

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, AUGUST 3, 2022, 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

Meetings of the Board of Directors of the Vallecitos Water District will be held in the Board Room at the District Office located at 201 Vallecitos de Oro, San Marcos, California, on the date and time identified above.

Vallecitos Water District is following the guidance issued by the County of San Diego, effective March 1, 2022, which follows the California Department of Public Health guidance which recommends that persons attending public meetings are strongly recommended to wear a face covering in indoor public settings, whether vaccinated or not. The Department of Industrial Relations also strongly recommends, but does not require, the use of face coverings by all visitors.

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: www.vwd.org/meetings 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 AUGUST 3, 2022

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 Senior Executive Assistant 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

President Elitharp will present Anne Lopez, Engineering Technician II, with a Certificate for Water Distribution Operator Grade 2 from the State Water Resources Control Board.

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. 6-17)

- A. REGULAR BOARD MEETING – JULY 20, 2022
- B. ENGINEERING/EQUIPMENT COMMITTEE MEETING – JULY 26, 2022

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH AUGUST 3, 2022 - \$5,645,001.68 (pp. 18-20)

Recommendation: Approve Warrant List

1.3 AUTHORIZATION TO EXECUTE A PURCHASE AGREEMENT FOR MICROSOFT ENTERPRISE LICENSING (pp. 21)

The District's Microsoft Enterprise Agreement expires on September 30, 2022.

Recommendation: Authorize General Manager to 1) Execute a Purchase Agreement with CDW-G Inc. for the Microsoft Enterprise Agreement Renewal; and 2) Execute a Renewal of the Enterprise Licensing Agreement with Microsoft

- 1.4 APPROVAL OF ESCROW ACCOUNT FOR WATER CAPITAL FACILITY FEES FOR PALISADES ESTATES PHASE 1 & PHASE 2 (PROGRAM RESOURCES, INC.) (pp. 22-33)

The entire site is on approximately 222 acres of unimproved land located east of Elevado Road just west of North Twin Oaks Tank II.

Recommendation: Approve the Escrow Agreement with a Condition

- 1.5 APPROVAL OF CONSTRUCTION AGREEMENT FOR MURAI PHASE 2 WATER AND SEWER IMPROVEMENTS AND APPROVAL OF AMENDED CONSTRUCTION AGREEMENT FOR MURAI PHASE 1 WATER AND SEWER IMPROVEMENTS (LENNAR HOMES OF CALIFORNIA, LLC.) (pp. 34-66)

The project is located on North Las Posas Road, north of Borden Road.

Recommendation: Approve the Construction Agreement and Amendment to the Existing Construction Agreement

- 1.6 AWARD OF AMENDMENT TO AS-NEEDED TASK ORDER FOR ENVIRONMENTAL, HEALTH, AND SAFETY TECHNICAL ASSISTANCE (pp. 67-68)

The District requested an amendment to NV5's existing contract for continued support.

Recommendation: Authorize the General Manager to Execute Amendment 2 with NV5

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

ACTION ITEM(S)

- 2.1 DISTRICT TELECOMMUTING POLICY (pp. 69-77)

Approximately 50 employees may be eligible to telecommute in the future from various job classifications and departments.

Recommendation: Adopt Resolution to Approve the Telecommuting Policy

- 2.2 CAPITAL IMPROVEMENT PROGRAM ANNUAL REPORT

Recommendation For Information Only

2.3 2022 WATER RATE PUBLIC HEARING NOTICE (pp. 78-87)

Ratepayers must receive notification of any proposed rate increase at least 45-days in advance of a public hearing to consider rate increases.

Recommendation: 1) Approve Public Rate Hearing Notice; and 2) Set Public Hearing for September 28, 2022

*******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 (pp. 88)

Association of California Water Agencies Fall Conference
November 29 – December 1, 2022 – Indian Wells, California

*******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 Senior Executive Assistant at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

Audio and video recordings of all Board meetings are available to the public at the District website www.vwd.org

AFFIDAVIT OF POSTING

I, Anthony Flores, Senior Executive Assistant 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 4:30 p.m., Friday, July 29, 2022.

Anthony Flores

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 20, 2022, AT 5:00 PM, AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Elitharp 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 Norvell
Administrative Services Manager Emmanuel
District Engineer Hubbard
Chief Financial Officer Owen
Capital Facilities Senior Engineer Morgan
Development Services Senior Engineer Lopez
Asset Management Supervisor Bennett
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Engineering Technician III Stichter
Information Technology Analyst Todd
Executive Assistant Johnson

Ivan Ramirez Carrillo and Leilani Rodriguez led the pledge of allegiance.

ADDITIONS TO THE AGENDA

None.

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 20, 2022

22-07-01 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 20, 2022.

PUBLIC COMMENT

None.

PRESENTATIONS

Public Information/Conservation Supervisor Robbins presented certificates and gift bags to students Ivan Ramirez Carrillo (second place) and Leilani Rodriguez (first place), two of the top three entrants in the Poster Contest selected to represent Vallecitos Water District in the North County Water Agencies' 2023 calendar. Rose Tucker (third place) was unable to attend the presentation.

Soma Bhadra of the California Water Environment Association presented the State-wide "Community Engagement and Outreach Best Use of Social Media" award to the District.

CONSENT CALENDAR

22-07-02 MOTION WAS MADE by Director Sannella, seconded by Director Boyd-Hodgson, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Special Board Meeting – May 19, 2022
- B. Closed Session Board Meeting – June 1, 2022
- C. Regular Board Meeting – June 1, 2022
- D. Public Awareness/Personnel/Policy Committee Meeting – June 6, 2022
- E. Regular Board Meeting – June 15, 2022
- F. Public Awareness/Personnel/Policy Committee Meeting – July 11, 2022

1.2 Warrant List through July 20, 2022 - \$9,433,745.84

1.3 Financial Reports

- A. Water Meter Count – June 30, 2022
- B. Water Production/Sales Report – 2021/2022
- C. Quarterly Financial Report – June 30, 2022
- D. Per Capita Water Consumption – June 30, 2022
- E. Water Revenue and Expense Report – June 30, 2022
- F. Sewer Revenue and Expense Report – June 30, 2022
- G. Reserve Funds Activity – June 30, 2022
- H. Investment Report – June 30, 2022
- I. Legal Fees Summary – June 30, 2022

1.4 Operations & Maintenance Metrics Quarterly Report – June 30, 2022

- 1.5 Resolution Adopting the Annual Pay Schedule with the Cost-of-Living Salary Adjustment for Fiscal Year 2022/23
- 1.6 Ordinance Establishing Administrative Charges to Recover Indirect Costs for Fiscal Year 2022/23
- 1.7 Approval of Construction Agreement for Panera Bread (Manna Development Group, LLC)
- 1.8 Approval of As-Needed Engineering Services Agreements for Fiscal Years 2022/23 and 2023/24
- 1.9 Set Public Hearing for Report on District Water Quality Relative to Public Health Goals

PUBLIC HEARING

PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT "A" FOR THE FISCAL YEAR JULY 1, 2022, TO JUNE 30, 2023.

President Elitharp opened the hearing as duly noticed and posted to consider the collection of sewer service fees on the tax roll. The hearing opened at 5:11 p.m.

Principal Financial Analyst Arthur stated that on June 15, 2022, the Board adopted Resolution No. 1617 electing to collect the sewer service fees on the tax roll for Improvement District "A" for the Fiscal Year July 1, 2022, to June 30, 2023. The purpose of the hearing was to receive public input regarding the method of collecting the sewer service fees for sewer only customers on the tax roll and the adoption of a resolution approving the collection of the fees.

Staff recommended the Board adopt the resolution authorizing the sewer service fees for Improvement District "A" to be collected on the tax roll for the Fiscal Year July 1, 2022, to June 30, 2023.

General Manager Pruim stated no written public comments were received. There being no persons wishing to address the Board, President Elitharp closed the hearing at 5:15 p.m.

22-07-03 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the resolution.

Resolution No. 1619 - The roll call vote was as follows:

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

ACTION ITEM(S)

SCHOLARSHIP CONTEST RECOMMENDATION

Public Information/Conservation Supervisor Robbins provided details regarding the District's scholarship program approved by the Board on February 2, 2022. The scholarship budget was set at \$6,000 annually with a maximum of six scholarships offered.

The Public Awareness, Personnel and Policy Committee (P3) reviewed the 13 scholarship applications that were received and recommended five recipients.

General discussion took place regarding criteria used in selecting the recipients and awarding either five scholarships at \$1,000 each or \$1,200 each to use the entire \$6,000 scholarship budget.

22-07-04 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to award \$1,200 to each of the five recommended scholarship recipients.

WATER SUPPLY CONDITIONS UPDATE

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

- Vallecitos Currently in a Level 2 – Drought Alert
- Since 2019, California Has Missed a Whole Year of Rain
- Northern Sierra 8-Station Precipitation Index
- Snowpack Water Content
- California Reservoir Storage
- Colorado River Status
- Three-Month Temperature Outlook

General discussion took place.

This item was presented for information only.

RESOLUTION OF THE BOARD OF DIRECTORS IN SUPPORT OF THE MONTH OF JUNE AS PRIDE MONTH IN THE VALLECITOS WATER DISTRICT ANNUALLY

Public Information/Conservation Supervisor Robbins stated June is the nationwide month to recognize the Lesbian, Gay, Bisexual, Transgender and Queer/Questioning, and Plus (LGBTQ+) community. The District recently implemented enhanced efforts to support diversity and inclusion in its recruitment and hiring efforts. The proposed resolution, which was presented to the P3 Committee on July 11, 2022, would further cement the District's commitment as an equal opportunity employer. The P3 Committee recommended the resolution be presented to the Board for consideration.

Staff recommended the Board adopt the resolution supporting June as Pride Month on an annual basis.

General discussion took place.

22-07-05 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Sannella, and carried unanimously, to adopt the resolution.

Resolution No. 1620 - The roll call vote was as follows:

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

PROFESSIONAL SERVICES AGREEMENT AMENDMENT NO. 1 FOR THE MEADOWLARK WATER RECLAMATION FACILITY SODIUM HYPOCHLORITE CONVERSION PROJECT

Capital Facilities Senior Engineer Morgan reviewed details of the project included in the staff report and the reason for the amendment to the Professional Services Agreement with Murraysmith. The project will remove the existing acute hazard of using chlorine gas as a disinfectant at the Meadowlark Water Reclamation Facility (MRF) and will also reduce regulatory requirements and operations and maintenance staff time at MRF.

Staff recommended the Board authorize the General Manager to execute Amendment No. 1 under the current Professional Services Agreement with Murraysmith in the amount of \$74,102 for proof-of-concept testing for the MRF Conversion to Sodium Hypochlorite Project.

General discussion took place.

22-07-06 MOTION WAS MADE by Director Sannella, seconded by Director Boyd-Hodgson, and carried unanimously, to approve staff's recommendation.

PROJECT ACCEPTANCE FOR THE MEADOWLARK WATER RECLAMATION FACILITY
BIOLOGICAL SELECTOR IMPROVEMENT PROJECT

Capital Facilities Senior Engineer Morgan reviewed background information regarding the project included in the staff report. The existing membrane panels in the aeration basins at the Meadowlark Water Reclamation Facility had exceeded their useful life and replacement parts were difficult to obtain, requiring new ceramic disc diffusers and a new design. The project was determined to be substantially complete in May 2022.

Staff recommended the Board accept the project and authorize the General Manager to file 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.

22-07-07 MOTION WAS MADE by Director Sannella, seconded by Director Hernandez, and carried unanimously, to approve staff's recommendation.

EMPLOYEE ASSOCIATION REQUEST REGARDING COST-OF-LIVING SALARY
ADJUSTMENT

General Manager Pruim stated the Memorandum of Understanding (MOU) between the District and the Vallecitos Water District Employees Association (Association) contains a provision for an annual Cost-of-Living Salary Adjustment (COLA). The current MOU specifies the COLA shall not exceed 3% in years 2 through 4 of the agreement.

General Manager Pruim further stated that in recent months, inflation rates have been well above the historic range, and have exceeded 8% for several months. Association representatives met with him to discuss the impacts of high inflation on its members and asked if the District would consider removing the 3% cap on the COLA. Several options were discussed. One option is to use monies that were brought in because of the efforts of the employees and monies earmarked for employee benefits. One source of funds is the remaining \$54,445 from the ACWA/JPIA refund of \$126,945 received during the Fiscal Year (FY) 2021/2022 due to the District's low insurance claims history. \$72,500 of that amount was given to employees as a one-time \$500 bonus to recognize their efforts and a one-time \$500 bonus to employees who became fully vaccinated against COVID. Another source of funds is from the District's budgeted deferred compensation match to employees participating in that program in the amount of \$218,000, of which \$49,570.54 is unspent as of the end of FY 2021/2022. Between those two funding sources, which were always intended to benefit employees or came about as a result of their excellent work practices, there is a balance of \$104,015.54 from FY 2021/2022.

General Manager Pruim asked the Board to consider giving each employee, excluding himself, a one-time lump-sum inflation-relief bonus of \$1,000. The bonus would be taxable income and would have no impact on each employee's salary for retirement purposes.

General discussion took place.

Association President Ingrid Stichter commented on the Association's discussions with General Manager Pruim regarding ideas to relieve financial hardship on the employees due to high inflation other than modifying the current cap on the COLA. She expressed the Association's gratitude for anything the Board can do to help.

22-07-08 MOTION WAS MADE by President Elitharp, seconded by Director Sannella, and carried unanimously, to provide each employee with a one-time lump-sum inflation-relief bonus of \$1,000.

DISCUSSION REGARDING IN-PERSON PUBLIC MEETINGS

General Manager Pruim stated that with COVID cases increasing locally, the District may have to return to conducting its public meetings virtually. He discussed the conditions under which Assembly Bill 361 allows a public agency to conduct their meetings via teleconferencing during a proclaimed state of emergency. If by majority vote, a governing body makes one or more finding(s) in order to conduct public meetings virtually, they must make a finding every 30 days to continue with virtual meetings. The findings are:

- The state of emergency continues to directly impact the ability of the members to meet safely in person; or
- State or local officials continue to impose or recommend measures to promote social distancing.

General discussion took place regarding authorizing General Manager Pruim to make the determination on holding a meeting in-person, virtually, or in a hybrid virtual setting based on current conditions. The Board granted General Manager Pruim that authority. In addition, it was decided that if a meeting is conducted in a hybrid virtual manner, the public would not be allowed to attend the meeting in person due to safety concerns.

SAN MARCOS CHAMBER OF COMMERCE – MEET YOUR ELECTED OFFICIALS BUSINESS MIXER PER DIEM/EXPENSE REIMBURSEMENT APPROVAL

General Manager Pruim stated the San Marcos Chamber of Commerce Meet Your Elected Officials Business Mixer scheduled on July 28 is not considered compensable under District Ordinance No. 216; therefore, approval for per diem and expense reimbursement is required.

General discussion took place.

22-07-09 MOTION WAS MADE by Director Hernandez, seconded by President Elitharp, and carried 4 – 1, with Director Pennock voting no, to approve per diem and expense reimbursement for attendance to the event.

Director Hernandez left the meeting at 6:28 p.m.

REPORTS

GENERAL MANAGER

None.

DISTRICT LEGAL COUNSEL

Legal Counsel Norvell stated that his firm is tracking several bills that would amend the Brown Act to update teleconferencing provisions.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp stated the SDCWA Board held its regular meeting on June 23, at which the SDCWA's rates and charges for calendar year 2023 were adopted. The next Board meeting is scheduled on July 28.

ENCINA WASTEWATER AUTHORITY

Director Sannella stated the Policy and Finance Committee met on July 12, at which the Committee received an update on the appropriation of funds for the upcoming fiscal year for the operating and capital program budgets.

STANDING COMMITTEES

Director Boyd-Hodgson stated the Public Awareness/Personnel/Policy Committee selected the scholarship recipients at their July 11 meeting.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Sannella reported on his attendance to the Council of Water Utilities meeting on July 19.

Director Boyd-Hodgson stated she recently participated in a podcast on the Sustainable Urban Network regarding water and environmental justice.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

General Manager Pruim stated the Cost of Service Study for water and water rates will be placed on the August 3 Board agenda.

Director Pennock stated he will be attending the City of San Marcos General Plan Advisory Committee meeting on July 21.

ADJOURNMENT

There being no further business to discuss, President Elitharp 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, August 3, 2022, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Craig Elitharp, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District

MINUTES OF A MEETING OF THE
ENGINEERING/EQUIPMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
TUESDAY, JULY 26, 2022, AT 3:00 P.M.
AT THE DISTRICT OFFICE IN THE BOARD ROOM
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Present: Director Elitharp
Director Hernandez
Assistant General Manager Gumpel
District Engineer Hubbard
Capital Facilities Senior Engineer Morgan
Capital Facilities Assistant Engineer Pereira
Asset Management Supervisor Bennett
Senior Executive Assistant Flores
Engineering Services Assistant Fretwell

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

CAPITAL IMPROVEMENT PROGRAM ANNUAL REPORT

Capital Facilities Senior Engineer Morgan briefly demonstrated where quarterly updates for the Capital Improvement Program (CIP) projects can be accessed on the District's website and the types of information that is available. Quarterly updates are posted on the District's webpage, <https://www.vwd.org/departments/engineering/capital-facilities>. Capital Facilities Senior Engineer Morgan provided a presentation on Capital Projects – 2021/2022 Fourth Quarter Update, which included two active CIP projects that are currently listed online. The Sewer Lining and Rehabilitation 2021 Project will begin construction this week. The Emergency Bypass Rehabilitation Project is through design and is now advertised for bid.

