

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 15, 2017, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT ELITHARP

PLEDGE OF ALLEGIANCE

ROLL CALL

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

ADOPT AGENDA FOR THE REGULAR MEETING OF FEBRUARY 15, 2017

PRESENTATIONS

President Elitharp will present **Ivan Murguia**, Wastewater Treatment Plant Operator III, with his Certificate of Competence for Grade IV Wastewater Treatment Plant Operator from the State Water Resources Control Board.

President Elitharp will present **David Joiner**, Electrical/Instrumentation Technician, with his Certificate of Completion for Programmable Logic Controller II Certificate.

Mike Steinlicht, General Manager for Encina Wastewater Authority, will provide the following presentations:

- 1) Water Reuse Feasibility Study
- 2) Capital Improvement Projects

PUBLIC COMMENT

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

NOTICE TO THE PUBLIC

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

CONSENT CALENDAR

1.1 APPROVAL OF MINUTES (pp. 7-21)

- A. FINANCE/INVESTMENT COMMITTEE MEETING – JANUARY 24, 2017
- B. BOARD WORKSHOP MEETING – FEBRUARY 1, 2017
- C. REGULAR BOARD MEETING – FEBRUARY 1, 2017

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH FEBRUARY 15, 2017 – \$1,701,240.20 (pp. 22-25)

Recommendation: Approve Warrant List

1.3 FINANCIAL REPORTS (pp. 26-36)

- A. WATER METER COUNT – JANUARY 31, 2017
- B. WATER PRODUCTION/SALES REPORT – 2016/2017
- C. WATER REVENUE AND EXPENSE REPORT – JANUARY 31, 2017
- D. SEWER REVENUE AND EXPENSE REPORT – JANUARY 31, 2017
- E. RESERVE FUNDS ACTIVITY – JANUARY 31, 2017
- F. QUARTERLY INVESTMENT REPORT

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

ACTION ITEMS

2.1 RESCINDING DROUGHT LEVEL 1 (pp. 37-47)

On January 26, 2017, the San Diego County Water Authority declared the drought over in San Diego County.

Recommendation: Rescind Drought Level 1

2.2 WATER RATE STRUCTURE DEVELOPMENT UPDATE

Recommendation: For information only

2.3 SAN MARCOS BOYS AND GIRLS CLUB ANNUAL AUCTION (pp. 48-49)

This item is presented at the request of Director Sannella.

Recommendation: Presented for discussion

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

REPORTS

- 3.1 GENERAL MANAGER
- 3.2 DISTRICT LEGAL COUNSEL
- 3.3 SAN DIEGO COUNTY WATER AUTHORITY
- 3.4 ENCINA WASTEWATER AUTHORITY
 - *Capital Improvement Committee*
 - *Policy and Finance Committee*
- 3.5 STANDING COMMITTEES
- 3.6 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

OTHER BUSINESS

- 4.1 MEETINGS (pp. 50-51)
 - WEF Central Valley Tour**
March 8 – 10, 2017 – Begins/Ends at Sacramento Airport
 - WEF Lower Colorado River Tour**
April 5 – 7, 2017 – Begins in Las Vegas/Ends in Ontario, CA

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

- 5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

- 6.1 ADJOURNMENT

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

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

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

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 4:00 p.m., Friday, February 10, 2017.

Diane Posvar

State of California
State Water Resources Control Board



Certificate of Competence

This is to certify that pursuant to the provisions of Chapter 9, Division 7 of the California Water Code

Ivan J. Murguia

has fulfilled the requirements for certification as a

Grade IV

Wastewater Treatment Plant Operator

Certificate Number 34695

Issued this January 13, 2017

Felicia Marcus
Chair



Original Issue Date: 01/13/2017

Expiration Date: 01/13/2020

Valencia College

CERTIFICATE OF COMPLETION

awarded to

DAVID JOINER

for completion of

Programmable Logic Controller II Certificate

January 19, 2017



Joseph Battista

Chief Operating Officer
Continuing Education

MINUTES OF A SPECIAL MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
TUESDAY, JANUARY 24, 2017 AT 4:30 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:30 p.m.

Present: Director Martin
Director Sannella
General Manager Pruim
Assistant General Manager Scaglione
Finance Manager Fusco
Accounting Supervisor Owen
Financial Analyst Arthur
Administrative Secretary Johnson

ITEMS FOR DISCUSSION

PROPOSITION 218 – PUBLIC HEARING NOTICE REGARDING RATES

Director Martin stated the purpose of this meeting was to discuss the time line for the Proposition 218 public hearing notice process regarding rates in order to establish meeting dates and determine what needs to be done and when.

General Manager Pruim stated that the presentation today included a time line with tentative dates for Finance/Investment Committee and Board workshop meetings, and that the budget process and the Proposition 218 process go hand-in-hand.

Finance Manager Fusco distributed copies of the budget calendar and provided a presentation on the Fiscal Year 2017/18 Budget Process as follows. General question and answer took place during and after the presentation.

- Budget
- Budget Process
 - Immediate Goals
 - Operating Budget Components
 - Capital Budget Components
 - Long-Term Goals
- Budget Calendar
- Historical Information
- Cost Reduction Efforts

General discussion took place during which the operating budget components and the process of obtaining data from the staff, supervisors and management (bottom up) were discussed. Director Sannella stated he would like the Board to discuss and consider

setting a target savings percentage that executive staff would need to determine how to meet. He would feel more comfortable doing that instead of just passing a 218 based on the information from the bottom up team. Director Martin stated the Board should look at staffing for further cost savings as well as insurances such as AFLAC.

General discussion took place regarding potential debt. Assistant General Manager Scaglione stated potential debt is reviewed during every budget process. New debt may be necessary for the San Marcos Interceptor and the District's portion of the EWA improvement plan as there are not enough funds in reserve for these projects.

FINANCE COMMITTEE MEETING SCHEDULE

Finance Manager Fusco stated that monthly meetings of this Committee are included in the budget calendar. All meetings are tentatively set for the last Wednesday of each month. March is the month when all of the necessary information for the budget starts coming together. For this reason, two Committee meetings are scheduled during March. A full Board workshop will be scheduled in May when a final draft proposed budget is complete, and a second full Board workshop may be scheduled if necessary to revise and refine the recommended budget.

General Manager Pruim stated that a full Board workshop is currently being scheduled for the end of January or early February. Director Sannella inquired about the starting time of the workshop, stating that as it is a public meeting, it should not be held in the middle of the day. Director Martin disagreed, stating that for the first workshop in January or February, it is not necessary to begin the meeting at 5:00 p.m. because at this point in time public participation will be minimal. It will be more important to schedule the workshop(s) in May later in the day as there most likely will be more public interest when more information is known.

Finance Manager Fusco stated the tentative date to present the recommended budget for adoption is June 7 at the Regular Board meeting which would give the Board enough time to make additional changes if necessary.

General Manager Pruim asked the Committee what information they would like to be provided at future Committee meetings. The following items were identified:

- Director Martin requested detailed information pertaining to salaries and the number of employees per department.
- Director Martin requested documentation to show that the District has done everything possible to cut costs in order to keep rate increases to a minimum before moving forward with the 218 notice.
- Director Sannella requested the purchasing policy (Resolution No. 1484) be complied with to bid out competing vendors that the Districts pays over \$100,000 per year.
- Director Sannella would like the Committee to look at outsourcing positions where possible, Board member expenses and Board member benefits. He

stated he has no interest in looking at employee benefits; he is happy with the employee MOU that was negotiated last year.

- Director Sannella would like to look at ways to increase revenue such as eliminating all of the District's current conservation restrictions if allowed by law.
- Director Sannella suggested possibly mandating a certain cost savings target that all departments would have to meet. He stated he has some numbers and percentages in mind, but he did not share that information.

General discussion took place regarding the feasibility and timing of conducting an efficiency study.

The consensus of the Finance/Investment Committee was to review all possible cost saving opportunities as well as ways to increase revenue before considering a rate increase.

OTHER BUSINESS

None.

PUBLIC COMMENT

Mike Hunsaker, member of the public, commented on the City of Escondido's recycling facility, the need for reserve capacity, and the issue of porosity of pipes.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 6:05 p.m.

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 1, 2017, AT 2:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Elitharp called the Regular meeting to order at the hour of 2:06 p.m.

Director Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Martin (arrived 2:49 pm)

Absent: Director Sannella

Staff Present: General Manager Prui
Assistant General Manager Scaglione
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Owen
Financial Analyst Arthur
Executive Secretary Posvar

ADOPT AGENDA FOR THE WORKSHOP MEETING OF FEBRUARY 1, 2017

17-02-01 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously with Director Sannella absent, to adopt the agenda for the Workshop Board Meeting of February 1, 2017.

PUBLIC COMMENT

Mr. Hunsaker requested his comments follow the Board discussion items.

DISCUSSION ITEMS

BUDGET PROCESS REVIEW

General Manager Prui provided an oversight of the items to be discussed and stated that the plan/goal is to develop a financial plan and long range forecast for the District.

Director Evans requested information related to the Finance Committee meeting held on January 24, to which General Manager Prui responded.

Finance Manager Fusco provided a presentation on the budget process detailing the following:

- Legal authority from the Board of Directors authorizing staff to acquire and utilize resources on behalf of the District.
- Communication Document – will provide rate payers with information on what and where resources will be raised/utilized and how the District plans to sustain itself.
- Immediate Goal – produce the fiscal year 2017/18 financial plan for water and sewer operations, capital spending plan, debt service compliance
- Produce the fiscal years 2018/19 – 2021/22 long range forecast for water and sewer replacement reserves, water and sewer capital facility reserves, and debt service compliance
- FY 17/18 operating budget components for expenses and revenue
- FY 17/18 – 21/22 capital budget outlay for existing and new projects as well as EWA projects, and resources
- Long-term Goal
- Budget calendar January through June
- Cost reduction efforts
- FY 2016/17 operating budget
- Expenditures recovered by user charges (in millions)
- Actual transfers to reserves for FY 07/08 - 16/17 and FY 16/17 budget

During the presentation, Director Evans inquired as to whether or not there are policies in place that guide the budget process, to which staff confirmed and explained. General Manager Pruim stated that staff can put together information for a subsequent workshop to assist the Board in understanding what factors staff considers when preparing the budget.

General discussion/question and answer took place during the presentation.

WATER RATE STRUCTURE CONSIDERATIONS

Assistant General Manager Scaglione provided a presentation on water rate structure considerations detailing the following:

- General considerations
- Pros and cons for a flat rate structure
- Pros and cons for a rate structure tiered by customer type
- Pros and cons for a rate structure tiered by meter size
- Pros and cons for a budget-based rate structure
- Objectives
- Hierarchy of authority
- Study of commodity rates
- When supply cost is big

- Defining customer class by meter size vs. by customer type
- Determining tier amounts
- Allocating tranches to customer classes
- Cost allocation to tiers
- Cost allocation to supply, base and peaking
- Studies to consider
- Staff recommendation on rate development
- Prop 218 calendar

Assistant General Manager Scaglione reviewed the draft cost of service study which is in the very early stages. He asked the Board if there was a consensus to proceed with the internal study. The consensus of the Board was for staff to proceed.

General discussion/question and answer took place during the presentation.

PROPOSITION 218 – PUBLIC RATE HEARING NOTICE TIMELINE

Assistant General Manager Scaglione reviewed the draft Public Hearing timeline. General discussion took place.

Mike Hunsaker, member of the public, addressed the Board questioning the deferment of \$3 million for maintenance; the reserve policy and how the reserves are computed; OPEB and survivor benefits; dependents covered up to age 26; and, deferred payment program for developers. He thanked the Board.

President Elitharp recommended Mr. Hunsaker meet with staff to answer his questions.

General Manager Pruim expressed concern with duplication of information and multiple meetings as well as lack of clarity on what should take place at the Finance Committee vs. Board Workshops.

President Elitharp stated that he felt the Finance Committee would have other items to address other than what would be discussed at a Board workshop meeting.

General discussion followed in which Director Martin stated that at the last Finance Committee meeting they discussed a lot of things that were not covered at this meeting, that the reason for the committee is to go through all the minutia and the budget line by line.

Director Evans stated that she did not believe the purpose of a Board is to go through the budget minutia, the purpose of the Board is to establish policies. She further expressed that the minutes have been extremely brief and suggested that the meetings

be audio recorded to make them available to the Board. If the committee is going to get into the minutia, then they all should be getting into the minutia.

Director Hernandez stated that there is a lot of detail with the budget review and would take them hours to read through it, that the committee would be delving into the finer details if they were interested.

President Elitharp stated that a good solution would be to have more detailed minutes.

Director Evans stated that if the Finance Committee meetings could be recorded on audio, then staff would not have to take the time to do detailed minutes verbatim.

General Manager Pruim stated that if the Board chooses, staff could start audio recording the Finance Committee meetings.

The consensus of the Board was that all committee meetings will be audio recorded.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Workshop Meeting of the Board of Directors at the hour of 4:24 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 15, 2017, 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 REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 1, 2017, 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.

Director Martin led the pledge of allegiance.

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

Staff Present: General Manager Pruim
Assistant General Manager Scaglione
Legal Counsel Scott
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Accounting Supervisor Owen
Public Information/Conservation Supervisor Robbins
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF FEBRUARY 1, 2017

17-02-02 MOTION WAS MADE by Director Martin seconded by Director Hernandez, and carried unanimously, to adopt the agenda for the Regular Board Meeting of February 1, 2017.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board commending staff for the financial reports provided at the Board workshop today. He stated San Marcos, in particular, and VWD have been some of the highest growth areas in the County. The nexus question was brought up during this meeting as to how new capacity is allocated and charges are put in. He emphasized the finance report is far reaching and that the usage factors will need to be recalculated for the 218 process. He thanked the Board.

CONSENT CALENDAR

Director Evans requested the minutes of the January 18, 2017 Board meeting be amended to reflect that regarding the San Diego Business Journal Economic Trends 2017 Event, General Manager Pruim and Director Evans had pointed out that prior approval for per diem and expense reimbursement is required as normal procedure. She felt Director Martin had sufficient time to do so and after listening to a recording of

the meeting and having heard Director Hernandez state he had heard from Director Martin that night about the event, she wished to change her vote on that item to no.

Director Martin requested item 1.3 be pulled for further discussion.

17-02-03 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried unanimously, to approve items 1.1, 1.2, 1.4, and 1.5 of the Consent Calendar as amended with the changes to the minutes of the January 18, 2017 meeting.

