment on January 1, 2022 and comply with all SB 155 requirements related to the Arrearages Payment Program if the water shut-off moratorium is not extended past December 31, 2021.

**FISCAL IMPACT:**

Loss of revenue from uncollected past due accounts.

**RECOMMENDATION:**

For information only.



**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: 2022 STRATEGIC PLAN**

**BACKGROUND:**

On November 3, 2021, the Vallecitos Water District (VWD) Board of Directors received a presentation on the 2022 Strategic Plan.

**DISCUSSION:**

During the November presentation on the 2022 Strategic Plan, the Board requested the inclusion of text related to “climate change” be included in two places in Strategic Focus Area 6 “Environmental Stewardship.”

The Board also requested additional options for a new Vision Statement. One Vision Statement put forth was, “To be a best-in-class utility for “One Water.” The Board could also choose any of the following suggested Vision Statements:

- 1) To be a best-in-class agency for water, wastewater and recycled water.
- 2) To be a best-in-class utility that recognizes all urban water supplies as resources: surface water, groundwater, stormwater, and wastewater.
- 3) To be a best-in-class Special District that recognizes the urban water cycle as a single integrated system.
- 4) To be a best-in-class utility with a passion for “One Water.”
- 5) To be a best-in-class utility being mindful stewards of “One Water.”
- 6) To be a best-in-class utility of “One Water” for a water-secure future.
- 7) To be a best-in-class utility with an unwavering commitment to protecting “One Water.”

The Board may also choose a different Vision Statement during this Board meeting or choose not to include a Vision Statement in the 2022 Strategic Plan.

Attached is the updated draft 2022 Strategic Plan incorporating the Board’s requested modifications from the November Board meeting.

**FISCAL IMPACT:**

There is no specific fiscal impact to approving 2022 Strategic Plan. Costs to implement the performance objectives from the Tactical Plan will be included in future budgets or brought to the Board individually for approval.

**RECOMMENDATION:**

This item is presented for Board review and consideration. Staff recommends the Board adopt the 2022 Strategic Plan.

**ATTACHMENT:**

Vallecitos Water District’s 2022 Strategic Plan.



# 2022 Strategic Plan



This Strategic Plan is the core document that will guide the District’s efforts to positively adapt to change, and further clarify the future from the perspective of Board and management. The plan establishes a vision and direction for the District, with goals and objectives over the next five to seven years. It identifies areas of critical concern that must be addressed for the District to remain successful and provides management and staff with common goals to achieve our mission.



## Mission Statement

The water and wastewater specialists – providing reliable and sustainable services.

## Vision of the Future

To be a best-in-class utility of the “One Water” resource.

## Organizational Values

### Integrity

Honest and ethical policies, communication, and actions without bias.

### Loyalty

Dedicated to the Public, the District, and its employees.

### Respect

Appreciate differences in background, opinion, and approach, and acknowledge with high regard.

### Responsibility

Demonstrate prudent use of all public and environmental resources.

### Trust

Our actions and words inspire fairness and support.

### Professionalism

Conduct interactions in a courteous and respectful manner and be responsible for personal actions and decisions.

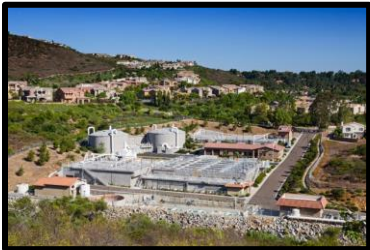
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# STRATEGIC FOCUS AREA 1 – INFRASTRUCTURE INTEGRITY

**Focus:** Ensure reliable facilities and infrastructure.



### Strategy 1.1 – Operations and Maintenance

The life of District assets can be extended by performing preventative and predictive maintenance, repairing, and replacing equipment as needed, to ensure that our customers continue to receive a high level of service that includes a safe and reliable water supply, dependable sewer collection services, and cutting-edge wastewater treatment that meets or exceeds all regulatory requirements.