Capital Facilities Senior Engineer Morgan provided a presentation on Capital Projects – 2021/2022 Annual Report as follows:

- 2021/2022 Project Summary
- Projected vs. Actual
- Change Order Total vs. Industry Standard
- Actual 2021/2022 Completed Projects Change Order Impact
- CIP Design Engineering Services Highlights
- Active CIP Projects in Design
- CIP Design History Chart

- Montiel Lift Station Final Design Easement Acquisition
- Projects in Construction in FY21/22
- 2021/2022 Construction Photos
 - MRF Odor Scrubber #1 & Headworks Augers Replacement
 - MRF Aeration Basin Improvements
 - Sage Canyon Tank Refurbishment
 - Tesla Battery Energy Storage Systems (BESS)

Director Elitharp asked what the number of kilowatt hours (KWh) are used at Meadowlark Water Reclamation Facility. Staff will bring that information back to the Board during the next CIP presentation.

Capital Facilities Senior Engineer Morgan stated that during Fiscal Year 2021/2022 the construction contract amount totaled \$9,958,279. Change orders were an additional \$350,787, which was 3.5% of the contract total. The District has maintained a 3.8% change order average over the past 14 years. If the District did not actively manage their projects and the change order percentage rose to 15%, the amount in change orders would have cost \$9.7 million.

Capital Facilities Senior Engineer Morgan further stated that there were four completed Projects in 2021/2022:

- San Marcos Interceptor Phase 2
- MRF Bio Selector Improvements*
*reimbursed through debt proceeds
- MRF Headworks Improvements
- MRF Odor Scrubber #1 Replacement

Fiscal year 2021/2022 was heavy in design work. For new design contracts, \$1,065,153 was issued. Six new design projects were awarded:

- MRF Conversion to Sodium Hypochlorite
- MRF Chlorine Contact Tank Expansion
- MRF Landscaping Improvements
- Las Posas 10" Water Main Replacement*
*reimbursed through debt proceeds
- Maintenance Services Bldg. C Tenant Improvements
- Energy Management Study

Capital Facilities Senior Engineer Morgan stated that the Montiel Lift Station Project is in final design, and staff is actively working on easement acquisitions. District Engineer Hubbard added that this lift station was constructed in 1985 and was intended to be temporary. The Board is scheduled to see this project again on September 7, 2022, for CEQA adoption.

Capital Facilities Senior Engineer Morgan stated, as construction projects go out to bid, next year's annual report will be heavy in construction.

Director Elitharp asked for a CIP historical budget versus the actual spent. Assistant General Manager Gumpel mentioned that staff will revise the presentation to include that information before it is brought to the Board.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:26 p.m.

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 3, 2022

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
ACWA/Joint Powers Insurance	Medical Insurance - Aug	124518	227,429.11
Advanced Industrial Services, Inc.	Sage Canyon Tank Refurbishment Prj 20201-6	124519	204,725.00
Aerotek, Inc.	Temp Agency Part-Time Help For Meter Dept - June	124520	4,099.18
Agi Szabo	Closed Account Refund	124521	36.51
Ah Water Inc	Odor Control Consulting Svcs - Collections Dept	124522	9,600.00
Airwave Mechanical	HVAC System Svcs - District HQ Admin Bldg	124523	700.00
AIS Specialty Products, Inc.	Xerox Copier Lease Equipment - 1	124524	377.07
Alyssa Ikeda	Closed Account Refund	124525	99.19
Ambius	Plant Maintenance - July	124526	296.00
American Water Works Assn	Cross Connection Specialist Cert Renewal - E Pedrazzi	124527	100.00
Ann Gomez	Self Improvement Program	124528	165.00
Asphalt & Concrete Enterprises, Inc	Manhole Raising & Lid Installation - 10	124529	16,689.00
AT&T	Phone Svc - June	124530	5,149.88
Best Best & Krieger	Legal Svcs - May	124531	25,071.87
Boncor Water Systems	Drinking Water Svc - July	124532	50.00
Brittnay Cabbage	Closed Account Refund	124533	22.71
State Board of Equalization	Underground Storage Tank Fees - Apr - June	124534	309.00
Consolidated Electrical Distributors, Inc.	LED Light Bulbs - Qty 694	124535	5,398.81
Christina Wicherall	Closed Account Refund	124536	82.53
Jeffrey Colwell	Video Production Svcs Apr - June Prj 20221-49	124537	1,312.50
Core & Main LP	Sewer Bypass Pipe Fittings - 2 Prj 20211-3	124538	6,260.39
Core Logic Information Solutions Inc	Real Quest Engineering Map Svcs - June	124539	225.10
Doane & Hartwig Water Systems Inc	Water Quality Analyzers - 2 Prj 20221-21 & Trussell Flow Control Facility	124540	57,493.34
Data Business Equipment, Inc.	Check Scanner Annual Maintenance Agreement 22-23	124541	912.00
David Pak	Closed Account Refund	124542	75.06
Desert Pumps & Parts	Solids Pump Stators - 2 MRF	124543	19,634.00
DirectTV Inc	Satellite Svc District HQ & MRF - July	124544	221.48
Doug's Filter Service Inc	Wiping Rags	124545	210.11
Edeo Waste & Recycling Serv	Trash Svc - June	124546	910.30
Efficiency Solar Panel Cleaning	Solar Panel Cleaning	124547	934.70
Electrical Sales Inc	LED Light Bulbs - 50, SCADA Upgrade Supplies Prj 20201-4	124548	1,489.37
Emma Stevens	Closed Account Refund	124549	41.26
Extreme Safety Inc.	Flow Test Regulators 2 - Hazmat Trailer	124550	188.57
First Call Auto Glass	Windshield Replacement - Veh 248	124551	313.93
Gary Sutton	Closed Account Refund	124552	59.44
Grainger Inc	Diesel Exhaust Fluid 2 - Fuel Island, Fire Extinguishers 10, & Flush Valve	124553	1,312.33
Green Thumb Nursery	Landscape Contest Winners Gift Cards 4 Prj 2022152	124554	450.00
Greg's Seal Coating Co.	Asphalt Repair & Seal Coating - Deer Springs, Mountain Belle, & Schoolhouse Tanks	124555	24,891.50
Hach Company	Water Quality Testing Supplies	124556	742.21
Hawthorne Machinery Co.	Excavator Rental - Emergency Water Main Repair	124557	557.89
Hillei Shand	Closed Account Refund	124558	111.00
Hodge Products Inc	District Padlock Replenishment - Qty 366	124559	10,233.41
Home Depot Credit Services	Hardware Supplies - June	124560	426.16
Infrastructure Engr Corp	Emergency Sewer Bypass Sewer Rehabilitation Prj 20211-3	124561	9,295.00
Ingrid Stichter	Self Improvement Program	124562	165.00
Inland Kenworth US Inc	Window Repairs - Veh 240	124563	542.34
Interstate Batteries	UPS & Power Supply Batteries - 30	124564	609.00
Jack Henry & Assoc Inc	Remit Plus Annual Maintenance Agreement 22-23	124565	3,458.21
Jackie & Bryan Minka	Closed Account Refund	124566	24.14
Janeann Lanning	Closed Account Refund	124567	64.42
Janos Halasz	Closed Account Refund	124568	112.26
Jasmin Miguel	Closed Account Refund	124569	32.93
Jason Hubbard	Reimbursement - Professional Engineering License - Dept of Consumer Affairs	124570	180.00
Jeff Jamroz	Closed Account Refund	124571	25.41
Jesse Halbig	Reimbursement - Safety Boots	124572	150.00
John & Dana Roberts	Closed Account Refund	124573	121.91
JCI Jones Chemicals Inc	Chlorine	124574	14,326.65
Josh Romanski	Closed Account Refund	124575	89.60
Julie Schoettler	Closed Account Refund	124576	62.49
Ken Grody Ford	Fleet Supplies - Veh 286	124577	278.10
Knight Security & Fire Systems	Monitoring, Patrol, & Answering Svc - July	124578	656.69
Knowbe4, Inc.	Security Awareness Training Subscription 22-23	124579	1,583.55
Linda Lee	Closed Account Refund	124580	56.17
Lloyd Pest Control	Pest Control Svcs - June	124581	282.00
Maria Eidson	Closed Account Refund	124582	69.76
Mark Courtney	Closed Account Refund	124583	59.37
Matt Chlor Inc	Disinfection of Twin Oaks Reservoir Tank #1	124584	9,895.00
Matthew & Regina Gibbons	Closed Account Refund	124585	42.91

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 3, 2022

PAYEE	DESCRIPTION	CHECK#	AMOUNT
McCall's Meters, Inc.	Water Meter Testing - 11 Meters	124586	1,424.64
MCR Technologies Inc	Pump Tubing - MRF	124587	761.79
Michael Rathsam	Reimbursement - Ergonomic Mouse	124588	16.23
Mission Resource Conservation District	Water Use Evaluations 5 Prj 20221-51	124589	247.51
Monica & Pieter Baker	Closed Account Refund	124590	69.39
Mui & Jerry Sullivan	Closed Account Refund	124591	13.84
North County Auto Parts	Fleet Supplies - June	124592	2,461.79
NV5, Inc.	Architectural Design- MRF Prj 20221-8 & Failsafe Rehab - MRF Prj 20201-5	124593	28,652.50
One Source Distributors LLC	Motor Starter - South Lake Pump Station	124594	9,518.05
Ostari Inc	IT Support - June	124595	3,000.00
Pacific Pipeline Supply	Cla Val Repair Kits 3, Manhole Hooks 4, Meter Lid Lifter, Wrench	124596	2,176.77
Pamela Darling	Closed Account Refund	124597	64.40
Parkhouse Tire Inc	Tires 4 - Veh 269	124598	1,324.33
Patriot Portable Restroom Inc	Portable Restroom Rental - July	124599	308.05
Pencco, Inc.	Calcium Nitrate	124600	37,443.02
Pitney Bowes	Mail System Lease May - Aug	124601	601.80
Power Seal	Repair Clamps - 8	124602	2,401.93
PSI Water Technologies, Inc	Cell Replacements - 3 For Onsite Sodium Hypochlorite System & Flow Meter Sensor - Mahr	124603	1,067.50
R & B Automation Inc	Svc Call - Reset Backwash Valve & Primary Skimmer Valve Prj 20211-16	124604	1,540.00
Recycled Aggregate Materials Co Inc	Concrete Recycling	124605	185.00
Reece Burt	Closed Account Refund	124606	67.52
Richard Sullivan	Closed Account Refund	124607	77.42
Richard W. Gittings	Hillside Development - June	124608	1,400.00
Rick Post Welding	Welding Svcs - Emergency Water Main Repair	124609	1,792.00
Ruben Garcia	Closed Account Refund	124610	35.45
Rusty Wallis Inc	Water Softener Svc July - MRF, Odor Scrubber #2 Powerhead Replacement	124611	1,758.40
Safety-Kleen Systems Inc	District HQ Carwash Grit Removal Svcs - June	124612	3,508.51
San Diego County Water Authority	Water Connection Fees Apr - June	124613	1,075,685.00
SDG&E	Power - June	124614	5,375.16
Smart & Final	Office Supplies - June	124615	47.97
Southern Counties Lubricants, LLC	Diesel Fuel	124616	2,757.52
Sparling Instruments LLC	Flow Meter Calibrations - 3	124617	1,603.90
Stacy Naccarato	Closed Account Refund	124618	112.24
State Water Resources Control	Water Distribution Operator Cert - A Lopez	124619	80.00
Stericycle, Inc.	Shredding Svcs - June	124620	354.87
Steven Enterprises Inc	OCE Printer Maintenance Kit	124621	368.25
T.S. Industrial Supply	Spray Paint, Hydrant Adapter, Fire Hydrant Wrench, Shovels, Water Pump, Rope	124622	1,371.89
TankandBarrel.com	Rainwater Tank - Costa Meadows Elementary Prj 20221-50	124623	1,322.74
Terra Verde Energy LLC	Energy Management Study Prj 20221-6	124624	5,500.00
Total Resource Mgt Inc	Maximo Support - Apr & June	124625	29,506.21
Uline Inc	Outdoor Furniture Replacement - Plastic Tables - 3	124626	4,098.84
Umetech, Inc.	Server Optimization Meeting - June	124627	95.00
Underground Service Alert	Dig Alert Svc & CA State Regulatory Fees - June	124628	817.94
Unifirst Corporation	Uniform Delivery	124629	55.45
Union Bank FKA 1st Bank Card	Meetings & Travel - June	124630	234.01
Union Bank FKA 1st Bank Card	Meetings & Travel - June	124631	3,792.72
Union Bank FKA 1st Bank Card	Meetings & Travel - June	124632	6,122.64
Univar USA Inc	Sodium Bisulfite	124633	2,108.65
UPS	Shipping Svcs - June	124634	172.25
Urban Villages San Marcos LLC	Closed Account Refund	124635	699.58
Verizon Wireless	Cell Phone Svc - June	124636	2,357.58
Versatile Systems Inc.	Fall Protection Equipment - Harness & Ropes	124637	3,682.18
Vesta Housing Solutions LLC	Covid Trailer Rental - MRF Prj 20211-850	124638	511.82
Workplace Services, Inc.	Control Room Floor Cleaning - Water OPS	124639	425.00
Airgas USA LLC	Cylinder Rental	124640	202.03
Aqua-Metric Sales Co	MXUs - 27, 3/4" Meters - 4	124641	5,364.84
Boot World Inc	Safety Boots	124642	150.00
Branding 365	Irrigation Flags - Water Waste Tracking Prj 20231-69	124643	317.90
Calolympic Safety	Switches 5 - Dry Wet Well Alarm	124644	641.00
Christian Wheeler Engineering	Tesla Prj 20221-6	124645	814.00
Fisher Scientific LLC	Lab Supplies	124646	376.07
Grainger Inc	Alkaline Batteries 6, Tire Dressing, Saw Blades, Canvas Bucket Bags, & Welding Gloves	124647	1,141.67
Harper & Associates Inc	Sage Canyon Tank Rehabilitation Prj 20201-6	124648	12,013.00
J W D'Angelo Co Inc	Warehouse Pipe Supply Restock, Valve Box Frames - 16, Ball Valve, Meter Lids - 8	124649	4,373.14
Leucadia Wastewater District	Employee Assistance Program 22-23	124650	3,486.24
Morton Salt, Inc.	Industrial Salt	124651	4,767.70
One Source Distributors LLC	PLC Batteries - 7	124652	514.65
Rusty Wallis Inc	DI Water System Svc - MRF - July	124653	314.00
SHI International Corp.	Dell Desktop Computers - 4	124654	5,524.60
Valley CM Inc	Discovery Street Inspection Prj 20191-541	124655	3,190.00

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 3, 2022

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Vista Irrigation District	Annual Chlorine Plant Lease 22-23	124656	360.00
Walters Wholesale Electric	Hardware Supplies	124657	202.54
Waxie Sanitary Supply	Cleaning Supplies	124658	653.39
Garnishments	Payroll Garnishments	124661	-
Total Disbursements (141 Checks)			<u>1,967,173.84</u>
WIRES			
San Diego County Water Authority	June Water Bill	Wire	3,197,411.24
Public Employees Retirement System	Retirement Contribution - July 26, 2022 Payroll	Wire	76,900.75
Total Wires			<u>3,274,311.99</u>
PAYROLL			
Total direct deposits		Wire	251,343.40
VWD Employee Association		124659	560.00
Payroll & Garnishments	Payroll Garnishments	124661	1,751.61
IRS	Federal payroll tax deposits	Wire	100,122.80
Employment Development Department	California payroll tax deposit	Wire	20,723.23
CalPERS	Deferred compensation withheld	Wire	21,200.29
VOYA	Deferred compensation withheld	Wire	7,814.52
Total July 26, 2022 Payroll Disbursements			<u>403,515.85</u>
 TOTAL DISBURSEMENTS			 <u><u>5,645,001.68</u></u>

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: AUTHORIZATION TO EXECUTE A PURCHASE AGREEMENT FOR MICROSOFT ENTERPRISE LICENSING

BACKGROUND:

The District’s Microsoft Enterprise Agreement (EA) expires on September 30, 2022. Microsoft works with Value Added Resellers (VAR) to facilitate the preparation of the agreement, submit licensing related changes to Microsoft on our behalf, manage the contract, and service our account. The EA also provides upgrades, consolidates software purchases at a reduced cost, and streamlines license management and invoicing. The District’s current VAR is CDW-Government LLC (CDW-G). Annual payments are made to Microsoft via CDW-G for support of licensing needs for all desktops, servers, applications, databases, and cloud services.

DISCUSSION:

With Board approval, the three-year commitment and purchase will be made under the County of Riverside Microsoft Master Enterprise Agreement which allows affiliate government agencies to choose a qualified vendor from a list to gain access to contract pricing at the highest discount level for government agencies. The County of Riverside Microsoft Master Agreement is intended to be available and leveraged by government agencies throughout the State of California. There are currently over 90 government agencies that utilize the existing Country of Riverside Microsoft Master Agreement. Using the Riverside master agreement process for all Microsoft licensing will save the District approximately \$20,000 per year compared to retail cloud services licensing.

Beginning in FY 2023-2024, ongoing annual EA licensing costs will average \$110,000. Years 2 and 3 of the agreement include backup storage and additional licenses and services that must be procured due to Supervisory Control and Data Acquisition (SCADA) related infrastructure upgrades.

Microsoft Enterprise Agreement	Year 1 Costs	Year 2 Costs	Year 3 Costs
Base	\$ 85,670	\$ 85,670	\$ 85,670
Additional Licensing	-	\$ 27,302	\$ 22,339
Estimated Total	\$ 85,670	\$112,972	\$108,009

FISCAL IMPACT:

The estimated total of the three-year cost is \$307,000. Year 1 costs were included in the Information Technology Division budget for FY 2022-23. Costs for years 2 and 3 will be included in FY 2023-24 and 2024-25 Operating budgets.

RECOMMENDATION:

Authorize the General Manager to 1) execute a purchase agreement with CDW-G, Inc. for the Microsoft Enterprise Agreement (EA) renewal; and 2) execute a renewal of the enterprise licensing agreement with Microsoft.