1.1 Approval of Minutes

- A. Regular Board Meeting – January 4, 2017 (Revised)
- B. Regular Board Meeting – January 18, 2017

1.2 Warrant List through February 1, 2017 - \$3,034,615.36

1.3 Adoption of Resolution Ordering the Annexation of Certain Properties Designated as the “Brookfield Rancho Coronado Annexation”, APN: 221-091-21, 222-080-09, 222-080-59, 222-170-28, 222-180-27 and 222-190-14, into the Sewer Improvement District

Director Martin stated he received a donation in the form of a check from Rachel Coronado of Brookfield for his election campaign last November. He asked Legal Counsel Scott if he needed to recuse himself from voting on this item, to which Legal Counsel Scott stated he did not.

17-02-04 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to approve item 1.3 of the Consent Calendar as presented.

1.4 Award of Professional Services Agreement for the Montiel Gravity Outfall Project

1.5 Quarterly Board Expenses

ACTION ITEMS

EXECUTIVE ORDER AND DROUGHT EMERGENCY UPDATE

Public Information/Conservation Supervisor Robbins provided a presentation on events that took place during the recent drought, highlighting important dates and actions taken by Governor Brown, the State, the San Diego County Water Authority and this Board:

- California’s Drought Dates
- Emergency Regulations

- The Executive Order
- Responses to the Executive Order
- Making Conservation a California Way of Life
 - Directives implemented within existing authorities
 - New water use targets based on strengthened standards
 - Shortage Planning
 - Water Use Targets
 - CII Performance (Commercial, Industrial and Institutional Measures)
 - Concerns
- Vallecitos Water District Ordinance No. 198
 - Permanent Water Use Restrictions

Public Information/Conservation Supervisor Robbins stated the State Water Resources Control Board (SWRCB) plans to decide in February whether to extend the current emergency regulations. The emergency drought regulations for urban areas are set to expire at the end of February, and the SWRCB's staff is indicating they want to continue with those temporary rules for now while simultaneously putting in place a long-term conservation plan ordered by Governor Brown.

Public Information/Conservation Supervisor Robbins stated the SWRCB will be releasing more information on February 8 after which he will provide an update.

General discussion took place during which General Manager Pruim stated that for San Diego County and from a water supply perspective, the SDCWA has declared an end to the drought. The topic of the District ending its current Drought Response Level 1 will be on the agenda for the February 15 Board meeting for the Board's consideration.

Mike Hunsaker, member of the public, addressed the Board stating the great water project that was done by Governor Brown Senior was only 60% finished. The part that was not completed was the reservoirs that were to be built. Now we have a serious shortage of reservoirs for our region and the periodic, almost predictable, water going out to the sea. Proposition 1 was supposed to solve this problem. Over Governor Jerry Brown's objections, included in the bond measure, almost a third of the funds were supposed to go toward reservoirs. It is going to be largely redirected toward cleaning up Northern California areas where there is a lot of marijuana and fertilizer contamination. The Governor has indicated he doesn't want reservoirs. Many rate payers in Southern California are going to object to that. Mr. Hunsaker stated he doesn't agree with the lack of tiering for agriculture. He intends to provide staff with information on what marijuana water use is according to the State. He also has washing machine figures that do not make sense with the fees that have been charged. He thanked the Board.

This item was presented for information only.

ORDINANCE ESTABLISHING THE GENERAL PROVISIONS FOR CONDUCTING
THE BUSINESS OF THE BOARD AND REPEALING ORDINANCE NO. 201

General Manager Pruim stated that on January 18 the Board considered an item addressing the Board meeting start time and representation at the San Diego County Water Authority (SDCWA) and Encina Wastewater Authority (EWA). The motion made at that meeting was to have the Regular Board meetings and Board workshops start at 5:00 p.m. The workshop that was held at 2:00 p.m. today was not in violation of this as the revised ordinance has not yet been adopted; however, he wanted to clarify this with the Board. He also requested clarity on the language regarding the SDCWA and EWA representation.

General discussion took place during which it was requested that future Board workshops should not be scheduled on the same day as a Regular Board meeting. It was determined that the intent of the motion was to establish a 5:00 p.m. start time for Board workshops as well as Regular Board meetings.

Director Sannella stated he had requested the language regarding the SDCWA and EWA representation to mirror the language that is in the ordinance regarding the rotation of the Board President in that each Board member would have the opportunity to serve in those positions at least once during their term.

General discussion took place during which the benefit of continuity of the representatives was discussed and that the original language of Ordinance No. 201 already allows each Board member the opportunity to serve on the SDCWA and EWA Boards. Director Martin stated it was important to note that the SDCWA and EWA representative positions provide a \$4,000 to \$5,000 per year income for the appointed representative.

Mike Hunsaker, member of the public, addressed the Board commenting on their discussion of rotating representation on the San Diego County Water Authority and Encina Wastewater Authority Boards and the ability to gain knowledge and experience by serving.

General discussion took place.

17-02-05 MOTION WAS MADE by Director Sannella, and seconded by Director Martin, to change the proposed new language of the ordinance to state that each elected director will have the opportunity to hold a position on the EWA and SDCWA committees once during their term.

General discussion took place to clarify Director Sannella's motion.

17-02-06 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried 3-2, to change the proposed new language of the ordinance to state that each elected director who desires shall have an opportunity to hold a position on the Encina Wastewater Authority and San Diego County Water Authority Boards at least once during their four-year term.

RESOLUTION CONCURRING IN NOMINATION TO THE EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT POWERS INSURANCE AUTHORITY (ACWA/JPIA)

General Manager Pruim stated Vista Irrigation District is requesting Vallecitos Water District submit a resolution to concur in the nomination of Paul E. Dorey to the Executive Committee of the ACWA/JPIA.

17-02-07 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to adopt a resolution to concur in the nomination of Paul E. Dorey to the Executive Committee of the ACWA/JPIA.

Resolution No. 1510 - The roll call vote was as follows:

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

CALL FOR CANDIDATES – CASA BOARD OF DIRECTORS

General Manager Pruim stated the California Association of Sanitation Agencies (CASA) is requesting nominations from CASA members for four open seats on the Board of Directors. Nominations must be submitted by March 15, 2017. A five-member Nominating Committee will recommend a slate of qualified nominees to the Board of Directors for approval no later than June 1.

The Board took no action.

CALIFORNIA WATER POLICY CONFERENCE

General Manager Pruim stated the California Water Policy Conference will be held on April 6 & 7, 2017 in San Diego. The California Water Policy Conference, hosted by the Conference Planning Committee, is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 201; therefore, prior approval for per diem and expense reimbursement is required.

Several of the Directors expressed interest in attending the conference.

- 17-02-08 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to authorize per diem and expenses for attendance to the California Water Policy Conference.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The General Manager of Encina Wastewater Authority will provide presentations on their Water Reuse Study and Capital Improvement Program at the February 15 Board meeting.
- The drought response level item will also be on the February 15 agenda for the Board's consideration.
- A Board workshop is being scheduled for February 13 at 5:00 p.m. to review water demands, future water projections and the Master Plan.
- The SDCWA has ended their drought declaration. Table A water allocation has increased from 45% to 60% which signifies the State is recognizing water conditions are improving.
- The SWRCB will meet on February 8 to consider the extension of the emergency regulations.
- A draft letter concerning pump zone charges has been prepared and will be distributed to the Board for comment. The finalized letter will be mailed to effected customers in the pump zones.
- Lead samples were taken in three local schools on January 25. The results are pending.
- The Department of Homeland Security performed a site assessment at the District offices on January 23. Recommendations are pending.
- The District's grove property was discussed in Closed Session recently. A refined offer has been received from the same buyer which clarifies the terms of the offer; however, the purchase price has not changed. The consensus of the Board was not to further consider the offer.

DISTRICT LEGAL COUNSEL

None.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans reported that the summary of the January 26 Board meeting was distributed to the Board and that the SDCWA has declared the drought over in San

Diego. She stated she has been appointed as a delegate to the JPIA which is a joint venture with the City of San Diego, SDCWA and the Conservation Waterwise Garden.

ENCINA WASTEWATER AUTHORITY

None.

STANDING COMMITTEES

Director Martin reported on his attendance to the Finance/Investment Committee meeting on January 24 at which dates for Committee meetings and budget workshops were discussed.

Finance/Investment Committee meetings are scheduled on February 22 and March 29.

Director Sannella stated he is currently drafting a cost reduction and efficiency plan that he would like to discuss at the February 22 Finance/Investment Committee meeting.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Martin and Hernandez reported on their attendance to the California Association of Sanitation Agencies conference on January 19-20.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Evans thanked General Manager Pruim for being proactive and providing information on the California Water Policy Conference.

Directors Sannella and Elitharp commented on the improvements made to the District's website to give our customers easier access to Board meeting minutes and videos.

It was clarified that the next Board workshop is scheduled for February 13 at 5:00 p.m.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 6:30 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 15, 2017, 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 Pruiam, Secretary
Board of Directors
Vallecitos Water District

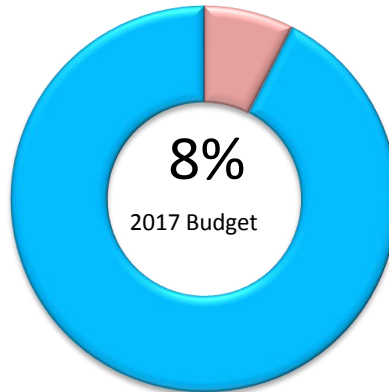
**VALLECITOS WATER DISTRICT
WARRANTS LIST SUMMARY
February 1, 2017**

Summary

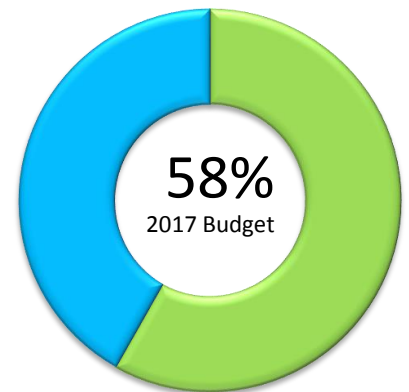
February Warrants	\$	4,735,856 *
YTD Warrants	\$	36,568,950 *
FY2017 Budget	\$	62,827,000

* Excludes Debt Service

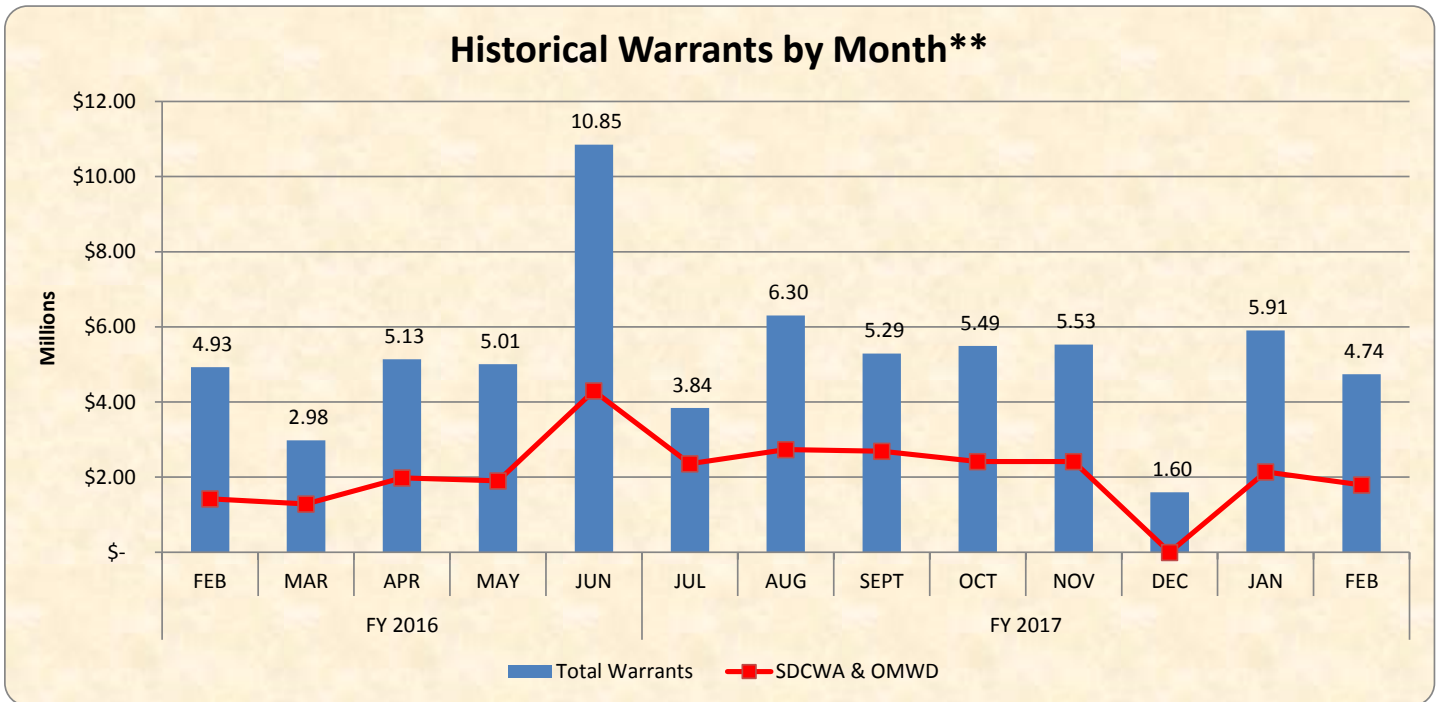
February



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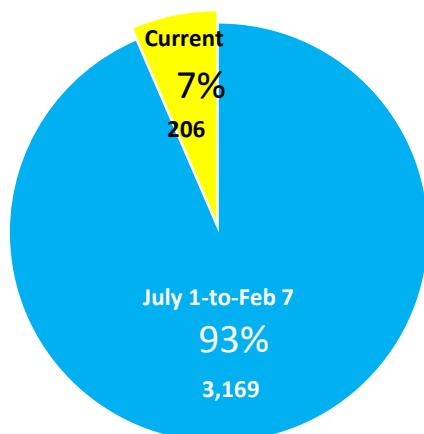


Historical Warrants by Month**



** Historical Warrants by Month chart summarizes amounts in the Warrants List for the given month not amounts paid during the month.

