

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, MARCH 7, 2018, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT HERNANDEZ

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 MARCH 7, 2018

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. 5-14)

- A. CLOSED SESSION BOARD MEETING – FEBRUARY 21, 2018
- B. REGULAR BOARD MEETING – FEBRUARY 21, 2018
- C. FINANCE/INVESTMENT COMMITTEE MEETING – FEBRUARY 26, 2018

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH MARCH 7, 2018 – \$3,523,727.52 (pp. 15-17)

Recommendation: Approve Warrant List

1.3 PROJECT ACCEPTANCE OF NURSERY VALVE RELOCATION (pp. 18-20)

This project replaced the 18-inch non-operational valve in Rancho Santa Fe Road with a new 18-inch valve relocated to the southside of Redwing Street.

Recommendation: 1) Accept the Project; 2) File Notice of Completion and Authorize the Release of Retention Funds

1.4 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "MENCHACA ANNEXATION" INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (JESSE D. MENCHACA AND LINDA S. MENCHACA) (pp. 21-24)

The property is located along St. Paul Drive north of Montiel road and east of Nordahl Road.

Recommendation: Approve annexation with conditions

1.5 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD 4 LOT SUBDIVISION" INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (CALIFORNIA PROPERTY DEVELOPMENT, LLC.) (pp. 25-28)

The property is on approximately 3.06 acres located on the west side of Nordahl Road and north of Rock Springs Road.

Recommendation: Approve annexation with conditions

1.6 REQUEST FOR EXTENSION OF REQUIREMENTS FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD 15 LOT SUBDIVISION" INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (TRUSTEES OF THE TELLIER FAMILY TRUST AND WARING FAMILY TRUST) (pp. 29-32)

The property is on approximately 3.8 acres located on the west side of Nordahl Road, north of Rock Springs Road and south of El Norte Parkway.

Recommendation: Approve a one-year extension for the completion of annexation requirements

1.7 ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTIES DESIGNATED AS THE "BROOKFIELD RANCHO CORONADO – SOUTHLAKE PROPERTY", A PORTION OF APN 222-190-02, INTO THE SEWER IMPROVEMENT DISTRICT (pp. 33-37)

The existing Rancho Coronado property consists of approximately 253 acres located west of Twin Oaks Valley Road and north of the District's Southlake property.

Recommendation: Adopt Resolution

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

ACTION ITEMS

2.1 GENERAL COUNSEL SERVICES AGREEMENT (pp. 38-55)

The District receives its legal advice services via a professional services agreement.

Recommendation: Authorize the General Manager to enter into a contract with Best Best & Krieger

2.2 INVESTMENT ADVISORY FIRM SELECTION (pp. 56-57)

Recent reduced staffing within the Finance Department has created a need for contracted management services.

Recommendation: Authorize the General Manager to enter into a contract with Chandler Asset Management

2.3 PROPOSED 2018 INVESTMENT POLICY (pp. 58-80)

The District's investment policy needs to be modified to accommodate an active investment strategy.

Recommendation: Adopt investment policy for 2018

2.4 CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) BOARD OF DIRECTORS CALL FOR NOMINATIONS – SEAT A (pp. 81-83)

The Elections and Bylaws Committee is looking for Board members or General Managers interested in leading the direction of the CSDA for the 2019-2021 term.

Recommendation: Request Board direction

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

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

3.4 ENCINA WASTEWATER AUTHORITY

- 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. 84)

SDNEDC North County Economic Summit
April 11, 2018 – CSU San Marcos

*****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, March 2, 2018.

Diane Posvar

MINUTES OF A CLOSED SESSION MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 21, 2018, AT 4:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Hernandez called the Closed Session meeting to order at the hour of 4:00 p.m.

President Hernandez led the pledge of allegiance.

Present: Director Elitharp
Director Martin
Director Sannella
Director Hernandez

Absent: Director Evans

Staff Present: General Manager Pruim
Executive Secretary Posvar

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF FEBRUARY 21, 2018

18-02-01 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to adopt the agenda for the Closed Session Meeting of February 21, 2018.

PUBLIC COMMENT

None.

CLOSED SESSION

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – EXISTING LITIGATION

A. Citizens Development Corporation vs. County of San Diego et. al.
United States District Court, Southern District of California
Case No. 12-CV-0334 IEG (KSC)

18-02-02 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to move into Closed Session pursuant to Government Code Section 54956.9.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at the hour of 4:51 p.m. The Board, in Closed Session, was provided a status update; no action was taken.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:52 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, February 21, 2018 at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, FEBRUARY 21, 2018, AT 5:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

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

Director Elitharp led the pledge of allegiance.