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: APPROVAL OF ESCROW ACCOUNT FOR WATER CAPITAL FACILITY FEES FOR PALISADES ESTATES PHASE 1 & PHASE 2 (PROGRAM RESOURCES, INC.)

BACKGROUND:

Program Resources, Inc., owner of Palisades Estates, is a proposed residential development comprised of two phases. Phase 1 will consist of 19 single-family lots and 121 acres of open space. Phase 2 will consist of 17 single-family lots and 88 acres of open space. The entire site is on approximately 222 acres of unimproved land located east of Elevado Road just west of North Twin Oaks Tank II. The property is within the water service boundaries of the District, and it is located outside the sewer boundaries for service.

On September 6, 2017, the Board of Directors approved an Escrow Agreement for 3 years. The Escrow Agreement identified the Capital Facility Fees for the project which were placed in an escrow account by the developer and included terms that the Capital Facility Fees would be refunded to the developer if the County of San Diego did not approve the Final Map. Since then, the Escrow Agreement has expired, and the Developer has not finalized the project. In July of 2021, the project went to the Engineering and Equipment Committee to request an extension of the Escrow Agreement. The Committee agreed to a 6-year agreement extension starting from the expiration date of previous Escrow Agreement, with an expiration date of August 30, 2026, for the revised agreement. The new Escrow Agreement has been approved by District legal counsel.

DISCUSSION:

The County of San Diego requires the developer to submit a Project Facility Commitment form for water service as one of the requirements for recordation of the Final Map. The District cannot commit water service to any project until the Water Capital Facility Fees have been paid, because signing the water commitment form obligates the District to legally serve water to the project. Capital Facility Fees need to be paid to serve the project and per District Ordinance No. 175, Capital Facility Fees are not refundable or transferrable. The Escrow Agreement requires the following Capital Facility Fees be placed in an escrow account as follows:

- \$ 161,348 for Water Capital Facility Fees (Phase 1)
- \$ 3,439 for MXU Fees (Phase 1)
- \$ 104,063 for Water Authority Capacity (Phase 1)

- \$ 144,364 for Water Capital Facility Fees (Phase 2)
- \$ 3,077 for MXU Fees (Phase 2)
- \$ 93,109 for Water Authority Capacity (Phase 2)

The project Improvement Plans for Phase 2 are currently in plan check. The Construction Agreement for Phase 2 will be brought to the Board for approval upon completion of plan check and receipt of engineering fees and bonds. Phase 1 Improvement Plans were signed by the District on February 26, 2019. The Construction Agreement for Phase 1 Improvement Plans has expired and will be brought back to the Board for approval with Phase 2 Improvements. Construction of the project has not started and can commence once Construction Agreements are approved by the Board.

FISCAL IMPACT:

No immediate impact. Funds will be set aside to guarantee Water Capital Facility Fee payments if the project's Final Map is approved by the County of San Diego. Payment of Water Capital Facility Fees would be made to the District prior to final building inspection or utility release per lot as required in Resolution No. 1441.

RECOMMENDATION:

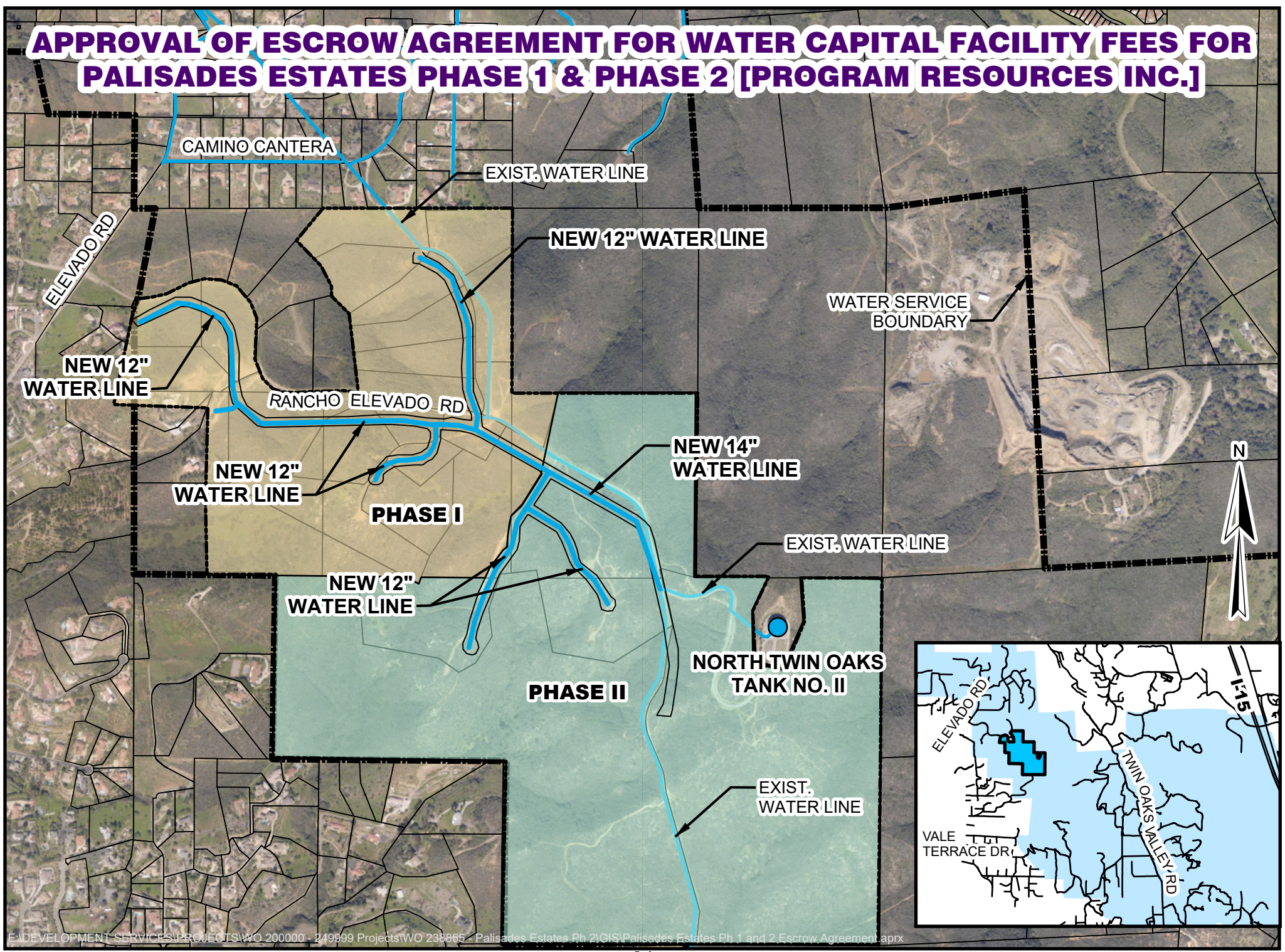
Approve the Escrow Agreement for payment of Water Capital Facility Fees for the Palisades Estates Phase 1 and Phase 2 projects with the following condition:

1. Developer will deposit funds into an escrow account for both Phases of project for payment of Capital Facility Fees and adhere to all terms of the Escrow Agreement.

ATTACHMENTS:

1 Map Exhibit – Aerial Map
Escrow Agreement

APPROVAL OF ESCROW AGREEMENT FOR WATER CAPITAL FACILITY FEES FOR PALISADES ESTATES PHASE 1 & PHASE 2 [PROGRAM RESOURCES INC.]



ESCROW AGREEMENT

This Escrow Agreement (“Agreement”), effective as of August 31, 2020 (“Effective Date”) is made and entered into by and between Vallecitos Water District (“District”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code Sections 30000 et seq., and Program Resources, Inc., (“Developer”), a Nevada Corporation, (each a “Party” and collectively, “Parties”).

R-E-C-I-T-A-L-S

1. Developer desires to improve certain real property which lies within the boundaries of the District (“Property”) and is processing final subdivision maps with the County of San Diego (“County”) consisting of (a) approximately 19 lots commonly described as Palisades Estates Phase 1 (the planned improvement of these approximately 19 lots is “Palisades Estates Phase 1”) (the final subdivision map being processed for Palisades Estates Phase 1 is “Subdivision Map 1”) and (b) approximately 17 lots commonly described as Palisades Estates Phase 2 (the planned improvement of these approximately 17 lots is “Palisades Estates Phase 2”) (the final subdivision map being processed for Palisades Estates Phase 2 is “Subdivision Map 2”) (collectively, Subdivision Map 1 and Subdivision Map 2 are the “Subdivision Maps”) (Developer’s collective improvements on the Property constitute the “Project”). The Property is described more particularly in County Tentative Map 5158.

2. Tentative Map 5158 imposes a number of conditions on County’s approval of final maps, including proof of water service. County policy provides that proof of service can be demonstrated by District’s execution of a Project Facility Commitment Form PDS-400W. District has issued the Project Facility Commitment Form PDS-400W for Palisades Estates Phase 1 (“Phase 1 Commitment Form”), a copy of which is included herein as Exhibit “A” and incorporated herein by reference. District has not yet issued the Project Facility Commitment Form PDS-400W for Palisades Estates Phase 2 (“Phase 2 Commitment Form”), but if the District issues the Phase 2 Commitment Form pursuant to this Agreement, it will be issued in substantially the form included herein as Exhibit “A-1,” and the Phase 2 Commitment Form shall expire on the Expiration Date.

3. District typically does not issue a Commitment Form until all District fees have been paid to the District. However, because Developer is unclear if it will receive Subdivision Map 2, the District is willing to issue the Phase 2 Commitment Form, and not withdraw the Phase 1 Commitment Form until the Expiration Date, if Developer deposits funds into escrow in an amount sufficient to cover payment of District’s Water Capital Facility Fees (“District Cap Fees”) and San Diego County Water Authority Capital Facilities Fees (“Water Authority Cap Fees”) (collectively, “Cap Fees”) for Palisades Estates Phase 1 and Palisades Estates Phase 2, and agrees to release the funds in accordance with the terms and conditions of the Agreement.

4. Developer and District previously entered an agreement of substantially similar nature dated August 30, 2017 to accomplish similar goals as those set forth in this Agreement.

5. The previous agreement expired on August 30, 2020. Developer and District now wish to enter into this Agreement in order to replace the prior agreement on similar terms.

6. Upon payment of applicable Cap Fees to District, Developer will construct and install water and/or sewer facilities necessary to serve 36 units in Palisades Estates Phase 1 and Palisades Estates Phase 2, in accordance with District's two Agreements for the Construction of Facilities to be Dedicated to the District ("Construction Agreements"), each dated concurrently with this Agreement.

7. Developer agrees that the deposited Escrow Funds (defined herein below) are non-refundable except as otherwise provided herein.

C-O-V-E-N-A-N-T-S

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. Opening of Escrow. Developer agrees to set up (or continue in effect) an Escrow Account with Chicago Title Insurance Company located at 10805 Rancho Bernardo Road, Suite 140, San Diego, California 92127 ("Escrow Holder"). Developer shall be responsible for all escrow fees and charges. This Agreement shall constitute escrow instructions to Escrow Holder as well as an agreement between District and Developer. The parties agree to execute and deliver to the Escrow Holder such additional escrow instructions, not inconsistent with this Agreement, as Escrow Holder shall deem necessary for its protection and to carry out the terms and provisions of the Agreement. In the event of any conflict between this Agreement and any additional escrow instructions from Escrow Holder, the Parties agree that the provisions of the Agreement shall control.

2. Initial Deposit of Funds. Developer has deposited \$242,839 and further agrees to deposit \$26,011 to pay the total amount of \$268,850 (\$161,348 for District Cap Fees, \$3,439 for MXU Fees, and \$104,063 for Water Authority Cap Fees) (collectively, "Phase 1 Escrow Funds") into the Escrow Account. Developer agrees to deposit the total amount of \$240,550 (\$144,364 for District Cap Fees, \$3,077 for MXU Fees, and \$93,109 for Water Authority Cap Fees) for the Palisades Estates Phase 2 development (collectively, "Phase 2 Escrow Funds"). Escrow Holder will confirm to District and Developer that the Phase 1 Escrow Funds and Phase 2 Escrow Funds (collectively, Phase 1 Escrow Funds, Phase 2 Escrow Funds, and Supplemental Capacity Fees, as defined below, are "Escrow Funds") have been deposited into Escrow Account using the Escrow Funds/Supplemental Capacity Fee Deposit Receipt ("Capacity Fee Deposit Receipt") included herein as Exhibit "B." Escrow Holder will also confirm to District that an executed copy of this Agreement from Developer has been received. Contingent upon Developer's deposit in full of all Phase 1 Escrow Funds and Phase 2 Escrow Funds, and upon District's receipt of the Capacity Fee Deposit Receipt, and execution of this Agreement and the Construction Agreements, District shall send a completed Phase 2 Commitment Form, which shall expire at the Expiration Date, to Developer and not withdraw the Phase 1 Commitment Form until the Expiration Date.

3. Deposit of Supplemental Capacity Fees. In the event that Cap Fees increase subsequent to the Effective Date of this Agreement or prior to payment by Developer, Developer understands and agrees that Developer shall be responsible for payment of the increased Cap Fees. District will generate an invoice for Developer, no more frequently than annually, for the amount of increased Cap Fees in accordance with the San Diego County Water Authority's lawfully

approved rate increase and the District's lawfully approved rate increase generally applicable within the District territory, less the amount of the Cap Fees already deposited as Escrow Funds ("Supplemental Capacity Fees"). Developer shall deposit Supplemental Capacity Fees into the Escrow Account within 30 days of receipt of the District's invoice. Upon Developer depositing Supplemental Capacity Fees into the Escrow Account, Escrow Holder shall provide a Capacity Fee Deposit Receipt to District and Developer.

4. [INTENTIONALLY LEFT BLANK]

5. Release of Escrow Funds. Once deposited, Developer agrees that the Escrow Funds shall only be released with the prior written consent of the District: (1) if, under any circumstances, Subdivision Map 2 is approved and recorded, but Developer has not completed construction of all facilities for Palisades Estates Phase 1 and Palisades Estates Phase 2 in accordance with the Construction Agreements by the Expiration Date, in which case all of the Escrow Funds shall be released to the District, with the Cap Fees being received and retained by the District and credited toward Property capacity; (2) with prior written consent of Developer prior to final building inspection and/or utility release for each building in accordance with District Resolution 1441, in which case the Escrow Funds shall be released to District; (3) if (i) Subdivision Map 2 has not been approved or recorded by the Expiration Date, (ii) by or before the Expiration Date the Developer processes a reversion to acreage for Subdivision Map 1, and (iii) by or before the Expiration Date Developer causes the County to provide written acknowledgment to the District that the County has released District's water facilities commitment to serve the Property and that the Property no longer has a water facilities commitment from the District, then all of the Escrow Funds will be released to the Developer; (4) if Subdivision Map 2 has not been approved or recorded by the Expiration Date and the Developer has not satisfied the aforementioned conditions of processing a reversion to acreage for Subdivision Map 1 by or before the Expiration Date and causing the County to provide written acknowledgement to District that County has released District's water facilities commitment to serve the Property by or before the Expiration Date, then all of the Escrow Funds will be released to the District; (5) by mutual agreement of the parties.

6. Standard Developer's Agreement. Developer understands and agrees that by signing the Commitment Forms, the District is not guaranteeing that water service will be provided to Developer's subdivision. Upon approval of the final Subdivision Maps by the County Developer will still be required to enter into the Construction Agreements; construct improvements identified in the Palisades Estates Improvement Plans; comply with CEQA; pay all District fees and charges; post applicable bonds; and comply with all rules and regulations of the District.

7. Miscellaneous Provisions.

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

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

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

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

7.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs, and assigns.

7.6 Unenforceable Provision. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

7.7 Representation of Capacity to Contract. Developer represents and warrants that they have the authority to execute this Agreement on behalf of any entity represented by Developer.

7.8 Opportunity to be Represented By Independent Counsel. Developer has been advised and understands that this Agreement has been prepared by the Law Offices of Best Best & Krieger, LLP, who represents only the District as General Counsel. Developer warrants and represents that Developer has been advised to consult independent legal counsel of their own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

7.9 Notices. All letters, statements, or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served or when sent certified mail, return receipt requested, to the following addresses:

To: "Developer":

Program Resources, Inc.
Attn: Len Eastwood, President
1030 N. Armando Street
Anaheim, CA 92806

To: "District":

Vallecitos Water District
Attn: Glenn Pruum, General Manager
201 Vallecitos de Oro
San Marcos, CA 92069

7.10 Expiration Date. This Agreement will expire August 30, 2026 (the "Expiration Date") (6 years from the August 30, 2020 expiration date of the previous agreement referenced in Recital 5 of this Agreement).

7.11 Early Termination. Notwithstanding Section 5 of this Agreement, if Palisades Estates Phase 2 is not fully entitled, meaning Subdivision Map 2 has not been approved and recorded, within 3 years of the Effective Date, the Developer may request to terminate this

Agreement by written notice to the District. In the event the District agrees in writing to terminate this Agreement pursuant to the Developer's request under this Section 7.11: (i) the Phase 1 Escrow Funds shall be released to the District, (ii) the Developer shall pay Supplemental Capacity Fees in accordance with Section 3 for Palisades Estates Phase 1 and Escrow Holder shall release such Supplemental Capacity Fees to District, and (iii) on the condition that Developer causes the County to issue District a written acknowledgment within 30 days of Developer's written request to terminate this Agreement stating the County has released the District's water facilities commitment to serve Palisades Estates Phase 2 and that the District no longer has a water facilities commitment to Palisades Estates Phase 2, Phase 2 Escrow Funds will be released to the Developer and Developer will not be required to pay additional Supplemental Capacity Fees for Palisades Estates Phase 2. If, however, the County does not issue District a written acknowledgment within 30 days of Developer's written request to terminate this Agreement stating the County has released the District's water facilities commitment to serve Palisades Estates Phase 2 and that the District no longer has a water facilities commitment to Palisades Estates Phase 2, Escrow Holder shall release Phase 2 Escrow Funds and any remaining Supplemental Capacity Fees to District.