Invoices Processed



Top 10 Vendors - FYTD

SAN DIEGO COUNTY WATER AUTH.	\$17.3M
ENCINA WASTEWATER AUTHORITY	\$3.4M
PUBLIC EMPLOYEES RETIRE SYSTEM	\$1.8M
ACWA/JOINT POWERS INSURANCE	\$1.7M
SAN DIEGO GAS & ELECTRIC	\$765K
OLIVENHAIN MWD	\$538K
SAN ELIJO HILLS DEVELOPMENT CO...	\$296K
BENS ASPHALT & MAINTENANCE CO...	\$291K
BLACK & VEATCH CORPORATION	\$225K
US PEROXIDE, LLC	\$188K

VALLECITOS WATER DISTRICT
WARRANTS LIST
February 15, 2017

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	110014 through 110017	-
1970 D Street LLC	Closed Account Refund	110018	26.47
AH Water Inc	Carbon	110019	3,710.91
AH Water Inc	Carbon Scrubber Rental Feb	110020	1,573.15
Ajay Sandhu	Closed Account Refund	110021	92.15
Allies Party Rental	San Marcos Street Fair 4-9-17 Prj 20171-27	110022	421.09
Bridget Anderson	Western Region Intergovernmental Personnel Assessment Council Training 1-18-17	110023	80.86
Arcpprop001,LLC	Closed Account Refund	110024	26.11
AT&T	Phone Svc Dec	110025	19.66
B & C Crane Service Inc	Crane Rental	110026	435.00
Benjamin & Zach Guzman	Closed Account Refund	110027	131.15
Boot World Inc	Safety Boots	110028	710.34
BRG Consulting Inc	San Marcos Interceptor Prj 71004, Land Outfall Sewer Prj 71177	110029	4,905.77
Brian E Lee	Closed Account Refund	110030	26.43
Brittany McCoy	Closed Account Refund	110031	7.27
CCI	Water Treatment Jan	110032	220.00
Council of Water Utilities	Meeting 2-21-17, Elitharp, Hernandez, Martin, Sannella, Pruum, Scaglione	110033	175.00
Craig Elitharp	COWU Meeting 1-17-17	110034	16.52
Cristobal Baray	Closed Account Refund	110035	69.01
Charles P Crowley Co Inc	Rebuild Kits For Coagulant Pumps MRF 2	110036	1,484.66
CWEA	Collection System Cert J Halbig	110037	88.00
DirecTV Inc	Satellite Svc Feb	110038	27.54
EDCO Waste & Recycling Serv	Trash Svc Jan	110039	847.35
Encina Wastewater Authority	Sewer Testing	110040	15,854.00
Farnham L Hessel	Closed Account Refund	110041	218.19
Fidel Cruz	Closed Account Refund	110042	200.00
Fisher Scientific LLC	Lab Supplies MRF	110043	309.96
Freedom Automation Inc	SCADA Programming, Valve Position Indicators 4, Programming Svcs Twin Oaks	110044	9,008.40
George & Krogh Welding Inc	Aeration Blower Prj 20171-6, Fence Repair Main Office	110045	1,828.09
Harrington Industrial	Water Flow Meters 2 MRF, Chlorine Injection/Distribution Unit MRF	110046	2,612.34
Harrison Power Equipment	Tune Up & Gas Tank Veh 198, Fleet Supplies	110047	418.38
Hawthorne Machinery Co.	Water Truck Rental Prj 90007	110048	551.72
James R Hernandez	CASA Conference 1-18-17	110049	130.70
Hub Construction Specialties	Hardware Supplies	110050	249.07
Hughes Supply CA LLC	Replacement of 4" Meter 20171-501	110051	1,367.60
Indian Springs Mfg Co Inc	Hardware Supplies	110052	56.31
Infinisource	Admin Svcs Dec	110053	83.00
Infosend Inc	Postage & Printing Jan	110054	1,766.09
Infrastructure Engr Corp	Wet Well Coating Prj 20171-4	110055	627.50
J2 Global Ireland Limited	Email Screening Dec	110056	149.75
Jaime Fazica	Closed Account Refund	110057	1,148.53
Jill & Mitchell Hall	Closed Account Refund	110058	59.70
JCI Jones Chemicals Inc	Chlorine	110059	3,888.70
Safety-Kleen Systems Inc	Parts Washer Rental	110060	322.71
Knight Security & Fire Systems	Patrol, Monitoring, & Answering Svc Feb	110061	521.61
Land Surveying Consultants Inc	Survey Southeast Property Lines	110062	4,810.00
Ledcor Construction Inc	Closed Account Refund	110063	1,025.02
Leigh Rayner	Deposit Refund Prj 20161-162	110064	1,441.39
Machilus LLC	Closed Account Refund	110065	40.51
Hal Martin	SD Business Economic Trends 1-5-17, SDNEDC 1-12-17, COWU 1-17-17, CASA 1-18-17	110066	194.54
Melissa Young	Closed Account Refund	110067	76.97
Mercury Insurance Company	Claim Settlement	110068	2,445.52
Mike Sannella	SDNEDC Meeting 1-12-17, COWU Meeting 1-17-17	110069	23.88
Milan Ficek	Closed Account Refund	110070	133.87

VALLECITOS WATER DISTRICT
WARRANTS LIST
February 15, 2017

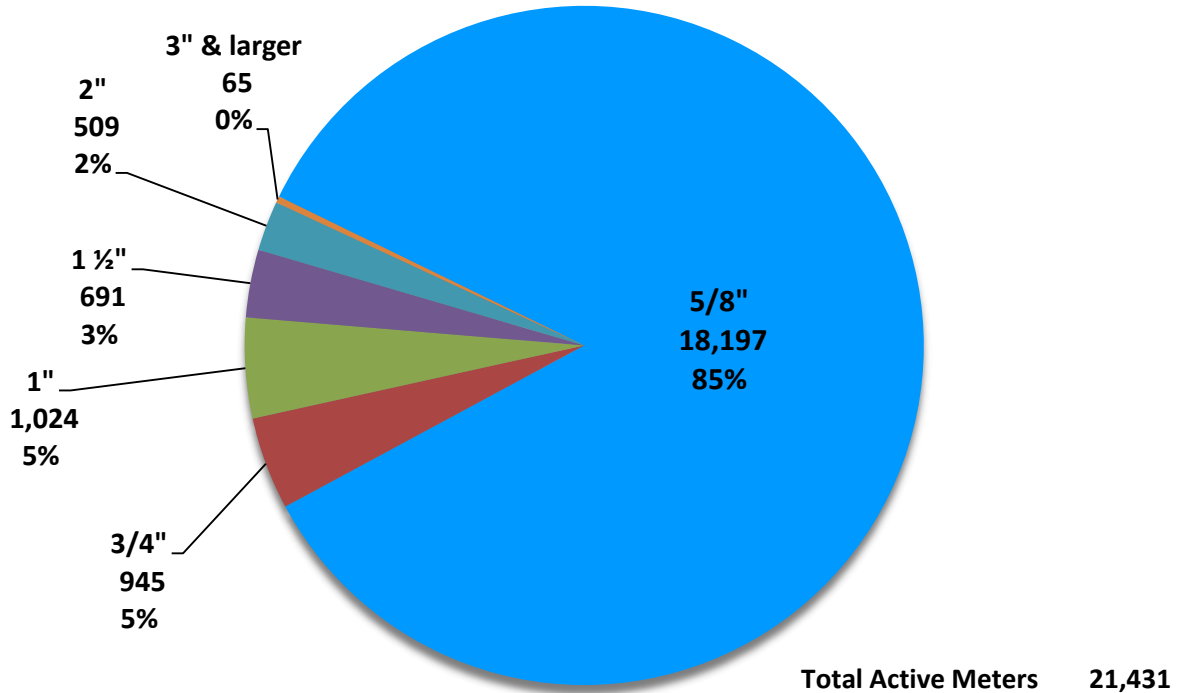
PAYEE	DESCRIPTION	CHECK#	AMOUNT
Norman Kanold	Closed Account Refund	110071	43.21
Pacifica Real Estate Services Inc	Deposit Refund Prj 20141-710	110072	1,037.86
PC Specialists Inc	Video Card For Training Room PC	110073	164.16
Pencco, Inc.	Trioxyn	110074	11,455.79
Provident Savings Bank FSB	Closed Account Refund	110075	62.89
Richmond American Homes	Closed Account Refund	110076	54.67
Steven Saavedra	Self Improvement Program	110077	138.00
Roberto Salazar	Electrical/Instrumentation Cert Renewal CWEA	110078	98.00
SDG&E	Power Dec & Jan	110079	53,376.46
San Elijo Joint Powers Authority	Sponsorship WateReuse Conference	110080	611.11
San Marcos Unified School District	Deposit Refund Prj 20161-161	110081	534.46
Sarah Parsons & Michael Zolczer	Closed Account Refund	110082	6.72
Seabreeze Janitorial	Janitorial Svcs Feb MRF	110083	553.13
Sem Tiep	Closed Account Refund	110084	43.84
Shred-It US JV LLC	Shredding Svcs Dec	110085	152.17
Standard Insurance Company	LTD, LIFE, ADD Feb	110086	5,700.05
Staples Advantage	Office Supplies	110087	409.20
State Board of Equalization	Sewer Annexation Prj 20161-128	110088	2,000.00
State Water Resources Control	Water Distribution Operator Cert E Pedrazzi	110089	105.00
Steve Hickox	Deposit Refund Prj 20171-246	110090	1,122.59
Sunrise Pointe HOA	Claim Settlement	110091	2,394.00
Sunrise Pointe HOA	Sewer Force Main Break Apr 2016	110092	654.36
Alejandro Torres	SWRCB Water Distribution Operator Cert	110093	80.00
Total Resource Mgt Inc	Maximo Support Dec	110094	733.50
Travis & Careyann Golliver	Closed Account Refund	110095	47.66
Trussell Technologies Inc	Media Study MRF Prj 20121-4	110096	1,320.00
Univar USA Inc	Sodium Bisulfite	110097	5,692.67
Univar USA Inc	Sodium Bisulfite	110098	2,439.47
Universal Protection Service LP	Weekly Deposit Svc Dec	110099	59.36
UPS	Shipping Jan	110100	20.70
Zell Jovanic	Deposit Refund Prj 20171-228	110101	387.25
Ababa Bolt Inc	Hardware Supplies Prj 20171-8	110102	34.43
Arthur A Brown Plumbing	Svc Water Heater, New Toilet Bldg A	110103	850.00
City of San Marcos	Right of Way Permit	110104	50.00
Computer Protection Technology Inc	Power Supply	110105	725.96
Hidden Valley Steel & Scrap, Inc.	Metal	110106	45.19
Electrical Sales Inc	Hardware Supplies	110107	576.92
Evantec Corporation	Lab Supplies MRF	110108	498.44
Fleetpride	Fleet Supplies	110109	196.66
Freeway Trailer Sales	Hardware Supplies	110110	118.48
Grainger Inc	Sump Pump, Ball Valves 2, Window & Door Sealant, Hardware Supplies	110111	2,411.60
Hach Company	Ammonia/Monochloramine Twin Oaks Reservoir, Lab Supplies For Water Quality	110112	1,895.09
Harris	GEMS Annual License 17-18	110113	34,546.51
Industrial Electric Machinery	Grinder #3 Motor Montiel Lift Station	110114	887.17
Interstate Batteries	Vehicle Batteries 3	110115	384.51
Kennedy/Jenks Consultants	Chlorine Tank Expansion Prj 20161-2	110116	18,815.00
Mallory Safety & Supply, LLC	Safety Supplies	110117	1,138.85
Manpower Temp Services	Customer Service Rep Week Ending 1-22-17 & 1-29-17	110118	1,591.95
McMaster-Carr Supply Co	Hardware Supplies	110119	32.59
Morton Salt, Inc.	Industrial Salt TOR	110120	3,539.33
One Source Distributors LLC	Rslinx Software For MRF SCADA Computers	110121	2,618.33
One Source Distributors LLC	Hardware Supplies	110122	109.93
Ostari Inc	Duo Enterprise Licenses 30, CISCO 2 Year Maintenance Agreement 17-18	110123	1,867.45
Pacific Pipeline Supply	Hardware Supplies	110124	517.11
Plumbers Depot Inc	Swivels 2 For Vactor Trucks, Hardware Supplies	110125	538.34

