

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, DECEMBER 6, 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 DECEMBER 6, 2017

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. 5-16)

- A. ENGINEERING/EQUIPMENT COMMITTEE MEETING – NOVEMBER 13, 2017
- B. FINANCE/INVESTMENT COMMITTEE MEETING – NOVEMBER 14, 2017
- C. REGULAR BOARD MEETING – NOVEMBER 15, 2017

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH DECEMBER 6, 2017 – \$3,896,493.50 (pp. 17-19)

Recommendation: Approve Warrant List

- 1.3 APPROVAL OF CONSTRUCTION AGREEMENT FOR SKYLINE TOWNHOMES, APN 221-661-23 (WESTERN PACIFIC HOUSING, INC.) (pp. 20-34)

The project is located north of San Marcos Boulevard between Business Park Drive and Acacia Drive.

Recommendation: Approve Construction Agreement

- 1.4 APPROVAL OF CONSTRUCTION AGREEMENT FOR PALOMAR OPERATIONS AND MAINTENANCE COMPLEX, APN'S 219-161-17, 18, 19 & 21 (PALOMAR COMMUNITY COLLEGE DISTRICT) (pp. 35-50)

The project is located north of Mission Road, east of Las Posas Road.

Recommendation: Approve Construction Agreement

- 1.5 AWARD OF CONSTRUCTION CONTRACT FOR THE REPAIR OF CONCRETE DRIVEWAY FOR CONDOMINIUM COMPLEX (pp. 51-57)

Service line replacements have been completed and the concrete that was removed must be replaced.

Recommendation: Award Construction Contract

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

ACTION ITEMS

- 2.1 ANNUAL BOARD TRANSITION (pp. 58-64)

Ordinance No. 203 provides guidance on the annual Board reorganization.

Recommendation: Consider and appoint the incoming President and Vice President

- 2.2 COMMITTEE APPOINTEES AND REPRESENTATIVES (pp. 65-66)

Annual Board appointments for 2018.

Recommendation: Appoint Officers and Agency Representatives

- 2.3 FISCAL YEAR 2016/17 ANNUAL AUDIT REPORT (pp. 67-139)

Annual audit of the District's financial statements.

Recommendation: Accept the FY 2016/17 audited financial statements

- 2.4 AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY (pp. 140-150)

The intent of the study is to evaluate three different groundwater use options.

Recommendation: Request Board direction

- 2.5 METROPOLITAN WATER DISTRICT LOCAL RESOURCE PROGRAM APPLICATION (pp. 151-153)

The Metropolitan Water District of Southern California provides funding for its member agencies to incentivize the development of local water supplies.

Recommendation: Authorize staff to submit application

*******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. 154-155)
- CASA Winter Conference**
January 24 – 26, 2018 – Hilton Hotel, Palm Springs, 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, December 1, 2017.

Diane Posvar

MINUTES OF A MEETING OF THE
ENGINEERING/EQUIPMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, NOVEMBER 13, 2017 AT 10:00 A.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Hernandez called the meeting to order at the hour of 10:03 a.m.

Present: Director Hernandez
Director Elitharp
Assistant General Manager Scaglione
District Engineer Gumpel
Capital Facilities Senior Engineer Hubbard
Meter Services Supervisor Kirby
Administrative Secretary Johnson

Others Present: Rosalyn Prickett, Sr. Water Resources Planner, Woodard & Curran
Scott Goldman, Sr. Environmental Engineer, Woodard & Curran

ITEMS FOR DISCUSSION

DISCUSSION ON AMI INFRASTRUCTURE

Assistant General Manager Scaglione stated the District currently utilizes Automated Meter Reading (AMR) technology whereby meter reads are obtained by staff driving through a neighborhood rather than walking a route and reading meters manually. In 2013, the District considered converting water metering from AMR to Advanced Meter Infrastructure (AMI) technology which would receive meter reads transmitted from individual meters to the District headquarters via strategically placed antennas and equipment. The cost of conversion at that time would have been approximately \$5.3 million. Management felt the benefits did not outweigh the cost and decided to reconsider conversion at a later date.

Assistant General Manager Scaglione explained how AMR and AMI technology works. The most expensive component of the conversion is the upgrade of each meter's radio transceiver (Endpoint) to provide AMI compatibility. The District has more AMI-compatible Endpoints today than in 2013. The cost to purchase Endpoints for a full conversion today would be approximately \$2.8 million, plus other expenses such as installing towers, software, and labor.

Staff has discussed a possible pilot project with Olivenhain Municipal Water District (OMWD) staff to determine the potential for cost sharing and to define the pilot project as regional to be more competitive when pursuing grant funds. The District's Double Peak tank is a mutually beneficial site for a tower to be installed. A propagation study would need to be completed to determine the number of meters/signals that can be picked up at

specific locations, how many towers would be necessary, and where the towers should be located. In order to update the 2013 propagation study, a 60-foot tower will need to be installed at Double Peak to replace the existing tower. The cost of the study is approximately \$600.

Staff will provide the Committee with an update once the propagation study has been completed and the project has been defined.

General discussion took place regarding the benefits of the conversion from AMR to AMI, possible shared costs with OMWD, propagation study timeline, overall costs and time savings, and the potential for grant funding.

GROUNDWATER FUNDING

District Engineer Gumpel stated he met with Rosalyn Prickett and Scott Goldman of Woodard & Curran to discuss funding possibilities for a groundwater feasibility study that would provide options to the District on how to use groundwater: recycled, desalted or potable. The study would cost approximately \$55,000 or \$65,000 if optional associated legal tasks are included.

Ms. Prickett stated no funding is available in advance of the study; however, there may be several options for cost recovery, depending on how the water will be used. The scope of the feasibility study is structured to explore the three options as far as possible with desktop data and then determine what the next steps would be depending on the path the District selects.

General discussion took place regarding the three groundwater use options and historical water rights. The feasibility study would be the first step, then determining how the water will be used, and after that, pursuing funds for the preferred option.

Ms. Prickett distributed and reviewed a list of funding options which included an overview of each option, eligible projects, application deadlines and suggestions/considerations. The funding programs include grants and low-interest loans.

Staff will revise the scope and fee of the study to be presented to the Board in December or January. The Committee will report to the Board their recommendation to authorize the feasibility study including optional legal tasks.

MEN'S LOCKER ROOM UPDATE

District Engineer Gumpel summarized the project modifications per the Board's direction to reduce costs which included deleting rehab of the existing men's and women's bathrooms, and lowering the wall height.

Capital Facilities Senior Engineer Hubbard provided updated plans for the men's locker room project. He reviewed the base bid (522 square feet) and alternate base bid (783

square feet). Modifications included limited new sidewalk replacements, concrete flooring instead of epoxy flooring, painted walls instead of tile, concrete tilt-up wall changed to painted stucco, reduced wall height, no replacements of existing facilities, and incorporating HVAC instead of hiring a third party. Both base bids include all of the reductions; the difference between the bids is the alternate bid includes additional showers, sinks and lockers.

Capital Facilities Senior Engineer Hubbard stated he does not have the new specs or Architect's Estimate yet. Staff will be reviewing the plans in detail. Due to the upcoming holidays, staff may not have an opportunity to bring this project back to the Committee before the end of the year.

It was decided that once the plans are completed and the estimate is received, staff will put the project out to bid. General Manager Pruiim will be notified when this takes place, probably before the end of the year, and can provide a verbal update to the Board in January.

OTHER BUSINESS

Director Hernandez requested the status on the solar Request for Proposal (RFP). District Engineer Gumpel stated proposals to hire a consultant have been received from three consultants, but have not been reviewed by staff yet. After the proposals have been reviewed, negotiation and or selection will take place, and interviews will be conducted if necessary, before bringing it to the Committee and the Board. Staff may not be ready with this in time for the next Committee meeting.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 11:24 a.m.

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
TUESDAY, NOVEMBER 14, 2017 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:03 p.m.

Present: Director Martin
Director Sannella
General Manager Pruim
Assistant General Manager Scaglione
Accounting Supervisor Owen
Executive Secretary Posvar

Others Present: Scott Manno, CPA, CGMA - Partner
Brianna Schultz, CPA - Supervisor

ITEM(S) FOR DISCUSSION

DRAFT ANNUAL FINANCIAL REPORT

Brianna Schultz stated management's responsibility for the financial statements as well as their responsibilities. She reviewed the Independent Auditor's Opinion stating that in their opinion, the financial statements present fairly, in all material respects, the financial position and results of operations of the District for the year ended June 30, 2017. She further stated that the audit evidence obtained is sufficient and appropriate to provide a basis for their audit opinion.

Accounting Supervisor Owen provided an overview of the Management's Discussion and Analysis (MDA); discussed the financial highlights; the current-to-prior year analysis for the District's net position as well as revenues and expenses; Restrictions, Commitments and Limitations for capital facility fees and capital projects; Capital Assets and Long-Term Debt; and, Economic Factors and Next Year's Budget and Rates. In summary, he stated the final MDA discusses considerations for the 2018 budget such as increases in water use by customers due to drought restrictions being rescinded; Board approved Cost of Service Study; recovering construction; and increase in regulatory compliance requirements. General question and answer took place during and after review of each element.

Director Sannella asked the auditors if they recall the legal service weekly billing hours related to last year's audit of legal service expenses. Ms. Schultz indicated they still have the paperwork and will provide it to the General Manager.

The Finance/Investment Committee recommended the audited Financial Statements be presented to the full Board for approval.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:28 p.m.

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, NOVEMBER 15, 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
Administrative Services Manager Emmanuel
District Engineer Gumpel
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Accounting Supervisor Owen
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF NOVEMBER 15, 2017

17-11-08 MOTION WAS MADE by Director Sannella, seconded by Director Martin, and carried unanimously, to adopt the agenda for the Regular Board Meeting of November 15, 2017.

PUBLIC COMMENT

None.

CONSENT CALENDAR

17-11-09 MOTION WAS MADE by Director Martin, seconded by Director Hernandez, and carried unanimously, to approve the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Legal/Legislative Committee Meeting – October 30, 2017
- B. Finance/Investment Committee Meeting – October 31, 2017
- C. Closed Session Board Meeting – November 1, 2017
- D. Regular Board Meeting – November 1, 2017
- E. Legal/Legislative Committee Meeting – November 7, 2017

1.2 Warrant List through November 15, 2017 - \$1,392,877.22

1.3 Financial Reports

- A. Water Meter Count – October 31, 2017
- B. Water Production/Sales Report – 2017/2018
- C. Water Revenue and Expense Report – October 31, 2017
- D. Sewer Revenue and Expense Report – October 31, 2017
- E. Reserve Funds Activity – October 31, 2017
- F. Investment Report – October 31, 2017

ACTION ITEMS

NOTICE OF PREPARATION FOR A DRAFT PROGRAM ENVIRONMENTAL IMPACT REPORT FOR THE 2017 WATER, WASTEWATER AND RECYCLED WATER MASTER PLAN

Development Services Senior Engineer Scholl provided a presentation on the 2017 Master Plan Program Environmental Impact Report (PEIR) Notice of Preparation as follows:

- 2017 Master Plan Status
- Final PEIR Process
- CEQA/PEIR Purpose
- PEIR Effects to be Analyzed
- Final PEIR Process
- Notice of Preparation
- Master Plan/PEIR Schedule

Development Services Senior Engineer Scholl stated a scoping meeting will be held during the 30-day Notice of Preparation public review process on December 7, 2017 at 5:00 p.m.

Mike Hunsaker, member of the public, addressed the Board expressing his concerns about how long the process of preparing the 2017 Master Plan has taken, that it wasn't completed closer to the completion of the 2015 Urban Water Management Plan (UWMP), and that he believes growth projections for 2017/2018 are not accurate. He stated the Master Plan draft should be available to the public before the public meetings, which he believes should start at 6:00 p.m. instead of 5:00 p.m. He thanked the Board.

Development Services Senior Engineer Scholl responded to Mr. Hunsaker's concerns explaining that the cutoff date for data to be included in the 2008 Master Plan was June 30, 2008 with the adoption date of 2011. The 2017 Master Plan currently being developed utilizes a data cutoff date of June 30, 2014. There are six to seven years between the Master Plan adopted in 2011 and the one that will eventually be adopted in 2018. The District strives to complete a Master Plan every five to ten years. He also explained that the Master Plan

and UWMP are two completely separate documents that should not be completed at the same time.

District Engineer Gumpel stated the 2015 UWMP was adopted mid-2016 using data from calendar year 2015 which was not available until 2016. The completion process takes at least six months and is dependent on data received from Metropolitan Water District and San Diego County Water Authority.

General discussion took place.

Andrew Yancey, an attorney with Latham & Watkins, legal counsel for Golden Door, addressed the Board expressing concern about the PEIR being prepared as a supplemental PEIR, stating that supplemental documents generally indicate minor changes to a document or program. Also of concern was that the 2008 Master Plan utilized the County's General Plan dated 1979 and that the County's General Plan was since updated in 2011 in which the newer land use data would change the way the District considers its water demand. He requested the 30-day public review period be extended to 60 days due to the upcoming holidays to allow more time for the public to weigh in on the PEIR, and questioned the order in which the duty factors were established for the UWMP and Master Plan. He thanked the Board.

Development Services Senior Engineer Scholl responded to Mr. Yancey's concerns, recommending the 30-day review period because it pertains to the Notice of Preparation which asks for public input; there is not an actual environmental document for review during that time. He explained that a supplemental PEIR is being prepared due to very minor changes to some land uses, duty factors, and the capital improvement program. Regarding Mr. Yancy's concern about the duty factors, he clarified that as the data cutoff date for the 2017 Master Plan is June 30, 2014, the Newland Sierra project is not an approved land use and will not be included in the 2017 Master Plan.

General discussion took place during which Director Hernandez requested additional information pertaining to the minor changes Development Services Senior Engineer Scholl had referred to. Development Services Senior Engineer Scholl stated duty factors were either slightly increased or lowered for some land uses. There have been some land use updates made by the County and City of San Marcos. District Engineer Gumpel stated the capital improvement projects in the previous Master Plan and the 2017 Master Plan are very similar except for the timing of projects; the same projects are expected to happen over a longer period of time. General Manager Pruiim noted that if a project included in the Master Plan may have significant environmental impacts, that project would be subject to its own environmental study.

Director Evans requested staff provide more detail on the changes discussed and their impacts on the supplemental PEIR at a workshop meeting. She also recommended a

discussion on the differences between the UWMP and the Master Plan, and why they are separate issues.

General discussion took place regarding the December 7 scoping meeting. It is not a Board meeting or workshop. Legal Counsel Scott clarified the Notice of Preparation and scoping meeting are primarily to give responsible agencies, the city, and developers the opportunity to request their land use be considered in the PEIR.

17-11-10 MOTION WAS MADE by Director Evans, seconded by Director Martin, and carried 4-1, with Director Martin voting no, to approve initiation of a 45-day public review period for the Notice of Preparation of a draft PEIR Supplement for the 2017 Water, Wastewater and Recycled Water Master Plan.

Prior to the final motion, Director Martin made a substitute motion to provide a 30-day public review period for the Notice of Preparation. As there was no second for the substitute motion, the motion failed.

DISTRICT POLICY FOR BILLING ADJUSTMENTS

General Manager Pruiem stated pursuant to a recent billing error, the District's Public Awareness/Personnel/Policy (PAPP) Committee met on October 16, 2017 to discuss the need for a policy for handling billing adjustments. Director Hernandez, a member of the PAPP Committee, reported at the November 1, 2017 Board meeting that the PAPP Committee met, reviewed policy and procedures, and did not recommend any policy changes. Director Martin asked that consideration of a policy for billing adjustments be brought to the full Board.

General Manager Pruiem further stated District Ordinance No. 186, Section 1.1 provides that "the customer is responsible for prompt payment of costs associated with services provided by the District." The District does not have any policies that specifically address how to handle billing errors; however, the District's practice has been to handle billing adjustments relevant to errors on a case-by-case basis. Staff will seek payment from customers who have been underbilled going back as far as legally possible, three years. Similarly, customers that have been overbilled are reimbursed the amount overbilled. Given the number of bills the Districts sends out, errors are very rare. As recommended by the PAPP Committee, staff is performing routine surveillance of customer accounts to detect any errors that occur and correct them as soon as possible.

Director Martin expressed his opinion that the billing error in question was not the customer's fault, underbilling errors should not be handled on a case-by-case basis, and that a policy is needed to be fair to all customers.

General discussion took place. During general discussion, General Manager Pruiem recommended a policy be flexible enough to be able to reconcile errors fairly. If the Board

chooses this direction, staff will draft a policy to be refined by the PAPP Committee before the policy is considered by the Board for approval.

The consensus of the Board was to direct staff to draft a policy to be reviewed by the PAPP Committee.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The San Marcos Unified School District has expressed interest in the property adjacent to the District headquarters for a school site and arranged for soil testing to be performed on November 14. The District will be provided with the results of the testing. Legal Counsel Scott clarified that by law, the school district and the City of San Marcos have 60 days to express interest in purchasing the property. After November 21, there will be a 90-day period of good faith negotiations with the interested party(s). After the 90-day period, if an agreement is not reached, the District may entertain offers from other interested parties.
- Staff is currently evaluating proposals received from three consulting firms to perform a solar energy study.
- Staff will be performing an Emergency Operations Center training on November 16. There will be no disruption of District operations during the training.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott commented on a Water Foundation webinar he recently viewed related to the implementation of SB 231 which is the Herzberg Bill. The bill changes the legal definition of sewers to include storm water activities under Proposition 218. He will email the webinar to the Board.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated an Engineering and Operating Committee meeting is scheduled for November 16 which will mostly be closed session. No other meetings are scheduled in November.

ENCINA WASTEWATER AUTHORITY

President Elitharp reported on his attendance to the Policy and Finance Committee meeting on November 7 at which EWA's unfunded CalPERS pension liability and resolutions for financial transaction authorization were discussed. He also attended the November 8 Capital Improvement Committee meeting on behalf of Director Hernandez at which the Committee

reviewed a septage receiving feasibility study, authorization for a sole-source procurement of laboratory equipment, and a screen procurement contract award.

STANDING COMMITTEES

Director Sannella reported on the November 7 Legal/Legislative Committee meeting at which the Committee reviewed five proposals for legal services and eliminated one legal firm from further consideration due to its distance from the District. General Manager Pruum prepared a comparison of the four remaining firms and will be providing that information to the Board. At the Committee's recommendation that interviews be conducted in December over two half days, the consensus of the Board was to schedule the interviews from 1:00 p.m. to 5:00 p.m. on December 12 and 13 with an optional date of December 15 if necessary.

Director Hernandez reported on the November 13 Engineering/Equipment Committee meeting at which the Committee discussed Advanced Meter Infrastructure (AMI) technology and a possible collaboration with Olivenhain Municipal Water District to expand the tower at Double Peak tank; discussed a groundwater feasibility study with staff from Woodward & Curran to determine options and costs; provided an update on the men's locker room project. The Committee will meet in January for further updates.

Director Martin reported on the October 31 Finance/Investment Committee at which planning for future Committee meetings took place. Director Martin requested "return on investment" information be included in staff reports and the budget process for expenditures such as replacing systems or vehicles.

General discussion took place regarding the purpose of Committee meetings.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella and Hernandez reported on their attendance to a meeting at Senator Joel Anderson's office on November 2.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

This information was provided per Ordinance No. 203; no action required.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Martin asked if committee duties and responsibilities should be discussed at a future Board meeting. General Manager Pruum recommended a workshop be scheduled in January to discuss the District's Strategic Plan and how self-directed should the committees be versus being directed by the Board to study specific issues.

Director Sannella commented on the 5:00 p.m. start time of the December 7 scoping meeting, seeking clarification as to who the intended audience is for that meeting. District Engineer Gumpel stated scoping meetings are intended primarily for staff from other public agencies; however, they typically send form letters to the District instead of attending the meetings. Developers sometimes attend and the public is welcome as well. The majority of the Board agreed to leave the start time of the scoping meeting 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 6:51 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, December 6, 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 Pruijm, Secretary
Board of Directors
Vallecitos Water District

VALLECITOS WATER DISTRICT
WARRANTS LIST
December 6, 2017

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	112356 through 112358	-
Airgas USA LLC	Cylinder Rental	112359	97.28
All Star Signs, Inc	Name Plates 6	112360	64.65
Universal Protection Service LP	Weekly Deposit Svc Aug & Sept	112361	133.56
Amanda Latta	Closed Account Refund	112362	204.54
Ambius	Plant Maintenance Nov	112363	263.00
Aqua-Metric Sales Co	Meters 88	112364	16,479.95
Richard Arballo	SWRCB Water Treatment Operator Cert	112365	60.00
AT&T	Phone Svc Oct	112366	2,978.23
AT&T	Phone Svc SCADA Nov	112367	254.55
B & C Crane Service Inc	Crane Rental MRF & Mahr Reservoir	112368	1,305.00
Backflow Solutions, Inc.	Backflow Tests 265	112369	3,431.75
BCK Programs, LLC	Curriculum Development - Water Program	112370	5,000.00
Belgin Turner	Closed Account Refund	112371	41.98
Boncor Water Systems	Soft Water Svc & Drinking Water Svc Nov	112372	3,245.00
Bonsall Petroleum Constr Inc	Leak Detector Testing & Monitoring	112373	500.00
Buena Creek Gardens	Gift Certificates for Water Smart Landscape Contest Prj 20181-47	112374	400.00
CAPIO	Membership C Robbins Prj 20181-48	112375	225.00
Carson's Custom Concrete	Block Repair MRF & Mahr Reservoir	112376	3,750.00
CDW Government Inc	Eaton UPS for Gems Users - 4	112377	794.55
Core Logic Information Solutions Inc	Real Quest Svc -Engineering Maps Oct	112378	300.00
Core - Rosion Products	Painting of Ladder & Pipe - Mahr Reservoir	112379	4,277.50
Corodata Media Storage Inc	Back Up Storage Tape Oct	112380	156.17
County of San Diego	Recording Fees Oct	112381	61.00
CWEA	Membership D McDougle	112382	180.00
CWEA	Membership C Harrell	112383	180.00
Cynthia & George Conesa	Closed Account Refund	112384	20.49
Diamond Environmental Services	Portable Restroom Rental Mahr Reservoir	112385	319.69
DirecTV Inc	Satellite Svc Nov	112386	156.98
Doane & Hartwig Water Systems Inc	Acetate Buffer Solution For Chlorine Analyzer - MRF, Hardware Supplies	112387	752.10
Patrick Drummond	Nth Generation Symposium 10-17-17	112388	75.86
Dudek	North & South Pressure Reducing Station Upgrades Prj 20141-08	112389	1,510.00
EDCO Waste & Recycling Serv	Trash Svc Oct	112390	422.35
Electrical Sales Inc	LED Lamps For Mechanics Bay 25, Hardware Supplies	112391	3,212.53
Ewing Irrigation Products	PVC Supplies	112392	75.89
Fleet Pride	Fleet Supplies	112393	137.80
Freedom Automation Inc	Valve Sensors 2 Prj 20141-8, SCADA Upgrade, SCADA Service Calls 5	112394	11,265.00
George & Krogh Welding Inc	Fabricate Aluminum Vault Doors 2 - MRF	112395	3,146.30
Golden Bell Products Inc	Roach Spraying 331 Manholes	112396	7,116.50
Good & Roberts LLC	Closed Account Refund	112397	788.61
Grangetto's Farm Garden Supply	Landscape Supplies	112398	313.19
James Gumpel	ASCE Membership	112399	295.00
Hach Company	Reagents For Analyzers - Twin Oaks, Flow Meter Calibration, Hardware Supplies	112400	3,026.32
Industrial Electric Machinery	Motor Replacement MRF	112401	1,335.80
Infrastructure Engr Corp	NCTD & Fulton Sewer Repair Prj 20161-11, LS1 Repairs Prj 20171-4	112402	1,886.00
Inland Kenworth US Inc	Service Parts Prj 20181-31	112403	224.71
Interstate Batteries	Battery Veh 254, Battery Veh 209	112404	258.34
The Irrigation Association	Membership A Yerman Prj 2018-48	112405	100.00
SG Labels Inc	Colilert Labels	112406	602.73
James Smith & Rebecca Smith	Closed Account Refund	112407	188.55
Jason Hubbard	ASCE Membership	112408	295.00
Jeff Katz	Building B Locker Room Expansion Prj 20161-5	112409	16,995.75
Jeff Perry	Overpayment Refund	112410	2,069.82
JCI Jones Chemicals Inc	Chlorine	112411	3,888.70
Jonmarie Rose	Closed Account Refund	112412	33.57
Kennedy/Jenks Consultants	San Marcos Interceptor Prj 71004	112413	1,947.50
Knight Security & Fire Systems	Service Call - MRF	112414	55.00
Kristi Ekkelboom	Closed Account Refund	112415	83.49
Laser Cut Concrete Cutting Inc	Core Drilling Svcs LS1 & Mahr Reservoir	112416	390.00
Law Offices of Jeffrey G Scott	Legal Svcs Oct	112417	16,136.50