7.12 Assignment or Transfer. Developer shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the District, which District may withhold for any reason whatsoever. Any attempt by Developer to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. Neither this Agreement nor any interest herein shall be assigned, hypothecated, or transferred with any transfer of ownership of the Property or any part thereof.

SIGNATURES ON THE NEXT PAGE



IN WITNESS WHEREOF, the parties have executed this Escrow Agreement as of the Effective Date. 7/19/22

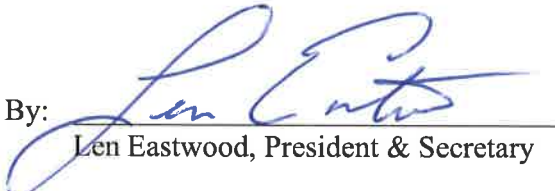
Developer:

District:

Program Resources, Inc.,

Vallecitos Water District, a Public Agency

By:


Len Eastwood, President & Secretary

By:

Glenn Pruiam, General Manager



EXHIBIT "A"

Phase 1 Commitment Form

Exhibit "A"



**County of San Diego, Planning & Development Services
PROJECT FACILITY COMMITMENT - Water
ZONING DIVISION**

Please type or use pen		W
Program Resources, Inc. 714-726-8570 Owner's Name Phone 415 8th Street Owner's Mailing Address Street Huntington Beach, CA 92648 City State Zip	ORG _____ ACCT _____ ACT _____ TASK _____ DATE _____ AMT \$ _____ DISTRICT CASHIER'S USE ONLY	
SECTION 1. PROJECT DESCRIPTION		
1. <input checked="" type="checkbox"/> Major Subdivision (TM) Case No. <u>TM 5158 RPL5</u> <input type="checkbox"/> Minor Subdivision (TPM) Case No. _____ <input type="checkbox"/> Major Use Permit (MUP) Case No. _____ Purpose of MUP: _____ <input type="checkbox"/> Certificate of Compliance in lieu of a Tentative Map <input type="checkbox"/> Certificate of Compliance in lieu of a Parcel Map <input type="checkbox"/> Certificate of Compliance to correct a subdivision violation <input type="checkbox"/> Other _____		TO BE COMPLETED BY APPLICANT Assessor's Parcel Number(s) (Add extra if necessary)
		172-110-07 172-110-08 174-260-04 172-110-09 172-260-03 172-110-35 174-270-22
2. <input checked="" type="checkbox"/> Residential Total number of dwelling units <u>19</u> <input type="checkbox"/> Commercial Gross floor area _____ <input type="checkbox"/> Industrial Gross floor area _____ <input type="checkbox"/> Other Gross floor area _____		Thomas Guide Page: <u>1088</u> Grid: <u>C2</u> Project Address: <u>Elevado Road & Rancho Elevado Road</u> Community Planning Area/Subregion: <u>North County Metro & Bonsall, 92084</u>
3. Total Project acreage <u>221.84</u> Total number of lots <u>19</u>		
4. Is the project proposing use of groundwater? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Is the project proposing the use of reclaimed water? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Applicant's Signature: <u>Ron Holloway</u> Address: <u>BHA, Inc. 5115 Avineda Encinas, Suite L, Carlsbad, CA 92008</u> Phone: <u>760-931-8700</u>		Date: <u>5-4-16</u>
(On completion of above, present to the water district with appropriate fee to establish facility commitment, Section B below.)		
SECTION 2: FACILITY COMMITMENT		
Pursuant to the Public Facility Element of the General Plan and County Board of Supervisors Policy I-84, commitment must be for a period of at least two years. Commitment must be obtained within the three months prior to the date of final action by the approving authority. This is a commitment that the facilities will be available to deliver water; however, this is not a commitment regarding the availability of the water itself.		
District name: <u>Vallecitos Water District</u> Service area: <u>San Marcos</u>		
<input checked="" type="checkbox"/> Amount of capacity committed for this project: <u>19</u> EDUs.		
<input checked="" type="checkbox"/> Facility capacity has been committed pursuant to a binding agreement satisfactory to the district. Expiration date: <u>N/A</u> (Commitment must be for a minimum of two years. If no expiration date, please so specify.)		
<input type="checkbox"/> Facility capacity is committed for this project until _____ (Termination date of this letter must be at least two years from the date of issuance.)		
<input checked="" type="checkbox"/> The District Board of Directors has certified that public agency facilities are under construction and permits to construct have been received. Capacity for this project is committed for a period of at least two years from the time that the public agency's facility improvements come on-line. Scheduled (not guaranteed) start-up date: _____ Capacity is committed until: <u>N/A</u> (if no expiration date, please so specify)		
<u>Lisa Whitesell</u> Authorized signature <u>Engineering Technician III</u> Print title		<u>Lisa Whitesell</u> Print name <u>11/1/17</u> Date <u>760.752.7129</u> Phone
On completion of Section 2 by the District, applicant is to submit this form to: Department of Public Works, Final Maps or Grading, 5510 Overland Avenue, Suite 310, San Diego, CA 92123		

PDS-400W (Rev. 09/21/2012)



EXHIBIT "A"
Phase 1 Commitment Form

Handwritten initials

EXHIBIT "A-1"

Phase 2 Commitment Form



County of San Diego, Planning & Development Services
PROJECT FACILITY COMMITMENT - Water
 ZONING DIVISION

Please type or use pen		ORG _____ ACCT _____ ACT _____ TASK _____ DATE _____ AMT \$ _____	W
Owner's Name _____ Phone _____ Owner's Mailing Address _____ Street _____ City _____ State _____ Zip _____	DISTRICT CASHIER'S USE ONLY		
SECTION 1. PROJECT DESCRIPTION		TO BE COMPLETED BY APPLICANT	
1. <input type="checkbox"/> Major Subdivision (TM) Case No. _____ <input type="checkbox"/> Minor Subdivision (TPM) Case No. _____ <input type="checkbox"/> Major Use Permit (MUP) Case No. _____ <input type="checkbox"/> Purpose of MUP: _____ <input type="checkbox"/> Certificate of Compliance in lieu of a Tentative Map. <input type="checkbox"/> Certificate of Compliance in lieu of a Parcel Map. <input type="checkbox"/> Certificate of Compliance to correct a subdivision violation. <input type="checkbox"/> Other _____		Assessor's Parcel Number(s) (Add extra if necessary)	
2. <input type="checkbox"/> Residential Total number of dwelling units _____ <input type="checkbox"/> Commercial Gross floor area _____ <input type="checkbox"/> Industrial Gross floor area _____ <input type="checkbox"/> Other Gross floor area _____		Thomas Guide Page: _____ Grid: _____ Project Address: _____	
3. Total Project acreage _____ Total number of lots _____ Yes No <input type="checkbox"/> <input type="checkbox"/>		Community Planning Area/Subregion: _____	
4. Is the project proposing use of groundwater? <input type="checkbox"/> Yes <input type="checkbox"/> No Is the project proposing the use of reclaimed water? <input type="checkbox"/> Yes <input type="checkbox"/> No		Date: _____ Address: _____ Phone: _____	
(On completion of above, present to the water district with appropriate fee to establish facility commitment, Section B below.)			
SECTION 2: FACILITY COMMITMENT		TO BE COMPLETED BY DISTRICT	
Pursuant to the Public Facility Element of the General Plan and County Board of Supervisors Policy I-84, commitment must be for a period of at least two years. Commitment must be obtained within the three months prior to the date of final action by the approving authority. This is a commitment that the facilities will be available to deliver water; however, this is not a commitment regarding the availability of the water itself.			
District name: _____ Service area: _____			
<input type="checkbox"/> Amount of capacity committed for this project: _____ EDUs.			
<input type="checkbox"/> Facility capacity has been committed pursuant to a binding agreement satisfactory to the district. Expiration date: _____ (Commitment must be for a minimum of two years. If no expiration date, please so specify.)			
<input type="checkbox"/> Facility capacity is committed for this project until _____ (Termination date of this letter must be at least two years from the date of issuance.)			
<input type="checkbox"/> The District Board of Directors has certified that public agency facilities are under construction and permits to construct have been received. Capacity for this project is committed for a period of at least two years from the time that the public agency's facility improvements come on-line. Scheduled (not guaranteed) start-up date: _____ Capacity is committed until: _____ (if no expiration date, please so specify).			
Authorized signature _____		Print name _____	
Print use _____		Date _____ Phone _____	
On completion of Section 2 by the District, applicant is to submit this form to: Department of Public Works, Final Maps or Grading, 5510 Overland Avenue, Suite 310, San Diego, CA 92123			

PDS-400W (Rev. 4/18/2021)



EXHIBIT "A-1"
 Phase 2 Commitment Form

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EXHIBIT "B"

Form of Escrow Funds/Supplemental Capacity Fee Deposit

I, Escrow Holder, certify receipt of Escrow Funds/Supplemental Capacity Fee Deposit from the owner/developer of Palisades Estates ("Property"), more particularly described in the County of San Diego Tentative Map 5158, as written assurance of payment in the amount of \$ _____.

Escrow Holder:

Chicago Title Insurance Company

By: _____

Date: _____

EXHIBIT "B"

Form of Escrow Funds/Supplemental Capacity Fee Deposit

AC

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: APPROVAL OF CONSTRUCTION AGREEMENT FOR MURAI PHASE 2 WATER AND SEWER IMPROVEMENTS AND APPROVAL OF AMENDED CONSTRUCTION AGREEMENT FOR MURAI PHASE 1 WATER AND SEWER IMPROVEMENTS (LENNAR HOMES OF CALIFORNIA, LLC.)

BACKGROUND:

LENNAR HOMES OF CALIFORNIA, LLC., owner of the project, has completed the plan check process with the District. The project is located on North Las Posas Road, north of Borden Road.

One Construction Agreement for Murai Improvements was originally approved by the Board of Directors on September 1, 2021. This residential development is comprised of 89 single family homes.

Due to the timing of getting Final Acceptance for the entire Construction Agreement to the Board for approval of occupancy and utility releases, the developer has requested to split up the approved plans and Construction Agreement into two phases. Phase 1 will be constructed under an amendment to the Construction Agreement approved by the Board on September 1, 2021, and Phase 2 will be constructed under a new Construction Agreement approved by the Board with this request.

DISCUSSION:

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

Phase 1 will construct approximately 1,267 feet of 10-inch diameter polyvinyl chloride (PVC) water main and 1,214 feet of 8-inch diameter PVC sewer main. Phase 2 will construct approximately 2,936 feet of 10-inch diameter PVC water main and 2,946 feet of 8-inch diameter PVC sewer main.

All engineering fees and inspection deposits have been paid prior to Board approval of the Construction Agreement. Water and wastewater capital facility fees are due and payable prior to issuance of the final building inspection and/or utility release per Resolution 1441.

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

Labor and Materials	\$ 495,564.90 (Phase 1)
Labor and Materials	\$ 1,210,070.25 (Phase 2)

Faithful Performance	\$ 495,564.90 (Phase 1)
Faithful Performance	\$ 1,210,070.25 (Phase 2)

FISCAL IMPACT:

There are no operational fiscal impacts associated with the recommended actions. Future water and sewer revenues will offset costs of service. Prior to occupancy the project will generate \$755,788 for water capital facility fees and \$1,242,947 for wastewater capital facility fees.

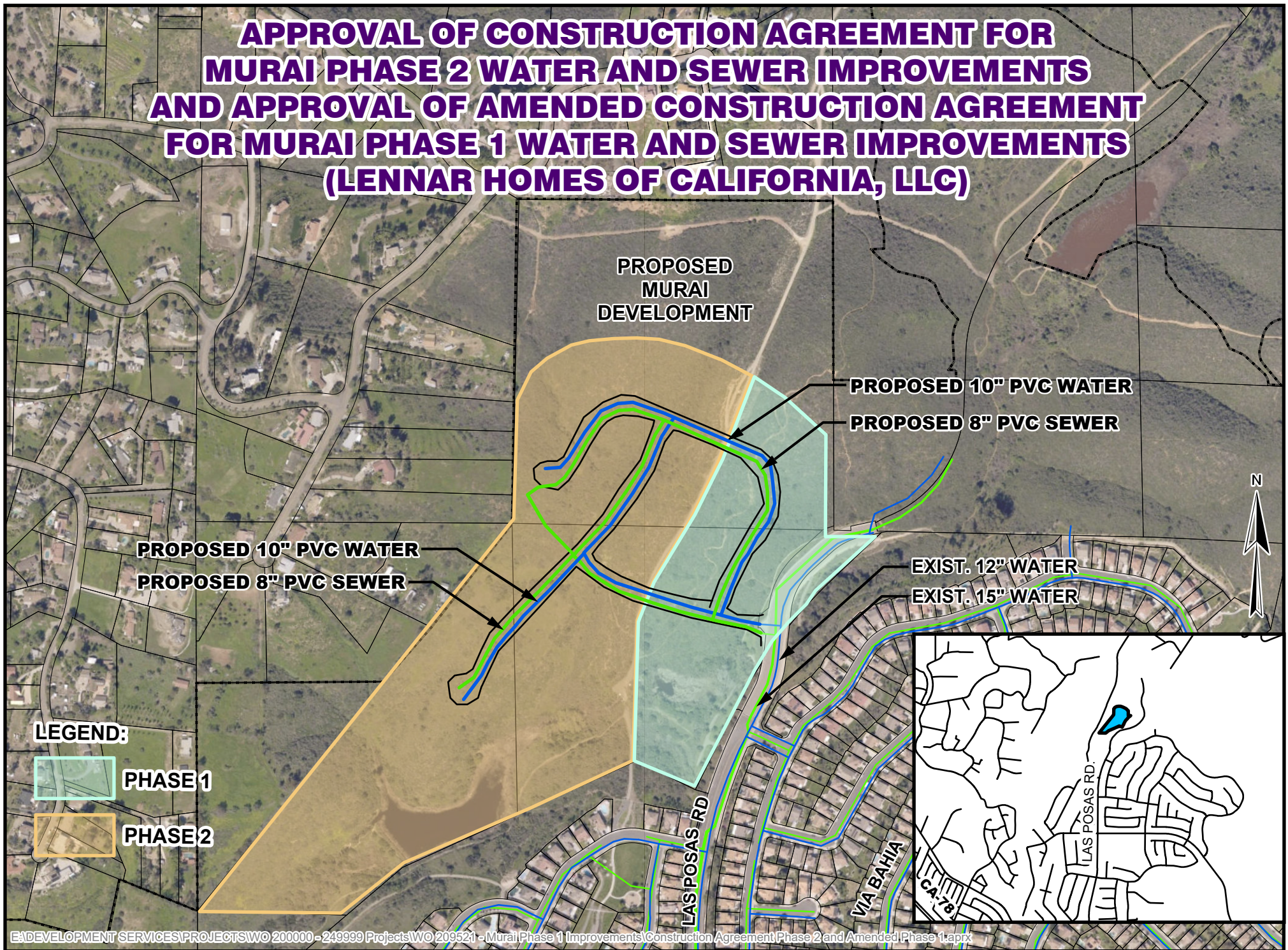
RECOMMENDATION:

Approve the Construction Agreement for Murai Phase 2 Water and Sewer Improvements and approve an amendment to the existing Construction Agreement for Murai Phase 1 Water and Sewer Improvements.

ATTACHMENTS:

- 1 Map Exhibit – 1 Aerial Map
- Construction Agreement for Phase 2
- Amendment to Construction Agreement for Phase 1

APPROVAL OF CONSTRUCTION AGREEMENT FOR MURAI PHASE 2 WATER AND SEWER IMPROVEMENTS AND APPROVAL OF AMENDED CONSTRUCTION AGREEMENT FOR MURAI PHASE 1 WATER AND SEWER IMPROVEMENTS (LENNAR HOMES OF CALIFORNIA, LLC)



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

THIS AGREEMENT is entered into on this ___ day of _____, 2022 by and between VALLECITOS WATER DISTRICT (“DISTRICT”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code §§ 30000 et seq., and **LENNAR HOMES OF CALIFORNIA, LLC.** (“DEVELOPER”), a California Limited Liability Company.

RECITALS

A. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **17.48 acres** commonly described as Tax Assessor's Parcel Nos. **217-050-36, 217-050-38, 218-011-10 & 184-241-03** (“PROJECT”).

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

C. DEVELOPER is required to submit plans and specifications for construction of the FACILITIES for review and approval by DISTRICT. The plans and specifications have been prepared by **EXCEL ENGINEERING – 440 STATE PLACE ESCONDIDO, CA 92029** and are identified as **MURAI PHASE 2 WATER AND SEWER IMPROVEMENTS VWD WO# 262041**. DEVELOPER shall construct the FACILITIES pursuant to the approved plans and specifications which shall include DISTRICT's standard specifications and applicable special provisions. DEVELOPER shall comply with all terms of this Agreement. All work covered by this Agreement shall be completed on or before **JANUARY 20TH 2024**. In the event work is not completed by that date, this AGREEMENT shall terminate unless DEVELOPER obtains a written extension from DISTRICT.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

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

- 1.1 **FEES AND CHARGES.** DEVELOPER shall pay all fees and charges due as established by the DISTRICT in its discretion from time to time. All Capital Facility and Connection fees are non-refundable.
- 1.2 **ENVIRONMENTAL REVIEW.** DEVELOPER shall provide the DISTRICT with all environmental documents previously utilized to obtain approvals for the PROJECT. In the event that the DISTRICT determines additional environmental review is necessary, all fees and costs to prepare this additional environmental review shall be borne solely by the DEVELOPER.
- 1.3 **APPROVED PLANS AND SPECIFICATIONS.** DEVELOPER shall prepare and submit to the DISTRICT a set of plans and specifications for the FACILITIES. The plans and specifications for the FACILITIES include DISTRICT's standard specifications and applicable special provisions and are incorporated herein by reference as if set forth in full. Approval of these plans and specifications by the DISTRICT shall be a condition precedent to the obligations of the DISTRICT to execute this Agreement. Approval of these plans and specifications by the DISTRICT shall not relieve the DEVELOPER of liability for any improper design or construction of the FACILITIES.
- 1.4 **CHANGES TO PLANS AND SPECIFICATIONS.** DISTRICT, without liability to DISTRICT, DISTRICT's engineer and their consultants, and each of their directors, officers, employees, and agents, may require such changes, alterations, or additions to the plans and specifications which do not exceed ten percent (10%) of the original DISTRICT estimated cost of the work as may be determined necessary or desirable by DISTRICT in its

sole discretion, including those necessary due to errors or omissions in the approved plans or specifications. Changes, alterations, or additions without said 10% limitation may be made for unforeseen conditions such as rock excavation, unstable soil conditions, or high water tables requiring dewatering.