### Strategy 1.2 – Asset Management and Replacement

Infrastructure includes the traditional utility assets (pipelines, pump stations, treatment plants, etc.) as well as supporting facilities, such as District buildings and Information Technology systems. Leveraging the historical maintenance and performance history of our facilities with mapping, condition assessment, and analytical tools will allow the District to manage its infrastructure more efficiently. The development and prioritization of an asset replacement schedule is crucial to minimize the financial burden of prematurely replacing infrastructure that still possess useful life and reduce the frequency of unplanned and costly breaks and repairs.

### Strategy 1.3 – Facility Planning

The Water, Wastewater and Recycled Water Master Plan is the fundamental growth-related planning document of the District, which identifies current and future Capital Facility needs and the required funding to meet those needs. The Master Plan will be updated based on need due to land use changes and/or regulatory requirements and will include projections on water, wastewater, recycled water demands, facilities required to meet those demands, as well as long term buildout capital facilities and demands.



## STRATEGIC FOCUS AREA 2 – ORGANIZATIONAL IMPROVEMENT/EFFICIENCY

**Focus:** Increase organizational effectiveness and customer service excellence.



### **Strategy 2.1 – Technology**

Technology is critical to our ability to keep our systems secure and prepare for disasters. Staying current with technology is a never-ending challenge that must be balanced by our needs and wants through a cost benefit analysis. Using reliable, tested products with ongoing support helps to ensure the systems will continue to meet our needs in the future.

### **Strategy 2.2 – Continuous Improvement**

Efficiency and improvement require evaluation, willingness to review and consider change and the ability to manage our work processes more effectively. By reviewing our processes on a regular basis to determine what works well or needs to change, we can revisit the capabilities of technology to get the most benefit and increase efficiency. Rather than “reinvent the wheel,” collaboration with other agencies can result in organizational improvements in a cost effective and more efficient manner. We will also refer to industry standards and best practices established by professional associations.

### **Strategy 2.3 – Performance Measurement**

To measure our overall performance, data is processed and interpreted to provide meaningful information, or metrics. Metrics focus on key areas, track performance, and identify trends. When possible, metrics compare to industry standards and best practices using benchmarks. Regular reports are provided to management and the Board. Employee performance evaluations contain Specific, Measurable, Attainable, Relevant, and Time-based (S.M.A.R.T.) goals.

# STRATEGIC FOCUS AREA 3 - WORKFORCE EXCELLENCE

**Focus:** Attract and retain a well-trained, diverse, and inclusive workforce.



## Strategy 3.1 – Employee Engagement

Employee engagement is the emotional commitment an employee has to an organization and is closely linked to employee satisfaction, morale, and retention. Employees are more engaged when there is effective two-way communication with management, teamwork, and personal responsibility. Communication is vital in keeping employees informed and maintaining morale. Culture is instrumental and people come first as we work together to achieve common goals in support of the mission.

## Strategy 3.2 – Employee Recruitment and Retention

The District will need to find new ways to entice applicants and be the employer of choice in the water and wastewater industry. Partnerships with local schools and military bases may help with internships and the hiring of veterans. Internal career paths and opportunities for advancement are equally important for employee retention. Continuing to provide competitive salaries and enhance benefits including supporting a better work/life balance such as by offering flexible schedules and opportunities for telecommuting is critical for recruitment and retention of highly qualified employees. Staffing plans may be developed to forecast future needs of departments.

## Strategy 3.3 – Employee Training and Development

Keeping staff trained and up to date is critical to maintain a skilled and efficient workforce. Employee development includes responsibility, realistic goals, timely feedback, growth opportunities, and recognition. Supervisors play a vital role in employee development and also need to receive ongoing training for soft skills and leadership. A variety of methods can be used in support of knowledge management to pass on knowledge of the District and utilize experience obtained in the water and wastewater treatment industry.

# STRATEGIC FOCUS AREA 4 - FISCAL RESPONSIBILITY

**Focus:** Ensure fiscal health and fair utility rates.



## Strategy 4.1 – Fiscal Management

Now, more than ever, it is critical to be aware of economic decisions and how they impact rate payers. The District must weather periods of expansion and growth as well as economic recession through prudent and financially sustainable practice and policy. An emphasis on fiscal responsibility must be promoted throughout the District. Fiscal management affects nearly every aspect of the District’s operations and helps to minimize future rate increases.