VALLECITOS WATER DISTRICT
WARRANTS LIST
December 6, 2017

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Ledcor Construction Inc	Closed Account Refund	112418	1,100.00
Lloyd Pest Control	Pest Control Oct	112419	764.00
Hal Martin	SDNEDC Summit 10-25-17	112420	13.22
Michi Suzuki	Closed Account Refund	112421	86.63
Miki & Benjamine Namiki	Closed Account Refund	112422	60.65
Miramar Truck Center	Swap Bed & Sign Board From Veh 217 to Veh 273 Prj 20181-29	112423	9,932.25
North County Auto Parts	Fleet Supplies Oct	112424	8,306.13
Nth Generation Computing, Inc.	Cybersecurity Training - All Employees	112425	2,250.00
NV5, Inc.	Public Outreach Prj 20181-43	112426	566.50
OfficeSupply.com	2018 Calendars - 91	112427	447.48
Olivenhain MWD	Treated Water Oct	112428	85,572.20
Ostari Inc	IT Support Oct	112429	9,750.00
Patricia Martinez	Closed Account Refund	112430	82.86
PC Specialists Inc	Dell Notebook	112431	1,772.10
Pencco, Inc.	Trioxyn, Sulfend RT	112432	16,930.16
Ferguson Enterprises, Inc	Hardware Supplies	112433	89.15
Rely Environmental	Fuel Island Maintenance Nov	112434	175.00
Robert Sullivan	Closed Account Refund	112435	69.61
Rusty Wallis Inc	Soft Water Tank Svc Nov	112436	495.00
SDG&E	Power Oct	112437	88,436.80
State of California	Electronic Filing Forms 645 & 630	112438	220.00
Southern Counties Lubricants, LLC	Diesel Fuel	112439	1,862.96
Staples Advantage	Office Supplies	112440	146.18
Temecula Valley Pipe & Supply	Cla Val Parts - Coggan Pump Station	112441	6,389.06
Total Resource Mgt Inc	Maximo Upgrade Version 7.6	112442	11,950.50
Traffic Supply Inc	Custom Signs 7	112443	100.69
Uline Inc	Hardware Supplies	112444	243.35
Underground Service Alert	Dig Alert Svc	112445	344.95
Univar USA Inc	Sodium Hypo Liquichlor, Sodium Bisulfite, Caustic Soda	112446	6,085.03
Valley Chain & Gear Inc	Hardware Supplies	112447	17.48
Verizon Wireless	Ipad & Cell Phone Svc Oct	112448	2,128.77
White Nelson Diehl Evans LLP	Government Tax Seminar D Johnson, F Real, S Sheets	112449	1,185.00
Tri-City Emergency Medical Group	Medical Svcs	112450	85.00
Wright Construction Engineering Corp	Closed Account Refund	112451	775.49
Xerox Corporation	Copier Lease Oct	112452	409.15
Yen Ogi	Closed Account Refund	112453	46.00
Automated Water Treatment	Calcium Hypochlorite Tablets	112454	3,471.29
Best Best & Krieger	2015 General Rate Case	112455	222.00
C.A.S.A.	2018 Membership Dues	112456	16,068.00
Coast Equipment Rentals	Dump Truck Rental	112457	2,100.00
County of San Diego	Facility Permits 4 (17-18)	112458	2,110.00
Dion International Trucks LLC	Fleet Supplies	112459	58.89
Ferguson Enterprises, Inc	Copper Tubing Inventory	112460	6,529.65
Grainger Inc	Hardware Supplies	112461	492.95
Harrington Industrial	Ball Valves 10, Hardware Supplies	112462	1,069.68
Harris	North Star Support 1-18 To 12-18	112463	36,399.01
KRC Rock Inc	Landscape Supplies	112464	104.52
Mallory Safety & Supply, LLC	Safety Supplies	112465	245.68
Matheson Tri-Gas Inc	Cylinder Rental	112466	50.54
Mazzei Injector Corp	Chlorine Injector - MRF	112467	997.00
One Source Distributors LLC	Hardware Supplies	112468	78.66
Plumbers Depot Inc	Sewer Hose, Camera Repair Parts - CCTV Truck	112469	3,231.07
Powerland Equipment Inc	Utility Vehicle Repair	112470	291.01
Process Solutions, Inc.	Quarterly Inspection Mahr	112471	450.00
Rupe's Hydraulics	Hardware Supplies	112472	27.67
T.S. Industrial Supply	Tubing Cutter Wheel	112473	664.82
Unifirst Corporation	Uniform Delivery	112474	1,890.60
Vortex Industries Inc	Door Repair Svcs	112475	340.00
Waxie Sanitary Supply	Cleaning Supplies	112476	1,206.80
Total Disbursements (118 Checks)			460,498.97

VALLECITOS WATER DISTRICT
WARRANTS LIST
December 6, 2017

PAYEE	DESCRIPTION	CHECK#	AMOUNT
WIRES			
San Diego County Water Authority	October Water Bill	Wire	2,824,077.26
CalPERS CERBT	OPEB funding December 27, 2017	Wire	200,000.00
Public Employees Retirement System	Retirement Contribution - November 22, 2017 Payroll	Wire	<u>65,048.45</u>
Total Wires			<u>3,089,125.71</u>
PAYROLL			
Total direct deposits		Wire	220,416.68
VWD Employee Association		112356	522.00
Garnishments	112357 through	112358	970.14
IRS	Federal payroll tax deposit	Wire	89,310.64
Employment Development Department	California payroll tax deposit	Wire	15,854.32
CalPERS	Deferred compensation withheld	Wire	14,975.00
VOYA	Deferred compensation withheld	Wire	<u>3,614.26</u>
Total November 22, 2017 Payroll Disbursements			<u>345,663.04</u>
Total direct deposits		Wire	795.74
IRS	Federal payroll tax deposits	Wire	331.60
Employment Development Department	California payroll tax deposit	Wire	<u>78.44</u>
Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)			<u>1,205.78</u>
Total Payroll Disbursements			<u>346,868.82</u>
TOTAL DISBURSEMENTS			<u><u>3,896,493.50</u></u>

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: APPROVAL OF CONSTRUCTION AGREEMENT FOR SKYLINE TOWNHOMES APN 221-661-23 (WESTERN PACIFIC HOUSING, INC.)

BACKGROUND:

Western Pacific Housing, Inc., owner of the project, has completed the plan check process with the District. The project is located north of San Marcos Boulevard between Business Park Drive and Acacia Drive.

DISCUSSION:

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

The project will construct approximately 462 feet of 12-inch diameter PVC water main, 873 feet of 8-inch diameter PVC sewer main and upsize approximately 30 feet of existing 8-inch diameter AC water main along San Marcos Boulevard with new 10-inch PVC water main to meet fire flow requirements.

Upon completion of the water and sewer facilities, water and sewer service will be available to 189 multi-family residential units and a 100-room hotel site.

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

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

Labor and Materials	\$383,635.69
Faithful Performance	\$383,635.69

FISCAL IMPACT:

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

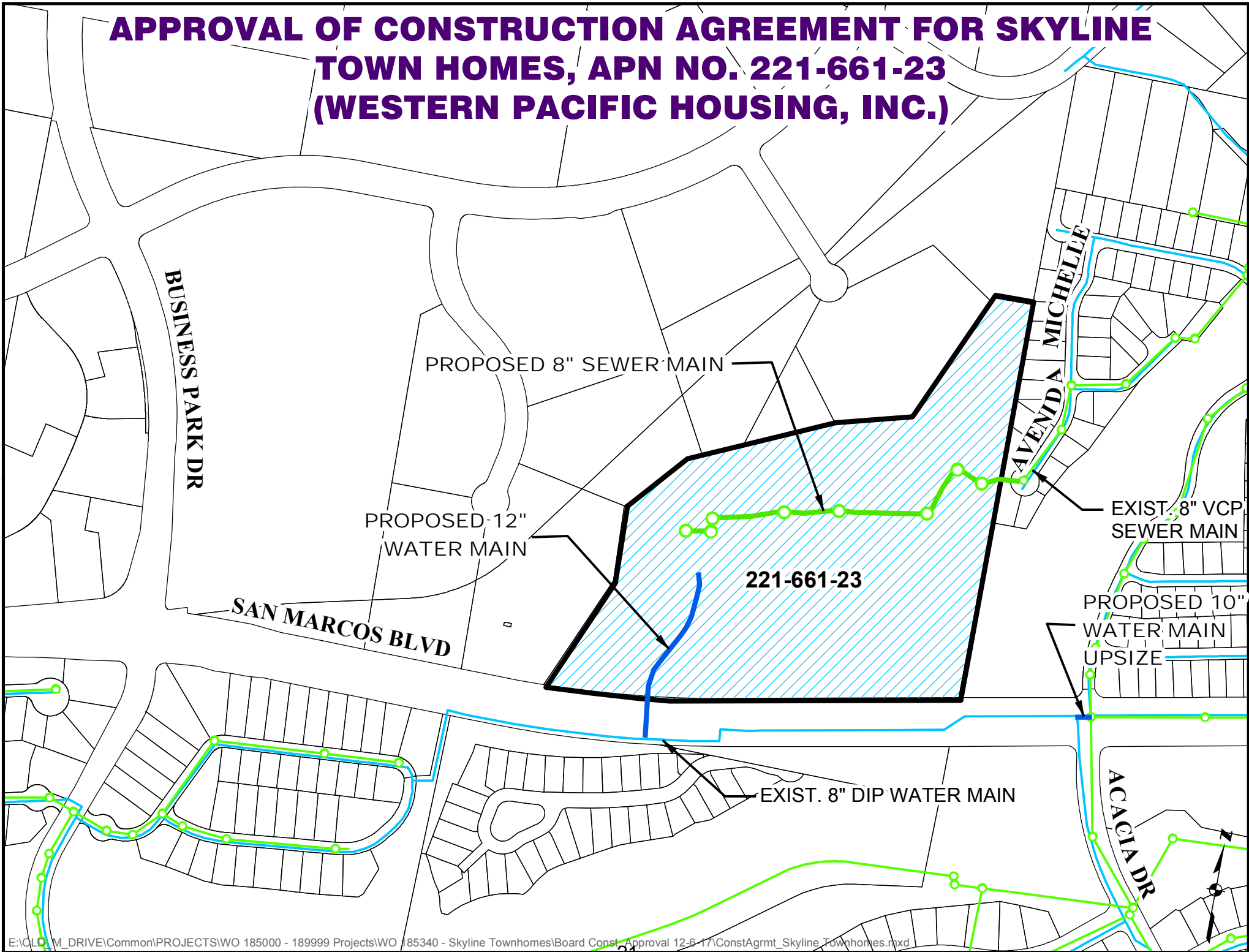
RECOMMENDATION:

Approve the construction agreement for Skyline Townhomes.

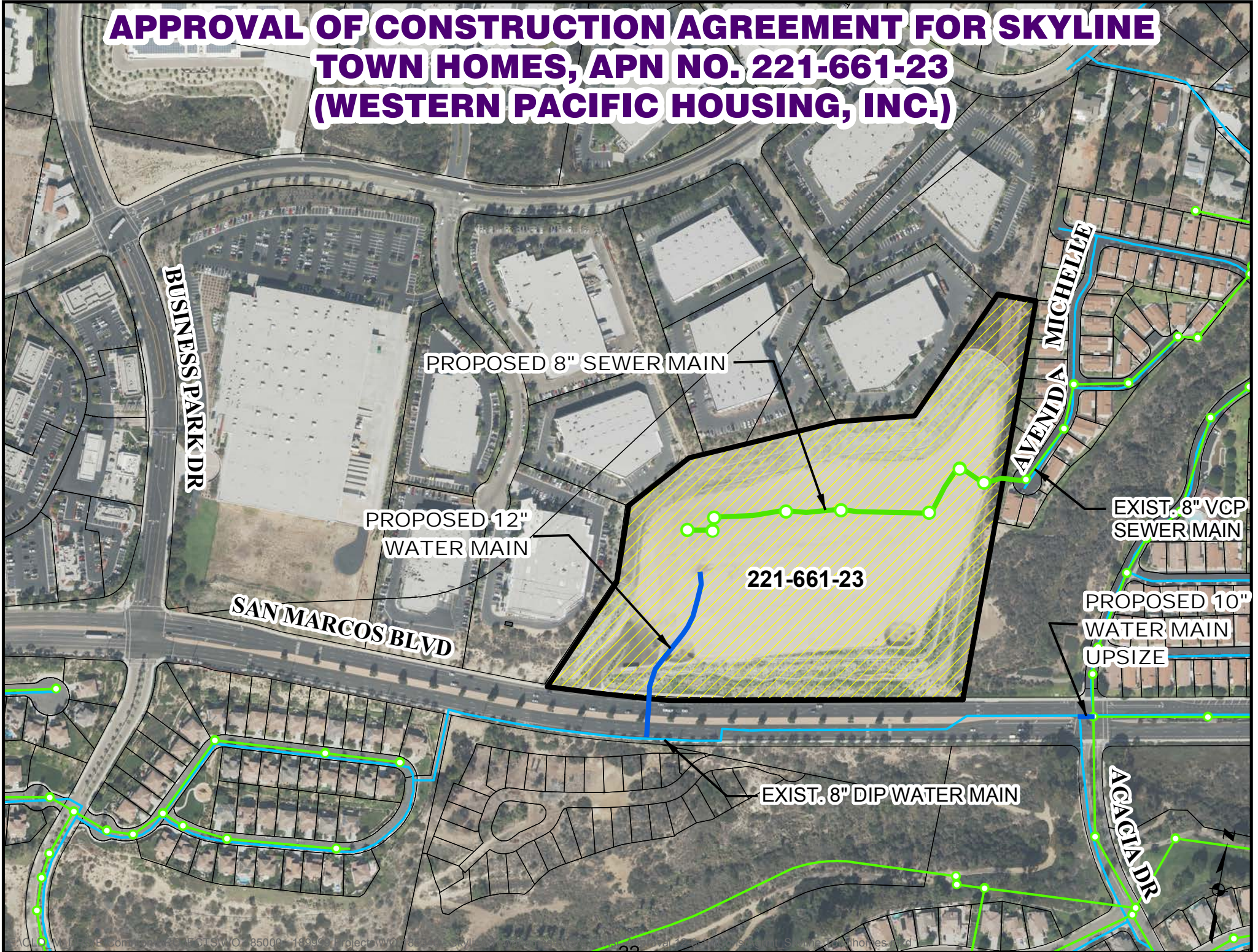
ATTACHMENTS:

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

APPROVAL OF CONSTRUCTION AGREEMENT FOR SKYLINE TOWN HOMES, APN NO. 221-661-23 (WESTERN PACIFIC HOUSING, INC.)



APPROVAL OF CONSTRUCTION AGREEMENT FOR SKYLINE TOWN HOMES, APN NO. 221-661-23 (WESTERN PACIFIC HOUSING, INC.)



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

THIS AGREEMENT is entered into by and between VALLECITOS WATER DISTRICT (“DISTRICT”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code §§ 30000 et seq., and **WESTERN PACIFIC HOUSING, INC.** (“DEVELOPER”), a Delaware Corporation.

RECITALS

1. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **12.88** acres commonly described as Tax Assessor's Parcel Nos. **221-661-23 & 42** (“PROJECT”).

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

3. DEVELOPER is required to submit plans and specifications for construction of the FACILITIES for review and approval by DISTRICT. The plans and specifications have been prepared by **Excel Engineering** and are identified as **Skyline Townhomes VWD WO 185340**. DEVELOPER shall construct the FACILITIES pursuant to the approved plans and specifications which shall include DISTRICT's standard specifications and applicable special provisions. DEVELOPER shall comply with all terms of this Agreement. All work covered by this Agreement shall be completed on or before _____, 201___. In the event work is not completed by that date, this AGREEMENT shall terminate unless DEVELOPER obtains a written extension from DISTRICT.

COVENANTS

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

4.1 FEES AND CHARGES. DEVELOPER shall pay all fees and charges due as established by the DISTRICT in its discretion from time to time. All Capital Facility and Connection fees are non-refundable.

4.2 ENVIRONMENTAL REVIEW. DEVELOPER shall provide the DISTRICT with all environmental documents previously utilized to obtain approvals for the PROJECT. In the event that the DISTRICT determines additional environmental review is necessary, all fees and costs to prepare this additional environmental review shall be borne solely by the DEVELOPER.

4.3 APPROVED PLANS AND SPECIFICATIONS. DEVELOPER shall prepare and submit to the DISTRICT a set of plans and specifications for the FACILITIES. The plans and specifications for the FACILITIES include DISTRICT's standard specifications and applicable special provisions and are incorporated herein by reference as if set forth in full. Approval of these plans and specifications by the DISTRICT shall be a condition precedent to the obligations of the DISTRICT to execute this Agreement. Approval of these plans and specifications by the DISTRICT shall not relieve the DEVELOPER of liability for any improper design or construction of the FACILITIES.

4.4 CHANGES TO PLANS AND SPECIFICATIONS. DISTRICT, without liability to DISTRICT, DISTRICT's engineer and their consultants, and each of their directors, officers, employees, and agents, may require such changes, alterations, or additions to the plans and specifications which do not exceed ten percent (10%) of the original DISTRICT estimated cost of the work as may be determined necessary or desirable by DISTRICT in its sole discretion, including those necessary due to errors or omissions in the approved plans or specifications. Changes, alterations, or additions without said 10% limitation may be made for unforeseen conditions such as rock excavation, unstable soil conditions, or high water tables requiring dewatering.

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

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

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

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

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

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

- A. DISTRICT, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the DEVELOPER; products and completed operations of the DEVELOPER; premises owned, occupied or used by the DEVELOPER; and automobiles owned, leased, hired or borrowed by the DEVELOPER. The coverage shall contain no special limitations on the scope of protection afforded to DISTRICT, its directors, officers, employees, or authorized volunteers.
- B. For any claims related to this project, the DEVELOPER's insurance shall be primary insurance as respects DISTRICT, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other

coverage maintained by DISTRICT, its directors, officers, employees, or authorized volunteers shall not contribute to it.

C. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to DISTRICT, its directors, officers, employees, or authorized volunteers.

D. The DEVELOPER's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

E. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the DEVELOPER, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to DISTRICT.

Such liability insurance shall indemnify the DEVELOPER and his/her sub-DEVELOPER's against loss from liability imposed by law upon, or assumed under contract by, the DEVELOPER or his/her sub-DEVELOPER's for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

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

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

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

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

8. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE. The DEVELOPER and all sub-DEVELOPERs shall insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or

about the construction site, in accordance with the "Workers' Compensation and Insurance Act", Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The DEVELOPER shall provide employer's liability insurance with limits of no less than \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

9. RESPONSIBILITY FOR WORK. Until the completion and final acceptance by DISTRICT of all the work under and implied by this agreement, the work shall be under the DEVELOPER's responsible care and charge. The DEVELOPER shall rebuild, repair, restore and make good all injuries, damages, re-erections, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

10. EVIDENCE OF INSURANCE. Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall file with DISTRICT a certificate of insurance (Accord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against DISTRICT (if builder's risk insurance is applicable). Such evidence shall also include confirmation that coverage includes or has been modified to include **Required Provisions, A-E**.

The DEVELOPER shall, upon demand of DISTRICT, deliver to DISTRICT such policy or policies of insurance and the receipts for payment of premiums thereon.

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

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

13. SECURITY. Upon execution of this Agreement and prior to Board approval, DEVELOPER shall provide the DISTRICT with a payment bond and a performance bond, each in the amount of **\$ 383,635.69**. Each payment and performance bond shall represent 100% of the estimated construction costs of the FACILITIES. Bonds shall be furnished by surety companies satisfactory to the DISTRICT. Surety companies, to be acceptable to the DISTRICT, must have an acceptable rating from Best's Key Rating Guide, authorized to do business and have an agent for service of process in California.

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

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

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

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

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

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

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

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

17. CONSTRUCTION OF FACILITIES. DEVELOPER shall not commence construction of any FACILITIES required by this Agreement until DEVELOPER has received written authorization from the DISTRICT to proceed. All work performed on the FACILITIES shall be done in strict compliance with the approved plans and specifications and in a good and workmanlike manner as determined by the DISTRICT in its sole discretion. All work performed on the FACILITIES by DEVELOPER shall be subject to inspection by the DISTRICT's designated representatives and DEVELOPER shall comply with all instructions given by the DISTRICT's representative during construction of the work. All fees and costs to construct the FACILITIES shall be borne by DEVELOPER.

18. COMPLIANCE WITH APPLICABLE LAW. DEVELOPER shall insure that all work performed on the project is performed in a manner which complies with all applicable federal and state laws and all county and local government rules and regulations, including all rules and regulations of DISTRICT, as these rules and regulations may be modified or changed from time to time. DEVELOPER shall be solely responsible for obtaining and paying for all permits, licenses

and approvals necessary to construct the FACILITIES. DEVELOPER shall provide verification that permits, licenses and approvals have been obtained promptly upon demand from DISTRICT.

19. PREVAILING WAGES. DEVELOPER is aware of the provisions of California Labor Code §§ 1770 et seq., which requires the payment of prevailing wage rates and the performance of other requirements if it is determined that DEVELOPER's contract with its contractor to construct the FACILITIES is a public works contract. DEVELOPER agrees to hold the DISTRICT and its officers, employees and agents harmless from any claim of liability, including costs of defense and attorney's fees, arising from any alleged failure to comply with these provisions of the Labor Code.

DEVELOPER, and not the DISTRICT, shall be liable for insuring that prevailing wages, as set by the Director of the Department of Industrial Relations, have been paid for all work performed in accordance with this contract. In the event of any claim, DEVELOPER shall provide the DISTRICT with all information in DEVELOPER's possession concerning the claim within ten (10) consecutive days following written demand from the DISTRICT.

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

21. ACCEPTANCE OF WORK. Upon completion of the FACILITIES required by this Agreement to the satisfaction of the DISTRICT, the FACILITIES which have been constructed shall be presented to the Board of Directors of the DISTRICT for dedication and the filing of a Notice of Completion. The DISTRICT shall have no obligation to accept the FACILITIES or file a Notice of Completion if the design and/or construction of the work is not satisfactory to the DISTRICT in its sole discretion. Upon recordation of a Notice of Completion, all right, title, ownership and interest in the FACILITIES shall be deemed to have been transferred to the DISTRICT. DEVELOPER shall not allow any part of PROJECT to be occupied prior to acceptance of FACILITIES by DISTRICT.

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

23. LIABILITY FOR WORK PRIOR TO FORMAL ACCEPTANCE. Until the Board of Directors of the DISTRICT has formally accepted all work performed in accordance with this Agreement, DEVELOPER shall be solely responsible for all damage to the work regardless of

cause and for all damages or injuries to any person or property from any cause excepting injury or damage caused by the sole or active negligence of DISTRICT, its agents, servants or employees.

24. LIABILITY AFTER ACCEPTANCE OF WORK. After the Board of Directors of the DISTRICT has accepted the FACILITIES by formal action of the Board, DEVELOPER and DEVELOPER's successors in interest shall remain liable for all injuries or damage to persons or property including damage to the work itself, arising from or related to design or construction of the FACILITIES.

25. RELEASE OF SECURITY. Forty (40) days after the Notice of Completion has been filed by the DISTRICT, the DISTRICT shall release any security previously provided by DEVELOPER, as long as no claims have been filed. The security shall not be released until the DISTRICT has received a warranty bond or alternative security acceptable to the DISTRICT covering 25% of the original performance bond or alternative security amount. DISTRICT must have warranty bond prior to Board acceptance of the project. This new security shall remain in effect until the warranty period has expired One (1) year from final Board Acceptance and DEVELOPER has corrected all defects noted by the DISTRICT during the warranty period.

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

27. INDEMNITY. DEVELOPER shall be solely responsible and liable for design defects or defects in work performed to construct the FACILITIES required by this Agreement. This shall include liability and responsibility for injury or damage to the work itself. DEVELOPER hereby agrees to hold harmless, indemnify and defend the DISTRICT, the DISTRICT's representatives and each of the DISTRICT's officers, employees and agents from any and all claims, suits or

action of every name, kind and description brought for or on account of injuries to or death of any person or damage to any property resulting from design or construction of the FACILITIES except where the injury or damage has been caused by the sole and active negligence of the DISTRICT, its agents, servants or employees. In the event that any suit is instituted naming the DISTRICT as a party, the DISTRICT shall be entitled to appoint its own independent counsel to represent the DISTRICT; and DEVELOPER agrees to pay all attorney's fees and litigation costs associated with this defense. This indemnity shall extend to any claims arising because DEVELOPER has failed to properly secure any necessary easement, land right, contract or approval

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

29. CASH DEPOSITS. DEVELOPER shall provide the DISTRICT with an initial cash deposit in the amount of **\$ 21,914.50** to cover all DISTRICT fees and costs associated with the FACILITIES. When this deposit has been drawn down to **\$ 1,000.00**, DEVELOPER agrees to deposit such additional sums as the DISTRICT may determine from time to time to cover all fees and costs of the DISTRICT. Prior to final acceptance of the project, a final accounting will be forwarded to the developer for payment. Additional deposits for additional inspections after acceptance of the project may be requested.

30. MISCELLANEOUS PROVISIONS.

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

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

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

- 30.4 ENTIRE AGREEMENT.** This Agreement, together with all the exhibits attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda or agreements are in conflict with this Agreement are intended to be replaced in total by this Agreement and its exhibits.
- 30.5 ASSIGNMENTS.** DEVELOPER shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior consent of the DISTRICT, which consent shall not be unreasonably withheld. Any purported assignment without the DISTRICT's prior written consent shall be void.
- 30.6 BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs and assigns.
- 30.7 UNENFORCEABLE PROVISIONS.** The terms, conditions and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.
- 30.8 REPRESENTATION OF CAPACITY TO CONTRACT.** Each of the parties to this Agreement represents and warrants that he has the authority to execute this Agreement on behalf of the entity represented by that individual.
- 30.9 OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT COUNSEL.** DEVELOPER has been advised and understands that this Agreement has been prepared by The Law Offices of Jeffrey G. Scott, general counsel, who represents only the DISTRICT. DEVELOPER warrants and represents that DEVELOPER has been advised to consult independent legal counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.
- 30.10 NO WAIVER.** The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term,

covenant or condition of this Agreement at any later date or as a waiver of any term, covenant or condition of this Agreement.

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

30.12 EFFECTIVE DATE. The effective date of this Agreement, executed in counterparts in the North County Judicial District, County of San Diego, State of California, is _____.

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

“DEVELOPER”	
Name: _____	
Title: _____	
Company: _____	
Signature*: _____	Dated: _____

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

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: APPROVAL OF CONSTRUCTION AGREEMENT FOR PALOMAR OPERATIONS AND MAINTENANCE COMPLEX APNS 219-161-17, 18, 19 & 21 (PALOMAR COMMUNITY COLLEGE DISTRICT)

BACKGROUND:

The Palomar Community College District, owner of the project, has completed the plan check process with the District. The project is located north of Mission Road, east of Las Posas Road.

DISCUSSION:

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

The project will construct approximately 450 feet of 8-inch diameter PVC water main and upsize approximately 50 feet of existing 8-inch AC water main along Mission Road with new 10-inch diameter PVC water main to meet fire flow requirements.

Upon completion of the water facilities, water and existing sewer service will be available to serve the 28,220 square foot operations building.