VALLECITOS WATER DISTRICT
WARRANTS LIST
February 15, 2017

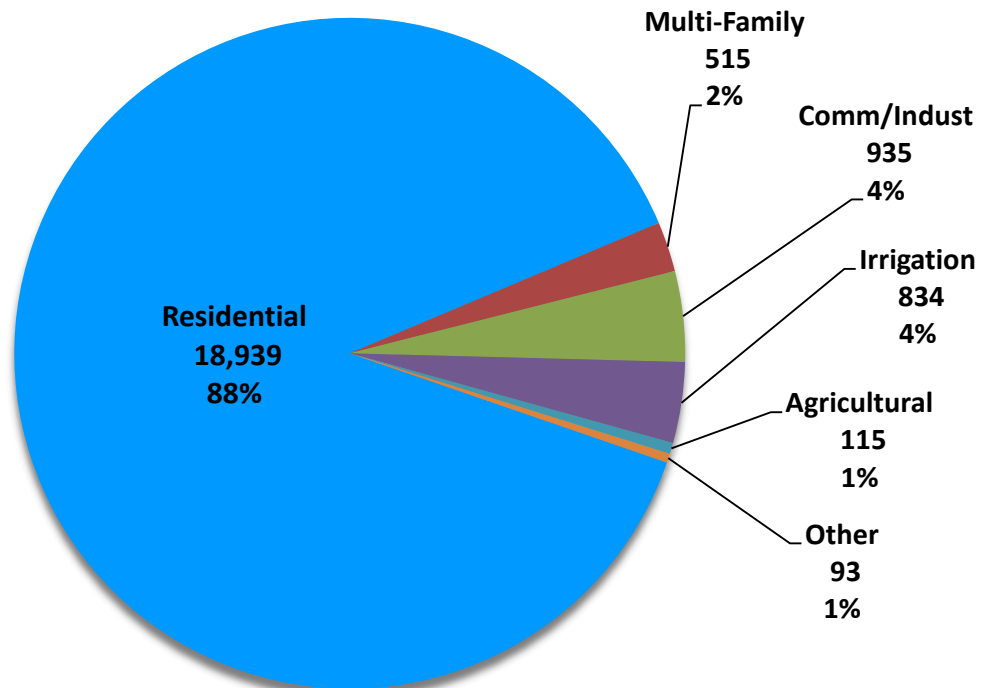
PAYEE	DESCRIPTION	CHECK#	AMOUNT
Schmidt Fire Protection Co Inc	Quarterly Sprinkler Maintenance	110126	305.00
Sparling Instruments LLC	Flow Meter Repair & Recalibration MRF	110127	1,076.90
Specialty Seals & Accessories	Mechanical Seal Prj 20171-8	110128	577.93
T.S. Industrial Supply	Hardware Supplies	110129	53.72
Test America Laboratories Inc	Water Sampling	110130	932.00
Think Forward, LLC	SCADA Radio Network Firmware Upgrade	110131	6,090.20
Trench Shoring Co	Trench Plate Rentals 2	110132	991.50
Turner Designs Inc	Calibration Kit For Algae Meter MRF	110133	177.65
Unifirst Corporation	Uniform Delivery	110134	1,703.66
Unitis, Inc.	Grout Prj 20121-4	110135	321.12
HD Supply Facilities Maintenance Ltd	Hardware Supplies	110136	180.12
Walters Wholesale Electric	Hardware Supplies	110137	247.32
Total Disbursements (120 Checks)			<u>244,803.73</u>
WIRES			
Encina Wastewater Authority	Quarterly Billing	Wire	1,009,019.50
Public Employees Retirement System	Retirement Contribution - February 1, 2017 Payroll	Wire	68,612.88
Total Wires			<u>1,077,632.38</u>
PAYROLL			
Total direct deposits		Wire	224,582.70
VWD Employee Association		110014	385.00
Garnishments		110015 through 110017	1,715.06
IRS	Federal payroll tax deposit	Wire	100,761.94
Employment Development Department	California payroll tax deposit	Wire	19,481.79
CalPERS	Deferred compensation withheld	Wire	20,897.46
VOYA	Deferred compensation withheld	Wire	8,972.53
Total February 1, 2017 Payroll Disbursements			<u>376,796.48</u>
Total direct deposits		Wire	1,097.77
IRS	Federal payroll tax deposits	Wire	758.29
Employment Development Department	California payroll tax deposit	Wire	151.55
Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)			<u>2,007.61</u>
Total Payroll Disbursements			<u>378,804.09</u>
TOTAL DISBURSEMENTS			<u><u>1,701,240.20</u></u>

Vallecitos Water District
 Active Water Meters
 January 31, 2017

Active Meters by Size as of January 31, 2017

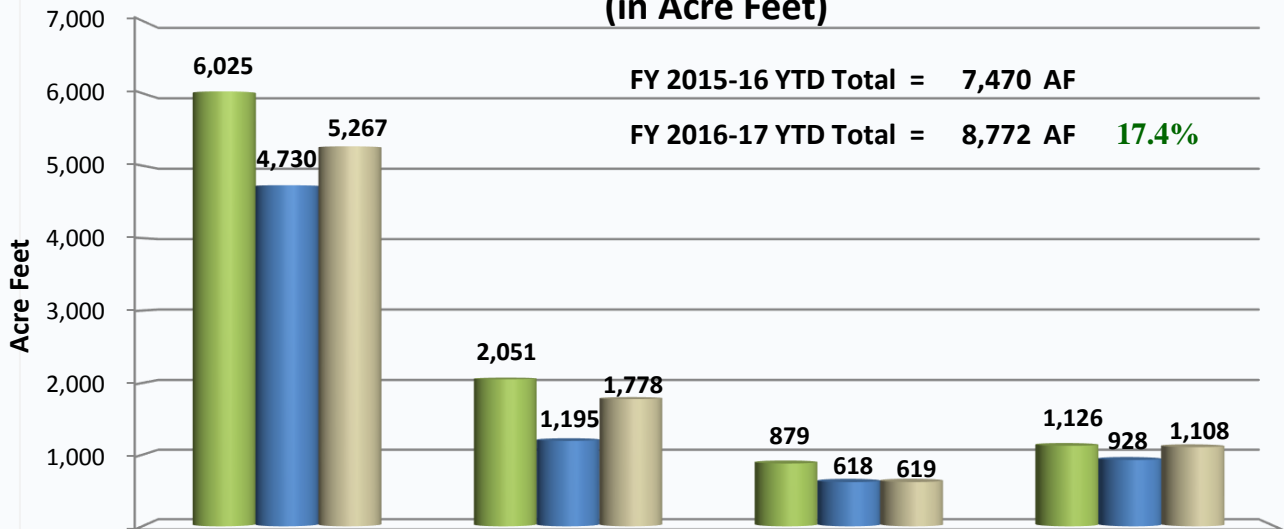


Active Meters by Type as of January 31, 2017



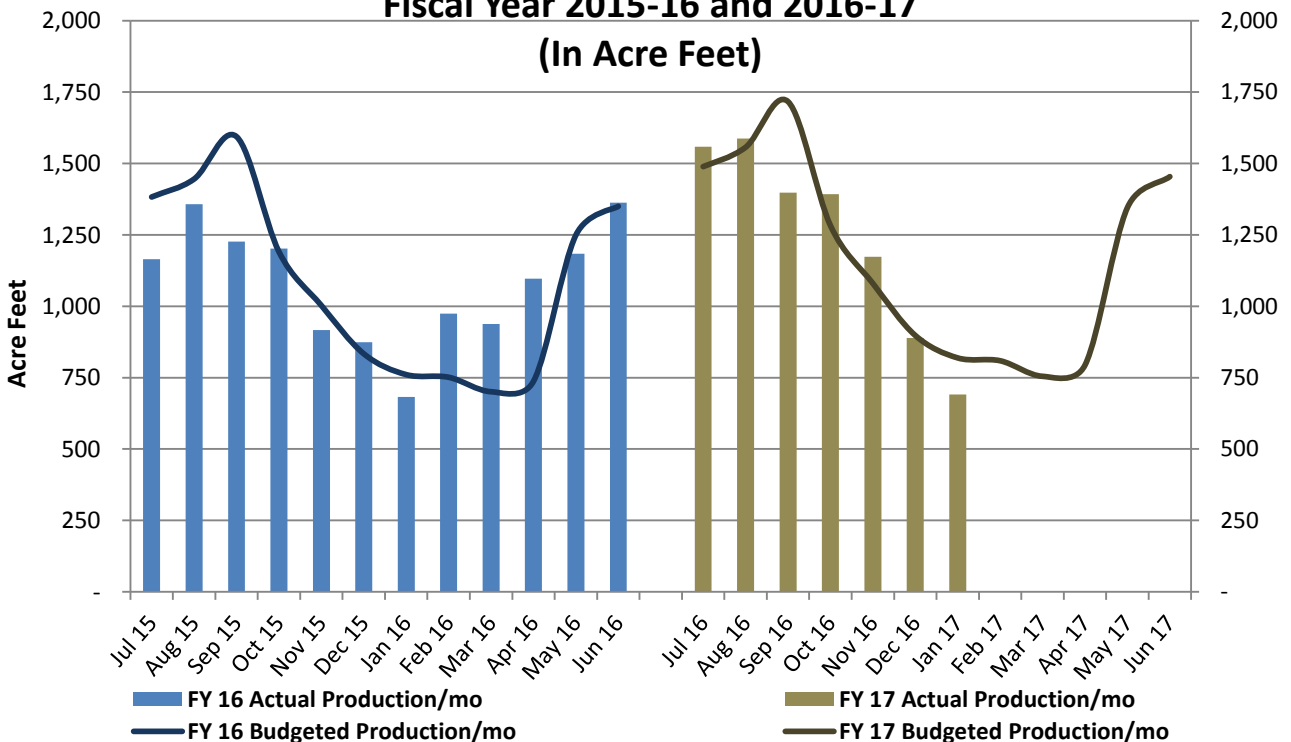
Vallecitos Water District
 Water Production/Sales
 January 31, 2017

Water Sales FY 13-14, FY 15-16 and FY 16-17 (FYTD)
(in Acre Feet)



	Residential	Irrigation	Agricultural	Commer/ Indust/ Construct/ Other
FY 2014-15	6,025	2,051	879	1,126
FY 2015-16	4,730	1,195	618	928
FY 2016-17	5,267	1,778	619	1,108

Water Production Budget vs. Actual
Fiscal Year 2015-16 and 2016-17
(In Acre Feet)



Vallecitos Water District
Water Revenue and Expense Report
For the Seven Months Ended January 31, 2017

	Current Year Actual	Prior Year Actual			Current Year Budget		
		Amount	Variance		Amount	Variance	
			\$	%		\$	%
Revenue							
Water Sales	\$ 14,399,594	\$ 11,481,860	\$ 2,917,734	25.4%	\$ 14,986,000	\$ (586,406)	-3.9%
Ready-to-serve	8,041,257	7,990,223	51,034	0.6%	7,143,000	898,257	12.6%
Pumping cost recovery	111,349	86,427	24,922	28.8%	143,000	(31,651)	-22.1%
Late & lock charges	265,325	266,862	(1,537)	-0.6%	237,000	28,325	12.0%
Backflow fees	51,497	48,042	3,455	7.2%	45,000	6,497	14.4%
Other revenue	118,581	125,051	(6,470)	-5.2%	58,000	60,581	104.5%
Total Revenue	22,987,603	19,998,465	2,989,138	14.9%	22,612,000	375,603	1.7%
Expenses							
Water costs	16,032,686	11,567,615	4,465,071	38.6%	16,695,000	(662,314)	-4.0%
Pumping costs	322,083	279,739	42,344	15.1%	254,000	68,083	26.8%
Water quality	55,272	56,577	(1,305)	-2.3%	98,000	(42,728)	-43.6%
Water treatment	224,280	199,214	25,066	12.6%	216,000	8,280	3.8%
Tanks & reservoirs	151,336	167,233	(15,897)	-9.5%	201,000	(49,664)	-24.7%
Trans & distribution	988,967	600,489	388,478	64.7%	823,000	165,967	20.2%
Services	78,302	125,015	(46,713)	-37.4%	109,000	(30,698)	-28.2%
Meters	366,095	363,737	2,358	0.6%	380,000	(13,905)	-3.7%
Backflow prevention	48,956	30,532	18,424	60.3%	43,000	5,956	13.9%
Customer accounts	312,068	302,243	9,825	3.3%	399,000	(86,932)	-21.8%
Building & grounds	222,176	190,768	31,408	16.5%	186,000	36,176	19.4%
Equipment & vehicles	138,781	139,565	(784)	-0.6%	185,000	(46,219)	-25.0%
Engineering	756,950	735,974	20,976	2.9%	900,000	(143,050)	-15.9%
Safety & compliance	125,655	119,203	6,452	5.4%	158,000	(32,345)	-20.5%
Information Technology	460,249	431,533	28,716	6.7%	546,000	(85,751)	-15.7%
General & administrative	1,567,072	1,647,393	(80,321)	-4.9%	1,618,000	(50,928)	-3.1%
Total Expenses	21,850,928	16,956,830	4,894,098	28.9%	22,811,000	(960,072)	-4.2%
Net Operating Income	\$ 1,136,675	\$ 3,041,635	(1,904,960)	-62.6%	\$ (199,000)	1,335,675	-671.2%

Explanation of Significant Variances

Drought recovery has resulted in a favorable variance in **Water Sales** to prior year. **Water costs** have increased in correlation with water sales resulting in an unfavorable variance to prior year.

The District received a settlement from ACWA/JPIA and reimbursement of costs for Solar Panel repairs resulting in a favorable budget variance in **Other revenue**.

The **Pumping costs** unfavorable budget variance is a result of increased power costs due to rate increases and the addition of the San Elijo Hills pump station.

Transmission and distribution has an unfavorable prior year and budget variance as a result of unplanned repair costs due to multiple main breaks and paving services budgeted for Fiscal Year 2016 being delayed and performed this fiscal year.

The **Customer Accounts** favorable budget variance is due to staffing within the department.

On the Horizon:

- Multiple main breaks resulted in the District incurring unplanned repair costs including materials and supplies, paving, and related payroll overtime expenses. Future financial statements will reflect these costs in the transmission and distribution department.

Variances are considered significant if they exceed \$58333 and 20%.

Vallecitos Water District
Sewer Revenue and Expense Report
For the Seven Months Ended January 31, 2017

	Current	Prior Year Actual			Current Year Budget		
	Year	Amount	Variance		Amount	Variance	
	Actual		\$	%		\$	%
Revenue							
Sewer service charges	\$10,232,168	\$10,151,920	\$ 80,248	0.8%	\$10,390,000	\$ (157,832)	-1.5%
Reclaimed water sales	1,128,889	1,003,379	125,510	12.5%	1,130,000	(1,111)	-0.1%
Other revenue	<u>57,544</u>	<u>58,943</u>	(1,399)	-2.4%	<u>45,000</u>	12,544	27.9%
Total Revenue	<u>11,418,621</u>	<u>11,214,242</u>	204,379	1.8%	<u>11,565,000</u>	(146,379)	-1.3%
Expenses							
Collection & conveyance	1,086,617	971,451	115,166	11.9%	1,319,000	(232,383)	-17.6%
Lift stations	237,484	130,075	107,409	82.6%	189,000	48,484	25.7%
Source Control	79,732	70,864	8,868	12.5%	112,000	(32,268)	-28.8%
Effluent disposal	1,667,862	1,460,550	207,312	14.2%	1,570,000	97,862	6.2%
Meadowlark	1,663,701	1,542,060	121,641	7.9%	2,033,000	(369,299)	-18.2%
Customer accounts	211,516	200,925	10,591	5.3%	269,000	(57,484)	-21.4%
Building & grounds	123,278	102,257	21,021	20.6%	135,000	(11,722)	-8.7%
Equipment & vehicles	105,758	113,651	(7,893)	-6.9%	152,000	(46,242)	-30.4%
Engineering	316,269	313,577	2,692	0.9%	382,000	(65,731)	-17.2%
Safety & compliance	83,735	70,362	13,373	19.0%	96,000	(12,265)	-12.8%
Information technology	384,662	375,625	9,037	2.4%	429,000	(44,338)	-10.3%
General & administrative	<u>682,246</u>	<u>650,548</u>	31,698	4.9%	<u>734,000</u>	(51,754)	-7.1%
Total Expenses	<u>6,642,860</u>	<u>6,001,945</u>	640,915	10.7%	<u>7,420,000</u>	(777,140)	-10.5%
Net Operating Income	<u>\$ 4,775,761</u>	<u>\$ 5,212,297</u>	(436,536)	-8.4%	<u>\$ 4,145,000</u>	630,761	15.2%

Explanation of Significant Variances

Lift stations has an unfavorable variance to prior year resulting from an anticipated increase in outside services and materials used during the year thus far.