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

2.1 COVERAGE. Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

- A. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001);
- B. Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto).

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

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

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

- A. DISTRICT, its directors, officers, employees, and authorized volunteers are to be given additional insured status (using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or

endorsements providing the exact same coverage) as respects: liability arising out of activities performed by or on behalf of the DEVELOPER; products and completed operations of the DEVELOPER; premises owned, occupied or used by the DEVELOPER; and automobiles owned, leased, hired or borrowed by the DEVELOPER. The coverage shall contain no special limitations on the scope of protection afforded to DISTRICT, its directors, officers, employees, or authorized volunteers.

- B. For any claims related to this project, the DEVELOPER's insurance shall be primary insurance as respects DISTRICT, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by DISTRICT, its directors, officers, employees, or authorized volunteers shall not contribute to it.
- C. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to DISTRICT, its directors, officers, employees, or authorized volunteers.
- D. The DEVELOPER's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- E. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the DEVELOPER, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to DISTRICT.
- F. Such liability insurance shall indemnify the DEVELOPER and its sub-developers against loss from liability imposed by law upon, or assumed under contract by, the DEVELOPER or its sub-developers for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

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

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

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

4. ACCEPTABILITY OF INSURANCE. All insurance required hereunder is to be placed with insurers having a current A.M. Best rating of no less than A-:VII or equivalent or as otherwise approved by DISTRICT.

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

5.1 Labor Certification. By its signature hereunder, DEVELOPER certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of that Code. DEVELOPER agrees to comply with such provisions and to require its consultants and contractors to comply with such provisions before commencing any work on the FACILITIES

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

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

7. EVIDENCE OF INSURANCE. Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall file with DISTRICT a certificate of insurance (Accord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement and evidence of waiver of rights of subrogation against DISTRICT. If umbrella or excess liability coverage is used to meet any required limit(s) specified herein, DEVELOPER shall provide a "follow form" endorsement satisfactory to DISTRICT indicating that such coverage is subject to the same terms and conditions as the underlying liability policy. Such evidence shall also include confirmation that coverage includes or has been modified to include **Required Provisions**, A-E. The DEVELOPER shall, upon demand of DISTRICT, deliver to DISTRICT such policy or policies of insurance and the receipts for payment of premiums thereon.

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

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

10. SECURITY. Upon execution of this Agreement and prior to Board approval, DEVELOPER shall provide the DISTRICT with a payment bond and a performance bond, each in the amount of **\$1,210,070.25** Each payment and performance bond shall represent 100% of the estimated construction costs of the FACILITIES. Bonds shall be furnished by an admitted surety insurer, as defined in Code of Civil Procedure section 995.120, authorized to do business in the State of California and satisfactory to the DISTRICT.

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

other surety or sureties as may be satisfactory to the DISTRICT in its sole discretion. The premium on such bonds shall be paid by the DEVELOPER.

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

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

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

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

12. EASEMENTS. Prior to execution of this Agreement, DEVELOPER shall provide DISTRICT with a current preliminary title report issued within the last 90 days covering all properties in which easements are to be granted to the DISTRICT. The cost of the preliminary title report shall be borne solely by DEVELOPER. DEVELOPER shall provide the DISTRICT with such easements as the DISTRICT may require, as determined by the DISTRICT in its sole discretion. All easements to be conveyed to the DISTRICT shall be prepared on the DISTRICT's standard form easements. All easements shall: (1) be of a width satisfactory to DISTRICT, in no case less than twenty (20) feet without specified approval of the Board of Directors; (2) be free and clear of all liens and/or encumbrances which could affect title to the easement; and (3) have recorded subordination agreements for all trust deeds or other liens to insure that the DISTRICT

has prior rights in any easements being conveyed to the DISTRICT. DEVELOPER shall procure a policy of title insurance in favor of the DISTRICT covering easements to be granted in amounts determined by the DISTRICT subject only to those conditions of record acceptable to the DISTRICT. All fees and costs to procure easements required by the DISTRICT shall be borne solely by DEVELOPER. Nothing in this Agreement shall obligate the DISTRICT to exercise its condemnation authorities to acquire any easement determined necessary by the DISTRICT. All easements being conveyed to the DISTRICT must be in a recordable form acceptable to the DISTRICT prior to approval of plans and specifications by the DISTRICT.

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

14. CONSTRUCTION OF FACILITIES. DEVELOPER shall not commence construction of any FACILITIES required by this Agreement until DEVELOPER has received written authorization from the DISTRICT to proceed. All work performed on the FACILITIES shall be: (1) done in strict compliance with the approved plans and specifications; (2) in a good and workmanlike manner as determined by the DISTRICT in its sole discretion; and (3) in accordance with DISTRICT's current published standards and criteria for projects and standards and criteria which may be required by DISTRICT at any time, whether published or not, in the District's sole discretion. All work performed on the FACILITIES by DEVELOPER shall be subject to inspection by the DISTRICT's designated representatives and DEVELOPER shall comply with all instructions given by the DISTRICT's representative during construction of the work. All fees and costs to construct the FACILITIES shall be borne by DEVELOPER.

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

16. CALIFORNIA LABOR CODE REQUIREMENTS.

16.1 DEVELOPER is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq. (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" projects. If the requirements of this Agreement are performed as part of an applicable “public works” project, as defined by the Prevailing Wage Laws, DEVELOPER agrees to fully comply with such Prevailing Wage Laws, if applicable. DEVELOPER shall defend, indemnify and hold the DISTRICT and its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising from any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the DEVELOPER and DEVELOPER’s contractor and all subcontractors to comply with all California Labor Code provisions, which include but are not limited to prevailing wages, employment of apprentices, hours of labor and debarment of contractors and subcontractors.

16.2 If the work is being performed as part of an applicable “public works” or “maintenance” project, in addition to the foregoing, then pursuant to Labor Code Sections 1725.5 and 1771.1, DEVELOPER’s contractor and all subcontractors must be registered with the Department of Industrial Relations (“DIR”). DEVELOPER’s contractor shall maintain registration for the duration of the project and require the same of any subcontractors. This

project may also be subject to compliance monitoring and enforcement by the DIR. It shall be DEVELOPER's sole responsibility to comply with all applicable registration and labor compliance requirements including the submission of payroll records directly to the DIR.

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

18. ACCEPTANCE OF WORK. Upon completion of the FACILITIES required by this Agreement to the satisfaction of the DISTRICT, the FACILITIES which have been constructed shall be presented to the Board of Directors of the DISTRICT for dedication and acceptance, and to authorize the filing of a Notice of Completion by the DEVELOPER. The DISTRICT shall have no obligation to accept the FACILITIES if the design and/or construction of the work is not satisfactory to the DISTRICT in its sole discretion. Upon acceptance of the FACILITIES by the DISTRICT's Board of Directors, all right, title, ownership and interest in the FACILITIES shall be deemed to have been transferred to the DISTRICT, including any warranties as set forth in the approved contract documents. The form of said title shall be determined by DISTRICT. DEVELOPER shall not allow any part of PROJECT to be occupied prior to acceptance of FACILITIES by DISTRICT.

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

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

21. LIABILITY AFTER ACCEPTANCE OF WORK. After the Board of Directors of the DISTRICT has accepted the FACILITIES by formal action of the Board, DEVELOPER and DEVELOPER's successors in interest shall remain liable for all injuries or damage to persons or

property including damage to the work itself, arising from or related to design or construction of the FACILITIES to the fullest extent permitted by California law.

22. RELEASE OF SECURITY. Forty (40) days after the acceptance of the FACILITIES by the DISTRICT, the DISTRICT shall release any security previously provided by DEVELOPER, as long as no claims have been filed. The security shall not be released until the DISTRICT has received a warranty bond or alternative security acceptable to the DISTRICT covering 25% of the original performance bond or alternative security amount. DISTRICT must have a warranty bond prior to Board acceptance of the project. This new security shall remain in effect for the full duration of the one-year warranty period, which commences upon final Board Acceptance, and until DEVELOPER has corrected all defects noted by the DISTRICT during the warranty period.

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

24. INDEMNITY. DEVELOPER shall be solely responsible and liable for design defects or defects in work performed to construct the FACILITIES required by this Agreement. This shall include liability and responsibility for injury or damage to the work itself. To the fullest extent permitted by law, DEVELOPER shall defend, indemnify and hold the DISTRICT, the DISTRICT's representatives and each of the DISTRICT's officers, employees and agents free and harmless from any and all claims, liabilities, losses, costs, expenses, damages, or injuries to property or persons, including wrongful death, (collectively, "Claims") in any manner arising out of or incident to any acts, omissions or willful misconduct of DEVELOPER, its officials, officers,

employees, agents, consultants and contractors resulting from the design or construction of the FACILITIES, except where the Claim has been caused by the sole and active negligence of the DISTRICT. In the event that any suit is instituted naming the DISTRICT as a party, the DISTRICT shall be entitled to appoint its own independent counsel to represent the DISTRICT; and DEVELOPER agrees to pay all attorney's fees and litigation costs associated with this defense. This indemnity shall extend to any claims arising because DEVELOPER has failed to properly secure any necessary easement, land right, contract or approval.

25. AS-BUILT DRAWINGS. Prior to acceptance of the work by DISTRICT, DEVELOPER shall provide the DISTRICT with two (2) blueprint copies of "as-built" drawings. Upon approval of the mylar copies the DISTRICT will require a bonded mylar or original drawing, disk and certification by a licensed engineer in the state of California as to the accuracy and completeness of the "as-built" drawings. DEVELOPER shall be solely responsible and liable for insuring the completeness and accuracy of these as-built drawings.

26. CASH DEPOSITS. DEVELOPER shall provide the DISTRICT with an initial cash deposit in the amount of **\$ 10,000.00** to cover all DISTRICT fees and costs associated with the FACILITIES. When this deposit has been drawn down to **\$ 1,000.00**, DEVELOPER agrees to deposit such additional sums as the DISTRICT may determine from time to time to cover all fees and costs of the DISTRICT. Prior to final acceptance of the project, a final accounting will be forwarded to the DEVELOPER for payment. Additional deposits for additional inspections after acceptance of the project may be requested.

27. MISCELLANEOUS PROVISIONS.

27.1 NOTICES. All notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served or when sent certified mail, return receipt requested to the following addresses:

DISTRICT:

VALLECITOS WATER DISTRICT
ATTN: GLENN PRUIM
201 VALLECITOS DE ORO
SAN MARCOS, CA 92069

DEVELOPER:

LENNAR HOMES OF CALIFORNIA,
LLC.
ATTN: STEVEN C. PORATH
16465 VIA ESPRILLO SUITE 150
SAN DIEGO, CA 92127

- 27.2 GOVERNING LAW AND VENUE.** This Agreement shall be governed by the laws of the State of California. In the event of any legal or equitable proceeding to enforce or interpret the terms or conditions of this Agreement, the parties agree that venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.
- 27.3 MODIFICATION.** This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.
- 27.4 ATTORNEY'S FEES.** In the event of any legal or equitable proceeding to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to all reasonable attorney's fees and costs in addition to any other relief granted by law. This provision shall apply to the entire Agreement.
- 27.5 ENTIRE AGREEMENT.** This Agreement, together with all the exhibits attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda or agreements are in conflict with this Agreement are intended to be replaced in total by this Agreement and its exhibits.
- 27.6 ASSIGNMENTS.** DEVELOPER shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior consent of the DISTRICT, which consent shall not be unreasonably withheld. Any purported assignment without the DISTRICT's prior written consent shall be void.
- 27.7 BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs and assigns.
- 27.8 UNENFORCEABLE PROVISIONS.** The terms, conditions and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this

Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

27.9 REPRESENTATION OF CAPACITY TO CONTRACT. Each of the parties to this Agreement represents and warrants that he has the authority to execute this Agreement on behalf of the entity represented by that individual.

27.10 OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT COUNSEL. DEVELOPER warrants and represents that DEVELOPER has been advised to consult independent legal counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

27.11 NO WAIVER. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant or condition of this Agreement at any later date or as a waiver of any term, covenant or condition of this Agreement.

27.12 COUNTERPARTS. This Agreement may be signed in counterparts, each of which shall constitute an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

[SIGNATURES ON FOLLOWING PAGE]

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

SIGNATURE PAGE

“DISTRICT” VALLECITOS WATER DISTRICT	
By: _____ Glenn Pruum, Secretary Board of Directors Vallecitos Water District	Dated: _____

“DEVELOPER”	
Name: <u>Steven C. Porath</u>	
Title: _____	
Company: <u>LENNAR HOMES OF CALIFORNIA, LLC.</u>	
Signature*: _____	Dated: _____

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

**AMENDMENT NO. 1 TO AGREEMENT FOR CONSTRUCTION OF FACILITIES TO BE
DEDICATED TO THE VALLECITOS WATER DISTRICT**

THIS AGREEMENT is entered into on this ___ day of _____, 2022 by and between VALLECITOS WATER DISTRICT (“DISTRICT”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code §§ 30000 et seq., and **LENNAR HOMES OF CALIFORNIA, LLC.** (“DEVELOPER”), a California Limited Liability Company.

RECITALS

A. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **6.64 acres** commonly described as Tax Assessor's Parcel Nos. **217-050-36, 217-050-38, 218-011-10 & 184-241-03** (“PROJECT”).

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

C. DEVELOPER is required to submit plans and specifications for construction of the FACILITIES for review and approval by DISTRICT. The plans and specifications have been prepared by **EXCEL ENGINEERING – 440 STATE PLACE ESCONDIDO, CA 92029** and are identified as **MURAI PHASE 1 WATER AND SEWER IMPROVEMENTS VWD WO# 209521**. DEVELOPER shall construct the FACILITIES pursuant to the approved plans and specifications which shall include DISTRICT's standard specifications and applicable special provisions. DEVELOPER shall comply with all terms of this Agreement. All work covered by this Agreement shall be completed on or before **JANUARY 20TH 2024**. In the event work is not completed by that date, this AGREEMENT shall terminate unless DEVELOPER obtains a written extension from DISTRICT.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

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

- 1.1 **FEES AND CHARGES.** DEVELOPER shall pay all fees and charges due as established by the DISTRICT in its discretion from time to time. All Capital Facility and Connection fees are non-refundable.
- 1.2 **ENVIRONMENTAL REVIEW.** DEVELOPER shall provide the DISTRICT with all environmental documents previously utilized to obtain approvals for the PROJECT. In the event that the DISTRICT determines additional environmental review is necessary, all fees and costs to prepare this additional environmental review shall be borne solely by the DEVELOPER.
- 1.3 **APPROVED PLANS AND SPECIFICATIONS.** DEVELOPER shall prepare and submit to the DISTRICT a set of plans and specifications for the FACILITIES. The plans and specifications for the FACILITIES include DISTRICT's standard specifications and applicable special provisions and are incorporated herein by reference as if set forth in full. Approval of these plans and specifications by the DISTRICT shall be a condition precedent to the obligations of the DISTRICT to execute this Agreement. Approval of these plans and specifications by the DISTRICT shall not relieve the DEVELOPER of liability for any improper design or construction of the FACILITIES.
- 1.4 **CHANGES TO PLANS AND SPECIFICATIONS.** DISTRICT, without liability to DISTRICT, DISTRICT's engineer and their consultants, and each of their directors, officers, employees, and agents, may require such changes, alterations, or additions to the plans and specifications which do not exceed ten percent (10%) of the original DISTRICT estimated cost of the work as may be determined necessary or desirable by DISTRICT in its

sole discretion, including those necessary due to errors or omissions in the approved plans or specifications. Changes, alterations, or additions without said 10% limitation may be made for unforeseen conditions such as rock excavation, unstable soil conditions, or high water tables requiring dewatering.

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

2.1 COVERAGE. Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

- A. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001);
- B. Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto).

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

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

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

- A. DISTRICT, its directors, officers, employees, and authorized volunteers are to be given additional insured status (using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or

endorsements providing the exact same coverage) as respects: liability arising out of activities performed by or on behalf of the DEVELOPER; products and completed operations of the DEVELOPER; premises owned, occupied or used by the DEVELOPER; and automobiles owned, leased, hired or borrowed by the DEVELOPER. The coverage shall contain no special limitations on the scope of protection afforded to DISTRICT, its directors, officers, employees, or authorized volunteers.

- B. For any claims related to this project, the DEVELOPER's insurance shall be primary insurance as respects DISTRICT, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by DISTRICT, its directors, officers, employees, or authorized volunteers shall not contribute to it.
- C. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to DISTRICT, its directors, officers, employees, or authorized volunteers.
- D. The DEVELOPER's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- E. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the DEVELOPER, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to DISTRICT.
- F. Such liability insurance shall indemnify the DEVELOPER and its sub-developers against loss from liability imposed by law upon, or assumed under contract by, the DEVELOPER or its sub-developers for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

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

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

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

4. ACCEPTABILITY OF INSURANCE. All insurance required hereunder is to be placed with insurers having a current A.M. Best rating of no less than A-:VII or equivalent or as otherwise approved by DISTRICT.