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

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

Labor and Materials	\$72,599.50
Faithful Performance	\$72,599.50

FISCAL IMPACT:

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

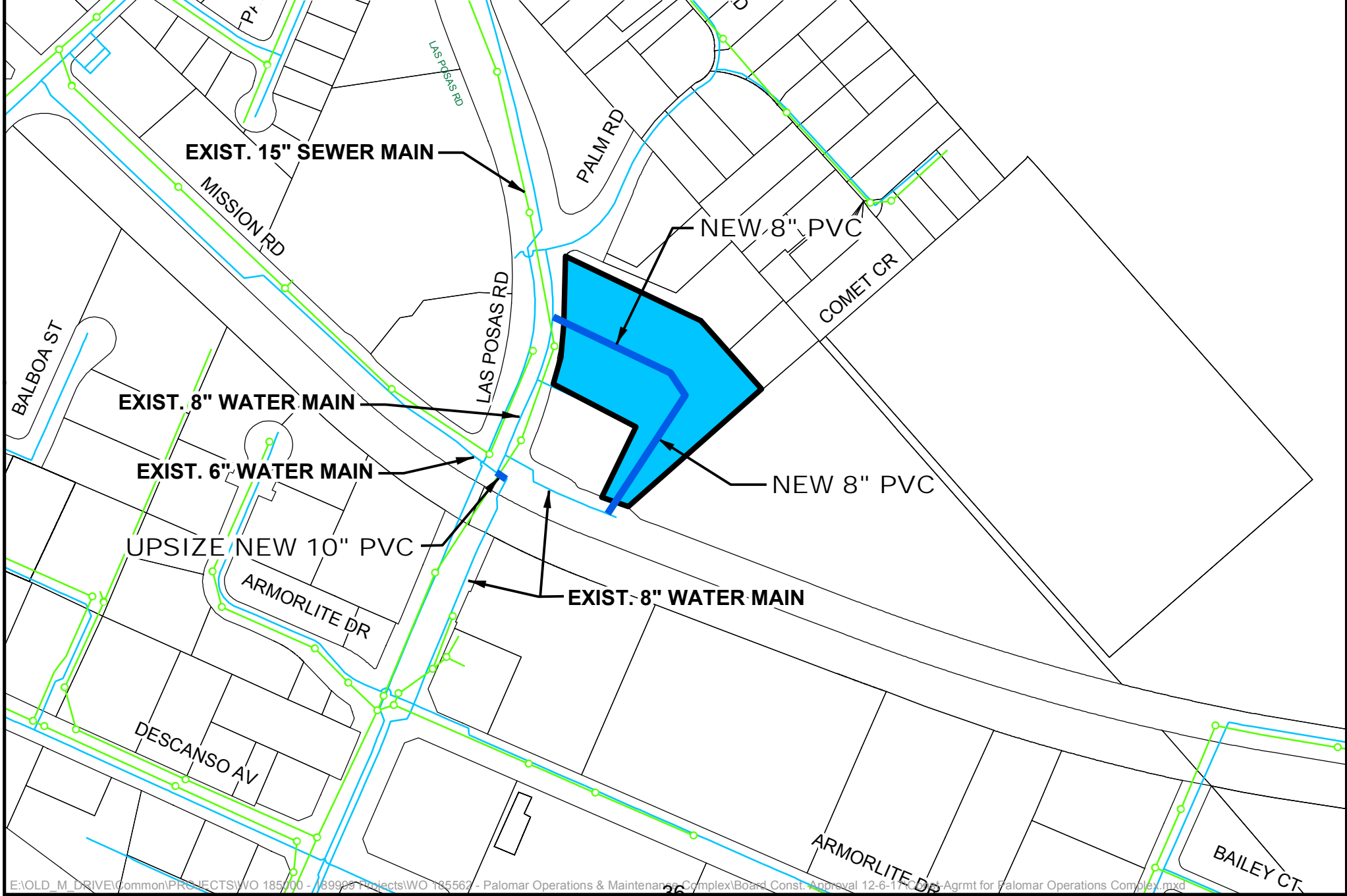
RECOMMENDATION:

Approve the construction agreement for Palomar Operations and Maintenance Complex.

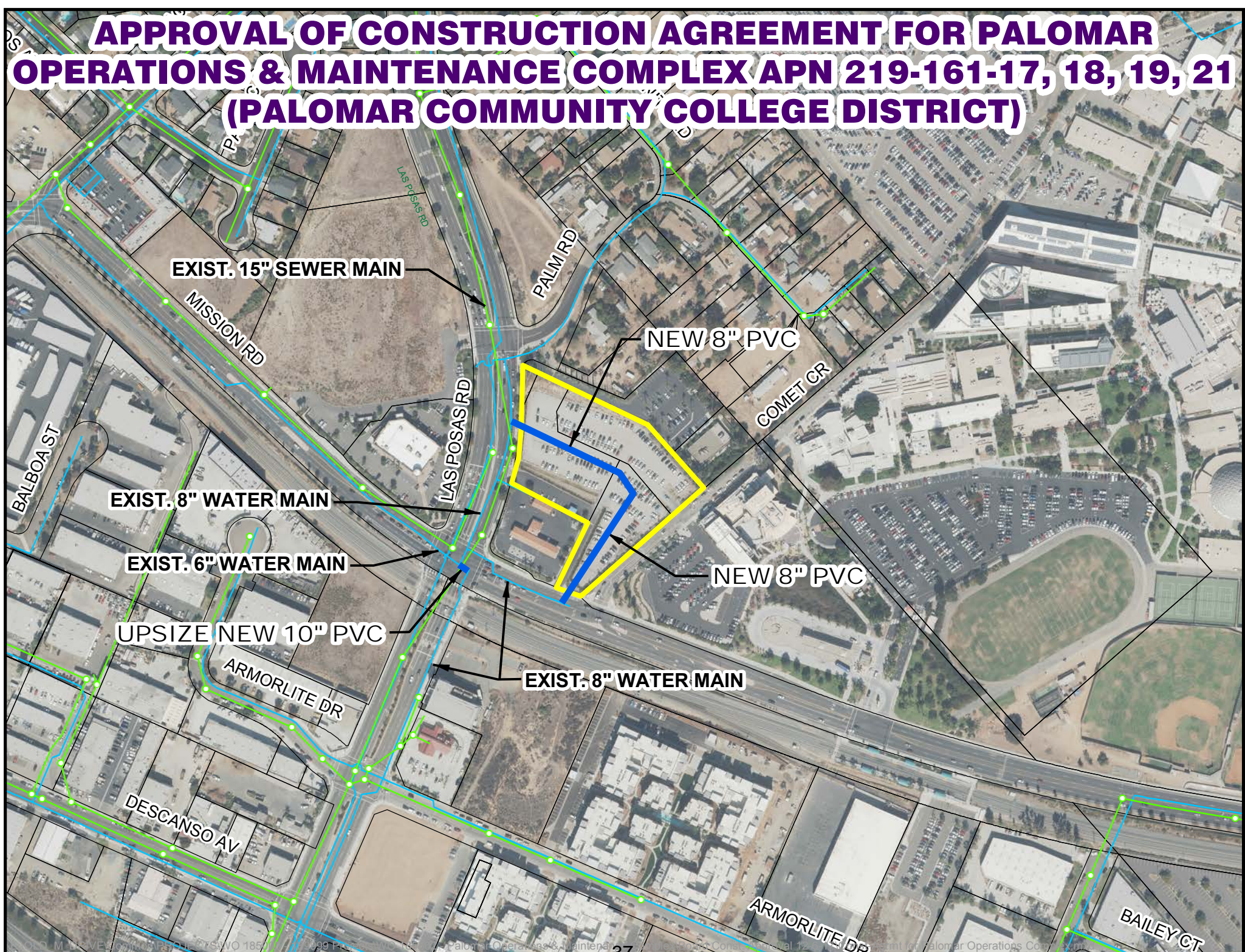
ATTACHMENTS:

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

APPROVAL OF CONSTRUCTION AGREEMENT FOR PALOMAR OPERATIONS & MAINTENANCE COMPLEX APN 219-161-17, 18, 19, 21 (PALOMAR COMMUNITY COLLEGE DISTRICT)



APPROVAL OF CONSTRUCTION AGREEMENT FOR PALOMAR OPERATIONS & MAINTENANCE COMPLEX APN 219-161-17, 18, 19, 21 (PALOMAR COMMUNITY COLLEGE DISTRICT)



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

THIS AGREEMENT is entered into by and between VALLECITOS WATER DISTRICT (“DISTRICT”), a County Water District organized and operating pursuant to the County Water District Law, California Water Code §§ 30000 et seq., and **PALOMAR COMMUNITY COLLEGE DISTRICT** (“DEVELOPER”).

RECITALS

1. DEVELOPER desires to improve certain real property which lies within the boundaries of the DISTRICT consisting of approximately **3.39** acres commonly described as Tax Assessor's Parcel Nos. **APN 219-161-17, 18, 19, 21** (“PROJECT”).

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

3. DEVELOPER is required to submit plans and specifications for construction of the FACILITIES for review and approval by DISTRICT. The plans and specifications have been prepared by **SWS Engineering, Inc.** and are identified as **Palomar Operations and Maintenance Complex - VWD WO 185562**. DEVELOPER shall construct the FACILITIES pursuant to the approved plans and specifications which shall include DISTRICT's standard specifications and applicable special provisions. DEVELOPER shall comply with all terms of this Agreement. All work covered by this Agreement shall be completed on or before _____, 201___. In the event work is not completed by that date, this AGREEMENT shall terminate unless DEVELOPER obtains a written extension from DISTRICT.

COVENANTS

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

4.1 FEES AND CHARGES. DEVELOPER shall pay all fees and charges due as established by the DISTRICT in its discretion from time to time. All Capital Facility and Connection fees are non-refundable.

4.2 ENVIRONMENTAL REVIEW. DEVELOPER shall provide the DISTRICT with all environmental documents previously utilized to obtain approvals for the PROJECT. In the event that the DISTRICT determines additional environmental review is necessary, all fees and costs to prepare this additional environmental review shall be borne solely by the DEVELOPER.

4.3 APPROVED PLANS AND SPECIFICATIONS. DEVELOPER shall prepare and submit to the DISTRICT a set of plans and specifications for the FACILITIES. The plans and specifications for the FACILITIES include DISTRICT's standard specifications and applicable special provisions and are incorporated herein by reference as if set forth in full. Approval of these plans and specifications by the DISTRICT shall be a condition precedent to the obligations of the DISTRICT to execute this Agreement. Approval of these plans and specifications by the DISTRICT shall not relieve the DEVELOPER of liability for any improper design or construction of the FACILITIES.

4.4 CHANGES TO PLANS AND SPECIFICATIONS. DISTRICT, without liability to DISTRICT, DISTRICT's engineer and their consultants, and each of their directors, officers, employees, and agents, may require such changes, alterations, or additions to the plans and specifications which do not exceed ten percent (10%) of the original DISTRICT estimated cost of the work as may be determined necessary or desirable by DISTRICT in its sole discretion, including those necessary due to errors or omissions in the approved plans or specifications. Changes, alterations, or additions without said 10% limitation may be made for unforeseen conditions such as rock excavation, unstable soil conditions, or high water tables requiring dewatering.

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

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

A. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001);

B. Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto).

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

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

B. Automobile Liability - One million dollars (\$1,000,000) for bodily injury and property damage each accident limit.

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

A. DISTRICT, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the DEVELOPER; products and completed operations of the DEVELOPER; premises owned, occupied or used by the DEVELOPER; and automobiles owned, leased, hired or borrowed by the DEVELOPER. The coverage shall contain no special limitations on the scope of protection afforded to DISTRICT, its directors, officers, employees, or authorized volunteers.

B. For any claims related to this project, the DEVELOPER's insurance shall be primary insurance as respects DISTRICT, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other

coverage maintained by DISTRICT, its directors, officers, employees, or authorized volunteers shall not contribute to it.

C. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to DISTRICT, its directors, officers, employees, or authorized volunteers.

D. The DEVELOPER's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

E. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the DEVELOPER, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to DISTRICT.

Such liability insurance shall indemnify the DEVELOPER and his/her sub-DEVELOPER's against loss from liability imposed by law upon, or assumed under contract by, the DEVELOPER or his/her sub-DEVELOPER's for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

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

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

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

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

8. WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE. The DEVELOPER and all sub-DEVELOPERs shall insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or

about the construction site, in accordance with the "Workers' Compensation and Insurance Act", Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The DEVELOPER shall provide employer's liability insurance with limits of no less than \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

9. RESPONSIBILITY FOR WORK. Until the completion and final acceptance by DISTRICT of all the work under and implied by this agreement, the work shall be under the DEVELOPER's responsible care and charge. The DEVELOPER shall rebuild, repair, restore and make good all injuries, damages, re-erectments, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

10. EVIDENCE OF INSURANCE. Prior to construction of FACILITIES under this Agreement, the DEVELOPER shall file with DISTRICT a certificate of insurance (Accord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against DISTRICT (if builder's risk insurance is applicable). Such evidence shall also include confirmation that coverage includes or has been modified to include **Required Provisions, A-E**.

The DEVELOPER shall, upon demand of DISTRICT, deliver to DISTRICT such policy or policies of insurance and the receipts for payment of premiums thereon.

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

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

13. SECURITY. Upon execution of this Agreement and prior to Board approval, DEVELOPER shall provide the DISTRICT with a payment bond and a performance bond, each in the amount of **\$ 72,599.50**. Each payment and performance bond shall represent 100% of the estimated construction costs of the FACILITIES. Bonds shall be furnished by surety companies satisfactory to the DISTRICT. Surety companies, to be acceptable to the DISTRICT, must have an acceptable rating from Best's Key Rating Guide, authorized to do business and have an agent for service of process in California.

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

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

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

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

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

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

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

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

17. CONSTRUCTION OF FACILITIES. DEVELOPER shall not commence construction of any FACILITIES required by this Agreement until DEVELOPER has received written authorization from the DISTRICT to proceed. All work performed on the FACILITIES shall be done in strict compliance with the approved plans and specifications and in a good and workmanlike manner as determined by the DISTRICT in its sole discretion. All work performed on the FACILITIES by DEVELOPER shall be subject to inspection by the DISTRICT's designated representatives and DEVELOPER shall comply with all instructions given by the DISTRICT's representative during construction of the work. All fees and costs to construct the FACILITIES shall be borne by DEVELOPER.

18. COMPLIANCE WITH APPLICABLE LAW. DEVELOPER shall insure that all work performed on the project is performed in a manner which complies with all applicable federal and state laws and all county and local government rules and regulations, including all rules and regulations of DISTRICT, as these rules and regulations may be modified or changed from time to time. DEVELOPER shall be solely responsible for obtaining and paying for all permits, licenses

and approvals necessary to construct the FACILITIES. DEVELOPER shall provide verification that permits, licenses and approvals have been obtained promptly upon demand from DISTRICT.

19. PREVAILING WAGES. DEVELOPER is aware of the provisions of California Labor Code §§ 1770 et seq., which requires the payment of prevailing wage rates and the performance of other requirements if it is determined that DEVELOPER's contract with its contractor to construct the FACILITIES is a public works contract. DEVELOPER agrees to hold the DISTRICT and its officers, employees and agents harmless from any claim of liability, including costs of defense and attorney's fees, arising from any alleged failure to comply with these provisions of the Labor Code.

DEVELOPER, and not the DISTRICT, shall be liable for insuring that prevailing wages, as set by the Director of the Department of Industrial Relations, have been paid for all work performed in accordance with this contract. In the event of any claim, DEVELOPER shall provide the DISTRICT with all information in DEVELOPER's possession concerning the claim within ten (10) consecutive days following written demand from the DISTRICT.

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

21. ACCEPTANCE OF WORK. Upon completion of the FACILITIES required by this Agreement to the satisfaction of the DISTRICT, the FACILITIES which have been constructed shall be presented to the Board of Directors of the DISTRICT for dedication and the filing of a Notice of Completion. The DISTRICT shall have no obligation to accept the FACILITIES or file a Notice of Completion if the design and/or construction of the work is not satisfactory to the DISTRICT in its sole discretion. Upon recordation of a Notice of Completion, all right, title, ownership and interest in the FACILITIES shall be deemed to have been transferred to the DISTRICT. DEVELOPER shall not allow any part of PROJECT to be occupied prior to acceptance of FACILITIES by DISTRICT.

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

23. LIABILITY FOR WORK PRIOR TO FORMAL ACCEPTANCE. Until the Board of Directors of the DISTRICT has formally accepted all work performed in accordance with this Agreement, DEVELOPER shall be solely responsible for all damage to the work regardless of

cause and for all damages or injuries to any person or property from any cause excepting injury or damage caused by the sole or active negligence of DISTRICT, its agents, servants or employees.

24. LIABILITY AFTER ACCEPTANCE OF WORK. After the Board of Directors of the DISTRICT has accepted the FACILITIES by formal action of the Board, DEVELOPER and DEVELOPER's successors in interest shall remain liable for all injuries or damage to persons or property including damage to the work itself, arising from or related to design or construction of the FACILITIES.

25. RELEASE OF SECURITY. Forty (40) days after the Notice of Completion has been filed by the DISTRICT, the DISTRICT shall release any security previously provided by DEVELOPER, as long as no claims have been filed. The security shall not be released until the DISTRICT has received a warranty bond or alternative security acceptable to the DISTRICT covering 25% of the original performance bond or alternative security amount. DISTRICT must have warranty bond prior to Board acceptance of the project. This new security shall remain in effect until the warranty period has expired One (1) year from final Board Acceptance and DEVELOPER has corrected all defects noted by the DISTRICT during the warranty period.

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

27. INDEMNITY. DEVELOPER shall be solely responsible and liable for design defects or defects in work performed to construct the FACILITIES required by this Agreement. This shall include liability and responsibility for injury or damage to the work itself. DEVELOPER hereby agrees to hold harmless, indemnify and defend the DISTRICT, the DISTRICT's representatives and each of the DISTRICT's officers, employees and agents from any and all claims, suits or

action of every name, kind and description brought for or on account of injuries to or death of any person or damage to any property resulting from design or construction of the FACILITIES except where the injury or damage has been caused by the sole and active negligence of the DISTRICT, its agents, servants or employees. In the event that any suit is instituted naming the DISTRICT as a party, the DISTRICT shall be entitled to appoint its own independent counsel to represent the DISTRICT; and DEVELOPER agrees to pay all attorney's fees and litigation costs associated with this defense. This indemnity shall extend to any claims arising because DEVELOPER has failed to properly secure any necessary easement, land right, contract or approval

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

29. CASH DEPOSITS. DEVELOPER shall provide the DISTRICT with an initial cash deposit in the amount of \$ 11,094.00 to cover all DISTRICT fees and costs associated with the FACILITIES. When this deposit has been drawn down to \$ 1,000.00, DEVELOPER agrees to deposit such additional sums as the DISTRICT may determine from time to time to cover all fees and costs of the DISTRICT. Prior to final acceptance of the project, a final accounting will be forwarded to the developer for payment. Additional deposits for additional inspections after acceptance of the project may be requested.

30. MISCELLANEOUS PROVISIONS.

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

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

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

- 30.4 ENTIRE AGREEMENT.** This Agreement, together with all the exhibits attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda or agreements are in conflict with this Agreement are intended to be replaced in total by this Agreement and its exhibits.
- 30.5 ASSIGNMENTS.** DEVELOPER shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior consent of the DISTRICT, which consent shall not be unreasonably withheld. Any purported assignment without the DISTRICT's prior written consent shall be void.
- 30.6 BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs and assigns.
- 30.7 UNENFORCEABLE PROVISIONS.** The terms, conditions and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.
- 30.8 REPRESENTATION OF CAPACITY TO CONTRACT.** Each of the parties to this Agreement represents and warrants that he has the authority to execute this Agreement on behalf of the entity represented by that individual.
- 30.9 OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT COUNSEL.** DEVELOPER has been advised and understands that this Agreement has been prepared by The Law Offices of Jeffrey G. Scott, general counsel, who represents only the DISTRICT. DEVELOPER warrants and represents that DEVELOPER has been advised to consult independent legal counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.
- 30.10 NO WAIVER.** The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term,

covenant or condition of this Agreement at any later date or as a waiver of any term, covenant or condition of this Agreement.

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

30.12 EFFECTIVE DATE. The effective date of this Agreement, executed in counterparts in the North County Judicial District, County of San Diego, State of California, is _____.

**“DISTRICT”
VALLECITOS WATER DISTRICT**

By: _____

Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District

Dated: _____

“DEVELOPER”

Name: _____

Title: _____

Company: _____

Signature*: _____

Dated: _____

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

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: AWARD OF CONSTRUCTION CONTRACT FOR THE REPAIR OF CONCRETE DRIVEWAY FOR CONDOMINIUM COMPLEX

BACKGROUND:

The District's Construction crew has been replacing all of the poly water service lines in the District due to their excessive failure rate. The condominium complex at 2982 Luciernaga Street, Carlsbad, has several poly service lines that needed to be replaced. The Construction department has completed the service line replacements and the concrete that was removed must now be replaced.

DISCUSSION:

District staff requested bids from three local concrete companies for the replacement of the concrete driveway(s). Only two of the concrete companies submitted bids. The bid results are as follows:

Concrete List 17-01

Bidder

Ray White Cement	\$ 75,639.98
Precision Concrete Construction, Inc.	\$117,750.00

Staff completed the evaluation of qualifications and determined that Ray White Cement was the lowest, most responsive bidder for this project. Construction management will be performed by District staff.

FISCAL IMPACT:

Funds are included in the 2017/18 Materials & Services Budget for concrete repairs. The estimated cost summary is as follows:

Budget	\$100,000.00
Construction	\$ 75,639.98
10% Contingency	\$ 7,563.99
Staff	\$ 1,565.00
Overhead	\$ 3,443.00
Total	\$ 88,211.97

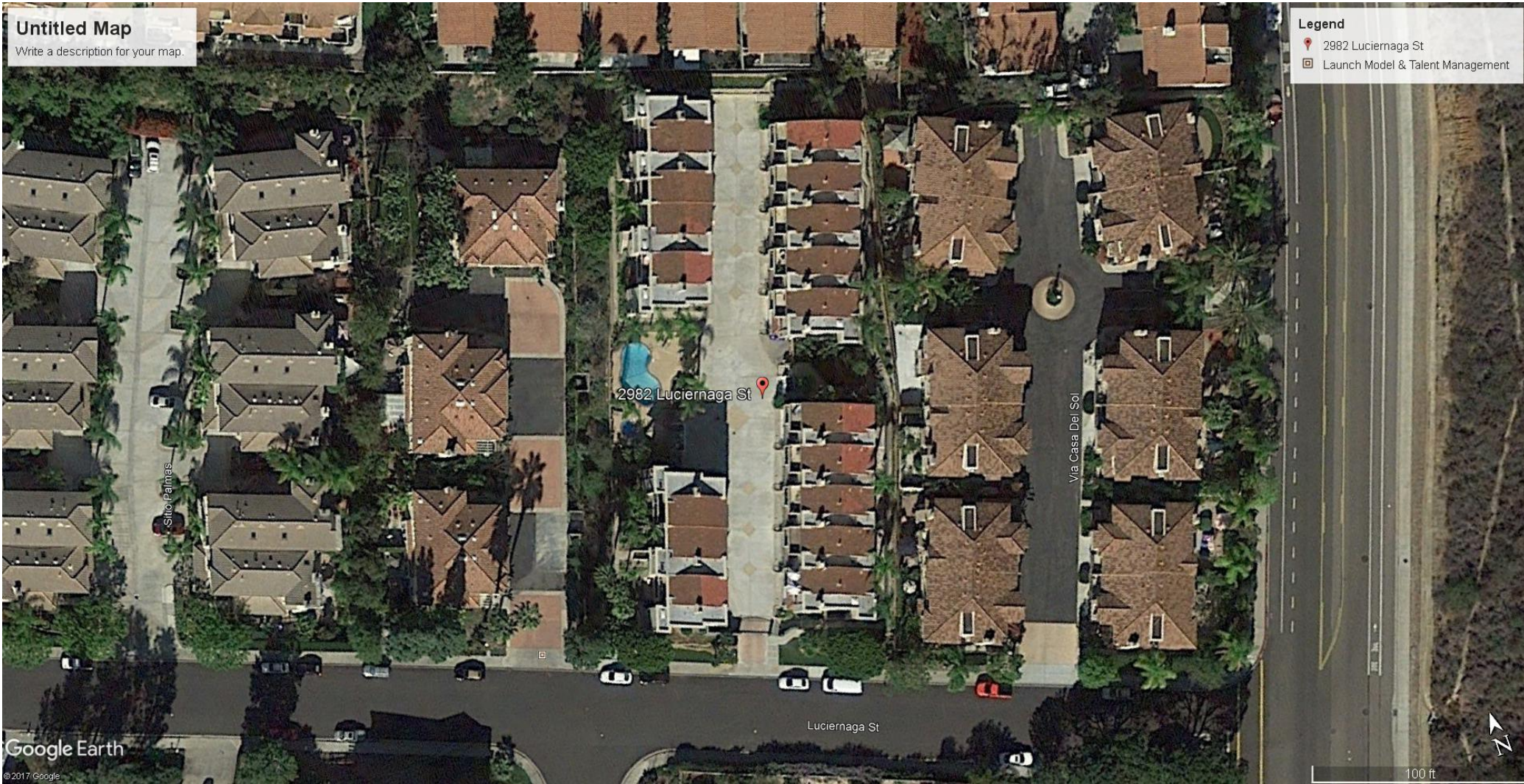
Budget Surplus	\$ 11,788.03
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RECOMMENDATION:

Award a construction contract to Ray White Cement for a total of \$75,639.98, subject to the provisions of the contract.

ATTACHMENTS:

Map
Construction Agreement



Untitled Map
Write a description for your map.

- Legend**
- 📍 2982 Luciernaga St
 - 🏠 Launch Model & Talent Management

Google Earth
© 2017 Google

AGREEMENT - (Small Contracts)

This Agreement is entered into by and between the Vallecitos Water District (hereinafter "District"), a County Water District organized and operating pursuant to California Water Code section 30000 et seq., and Ray White Cement (hereinafter "Contractor").

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

1. The District is a public agency organized and operating pursuant to Water Code section 30000 et seq., which provides water and sewer services to the residents of North San Diego County, California.

2. The District desires to enter into an agreement with Contractor to perform certain contracting services in accordance with the terms of this Agreement.

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

1. Services to be Performed. Contractor agrees to furnish all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately perform all work in accordance with the Scope of Services attached hereto as Exhibit "A" and incorporated herein by reference ("the Work").