## Strategy 4.2 – Operating and Capital Facility Reserve Funding

Reserve funds ensure continuing operations, fund unanticipated, unforeseeable, and planned repair or replacement of water and wastewater system facilities, equipment and infrastructure and avoid the cost of debt issuance and ongoing interest expense. Capital facility fees pay for capital improvements exclusively to accommodate future demands and support asset planning by ensuring “growth pays for growth.” Replacement funding must be developed in a fair and equitable manner to ensure appropriate funding sources and levels.

## Strategy 4.3 – Customer Rates and Charges

Consider water and sewer rates that support the operation and maintenance of the District and adequately fund replacement and upgrades required to ensure reliable service and sustainability. Maintain reasonable, affordable rates and control costs through sound financial planning. Consider alternative revenue sources, grant funding, and other ways to enhance revenues and recover costs that would otherwise increase the revenue requirement for setting rates.



## STRATEGIC FOCUS AREA 5 – PUBLIC INFORMATION AND OUTREACH

**Focus:** Actively engage our customer base to promote Vallecitos Water District.



### **Strategy 5.1 – Customer Outreach**

To ensure contact with our customer base the District must use all possible ways of outreach including newsletters, tours, social media, local events, website, and the speaker's bureau. Outreach efforts increase awareness of the value we provide and an understanding of how we provide it.

### **Strategy 5.2 – School Outreach**

Educating children on water, wastewater and our industry is critical because they are the future. To reinforce the need to conserve water, it is important to reach younger water users at an early age and create a life-long behavior. The greatest source of this audience is the school system and the creation of a cooperative program with the local school districts incorporating established standards adopted by the California State Board of Education.

### **Strategy 5.3 - Water Use Efficiency**

Changing public opinion towards outdoor water use (which accounts for 50 to 80% of residential consumption) will save significant volumes of water. Reducing water use is mandated but is also the right thing to do as drought conditions continue and will have a detrimental effect on future generations.

### **Strategy 5.4 - Public/Private Partnerships**

Partnerships between local governmental agencies and private sector organizations can provide a cost effective, business friendly and sustainable resource. When cost-effective and feasible, identify and evaluate mutually beneficial opportunities for collaboration with private or public agencies. These partnerships may also help with filling jobs in water and wastewater industry.

# STRATEGIC FOCUS AREA 6 – ENVIRONMENTAL STEWARDSHIP

**Focus:** Contribute to resource sustainability and environmental stewardship.



## **Strategy 6.1 – Water Resources**

Water availability and climate change are some of the largest threats to the District and its rate payers. The District will need to evaluate water supply options taking into consideration reliability, quantity, quality and price. Restrictions and cost of traditional water supply sources as well as regulatory changes have made water reuse a viable alternative.

## **Strategy 6.2 – Water Supply Management**

The Urban Water Management Plan includes consideration of local and statewide issues as well as programs and goals of the San Diego County Water Authority and any legislation adopted by the State. Drought, climate change and other water shortage issues highlight the need to manage water loss from a variety of sources in water distribution systems. The District can increase water supplies and recover revenue by identifying the scale and cost of these losses. The Water Loss Audit Reporting Program provides guidance to identify and eliminate water loss.

## **Strategy 6.3 – Renewable Resources**

District operations have the potential to consume considerable quantities of non-renewable resources. Improving the operating efficiency of District assets and expanding the use of photovoltaic energy and battery storage systems will reduce the reliance on traditional resources. The use and lifecycle management of other materials, such as single use plastics, have damaging impacts on the environment. Exploring alternative materials and evaluating District purchasing policies can reduce the impacts of District operations.

## **Strategy 6.4 – Natural Environment Protection**

District operations have the potential to impact the surrounding natural environment. Enhanced District operations will result in better protection of the natural environment.

Coordination with surrounding land use agencies can promote better watershed management and result in new building standards that are more environmentally friendly.

**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: WATER SUPPLY CONDITIONS UPDATE**

**BACKGROUND:**

Following the second driest year on record and with near record low storage in California's largest reservoirs, Governor Gavin Newsom issued a proclamation extending the drought emergency statewide and further urging Californians to step up their water conservation efforts as the western U.S. faces a potential third dry year. General Manager Glenn Pruiam declared a Level 1 "Drought Watch" condition on October 25, 2021.