Variances are considered significant if they exceed \$58333 and 20%.

VALLECITOS WATER DISTRICT

RESERVE ACTIVITY FOR THE SEVEN MONTHS ENDED JANUARY 31, 2017

	110	120	210	220	Total
	Water Replacement	Capacity	Wastewater Replacement	Capacity	
BEGINNING BALANCE	\$ 28,693,077	\$ (10,315,457)	\$ 38,840,390	\$ (6,245,765)	\$ 50,972,157
REVENUES					
FY 16/17 Operating Transfers	1,136,675		4,775,761		5,912,436
Capital Facility Fees	-	1,916,442	-	2,324,841	4,241,283
Property Tax	655,656	-	520,759	-	1,176,415
Investment Earnings	89,338	-	79,908	-	169,246
Payment on Land Sale to City	56,968	-	56,968	-	113,935
Annexation Fees	-	-	5,780	-	5,780
TOTAL REVENUES	1,938,636	1,916,442	5,439,175	2,324,841	11,619,095
LESS DISTRIBUTIONS					
Capital Projects					
Encina Wastewater Auth 5 Year Cap Plan	-	-	1,269,330	-	1,269,330
San Elijo Road Facility	-	177,437	-	118,291	295,728
San Marcos interceptor sewer	-	-	66,505	148,024	214,529
Water & Sewer Master Plan	-	103,746	-	103,740	207,486
District Wide Valve Replacement	145,659	-	-	-	145,659
MRF Chlorine Contact Tank Safety Railing Replacement	-	-	110,179	-	110,179
Linda Vista Sewer Upgrade	-	-	42,474	51,913	94,387
Expansion of the Men's Locker Room in Building B	45,077	-	43,309	-	88,386
MRF Aeration System Blower Replacement	-	-	88,039	-	88,039
Audiovisual Upgrade	40,835	-	39,234	-	80,069
Vactron Pit - District Yard	-	-	71,392	-	71,392
Chlorine Contact Tank Expansion	-	-	65,050	-	65,050
Lift Station No 1 Pump Improvements	-	-	15,238	48,252	63,490
Mahr Reservoir Chlorine Injection System	-	-	56,903	-	56,903
Tertiary Filter Media	-	-	53,926	-	53,926
Knoll Road Sewer Replacement	-	-	51,540	-	51,540
Montiel Gravity Outfall	-	-	18,875	23,069	41,944
Rock Springs Sewer Replacement	-	-	17,425	21,298	38,723
Meter Services Area Remodel	19,726	-	18,952	-	38,678
Aerosol System For Servers	15,499	-	14,891	-	30,390
Lift Station 1 Wet Well Room Repairs	-	-	27,011	-	27,011
Palos Vista Pump Station Motor Replacement	25,915	-	-	-	25,915
Twin Oaks Resv: On-Site Sodium Hypo Generation	24,184	-	-	-	24,184
MRF Potable Water Pump Station	-	-	23,749	-	23,749
Palos Vista Pump Station Flow Meter Replacement	18,428	-	-	-	18,428
Master Plc Replacement & Programming Updates	8,739	-	8,737	-	17,476
Constant Speed Aeration Blower	-	-	14,142	-	14,142
South Lake dam sluice gate	13,529	-	-	-	13,529
Desalinated Water Connection	-	12,689	-	-	12,689
City of San Marcos Joint Projects	7,709	-	4,928	-	12,637
Deer Springs Pump Station - Refurb Pumps & Motors	12,395	-	-	-	12,395
Palos Vista Pump Station	12,362	-	-	-	12,362
Peroxide Station Enclosure And Site Renovation	-	-	11,729	-	11,729
Lift Station 1 - Waterman Valves Replacement	-	-	10,740	-	10,740
All other capital projects	18,699	155	18,691	687	38,232
Capital Budget - Vehicles/Mobile Equipmnt	107,328	-	134,869	-	242,197
Debt Service	-	598,399	-	1,547,431	2,145,830
Interest Expense	-	23,761	-	14,820	38,581
TOTAL DISTRIBUTIONS	516,084	916,187	2,297,858	2,077,525	5,807,654
ENDING BALANCE	\$ 30,115,630	\$ (9,315,202)	\$ 41,981,707	\$ (5,998,449)	\$ 56,783,598
Less: Operating Reserves	5,220,500	-	6,272,900	-	11,493,400
Replacement Reserves/Restricted Funds	\$ 24,895,130	\$ (9,315,202)	\$ 35,708,807	\$ (5,998,449)	\$ 45,290,198
Replacement reserve floor	\$ 6,542,500		\$ 11,789,400		
Replacement reserve ceiling	\$ 26,940,300		\$ 41,946,600		

**VALLECITOS WATER DISTRICT
INVESTMENT REPORT FOR JANUARY 2017**

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

When investments are being made, two or three institutions are contacted to obtain prevailing rates. Consideration is given to Safety, Liquidity, and Yield, in that order. Necessary approvals and reviews are obtained. This process and the presentation of the information to the Board are in compliance with requirements outlined in the District Investment Policy adopted on an annual basis. In addition to the investment portfolio, there are sufficient funds in the Operating Account to meet District obligations for the next 30 days. Maturity dates on investments are structured to meet the future financial obligations of the District (i.e., bond payments and construction projections). In that regard, the District will be able to meet expenditure requirements for the next six months without a need to liquidate an investment earlier than scheduled maturity dates.

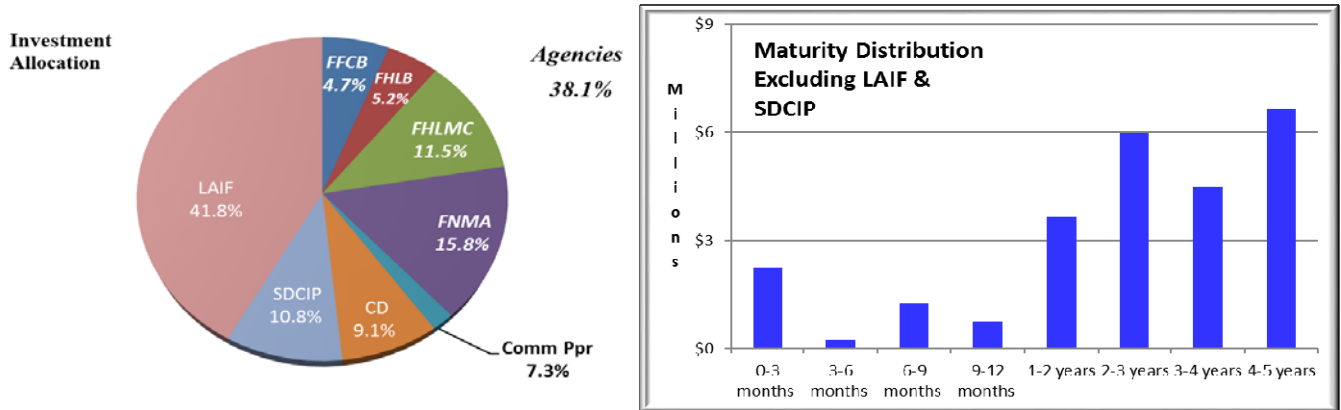
Investment activity for the month of January follows:

<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
01/03/17	Withdrawl	LAIF	(150,000)	Open	0.75%
01/04/17	Deposit	LAIF	850,000	Open	0.75%
01/09/17	Deposit	LAIF	500,000	Open	0.75%
01/13/17	Deposit	LAIF	1,750,000	Open	0.75%
01/13/17	Quarterly Interest	LAIF	29,690	Open	0.68%
01/18/17	Withdrawl	LAIF	(900,000)	Open	0.75%
01/20/17	Deposit	LAIF	750,000	Open	0.75%
01/23/17	Maturity	Credit Agricole CP	(992,154)	01/23/17	1.05%
01/23/17	Deposit	LAIF	1,000,000	Open	0.75%
01/23/17	Quarterly Interest	SD County Inv Pool	11,072	Open	1.04%
Change in investments during the month			<u>\$ 2,848,608</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	1.041%
Weighted average days to maturity	484

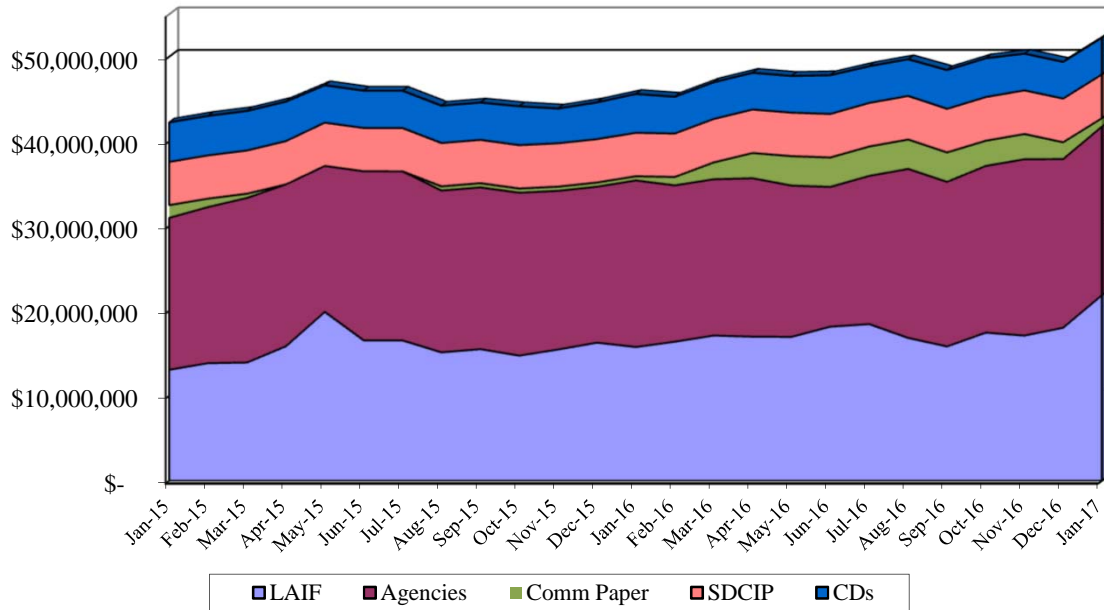
The State Treasurer's Office provides fair market values of LAIF quarterly on their web site. The most recent valuation, which is used on this report, is as of December 31, 2016. The San Diego County Treasurer provides the fair values for the County investment pool. The most recent values and returns, which are used for this report, are for December 31, 2016. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting.

Portfolio Snapshot:



Safety

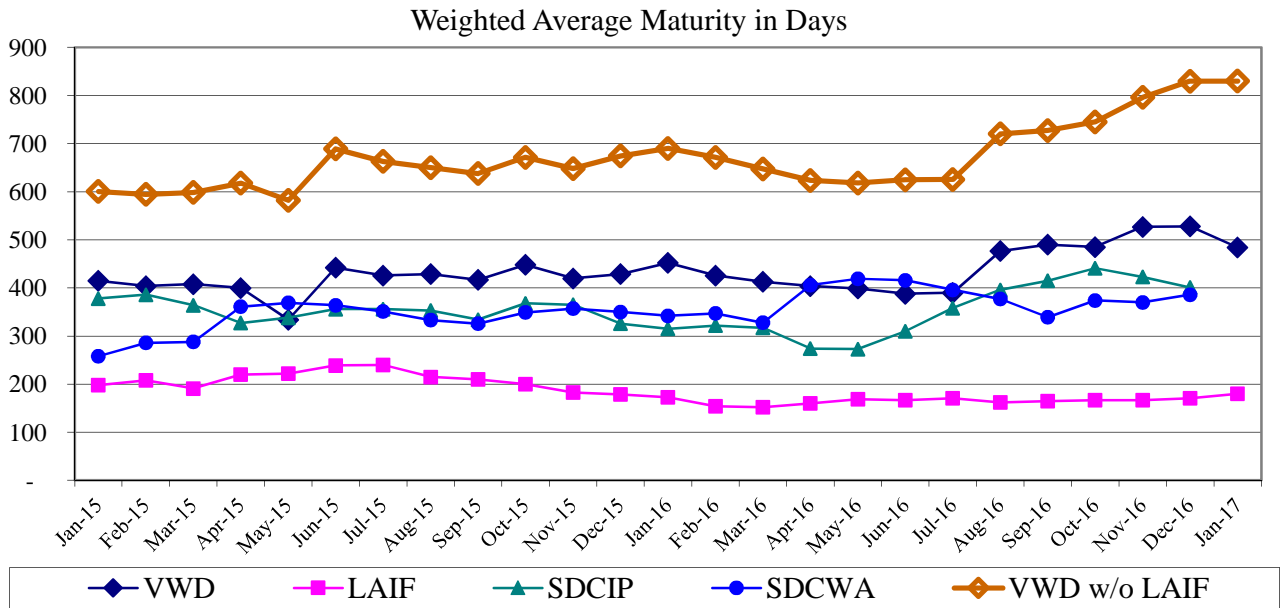
Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. To meet the objective of safety and avert credit risk, the District acquires only those investments permitted by adopted Board policy and with in limits established in the policy. Credit risk is the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



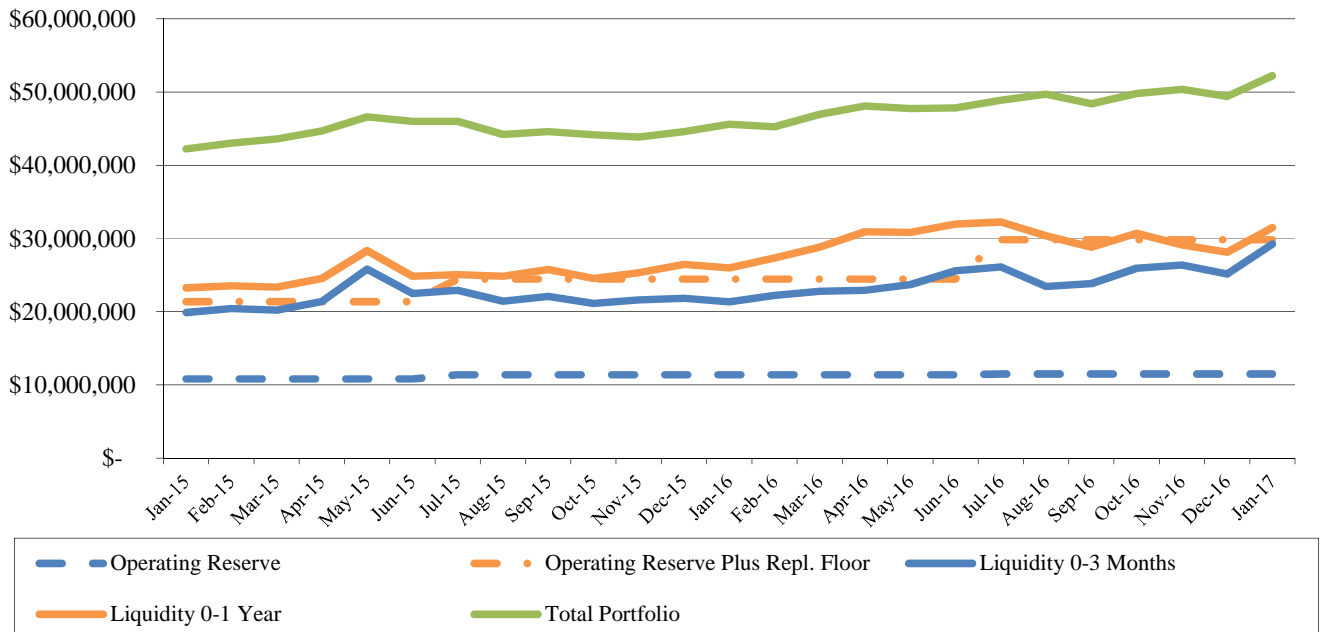
The graph above represents investment levels in the State of California's Local Agency Investment Fund (LAIF), federal agency obligations, commercial paper, FDIC backed corporate notes, the San Diego County Investment Pool (SDCIP), and certificates of deposit.