2. Payment of Compensation. For contractor's complete and satisfactory performance of the work, Contractor shall be paid the firm fixed fee of seventy five thousand six hundred thirty nine dollars and ninety eight cents (\$75,639.98).

3. Time of Completion. The time limits and standards established in the Contractor's Schedule, set forth in Exhibit "A" and any updates thereto as approved by District, shall be adhered to by the parties in the performance of this Agreement.

4. Permits. District will obtain the required encroachment/excavation permits from the City of San Marcos on behalf of the Contractor. Contractor shall be responsible for complying with all provisions of the applicable permit including submittal of traffic control plans. Contractor shall be responsible for obtaining all other permits required to accomplish the work.

5. Pavement Costs. Contractor shall be responsible for all costs associated with pavement removal, temporary pavement, disposal of all excavated materials, and import of all bedding and backfill material in accordance with the City of San Marcos excavation permit and the standards of the Vallecitos Water District.

6. District Specifications and General Conditions. All construction work shall be in accordance with the District's Standard Specifications and General Conditions for construction, which are incorporated herein by reference. District Standard Specifications and General Conditions can be reviewed from the District website:

<http://www.vwd.org/departments/engineering/document-library>.

A hard copy of the District's Standard Specifications and General Conditions shall be furnished to the Contractor upon written request.

7. Liability Insurance. Contractor shall provide certificates of insurance and endorsements showing that Contractor has comprehensive general liability insurance coverage with an insurance company licensed to do business in the State of California and acceptable to the District providing a minimum coverage of \$1 million.

8. Worker's Compensation Insurance. Contractor shall also provide certificates of insurance certifying that Contractor has obtained, for the period of the contract, full worker's compensation insurance coverage for no less than the statutory limits covering all persons whom the Contractor employs or may employ in carrying out the work under this Agreement.

9. Prevailing Wages. Contractor agrees to comply with the provisions of California Labor Code section 1770 et seq., which requires the payment of prevailing wage rates and the performance of other requirements including maintenance of certified payroll records. Contractor also expressly acknowledges and agrees to comply with all provisions of S.B. 854 relating to prevailing wage, and represents and warrants that contractor has registered with the California Department of Industrial Relations (“D.I.R.”) as required by Labor Code Section 1771.1. Contractor agrees to hold the District and its officers, employees, and agents harmless from any and all claim of liability, including costs of defense and attorney's fees, arising from any alleged failure to comply with the provisions of the California Labor Code relating to prevailing wages.

10. Warranty. Contractor shall guarantee all work and materials to be free from all defects due to faulty materials or workmanship for a period of one (1) year after the date of acceptance of the work by the District. Contractor shall repair or remove and replace any and all such work, together with any other work which may be displaced in so doing, that is found to be defective in workmanship and/or materials within said one-year period without expense whatsoever to the District, ordinary wear and tear and unusual abuse or neglect excepted.

11. Subcontracting. Contractor represents and warrants that contractor alone is responsible for performance all of the Work as described in Exhibit “A”, attached hereto, with Contractor’s own forces, except for those portions of the work which Contractor has specifically identified on the Designation of Subcontractors Form attached as Exhibit “B.” In accordance with Public Contract Code 4104, Contractor shall not subcontract any portion of the Work to any other subcontractor or entity which is not listed on Exhibit “B”, without the written authorization of the District. Contractor shall be responsible for ensuring that any subcontractor performing the Work shall be in full compliance with prevailing wage laws and requirements, as outlined above in paragraph 9.

12. Miscellaneous Provisions.

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

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

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

12.4 Effective Date. The effective date of this Agreement executed in counterparts in the North County Judicial District, County of San Diego, State of California, is _____ 2017.

"District"

Dated: _____, 2017

VALLECITOS WATER DISTRICT

By _____

Glenn Pruiam, General Manager

"Contractor"

Dated: _____, 2017

By _____

License Classification and No. _____

Public Works Contractor Registration No. _____

EXHIBIT 'B'

DESIGNATION OF SUBCONTRACTORS FORM

In compliance with the provisions of section 4100-4114 of the Public Contract Code of the State of California, and any amendments thereof, Contractor shall set forth below, the name and location of the mill, shop or office of each Subcontractor who will perform work or labor, or render service to the Contractor in an amount in excess of one thousand dollars (\$1,000.00) of the total Payment of Compensation, and the dollar amount of the work which will be done by each Subcontractor.

If the Contractor fails to specify a Subcontractor for any portion of the Work in excess of one thousand dollars of the total Payment of Compensation to be performed under the Contract, he shall be deemed to have agreed to perform such portion himself, and he shall not be permitted to subcontract that portion of the Work except under conditions permitted by law.

Subletting or subcontracting any portion of the work as to which no Subcontractor was designated in the original Agreement shall only be permitted in case of public emergency or necessity, or otherwise permitted by law, and then only after a finding reduced to writing as a public record of the District.

<u>Trade</u>	<u>\$ Amount To Be Paid</u>	<u>Name of Subcontractor</u>	<u>Subcontractor License</u>	<u>Address</u>	<u>DIR Number</u>

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: ANNUAL BOARD TRANSITION

BACKGROUND:

Ordinance No. 203 provides guidance on the Board reorganization procedures. Historically the Board reorganization occurs at the first meeting in December.

DISCUSSION:

Although Ordinance No. 203 specifically addresses the reorganization of the Board following District elections in even numbered years, it has been the practice at Vallecitos that the Board reorganization occurs every year. At the first Board meeting in December, the Board considers and appoints the incoming Board President and Vice President and completes the Board Reorganization. The current Board President is Director Elitharp and the current Vice President is Director Hernandez.

FISCAL IMPACT:

None.

RECOMMENDATION:

Request Board direction regarding the appointment of the positions of President and Vice President.

ATTACHMENT:

Ordinance No. 203

ORDINANCE NO. 203

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

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

SECTION 1: BOARD OF DIRECTORS

Section 1.1: Regular Meetings - Time and Place

Regular Meetings of the Board of Directors of the Vallecitos Water District shall be held with notice on the first and third Wednesday of each month, at the hour of 5:00 p.m. at the location of the principal place of business of the District, namely, 201 Vallecitos de Oro, San Marcos, California. Notification, including the location, shall be made in accordance with the Ralph M. Brown Act (California Government Code §54950 through §54926), as amended. Closed Sessions will be scheduled before the start of the meeting.

Section 1.2: Adjourned Meetings

A majority vote by the Board of Directors may terminate and adjourn a Board meeting at any place in the agenda to any time and place specified in the order of adjournment, except that if no Directors are present at any regular or adjourned regular meeting, the General Manager may declare the meeting adjourned to a stated time and place, and he/she shall cause written notice of adjournment in accordance with the Ralph M. Brown Act, as amended.

Section 1.3: Special Meetings

A. Special non-emergency Board meetings may be called by the Board President or a majority of the Board. Written notification shall be made and posted at least 24 hours in accordance with the Ralph M. Brown Act, as amended.

B. Special emergency Board Meetings may be held with notice in the event of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities. An emergency situation means a crippling disaster which impairs public health, safety, or both, as determined by the General Manager, Board President or Vice President in the President's absence.

Section 1.4: Rules for Conducting Meetings

Except as otherwise provided by law, or ordinance adopted by the Board, "Roberts Rules of Order, Revised," are hereby adopted as the rules of practice and procedure governing the conduct of the business and procedure before the Board. The Board President shall preside at all meetings and shall have a vote on all matters before the Board. In the absence of the President, the Vice President shall preside, and in the absence of both, the presiding officer shall be elected by a majority vote of the members of the Board.

Section 1.5: Agenda

The General Manager, in cooperation with the Board President, shall prepare an agenda for each regular, adjourned, and special meeting. Any Director may request any item to be placed on the agenda.

Section 1.6: Minutes of Meetings

A. The minutes of the Meetings of the Board shall be recorded and kept by the Secretary in a book maintained for that purpose for each calendar year. Unless otherwise expressly directed by the Board at the time of adoption, all ordinances and resolutions adopted by the Board may be referred to in the minutes of the meetings of the Board by number and title, but the same shall be recorded in full in separate books kept for that purpose for each calendar year.

B. The Board President or other person who may preside at the meeting, or the Secretary, shall authenticate the minutes, ordinances and resolutions after these have been transcribed into the appropriate books, and when so authenticated, these shall constitute the official minutes, ordinances and resolutions of the Board.

C. The Minute Book, the Ordinance Book and the Resolution Book shall be kept at the office of the Secretary at the principal place of business of the District.

Section 1.7: District Seal

The seal, an impression of which is herewith affixed to this document, bearing the words "Vallecitos Water District, Organized March 24, 1955," is adopted as the official seal of this District.

Section 1.8: Standing Advisory Committees

A. The District shall have the following standing advisory committees, each of whose function is to advise the Board of Directors and General Manager with respect to the subjects under its jurisdiction: Engineering/Equipment, Finance/Investment, Public Awareness/Personnel/Policy, and Legal/Legislative Affairs. Other standing committees may be established by the Board President. The precise and/or additional duties and responsibilities of each standing committee shall be as specified by the President from time to time. Each standing committee shall have two (2) members appointed by the President from the members of the Board; however, in no event shall the same two (2) members be permitted to serve together on more than one (1) standing committee without the unanimous approval of the Board. The President shall appoint a committee chairman from the two (2) members of the Board serving on each committee; however, no member shall be permitted to chair more than one (1) standing committee without the unanimous approval of the Board.

B. Ad Hoc advisory committees for special purposes not falling within the assigned function of an existing standing committee may be created and appointments made thereto from the members of the Board, not to exceed two (2) such members on any one ad hoc committee, from time to time by the President. Ad hoc committees may include members of the public and said appointment shall be made by the Board.

C. All committee members shall serve at the pleasure of the Board President. The General Manager shall be an ex-officio non-voting member of each committee. Each committee shall meet at such times, places, and frequency as may be directed by its chairman, by the President, or by the Board in accordance with the Ralph M. Brown Act, as amended. Each committee shall cause to be prepared and filed promptly with the Board current minutes of all of its meetings.

Section 1.9: Board Reorganization

A. Following a District election, on the first Tuesday after the first Monday in November in each even numbered year, the Board shall reorganize at the first meeting after the election is certified by the Registrar of Voters and appoint or reappoint its officers pursuant to the County Water District Act in conformance with the Uniform District Election Law, Elections Code, §23500 et. seq.

B. In addition to the minimum reorganization requirement, Board policy determines that the Board will reorganize annually to provide that each elected Director will have the opportunity to hold the office of President once during their first term. The President serves at the pleasure of the Board.

C. 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.

Section 1.10: Adoption of Ordinances and Resolutions

Except as otherwise provided by law, ordinances and resolutions of the District shall be adopted, amended, and repealed (in whole or in part) by the Board only in the following manner:

A. Ordinances shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by an ordinance adopted by the Board. The Board may adopt the ordinance (in whole or in part) as originally proposed or as modified by the Board.

B. Formal resolutions, that is, resolutions which are numbered and titled documents separate from the minutes of the meetings of the Board and required to be kept in the Resolution Book shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by a formal resolution or an ordinance adopted by the Board, only at a duly held meeting of the Board. The number and title of formal resolutions may but are not required to be, set forth in the agenda for the meeting.

C. At the time of presentation to the Board of the proposed ordinance or the proposed formal resolution, as the case may be, the reading in full thereof shall be deemed waived unless otherwise requested by any member of the Board. Ordinances and formal resolutions adopted by the Board shall contain the signed approval and attestation of the then Presiding Officer and Secretary, respectively, of the District.

D. Minute resolutions, as distinguished from formal resolutions, shall be adopted by the Board, and may be amended or repealed (in whole or in part) only by a minute resolution or a formal resolution or an ordinance adopted by the Board, only at a duly held meeting of the Board.

SECTION 2: DISTRICT MEMBERSHIPS, PER DIEM COMPENSATION, REIMBURSEMENTS, ETHICS TRAINING AND ELIGIBILITY FOR EMPLOYEE BENEFITS

Section 2.1: Authorized District Memberships

The Board has determined it to be in the best interests of the District, and its constituents, to maintain memberships in affiliated national, state, and local organizations which have applicability to the functions of the District. The District shall hold membership in the following organizations:

- American Water Works Association (AWWA)
- Association of California Water Agencies (ACWA)
- California Association of Sanitation Agencies (CASA)
- California Special Districts Association (CSDA)
- California Water Environment Association
- Council of Water Utilities
- North County Water Group
- San Diego North Economic Development Council (SDNEDC)
- Southern California Alliance of Publicly Owned Treatment Works (SCAP)
- Urban Water Institute
- Water Education Foundation (WEF)
- Water Environment Federation
- WaterReuse

In addition to the above listed organizations, the Board may remove existing memberships or approve additional memberships and authorize attendance at meetings, events, or conferences by motion from time to time. The General Manager may approve District membership of, and employee participation in, professional, technical, and business related associations and organizations.

Section 2.2: Per Diem Compensation

Each Director shall receive compensation of \$200 per diem for attending meetings of the Board or for each day's service as a member of the Board, not to exceed compensation for one meeting in any 24-hour period or ten meetings per month. The Board may consider an annual increase in the per diem equivalent to the San Diego Consumer Price Index (CPI-U), up to a maximum of 5 percent, following the operative date of the last adjustment. Public notice

shall be provided annually in accordance with Water Code Section 20203 if an increase is to be considered. Any increase adopted by this Section shall become effective 60 days from the date of approval. Compensable meetings which are pre-designated and considered occasions that constitute performance of official duties include the following:

A. Regular, Adjourned, and Special meetings of the Board, including pre-meetings with the Board Chair.

B. Committee Meetings, limited to the two Directors serving on the committee, other meetings, such as District sponsored special functions, open houses, and community out-reach functions, including pre-meetings with the appropriate representative(s).

C. Meetings of other public agencies of which the District is a member or sub-member agency such as the Encina Wastewater Authority, San Diego County Water Authority, the Metropolitan Water District of Southern California, and Local Agency Formation Commission (LAFCO), including pre-meetings with the appropriate representative(s).

D. Conferences, meetings, and other functions in which the District is a member of as listed in Section 2.1 above, and which have a significant and meaningful link to the purposes, policies, and interests of the District.

E. Meetings which provide educational training including ethics training in accordance with Government Code Section 53232.1.

F. Other meetings or conferences which the Board approves as an agenda item at a regular meeting that serves a benefit to the District and constitute the performance of official duties.

Any amounts paid, as a per diem compensation by other organizations shall be deducted from the \$200 District per diem.

Board members shall report on meetings or conferences attended at a regularly scheduled Board meeting after the event, which may include a written report that can be distributed to all Board members electronically.

Section 2.3: Reimbursement of Expenses and Reporting

Each Director shall be entitled to payment and/or reimbursement for actual and necessary expenses incurred in the performance of official duties including expenses incurred relating to travel, meals, lodging, and other actual and necessary expenses incurred for attendance at meetings and conferences of organizations listed in Section 2.1 or approved in accordance with Section 2.2F. Lodging expenses may not exceed the maximum group rate published by the conference or activity sponsor. Requests for Reimbursement must be submitted on a District approved Expense Form and shall include receipts documenting each expense in accordance with District Resolution 1365.

Director expenses and per diems shall be reported on a cumulative quarterly basis, (attaching a summary of per diems and expenses from District appointed positions to other agencies).

Section 2.4: Ethics training

In accordance with Government Code Section 53234, Board members and any designated employees shall have at least (2) hours of ethics training every two (2) years. Certificates of completion of ethics training shall be maintained for at least five (5) years.

Section 2.5: Eligibility for Employee Benefits

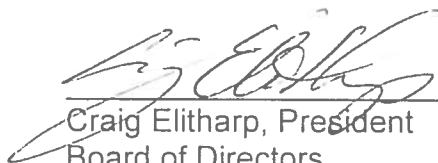
Members of the Board shall be eligible for all benefits, allowable by law, the same as full time, regular employees.

ALL OTHER ORDINANCES OR AMENDMENTS IN CONFLICT HEREWITH ARE HEREBY REPEALED.

This Ordinance shall become effective upon adoption, and a summary shall be published one time in a newspaper of general circulation within the District.


PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held this 1st day of February, 2017, by the following roll call vote:

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



 Craig Elitharp, President
 Board of Directors
 Vallecitos Water District

ATTEST:



 Glenn Prui, Secretary
 Board of Directors
 Vallecitos Water District

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: COMMITTEE APPOINTEES AND REPRESENTATIVES

BACKGROUND:

Ordinance No. 203 provides that the Board President appoint a Chair and second member to each standing advisory committee from the members of the Board. The President also makes recommendations for District representation at outside agencies at which the District is a member agency. The current appointments are presented in the attachment.

DISCUSSION:

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

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

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

FISCAL IMPACT:

None.

RECOMMENDATION:

Request Board direction regarding Committee appointments and Agency Representatives.

ATTACHMENT:

Current District Committee Assignments and Agency Representatives

**Board Member Appointments
December 7, 2016 – December 6, 2017**

Board Officers

President	Craig Elitharp
Vice President	Jim Hernandez
Secretary	Glenn Pruim
Assistant Secretary	Rhondi Emmanuel
Treasurer	Tom Scaglione
Assistant Treasurer	Glenn Pruim

Standing Committees

Engineering/Equipment

Jim Hernandez (chair)
Craig Elitharp

Legal/Legislative Affairs

Mike Sannella (chair)
Hal Martin

Finance/Investment

Hal Martin (chair)
Mike Sannella

Public Awareness/Personnel/Policy

Betty Evans (chair)
Jim Hernandez

ACWA Appointed Representatives

ACWA Energy Committee

Member: Hal Martin

ACWA Finance Committee

Chair: Tom Scaglione

ACWA Groundwater Committee

Member: Jim Hernandez

ACWA Membership Committee

Member: Hal Martin

ACWA JPIA Finance & Audit Committee

Tom Scaglione, Chair

ACWA Region 10 Board

Finance Liaison: Tom Scaglione

Board appointed Representatives

ACWA Joint Powers Insurance Authority:

Delegate: Hal Martin
Alternate: Betty Evans

CASA:

Delegate: Craig Elitharp
Alternate: Betty Evans

Encina Wastewater Authority:

Delegates: Jim Hernandez,
Craig Elitharp
Alternate: Glenn Pruim

San Diego County Water Authority:

Delegate: Betty Evans

San Diego North Economic Development Council (SDNEDC) Delegate: Mike Sannella

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: FISCAL YEAR 2016/17 ANNUAL AUDIT REPORT

BACKGROUND:

The District retained the auditing services of Rogers, Anderson, Malody & Scott, LLP (RAMS) in April 2015, for a three-year period, to audit the District's annual financial statements beginning with the 2014/15 fiscal year.

DISCUSSION:

On November 14, 2017, the Finance Committee met with Mr. Scott Mano and Ms. Brianna Schultz of RAMS to review and discuss the 2016/2017 annual financial statements.

The financial statements are the responsibility of District management and the auditor's responsibility is to express an opinion on the financial position and results of operations presented in those financial statements.

Following generally accepted auditing standards, the auditor obtained reasonable assurance through testing and other audit procedures that, in the auditor's opinion, the financial statements present fairly, in all material respects, the financial position and results of operations of the District.

Mr. Manno will present the 2016/17 Fiscal Year audit to the Board and staff will present the Management Discussion and Analysis. Copies are included in the Board packet along with the Statement of Auditing Standards, also known as the "Communication with the Board."

RECOMMENDATION:

Accept the Fiscal Year 2016/17 audited financial statements.

ATTACHMENTS:

Statement of Auditing Standards
Fiscal Year 2016/17 Audit



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Board of Directors
Vallecitos Water District
San Marcos, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

We have audited the financial statements of Vallecitos Water District (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 21, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 10, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

MEMBERS

American Institute of
Certified Public Accountants

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Quality Center*

California Society of
Certified Public Accountants

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of capital asset depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the liability for other post-employment benefits is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows and deferred inflows of resources is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements are:

The disclosure of fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuations.

The disclosure of accumulated depreciation in Note 4 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred outflows and deferred inflows of resources in Note 10 to the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure of the other post-employment benefits (OPEB) in Note 11 to the financial statements identifies the annual OPEB cost and the funded status of the actuarial accrued liability. The information disclosed is based on actuarial assumptions which could differ from actual costs.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 21, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

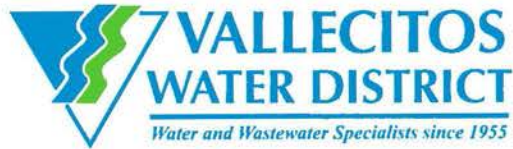
Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California



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

November 21, 2017
Rogers, Anderson, Malody & Scott, LLP

This representation letter is provided in connection with your audit of the basic financial statements of Vallecitos Water District (the District) as of June 30, 2017 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 21, 2017:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 10, 2017, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;

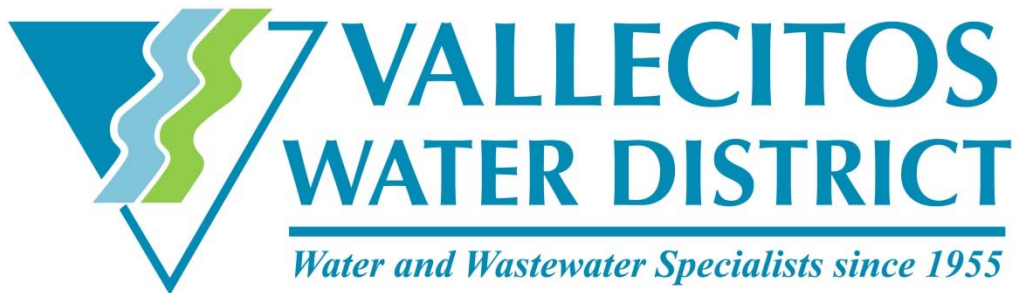
- Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the

financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

- Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
- Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



Glenn Pruim, General Manager



**ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
BY CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2017**

VALLECITOS WATER DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to the Basic Financial Statements	16
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and the Related Ratios as of the Measurement Date	51
Schedule of Plan Contributions	52
Schedule of Funding Progress for OPEB	53
Supplementary Information:	
Schedule of Operating Expenses - Water Division	55
Schedule of Operating Expenses - Wastewater Division	58



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vallecitos Water District
San Marcos, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

We have audited the accompanying financial statements of the Vallecitos Water District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Summarized Comparative Information

We have previously audited the District's 2016 financial statements, and our report dated November 28, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the Plan's net pension liability and the related ratios as of the measurement date, the schedule of plan contributions and the schedule of funding progress for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 21, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

Our discussion and analysis of the Vallecitos Water District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Management's Discussion and Analysis (MD&A) presents financial highlights; an overview of the accompanying financial statements; an analysis of financial position and results of operations; current-to-prior year analysis; discussion on restrictions, commitments and limitations; and discussion on significant activity involving capital assets and long-term debt.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2017 (2016/17), the following highlights impacted, or have the potential to impact, the finances of the District.

- The year ended June 30, 2017, was the first full fiscal year of desalinated water deliveries from the desalination plant in Carlsbad. The increase in the cost of water plus increased demands accounted for a \$5.2 million, or 23.4%, increase in purchased water cost.
- In February 2017, the District rescinded Drought Level 1 following the end of drought declaration by the San Diego County Water Authority. Rescinding the drought declaration attributed to an increase in water sales of \$4.4 million, or 23.3%.
- In September of 2016, the Vallecitos Water District Board of Directors adopted rates effective January of 2017, to pass through only half of the wholesale increase, with no increase to the retail portion, attributing to the water cost increase exceeding the water sales increase.
- In 2016/17, the District received \$6.6 million in capital facility fees from development, compared to \$3.1 million received the prior year.
- The District expended \$3.9 million in capital asset acquisition and construction compared to \$9.3 million the prior year.
- The District paid down \$3.3 million in long-term debt without incurring any additional debt.
- Expenses exceeded revenue for the second year in a row resulting in an operating loss of \$1.5 million compared to an operating loss of \$0.8 million the prior year, and, with non-operating revenues and expenses, a net loss before capital contributions of \$1.8 million, compared to a loss of \$5.7 million the prior year. After capital contributions of \$6.8 million, the District added \$4.9 million to its net position.
- In May 2017, Fitch Rating affirmed the District's AA+ rating with a stable outlook.
- On June 7, 2017, the Board of Directors approve a Cost of Service and Rate Structure Study with rate increases for water becoming effective in March 2018, and no increase to sewer service charges.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements present the financial position, results of operations, and changes in cash flow from the economic resources measurement focus using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section and analyzed in subsequent sections of this MD&A.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Statement of Net Position

The Statement of Net Position presents the District’s financial position (assets and liabilities) as of June 30, 2017. Assets in excess of liabilities (Net Position) are \$254,319,757. In accordance with generally accepted accounting principles, capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by development are recorded at acquisition value or developers’ construction cost.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the District’s results of operations for the year ended June 30, 2017. Revenues are recognized (recorded) when services are provided and expenses are recognized when incurred. Operating revenues and expenses are related to the District’s core activities (providing water and related services, wastewater treatment and disposal services, and processing and delivering recycled water). Non-operating revenues and expenses (e.g. investment income and interest expense) are not directly related to the core activities of the District. Operating loss for the year ended June 30, 2017, of \$1,549,069 is combined with net non-operating expenses of \$285,011 and capital contributions of \$6,760,690 to arrive at an increase in net position of \$4,926,610. The increase in net position is added to restated beginning net position of \$249,393,147 to arrive at ending net position of \$254,319,757 as of June 30, 2017. The prior period adjustment was the result of a change in recording capital facility fee revenue and receivable in fiscal year 14/15.

	2016/17	2015/16
Operating Income/(Loss)	\$ (1,549,069)	\$ (806,851)
Net Nonoperating Revenues/(Expenses)	(285,011)	(4,884,002)
Capital contributions	6,760,690	7,083,887
Change in net position	4,926,610	1,393,034
Net Position, Beginning of Year as Previously Stated	249,393,147	251,271,134
Prior Period Adjustment	-	(3,271,021)
Total Net Position, Beginning of Year	249,393,147	248,000,113
Total Net Position, End of Year	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>

Statement of Cash Flows

The Statement of Cash Flows presents the amounts of cash provided or used by the District’s operating, financing, and investing activities. Every cash flow has been categorized into one of the following activities: operating, non-capital financing, capital and related financing, or investing. The total of these categories for the year ended June 30, 2017, is the increase in cash and cash equivalents of \$3,917,705 which is combined with beginning cash and cash equivalents of \$26,700,528 to arrive at ending cash and cash equivalents of \$30,618,233. Investments in the California Local Agency Investment Fund, San Diego County Investment Pool, and open-ended money market mutual funds, are the only cash equivalents held by the District as of June 30, 2017.