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

5.1 Labor Certification. By its signature hereunder, DEVELOPER certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of that Code. DEVELOPER agrees to comply with such provisions and to require its consultants and contractors to comply with such provisions before commencing any work on the FACILITIES

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

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

7. EVIDENCE OF INSURANCE. Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall file with DISTRICT a certificate of insurance (Accord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement and evidence of waiver of rights of subrogation against DISTRICT. If umbrella or excess liability coverage is used to meet any required limit(s) specified herein, DEVELOPER shall provide a "follow form" endorsement satisfactory to DISTRICT indicating that such coverage is subject to the same terms and conditions as the underlying liability policy. Such evidence shall also include confirmation that coverage includes or has been modified to include **Required Provisions**, A-E. The DEVELOPER shall, upon demand of DISTRICT, deliver to DISTRICT such policy or policies of insurance and the receipts for payment of premiums thereon.

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

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

10. SECURITY. Upon execution of this Agreement and prior to Board approval, DEVELOPER shall provide the DISTRICT with a payment bond and a performance bond, each in the amount of **\$ 495,564.90**. Each payment and performance bond shall represent 100% of the estimated construction costs of the FACILITIES. Bonds shall be furnished by an admitted surety insurer, as defined in Code of Civil Procedure section 995.120, authorized to do business in the State of California and satisfactory to the DISTRICT.

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

other surety or sureties as may be satisfactory to the DISTRICT in its sole discretion. The premium on such bonds shall be paid by the DEVELOPER.

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

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

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

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

12. EASEMENTS. Prior to execution of this Agreement, DEVELOPER shall provide DISTRICT with a current preliminary title report issued within the last 90 days covering all properties in which easements are to be granted to the DISTRICT. The cost of the preliminary title report shall be borne solely by DEVELOPER. DEVELOPER shall provide the DISTRICT with such easements as the DISTRICT may require, as determined by the DISTRICT in its sole discretion. All easements to be conveyed to the DISTRICT shall be prepared on the DISTRICT's standard form easements. All easements shall: (1) be of a width satisfactory to DISTRICT, in no case less than twenty (20) feet without specified approval of the Board of Directors; (2) be free and clear of all liens and/or encumbrances which could affect title to the easement; and (3) have recorded subordination agreements for all trust deeds or other liens to insure that the DISTRICT

has prior rights in any easements being conveyed to the DISTRICT. DEVELOPER shall procure a policy of title insurance in favor of the DISTRICT covering easements to be granted in amounts determined by the DISTRICT subject only to those conditions of record acceptable to the DISTRICT. All fees and costs to procure easements required by the DISTRICT shall be borne solely by DEVELOPER. Nothing in this Agreement shall obligate the DISTRICT to exercise its condemnation authorities to acquire any easement determined necessary by the DISTRICT. All easements being conveyed to the DISTRICT must be in a recordable form acceptable to the DISTRICT prior to approval of plans and specifications by the DISTRICT.

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

14. CONSTRUCTION OF FACILITIES. DEVELOPER shall not commence construction of any FACILITIES required by this Agreement until DEVELOPER has received written authorization from the DISTRICT to proceed. All work performed on the FACILITIES shall be: (1) done in strict compliance with the approved plans and specifications; (2) in a good and workmanlike manner as determined by the DISTRICT in its sole discretion; and (3) in accordance with DISTRICT's current published standards and criteria for projects and standards and criteria which may be required by DISTRICT at any time, whether published or not, in the District's sole discretion. All work performed on the FACILITIES by DEVELOPER shall be subject to inspection by the DISTRICT's designated representatives and DEVELOPER shall comply with all instructions given by the DISTRICT's representative during construction of the work. All fees and costs to construct the FACILITIES shall be borne by DEVELOPER.

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

16. CALIFORNIA LABOR CODE REQUIREMENTS.

16.1 DEVELOPER is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq. (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" projects. If the requirements of this Agreement are performed as part of an applicable “public works” project, as defined by the Prevailing Wage Laws, DEVELOPER agrees to fully comply with such Prevailing Wage Laws, if applicable. DEVELOPER shall defend, indemnify and hold the DISTRICT and its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising from any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the DEVELOPER and DEVELOPER’s contractor and all subcontractors to comply with all California Labor Code provisions, which include but are not limited to prevailing wages, employment of apprentices, hours of labor and debarment of contractors and subcontractors.

16.2 If the work is being performed as part of an applicable “public works” or “maintenance” project, in addition to the foregoing, then pursuant to Labor Code Sections 1725.5 and 1771.1, DEVELOPER’s contractor and all subcontractors must be registered with the Department of Industrial Relations (“DIR”). DEVELOPER’s contractor shall maintain registration for the duration of the project and require the same of any subcontractors. This

project may also be subject to compliance monitoring and enforcement by the DIR. It shall be DEVELOPER's sole responsibility to comply with all applicable registration and labor compliance requirements including the submission of payroll records directly to the DIR.

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

18. ACCEPTANCE OF WORK. Upon completion of the FACILITIES required by this Agreement to the satisfaction of the DISTRICT, the FACILITIES which have been constructed shall be presented to the Board of Directors of the DISTRICT for dedication and acceptance, and to authorize the filing of a Notice of Completion by the DEVELOPER. The DISTRICT shall have no obligation to accept the FACILITIES if the design and/or construction of the work is not satisfactory to the DISTRICT in its sole discretion. Upon acceptance of the FACILITIES by the DISTRICT's Board of Directors, all right, title, ownership and interest in the FACILITIES shall be deemed to have been transferred to the DISTRICT, including any warranties as set forth in the approved contract documents. The form of said title shall be determined by DISTRICT. DEVELOPER shall not allow any part of PROJECT to be occupied prior to acceptance of FACILITIES by DISTRICT.

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

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

21. LIABILITY AFTER ACCEPTANCE OF WORK. After the Board of Directors of the DISTRICT has accepted the FACILITIES by formal action of the Board, DEVELOPER and DEVELOPER's successors in interest shall remain liable for all injuries or damage to persons or

property including damage to the work itself, arising from or related to design or construction of the FACILITIES to the fullest extent permitted by California law.

22. RELEASE OF SECURITY. Forty (40) days after the acceptance of the FACILITIES by the DISTRICT, the DISTRICT shall release any security previously provided by DEVELOPER, as long as no claims have been filed. The security shall not be released until the DISTRICT has received a warranty bond or alternative security acceptable to the DISTRICT covering 25% of the original performance bond or alternative security amount. DISTRICT must have a warranty bond prior to Board acceptance of the project. This new security shall remain in effect for the full duration of the one-year warranty period, which commences upon final Board Acceptance, and until DEVELOPER has corrected all defects noted by the DISTRICT during the warranty period.

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

24. INDEMNITY. DEVELOPER shall be solely responsible and liable for design defects or defects in work performed to construct the FACILITIES required by this Agreement. This shall include liability and responsibility for injury or damage to the work itself. To the fullest extent permitted by law, DEVELOPER shall defend, indemnify and hold the DISTRICT, the DISTRICT's representatives and each of the DISTRICT's officers, employees and agents free and harmless from any and all claims, liabilities, losses, costs, expenses, damages, or injuries to property or persons, including wrongful death, (collectively, "Claims") in any manner arising out of or incident to any acts, omissions or willful misconduct of DEVELOPER, its officials, officers,

employees, agents, consultants and contractors resulting from the design or construction of the FACILITIES, except where the Claim has been caused by the sole and active negligence of the DISTRICT. In the event that any suit is instituted naming the DISTRICT as a party, the DISTRICT shall be entitled to appoint its own independent counsel to represent the DISTRICT; and DEVELOPER agrees to pay all attorney's fees and litigation costs associated with this defense. This indemnity shall extend to any claims arising because DEVELOPER has failed to properly secure any necessary easement, land right, contract or approval.

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27.1 NOTICES. All notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served or when sent certified mail, return receipt requested to the following addresses:

DISTRICT:

VALLECITOS WATER DISTRICT
ATTN: GLENN PRUIM
201 VALLECITOS DE ORO
SAN MARCOS, CA 92069

DEVELOPER:

LENNAR HOMES OF CALIFORNIA,
LLC.
ATTN: STEVEN C. PORATH
16465 VIA ESPRILLO SUITE 150
SAN DIEGO, CA 92127

- 27.2 GOVERNING LAW AND VENUE.** This Agreement shall be governed by the laws of the State of California. In the event of any legal or equitable proceeding to enforce or interpret the terms or conditions of this Agreement, the parties agree that venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.
- 27.3 MODIFICATION.** This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.
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- 27.5 ENTIRE AGREEMENT.** This Agreement, together with all the exhibits attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda or agreements are in conflict with this Agreement are intended to be replaced in total by this Agreement and its exhibits.
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- 27.7 BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs and assigns.
- 27.8 UNENFORCEABLE PROVISIONS.** The terms, conditions and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this

Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

27.9 REPRESENTATION OF CAPACITY TO CONTRACT. Each of the parties to this Agreement represents and warrants that he has the authority to execute this Agreement on behalf of the entity represented by that individual.

27.10 OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT COUNSEL. DEVELOPER warrants and represents that DEVELOPER has been advised to consult independent legal counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

27.11 NO WAIVER. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant or condition of this Agreement at any later date or as a waiver of any term, covenant or condition of this Agreement.

27.12 COUNTERPARTS. This Agreement may be signed in counterparts, each of which shall constitute an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

[SIGNATURES ON FOLLOWING PAGE]

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

SIGNATURE PAGE

“DISTRICT” VALLECITOS WATER DISTRICT	
By: _____ Glenn Pruum, Secretary Board of Directors Vallecitos Water District	Dated: _____

“DEVELOPER”	
Name: <u>Steven C. Porath</u>	
Title: _____	
Company: <u>LENNAR HOMES OF CALIFORNIA, LLC.</u>	
Signature*: _____	Dated: _____

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

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: AWARD OF AMENDMENT TO AS-NEEDED TASK ORDER FOR ENVIRONMENTAL, HEALTH, AND SAFETY TECHNICAL ASSISTANCE

BACKGROUND:

The District's Risk Management group is responsible for liability and property insurance, regulatory compliance, emergency preparedness, workplace safety, environmental compliance, and workers compensation. Continued staffing shortages and increased workload make it necessary to have a consultant assist with the environmental, health, and safety (EHS) tasks under the Risk Management Supervisor. NV5, a District As-Needed consultant, was selected to assist with EHS tasks in September 2021. Further assistance is needed and requires additional funding.

DISCUSSION:

The District requested an amendment to NV5's existing contract for continued support. The scope of work for NV5 includes a review of the District's safety programs for regulatory compliance, safety audits, and facilitation of changes to the Meadowlark Reclamation Facility (MRF) generator permit from a standard operating engine to an emergency standby engine. This will align the MRF generator permit with other emergency standby generators in the District and reduce an overburden of compliance tasks for both MRF and Risk & Safety staff. NV5 will also be tasked with an air quality permit compliance audit, monthly safety training coordination, acquiring vendor information when needed, scheduling with District teams, and recording training completion. NV5's original scope and one amendment in FY21-22 for \$79,230 provided support to the District from September 2021 to the end of June 2022. Working with NV5, it is estimated that an additional \$114,739 will be required to continue with a similar scope of work through the remainder of FY 22-23.

FISCAL IMPACT:

There is \$150,000 budgeted in FY 22-23 for Health, Safety, and Environment (HSE) Support to the Risk and Safety group. Therefore, no fiscal impact is anticipated.

The initial contract amount and one amendment for NV5 support in FY21-22 was \$79,230. A second amendment for FY 22-23 is requested in the amount of \$114,739 bringing the total contract amount to \$193,969.

This total is above the \$50,000 limit for the General Manager to authorize and therefore requires Board approval. An amendment is needed to continue supporting the Risk and Safety group through June 30, 2023.

Costs for EHS Technical Assistance		
Contracting Vehicle	Original Amount	Requested
TO 250266-01	\$41,230	----
Amendment 1	\$38,000	----
Total for FY 21-22	\$79,230	
Amendment 2	----	\$114,739
Total for FY 21-22	\$79,230	
Total for FY 22-23	\$114,739 (requested)	

RECOMMENDATION:

Staff recommends that the Board of Directors authorize the General Manager to execute Amendment 2 with NV5 in the amount of \$114,739.

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: DISTRICT TELECOMMUTING POLICY

BACKGROUND:

The COVID pandemic provided both an emergency that required changes to existing policies, and an opportunity for agencies to discover new ways of doing business. In 2020 and in 2021, Vallecitos employees in the Administrative Building were directed to work from home (telecommute) as part of COVID protocols to ensure employee safety. The District's Information Technology Department worked quickly to respond to various equipment requests and ensured that employees had the resources they needed to safely access the District's network from home. The Vallecitos Water District Employees Association has requested the District consider a telecommuting policy that would apply not only to emergencies, but also for regular schedules. At the meeting held on June 6, 2022, the Public Awareness/Personnel/ Policy Committee supported offering employees the ability to telecommute and recommended that staff bring this policy forward to the full Board for consideration. Further, establishing a telecommuting policy would support the District's 2022 Strategic Plan, Strategic Focus Area 3: Workforce Excellence, Strategy 3.2 - Employee Recruitment and Retention.

DISCUSSION:

The District's Telecommuting Policy would allow certain employees, subject to the approval of their supervisor/manager and the General Manager, to telework from an approved alternative worksite (i.e., an employee's home) for some or all their daily regularly scheduled work hours while continuing to perform their job duties in an effective and timely manner. Telecommuting is considered a privilege that would be granted to eligible employees in job classifications that are primarily performed at a computer workstation and do not require hands-on work on infrastructure or in the field. Due to the services provided by the District, some work groups or departments may not be able to participate, such as field employees in Operations and Maintenance, Construction Inspection, and Meters. Approximately 50 employees may be eligible to telecommute in the future from various job classifications and departments such as Finance, Engineering, and Administrative Services.

Telecommuting would be voluntary unless an emergency arises that would require most employees to telecommute. Employees would be expected to work onsite for most of the workweek, regardless of the ability to telecommute. Exempt employees (managers) may be authorized to telecommute at the discretion of the General Manager and are not subject to the same work schedule limitations below. Telecommuting requests will be considered on a case-by-case basis consistent with the criteria stated in the policy. Employees in their introductory period of employment or on a performance improvement plan are not eligible for telecommuting.

Telecommuting schedules may be regular (fixed and recurring from pay period to pay period) and/or intermittent/occasional. For employees on a 9/80 work schedule, regular telecommuting is limited to no more than 2 days a week on a 5-day work week and no more than 1 day per week on a 4-day work week. Telecommuting is not allowed on Mondays or Fridays or on the day before or after a paid holiday. Occasional

telecommuting is limited to no more than 4 times per year (once per quarter) up to a maximum of 4 hours each time, subject to the same workday restrictions. The District may limit the number of employees eligible to work remotely and schedules may need to be rotated from time to time to accommodate the District's operational and staffing needs.

Telecommuting employees must have a proper workspace at home. They will be provided with District-issued equipment or receive approval to use a personal computer; either way they will connect securely to the District's network. The District would not be responsible for maintenance of the employee's computer if using it to perform their job, nor would the District pay for electric costs or mileage if the employee is called into the office on a day that they would normally be telecommuting. Telecommuting employees must ensure all devices are secure with adequate firewall and security protection and must safeguard sensitive and confidential information.

Telecommuting employees must sign an agreement adhering to the provisions of the policy, including providing the same level of job performance and professionalism as those in the office and being physically located at their alternate worksite and available to respond throughout the workday. There are no other changes to employment conditions, including normal starting, ending and break times, and if unable to work for a portion of a day due to illness, notifying their supervisor and reporting leave on their timesheet. Supervisors and managers are responsible for tracking telecommuting employees' productivity.

If the Telecommuting Policy is approved by the Board, a pilot program will be effective as soon as possible and continue for at least 6 months. The program will be assessed by the General Manager, or designee, for consideration as an ongoing program in coordination with negotiations with the Employee Association for a successor Memorandum of Understanding beginning with FY 2023/24. Upon assessment, the entire program may be discontinued with advance notification to employees. During the pilot program, supervisors are not eligible to telecommute as they are needed to assist with evaluating the effectiveness of the program.

FISCAL IMPACT:

There are no additional fiscal impacts as computer equipment was purchased in FY 2021/22 when telecommuting was mandatory due to COVID. By approving voluntary telecommuting, employee satisfaction may increase which could reduce costs associated with employee recruitment and retention.

RECOMMENDATION:

Staff recommends adoption of the Resolution to Approve the Telecommuting Policy.

ATTACHMENT(S):

Resolution to Adopt a Telecommuting Policy with Exhibit "A", Vallecitos Water District Telecommuting Policy

RESOLUTION NO.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLECITOS WATER DISTRICT
ADOPTING A TELECOMMUTING POLICY**

WHEREAS, the Vallecitos Water District (District) and the Vallecitos Water District Employees Association (Association) have entered into an agreement effective from July 1, 2019, through June 30, 2023, the terms of which are set forth in a Memorandum of Understanding (MOU); and

WHEREAS, Management and Confidential employees, who are not covered by the MOU, are provided the same terms and conditions of employment;

WHEREAS, the Board approved a Strategic Plan in 2022 with Strategic Focus Area 3, Workforce Excellence with the focus to attract and retain a well-trained, diverse, and inclusive workforce;

WHEREAS, the Board desires to consider telecommuting a privilege that may be granted to eligible employees in job classifications that are primarily performed at a computer workstation and do not require hands-on work on infrastructure or in the field;

WHEREAS, the Board desires to adopt a Telecommuting Policy that will allow certain non-exempt employees, subject to the approval of their supervisor/manager and the General Manager, to telework from an approved alternative worksite for some or all their daily regularly scheduled work hours while continuing to perform their duties in an effective and timely manner; and,

WHEREAS, the Board designates the General Manager, or designee, responsible for monitoring and evaluating the effectiveness of the telecommuting program and the entire program may be discontinued with advanced notification to employees.