Liquidity

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District averts interest rate risk by limiting terms of investments in accordance with the Investment Policy. Maturity in days is a measure of liquidity. The next graph compares the District's liquidity to other managed portfolios. The District's liquidity is graphed with and without LAIF. With LAIF the District is in fact very liquid with \$21.8 million available the same day. But for comparative purposes LAIF is eliminated from the District's portfolio and shown separately.

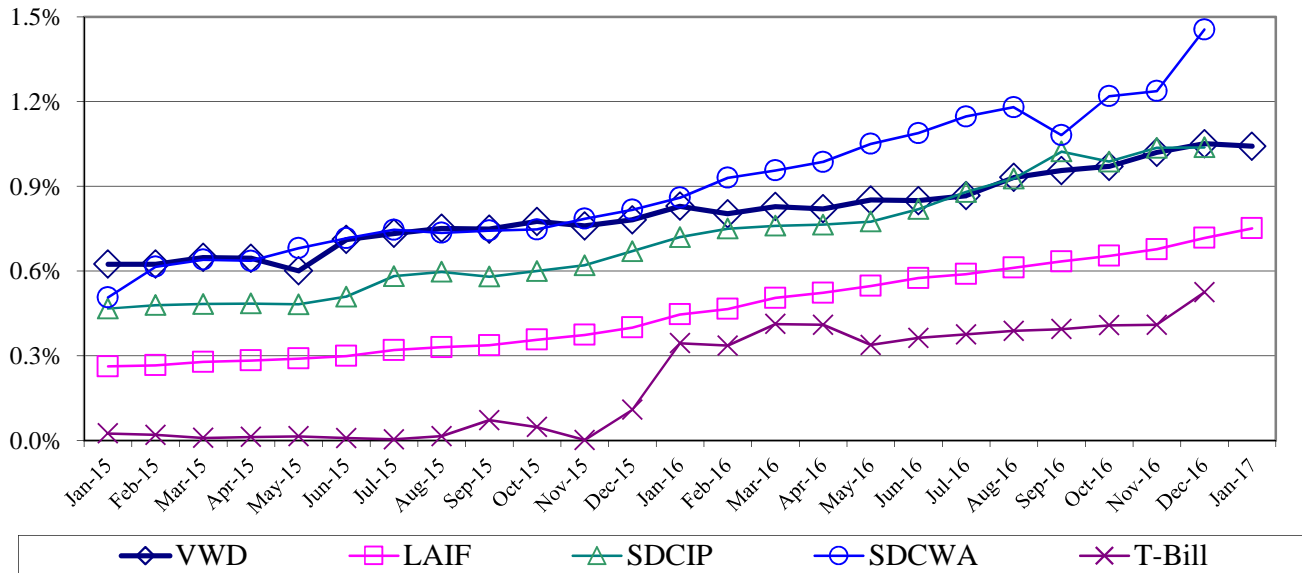


The graph below trends the *relationship of liquidity to adopted reserve levels*. District staff is sensitive to this relationship, but also recognizes the risk of being too liquid if rates fall further.



Yield

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



Investment/Debt Management

On July 9, 2015, the District refunded most of its 2007 Certificates of Participation with Revenue Bonds containing interest rates ranging between 4% and 5%. The District is obligated to transfer semi-annual debt service payments each June 25th (maximum of \$3.9 million in year 2030) and each December 26th (maximum of \$980 thousand in year 2021) to the trustee for payment to bondholders for both the remaining 2007 COPs and 2015 Revenue Bonds. Staff targets these dates for maturities and proposes user rates that, given all other budget assumptions, satisfy debt service coverage requirements. On November 12, 2008, the District secured a private placement, variable rate loan (currently at 1.43584%) from Union Bank for \$8 million to fund remaining and prior construction costs of the Encina Wastewater Authority Phase V expansion. The District is debt financing certain sewer projects with a \$7.1 million 10-year loan received from Bank of America in December of 2012, at a 1.98% fixed rate.

Investment Strategy

Staff is sensitive to the need to maintain minimum liquidity and invests to insure that a portion of the portfolio equal to the operating reserves matures within three months, and a portion of the portfolio equal to the operating reserves plus the replacement reserve floors matures within one year. Staff also recognizes that too much liquidity presents interest rate risk and, therefore, maintains investment maturities close to the liquidity targets. When total investment maturities are projected to remain above liquidity targets, investment are made further out on the curve to ladder maturities, maintain diversity among investment types and issuers, and maximize yield.

The District continues to diversify various aspects of the portfolio and avoid speculating since the portfolio is passively managed (no staff dedicated solely to investing and monitoring credits). Staff diversifies the portfolio by investment type, maturity and settlement dates (time averaging), and call provisions. The District continues to maintain investments of varying types within limits allowed by investment policy (60% in federal agency obligations, 60% in LAIF, 40% in other local government investment pools, 20% in FDIC-backed corporate notes, 20% in commercial paper, 20% in certificates of deposit).

By Fund							Replacement		Capacity		Total
Reference	S&P	Coupon	Yield	Settled	Callable	Matures	Water 110	Sewer 210	Water 120	Sewer 220	
Credit Suis CP		1.150	1.150	05/19/16	na	02/09/17	991,503	-	-	-	991,503
FNMA	AA+	1.125	0.705	01/09/13	na	04/27/17	-	1,017,750	-	-	1,017,750
SAFRA CD		0.900	0.900	01/28/16	na	04/28/17	245,000	-	-	-	245,000
Cardnl Bk CD		1.000	1.000	01/30/15	na	07/31/17	-	245,000	-	-	245,000
Mbank CD		1.500	1.500	09/20/13	na	09/20/17	245,000	-	-	-	245,000
FNMA	AA+	0.875	0.917	02/24/15	na	10/26/17	-	499,465	-	-	499,465
FNMA	AA+	0.875	0.917	12/02/15	na	10/26/17	-	499,625	-	-	499,625
Compass CD		1.300	1.300	12/09/15	na	12/11/17	-	245,000	-	-	245,000
FFCB	AA+	0.840	0.840	10/22/15	02/28/17	01/22/18	-	500,000	-	-	500,000
FFCB	AA+	0.930	0.930	10/21/15	04/13/17	04/13/18	499,705	-	-	-	499,705
Am Exp CD		1.100	1.100	04/29/15	na	04/30/18	245,000	-	-	-	245,000
FNMA	AA+	0.875	1.090	11/12/15	na	05/21/18	-	497,325	-	-	497,325
Synchrony CD		1.600	1.600	06/13/14	na	06/13/18	245,000	-	-	-	245,000
Goldman CD		1.700	1.700	08/19/15	na	08/20/18	-	245,000	-	-	245,000
GE Cap CD		1.800	1.800	09/05/14	na	09/05/18	-	245,000	-	-	245,000
FHLB	AA+	1.200	1.260	06/29/15	na	09/26/18	499,050	-	-	-	499,050
Capital 1 CD		1.650	1.650	10/13/15	na	10/09/18	179,000	-	-	-	179,000
Ally Bank CD		1.600	1.600	10/29/15	na	10/29/18	245,000	-	-	-	245,000
Sallie Mae CD		1.600	1.600	12/09/15	na	12/10/18	-	245,000	-	-	245,000
FNMA	AA+	1.000	1.000	07/25/16	04/25/17	01/25/19	499,900	-	-	-	499,900
FHLMC	AA+	0.750	0.750	04/27/16	04/26/17	04/26/19	750,000	-	-	-	750,000
Enerbank CD		1.500	1.579	06/18/15	na	05/15/19	232,301	-	-	-	232,301
FHLMC	AA+	1.000	1.000	06/28/16	03/28/17	06/28/19	-	750,000	-	-	750,000
FFCB	AA+	1.080	1.080	07/12/16	02/12/17	07/12/19	499,675	-	-	-	499,675
FNMA	AA+	1.600	1.722	06/30/15	02/27/17	08/27/19	-	499,000	-	-	499,000
FHLMC	AA+	0.750	0.750	08/30/16	02/28/17	08/28/19	750,000	-	-	-	750,000
Barclays CD		1.900	1.900	09/16/15	na	09/16/19	-	245,000	-	-	245,000
FHLMC	AA+	1.250	1.317	09/25/15	na	10/02/19	498,665	-	-	-	498,665
FHLB	AA+	1.190	1.190	10/28/16	04/28/17	10/28/19	-	500,000	-	-	500,000
FHLMC	AA+	1.000	1.000	08/22/16	02/22/17	11/22/19	-	750,000	-	-	750,000
FNMA	AA+	1.350	1.350	06/30/16	03/30/17	12/30/19	-	500,000	-	-	500,000
FNMA	AA+	1.300	1.300	10/19/16	03/30/17	03/30/20	500,000	-	-	-	500,000
FNMA	AA+	1.500	1.500	05/27/16	2/29/2017	05/29/20	750,000	-	-	-	750,000
HSBC Bank CD		1.400	1.400	09/16/16	07/08/18	07/08/20	-	244,510	-	-	244,510
FHLB	AA+	1.200	1.200	11/22/16	07/13/17	07/13/20	492,970	-	-	-	492,970
FNMA	AA+	1.400	1.400	08/24/16	02/24/17	08/24/20	-	1,000,000	-	-	1,000,000
Discover CD		1.500	1.500	10/26/16	na	10/26/20	245,000	-	-	-	245,000
FFCB	AA+	1.380	1.380	11/04/16	02/02/17	11/02/20	-	499,600	-	-	499,600
FFCB	AA+	1.770	1.770	12/07/16	12/07/17	12/07/20	-	249,438	-	-	249,438
FNMA	AA+	1.400	1.400	10/28/16	04/28/17	01/28/21	500,000	-	-	-	500,000
FFCB	AA+	1.620	1.620	11/18/16	02/17/17	02/17/21	-	149,667	-	-	149,667
FHLMC	AA+	1.000	1.000	02/26/16	02/26/17	02/26/21	-	514,000	-	-	514,000
Wells Fargo CD		1.150	1.150	03/04/16	09/04/18	03/04/21	-	243,000	-	-	243,000
FFCB	AA+	1.620	1.620	04/12/16	04/12/17	04/12/21	749,925	-	-	-	749,925
Comenty Bk CD		1.650	1.650	06/30/16	na	06/30/21	-	245,000	-	-	245,000
FNMA	AA+	1.500	1.500	07/27/16	04/27/17	07/27/21	-	500,000	-	-	500,000
JPM Chase CD		1.650	1.650	08/16/16	08/16/17	08/16/21	-	245,000	-	-	245,000
FHLMC	AA+	1.600	1.600	08/25/16	02/25/17	08/25/21	1,000,000	-	-	-	1,000,000
FHLB	AA+	1.625	1.625	09/30/16	03/30/17	09/30/21	-	1,000,000	-	-	1,000,000
FNMA	AA+	1.550	1.550	10/31/16	04/28/17	10/28/21	1,000,000	-	-	-	1,000,000
FHLMC	AA+	1.875	1.875	11/30/16	05/26/17	11/30/21	-	1,000,000	-	-	1,000,000
SDCIP	AAA	na	1.038	Various	na	Open	-	5,165,766	-	-	5,165,766
LAIF		na	0.751	Various	na	Open	10,910,807	10,910,807	-	-	21,821,614
Total Cost							22,773,501	29,449,953	-	-	52,223,454
Unrealized Gain/(Loss)							(129,015)	(192,395)	-	-	(321,410)
Market Value							\$ 22,644,486	\$ 29,257,558	\$ -	\$ -	\$ 51,902,044