Beginning cash & cash equivalents	\$ 26,700,528
Increase in cash & cash equivalents	3,917,705
Ending cash & cash equivalents	<u>\$ 30,618,233</u>

VALLECITOS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

As of June 30, 2017, the total cash and cash equivalents are as follows. Restricted cash and cash equivalents are to pay debt service.

	2016/17	2015/16
Cash and cash equivalents (unrestricted)	\$ 27,534,241	\$ 23,665,659
Restricted cash and cash equivalents	3,083,992	3,034,869
Total cash & cash equivalents	<u>\$ 30,618,233</u>	<u>\$ 26,700,528</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the fiscal year 2017 the increase in net position of \$4,926,610 on page 13 resulted from the increase in total assets and deferred outflows combined with the increase in total liabilities and decrease in deferred inflows. Deferred outflows/inflows are defined in Note 1(D) of the Notes to the Financial Statements.

Operating activities, capital facility fees, property taxes, and other sources helped fund \$5.8 million in capital acquisitions and construction, and \$5.5 million in debt service. The following table summarizes how these capital projects and debt service were financed during the year.

<i>Sources and Uses of Cash & Investments in millions (excluding market value adjustment)</i>		
	2016/17	2015/16
Sources:		
Operating activities	\$ 6.7	\$ 9.6
Property tax	4.1	3.8
Capital facility fees	6.6	3.1
Other receipts	0.6	1.6
Uses:		
Capital construction and acquisition	(5.8)	(10.6)
Debt service	(5.5)	(5.6)
Increase in cash and investments	<u>\$ 6.7</u>	<u>\$ 1.9</u>

CURRENT-TO-PRIOR YEAR ANALYSIS

Analysis of Net Position

The increase in net position of \$4.9 million is attributable to contributed capital in excess of the operating loss and adjustment in EWA.

Vallecitos Water District's Net Position				
	2016/17	2015/16	Change	
			Amount	%
Cash and investments	\$ 57,718,120	\$ 51,223,654	\$ 6,494,466	12.7%
Capital assets	268,694,939	272,973,229	(4,278,290)	-1.6%
Other assets	11,180,338	10,916,306	264,032	2.4%
Total Assets	<u>337,593,397</u>	<u>335,113,189</u>	<u>2,480,208</u>	<u>0.7%</u>
Deferred Outflows of Resources	7,557,899	4,727,494	2,830,405	59.9%
Current liabilities	14,732,646	14,047,333	685,313	4.9%
Noncurrent liabilities	75,095,353	74,873,342	222,011	0.3%
Total Liabilities	<u>89,827,999</u>	<u>88,920,675</u>	<u>907,324</u>	<u>1.0%</u>
Deferred Inflows-PERS Contributions	1,003,540	1,526,861	(523,321)	-34.3%
Net Position				
Net investment in capital assets	205,840,028	206,775,864	(935,836)	-0.5%
Restricted	2,579,677	2,120,022	459,655	21.7%
Unrestricted	45,901,052	38,710,870	7,190,182	18.6%
Total Net Position	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>	<u>\$ 4,926,610</u>	<u>2.0%</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CURRENT-TO-PRIOR YEAR ANALYSIS (Continued)

Analysis of Net Position (continued)

- Cash and investments increased by \$6.5 million during fiscal year 16/17 inclusive of the market value adjustment on investments.
- The capital assets decrease was the result of depreciation of assets in excess of asset additions.
- Receivables for both water and wastewater sales and capital facility fees increased by \$1.3 million which drove the other assets category higher in fiscal year 2016/17.
- Deferred Outflows of Resources increased by \$2.8 million mainly due to differences in Vallecitos Water Districts actual vs projected investment earnings as calculated by the California Public Employment Retirement System (CalPERS).
- Current liabilities increased as a result of payables related to increased water costs and connection fees payable to SDCWA.
- An increase in net pension liability resulted in an increase in non-current liabilities.
- The Deferred Inflows-PERS represents changes in actuarial assumptions as of measurement date June 30, 2016.

Selected Financial Ratios:

The table below illustrates how effectively the District can meet its current obligations and the margin of safety to creditors. The current ratio (current assets divided by current liabilities) indicates that the District can pay 4.67 times its current debt from current assets. However, some current assets are not easily, or will never be, converted to cash (e.g. inventories and prepaid insurance). The quick ratio, quick assets (cash, liquid investments, accounts receivable) divided by current liabilities, measures how effectively the District can meet current obligations with assets that are readily convertible to cash. The District can pay 4.57 times its current obligations with assets readily convertible to cash. The District’s current and quick ratios show a high degree of solvency and a strong current position. The days of operations in cash is a common measure scrutinized by the

	<u>2016/17</u>	<u>2015/16</u>
Current ratio	4.67	4.41
Quick ratio	4.57	4.31
Days of operations in cash	402	405
Capital assets-to-Long-term liabilities	3.58 / 1	3.65 / 1
Debt-to-equity	1 / 2.83	1 / 2.80

rating agencies and investment community. It measures the number of days the District can operate without any cash inflow. The capital-assets-to-long-term-liabilities ratio indicates that for every dollar of debt the District has \$3.58 in capital assets (infrastructure, land, buildings, vehicles, etc.,

net of depreciation). The significantly higher numerator in this ratio and the higher denominator in the debt-to-equity ratio indicate the District’s ability to cash fund some degree of capital projects. The debt-to-equity ratio indicates that for every dollar of debt the District has \$2.83 of net position (equity).

Analysis of Revenues and Expenses

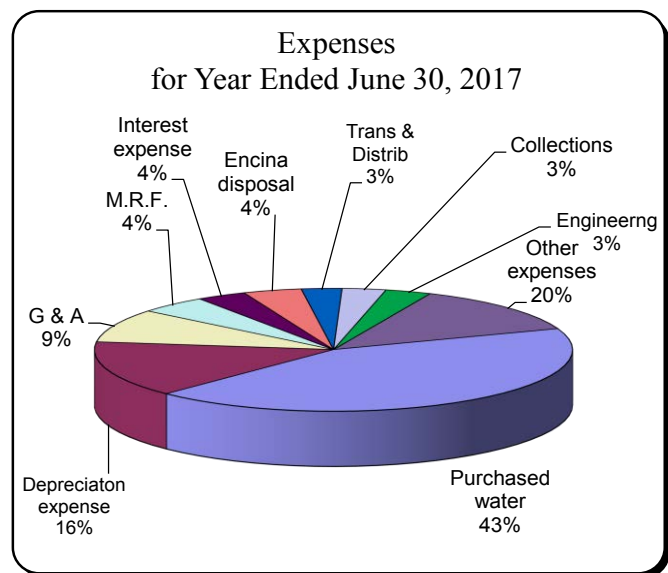
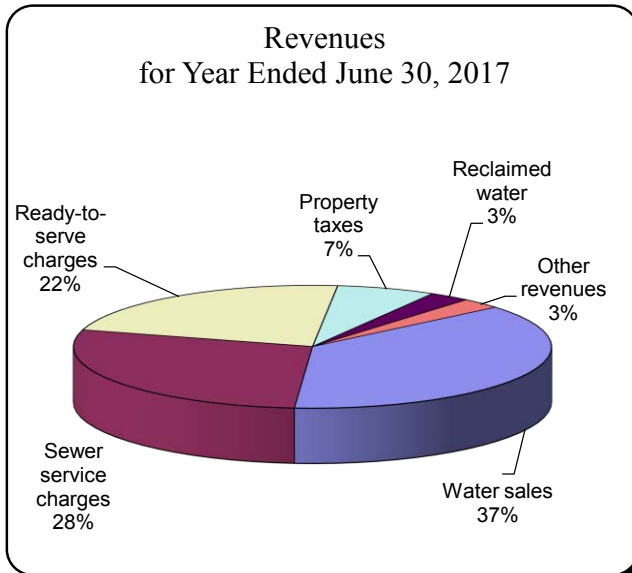
The composition of revenues and expenses for the 2016/17 fiscal year is illustrated in the following graphs. Water sales, ready-to-serve charges, and wastewater service charges continue to be the main sources of revenue funding District operations. Water sales are commodity charges assessed to cover the variable costs of purchasing and delivering water to customers. Ready-to-serve charges are intended to cover fixed costs in the wholesale water rate, and costs related to being able to provide water to customers.

Deductions from revenue to arrive at the operating loss of \$1,549,069 include non-cash depreciation and amortization expense of \$9,425,308. Depreciation is the systematic allocation of a capital asset’s cost to expense over a specified period of time. The District has established reserve floors and ceilings for the replacement of aging infrastructure.

VALLECITOS WATER DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CURRENT-TO-PRIOR YEAR ANALYSIS (Continued)



A comparative analysis of revenues, expenses and discussion of variances between fiscal years are presented below.

Vallecitos Water District's Revenues and Expenses				
	For Fiscal Year:		Change	
	2016/17	2015/16	Amount	%
Water sales	\$ 23,180,452	\$ 18,797,274	\$ 4,383,178	23.3%
Wastewater service charges	17,503,448	17,286,888	216,560	1.3%
Ready-to-serve charges	13,850,592	13,602,800	247,792	1.8%
Property taxes	4,162,701	3,830,522	332,179	8.7%
Reclaimed water sales	1,711,156	1,069,074	642,082	60.1%
Other revenues	1,705,760	2,667,926	(962,166)	-36.1%
Total Revenues	62,114,109	57,254,484	4,859,625	8.5%
Purchased water	27,392,003	22,190,912	5,201,091	23.4%
Depreciation expense	9,425,308	9,189,604	235,704	2.6%
General and administrative	5,637,471	5,851,489	(214,018)	-3.7%
Meadowlark Reclamation Facility (M.R.F.)	2,993,914	2,750,187	243,727	8.9%
Interest expense	2,153,641	2,512,597	(358,956)	-14.3%
Encina disposal	2,529,715	2,485,765	43,950	1.8%
Engineering	1,988,197	1,889,037	99,160	5.2%
Collections	1,896,688	1,756,927	139,761	8.0%
Transmission & Distribution	1,747,767	1,195,405	552,362	46.2%
Other expenses	8,183,485	13,123,414	(4,939,929)	-37.6%
Total Expenses	63,948,189	62,945,337	1,002,852	1.6%
Net Income/(Loss) before contributions	(1,834,080)	(5,690,853)	3,856,773	-67.8%
Capital contributions	6,760,690	7,083,887	(323,197)	-4.6%
Change in Net Position	4,926,610	1,393,034	3,533,576	253.7%
Total Net Position, Beginning of Year as Previously Stated	249,393,147	251,271,134	(1,877,987)	-
Prior Period Adjustment	-	(3,271,021)	3,271,021	-
Total Net Position at Beginning of Year Restated	249,393,147	248,000,113	1,393,034	0.6%
Total Net Position, End of Year	\$ 254,319,757	\$ 249,393,147	\$ 4,926,610	2.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CURRENT-TO-PRIOR YEAR ANALYSIS (Continued)

- The increase in water sales reflects the bounce back from Drought Level 1 being rescinded.
- Property tax receipts continue to increase primarily from discontinued Redevelopment Agencies in fiscal year 16/17. The District anticipates receipts from discontinued Redevelopment Agencies to decrease in subsequent years.
- Reclaimed water sales recover the tertiary treatment costs. During fiscal year 2016/17, flows going into the Meadowlark Reclamation Facility increased significantly due to increased flows from customers using more water in response to the elimination of drought restrictions. The increased costs are further illustrated in the Meadowlark Reclamation Facility line item.
- Other revenues are a mixture of new annexations; investment income received and market valuation increases; pumping charges; recovery of damaged property and delinquency fee receipts. Other revenues decreased by \$1.0 million as a result of less annexation fees being collected in fiscal year 2016/17.
- Interest expense is lower in fiscal year 16/17 as fiscal year 15/16 included costs related to debt refunding.
- Transmission & distribution increased as a result of repair costs due to multiple main breaks.
- Other expenses decreased due to a significant operating change in Encina Wastewater Authority joint venture assets and the reallocation of overall assets being recognized in fiscal year 15/16. The District recognizes the change in EWA's assets, liabilities and net position based on the District's ownership percentage of EWA.

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS

The District's net revenue requirement is 1.15 times the total debt service of the District. The District's 2016/17 net revenue was 3.42 times debt service as calculated per the official statement for the bonds. Debt per capita within the District is \$618 exclusive of other debt such as San Diego County Water Authority and Metropolitan Water District.

2015 Revenue Refunding Bonds

On July 9, 2015, the District refunded the majority of the 2005 Certificates of Participation totaling \$45.3 million with Revenue Bonds containing interest rates ranging between 4% and 5%. The District is obligated to transfer semi-annually 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 2005 COPs and 2015 Revenue Bonds. Total debt service paid in fiscal year 16/17 related to the 2005 COPs was \$4.2 million. The outstanding principal balance at June 30, 2017 was \$45,315,000 and \$1,910,000 for the 2015 Revenue Bonds and the 2005 Certificates of Participation respectively.

2012 Certificates of Participation

In December 2012, the District received \$7.1 million in proceeds as the Board of Directors executed the 2nd Installment Purchase Agreement of the Master Agreement of the 2005 Certificates of Participation. The proceeds were used toward the following sewer projects: San Marcos Interceptor, Linda Vista, Encina Land Parallel Outfall and Rock Springs. The District pays debt service semi-annually on the certificates issued at a fixed rate of 1.98%. Interest payments are due each April and October 1st and principal is due each October 1st. Total debt service paid in fiscal year 16/17 related to the COPs was \$782,604. The outstanding principal balance at June 30, 2017, is \$4.4 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

RESTRICTIONS, COMMITMENTS, AND LIMITATIONS (continued)

2008 Union Bank Tax-Exempt Private Placement Loan

On November 12, 2008, the District received \$7.9 million in proceeds from a variable rate tax-exempt private placement loan from Union Bank of California to fund a portion of EWA’s treatment plant expansion. The District’s share in solids capacity at EWA increased from 7.5 million gallons per day (MGD) to 10.5 MGD. The variable rate on the loan is indexed to LIBOR with the District’s option to periodically change the LIBOR period and associated rate (adjusted by the bank’s formula for a tax-exempt borrowing) currently at 1.41989%. Principal payments of \$200,000 are due every March 31st and September 30th. Interest payments are due at the end of the LIBOR period chosen by the District. Total debt service paid in fiscal year 16/17 related to the loan was \$485,067. The outstanding principal balance at June 30, 2017, of \$4.6 million is subordinate to existing certificates of participation.

Capital Facility Fees

The District collects capital facility fees from new development and increased demands from existing customers, maintains the collected fees in separate funds (one for water and one for wastewater), and uses the funds exclusively to provide capacity to serve new development and fund future construction of facilities identified in the District’s Master Plan and capital budget. As of June 30, 2017, the water capacity fund had a deficit of \$9,889,055 and the sewer capacity had a deficit of \$6,501,911. (The District maintains separate funds for specific purposes. Funds are combined for financial statement presentation.)

Capital Projects

The following budgeted projects have been contracted for at least the design phase before 2016/17:

Project Description	2017/18 Budget	Spent Through June 30, 2017	Remaining
San Marcos interceptor sewer	19,700,000	13,661,323	6,038,677
Meadowlark Tank #3	4,552,000	488,961	4,063,039
Mountain Belle Pump Station & Pipeline Design	3,860,000	99,350	3,760,650
Rock Springs Sewer Replacement	3,165,000	561,141	2,603,859
Chlorine Contact Tank Expansion	4,815,000	63,292	4,751,708
Montiel Gravity Outfall	1,750,000	139,951	1,610,049

The budget amounts in the previous table indicate the amount anticipated for completion of the projects. For some of these projects the District has only committed to the design phase through contractual obligations, and the construction has not yet been through the bidding process. Construction of the land outfall, Meadowlark tank, and Mountain Bell project will not commence unless there is significantly more growth than anticipated. Details are provided in the District’s 2017/18 Budget on these and several other committed projects less than \$1 million in scope.

CAPITAL ASSETS AND LONG-TERM DEBT

The following represents the most significant additions to capital assets which were largely the result of reclassifying construction-in-progress to capital assets placed in service and depreciated.

Water mains, service lines, meters, and valves	\$ 2,351,753
Reclamation equipment	1,358,661
Sewer mains, manholes, and cleanouts	628,375
Sewer vehicles and equipment	573,096
Buildings and improvements	278,375

The \$45.3 million in 2015 Revenue Bonds, the \$1.9 million in 2005 COPS, the \$4.6 million loan and the \$4.4 million in 2012 COPS balance are the only long-term debts issued by the District as of June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District considered the following economic factors in establishing 2017/18 budget amounts:

- Increases in water usage by customers due to drought restrictions being rescinded
- Cost of service study and rate structure study completed and adopted by the board June 7, 2017
- Slow but steady recovery in construction
- Increasing regulatory compliance

As a result of these factors, the 2017/18 budget includes:

- Water sales reflective of a bounce back from Drought Level 1 being rescinded
- Rate increases as determined by the revenue requirement established in the cost of service study
- Staffing level decreases from the 2016/17 budget as positions are eliminated through attrition

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Vallecitos Water District's Finance Department, 201 Vallecitos de Oro, San Marcos, CA 92069, call (760) 744-0460, or visit our website at www.vwd.org.

VALLECITOS WATER DISTRICT

**STATEMENTS OF NET POSITION
JUNE 30, 2017 (with prior year data for comparison only)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 27,534,241	\$ 23,665,659
Restricted cash and cash equivalents	3,083,992	3,034,869
Investments	27,099,887	24,523,126
Accounts receivable:		
Water and wastewater sales and services	7,418,341	6,067,691
Taxes and assessments	110,527	102,479
Other governmental entities	487,877	386,474
Restricted capital facility fees receivable	637,856	2,063,749
Other	633,656	464,367
Accrued interest receivable	153,019	95,448
Current portion of note receivable	141,146	133,788
Inventories	1,110,094	1,062,930
Prepaid expenses	418,062	341,962
Total Current Assets	<u>68,828,698</u>	<u>61,942,542</u>
Noncurrent Assets:		
Restricted capital facility fees receivable	69,760	56,273
Note receivable from City of San Marcos, net of current portion	-	141,146
Investment in Encina Wastewater Authority capital assets	25,569,807	25,687,566
Capital assets not being depreciated	24,766,810	25,275,070
Net capital assets being depreciated	218,358,322	222,010,592
Total Noncurrent Assets	<u>268,764,699</u>	<u>273,170,647</u>
Total Assets	<u>337,593,397</u>	<u>335,113,189</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	4,681,454	1,690,587
Deferred charges from debt retirement	2,876,445	3,036,907
	<u>7,557,899</u>	<u>4,727,494</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	7,744,928	7,440,746
Accrued compensation	1,999,019	1,850,353
Construction and service deposits	737,308	562,856
Accrued interest payable from restricted assets	1,212,931	1,248,478
Current portion of long term debt	3,012,000	2,898,000
Current portion of capital lease	26,460	46,900
Total Current Liabilities	<u>14,732,646</u>	<u>14,047,333</u>
Noncurrent Liabilities:		
Other post employment benefits obligation	120,005	153,980
Loan payable, net of current portion	4,200,000	4,600,000
Certificates of participation, net of amortized discount and current portion	55,616,451	58,626,003
Capital lease, net of current portion	-	26,461
Net pension liability	15,158,897	11,466,898
Total Noncurrent Liabilities	<u>75,095,353</u>	<u>74,873,342</u>
Total Liabilities	<u>89,827,999</u>	<u>88,920,675</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	1,003,540	1,526,861
NET POSITION		
Net investment in capital assets	205,840,028	206,775,864
Restricted for future capital projects	707,616	2,120,022
Restricted for debt service	1,871,061	1,786,391
Unrestricted	45,901,052	38,710,870
Total Net Position	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>

See accompanying notes to the basic financial statements.

VALLECITOS WATER DISTRICT

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 (with prior year data for comparison only)**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Water sales	\$ 23,180,452	\$ 18,797,274
Wastewater service charges	17,503,448	17,286,888
Ready-to-serve charges	13,850,592	13,602,800
Reclaimed water sales	1,711,156	1,069,074
Pumping charges	171,186	138,870
Other services and abatements	1,005,240	945,648
Total operating revenues	<u>57,422,074</u>	<u>51,840,554</u>
OPERATING EXPENSES		
Purchased water	27,392,003	22,190,912
General and administrative	5,637,471	5,851,489
Meadowlark wastewater treatment plant	2,993,914	2,750,187
Encina disposal	2,529,715	2,485,765
Collection and conveyance	1,896,688	1,756,927
Engineering	1,988,197	1,889,037
Transmission and distribution	1,747,767	1,195,405
Customer accounts	958,266	904,015
Information technology	1,320,845	1,347,023
Meter reading and repairs	625,576	713,164
Buildings and grounds	629,850	546,043
Equipment and vehicles	471,380	485,403
Other water operating expenses	446,430	503,378
Other wastewater operating expenses	614,248	539,112
Water quality and treatment	604,844	522,191
Tanks and reservoirs	312,604	371,156
Pumping	612,069	531,774
Total operating expenses	<u>50,781,867</u>	<u>44,582,981</u>
Operating income before overhead absorption	6,640,207	7,257,573
Overhead absorption	1,236,032	1,125,180
Operating income before depreciation and amortization	7,876,239	8,382,753
Depreciation and amortization	(9,425,308)	(9,189,604)
Operating income	<u>(1,549,069)</u>	<u>(806,851)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	4,162,701	3,830,522
Interest Income	411,745	338,373
Unrealized (depreciation) appreciation of investments	(220,021)	139,216
Annexation fees	39,969	1,105,819
Change in Encina Joint Venture assets	(2,603,384)	(6,789,867)
Interest expense	(2,153,641)	(2,512,597)
Other non-operating revenues/(expenses), net	77,620	(995,468)
Total non-operating revenues (expenses), net	<u>(285,011)</u>	<u>(4,884,002)</u>
Net income before capital contributions	(1,834,080)	(5,690,853)
Capital contributions	6,760,690	7,083,887
Change in net position	<u>4,926,610</u>	<u>1,393,034</u>
Total Net Position, Beginning of Year	249,393,147	251,271,134
Prior Period Restatement	-	(3,271,021)
Total Net Position, Beginning of Year as Restated	<u>249,393,147</u>	<u>248,000,113</u>
Total Net Position, End of Year	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>

See accompanying notes to the basic financial statements.

VALLECITOS WATER DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017 (with prior year data for comparison only)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and wastewater customers	\$ 55,800,730	\$ 51,921,006
Payments for water	(26,843,497)	(21,177,471)
Payments for services and supplies	(8,565,438)	(8,166,276)
Payments for employee wages, benefits and related costs	(13,723,440)	(13,011,519)
Net Cash Provided by Operating Activities	<u>6,668,355</u>	<u>9,565,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from taxes and assessments	<u>4,154,654</u>	<u>3,837,118</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,154,654</u>	<u>3,837,118</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts relating to annexation fees and cell tower rentals	84,824	1,146,717
Acquisition and construction of utility plant	(3,867,506)	(9,269,828)
Principal paid on long-term debt	(2,898,000)	(3,183,947)
Interest payments on long-term debt	(2,548,596)	(2,367,734)
Principal paid on capital lease	(43,067)	(20,132)
Investment in Encina Wastewater Authority	(1,921,539)	(1,318,751)
Capacity fees received	<u>6,597,401</u>	<u>3,065,561</u>
Net Cash Used for Capital and Related Financing Activities	<u>(4,596,483)</u>	<u>(11,948,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(17,487,901)	(20,076,820)
Proceeds from calls and maturities of investments	14,691,119	19,884,298
Investment earnings received	354,173	326,426
Collections on note receivable from City of San Marcos	<u>133,788</u>	<u>126,813</u>
Net Cash (Used for) Provided by Investing Activities	<u>(2,308,821)</u>	<u>260,717</u>
Net Increase in Cash and Cash Equivalents	3,917,705	1,715,461
Cash and Cash Equivalents, Beginning of Year	<u>26,700,528</u>	<u>24,985,067</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,618,233</u>	<u>\$ 26,700,528</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 27,534,241	\$ 23,665,659
Restricted cash and cash equivalents	<u>3,083,992</u>	<u>3,034,869</u>
Total cash and cash equivalents	<u>\$ 30,618,233</u>	<u>\$ 26,700,528</u>

See accompanying notes to the basic financial statements.

VALLECITOS WATER DISTRICT

**STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017 (with prior year data for comparison only)**

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	<u>2017</u>	<u>2016</u>
Operating income (loss)	\$ (1,549,069)	\$ (806,851)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	9,425,308	9,189,604
Changes in operating assets and liabilities:		
Accounts receivable from water and wastewater sales and services	(1,350,650)	(632,872)
Accounts receivable from other governmental entities	(101,403)	761,441
Accounts receivable - other	(169,289)	(48,113)
Inventories	(47,164)	(9,071)
Prepaid expenses	(76,100)	35,811
Accounts payable	244,220	1,272,236
Accrued compensation	148,666	45,643
Deferred outflows of resources - pension related	(2,990,867)	(14,371)
Deferred inflows of resources - pension related	(523,321)	(1,861,951)
Net pension liability	3,691,999	1,499,850
Other post employment benefits obligation	(33,975)	134,384
Total Adjustments	<u>8,217,424</u>	<u>10,372,591</u>
Net Cash Provided by Operating Activities	<u>\$ 6,668,355</u>	<u>\$ 9,565,740</u>
Noncash Investing Capital and Financing Activities:		
Contributions of assets by developers	\$ 893,450	\$ 1,508,402
Unrealized (depreciation) appreciation of investments	(243,049)	139,216

See accompanying notes to the basic financial statements.

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017 (with select prior year data for comparison only)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Vallecitos Water District was organized in March of 1955 under the provisions of the California Water Code. By Board action in 1989, the District's name changed from the San Marcos County Water District to the Vallecitos Water District. The District was organized to finance, construct, operate, and maintain a water and wastewater system serving portions of northern San Diego County. Currently, the District services approximately 29,000 acres and provides water and wastewater service to the City of San Marcos, portions of the cities of Escondido and Carlsbad, and portions of surrounding unincorporated areas. The District has 21,464 active water meters and 20,633 active sewer accounts at June 30, 2017.