Present: Director Elitharp
Director Martin
Director Sannella
Director Hernandez

Absent: Director Evans

Staff Present: General Manager Pruim
Legal Counsel Scott
Administrative Services Manager Emmanuel
Operations & Maintenance Manager Pedrazzi
Public Information/Conservation Supervisor Robbins
Executive Secretary Posvar

ADOPT AGENDA FOR THE REGULAR MEETING OF FEBRUARY 21, 2018

18-02-03 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to adopt the agenda for the Regular Board Meeting of February 21, 2018.

PRESENTATION

General Manager Pruim acknowledged Wastewater Treatment Plant Supervisor Dawn McDougale for receiving the San Diego County California Water Environment Association's Supervisor of the Year award. A short video chronicling her time with Vallecitos Water District was presented.

PUBLIC COMMENT

None.

CONSENT CALENDAR

18-02-04 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to approve the Consent Calendar as presented.

- 1.1 Approval of Minutes
 - A. Closed Session Board Meeting – January 17, 2018
 - B. Regular Board Meeting – January 17, 2018
 - C. Finance/Investment Committee Meeting – January 30, 2018
 - D. Public Awareness/Personnel/Policy Committee Meeting – February 12, 2018
- 1.2 Warrant List through February 21, 2018 - \$6,510,242.56
- 1.3 Financial Reports
 - A. Water Meter Count – January 31, 2018
 - B. Water Production/Sales Report – 2017/2018
 - C. Water Revenue and Expense Report – January 31, 2018
 - D. Sewer Revenue and Expense Report – January 31, 2018
 - E. Reserve Funds Activity – January 31, 2018
 - F. Investment Report – January 31, 2018
- 1.4 Operations & Maintenance Metrics Quarterly Report – December 31, 2017
- 1.5 Final Acceptance of Water and Sewer Improvements for Montessa (CalAtlantic Group, Inc.)
- 1.6 Construction Contract Award of Fulton Road, NCTD Easement, Laurels Subdivision – Sewer Lining and Repairs
- 1.7 Local Agency Investment Fund Investment Authorization Resolution
- 1.8 Resolution Adopting the District Pay Schedule
- 1.9 2017 Year in Review

Mike Hunsaker, member of the public, addressed the Board regarding Item 1.5, Final Acceptance of Water and Sewer Improvements for Montessa (CalAtlantic Group, Inc.), expressing his appreciation to staff for reporting this item in detail, namely the number of proposed units, fees that have been paid, and the size of the piping. He stated it is important to include these details in Board agenda packets so that any apparent discrepancies can be explained. He inquired on the definition of an apartment EDU, and asked why internal documents use EDUs for sewer- and water-consumption-based figures for sewer waste treatment. He thanked the Board.

ACTION ITEMS

PROPOSED REVISION TO PURCHASING POLICY

General Manager Pruim stated the proposed modification to the purchasing policy is intended to provide clarity regarding the purchase of items already approved in the budget and would increase the efficiency of procuring these items as items already approved in the budget would not need Board approval at the time of purchase. The current purchasing policy, Resolution No. 1484, includes language in Section 2.4 pertaining to professional services and construction contracts. General Manager Pruim recommended removing the words, “professional services or construction” from that section so that it reads, “purchases of materials, equipment, inventory and capital items above \$50,000 and not approved in the current fiscal year’s budget shall be presented to the Board of Directors for approval.”

General Manager Pruim stated all professional services and construction contacts over \$50,000 will be presented to the Board for approval even if they were approved in the budget; however, more routine items such as chemicals or parts approved in the budget will not need further Board approval.

18-02-05 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to adopt the revised resolution.

Resolution No. 1529 - The roll call vote was as follows:

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

SAN MARCOS STATE OF THE CITY ADDRESS – MEETING ATTENDANCE PER DIEM/EXPENSE REIMBURSEMENT APPROVAL

General Manager Pruim stated the San Marcos Chamber of Commerce is hosting the annual State of the City Address featuring the Chamber Board Installation & Awards Luncheon on Wednesday, March 7, 2018. The Chamber of Commerce is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 203; therefore, prior approval for per diem and expense reimbursement is required.

General discussion took place during which Director Martin noted the event is on the same day as the Regular Board meeting and stated per diem would not be appropriate. General Manager Pruim stated in the event the Regular Board meeting is cancelled, approval of per diem for attending the State of the City Address would be necessary.