**DISCUSSION:**

Most California water districts will receive virtually no water next year from the State Water Project other than for health and safety needs amid "unprecedented drought conditions," the state's Department of Water Resources announced on December 1. It essentially means that water agencies in California which serve some 27 million residents and 750,000 acres of farmland won't get the water they've requested other than for limited reasons. It primarily impacts uses such as irrigation and landscaping but doesn't exempt Californians for things like drinking water or bathing.

The Northern Sierra 8-Station Precipitation Index shows values of 153% for the new water year. Snow content statewide is 15% of average. Lake Oroville is at 30% of capacity and the San Luis Reservoir at 24% of capacity. Those two values rose from the previous month's report.

On the Colorado River, Lake Mead is currently 34% full and Lake Powell is 29% full. Upper Basin precipitation is 82% to date.

Locally, the National Weather Service/NOAA three-month temperature outlook shows the San Diego area as "above normal favored" meaning the region will probably have higher temperatures than usual. Precipitation is "below normal favored."

November 2021 water sales data shows VWD customers using less in all categories as compared to November 2020.

**FISCAL IMPACT:**

Conservation measures can reduce revenues. There is currently no expected financial impact beyond seasonal changes.

**RECOMMENDATION:**

For information only.

**DATE: DECEMBER 15, 2021**  
**TO: BOARD OF DIRECTORS**  
**SUBJECT: COMMITTEE APPOINTEES AND REPRESENTATIVES**

**BACKGROUND:**

Ordinance No. 216 provides that the Board President appoint a Chair and second member to each standing advisory committee from the members of the Board. The President also makes recommendations for District representation at outside agencies of which the District is a member agency. The current appointments are presented in the attachment.

**DISCUSSION:**

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

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

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

Incoming President Elitharp has reached out to the Board members to solicit their input regarding assignments to committees and outside agencies and will present his recommendations at the December 15, 2021, meeting.

**FISCAL IMPACT:**

None.

**RECOMMENDATIONS:**

Request Board direction regarding Committee appointments and Agency Representatives.

**ATTACHMENT:**

Current District Committee Assignments and Agency Representatives

**Board Member Appointments  
January 1, 2021 – December 1, 2021**

**Board Officers**

President	Mike Sannella
Vice President	Craig Elitharp
Secretary	Glenn Pruum
Assistant Secretary	Rhondi Emmanuel
Treasurer	Vacant
Assistant Treasurer	Glenn Pruum

**Standing Committees**

**Engineering/Equipment**

Craig Elitharp (chair)  
Jim Hernandez

**Legal/Legislative Affairs**

Jim Hernandez (chair)  
Jim Pennock

**ACWA Appointed Representatives**

**ACWA Energy Committee**

Member: Craig Elitharp

**ACWA Groundwater Committee**

Member: Jim Hernandez

**ACWA Membership Committee**

Member: Vacant

**Board Appointed Representatives**

**ACWA Joint Powers Insurance Authority:**

Delegate: Jim Pennock  
Alternate: Craig Elitharp

**CASA:**

Delegate: Craig Elitharp  
Alternates: Jim Hernandez, Jim Pennock

**Encina Wastewater Authority:**

Delegates: Jim Hernandez/Mike Sannella  
Alternate: Tiffany Boyd-Hodgson

**San Diego County Water Authority:**

Delegate: Craig Elitharp

**Hillside Property Development Ad Hoc Committee:**

Delegates: Mike Sannella/Jim Hernandez

**City of San Marcos General Plan Advisory Committee:**

Delegate: Tiffany Boyd-Hodgson  
Alternate: Jim Hernandez

**San Diego North Economic Development Council**

Delegate: Mike Sannella

**Finance/Investment**

Mike Sannella (chair)  
Tiffany Boyd-Hodgson

**Public Awareness/Personnel/Policy**

Tiffany Boyd-Hodgson (chair)  
Jim Pennock

**ACWA Water Quality Committee**

Member: Craig Elitharp

**ACWA Region 10 Board**

Member: Vacant