The District is the primary governmental unit based on the foundation of a separately elected governing board elected by geographic division of the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Vallecitos Water District Financing Corporation (Corporation) was incorporated in March 1998. The Corporation is a California nonprofit public benefit corporation formed to assist the District by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the District and leasing or selling such property to the District and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations. No separate financial statements are prepared for the Corporation.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports its activities as an enterprise fund and accounts for operations that are financed and operated in a manner similar to a private business enterprise. The intent of the District is to provide water, wastewater and recycled water services to its customers on a continuing basis and finance or recover costs of providing services primarily through user charges (water and wastewater sales and services).

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017 (with select prior year data for comparison only)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Operating revenues and expenses, such as water sales and water purchases and wastewater service charges, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The basic financial statements of the Vallecitos Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net Position of the District are classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

C. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

D. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

E. Statement of Cash Flows

For the purpose of the statement of cash flows, the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

F. Investments and Investment Policy

The District has adopted an investment policy directing the District's Treasurer to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

H. Federal and State Capital and Operating Grants

If a grant agreement were approved and eligible expenditures were incurred, the amount is recorded as a capital or operating grant receivable on the Statement of Net Position and as capital grant contribution or operating grant revenue, as appropriate, on the Statement of Revenues, Expenses and Changes in Net Position.

I. Property Taxes and Assessments

Property taxes and assessments are billed by the County of San Diego to property owners. The District's property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due date:	
First installment	November 1
Second installment	February 1
Delinquent date:	
First installment	December 10
Second installment	April 10

J. Water-In-Storage Inventory

The District owns the water within its transmission and distribution system. This water has been recorded on the District's books at the cost at which the water was purchased using the first-in - first-out (FIFO) method.

K. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system and wastewater system. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense or work-in-process at the time that individual items are withdrawn from inventory or consumed.

L. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

M. Restricted Assets

Certain assets of the District are restricted in use by law or debt covenant, and accordingly, are shown as restricted assets on the accompanying Statement of Net Position. Certificates of Participation construction funds set aside from Certificates of Participation proceeds are restricted for construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenses meeting the criteria imposed on the use of restricted resources by a third party.

N. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets expected to have a useful life of more than three years at \$10,000. Donated assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution system	10-75 years
Wastewater system	5-50 years
Buildings	50 years
Transportation equipment	7-15 years
Field and shop equipment	5-20 years
Office equipment	3-10 years

O. Encina Wastewater Authority

The District's participation in the Encina Wastewater Authority (EWA) is included in the accompanying financial statements. The District's investment in EWA is capitalized as a percentage of ownership of capital expenditures incurred by EWA. Ownership percentages are determined by joint agreements at the time the assets are acquired.

P. Construction Deposits

Construction deposits represent deposits received in aid of construction, which are refundable if the applicable construction does not take place. Construction deposits are transferred to contributed capital when the District is no longer liable for the applicable construction project.

Q. Water and Wastewater Sales and Services

Water and wastewater sales and services are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (continued)

R. Interest Expense

The District incurs interest charges on long-term debt. For fiscal year ended June 30, 2017 the District expensed \$2,153,641 of interest incurred and capitalized \$26,998 as part of the cost of construction projects.

S. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

T. Economic Dependency

The District purchases all of its water from the San Diego County Water Authority, Olivenhain Municipal Water District, and the Claude “Bud” Lewis Carlsbad Desalination Plant via the San Diego County Water Authority. A sustained interruption of this source could impact the District negatively.

U. Budgetary Policies

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

V. Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 2 – Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

	2017	2016
Cash and cash equivalents	\$ 27,534,241	\$ 23,665,659
Restricted cash and cash equivalents	3,083,992	3,034,869
Investments	27,099,887	24,523,126
Total cash and investments	\$ 57,718,120	\$ 51,223,654

Cash and Investments consist of the following:

	2017	2016
Cash on hand	\$ 2,000	\$ 2,000
Deposits with financial institutions	3,697,581	3,446,184
Investments	54,018,539	47,775,470
Total cash and investments	\$ 57,718,120	\$ 51,223,654

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the District's investment policy, which is more restrictive than the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Treasury Bills and Notes	5 years	75%
Local Agency Investment Fund (LAIF)	N/A	60%
Federal Agency Obligations	5 years	60%
Local Government Investment Pools	N/A	40%
State and Local Agency Bonds	5 years	20%
Commercial Paper	270 days	20%
Certificates of Deposit	5 years	20%
Repurchase agreements	1 year	10%
Savings Accounts	N/A	10%

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2017 (with select prior year data for comparison only)

Note 2 – Cash and Investments (continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Appendix B of the official statements note the investment types that are authorized for investments and identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk. The District maintains and invests the 2005 Certificates of Participation debt proceeds in accordance with debt covenants.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The District's investment policy considers aversion to custodial credit risk by requiring all participants in the investment process to invest no more than 25% of the portfolio with one financial institution, with the exception of LAIF, the U.S. Treasury and funds advanced or in trustee accounts for project construction. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District had deposits with bank balances of \$809,125 as of June 30, 2017.

Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 2 – Cash and Investments (continued)

San Diego County Pooled Investment Fund

The San Diego County Pooled Investment Fund (SDCPIF) is a pooled investment fund program governed by the County of San Diego Board of Supervisors, and administered by the County of San Diego Treasurer and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SDCPIF does not impose a maximum investment limit; however, the District's investment policy limits investment in SDCPIF to 20% of the District's total portfolio.

The County of San Diego's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of San Diego Auditor-Controller's Office – 1600 Pacific Coast Highway – San Diego, CA 92101.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages interest rate risk by limiting terms of investment as noted in the section of this note titled Investments Authorized by the California Government Code and the District's Investment Policy.

The District also manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2017 are as follows:

Investment Type	Total	Remaining Maturity (in months)		
		12 months or less	13-24 Months	26-60 Months
Federal Farm Credit Banks	\$ 4,716,126	\$ 997,335	\$ 861,591	\$ 2,857,200
Federal Home Loan Bank	3,988,931	-	997,825	2,991,106
Federal Home Loan Mortgage Association	6,723,799	-	747,300	5,976,499
Federal National Mortgage Association	6,661,223	1,497,580	495,595	4,668,048
Certificates of Deposit	5,054,727	1,226,028	1,885,283	1,943,416
Local Agency Investment Fund (LAIF)	21,714,733	21,714,733	-	-
San Diego County Pooled Investment Fund	5,159,000	5,159,000	-	-
	<u>\$ 54,018,539</u>	<u>\$ 30,594,676</u>	<u>\$ 4,987,594</u>	<u>\$ 18,436,269</u>

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 2 – Cash and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the Moody’s rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2017 were as follows:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA+	Not Rated
Federal Farm Credit Banks	\$ 4,716,126	AA+	\$ -	\$ 4,716,126	\$ -
Federal Home Loan Bank	3,988,931	AA+	747,068	3,241,863	-
Federal Home Loan Mortgage Association	6,723,799	AA+	-	6,723,799	-
Federal National Mortgage Association	6,661,223	AA+	-	6,661,223	-
Certificates of Deposit	5,054,727	N/A	-	-	5,054,727
Local Agency Investment Fund (LAIF)	21,714,733	N/A	-	-	21,714,733
San Diego County Pooled Investment Fund	5,159,000	N/A	5,159,000	-	-
	<u>\$ 54,018,539</u>		<u>\$ 5,906,068</u>	<u>\$ 21,343,011</u>	<u>\$ 26,769,460</u>

The investment policy of the District limits the amount that can be invested in any one issuer to 20% of the portfolio, other than U.S. Treasury securities. Investments in any one issuer, other than U.S. Treasury securities and investment pools, that represent 5% or more of the total District investments at June 30, 2017 are as follows:

Issuer	Investment Type	Reported Amount	Percentage of Portfolio
Federal Farm Credit Banks	U.S. Government Sponsored Entities	\$ 4,716,126	8.7%
Federal Home Loan Bank	U.S. Government Sponsored Entities	3,988,931	7.4%
Federal Home Loan Mortgage Association	U.S. Government Sponsored Entities	6,723,799	12.4%
Federal National Mortgage Association	U.S. Government Sponsored Entities	6,661,223	12.3%

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 2 – Cash and Investments (continued)

The District has the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Federal Farm Credit Banks	\$ 4,716,126	\$ -	\$ 4,716,126	\$ -
Federal Home Loan Bank	3,988,931		3,988,931	
Federal Home Loan Mortgage Association	6,723,799		6,723,799	
Federal National Mortgage Association	6,661,223	-	6,661,223	-
San Diego County Pooled Investment Fund	5,159,000	-	5,159,000	-
Total investments by fair value	27,249,079	\$ -	\$ 27,249,079	\$ -
Investments measured at the Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF)	21,714,733			
Investments not subject to GASB 72				
Certificates of Deposit	5,054,727			
Total	\$ 54,018,539			

The U.S. Government Sponsored Entities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 3 – Accounts Receivable

The balance at June 30, 2017 consists of the following:

	2017	2016
Accounts receivable - water and wastewater sales and services	\$ 7,456,668	\$ 6,106,139
Allowance for uncollectible accounts	(38,327)	(38,448)
Accounts receivable - water sales, net	\$ 7,418,341	\$ 6,067,691

Property Tax Receivable

Taxes and assessments receivable of \$114,337 have been reduced by an allowance for estimated uncollectible taxes of \$3,810 for a net receivable of \$110,527 at June 30, 2017.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 4 – Capital Assets

Changes in capital assets for 2017 are as follows:

	Balance at June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 4,981,505	\$ -	\$ -	\$ 4,981,505
Construction in progress	20,293,565	7,506,548	(8,014,808)	19,785,305
 Total capital assets, not being depreciated	 25,275,070	 7,506,548	 (8,014,808)	 24,766,810
Capital assets, being depreciated:				
Water transmission and distribution system	196,941,476	2,353,396	(2,413,955)	196,880,917
Wastewater system	123,478,344	2,202,607	(100,524)	125,580,427
Buildings	15,427,261	226,295	-	15,653,556
Transportation equipment	4,515,658	314,113	(194,725)	4,635,046
Field and shop equipment	11,201,974	698,000	(69,132)	11,830,842
Office equipment	2,343,625	72,740	(65,160)	2,351,205
 Total capital assets, being depreciated	 353,908,338	 5,867,151	 (2,843,496)	 356,931,993
Less accumulated depreciation for:				
Water transmission and distribution system	(66,970,454)	(4,645,834)	2,413,955	(69,202,333)
Wastewater system	(39,440,051)	(3,306,719)	6,411	(42,740,359)
Buildings	(12,422,754)	(353,724)	-	(12,776,478)
Transportation equipment	(2,935,885)	(367,787)	194,725	(3,108,947)
Field and shop equipment	(8,349,269)	(608,374)	69,132	(8,888,511)
Office equipment	(1,779,333)	(142,870)	65,160	(1,857,043)
 Total accumulated depreciation	 (131,897,746)	 (9,425,308)	 2,749,383	 (138,573,671)
 Total capital assets, being depreciated, net	 222,010,592	 (3,558,157)	 (94,113)	 218,358,322
 Total capital assets, net	 \$ 247,285,662	 \$ 3,948,391	 \$ (8,108,921)	 \$ 243,125,132

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 4 – Capital Assets (continued)

In 2017, major capital assets additions during the year included vehicles, sewer and water mains, manholes, sewer buildings and improvements, and valves and fire hydrants.

Depreciation expense for the ended June 30, 2017 was \$9,425,308 and is included in Depreciation and Amortization expense on the Statement of Revenues, Expense and Changes in Net Position. The difference between deletions from CIP and capital asset additions is made up of the following:

Contributed capital	\$ 884,151
Investment in Encinca Wastewater Authority	(2,485,622)
Corrections to projects	(178,158)
Expensed projects/other	(368,028)
	<u>(2,147,657)</u>
	<u>\$ (2,147,657)</u>

Assets acquired through capital leases are as follows:

Equipment	\$ 93,493
Less: accumulated depreciation	<u>(4,675)</u>
Total	<u>\$ 88,818</u>

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 4 – Capital Assets (continued)

Construction-In-Process

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at June 30 are as follows:

<u>Project Name</u>	<u>2017</u>	<u>2016</u>
<i>District Financed</i>		
SM interceptor - SM Blvd/Discovery	\$ 13,661,323	\$ 13,282,009
Water & Sewer Master Plan	887,539	745,708
Rock Springs Sewer Replacement	561,141	423,396
Meadowlark Tank #3	488,961	488,961
Audiovisual Upgrade	431,248	408,098
Land Outfall Clearing & Access Road	363,689	336,422
Chlorine Contact Tank Expansion	153,292	-
Encina Land Parallel Outfall	149,799	148,756
Expansion Of The Men'S Locker Room In Building B	146,472	-
Montiel Gravity Outfall	139,951	-
Mountain Belle Pump Station & Pipeline Design	99,350	-
Palos Vista Pump Station Motor Replacement	74,732	61,081
Mrf Refurbish Backwash Pumps And Motors	70,751	-
North Vista Pressure Reducing St Upgrade	65,840	-
Mrf - Failsafe Line De-Chlorination System	65,326	-
South Vista Pressure Reducing St Upgrade	61,741	-
Annual City Of San Marcos Joint Projects	61,549	-
Permanent Evironmental Mitigation Property	59,646	59,646
Lift Station 1 Wet Well Room Repairs	54,972	-
Lift Station No 1 Pump Improvements	-	1,035,335
San Elijo Road Facilities	-	641,279
Knoll Road Sewer Replacement	-	229,397
Mountain Belle Pump Station & Pipeline Design	-	99,350
HVAC Improvements	-	76,287
Lift Station 1 Perimeter Fencing	-	75,782
MRF Potable Water Pump Station	-	63,641
Subtotal - District Financed	<u>17,597,322</u>	<u>18,175,148</u>

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 4 – Capital Assets (continued)

Developer Financed

Twin Oaks Corner Improvements	165,595	71,709
Recycled Water Business Plan	155,868	101,368
High Point Hydropneumatic Pump	125,462	113,477
Block C North City East Unit 1	115,378	71,205
Newland Sierra Water Service Agreement	90,603	-
Rancho Coronado Phase 1 Imprvs & Sewer Annexation	62,174	-
Palos Vista Estates	59,792	59,792
East Gate - Affirmed Housing Group	58,633	-
Rancho Coronado Backbone Improvements	51,212	-
Davia Village Improvements	51,023	-
Mrf Restoration	49,544	-
North City East Global Water & Sewer Study	36,296	-
Rancho Coronado Phase 2 Improvements	35,159	-
Shane Park Plaza	32,514	-
Rancho Coronado South Grading Plan	30,673	-
Rancho Coronado South Water Main Relocation	30,532	-
Newland Sierra Off Site Water & Sewer Study	28,017	-
Usdm - North City East Sewer Replacement	25,415	-
Seh Ph 3 Pa T U - 205626	24,539	-
Seh Ph 5 Pa S lp U3	22,118	22,107
Promenade At Creekside	-	55,876
San Marcos Unified School District K-8	-	50,873
Grand Avenue City	-	14,879
Pump Station Meadowlark	-	12,860
	<hr/>	<hr/>
Subtotal - Developer Financed	1,250,547	574,146
	<hr/>	<hr/>
Various Other Projects	937,436	1,544,271
	<hr/>	<hr/>
Total	<u>\$ 19,785,305</u>	<u>\$ 20,293,565</u>

Note 5 – Encina Wastewater Authority

The Revised Basic Agreement is a joint exercise of powers agreement by and among the cities of Carlsbad, Vista, and Encinitas, the Buena Sanitation District, the Vallecitos Water District, and the Leucadia Wastewater District for the ownership and operation of a joint sewerage system. The Encina Wastewater Authority (EWA) board is composed of representatives of these Member Agencies. Each Member Agency has an investment in EWA's assets and owns a corresponding proportion of the capacity of the joint system. As of June 30, 2017, the Member Agencies have the following approximate ownership interest:

City of Vista	25%
City of Carlsbad	24%
Vallecitos Water District	23%
Leucadia Wastewater District	17%
Buena Sanitation District	7%
City of Encinitas	4%

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 5 – Encina Wastewater Authority (continued)

The latest available financial statements of EWA, dated June 30, 2016 and 2015 are available directly from EWA (6200 Avenida Encinas, Carlsbad, California 92009), and show the following:

	<u>2016</u>	<u>2015</u>
Total assets	\$ 130,403,195	\$ 136,169,841
Deferred outflows of resources	3,553,614	1,399,418
Total liabilities	13,918,564	12,873,486
Deferred inflows of resources	<u>1,271,059</u>	<u>1,982,996</u>
 Total net position	 <u>\$ 118,767,186</u>	 <u>\$ 122,712,777</u>
 Increase (decrease) in net position	 <u>\$ (3,945,591)</u>	 <u>\$ 3,599,598</u>

Note 6 – Note Receivable from City of San Marcos

In February 1998, the District sold 23.6 acres of excess land to the City of San Marcos for \$1,829,520. The District received \$50,000 and an installment note of \$1,779,520. The note is payable in twenty annual installments of \$148,909 including interest of 5.5%. As of June 30, 2017, the following amounts are due to the District:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 141,146</u>	<u>\$ 7,763</u>

Note 7 – Long Term Debt

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due within one year
2005 Series A COP	\$ 3,720,000	\$ -	\$ (1,810,000)	\$ 1,910,000	\$ 1,910,000
Bond premium	44,189	-	(44,189)	-	-
Unamortized discount	(11,606)	11,606	-	-	-
2012 COP	5,122,000	-	(688,000)	4,434,000	702,000
2008 UBOC loan	5,000,000	-	(400,000)	4,600,000	400,000
2015 Refunding Revenue Bonds	45,315,000	-	-	45,315,000	-
Bond premium	6,934,420	-	(364,969)	6,569,451	-
Capital lease	73,361	-	(46,901)	26,460	26,460
OPEB liability	153,980	533,238	(567,213)	120,005	-
Net pension liability	11,466,898	5,157,867	(1,465,868)	15,158,897	-
 Total long-term debt	 <u>\$ 77,818,242</u>	 <u>\$ 5,702,711</u>	 <u>\$ (5,387,140)</u>	 <u>\$ 78,133,813</u>	 <u>\$ 3,038,460</u>

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 7 – Long Term Debt (continued)

2005 Certificates of Participation

On June 30, 2005, the District issued \$66,700,000 in Water and Wastewater Enterprise Certificates of Participation (Series 2005A COPs). The proceeds of the issue are being used to prepay the 1998 Twin Oaks Reservoir Certificates of Participation and to complete the construction of a second buried prestressed concrete reservoir at the Twin Oaks Reservoir site, including related grating and earthwork, and the upgrade of the District's Meadowlark Water Reclamation Facility, including the installation of new primary clarifiers, two new filter beds, the reconstruction of the operations and laboratory building, the installation of odor control systems throughout the site, and the addition of a larger emergency generator.

A total of \$23,000,000 from the Series 2005A COPs was used to pay off the outstanding principal, and call premium on the 1998 Twin Oaks Reservoir Certificates of Participation. As a result, the 1998 Twin Oaks Reservoir Certificates of Participation are considered retired and the liability for those obligations has been removed from the financial statements. The District completed the advance refunding to reduce the District's total debt service payments over the next 25 years by \$1,506,316 and to obtain an economic gain of approximately \$1,111,076.

The Series 2005A COPs are payable solely from the net revenues of the District's water and sewer systems as defined in the 2005 Certificates of Participation. The Certificates are due in annual installments from July 1, 2008 to July 1, 2035 bearing interest at 4.00% to 5.50%. This debt contains a rate covenant which requires the District to maintain annual net revenues of at least 115% of the annual debt service. In Fiscal Year 2017, the District was in compliance with this rate covenant.

The annual requirements to amortize the 2005 Certificates of Participation outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 1,910,000</u>	<u>\$ 50,138</u>	<u>\$ 1,960,138</u>

In 2007, the District converted its remaining \$63.8 million in COPs from variable auction rate to a fixed rate debt to reduce interest rate risk. At the time of conversion the auction rate was 3.5%. The total-all-in cost is 4.736%. The \$1.6 million realized in the issue premium was expended toward the Meadowlark Treatment Plant expansion.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 7 – Long Term Debt (continued)

2012 Certificates of Participation

On December 5, 2012, the Board of Directors of the Vallecitos Water District authorized the issuance of debt. The District received \$7.1 million of proceeds at a 1.98% fixed interest rate over the ten year life of the loan. The proceeds will support the San Marcos Sewer Interceptor and Linda Vista Sewer Line projects.

The annual requirements to amortize the 2012 Certificates of Participation outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 702,000	\$ 80,844	\$ 782,844
2019	741,000	66,558	807,558
2020	725,000	52,044	777,044
2021	739,000	37,550	776,550
2022	755,000	22,760	777,760
2023	<u>772,000</u>	<u>7,643</u>	<u>779,643</u>
Total	<u>\$ 4,434,000</u>	<u>\$ 267,399</u>	<u>\$ 4,701,399</u>

2008 Loan Payable

On November 12, 2008, the District entered into a variable rate tax-exempt private placement loan with Union Bank of California (UBOC) in the amount of \$8,000,000 to partially finance the District's share of the expansion costs at the Encina Wastewater Authority's treatment plant. Terms of the agreement call for interest to accrue at an interest rate per annum equal to 64.72% of the LIBOR index plus 0.79% (1.37953% at June 30, 2017). Principal payments of \$200,000 plus interest are payable semi-annually and maturing in 2028.

The annual requirements to amortize the 2008 Loan Payable outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 400,000	68,832	\$ 468,832
2019	400,000	66,531	466,531
2020	400,000	63,694	463,694
2021	400,000	60,266	460,266
2022	400,000	56,183	456,183
2023-2027	2,000,000	191,777	2,191,777
2028-2029	<u>600,000</u>	<u>13,783</u>	<u>613,783</u>
Total	<u>\$ 4,600,000</u>	<u>\$ 521,066</u>	<u>\$ 5,121,066</u>

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 7 – Long Term Debt (continued)

2015 Refunding Revenue Bonds

On July 9, 2015, the District issued \$45,315,000 of Refunding Revenue Bonds, due July 1, 2035. The 2015 Bonds were issued to provide funds to provide a portion of the money to prepay a portion of the currently outstanding 2005A Certificates of Participation, and to pay costs of the issuance of the 2015 Bonds.

The annual requirements to amortize the 2015 Refunding Revenue Bonds outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 2,246,700	\$ 2,246,700
2019	1,905,000	2,208,600	4,113,600
2020	2,020,000	2,120,000	4,140,000
2021	2,125,000	2,016,375	4,141,375
2022	2,235,000	1,907,375	4,142,375
2023-2027	12,985,000	7,699,125	20,684,125
2028-2032	14,980,000	4,053,750	19,033,750
2033-2036	9,065,000	935,125	10,000,125
Total	<u>\$ 45,315,000</u>	<u>\$ 23,187,050</u>	<u>\$ 68,502,050</u>

Capital Lease

The District entered into a 24-month lease agreement with APG Nueros on December 17, 2015 for the purchase of a Turbo Blower. The annual requirements to amortize the capital lease payable outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 26,460</u>	<u>\$ -</u>	<u>\$ 26,460</u>

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 8 – Net Position

A. Net Investment In Capital Assets

Net Investment in Capital Assets at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Investment in Encina Wastewater Authority capital assets	\$ 25,569,807	\$ 25,687,566
Capital assets not being depreciated	24,766,810	25,275,070
Net capital assets being depreciated	218,358,322	222,010,592
Certificates of participation - current portion	(2,612,000)	(2,498,000)
Certificates of participation - noncurrent portion	(49,047,000)	(58,626,003)
Bond premium	(6,569,451)	-
Loan payable - UBOC - current portion	(400,000)	(400,000)
Loan payable - UBOC - noncurrent portion	(4,200,000)	(4,600,000)
Capital lease payable - current portion	(26,460)	(46,901)
Capital lease payable - noncurrent portion	-	(26,460)
Total net investment in capital assets	<u>\$ 205,840,028</u>	<u>\$ 206,775,864</u>

B. Restricted Net Position

Restricted net position at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Restricted for debt service	\$ 1,871,061	\$ 1,786,391
Restricted for future capital projects	707,616	2,120,022
Total restricted net position	<u>\$ 2,578,677</u>	<u>\$ 3,906,413</u>

C. Unrestricted Net Position

Unrestricted net position at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Nonspendable net position		
Inventories	\$ 1,110,094	\$ 1,062,930
Prepaid expenses	418,062	341,962
Total nonspendable net position	<u>1,528,156</u>	<u>1,404,892</u>
Spendable net position		
Unrestricted net position	<u>44,372,896</u>	<u>37,305,978</u>
Total unrestricted net position	<u>\$ 45,901,052</u>	<u>\$ 38,710,870</u>

D. Total Net Position

Total net position	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>
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VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.0%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	12.657%	6.555%

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

A. General Information about the Pension Plans (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017 were \$1,690,724. The actual employer payments of \$1,465,868 made to CalPERS by the District during the measurement period ended June 30, 2016 differed from the District's proportionate share of the employer's contributions of \$1,853,460 by \$387,592, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change of Assumptions

There were no changes of assumptions.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

B. Net Pension Liability (continued)

Discount Rate (continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (Valuation Date)	\$ 61,497,246	\$ 50,030,348	\$ 11,466,898
Balance at: 6/30/2016 (Measurement Date)	\$ 64,930,625	\$ 49,771,728	\$ 15,158,897
Net Changes during 2015-16	\$ 3,433,379	\$ (258,620)	\$ 3,691,999

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District’s proportion of the net pension liability determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website at, www.calpers.ca.gov. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportionate Share - June 30, 2015	0.41797%
Proportionate Share - June 30, 2016	0.43637%
Change - Increase (Decrease)	0.01840%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate - 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
Plan’s Net Pension Liability	\$ 23,900,583	\$ 15,158,897	\$ 7,934,329

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under generally accepted accounting principles, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 9 – Defined Benefit Pension Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2015), the District’s net pension liability was \$11,466,898. For the measurement period ending June 30, 2016 (the measurement date), the District incurred pension expense of \$1,867,686 for the Plan.