- 18-02-06 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, with Director Evans absent, to approve per diem for attendance to the San Marcos Chamber of Commerce State of the City Address only in the event the Regular Board meeting on March 7 is cancelled.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- The Department of Water Resources recently conducted the second of five annual snow pack surveys. The February 1 survey indicated a measurable improvement over the early January survey; however, the snow pack is well below average for this time of year, approximately 20% of historical average.
- The Northern Sierra Precipitation 8 Station Index is only at 63% of average as of February 12.
- The National Drought Mitigation Center map indicates that 80% of California is under abnormally dry conditions.
- The Department of Water Resources reported the state-wide surface water storage in reservoirs is at 24.7 million acre feet which is above the historical average (106%). Last year's wet conditions allowed refilling of the reservoirs.
- The Bureau of Reclamation operates the Colorado River system and releases from Lake Mead and Lake Powell, and are not projecting shortages in Colorado River storages in calendar year 2018. Due to the dry conditions, the chance of a shortage possibility in 2019 has increased from 15% to 17%.
- Metropolitan's Diamond Valley Reservoir put in 143,000 acre feet of additional storage this past year compared to the year before.
- The San Diego County Water Authority is preparing a water demand forecast reset of their Urban Water Management Plan, and is projecting annual water demand in the next 25 years to decrease 10% than originally predicted.
- The State Water Resources Control Board is currently putting together regulations that would permanently prohibit certain wasteful water uses.

DISTRICT LEGAL COUNSEL

Legal Counsel Scott reported on the filing of an amicus brief of the California Association of Sanitation Agencies before the California Supreme Court along with the League of Cities and California Special Districts Association in the Plantier vs. Ramona Municipal Water District case relating to the challenge of the methodology used by the Ramona Municipal Water District in setting its sewer rates.

Legal Counsel Scott also reported on the City of Oroville v. Risk Management case which is pending before the California Supreme Court in which the City of Oroville was found liable for damage to private property from a sewer overflow resulting from a blockage in the city's sewer main, despite the fact that the private property owner failed to install a device – one that was legally required to be installed that would have prevented the damage.

SAN DIEGO COUNTY WATER AUTHORITY

None.

ENCINA WASTEWATER AUTHORITY

President Hernandez reported on his attendance to the Capital Improvement Committee meeting on February 21. EWA is moving forward with an \$11 million refurbishment project. The project has been delayed approximately one year due to bankruptcy pertaining to the tank covers. Also discussed at the meeting were estimates for an assessment of protective coating of the equipment, and the Committee expects to receive a report in March regarding the size and cost to build a reclamation facility.

Director Elitharp reported on his attendance to the Policy and Finance Committee meeting on February 13 at which the Committee established meeting dates for 2018 and reviewed the fiscal year 2019 budget process. A proposed budget is expected by May 1 which will be presented to the six member agencies' Boards and the City Council for approval in late May or June.

STANDING COMMITTEES

Director Martin reported on the January 30 Finance Committee meeting at which the District's investment policy was discussed. The Committee recommended the Board approve the investment policy. Discussion also took place regarding EWA's PERS obligation.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Sannella reported on his attendance to the Council of Water Utilities (COWU) meeting on February 20.

Director Martin reported on his attendance to the California Association of Sanitation Agencies (CASA), CalDesal, and Urban Water Institute (UWI) conferences, and the San Diego Chapter California Special Districts Association (CSDA) quarterly meeting.

President Hernandez reported on his attendance to the CASA and UWI conferences as well as the CSDA quarterly and COWU meetings.

Director Elitharp reported on his attendance to the CASA and UWI conferences as well as the COWU meeting.

OTHER BUSINESS

QUARTERLY BOARD EXPENSES

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

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Sannella requested the Board consider attending the Boys and Girls Club annual auction on April 28 and would like this item placed on a future agenda.

Director Martin inquired when Board workshops will be scheduled for the District's five-year plan and other topics. General Manager Pruum stated he is planning workshops to discuss the Strategic Plan, PERS obligations, as well as the Master Plan and associated capacity fees.

President Hernandez commented on the District's Title 16 funding opportunity. More information will be provided to applicants regarding required criteria.

ADJOURNMENT

There being no further business to discuss, President Hernandez adjourned the Regular Meeting of the Board of Directors at the hour of 5:58 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, March 7, 2018, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, FEBRUARY 26, 2018 AT 3:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

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

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

ITEMS FOR DISCUSSION

FISCAL YEAR 2019 BUDGET DEVELOPMENT

General Manager Pruim stated the purpose of the Committee meeting was to kick off the budget process and determine any specific information the Committee would like to review as the process progresses. The goal is to have the budget completed by the end of May as the full Board will not be available for the entire month of June. A Special Board meeting will be scheduled on May 30 for adoption of the budget.