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

SECTION 1: TELECOMMUTING POLICY. The Board of Directors does hereby approve and adopt amended rules, regulations, and procedures, and other terms and conditions of employment for employees to allow eligible employees to telecommute subject to the provisions of the Telecommuting Policy, attached hereto as Exhibit "A".

Except amended herein, employees shall be subject to all other terms and conditions of employment in the Vallecitos Water District Employee Handbook and in the MOU for Fiscal Years 2019/20, 2020/21, 2021/22, and 2022/23.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on the 3rd day of August, 2022, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Craig Elitharp, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruijn, Secretary
Board of Directors
Vallecitos Water District

Vallecitos Water District

TELECOMMUTING POLICY – EXHIBIT “A”

The below Policy is a pilot program developed at the request of the Vallecitos Water District Employees’ Association. If approved by the Board, the pilot program will be effective as soon as possible and continue for at least 6 months. The pilot program will be assessed for consideration as an ongoing program in coordination with negotiations with the Employee Association for a successor Memorandum of Understanding beginning with FY 2023/24. During the pilot program, supervisors are not eligible to telecommute because they are necessary in assisting the General Manager with evaluating the effectiveness of the Telecommuting Policy.

INTRODUCTION

The District’s Telecommuting Policy allows certain non-exempt employees, subject to the approval of their supervisor/ manager and the General Manager, to telework from an approved alternative worksite for some or all their daily regularly scheduled work hours while continuing to perform their job duties in an effective and timely manner. Telecommuting is a privilege that is granted to eligible employees in job classifications that are primarily performed at a computer workstation and do not require hands-on work on infrastructure or in the field. Due to the services provided by the District to the public, some work groups or departments may not be able to participate. Employees are expected to work onsite for most of the workweek, regardless of the ability to telecommute. Exempt employees may be authorized to telecommute at the discretion of the General Manager and are not subject to the same work schedule limitations below. In addition, the General Manager reserves the right to authorize telecommute as a reasonable accommodation for a disability.

The General Manager, or designee, will be responsible for monitoring and evaluating the effectiveness of the District’s telecommuting program. Upon assessment, the entire program may be discontinued, without any need to meet and confer with the Employee Association, with advanced notification to employees.

POLICY

This policy covers telecommuting voluntarily requested by a District employee and provided by the District, subject to certain conditions and requirements. All existing duties, expectations, obligations, responsibilities, and conditions of employment remain unchanged. Telecommuting employees shall abide by all District and departmental policies and procedures, rules, and regulations. Telecommuting employees’ existing supervisory relationships, lines of authority and supervisory practices remain in effect. Telecommuting employees’ salary and benefits remain unchanged during the telecommuting arrangement. The violation of any provision of this policy or the misuse of District time, resources or property may preclude the employee from telecommuting and/or result in disciplinary action, up to and including termination of employment.

Telecommuting schedules may be regular (fixed and recurring from pay period to pay period) and/or intermittent/occasional. Regular telecommuting schedules are limited to no more than 2 days per week on a 5-day work week and no more than 1 day per week on a 4-day work week. Regular telecommuting is not allowed on Mondays or Fridays or on the day before or after a paid holiday. Occasional telecommuting is limited to no more than 4 times per year (once per quarter) up to a maximum of 4 hours each time,

subject to the same restrictions above (allowed on Tuesdays, Wednesdays, or Thursdays of nonholiday weeks). Examples of occasional telecommuting include special project work requiring a period of uninterrupted time, during recovery from injury or illness with written approval of a medical provider, and to provide convenience and maximize work time on days where offsite meetings or personal appointments make travel to the regular District worksite impractical.

ELIGIBILITY CRITERIA

The General Manager, and/or their designee, possesses the discretionary authority to determine the job classifications, positions, and employees who are eligible to telework under this policy using criteria including, but not limited to, the following:

The District

- The operational needs of the District and employee's department;
- The disruption of or potential for disruption to the District's functions;
- The capacity to monitor and measure work performance at the alternate worksite;
- Other considerations deemed necessary and appropriate by the District, including legal implications of telecommuting.

Classification/Position

- The degree to which the job functions require face-to-face interaction with other District employees, contractors, and members of the public;
- The portability of the work, including the ability to remotely access tools, equipment, and materials necessary to perform their job functions;
- The supervisory responsibilities (if applicable);
- The risk factors associated with performing the job duties from a location other than the normal workplace at a District worksite.

Employee

- The ability to perform their job duties from an alternative worksite without diminishing the quantity or quality of the work performed;
- The job performance, as determined, in part, by the most recent performance evaluation;
- The availability of or ability to create a functional, reliable, healthy, safe, and secure alternate worksite;
- The need for supervision;
- The ability to work independently, manage time, organize and prioritize work, exercise good judgment, use leave appropriately, history of safe cybersecurity practices, and reliability and responsibility in completing work assignments.

Employees in their introductory period of employment or on a performance improvement plan are not eligible for telecommuting.

PROCEDURES

VOLUNTARY REQUESTS

Telecommuting requests will be considered on a case-by-case basis consistent with the criteria above and other factors relevant to the employee's request.

To make a request for a telecommuting arrangement, employees must complete and submit a telecommuting request form to their supervisor or manager. In consultation with the General Manager, and/or their designee, the employee's supervisor or manager will make a final determination regarding the employee's request to telework. The District's final decision whether to approve or terminate a telecommuting agreement is final and binding. Neither the employee nor the Employee's Association possesses any right to appeal or grieve the decision. The District reserves the right to approve or deny an employee's request to telecommute based on the above criteria, or subsequently developed criteria during or after the pilot program. The District may limit the number of telecommuting employees that reduce onsite staffing levels or require employees to rotate telecommuting assignments.

An employee who has requested and been granted the opportunity to telework, must complete a voluntary telecommuting agreement. The agreement shall provide the mutual understanding of the employee, the employee's supervisor or manager, and the General Manager, or their designee, concerning the telecommuting arrangement. The District reserves the right to require employees to return to the District worksite on a regular telecommuting day without reimbursement for travel time, and/or to otherwise modify telecommuting schedules, with reasonable notice of any required change.

The District reserves the right to end a telecommuting agreement at any time at the discretion of the General Manager.

MANDATORY TELECOMMUTING DURING EXIGENT CIRCUMSTANCES

Where an exigent circumstance exists, the District may direct any or all of its employees to remain at their homes and perform work as part of an adopted short-term telecommuting arrangement for such employees to provide for the continuity of essential District services. Exigent circumstances exist when there is an imminent threat of extreme peril to health, life, property and resources. These circumstances may include, but are not limited to, war, public health emergencies, power failures, natural and man-made disasters, and other states of emergency. Where such an exigency exists and necessitates the adoption and implementation of a short-term mandatory telecommuting arrangement for District employees, the General Manager is expressly authorized to suspend some or all provisions of this policy and adopt and implement alternative provisions necessary to provide for the continuity of essential services. Employees will be notified when telecommuting is mandatory.

RESPONSIBILITIES

TELECOMMUTING EMPLOYEES:

Telecommuting employees must adhere to the provisions set forth in this Policy and any other applicable policy including, but not limited to the following:

1. Telecommuting employees must meet the same standards of performance and

professionalism expected of District employees in terms of job responsibilities, work product, timeliness of assignments, and coordination with other employees and contact with members of the public.

2. Telecommuting employees must be physically located at their approved alternate worksite while they are working and accessible during the established telecommuting work schedule. Telecommuting employees must be available in all the following forms of communication including telephone, video conference, email, text, and/or network access to their supervisor/manager and other District employees while telecommuting. Telecommuting employees must check District voice mail and/or forward their Mitel desk phone number for District-related business (messages and emails on a consistent basis, as if working at their District worksite). All periods of an employee's unavailability lasting longer than 15 minutes must be approved in advance and reported on the timecard as non-work time.
3. Telecommuting employees must notify their supervisor or manager promptly when unable to perform work assignments because of equipment failure or any other unforeseen circumstances.
4. Telecommuting employees may only access the District's network via virtual desktop software, unless authorized to use VPN.
5. Telecommuting employees must have access to an alternate worksite that is quiet and free of distractions, functional, with reliable and secure power, internet and/or wireless access, healthy, safe, and secure.
6. Telecommuting employees must ensure that all official District documents are retained and maintained according to normal operating procedure.
7. Telecommuting employees must ensure dependent care or other personal responsibilities will not interfere with work responsibilities.

SUPERVISORS AND MANAGERS:

1. Set expectations for telecommuting employees.
2. Keep telecommuting employees up to date on changes.
3. Allow telecommuting employees to participate in meetings virtually.
4. Track the work progress of telecommuting employees.
5. Communicate with telecommuting employees using a variety of methods.
6. Schedule regular one-on-one check-ins and be available by phone or email.
7. Monitor compliance of the Telecommuting Agreement and modify, as necessary.

WORK SCHEDULE, OVERTIME, LEAVE, BENEFITS

The telecommuting employee's work hours, including applicable meal and rest breaks, will be the same as their regular work hours. Non-exempt employees are required to

record all hours worked at the alternate worksite and all time off (including paid leave if applicable) on their timesheet. Non-exempt employees must get prior approval to work overtime.

Employees are expected to continue to abide by District policies and procedures for requests of sick, vacation and other leaves of absences. If an employee becomes ill while working under the Agreement, they must notify their supervisor or manager immediately and record on their timesheet any hours not worked due to illness and/or incapacitation.

Workers' Compensation benefits will apply only to injuries arising out of and in the course of employment as defined by Workers' Compensation law. Telecommuting employees must report any such work-related injuries to their supervisor or manager immediately. The District will not be responsible for injuries or property damage unrelated to such work activities, including injuries to third persons when said injuries occur at the alternate worksite.

EQUIPMENT, INFORMATION SECURITY, CONFIDENTIALITY

Telecommuting employees will either receive approval to use personal computer equipment or will be provided with District-issued equipment at the discretion of the General Manager or their designee. If the District provided any equipment, telecommuting employees agree to follow the District's Policy for the use of such equipment. Telecommuting employees must report to their supervisor any loss, damage, or unauthorized access to District-owned equipment, immediately upon discovery of such loss, damage, or unauthorized access.

The District will not be responsible for telecommuting costs, including, but not limited to, transportation associated with regular employment including commuting to District offices or other locations as required for their job unless authorized by the Travel Policy, the employee's use of their home or place of residence, personal computer, utilities, internet, data, network costs, home maintenance, workspace furniture, ergonomic equipment, or any other incidental costs, unless expressly provided for in the Telecommuting Agreement. Individual tax implications related to the telecommuting space shall be the responsibility of the employee. The District is not responsible for an employee's claim of tax deductions for operation of a telecommute office used to perform District work.

Telecommuting employees must take reasonable precautions to ensure their devices (e.g., computers, laptops, tablets, smart phones, etc.) are secure before connecting remotely to the District's network and must close or secure all connections when not conducting work for the District. Telecommuting employees must maintain adequate firewall and security protection on all such devices used to conduct District work from the alternate worksite. The District will not provide technical support for personal equipment. Telecommuting employees will exercise the same precautions to safeguard electronic and paper information, protect confidentiality, and adhere to the District's records retention policies, especially as it pertains to the California Public Records Act. Telecommuting employees must safeguard all sensitive and confidential information, both on paper and in electronic form, relating to District work they access from the alternate worksite or transport from their District worksite to the alternate worksite.

DATE: AUGUST 3, 2022
TO: BOARD OF DIRECTORS
SUBJECT: 2022 WATER RATE PUBLIC HEARING NOTICE

BACKGROUND:

Vallecitos funds its water operations primarily through rates and charges levied on its customers. As expenses increase, the revenue generated through existing rates and charges are insufficient to fund operations, without withdrawing money from reserves. In order to increase revenue generated from water rates and charges, public agencies are required to follow a prescribed process outlined in Article XIII D, Section 6(a) of the California Constitution. This section of the California Constitution was added with the passage of Proposition 218 by California voters in 1996. Based on rising costs, the District is now considering adjustments to water rates and charges.

In accordance with Article XIII D, the District mails a Notice of Public Rate Hearing to all ratepayers in anticipation of any proposed rate increase. Ratepayers must receive the notification at least forty-five days in advance of a public hearing to consider rate increases. The public hearing is tentatively scheduled, pending Board approval, for September 28, 2022, at 5:00 p.m., which will allow ample time for printing and mailing the notice.

A Cost-of-Service Study (COSS) serves as the administrative record in support of the District's rates and rate structure. A COSS requires there is an equitable allocation of costs to customers and there is a cost-based foundation for compliance with Proposition 218. As part of the compliance, Raftelis is drafting a Comprehensive Water COSS which quantifies the amount of rate revenues that must be collected from each customer class (meter size) based on their unique demand characteristics.

The last full COSS was completed in August 2017 and was amended in February 2020 by the District's consultant, Raftelis. It is recommended that a full COSS be done approximately every 3 to 5 years.

DISCUSSION:

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

On November 22, 2021, the Finance and Investment Committee was provided with an update on the progress of the COSS, which included a timeline and some potential rate scenarios. The progress was then shared with the full Board on December 15, 2021.

On April 11, 2022, staff provided an update to the Finance and Investment Committee and presented the proposed calendar, pass-through charges, drought rates, the Prop 218 process, and the proposed change in the Prop 218 notice to include 5 years of rates.

The impact to the average Single Family Residential Vallecitos Water District customer for the first year of rates results in an overall \$1.64 monthly increase of the water only portion of their utility bill. The proposed increases are for water rates only. Currently, Vallecitos is not considering adjustments to its wastewater rates.

FISCAL IMPACT:

The COSS adjustments were already included in the FY 2022-2023 budget adopted by the Board on June 2, 2022.

RECOMMENDATION:

Approve the Prop 218 notice mailing.
Set the Public Hearing for September 28, 2022.

ATTACHMENT:

Proposition 218 notice.

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

NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATE CHANGES

Date: September 28, 2022

Time: 5:00 p.m.

Location: 201 Vallecitos de Oro, San Marcos, CA 92069

You are receiving this notice because you are a Vallecitos Water District (District) customer. This notice is being furnished to you pursuant to the California Constitution Article XIII D, also known as Proposition 218. The September 28, 2022, public hearing will cover the proposed adjustments for water rates to become effective with water consumption beginning October 1, 2022. For a typical single-family residential water customer, the water portion of your bill will increase by \$1.64 per month. This notice addresses why rate adjustments are necessary, what the rates fund, and the basis for the proposed rates.

What is the impact to the average single-family residence?

EXAMPLE

The proposed rates will result in the following increase to the average single-family residential bill. Your resulting rate will vary depending on water usage and meter size.

Average Single Family Residential (SFR) Customer Bill*				
	Current	Oct-22	Change	
			Amount	%
Water Commodity	\$ 55.87	\$ 56.99	\$ 1.12	2.00%
Ready-to-Serve	36.55	37.07	0.52	1.42%
Total Water Bill	\$ 92.42	\$ 94.06	\$ 1.64	1.77%

*The average SFR Bill assumes a 5/8" meter using 13 units per month
(1 Unit of Water = 100 Cubic Feet (HCF) = 748 Gallons; 13 units = 9,724 Gallons)

Should the District determine that, due to a state of emergency or public health concerns, the meeting at which the hearing will be held will be entirely virtual, in accordance with Assembly Bill 361 or other applicable law, information to that effect will be posted on the District's website as soon as such information is available and will be included on the agenda for the meeting at which the hearing will be held.



Why are rate adjustments necessary?

Rate adjustments are necessary to continue to provide safe, reliable and sustainable water service to our customers and are required to cover the increased cost of wholesale water imported from the Colorado River and Northern California, electricity increases, inflationary increases, escalating costs to comply with increasingly stringent environmental regulations, replacing aging infrastructure, fund an asset replacement program, and meet debt service requirements. Vallecitos is a not-for-profit agency, so only those charges sufficient to support your service are billed to you.

Each customer pays their fair share of the cost of water acquisition and delivery, as well as the rehabilitation, operation, and maintenance of the public water facilities. As always, VWD will continue to honor our commitment to provide the most safe and reliable service at the lowest possible cost. The District continually strives to be among the least expensive water service providers in San Diego County.

What do water rates fund?

The proposed rates are being considered solely for the purpose of covering costs incurred by the water system. This includes treated water purchases, water system operation and maintenance, facility and equipment maintenance, water system rehabilitation and replacement, regulatory compliance, metering, billing, and account management. The rate structure is designed to fund conservation programs, comply with drought regulations, and cover the costs of public awareness, education and outreach, and water reliability and diversification. The proposed rate increases cover rising costs of acquiring imported water from the Colorado River and Northern California which result in wholesale water cost increases from our wholesaler, the San Diego County Water Authority (SDCWA). SDCWA has adopted rate increases of 6.2% for calendar year 2022 and 5.8% for calendar year 2023.



California Aqueduct

What is Vallecitos doing to control costs?

Vallecitos' priority is to ensure financial stability and to control costs. In recent years, Vallecitos has restructured its organization and redistributed workload to maximize productivity and efficiency. The last three labor negotiations have resulted in cuts to employee benefits. Vallecitos contracted with the Olivenhain Municipal Water District for water treatment services at a cost 20% less than the SDCWA's treatment charge. Vallecitos has engaged consultants to perform energy and operational efficiency studies and has implemented recommendations from the studies. This includes adding solar panels and Tesla battery backup systems at District locations to partially offset the rising cost of electricity. Vallecitos has executed other efficiency measures, including installing energy efficient lighting and pumping equipment, in-house mechanical and fleet maintenance, critical asset condition assessments, predictive asset maintenance and replacement, and strategic use of technology throughout field operations and customer billing. Staff evaluates the effectiveness of changes implemented and continuously improves efficiency of operations.