As of June 30, 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 52,383	\$ (12,003)
Changes of Assumptions	-	(495,596)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,579,411	-
Change in Employer's Proportion	358,936	-
Difference in Actual vs Projected Contributions	-	(495,941)
Pension Contributions Subsequent to Measurement Date	1,690,724	-
Total	<u>\$ 4,681,454</u>	<u>\$ (1,003,540)</u>

These amounts above are net of outflows and inflow recognized in the 2015-2016 measurement period expense. Contributions subsequent to the measurement date of \$1,690,724 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ 47,281
2018	116,772
2019	1,155,888
2020	667,249
2021	-
Thereafter	-

E. Payable to the Pension Plan

The District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 10 – Other Post-Employment Benefits (OPEB) Plan

The District provides post-employment health benefits in accordance with a resolution approved by the Board of Directors, to all employees who retire from the District under the retirement criteria established by CalPERS, up to age 65. At June 30, 2017 there were twenty-eight retired employees who met these eligibility requirements and are therefore receiving the benefits. The post-retirement health care benefits are financed on a pay-as-you-go-basis.

The total expense incurred for these benefits for retired employees for the year ended June 30, 2017 was \$567,213.

Plan Description

For employees who retired before July 1, 2013, The District's OPEB provides continued medical coverage for an eligible retired employee, spouse or registered domestic partner, and eligible dependent at no cost to the retired employee. Coverage will continue for the retiree and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Coverage for the retirees' eligible dependents will continue until they are eligible for coverage under any other health care plan or public health care program or are no longer eligible for coverage under the District's group health plans according to the terms and conditions of the agreement between the group health plan and the District.

For employees who retire after June 30, 2013, the District's OPEB provides continued medical coverage for an eligible retired employee and spouse or registered domestic partner until they become entitled to Medicare Benefits at age 65. Medical premiums paid by the District are established per the most current Memorandum of Understanding (MOU). Plan premiums elected by the retiree above those established in the MOU are paid by the retiree.

To become eligible for partial OPEB benefits, non-retired employees hired before July 1, 2013, must be age 50 and have five years of continuous service with the District. OPEB benefits increase with each year of continuous service up to ten years when the employee becomes 100% vested to receive the maximum amount of premium established in the most current MOU at retirement.

The OPEB benefit is not offered to employees hired after July 1, 2013.

Eligible retirees may enroll in any of the plans the District offers through the ACWA Program. The activity and liability from the OPEB plan are included in these financial statements.

Funding Policy

The District's Resolution No. 788, established the authority for the plan and provides that the District will pay 100% of the cost of the OPEB plan. Resolution No. 1389 authorized the District to establish and maintain an irrevocable trust to fund OPEB and seek reimbursement from the trust to cover current retiree benefit premiums which are paid by the District on a pay-as-you-go basis. The District began funding the trust in March of 2012.

VALLECITOS WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)

Note 10 – Other Post-Employment Benefits (OPEB) Plan (continued)

Annual OPEB Cost

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for the year ended June 30th as follows:

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 533,238	\$ 551,558
Contributions made:		
Retired employees post employment medical benefit payments	<u>(567,213)</u>	<u>(417,174)</u>
Increase (decrease) in net post - employment benefits payable obligation	(33,975)	134,384
Post employment benefits payable, net - beginning of year	<u>153,980</u>	<u>19,596</u>
Post employment benefits payable, net - end of year	<u><u>\$ 120,005</u></u>	<u><u>\$ 153,980</u></u>

Funded Status of the Plan

The most recent valuation (dated January 1, 2015) includes an Actuarial Accrued Liability of \$6,620,476 and an Unfunded Actuarial Accrued Liability of \$3,389,038. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2017 is \$6,947,911. The ratio of the unfunded actuarial liability to annual payroll covered is 48.77%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Three Year Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligation for the following fiscal years ended were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 382,547	102.72%	\$ 19,596
June 30, 2016	551,558	75.64%	153,980
June 30, 2017	533,238	106.37%	120,005

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 10 – Other Post-Employment Benefits (OPEB) Plan (continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

The District's valuation uses the Projected Unit Credit actuarial cost method to project the Annual Required Contribution and a 7% discount rate. A level dollar amortization of the Unfunded Actuarial Accrued Liability is used over a closed 30-year period.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,000,000, combined single limit at \$1,000,000 per occurrence. The District purchased additional excess coverage layers: \$58 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$10,000 deductible per occurrence. Total risk financed self-insurance limits is \$50,000 with additional insurance purchased with coverage limits of \$100 million.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 11 – Risk Management (continued)

- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law, with total risk financed self-insurance limits of \$2 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017.

Note 12 – Segment Information

The District's 2005A COPs are payable solely from the net revenues of the District's water and sewer systems. Summary financial information for the water and sewer systems is presented for June 30, 2017.

Condensed Statement of Net Position

	2017		
	Water	Sewer	Total
Assets:			
Current assets	\$ 27,148,397	\$ 41,680,301	\$ 68,828,698
Non-current assets	25,332	44,428	69,760
Capital assets, net	140,525,335	128,169,604	268,694,939
Total assets	167,699,064	169,894,333	337,593,397
Deferred Outflows of Resources	4,285,315	3,272,584	7,557,899
Liabilities:			
Current liabilities	9,090,253	5,642,393	14,732,646
Non-current liabilities	35,718,852	39,376,501	75,095,353
Total liabilities	44,809,105	45,018,894	89,827,999
Deferred Inflows of Resources			
Pension related	582,871	420,669	1,003,540
Net assets:			
Net investment in capital assets	112,947,981	92,892,047	205,840,028
Restricted for future capital facilities	389,306	318,310	707,616
Restricted for debt service	972,841	898,220	1,871,061
Unrestricted	12,274,252	33,626,800	45,901,052
Total net assets	\$ 126,584,380	\$ 127,735,377	\$ 254,319,757

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 12 – Segment Information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017			2016
	Water	Sewer	Total	Total
Revenues:				
Operating revenues	\$ 37,943,029	\$ 19,479,045	\$ 57,422,074	\$ 51,840,554
Non-operating revenues	2,363,159	2,114,885	4,478,044	5,413,930
Total revenues	40,306,188	21,593,930	61,900,118	57,254,484
Expenses:				
Operating expenses	38,198,843	11,346,992	49,545,835	43,457,801
Depreciation and amortization	5,443,685	3,981,623	9,425,308	9,189,604
Non-operating expenses	1,101,431	3,661,624	4,763,055	10,297,932
Total expenses	44,743,959	18,990,239	63,734,198	62,945,337
Net income/(loss) before capital contributions	(4,437,771)	2,603,691	(1,834,080)	(5,690,853)
Capital contributions	3,951,571	2,809,119	6,760,690	7,083,887
Change in net position	(486,200)	5,412,810	4,926,610	1,393,034
Total Net Position, Beginning of Year	127,070,580	122,322,567	249,393,147	251,271,134
Prior Period Restatement	-	-	-	(3,271,021)
Total Net Position at Beginning of Year as Restated	127,070,580	122,322,567	249,393,147	248,000,113
Total Net Position, End of Year	<u>\$ 126,584,380</u>	<u>\$ 127,735,377</u>	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>

Condensed Statement of Cash Flows

	2017			2016
	Water	Sewer	Total	Total
Net cash provided (used) by:				
Operating activities	\$ (888,039)	\$ 7,556,394	\$ 6,668,355	\$ 9,565,740
Non-capital financing activities	2,194,929	1,959,725	4,154,654	3,837,118
Capital and related financing activities	(887,827)	(3,708,656)	(4,596,483)	(11,948,114)
Investing activities	1,136,150	(3,444,971)	(2,308,821)	260,717
Net cash provided	1,555,213	2,362,492	3,917,705	1,715,461
Cash and cash equivalents, beginning of year	7,539,564	19,160,964	26,700,528	24,985,067
Cash and cash equivalents, end of year	<u>\$ 9,094,777</u>	<u>\$ 21,523,456</u>	<u>\$ 30,618,233</u>	<u>\$ 26,700,528</u>

VALLECITOS WATER DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 (with select prior year data for comparison only)**

Note 13 – Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. These include the following:

<u>Project Description</u>	<u>Total Approved Contracts (\$)</u>	<u>Spent Through June 30, 2017</u>	<u>Remaining</u>
Lift Station I Wet Well Room Repairs	\$ 141,550	\$ -	\$ 141,550
MRF Tertiary Media Filter	404,556	384,328	20,228
	<u>\$ 546,106</u>	<u>\$ 384,328</u>	<u>\$ 161,778</u>

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Note 14 – Prior Period Adjustment

In fiscal year 2016, a prior period adjustment of \$3,271,021 is the result of accruing capital facility fee revenue and receivable in fiscal year 2014-15. Resolution No. 1441, passed February 5, 2014, allows delay of payment of capacity fees until final building inspection. Thus, the District is not owed the fees until such time and therefore no basis exists to record the receivable and related revenue.

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

VALLECITOS WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE LAST 10 YEARS*

	Measurement Date		
	6/30/2014	6/30/2015	6/30/2016
Employer's Proportion of the Collective Net Pension Liability ¹	0.40328%	0.41797%	0.43637%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 9,967,048	\$ 11,466,898	\$ 15,158,897
Employer's Covered Payroll	\$ 7,801,034	\$ 8,295,604	\$ 8,582,083
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	127.77%	138.23%	176.63%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	81.35%	76.65%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

VALLECITOS WATER DISTRICT

**SCHEDULE OF PLAN CONTRIBUTIONS
LAST 10 YEARS***

	Fiscal Year		
	6/30/2015	6/30/2016	6/30/2017
Actuarially Determined Contributions	\$ 1,304,486	\$ 1,465,868	\$ 1,690,724
Contributions in Relation to the Actuarially Determined Contributions	(1,304,486)	(1,465,868)	(1,690,724)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 7,801,034	\$ 8,295,604	\$ 8,582,083
Contributions as a Percentage of Covered Payroll	16.72%	17.67%	19.70%

* Measurement period 2013-14 (fiscal year 2014-15) was the 1st year of implementation.

Notes to Schedule:

Change in Benefit Terms: None
Change in Assumptions: None

VALLECITOS WATER DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2011	\$ -	\$ 4,911,102	\$4,911,102	0%	\$7,759,756	63.29%
6/30/2013	2,635,608	5,078,124	2,442,516	51.90%	7,445,301	32.81%
6/30/2015	3,231,438	6,620,476	3,389,038	48.81%	7,190,573	47.13%

**SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Purchased Water	\$ 27,392,003	\$ 22,190,912
Pumping:		
Labor	84,567	77,021
Materials and supplies	24,536	39,698
Outside repair	20,789	22,253
Power	482,177	392,802
Total Pumping	<u>612,069</u>	<u>531,774</u>
Water Quality and Treatment:		
Labor	445,346	360,705
Materials and supplies	82,174	84,526
Outside Repair	62,167	69,902
Power	15,157	7,058
Total Water Treatment	<u>604,844</u>	<u>522,191</u>
Tanks and Reservoirs:		
Labor	216,923	225,456
Materials and supplies	15,056	28,618
Outside repair	76,427	112,257
Power	4,198	4,825
Total Tanks and Reservoirs	<u>312,604</u>	<u>371,156</u>
Transmission and Distribution:		
Labor	1,171,448	929,020
Materials and supplies	182,215	176,447
Outside repair	384,023	73,608
Power	10,081	10,362
Total Transmission and Distribution	<u>1,747,767</u>	<u>1,189,437</u>
Services:		
Labor	69,058	108,553
Materials and supplies	19,534	70,813
Outside repair	49,481	40,042
Total Services	<u>138,073</u>	<u>219,408</u>
Meters:		
Labor	595,587	639,288
Materials and supplies	24,087	69,031
Outside repair	5,902	4,845
Total Meters	<u>625,576</u>	<u>713,164</u>

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WATER DIVISION (Continued)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Backflow Prevention:		
Labor	\$ 70,939	\$ 60,066
Materials and supplies	3,939	144
Total Backflow Prevention	<u>74,878</u>	<u>60,210</u>
Customer Accounts:		
Labor	456,320	406,606
Materials and supplies	49,037	58,516
Uncollectible accounts	26,143	28,561
Outside Repair	32,401	40,223
Total Customer Accounts	<u>563,901</u>	<u>533,906</u>
Equipment and Vehicles:		
Labor, fuel and repairs	219,612	212,658
Materials and supplies	66,270	66,899
Total Equipment and Vehicles	<u>285,882</u>	<u>279,557</u>
Building and Grounds:		
Labor	208,064	175,710
Materials and supplies	23,023	36,373
Outside Repair	73,489	71,677
Power	96,236	67,557
Total Building and Grounds	<u>400,812</u>	<u>351,317</u>
Engineering:		
Labor	1,363,299	1,213,380
Materials and supplies	12,255	36,588
Outside Repair	43,352	20,230
Total Engineering	<u>1,418,906</u>	<u>1,270,198</u>
Safety:		
Labor	215,209	196,736
Materials and supplies	7,994	16,999
Safety support	10,276	10,025
Total Safety	<u>233,479</u>	<u>223,760</u>

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WATER DIVISION (Continued)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Information Technology		
Labor	\$ 438,533	\$ 376,974
Travel	1,992	824
Dues and subscriptions	147	147
Meetings and seminars	2,806	3,788
Other materials and supplies	18,973	39,736
Phone	21,341	22,508
Equipment Rent & Repair	34,710	33,862
Outside Repair	209,790	254,618
Total Information Technology	<u>728,292</u>	<u>732,457</u>
General and Administration:		
Salaries	1,812,289	1,877,637
Other taxes/benefits	42,020	7,996
Social security	136,095	139,762
Group insurance	561,629	699,308
Public employees' retirement	492,618	325,659
Workers' compensation insurance	35,696	40,775
District insurance	137,963	131,220
Director's expense	43,343	58,531
Director's fees	50,703	51,512
Public awareness	91,026	171,822
Travel	11,261	20,551
Postage	7,121	2,607
Office supplies	38,058	81,861
Dues and subscriptions	53,791	77,211
Meetings and seminars	20,642	23,094
Legal	111,869	152,749
Auditing	16,083	12,528
Outside services	169,372	192,136
Election and annexations	6,127	-
Other	(40,648)	29,120
Administrative credits transferred	(737,301)	(640,668)
Total General and Administration	<u>3,059,757</u>	<u>3,455,411</u>
Total Water Division Expenses	<u>\$ 38,198,843</u>	<u>\$ 32,644,860</u>

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WASTEWATER DIVISION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Collection System:		
Labor	\$ 1,422,004	\$ 1,179,829
Materials and supplies	92,870	75,214
Chemicals	241,625	306,209
Outside repair	138,821	200,232
Power	1,368	1,411
Total Collection System	<u>1,896,688</u>	<u>1,762,895</u>
Lift Stations		
Labor	156,632	152,261
Materials and supplies	19,165	29,291
Chemicals	421	-
Outside repair	66,053	43,965
Power	50,933	42,856
Total Lift Stations	<u>293,204</u>	<u>268,373</u>
Peroxide Station:		
Labor	1,291	308
Outside repair	-	-
Power	25	148
Total Peroxide Station	<u>1,316</u>	<u>456</u>
Source Control:		
Labor	146,018	128,670
Materials and supplies	14,771	3,862
Total Source Control	<u>160,789</u>	<u>132,532</u>
Encina Disposal	<u>2,529,715</u>	<u>2,485,765</u>
Meadowlark Lift Station:		
Labor	76,523	64,322
Materials and supplies	8,289	45,498
Chemicals	101,791	102,613
Outside repair	31,741	67,742
Power	89,791	65,685
Total Meadowlark Lift Station	<u>308,135</u>	<u>345,860</u>

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WASTEWATER DIVISION (Continued)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Meadowlark Plant:		
Labor	\$ 981,193	\$ 861,506
Materials and supplies	369,359	258,411
Chemicals	468,966	447,358
Outside repair	233,051	265,495
Power	413,397	379,522
Telephone	117	1,091
Total Meadowlark Plant	<u>2,466,083</u>	<u>2,213,383</u>
Mahr Reservoir:		
Labor	65,759	81,602
Materials and supplies	15,196	23,861
Chemicals	23,292	8,839
Outside repairs	115,449	76,642
Total Mahr Reservoir	<u>219,696</u>	<u>190,944</u>
Customer Accounts:		
Labor	303,605	273,567
Materials and supplies	45,344	49,613
Uncollectible accounts	13,852	13,426
Outside Services	31,564	33,503
Total Customer Accounts	<u>394,365</u>	<u>370,109</u>
Equipment and Vehicles:		
Labor, fuel and repairs	122,091	126,635
Materials and supplies	30,890	40,089
Fuel	32,517	39,122
Total Equipment and Vehicles	<u>185,498</u>	<u>205,846</u>
Buildings and Grounds:		
Labor	59,918	51,009
Materials and supplies	15,152	22,206
Outside repair	62,048	57,507
Power	91,921	64,004
Total Buildings and Grounds	<u>229,038</u>	<u>194,726</u>
Engineering:		
Labor	560,599	543,886
Materials and supplies	3,846	61,662
Outside repair	4,846	13,291
Total Engineering	<u>569,291</u>	<u>618,839</u>

VALLECITOS WATER DISTRICT

**SCHEDULE OF OPERATING EXPENSES – WASTEWATER DIVISION (Continued)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Safety:		
Labor	\$ 150,064	\$ 125,625
Materials and supplies	266	2,315
Outside services	8,609	9,811
Total Safety	<u>158,939</u>	<u>137,751</u>
Information Technology		
Labor	296,379	254,297
Materials and supplies	75,747	91,665
Outside services	220,427	268,604
Total Information Technology	<u>592,553</u>	<u>614,566</u>
General and Administration:		
Salaries	816,549	719,558
Other taxes/benefits	14,187	4,336
Social security	57,130	58,876
Group insurance	321,300	405,101
Public employees' retirement	260,834	155,620
Workers' compensation insurance	10,650	12,366
District insurance	132,552	126,074
Director's fees	42,899	37,813
Travel	-	-
Office supplies	16,955	18,547
Dues and subscriptions	16,155	421
Meetings and seminars	50	1,224
Legal	111,829	140,797
Auditing	15,477	12,062
Outside services	31,438	59,492
Other	(7,592)	3,123
Administrative credits transferred	(498,731)	(484,512)
Total General and Administration	<u>1,341,682</u>	<u>1,270,898</u>
Total Wastewater Division Expenses	<u>\$ 11,346,992</u>	<u>\$ 10,812,942</u>

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DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY

BACKGROUND:

The Board of Directors has expressed interest in exploring the possibilities of utilizing the San Marcos Groundwater Basin (Basin) for a new water resource for Vallecitos Water District (District). This groundwater subject was delegated to the Engineering/Equipment Committee (Committee) to provide direction to staff and explore all potential groundwater resource opportunities. The Committee's initial direction was to move forward with scoping a consultant study to define the basin size, storage capacity, best use, and legal hurdles. Staff moved forward researching and drafting the scope of services, also gaining an initial estimate of costs from consultants and neighboring agencies. The estimate ranges from \$500,000 to \$650,000 and did not include the legal component of requirements for developing the basin.

The findings of the initial scoping effort by staff were presented and discussed at the Committee. To mitigate against the initial costs associated with completing the full scope, the Committee shifted focus towards determining the best funding opportunities to offset the costs of the full scope. Staff moved forward with the new direction and requested a new scope and fee from a consultant familiar with groundwater studies and the associated funding opportunities.

DISCUSSION:

This item was brought to the Engineering/Equipment Committee on November 13, 2017 for review and direction. Staff met with and discussed the best approach to identify and apply for funding sources from Woodard and Curran. Woodard and Curran, formerly RMC Consultants, was chosen due to their experience with the North County Water Reuse Coalition, Olivenhain Municipal Water District, and Encina Wastewater Authority. The Committee recommended bringing the scope and fee, including optional tasks to determine the legal obstacles within the Basin, to the Board for consideration of contract award.

The intent of the study is to evaluate 3 different groundwater use options:

1. Option 1 - Irrigation with groundwater for non-potable purposes, with storage for blending with Recycled Water
2. Option 2 - Potable supply with groundwater desalter
3. Option 3 - Groundwater basin recharge with advanced treated water from the Encina Water Pollution Control Facility

The study would explore each option to determine the best use of the basin. Each option would be evaluated for the planning level cost estimate, timing of implementation, and legal obstacles/process. Also, funding levels and opportunities for each option will be identified and evaluated to estimate the District's cost per acre foot of the new water source. This study itself may be eligible for grant or loan reimbursement retroactively.

FISCAL IMPACT:

This item does not have a current or future fiscal year budget and will require a new budget to be approved by the Board.

The proposed project budget is as follows:

Budget		\$126,000
Staff and Overhead to Date	\$ 12,633	
Initial Basin Study	\$ 70,222	
Staff and Other Services	\$ 13,440	
Overhead/Materials	<u>\$ 29,705</u>	
Subtotal	\$126,000	

RECOMMENDATION:

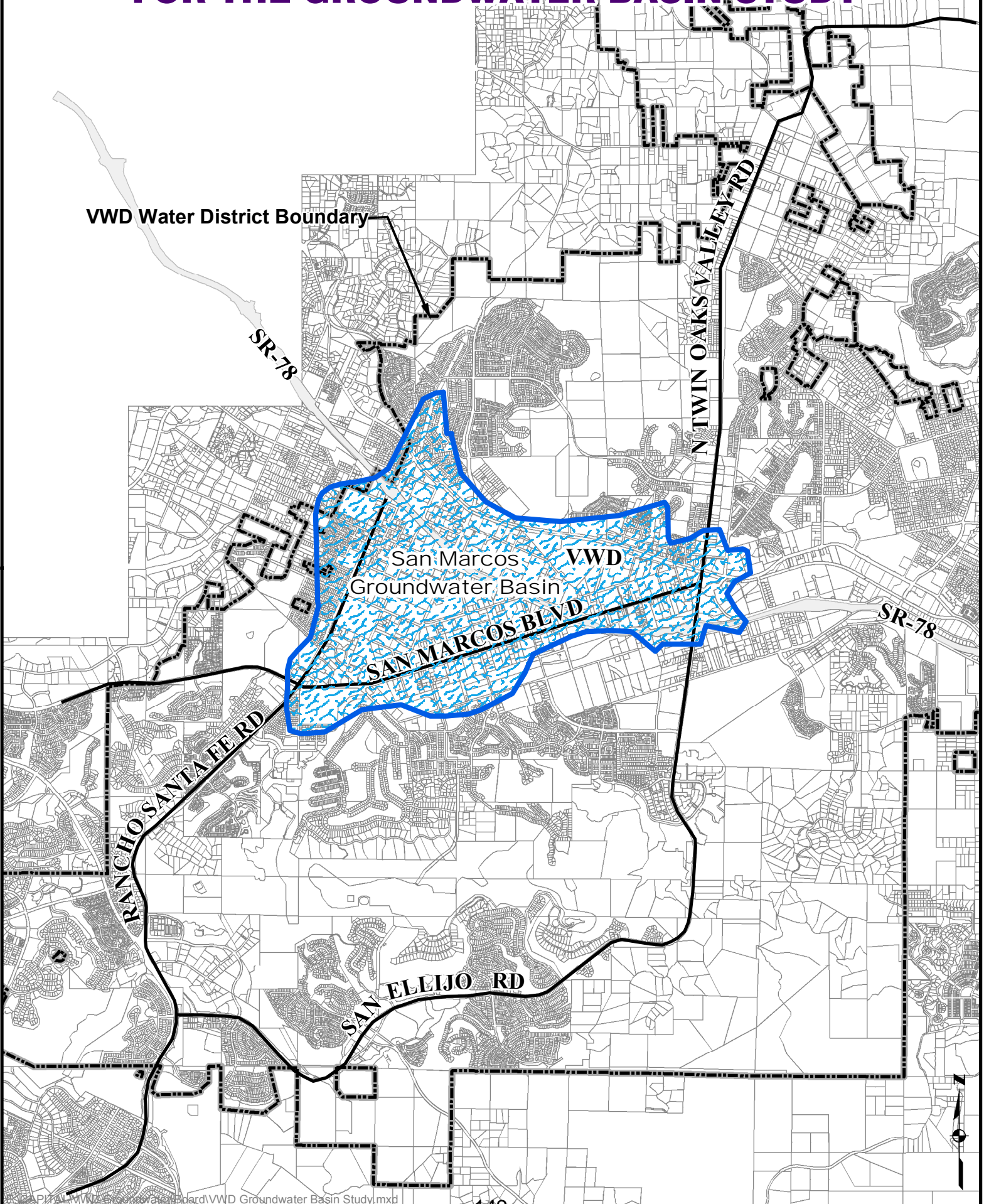
The Groundwater Study is being presented for discussion and consideration by the Board. If the Board desires to move forward with the Study, the following actions are requested:

1. Authorize a budget amendment of \$126,000 to the Fiscal Year 2017/2018 budget for the inclusion of the Groundwater Basin Study.
2. Approve a professional services agreement with Woodard and Curran in the amount of \$70,222 for the preparation of a Groundwater Basin Study.