Accounting Supervisor Owen provided a brief overview of the preliminary budget process which included the budget calendar with tentative dates for Committee meetings and public meetings/workshops, and budget-to-actual data for water and sewer for the previous five years. He anticipates having a draft capital projects budget ready for the Committee to review by April 2 and a draft proposed budget ready for a Board workshop in early May.

General question and answer took place. The Committee did not identify specific items for review during the budget process.

The consensus of the Committee was to schedule the next Committee meeting for March 22 at 4:00 p.m. to review operating budget requests in detail. Additional Committee meetings will be scheduled on April 2 to review capital budget requests, and April 25 to review the draft proposed budget and discuss any Board requested items. Committee meetings will be scheduled for 4:00 p.m. unless the agenda requires more time. A tentative date of May 21 was set for the budget workshop subject to the full Board's availability.

INVESTMENT ADVISORY SERVICES UPDATE

Accounting Supervisor Owen stated six or seven proposals were received in response to the District's Request for Proposal (RFP) for investment advisory services. Staff has reviewed the proposals and narrowed the finalists to three. No formal interviews are planned. Accounting Supervisor Owen will be following up with the finalists to answer additional questions and anticipates presenting a recommendation to the Board at the March 7 Board meeting.

AUDIT SERVICES UPDATE

Accounting Supervisor Owen stated the District released an RFP for audit services. Proposals are due March 1. Staff will conduct interviews for audit services. The District's current audit firm is willing to extend their contract for two more years if a suitable proposal is not received.

General discussion took place.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 3:46 p.m.

VALLECITOS WATER DISTRICT
WARRANTS LIST
March 7, 2018

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Garnishments	Payroll Garnishments	113026 through	113028 -
Action Mail	Winter Splash Postage Prj 20181-43	113029	1,295.22
ACWA/Joint Powers Insurance	Group Insurance Mar	113030	208,331.30
Adam Mora	Closed Account Refund	113031	150.00
Airgas USA LLC	Cylinder Rental	113032	106.95
American Asphalt South Inc	Closed Account Refund	113033	922.97
Arbor Funding Inc	Closed Account Refund	113034	33.45
AT&T	Phone Svc Jan	113035	2,802.00
AT&T	SCADA Phone Svc Feb	113036	244.76
Boncor Water Systems	Soft Water Service Feb	113037	1,600.00
Boot Barn	Safety Boots	113038	107.65
Bryan Gallego	CWEA Membership Renewal	113039	180.00
Cass Construction Inc	Closed Account Refund	113040	1,100.00
Chiufang Hsiao	Closed Account Refund	113041	75.46
Christian Michael	Closed Account Refund	113042	55.46
Corodata Media Storage Inc	Back Up Storage Tapes Jan	113043	171.28
CITI Cards DBA: COSTCO	Office Supplies Jan	113044	749.04
Council of Water Utilities	Meeting 2-20-18, Elitharp, Hernandez, Martin, Sannella, Scaglione	113045	280.00
County of San Diego	Recording Fees Jan	113046	156.75
Craig Elitharp	CASA Conference 1-24-18, Urban Water Inst Conference 2-7-18, COWU Meeting 2-20-18	113047	570.57
CWEA	Membership Renewal E Garcia	113048	180.00
Daniel Bennett & Rica Roberto	Closed Account Refund	113049	49.79
David Hernandez	Self Improvement Program	113050	161.00
DirecTV Inc	Satellite Svc Feb	113051	181.73
Betty Evans	COWU Meeting 1-16-18	113052	18.09
Ferguson Enterprises, Inc	Stainless Steel Saddles For Pipe Support 14	113053	2,130.51
Fisher Scientific LLC	Lab Supplies MRF	113054	207.33
Freedom Automation Inc	SCADA Svc Call	113055	1,200.00
Eric D Garcia	CWEA Fog Workshop 2-14-18	113056	61.53
Germaine & Bruce Motamed	Closed Account Refund	113057	24.79
Greg Shokeh	Closed Account Refund	113058	111.70
Harris	GEMS Annual License 18-19	113059	36,273.82
Haus 2 Modern	Closed Account Refund	113060	50.33
James R Hernandez	CASA Conference 1-24-18, Urban Water Inst Conference 2-7-18, CSDA Meeting 2-15-18	113061	348.39
Hopkins Technical Products Inc	Pump Repair MRF	113062	688.98
Infrastructure Engr Corp	Rock Springs Sewer Prj 90003	113063	678.79
JJT Logistics, Inc	Fiber Drum Freight Svc	113064	433.18
John Hadley	Closed Account Refund	113065	71.46
JCI Jones Chemicals Inc	Chlorine	113066	2,043.21
Law Offices of Jeffrey G Scott	Legal Svcs Jan	113067	13,948.85
Liebert Cassidy Whitmore	CalPERS Worksheet Preparation	113068	245.00
Lloyd Pest Control	Pest Control Jan	113069	764.00
Manpower Temp Services	Customer Service Reps 2, Week Ending 2-11-18 & 2-18-18	113070	2,866.05
Marcon Products Inc	Hardware Supplies	113071	575.39
Hal Martin	Urban Water Institute Conference 2-7-18, CSDA Meeting 2-15-18	113072	180.10
Matheson Tri-Gas Inc	Cylinder Rental	113073	50.54
Mike Arthur	SDCWA Member Agency Managers Cost of Service Meeting 2-13-18	113074	31.39
Nancy Moriarity	Closed Account Refund	113075	57.15
One Source Distributors LLC	Batteries 9 PLC	113076	624.44
Pacific Pipeline Supply	Expansion Joint For Solids Line MRF, Hardware Supplies	113077	1,452.80
Pavement Coatings Co	Closed Account Refund	113078	922.97
PDQ Connect Inc	Hardware Supplies	113079	295.20
Pencco, Inc.	Trioxyn, Sulfend RT	113080	13,434.94
Petty Cash Custodian	Petty Cash	113081	644.31
Plumbers Depot Inc	Slither Hose For Sewer, Extension Poles 6 & Adaptor Cable For CCTV Van	113082	2,772.30
Power Seal	Clamps 3	113083	523.80
Rexel USA, Inc	Start Up Supplies For New Soft Starter School House Pump Station	113084	2,424.38
SDG&E	Power Jan	113085	39,960.86
San Marcos Trophy	Label Plaques 10, Name Plates 12 MRF	113086	188.79
Schmidt Fire Protection Co Inc	Quarterly Fire Sprinkler Inspection	113087	335.00