How are water rates determined?

A comprehensive Cost of Service Study (COSS) was finalized in 2022 by an independent rate consulting firm. One of the major goals of the study was to ensure equitable water rates that produce adequate revenues to meet the District's financial needs for the next five years (2022-2026). For more information, the COSS prepared by the District's independent financial consultant is posted at www.vwd.org/rates.

Water rates are broken down between variable charges (dependent on how much water is used) and fixed charges. Each charge is comprised of VWD's internal charge as well as pass-through charges from the SDCWA, our wholesale supplier, which includes water delivered from the Carlsbad Desalinization Plant.

The COSS is proposing to pass-through rate increases from SDCWA (including water received directly from the Carlsbad Desalinization Plant) to VWD's customers for a five-year period. Commodity charge pass-throughs (including charges for raw water, treated water, transportation, as well as any future additional commodity charges imposed by SDCWA), shall be limited to the actual aggregate increase, not to exceed 6.5% annually. Similarly, fixed charges (including any potential additional charges added by SDCWA), shall be limited to the actual aggregate fixed charge increase, not to exceed 6.5% annually.

VWD's commodity and fixed (Ready-to-Serve) portion of the rates will be increased by the actual annual cost increases detailed in future adopted budget, not to exceed 4% annually.

Rates for year 1, proposed to take effect October 2022, are included in this notice. Rates for years 2 through 5 will occur on January 1, 2023, January 1, 2024, January 1, 2025, and January 1, 2026, and will be indexed by the pass-through rates referenced above.

MONTHLY READY-TO-SERVE (RTS) RATES

A portion of the monthly **RTS Charge** recovers fixed charges paid by VWD to the District's wholesaler, the SDCWA. The SDCWA pass-through charges are assessed by SDCWA to recover fixed charges associated with Customer Service, Emergency Storage, Supply Reliability, Capacity Reservation, and pass-through charges from the Metropolitan Water District for their Readiness-to-Serve charges. The SDCWA Infrastructure Access Charge (IAC) is assessed to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects. The SDCWA IAC is a monthly fixed water meter charge that varies by water meter size. The VWD Meter and Billing charges are to recover expenses associated with meters and service lines, operating expenses not directly related to the flow of water (general and administrative, engineering, information technology, etc.) and capital asset replacement costs of service lines, meters, and general facilities. These expenses are incurred by the District even if no water is delivered to our customers.

VWD Current and Proposed Fixed Ready-to-Serve (RTS) Rates

CURRENT RATES

Meter Size	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	10"	(1) Multi-Dwelling	(2) Fire - line
CURRENT RTS RATES	\$36.55	\$36.55	\$53.31	\$137.11	\$220.91	\$338.23	\$505.83	\$1,008.63	\$2,349.43	\$10.06	\$7.55

PROPOSED RATES

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	10"	(1) Multi-Dwelling	(2) Fire - line
SDCWA (Pass-through)	\$10.24	\$10.24	\$15.36	\$40.96	\$66.56	\$102.40	\$153.60	\$307.20	\$716.80		
SDCWA (IAC Pass-through)	4.24	4.24	6.36	16.96	27.56	42.40	63.60	127.20	296.80		
VWD Meter and Billing *	22.59	22.59	32.38	81.30	130.23	198.72	296.57	590.12	1,372.92		
PROPOSED TOTAL	\$37.07	\$37.07	\$54.10	\$139.22	\$224.35	\$343.52	\$513.77	\$1,024.52	\$2,386.52	\$9.99	\$8.04
\$ Change	\$0.52	\$0.52	0.79	\$2.11	\$3.44	5.29	\$7.94	\$15.89	\$37.09	(\$0.07)	\$0.49
% Change	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	-0.7%	6.5%

⁽¹⁾ Charge for each Additional Dwelling Unit

⁽²⁾ Charge per Diameter Inch

MAXIMUM VWD Meter & Billing Fixed Charges (VWD Portion of RTS) *

	10/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Meter Size					
5/8"	\$ 22.59	\$ 23.49	\$ 24.43	\$ 25.41	\$ 26.43
3/4"	\$ 22.59	\$ 23.49	\$ 24.43	\$ 25.41	\$ 26.43
1"	\$ 32.38	\$ 33.68	\$ 35.02	\$ 36.42	\$ 37.88
1 1/2"	\$ 81.30	\$ 84.55	\$ 87.93	\$ 91.45	\$ 95.11
2"	\$ 130.23	\$ 135.44	\$ 140.86	\$ 146.49	\$ 152.35
3"	\$ 198.72	\$ 206.67	\$ 214.94	\$ 223.53	\$ 232.47
4"	\$ 296.57	\$ 308.43	\$ 320.77	\$ 333.60	\$ 346.94
6"	\$ 590.12	\$ 613.72	\$ 638.27	\$ 663.80	\$ 690.36
10"	\$ 1,372.92	\$ 1,427.84	\$ 1,484.95	\$ 1,544.35	\$ 1,606.12
Multi-Dwelling	\$9.99	\$ 10.39	\$ 10.81	\$ 11.24	\$ 11.69
Fireline	\$8.04	\$ 8.36	\$ 8.70	\$ 9.04	\$ 9.41

* This is VWD's portion of the monthly fixed Ready-to-Serve (RTS) Charge. The total RTS charge will include SDCWA pass-through charges

The District's portion of fixed charges (RTS) will be limited to internal cost increases as determined by the annual budget, not-to-exceed the amounts listed in the table to the left. The table lists the *maximum* charge for the District's portion of the RTS. The total monthly RTS charge will include the pass-through amounts, including the Infrastructure Access Charge (IAC) from the SDCWA.

WATER COMMODITY TIER STRUCTURE AND RATES

Water Commodity Rates are a volumetric charge to recover the cost of purchased wholesale water, expenses directly associated with water flow (transmission and distribution, water treatment, tanks, and reservoirs, etc.) conservation costs, and capital replacement costs of assets directly associated with water flow (tanks and reservoirs, transmission and distribution, pumping, etc.). One unit of water is 748 gallons, or one hundred cubic feet (HCF). The Tier Structure listed on the below (right table) is based on units of water (for example 6 units of water would equate to 4,488 gallons of water used per month).

Current and Proposed Commodity Rates			
CURRENT RATES	Tier 1	Tier 2	Tier 3
CURRENT COMMODITY RATES	\$ 3.77	\$ 4.75	\$ 9.18
PROPOSED RATES	Tier 1	Tier 2	Tier 3
SDCWA Pass-Through ⁽¹⁾	\$ 4.43	\$ 4.43	\$ 4.43
VWD Internal Costs *	0.11	0.72	4.07
Discretionary Offsets ⁽²⁾	(0.77)	(0.24)	0.00
PROPOSED COMMODITY RATES	\$ 3.77	\$ 4.91	\$ 8.50
\$ Change	\$0.00	\$0.16	(\$0.68)
% Change	0.0%	3.4%	-7.4%

⁽¹⁾ Wholesale Pass-through includes all increases of purchased water supplies billed from San Diego County Water Authority

⁽²⁾ Discretionary offsets include all discretionary revenue such as property tax and RDA revenues used to offset specific costs

WATER COMMODITY TIER STRUCTURE			
Meter Size (Inches)	Units of Water (HCF)*		
	TIER 1	TIER 2	TIER 3
3/4 & 5/8	6	21	>21
1	16	78	>78
1 1/2	43	196	>196
2	85	335	>335
3	342	977	>977
4	342	977	>977
6	722	1,955	>1955
10	722	1,955	>1955
Agriculture		All Usage	
Construction			All Usage

* HCF is one Hundred Cubic Feet or 748 gallons

MAXIMUM VWD Portion of Commodity Rate *					
	10/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Tier 1	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.13
Tier 2	\$ 0.72	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.84
Tier 3	\$ 4.07	\$ 4.23	\$ 4.40	\$ 4.58	\$ 4.76

* This is VWD's portion of the per unit commodity rate. The total commodity rate will include SDCWA pass-through charges.

The District's portion of commodity charges will be limited to internal cost increases costs as determined by the annual budget each year, not to exceed the table to the left. This table lists the *maximum* charge for the District's portion of commodity charges. The total commodity charge will include the pass-through commodity portion from SDCWA.

DROUGHT RATES

The District recovers a portion of its fixed costs through the commodity rate. In the event of drought conditions or mandated water cutbacks, the District continues to incur fixed costs while receiving reduced revenues. The District’s Board of Directors approved Ordinance 219 on November 17, 2021. Ordinance 219 implements the District’s Water Shortage Contingency Plan. Within Ordinance 219, Drought Rates for the commodity charge then in effect would be adjusted as necessary to achieve full cost recovery of the District’s revenue requirement. The table below shows the proposed **maximum** additional charge that may be added to the per unit (HCF) commodity charge and implemented by the District during various levels of mandatory reductions in water usage. The maximum drought rates will remain in effect for the 5-year period reference in this notice.

VWD Drought Rate Calculation			
Drought Level	Mandatory Cutback	Net Budget Impact	Add'l Rate Per Unit (HCF)
1	10%	\$ (1,459,700)	\$ 0.26
2	20%	(2,444,900)	0.49
3	30%	(3,445,500)	0.78
4	40%	(4,288,800)	1.12
5	50%	(4,989,500)	1.53
6	60%	(5,516,900)	2.07



Lake Oroville

How to provide comments or protest the rate adjustment.

You may comment or ask questions at any time by contacting Vallecitos Water District at (760) 744-0460 or vwd@vwd.org, or participating in the September 28, 2022, Public Hearing at 5:00 pm. However, if you wish to submit a formal protest of the proposed water rates, please make sure to read the following information carefully to make sure your protest will count. Any record owner of a parcel upon which the water rates are proposed to be imposed and any tenant directly liable for the payment of water rates (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the District's water rates. However, only one protest will be counted per identified parcel.

Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed water rate increases; (2) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted in one of the following manners: (1) by mail to Vallecitos Water District, ATTN: Rate Hearing, 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received by the Board Secretary of the Vallecitos Water District by 4:00 p.m. on September 28, 2022; (2) in person, addressed to the Board Secretary at 201 Vallecitos de Oro, San Marcos, CA 92069, so long as it is received prior to 4:00 p.m. on September 28, 2022; or (3) at the Public Hearing on September 28, 2022, so long as the protest is received prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the Vallecitos Water District ATTN: Rate Hearing. Should the District determine to hold the public hearing virtually, the District may provide additional information on additional means of submitting written protests.

The Board of Directors will consider all written protests and all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as valid protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rate increases as described in this notice. If written protests of the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases.

Please note that there is a 120-day statute of limitations for challenging the proposed adjustments to the District's water rates.



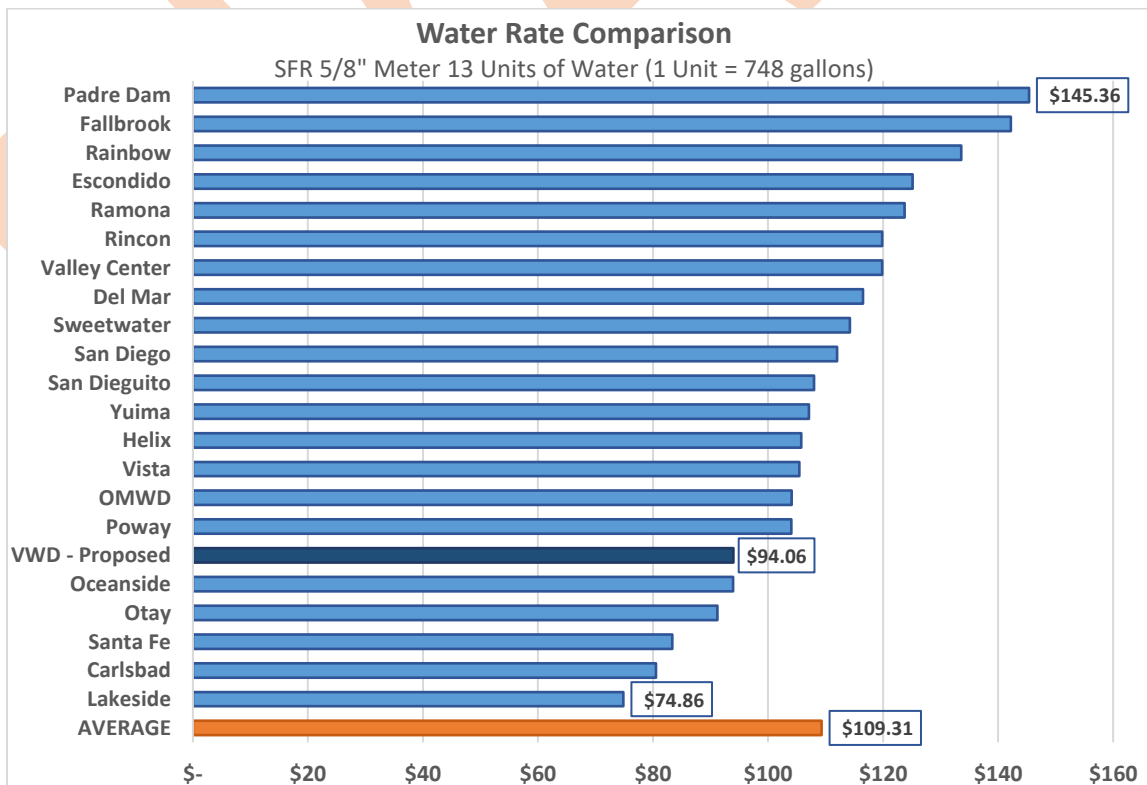
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This legal notice contains important information regarding rates associated with providing 21,000 plus customers in San Marcos, portions of Carlsbad, Escondido, Vista and unincorporated areas in San Diego County with safe, reliable water and wastewater services. (Para información en Español, visítenos en www.vwd.org o llámenos a (760)744-0460.)



Regional Water Cost Comparison for San Diego County

With the proposed rate increases, WVD is still 14% below the regional average.



For illustrative purposes only. Based on data gathered April 6, 2022.

★ Agenda items marked with this symbol will be recorded and available for on-demand access after the live event.

Note: Tuesday Committee meetings will not be recorded or available on-demand.

ACWA JPIA - MONDAY, NOV 28

8:30 - 10:00 AM

- ACWA JPIA Program Committee

10:15 - 11:15 AM

- ACWA JPIA Executive Committee

1:30 - 4:00 PM

- ACWA JPIA Board of Directors

4:00 - 5:00 PM

- ACWA JPIA Town Hall

5:00 - 6:00 PM

- ACWA JPIA Reception

TUESDAY, NOV 29

7:00 AM - 6:00 PM

- Registration

8:00 AM - 9:45 AM

- Agriculture Committee

8:30 AM - Noon

- ACWA JPIA Seminars

10:00 - 11:45 AM

- Groundwater Committee
- Energy Committee

11:00 AM - Noon

- Outreach Task Force

Noon - 2:00 PM

- Committee Lunch Break

1:00 - 2:45 PM

- Legal Affairs Committee
- Local Government Committee
- Finance Committee
- Water Management Committee

1:00 - 3:00 PM

- ACWA JPIA: Sexual Harassment Prevention for Board Members & Managers (AB 1825)

3:00 - 4:45 PM

- Communications Committee
- Federal Affairs Committee
- Membership Committee
- Water Quality Committee

5:00 - 6:30 PM

- Welcome Reception in the Exhibit Hall

WEDNESDAY, NOV 30

7:30 AM - 5 PM

- Registration

8:00 - 9:45 AM

- Opening Breakfast (*Ticket Required*) ★

8:30 AM - 6:00 PM

- Connect in the Exhibit Hall

10:00 - 11:00 AM

- Attorneys Program ★
- Finance Program ★
- Region Forum ★
- Statewide Forum ★
- Water Industry Trends Program ★

11:15 AM - 12:15 PM

- Roundtable Talks

12:30 PM - 1:30 PM

- Networking Lunch in the Exhibit Hall (*Ticket Required*)

1:45 - 2:45 PM

- Attorney Program ★
- Communications Committee Program ★
- Finance Program ★
- Statewide Forum ★
- Water Industry Trends Program ★

3:00 - 3:30 PM

- Ice Cream Break in the Exhibit Hall

3:30 - 4:45 PM

- Regions 1-10 Membership Meetings

5:00 - 6:00 PM

- ACWA Reception in the Exhibit Hall

6:00 - 7:00 PM

- Women in Water Hosted Reception

THURSDAY, DEC 1

7:30 AM - 2:00 PM

- Registration

8:00 AM - 9:15 AM

- Exhibitor Demonstrations
- Networking Continental Breakfast in the Exhibit Hall (*Ticket Required*)

8:00 AM - Noon

- Connect in the Exhibit Hall

8:30 - 10:45 AM

- Ethics Training (AB 1234) - *Limited Seating*

9:30 - 11:00 AM

- Attorney Program ★
- Innovation Program ★
- Region Forum ★
- Statewide Forum ★
- Water Industry Trends Program ★

11:15 - 11:45 AM

- Prize Drawings in the Exhibit Hall

Noon - 2:00 PM

- General Session Luncheon (*Ticket Required*) ★

2:15 - 3:15 PM

- Attorney Program ★
- Finance Program ★
- Region Forum ★
- Town Hall ★
- Water Industry Trends Program ★

3:30 - 4:30 PM

- Closing Reception

Last modified: June 23, 2022

Registration required to attend any part of ACWA's Fall Conference & Exhibition, including Tuesday, Nov. 29 Committee Meetings. See www.acwa.com for health & safety attendance requirements.

QUESTIONS?

Email us at events@acwa.com

Registration Cancellation Deadline: November 18, 2022, 4:30 p.m. (PT)

All conference programs are subject to change without notice.