By Investment Type					Commercial					Total	
Reference	Settled	Coupon	Yield	Matures	Paper	CDs	Agencies	LGIPs	LAIF	Cost	Market
Credit Suis CP	05/19/16	1.150	1.150	02/09/17	991,503	-	-	-	-	991,503	999,840
FNMA	01/09/13	1.125	0.705	04/27/17	-	-	1,017,750	-	-	1,017,750	1,001,410
SAFRA CD	01/28/16	0.900	0.900	04/28/17	-	245,000	-	-	-	245,000	245,221
Cardnl Bk CD	01/30/15	1.000	1.000	07/31/17	-	245,000	-	-	-	245,000	245,718
Mbank CD	09/20/13	1.500	1.500	09/20/17	-	245,000	-	-	-	245,000	246,306
FNMA	02/24/15	0.875	0.917	10/26/17	-	-	499,465	-	-	499,465	500,235
FNMA	12/02/15	0.875	0.917	10/26/17	-	-	499,625	-	-	499,625	500,435
Compass CD	12/09/15	1.300	1.300	12/11/17	-	245,000	-	-	-	245,000	245,813
FFCB	10/22/15	0.840	0.840	01/22/18	-	-	500,000	-	-	500,000	499,710
FFCB	10/21/15	0.930	0.930	04/13/18	-	-	499,705	-	-	499,705	499,390
Am Exp CD	04/29/15	1.100	1.100	04/30/18	-	245,000	-	-	-	245,000	245,566
FNMA	11/12/15	0.875	1.090	05/21/18	-	-	497,325	-	-	497,325	498,840
Synchrony CD	06/13/14	1.600	1.600	06/13/18	-	245,000	-	-	-	245,000	246,311
Goldman CD	08/19/15	1.700	1.700	08/20/18	-	245,000	-	-	-	245,000	246,852
GE Cap CD	09/05/14	1.800	1.800	09/05/18	-	245,000	-	-	-	245,000	247,220
FHLB	06/29/15	1.200	1.260	09/26/18	-	-	499,050	-	-	499,050	500,210
Capital 1 CD	10/13/15	1.650	1.650	10/09/18	-	179,000	-	-	-	179,000	180,298
Ally Bank CD	10/29/15	1.600	1.600	10/29/18	-	245,000	-	-	-	245,000	246,757
Sallie Mae CD	12/09/15	1.600	1.600	12/10/18	-	245,000	-	-	-	245,000	246,472
FNMA	07/25/16	1.000	1.000	01/25/19	-	-	499,900	-	-	499,900	495,725
FHLMC	04/27/16	0.750	0.750	04/26/19	-	-	750,000	-	-	750,000	749,340
Enerbank CD	06/18/15	1.500	1.579	05/15/19	-	232,301	-	-	-	232,301	233,487
FHLMC	06/28/16	1.000	1.000	06/28/19	-	-	750,000	-	-	750,000	746,228
FFCB	07/12/16	1.080	1.080	07/12/19	-	-	499,675	-	-	499,675	493,315
FNMA	06/30/15	1.600	1.722	08/27/19	-	-	499,000	-	-	499,000	500,170
FHLMC	08/30/16	0.750	0.750	08/28/19	-	-	750,000	-	-	750,000	746,543
Barclays CD	09/16/15	1.900	1.900	09/16/19	-	245,000	-	-	-	245,000	248,560
FHLMC	09/25/15	1.250	1.317	10/02/19	-	-	498,665	-	-	498,665	497,095
FHLB	10/28/16	1.190	1.190	10/28/19	-	-	500,000	-	-	500,000	494,465
FHLMC	08/22/16	1.000	1.000	11/22/19	-	-	750,000	-	-	750,000	744,555
FNMA	06/30/16	1.350	1.350	12/30/19	-	-	500,000	-	-	500,000	494,890
FNMA	10/19/16	1.300	1.300	03/30/20	-	-	500,000	-	-	500,000	493,290
FNMA	05/27/16	1.500	1.500	05/29/20	-	-	750,000	-	-	750,000	736,388
HSBC Bank CD	09/16/16	1.400	1.400	07/08/20	-	244,510	-	-	-	244,510	242,616
FHLB	11/22/16	1.200	1.200	07/13/20	-	-	492,970	-	-	492,970	490,830
FNMA	08/24/16	1.400	1.400	08/24/20	-	-	1,000,000	-	-	1,000,000	986,390
Discover CD	10/26/16	1.500	1.500	10/26/20	-	245,000	-	-	-	245,000	240,634
FFCB	11/04/16	1.380	1.380	11/02/20	-	-	499,600	-	-	499,600	487,455
FFCB	12/07/16	1.770	1.770	12/07/20	-	-	249,438	-	-	249,438	248,008
FNMA	10/28/16	1.400	1.400	01/28/21	-	-	500,000	-	-	500,000	488,695
FFCB	11/18/16	1.620	1.620	02/17/21	-	-	149,667	-	-	149,667	146,991
FHLMC	02/26/16	1.000	1.000	02/26/21	-	-	514,000	-	-	514,000	508,264
Wells Fargo CD	03/04/16	1.150	1.150	03/04/21	-	243,000	-	-	-	243,000	244,268
FFCB	04/12/16	1.620	1.620	04/12/21	-	-	749,925	-	-	749,925	727,868
Comenty Bk CD	06/30/16	1.650	1.650	06/30/21	-	245,000	-	-	-	245,000	241,739
FNMA	07/27/16	1.500	1.500	07/27/21	-	-	500,000	-	-	500,000	484,090
JPM Chase CD	08/16/16	1.650	1.650	08/16/21	-	245,000	-	-	-	245,000	239,950
FHLMC	08/25/16	1.600	1.600	08/25/21	-	-	1,000,000	-	-	1,000,000	966,790
FHLB	09/30/16	1.625	1.625	09/30/21	-	-	1,000,000	-	-	1,000,000	966,620
FNMA	10/31/16	1.550	1.550	10/28/21	-	-	1,000,000	-	-	1,000,000	970,070
FHLMC	11/30/16	1.875	1.875	11/30/21	-	-	1,000,000	-	-	1,000,000	988,070
SDCIP	Various		1.038	Open	-	-	-	5,165,766	-	5,165,766	5,107,000
LAIF	Various		0.751	Open	-	-	-	-	21,821,614	21,821,614	21,809,041
Total Cost					991,503	4,328,811	19,915,760	5,165,766	21,821,614	52,223,454	
Unrealized Gain/(Loss)					8,337	4,980	(263,388)	(58,766)	(12,573)	(321,410)	
Market Value					\$ 999,840	\$ 4,333,791	\$ 19,652,372	\$ 5,107,000	\$ 21,809,041	\$ 51,902,044	\$ 51,902,044
Percentage of Portfolio					1.9%	8.3%	38.1%	9.9%	41.8%		
Investment Policy Limits					20.0%	20.0%	60.0%	40.0%	60.0%		

DATE: FEBRUARY 15, 2017
TO: BOARD OF DIRECTORS
SUBJECT: RESCINDING DROUGHT LEVEL 1

BACKGROUND:

On August 6, 2014, the Vallecitos Water District Board of Directors declared a Level 2, Drought Alert condition. On July 6, 2016, the Vallecitos Water District Board of Directors rescinded the Level 2 Drought Alert and invoked a Level 1, Drought Watch condition. On January 26, 2017, the San Diego County Water Authority declared the drought over in San Diego County.

DISCUSSION:

Neither the Water Authority nor Vallecitos are experiencing supply shortages due to drought. The San Diego region has invested approximately \$3.5 billion over the past three decades to increase regional water supply reliability, including seawater desalination, additional water storage capacity and upgraded conveyance systems. Vallecitos has a direct connection to the desalination plant in Carlsbad.

The District met its mandatory savings target after the state imposed emergency regulations in 2015 to achieve the governor's goal of an overall 25 percent cut in urban water use. In May 2016, the state updated its emergency regulation to a water supply "stress test" methodology that took actual levels of local supply reliability into account. Under that system, the District showed sufficient supplies to avoid shortages even if it experiences three more dry years.

January 2017 saw huge blizzards and "atmospheric river" storms causing flooding in multiple California counties. As of February 1, 2017, the Sierra Nevada snowpack, the source of a third of California's drinking water, was 177 percent of the historic average, the largest amount in more than two decades.

The District and its customers continue to be conscientious regarding water use, as District Ordinance 198 (copy attached) includes mandatory water use restrictions such as:

- Watering between the hours of 10:00 a.m. and 6:00 p.m.
- Watering within 48 hours of a measurable rain event
- Hosing down hardscapes (patios, sidewalks, etc.)
- Not using a shut-off nozzle when washing cars
- Not fixing leaks within 48 hours of discovery
- Restaurants only serving water on request

Vallecitos Public Information staff plan to use the tools provided by the Association of California Water Agencies (ACWA), including the "Water Conservation: IT'S FOR LIFE" Campaign to make sure the District continues to use water efficiently. Public Information staff will also be thanking customers for their efforts, while also making sure that water conservation is a way of life in the District.

FISCAL IMPACT:

The magnitude of the impact cannot be anticipated at this time. Water savings will continue due to water waste prohibitions, however, water consumption is expected to increase as we move into warmer months and relax restrictions on outdoor irrigation.

RECOMMENDATION:

Rescind the Drought Level 1 – Drought Watch that asks for voluntary water conservation.

ATTACHMENT:

District Ordinance No.198 – An Ordinance of the Board of Directors of the Vallecitos Water District Repealing Ordinances No. 162 and 195 and Adopting a Drought Response Water Conservation Program and Water Shortage Contingency Plan

ORDINANCE NO. 198

**AN ORDINANCE OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
REPEALING ORDINANCES NO.162 AND 195
AND ADOPTING A DROUGHT RESPONSE WATER CONSERVATION PROGRAM
AND WATER SHORTAGE CONTINGENCY PLAN**

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

**SECTION 1: DECLARATION OF NECESSITY AND INTENT OF DROUGHT
MANAGEMENT PLAN**

This ordinance establishes regulations to be implemented during times of drought, declared water shortages, water conservation mandates or emergencies to conserve water, enable effective water supply planning, assure reasonable and beneficial use of water, prevent waste of water, and prevent unreasonable use of water within the Vallecitos Water District. Such actions are to ensure adequate supplies of water to meet the needs of the public, and further the public health, safety, and welfare, recognizing that water is a scarce natural resource that requires careful management. This ordinance establishes four levels of water conservation response actions to be implemented in times of shortage, mandate or emergency with increasing restrictions on water use in response to worsening drought, mandate or emergency conditions and decreasing available supplies.

SECTION 2: APPLICATION

(a) The provisions of this ordinance apply to any customer using water provided by the Vallecitos Water District ("District").

(b) This ordinance is intended solely to further the conservation of water. It is not intended to implement any provision of Federal, State, or local statutes, ordinances, or regulations relating to protection of water quality or control of drainage or runoff. Refer to the local jurisdiction or Regional Water Quality Control Board for information on any storm water ordinances and storm water management plans.

(c) Nothing in this ordinance is intended to affect or limit the ability of the District to declare and respond to an emergency, including an emergency that affects the ability of the District to supply water.

(d) The provisions of this ordinance do not apply to use of the water from private wells or to recycled water.

(e) Nothing in this ordinance shall apply to use of water that is subject to a special supply program, such as the San Diego County Water Authority Temporary Special Agricultural Water Rate Programs (TSWAR). Violations of the conditions of special supply programs are subject to the penalties established under the applicable program. A person using water subject to a special supply program and also domestic water provided by the District is subject to this ordinance in the use of the District provided domestic water only.

SECTION 3: WATER WASTE PROHIBITIONS

The following prohibitions are in effect at all times:

(a) The use of potable water for irrigation of ornamental turf within the public street rights of ways including adjacent landscape strips.

(b) The use of potable water outside of newly constructed homes and buildings inconsistent with regulations established by the California Building Standards Commission.

(c) The application of potable water to outdoor landscaping during and after 48 hours of a measurable rain event.

(d) A customer shall not allow water to leave the customer's property by drainage onto adjacent properties or public or private roadways or streets or gutters due to excessive irrigation and/or uncorrected leaks.

(e) Customers shall repair or stop all water leaks upon discovery or within forty-eight hours of notification by the Vallecitos Water District.

(f) Washing any paved area (sidewalks, driveways, parking areas, tennis courts, etc.) is only allowed to alleviate immediate safety or sanitation hazards. To relieve hazards, only a power washer or a hose with a shutoff nozzle may be used.

(g) A customer shall not continuously fill swimming pools and spas that are draining due to uncorrected leaks.

(h) A customer shall not use non-recirculating ornamental fountains or cascading fountains.

(i) Vehicle washing shall only be done in a commercial car wash or by using a hose with an automatic shutoff nozzle or hand held container.

(j) Restaurants and other food establishments shall only serve and refill water upon request.

(k) Guests in hotels, motels, and other commercial lodging establishments shall be provided the option of not laundering towels and linens daily.

(l) A customer may only irrigate potted plants, non-commercial vegetable gardens and fruit trees, residential and commercial landscapes, including golf courses, parks, school grounds and recreation fields, before 10:00 a.m. and after 6:00 p.m. A customer may irrigate the following at any time:

- (1) as required by a landscape permit;
- (2) as needed for erosion control;
- (3) for establishment, repair, or renovation of public use fields for schools and parks;
- (4) for landscape establishment following a disaster, such as a fire;
- (5) for renovation or repair of an irrigation system with an operator present; or
- (6) for commercial growers, agricultural water accounts and nurseries using a hand-held hose equipped with a positive shut-off nozzle, a hand held container, or when a drip or micro-irrigation system or equipment is used. Irrigation of nursery propagation beds is permitted at any time.

SECTION 4: DROUGHT RESPONSE LEVEL 1 – DROUGHT WATCH

This is a "Drought Watch" condition, and applies when the District is notified that, due to drought, water conservation mandates or other supply reductions, there is a reasonable probability there will be a required consumer demand reduction of up to 10 percent. The District General Manager shall declare the existence of a Drought Response Level 1 and implement Level 1 voluntary conservation practices. With this alert, the District will increase public outreach and awareness and take action to encourage Level 1 conservation practices:

(a) LEVEL 1 VOLUNTARY CONSERVATION PRACTICES

(1) Residential and commercial landscape irrigation is limited to no more than three assigned days per week from June through October and no more than two days per week, from November through May, on a schedule established by the General Manager and posted by the District. This shall not apply to commercial growers, agricultural water accounts or nurseries.

(2) Use recycled or non-potable water for construction purposes when available and permitted for use in accordance with all local, State and Federal regulations.

SECTION 5: DROUGHT RESPONSE LEVEL 2 – DROUGHT ALERT

This is a “Drought Alert” condition, and applies when the District is notified that, due to drought, water conservation mandates or other supply reductions, there is a reasonable probability there will be a required consumer demand reduction of up to 20 percent. With this alert, the District will increase public outreach and awareness regarding mandatory Level 2 conservation practices. The District Board of Directors shall declare the existence of Drought Response Level 2 condition, the allocation reduction, and implement Level 2 mandatory water conservation practices. All District customers shall comply with the applicable Level 2 Drought Alert mandatory conservation practices:

(a) LEVEL 2 MANDATORY CONSERVATION PRACTICES

(1) Residential and commercial landscape irrigation is limited to no more than three assigned days per week from June through October and no more than two days per week, from November through May, on a schedule established by the General Manager and posted by the District. This shall not apply to commercial growers, agricultural water accounts or nurseries.