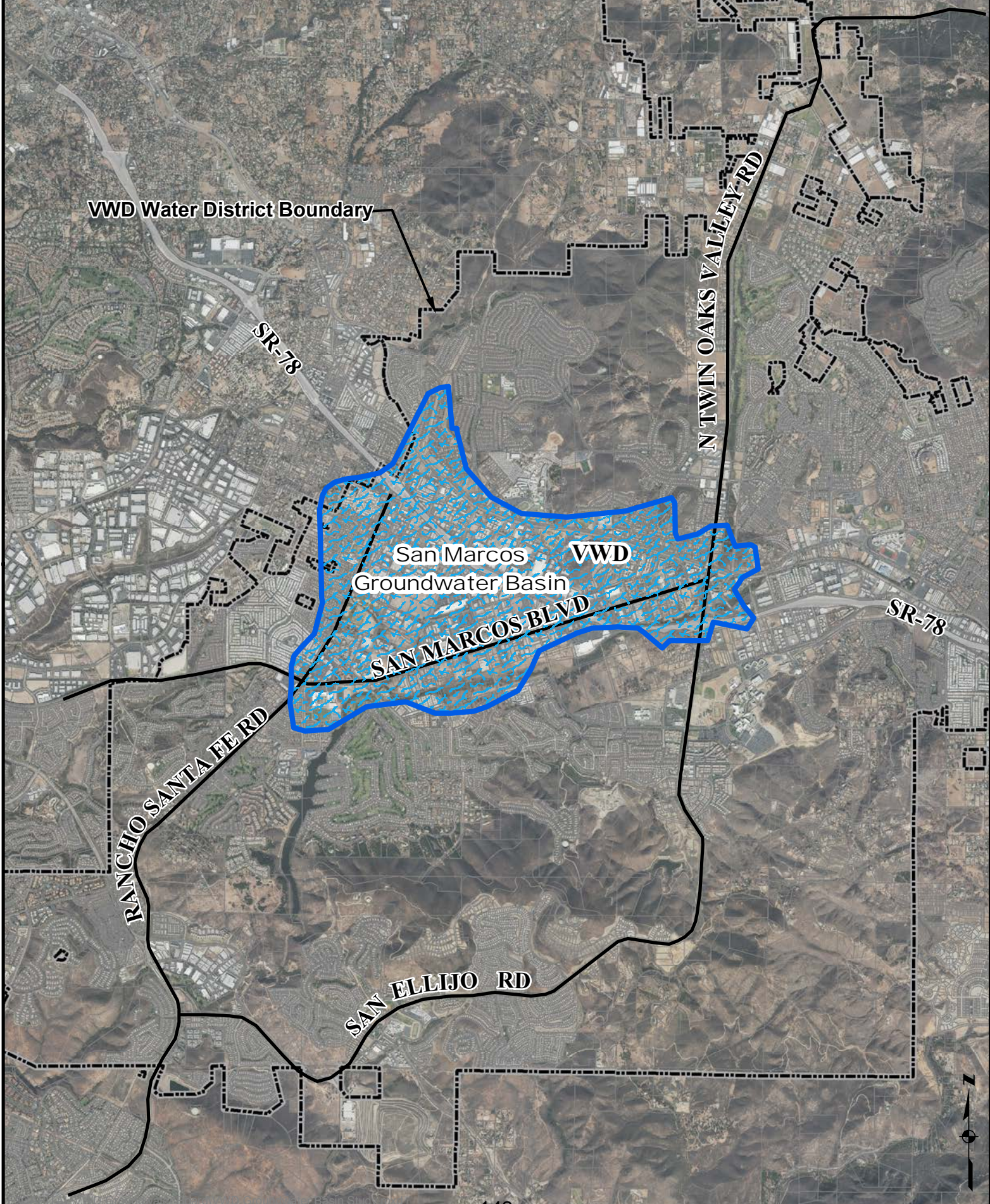
ATTACHMENTS:

- Plat Map
- Aerial Map
- Proposal for Evaluation of San Marcos Groundwater Basin Supply Options

AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY



AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE GROUNDWATER BASIN STUDY





National Experience. Local Focus.

Revised November 17, 2017

Mr. James Gumpel
District Engineer
Vallecitos Water District
201 Vallecitos de Oro
San Marcos, CA 92069

Subject: Proposal for Evaluation of San Marcos Groundwater Basin Supply Options

Dear Mr. Gumpel:

As requested, a proposed scope of work has been prepared for Vallecitos Water District to evaluate options to develop the San Marcos Groundwater Basin as both a potable and non-potable supply of water. This proposal is based on discussions during our meeting on September 25, 2017.

The proposed scope of work includes development and initial evaluation of three alternatives, selection of a recommended alternative based on the results of the initial evaluation, and preliminary implementation and funding plans for the recommended alternative. To aid in the planning process, additional next steps are listed as optional tasks to develop feasibility.

Woodard & Curran looks forward to working with the Vallecitos Water District on this initial evaluation. If you have any questions or require any additional information, please contact me at 949.420.5314 (office) or 714.292.6488 (cell) or sgoldman@woodardcurran.com.

Sincerely,

Woodard & Curran

Scott Goldman, P.E., BCEE
Principal-in-Charge

Attachments:

- Proposed Scope of Work*
- Fee Estimate*
- 2017 Standard Rates*

Evaluation of San Marcos Groundwater Basin Supply Options Proposed Scope of Work

Objective

The objective of this proposed evaluation is to identify possible feasible options and funding sources for Vallecitos Water District (VWD) to develop the San Marcos Groundwater Basin as a municipal potable or non-potable water supply and develop a preliminary implementation and funding plan for a recommended option. A calibrated groundwater model would be needed to accurately determine project feasibility. Absent an existing groundwater model, this evaluation will rely on several assumptions and estimates from previous studies to approximate likely outcomes in an attempt to determine if the expense of developing a comprehensive groundwater model is warranted.

Background

The San Marcos Valley Groundwater Basin Number 9-32 (Basin) lies beneath San Marcos Valley in northwestern San Diego County, spanning 3.3 square miles. San Marcos Creek drains this valley southwestward into Lake San Marcos. The Basin is recharged predominantly by rainfall percolation in the valley floor and ephemeral stream flow.

Groundwater quality is better in the northern part of the basin than in the south based on TDS data collected prior to 1967 that ranged between 500 and 750 mg/L (DWR 2003). The Basin is not currently used as a municipal supply but is currently pumped by other users for irrigation. Data regarding water pumping quantity and quality were not available for review, but it has been said that groundwater quality degrades toward the end of the irrigation season.

VWD has previously studied the Basin for possible development. In 2005, Todd Engineers estimated that the total groundwater recharge amount is about 4,600 AFY from rainfall (3,168 AFY) and other recharge (1,478 AFY) mainly by imported water. Per the 2005 Todd Engineers Memo, there is potential for groundwater development in the Basin; however, development of groundwater in the San Marcos area is constrained by limited storage and relatively low well yields.

The Basin is not adjudicated and the California Statewide Groundwater Elevation Monitoring (CASGEM) Program ranks the Basin as Very Low priority.

Scope of Work

The proposed scope of work includes four tasks:

- Task 1 – Option Development and Initial Evaluation**
- Task 2 – Preliminary Implementation and Funding Plan**
- Task 3 – Summary Report**
- Task 4 – Project Management and Meetings**

The following optional tasks are also proposed for consideration by VWD to help to further determine whether a feasible project exists:

- Optional Task 5 – Additional Meetings**
- Optional Task 6 – Initial Legal Review**

As noted previously, a calibrated groundwater model would be needed to accurately determine project feasibility, which is not included in this Scope of Work. Groundwater modeling could be included in a future grant application, depending on the project option selected to move forward.

Task 1 – Options Development and Initial Evaluation

This task will review background information, develop options, and evaluate options.

Background information on the Basin, including previous studies and public information regarding groundwater pumping and water quality data information will be reviewed and summarized. Information from the following reports will be relied upon as a basis for assumptions:

- Encina Wastewater Authority, 2017, Water Reuse Feasibility Study
- North San Diego Water Reuse Coalition, 2015, Regional Recycled Water Project Final Program Environmental Impact Report
- Todd Engineers, 2005, Final Technical Memorandum No. 15 – Groundwater Assessment, Update to the Water, Wastewater, and Reclamation Master Plan

After background review, three options will be developed in a workshop with VWD staff to utilize VWD's water supply from the Basin for potable and non-potable uses. The options will include the following:

- 1. Option 1 – Irrigation with groundwater for non-potable purposes, with storage for blending**
- 2. Option 2 – Potable supply with groundwater desalter**
- 3. Option 3 – Groundwater basin recharge with advanced treated recycled water from Encina Water Pollution Control Facility (WPCF)**

Option development will include identifying major infrastructure elements such as wells, pipelines, tanks, treatment facilities, brine management and disposal, and recharge or injection pathways. Class 4 (feasibility level) cost estimates will be developed using the costs from similar projects in the general region. Cost estimates will be prepared for each of the options including capital construction costs, and annualized costs including operations/maintenance costs. A unit cost of water production will be calculated for each option so they can be compared. One preferred option will be identified based on the initial economic analysis.

Identification of the preferred option is to provide VWD with a potential direction to pursue should any of the three options turn out to be feasible. VWD may then choose to further refine assumptions under future phases of analyzing feasibility, including groundwater modeling, project benefits, environmental impacts, regulatory complexity, and other criteria.

Task 2 – Preliminary Implementation and Funding Plan

A preliminary implementation strategy will be developed for the three project options developed under Task 1, including identification of possible project phasing and next steps (e.g., studies, modeling, water quality sampling, pilot testing, environmental, permitting) needed to verify initial project feasibility of the recommended project. Estimates of the soft costs associated with project implementation will also be identified.

Funding opportunities will be identified, including explaining program objectives, eligibility criteria, potential grant award, match required, and the activities that could be funded. An economic analysis of potential cost savings associated with various funding opportunities will be developed considering the probable schedule/timing of various funding programs.

Task 3 – Summary Report

A draft and final Summary Report will be prepared to document the options developed, evaluation of options, implementation and funding plans, and final selection of recommended option. The TM will include the following sections:

- Project Understanding and Assumptions
- Existing Conditions
- Alternatives Description, including a figure for each option
- Options Evaluation, including feasibility level cost estimate
- Implementation and Funding Plans for all options
- Recommended Option and Next Steps

The draft Summary Report will be submitted for review by VWD. After receiving comments and conducting a review meeting with VWD, the Final Summary Report will be completed and submitted to VWD.

Task 3 Deliverables:

- *Draft and Final Summary Report in .pdf format*

Task 4 – Project Management

Project Management includes the following:

- One (1) Kickoff meeting/workshop for options development
- One (1) Draft Summary Report Review meeting with initial evaluation results
- Two (2) in-person presentations to Board/Committee, including a PowerPoint presentation
- Project team coordination/communication
- Contract administration, including preparation of monthly invoices and status reports

Task 4 Deliverables:

- *Monthly invoices and status reports*
- *Two (2) meeting agendas, materials, and notes*
- *Two (2) Board/Committee presentations*

Next Steps

The following tasks are recommended next steps to further evaluate feasibility of the recommended project and can be completed at VWD's request.

Optional Task 5 – Additional Meetings

Additional meetings can be scheduled, as needed, to discuss project feasibility or other considerations.

Optional Task 5 Deliverables:

- *Meeting agendas, materials, and notes*

Optional Task 6 – Initial Legal Review

David Aladjem with Downey Brand can provide a cursory review of groundwater rights in the Basin, consider the potential rights that may be asserted by VWD, and evaluate the potential for Basin adjudication should a recommended project move forward. David has expertise in water rights permitting and negotiating with other water rights holders, state and federal agencies, and environmental groups.

Optional Task 6 Deliverables:

- *Review and evaluation of groundwater rights within San Marcos Basin*

Schedule

Total project length is estimated to be 5 months after the Kickoff Meeting. The Draft Summary Report, including both the Options Development/Initial Evaluation and the Preliminary Implementation/Funding Plan, is estimated to take 4 months to complete after the kickoff meeting. The Final Summary Report will be submitted 1 month after receipt of review comments, along with Board/Committee presentations.

Fee

The fee for the Scope of Work defined about is provided in the attached table.

References

2004, CA Department of Water Resources, California's Groundwater Bulletin 118, San Marcos Valley Groundwater Basin: Last update: 27 February 2004:

<http://www.water.ca.gov/groundwater/bulletin118/basindescriptions/9-32.pdf>

2015, CA Department of Water Resources, CASGEM Groundwater Sustainability Basin Prioritization:

http://www.water.ca.gov/groundwater/casgem/pdfs/lists/PubRel_BasinRank_by_HR_5-18-15.pdf



Vallecitos Water District
Evaluation of San Marcos Groundwater Basin Supply Options

Tasks	Labor						Total Hours	Total Labor Costs (1)	Outside Services		Total ODCs (3)	Total Fee
	Scott Goldman	Rosalyn Prickett	Janet Fordunski	Engineer/Planner	QA/QC	Admin.			David Aljahem	Sub Consultant Total Cost (2)		
	Principal	Senior Project Manager	Project Engineer 2	E1/P1	Senior Technical Manager	Project Assistant			Downey Brand			
\$295	\$266	\$222	\$152	\$266	\$105							
Task 1: Options Development and Initial Evaluation												
1.1 Collect, review, analyze background information			2	4			6	\$1,052		\$0	\$0	\$1,052
1.2 Non-potable Irrigation Supply Option Development	1		4	8			13	\$2,399		\$0	\$0	\$2,399
1.3 Potable Supply Option Development	1		4	8			13	\$2,399		\$0	\$0	\$2,399
1.4 GW Recharge w/Recycled Water Option Development	1		4	8			13	\$2,399		\$0	\$0	\$2,399
1.5 Planning Level Cost Estimate			4	24			28	\$4,536		\$0	\$0	\$4,536
1.6 Evaluation of Options	1		4	20			25	\$4,223		\$0	\$0	\$4,223
Subtotal Task 1:	4	0	22	72	0	0	98	\$17,008	\$0	\$0	\$0	\$17,008
Task 2: Preliminary Implementation and Funding Plan												
2.1 Develop Initial Implementation Plan	2	4	12	16			34	\$6,750		\$0	\$0	\$6,750
2.2 Identify Funding Opportunities		6		20			26	\$4,636		\$0	\$0	\$4,636
Subtotal Task 2:	2	10	12	36	0	0	60	\$11,386	\$0	\$0	\$0	\$11,386
Task 3: Summary Report												
3.1 Draft Summary Report Preparation	1	8	16	20	6		51	\$10,611		\$0	\$0	\$10,611
3.2 Final Summary Report Preparation	1	2	4	8			15	\$2,931		\$0	\$0	\$2,931
Subtotal Task 3:	2	10	20	28	6	0	66	\$13,542	\$0	\$0	\$0	\$13,542
Task 4: Project Management and Meetings												
4.1 Kickoff Meeting/Workshop	4	4	8	4			20	\$4,628		\$0	\$114	\$4,742
4.2 Draft TM Review Meeting	4	4	4				12	\$3,132		\$0	\$114	\$3,246
4.3 Presentations to Board (2) in-person	4	6	2				12	\$3,220		\$0	\$240	\$3,460
4.4 Project Management		1	4			4	9	\$1,574		\$0	\$0	\$1,574
Subtotal Task 4:	12	15	18	4	0	4	53	\$12,554	\$0	\$0	\$468	\$13,022
TOTAL without Optional Tasks	20	35	72	140	6	4	277	\$54,490	\$0	\$0	\$468	\$54,958
OPTIONAL Task 5: Additional Meetings												
5.1 Additional Progress Meetings (2)	4	4	8				16	\$4,020		\$0	\$240	\$4,260
Subtotal Task 5:	4	4	8	0	0	0	16	\$4,020	\$0	\$0	\$240	\$4,260
OPTIONAL Task 6: Initial Legal Review												
6.1 Groundwater Basin Legal Review	2	4					6	\$1,654	\$8,500	\$9,350	\$0	\$11,004
Subtotal Task 6:	2	4	0	0	0	0	6	\$1,654	\$8,500	\$9,350	\$0	\$11,004
Optional Tasks TOTAL	6	8	8	0	0	0	22	\$5,674	\$8,500	\$9,350	\$240	\$15,264
TOTAL with Optional Tasks	26	43	80	140	6	4	299	\$60,164	\$8,500	\$9,350	\$708	\$70,222

- The individual hourly rates include salary, overhead and profit.
- Subconsultants will be billed at actual cost plus 10%.
- Other direct costs (ODCs) such as reproduction, delivery, mileage (rates will be those allowed by current IRS guidelines), and travel expenses, will be billed at actual cost plus 10%.
- RMC reserves the right to adjust its hourly rate structure and ODC markup at the beginning of the calendar year for all ongoing contracts.

2017 Standard Rates	
Labor Category	Rate
Engineer 1 (E1) Scientist 1 (S1) Geologist 1 (G1) Planner 1 (P1) Technical Specialist 1 (TS1)	\$152
Engineer 2 (E2) Scientist 2 (S2) Geologist 2 (G2) Planner 2 (P2) Technical Specialist 2 (TS2)	\$178
Engineer 3 (E3) Scientist 3 (S3) Geologist 3 (G3) Planner 3 (P3) Technical Specialist 3 (TS3)	\$201
Project Engineer 1 (PE1) Project Scientist 1 (PS1) Project Geologist 1 (PG1) Project Planner 1 (PP1) Project Technical Specialist 1 (PTS1)	\$205
Project Engineer 2 (PE2) Project Scientist 2 (PS2) Project Geologist 2 (PG2) Project Planner 2 (PP2) Project Technical Specialist 2 (PTS2)	\$222
Project Manager 1 (PM1) Technical Manager 1 (TM1)	\$237
Project Manager 2 (PM2) Technical Manager 2 (TM2)	\$249
Senior Project Manager (SPM) Senior Technical Manager (STM)	\$266
Senior Technical Practice Leader (STPL) Service Line Leader (SLL)	\$295
National Practice Leader (NPL) Strategic Business Unit Leader (SBUL)	\$310
Software Engineer 1 (SE1)	\$136
Designer 1 (D1)	\$140
Designer 2 (D2)	\$150
Designer 3 (D3) Senior Software Developer (SSD)	\$153
Senior Designer (SD)	\$165
Project Assistant (PA)	\$105
Marketing Assistant (MA) Graphic Artist (GA)	\$113
Senior Accountant (SA) Billing Manager (BM)	\$125
Marketing Manager (MM) Graphics Manager (GM)	\$145

Note: The individual hourly rates include salary, overhead and profit. Other direct costs (ODCs) such as reproduction, delivery, mileage (as allowed by IRS guidelines), and travel expenses will be billed at actual cost plus 10%. Subconsultants will be billed as actual cost plus 10%. RMC, a Woodard and Curran Company, reserves the right to adjust its hourly rate structure at the beginning of each year for all ongoing contracts.

DATE: DECEMBER 6, 2017
TO: BOARD OF DIRECTORS
SUBJECT: METROPOLITAN WATER DISTRICT LOCAL RESOURCE PROGRAM APPLICATION

BACKGROUND:

The Metropolitan Water District of Southern California (MWD) provides funding for its member agencies to incentivize the development of local water supplies in order to lessen the demand on imported water supplies from the Bay-Delta area and the Colorado River. This funding is contained within MWD's Local Resource Program (LRP). On August 25, 2015, the Vallecitos Water District entered into a Water Purchase Agreement (WPA) with the San Diego County Water Authority (CWA) to purchase 3,500 acre-feet of product water from the Carlsbad Desalination Facility that would qualify as a local supply, as stated in Section 7 of the WPA. In order to be considered for MWD LRP funding for the local supply of desalinated water, Vallecitos would need to submit an application. The application would initially be sent to CWA for their transmittal to MWD. Since Vallecitos is not a member agency of MWD, the MWD Guidelines specify that their member agency, CWA, needs to make the official submittal.

DISCUSSION:

Due to imported water supply reliability concerns, water agencies have been developing local water supplies for some time. Local water supplies are generally more expensive than imported water supplies due to the higher treatment standards, regulatory requirements, additional infrastructure and higher power consumption required to develop the supplies. In order to encourage the development of these supplies, CWA and MWD have developed supply incentive programs to lower the effective cost of the supplies. The CWA incentive program was discontinued several years ago.

During the development of the Carlsbad Desalination Facility, numerous local water agencies formed a group with the intent to purchase the entirety of the plant's output. Working with CWA, this group, the Desal Partners, applied to MWD for its local supply incentive program that existed at the time. That program would have provided incentive funding in the amount of \$250 per acre-foot of desalinated water produced. The application was tentatively approved by MWD staff at the time and was to be scheduled for formal approval by the MWD Board.

During this time period, CWA had questioned the legality of MWD's rate setting process. In response, MWD approved adding Rate Structure Integrity (RSI) language in all LRP

contracts that would allow MWD to terminate funding under a contract if a party to the contract sued or supported legislation against MWD's rate structure.

In 2010, CWA initiated litigation against MWD's rate structure. In June 2011, MWD voted to terminate existing contracts with RSI language and defer executing any pending contracts for new projects. LRP funding for the desalination project was effectively terminated at that point.

During recent legal proceedings, the First Appellate District Court in California determined that the RSI language contained within MWD's LRP contracts was unconstitutional. As this finding was not taken up for review by the California Supreme Court, the Appellate Court's ruling is final. Therefore, MWD cannot exclude local water supply projects initiated within CWA's service area from LRP eligibility.

In addition to Vallecitos' agreement to purchase desalinated water as a local supply, the City of Carlsbad has also entered into an agreement with CWA to purchase 2,500 acre-feet per year of desalinated water. Staff from the two agencies have met and agreed to work collaboratively to prepare and submit applications for the MWD LRP program to receive incentive funding for their purchases of desalinated water. Together, the two agencies have retained a consultant to prepare the application and coordinate the submittal to MWD via CWA.

The current MWD LRP Guidelines state that existing projects and those currently under construction are not eligible for the incentive program. However, given the Appellate Court's determination that the RSI language, which effectively precluded the project from obtaining incentive funding at the time of the original application, is unconstitutional; staff believes that the project should be eligible for funding.

The original LRP incentive funding in place at the time of the original submittal was \$250/acre-foot. The current MWD LRP incentive payment program includes three alternatives. Alternative 1 would provide up to \$340/AF for 25 years; Alternative 2 would provide up to \$475/AF for 15 years; and, Alternative 3 would provide up to \$305/AF for 25 years. In most cases, incentive programs are intended to reduce the higher cost of the local water supply to make it more competitive with conventional imported water supplies. Typically, incentive payments would be reduced if the net cost of the local water supplies became less than imported water costs after the receipt of incentives. Alternatives 1 and 2 are what's known as "sliding scale" incentives, meaning the amount of incentive per acre foot would decrease over time if the local water supply cost comes closer to the cost of imported water. In Alternative 3, the incentive would remain the same throughout the term of the program regardless of the difference in cost between the local water supply and imported water, with the provision that the total amount of incentives provided under this alternative would not be greater than 90% of what the project would have received under Alternative 1.

Although they are generally more expensive than imported water supplies originally, the advantage of local supplies is that they are less dependent on external factors and other

regulatory agencies that can cause water supply costs to increase. Therefore, over time, the local water supply costs tend to become closer in cost and ultimately less than imported water costs. In other words, the “lines cross” in the future making local supplies more cost effective. This is one of the main reasons the Vallecitos Board approved the WPA for desalinated water. The purchase was a long-term strategy to obtain a locally controlled supply of water that would not be subject to drought restrictions and would be lower in cost than imported water.

Staff has analyzed the projected future costs of both desalinated water supplies and imported water. Based on those projections, staff believes it would be most advantageous to apply for incentive funding based on Alternative 2, which would provide funding at a higher rate than the other two Alternatives for 15 years. Beyond 15 years, it is likely that this supply would not be eligible for incentive funding due to the diminishing cost differential between the supplies. MWD has full discretion over which submitted projects receive LRP funding.

FISCAL IMPACT:

There is no fiscal impact to submit an application. Vallecitos’ share of the consultant’s costs to prepare the application is \$12,000, which will be paid from existing budgeted funds. Assuming Vallecitos receives its full allocation of desalinated product water (3,500 acre-feet per year) and obtains the full Alternative 2 incentive funding of \$475/AF, Vallecitos would stand to receive \$1,662,500 per year in MWD LRP incentive funds.

RECOMMENDATION:

Authorize staff, in coordination with the County Water Authority, to submit an application to Metropolitan Water District under its Local Resource Program incentive program for Vallecitos’ purchase of desalinated water supplies.



Preliminary Program

Wednesday, January 24, 2018

- 7:30 a.m. – 12:00 p.m. CSRMA Training Seminar
- 8:00 a.m. – 5:00 p.m. Registration
- 10:30 a.m. – 12:00 p.m. CASA Board of Directors Meeting
- 12:00 p.m. – 1:00 p.m. Lunch on Your Own
- 12:00 p.m. – 1:30 p.m. Associates Committee Meeting
- 12:00 p.m. – 1:30 p.m. Communications Workgroup Meeting
- 12:00 p.m. – 1:30 p.m. CSRMA Executive Board Meeting
- 1:30 p.m. – 4:00 p.m. **Roundtable Series**
 - 1:30 p.m. – 2:30 p.m. Session 1 (15 Table topics)
 - 2:30 p.m. – 3:00 p.m. Networking Break
 - 3:00 p.m. – 4:00 p.m. Session 2 (Repeat from Session 1)
- 4:15 p.m. – 5:15 p.m. Federal Legislative Committee Meeting
- 4:15 p.m. – 5:30 p.m. CSRMA Board of Directors Meeting
- 5:30 p.m. – 6:30 p.m. Icebreaker Reception

Thursday, January 25, 2018

- 7:30 a.m. – 4:30 p.m. Registration
- 8:00 a.m. – 9:00 a.m. Utility Leadership Committee Meeting
- 8:00 a.m. – 9:30 a.m. Breakfast
- 9:15 a.m. – 11:45 a.m. **General Session**
 - Keynote Speaker: TBD
 - Under Fire: Santa Rosa's Emergency Response
TBD, SR City Council member
Ben Horenstein, City of Santa Rosa

Panel: Protecting Your Assets

Moderator: Robert Grantham, Santa Margarita Water District
Systems Efficiency by Design, Carrie Mattingly, City of San Luis Obispo
Disaster Preparedness, Vicki Conway, County Sanitation District of Los Angeles
Top 10 Mistakes Water Utilities Make on Cybersecurity and How to Avoid Them,
Daniel Groves, West Yost Associates

12:00 p.m. – 1:30 p.m.

Luncheon

Federal Legislative Report
CASA Education Foundation Scholarship Recipients/Update

2:00 p.m. – 4:00 p.m.

Afternoon Session

Collection System Panel

CUWA Survey Impacts from Drought and Conservation
Other topics TBD

Implementing CA's Organics Diversion Law
Speaker TBD, CalRecycle

4:30 p.m. – 5:30 p.m.

Bay Area Biosolids Coalition Meeting

5:30 p.m. – 6:30 p.m.

Associates Reception and Education Foundation Auction

Friday, January 26, 2018

8:15 a.m. – 9:15 a.m.

State Legislative Committee Meeting

8:00 a.m. – 9:30 a.m.

Breakfast

8:00 a.m. – 11:00 a.m.

Registration

9:30 a.m. – 11:00 a.m.

Closing Session

Pensions and Politics

Amy Brown, Dimare Brown Hicks Kessler

Flushable Wipes Panel

Defining Flushability Through Standards, Statutes and Lawsuits (working title)
Cynthia Finley, NACWA;

What 2 Flush Campaign, Jennifer Cabral, Orange County Sanitation District
CASA's Action Plan—Adam Link

President's Closing Remarks

11:00 a.m. – 3:00 p.m.

Attorneys Committee Meeting