(2) Irrigation, using standard sprinklers, is limited to no more than 10 minutes per watering station per assigned day. Systems using water-efficient devices, including but not limited to: weather based controllers, drip/micro-irrigation systems and stream rotors are excluded.

SECTION 6: DROUGHT RESPONSE LEVEL 3 – DROUGHT CRITICAL

This is an official “Drought Critical” condition, and applies when the District is notified that, due to drought, water conservation mandates or other supply reductions, there is a reasonable probability there will be a required consumer demand reduction of up to 30 percent. The District Board of Directors shall declare the existence of a Drought Response Level 3 condition, the allocation reduction, and implement mandatory Level 3 conservation practices. All District customers shall comply with Level 3 Drought Critical mandatory conservation practices:

(a) LEVEL 3 MANDATORY CONSERVATION PRACTICES

(1) Residential and commercial landscape irrigation is limited to no more than two assigned days per week from June through October and no more than once per week, from November through May, on a schedule established by the General Manager and posted by the District. This shall not apply to commercial growers, agricultural water accounts or nurseries.

(2) Irrigation, using sprinklers, will be limited to no more than 8 minutes per watering station per assigned day. Systems using water-efficient devices,

including but not limited to: weather based controllers, drip/micro-irrigation systems and stream rotors are excluded.

(3) Power washing and/or cleaning and spraying of commercial or residential structures is prohibited.

(4) Ornamental lakes or ponds shall not be refilled, except to the extent needed to sustain aquatic life.

(5) The filling or refilling of pools or spas is prohibited, except as needed to prevent damage to the pool or spa.

(6) Washing vehicles except at commercial carwashes that re-circulate water by high pressure/low volume wash systems is prohibited.

(b) NEW POTABLE WATER SERVICE ALLOWANCE

Upon the declaration of a Drought Response Level 3 condition, no new potable water service shall be provided, no new temporary meters or permanent meters shall be provided or installed, and no statements of immediate ability to serve or provide potable water service (such as, will serve letters, certificates or letters of availability) shall be issued, except under the following circumstances:

(1) A valid, unexpired building permit has been issued for the property as of the date of adoption of a Drought Response Level 3 and meter capacity fees have been paid; or

(2) The project is necessary to protect the public's health, safety and welfare; or

(3) The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of the District.

(c) RESTORATION OF SERVICE / METER TURN ON

This provision shall not be construed to preclude the resetting or turn-on of meters to provide continuation of water service or to restore service that has been interrupted for a period of one year or less.

(d) MISCELLANEOUS PROVISIONS

(1) Upon the declaration of a Drought Response Level 3 condition, the District will suspend consideration of water service annexations to its service area.

(2) The District may establish a water allocation for property served by the District using a method that does not penalize persons for the implementation of conservation methods or the installation of water saving devices. If the District establishes water allocation, it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty in the amount as adopted by the District Board of Directors for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation for this ordinance.

**SECTION 7: DROUGHT RESPONSE LEVEL 4 - DROUGHT EMERGENCY
CONDITION**

This is an official "Drought Emergency" condition, and applies when the District is notified that, due to drought, water conservation mandates or other supply reductions, there is a reasonable probability there will be a required consumer demand reduction of greater than 30 percent. The District shall declare a Drought Emergency in the manner and on the grounds provided in California Water Code Section 350. All District customers shall comply with conservation practices required during Level 2 Drought Alert and Level 3 Drought Critical conditions and shall also comply with Level 4 Drought Emergency mandatory conservation practices:

(a) LEVEL 4 MANDATORY CONSERVATION PRACTICES

(1) All landscape irrigation and other outdoor watering for residential and commercial customers, not including commercial growers, agricultural water accounts and nurseries, is prohibited, except the minimum use necessary for:

(i) Maintenance of existing landscaping necessary for fire protection as specified by the Fire Marshal of the local fire protection agency having jurisdiction over the property to be irrigated;

(ii) Maintenance of existing landscaping for erosion control;

(iii) Maintenance of plant materials identified to be rare or essential to the well-being of rare animals;

(iv) Maintenance of landscaping within active public parks and playing fields, day care centers, school grounds, cemeteries, and golf course greens, provided that such irrigation does not exceed two days per week;

(v) Watering of livestock; and

(vi) Public Works projects and actively irrigated environmental mitigation projects.

(b) The District may establish a water allocation for property served by the District. If the District establishes water allocation, it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty in the amount as adopted by the Board of Directors for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of this ordinance.

SECTION 8: HARDSHIP VARIANCE

If, due to unique circumstances, a specific requirement of this ordinance would result in undue hardship to a customer using District water or to property upon which District water is used, that is disproportionate to the impacts to District water users generally or to a similar property or classes of water uses, then the person may apply for a variance to the requirements as provided in this Section.

(a) The variance may be granted or conditionally granted, only upon a written finding of the existence of facts demonstrating an undue hardship to a customer using District water or to property upon which District water is used, that is disproportionate to the impacts to District water users generally or to similar property or classes of water use due to specific and unique circumstances of the user or the user's property.

(1) An application for a Hardship Variance shall be in writing and may be accompanied by photographs, maps, drawings, and other information in support of the application.

(2) An application for a Hardship Variance shall be denied unless the General Manager finds, based on the information provided in the application, supporting documents or such additional information as may be requested, and on the water use information for the property as shown by the records of the District, all of the following:

(i) That the variance does not constitute a grant of special privilege inconsistent with the limitation upon other District customers.

(ii) That because of special circumstances applicable to the property or its use, the strict application of this ordinance would have a disproportionate impact on the property or use that exceeds the impacts to customers generally.

(iii) That authorization of such variance will not be of substantial detriment to adjacent properties, and will not materially affect the ability of the District to effectuate the purpose of this Ordinance and will not be detrimental to the public interest.

(iv) The condition or situation of the subject property or the intended use of the property for which the variance is sought is not common, recurrent or general in nature.

(b) The General Manager shall exercise approval authority and set a hearing within 10 days upon receipt of a completed application for a Hardship Variance. The General Manager shall notify the applicant of the decision to approve, conditionally approve, or deny the variance within 5 days of the hearing.

(c) A customer may appeal the decision of the General Manager by filing a request for a hearing before the District Board of Directors, at a regularly scheduled Board meeting, within 10 days of the decision. The District will provide written notice of the hearing day to the customer. At the hearing before the Board the customer may present testimony and written documentation demonstrating that the Hardship Variance is warranted in accordance with the requirements of this section. The decision of the Board of Directors shall be final.

SECTION 9: VIOLATIONS AND PENALTIES

In addition to any other remedies which the District may have for the enforcement of this Ordinance pursuant to Water Code Section 31029, any person who uses, causes to be used, or permits the use of water in violation of this ordinance is guilty of an offense punishable as provided herein. Each day that a violation of this ordinance occurs is a separate offense. Administrative fines may be levied for each violation of a provision of this ordinance as follows:

(a) **FINES**

(1) One hundred dollars (\$100.00) for a first violation.

(2) Two hundred dollars (\$200.00) for a second violation of any provision of this ordinance within one year of the prior violation.

(3) Five hundred dollars (\$500.00) for each additional violation of this ordinance within one year of the prior violation.

(4) Violation of a provision of this ordinance is subject to enforcement through installation of a flow-restricting device in the meter.

(b) Each violation of this ordinance may be prosecuted as a misdemeanor punishable by imprisonment in the county jail for not more than 30 days or by a fine not exceeding \$1,000, or by both as provided in Water Code Section 377.

(c) Willful violations of the mandatory conservation measures and water use restrictions as set forth during Stage 4 Drought Emergency condition may be enforced by discontinuing service to the property at which the violation occurs as provided by Water Code Section 346.


(d) All remedies provided for herein shall be cumulative and not exclusive.

SECTION 10: EFFECTIVE DATE

This ordinance is effective immediately upon adoption or as otherwise established by State law for the Vallecitos Water District.

PASSED, APPROVED AND ADOPTED on this 6th day of July, 2016, by the following roll call vote:

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



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

ATTEST:



Tom Scaglione, Secretary
Board of Directors
Vallecitos Water District

DATE: FEBRUARY 15, 2017
TO: BOARD OF DIRECTORS
SUBJECT: SAN MARCOS BOYS & GIRLS CLUB ANNUAL AUCTION

BACKGROUND:

The Board has previously approved District sponsorship by way of purchasing a table at the 2016 Boys and Girls Club event.

DISCUSSION:

This item is being presented at the request of Director Sannella.

The San Marcos Boys & Girls Club will be holding its annual auction on Saturday, April 29, 2017. Additional information is attached.

FISCAL IMPACT

Dependent on sponsorship level.


RECOMMENDATION:

Presented for Board discussion.



Saturday, April 29, 2017

1 Positive Place | San Marcos, CA 92069

SPONSORSHIP PACKAGES		Protectors of Positive Place \$10,000	Crusaders for the Club \$5,000	Titans for Teens \$3,000	Champions for Children \$1,500	Sidekicks for Kids \$500
AUCTION PROMOTION						
Naming Rights (Annual Auction presented by)	•					
Mention in press release	Quote from Company	•	•			
Print and electronic invitations (1,000)	Logo	Logo	Name			
Pre-event guest emails (400)	Logo	Logo	Name			
Social Media	Link	Link	Mention	Mention		
Event web page	Logo + Link	Logo	Logo	Name	Name	Name
EVENT-NIGHT BENEFITS						
Tickets for the event	2 tables of 10	2 tables of 10	1 table of 10	1 table of 10	1 table of 10	
Company name on table signage	•	•	•	•	•	
Company logo on podium	•					
Company logo on auction bid sheets	•					
Giveaway Item Opportunity	•	•				
On-Stage program	Speaking Opportunity	Participation Opportunity	Mention			
Appreciation Award presentation	On-stage	Post-event	Post-event	Post-event	Post-event	Post-event
Placement in printed program	Full Page	Full Page	Half Page	Quarter Page	Quarter Page	Mention
On-screen recognition	Logo	Logo	Logo	Name	Name	Name
ADDITIONAL RECOGNITION						
BGCSM e-Newsletter (5,000+)	Logo + Spotlight Article	Logo	Mention			

DEADLINES: All recognition is subject to deadlines, which will be communicated to sponsors with advance notice. For any other deadlines, please contact us at Danyelle@boysgirlsclubsm.org

Central Valley Water Tour

March 8-10, 2017

Field Trip

Presented by



WATER EDUCATION
FOUNDATION

Join us as we venture through California's Central Valley, known as the nation's breadbasket thanks to an imported supply of surface water and local groundwater wells. The valley provides 25 percent of the nation's food, including 40 percent of all fruits, nuts and vegetables consumed throughout the country.

This 3-day, 2-night tour focuses on the southern part of this vast region, the San Joaquin Valley, which spans more than 15,000 square miles across eight counties. After years of severe drought, it is facing numerous challenges, including dwindling surface water supplies, decreasing water quality, habitat degradation and groundwater overdraft. This tour gives participants an understanding of the region's water use and issues as well as the agricultural practices, including new technologies and water-saving measures.

Topics will include:

- Water supply and drought
- Impacts of growth
- Flood management
- Groundwater use
- Surface water storage and delivery
- Groundwater overdraft and land subsidence
- Wetlands
- Salmon restoration
- Agricultural supply and drainage
- Sustainable Groundwater Management Act

This fast-paced tour begins at 7:30 a.m., Wednesday, March 8 at the Sacramento International Airport and will return there at approximately 6 p.m., Friday, March 10.

Registration: \$790 per person, Early Bird Discount for purchase before February 8 is \$765. Fee includes all meals, transportation, materials, snacks and hotel accommodations while on the tour.

Deadline to cancel and receive a full refund is 5 p.m. February 22 due to hotel, meal and transportation bookings.

Substitutions may be made through Friday, March 3.

This tour is cosponsored by the California Department of Water Resources and the Bureau of Reclamation Mid-Pacific Region.

Planned Stops Include:

- San Luis Reservoir
- Kern Water Bank
- San Joaquin River
- Terminus Dam
- Mendota Pool
- Friant Dam
- San Luis National Wildlife Refuge

Lower Colorado River Tour

April 5-7, 2017

Field Trip

Presented by



WATER EDUCATION
FOUNDATION

Explore the lower Colorado River where virtually every drop of the river is allocated and yet demand is growing from myriad sources – increasing population, declining habitat, drought and climate change. The Colorado River is a lifeline to 40 million people in the Southwest across seven states and Mexico and provides water to more than 4 million acres of farmland.

This 3-day, 2-night tour travels along the lower Colorado River from Hoover Dam to the Salton Sea and Imperial and Coachella valleys to show how California, Arizona and Nevada use and manage this water to meet agricultural, urban, environmental and industrial needs. Along the way, experts discuss challenges related to what is among the most contested, beloved for recreation and meticulously managed rivers in the US.

On this action packed tour, you will learn about:

- Drought conditions & contingency plan in the Lower Basin
- Lower Basin state perspectives: Arizona, California and Nevada
- Binational water management ➤ Agricultural water use, drainage and salinity ➤ The Colorado River Basin Study
- Endangered species and the Multi-Species Conservation Program
- Salton Sea restoration efforts ➤ Climate change

This fast-paced tour begins at 7:30 a.m., Wednesday, April 5 in Las Vegas and will end at approximately 6 p.m., Friday, April 7 in Ontario, California. There is an option to depart by bus from Ontario International Airport on Tuesday, April 4, contact us for details.

This tour is cosponsored by the Bureau of Reclamation, Lower Colorado Region.

Registration: \$790 per person, **Early Bird Discount** for purchase before March 6 is \$765. Fee includes all meals, transportation, materials, snacks and hotel accommodations while on the tour.

Deadline to cancel and receive a full refund is 5 p.m. March 22 due to hotel, meal and transportation bookings. Substitutions may be made through Friday, March 31.

Stops Include:

- Hoover Dam, featuring a private facility tour
- Central Arizona Project facilities
- Havasu National Wildlife Refuge
- Metropolitan Water District of Southern California facilities
- Farms in the Imperial and Coachella valleys
- The Salton Sea
- Warren H. Brock Reservoir and the All-American Canal