VALLECITOS WATER DISTRICT
WARRANTS LIST
March 7, 2018

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Shannon Honour	Closed Account Refund	113088	91.24
Southern Counties Lubricants, LLC	Oil	113089	103.34
State of California-DPH	Electrician Cert D Joiner	113090	100.00
Manning Performance Hotrods, Inc.	Collision Repair Veh 234	113091	2,689.09
Sunbelt Rentals Inc	Scissor Lift Rental	113092	831.36
Sylvester Roofing Co Inc	Roof Replacement Main Facility Prj 20171-3	113093	38,700.00
T.S. Industrial Supply	Vactron Nozzles, Bar Rack, Hardware Supplies	113094	1,389.13
Teresa Chien	Closed Account Refund	113095	86.44
Theodore St. Martin	Closed Account Refund	113096	77.72
Unisys Corporation	Annual File Management EOM 18-19	113097	734.94
Univar USA Inc	Sodium Hypo Liquichlor, Sodium Bisulfite, Caustic Soda	113098	3,993.25
UPS	Shipping Svcs Feb	113099	25.35
Vaughan's Indust Repair Inc.	Refurbish Pumps at N Twin Oaks PS Prj 20181-17 & Wullf PS Prj 20181-18	113100	21,170.84
Victoria May	Closed Account Refund	113101	20.55
Wei Huang	Overpayment Refund	113102	467.03
Tri-City Emergency Medical Group	Medical Svcs	113103	355.00
RF Yeager Engineering LLC	Nursery Valve Relocation Prj 20181-10	113104	1,550.00
Allen Instruments & Supplies, LLC	Handheld Programmers 2	113105	4,092.56
AP Technology LLC	Signature Digitization	113106	350.00
California Native Plant Society	Tour & Workshop Sponsorship Prj 20181-47	113107	250.00
Cass Construction Inc	Nursery Valve Relocation Prj 20181-10	113108	80,370.00
Core & Main LP	Air Release Valves 7, PVC Pipes, Gate Valve	113109	3,728.15
Doane & Hartwig Water Systems Inc	CL2 Effluent Analyzer MRF	113110	862.87
Electrical Sales Inc	Solar Panel Charge Controller, Lighting Fixtures 24, Hardware Supplies	113111	4,031.66
Haaker Equipment Co.	Communication Head Sets 2	113112	5,101.06
Hach Company	Oxygen Probe, Lab Supplies MRF	113113	3,396.20
Huntington & Associates, Inc.	Valve Rebuild Kits 3	113114	1,403.48
JWD Environmental LLC	Grinder Panel Lake San Marcos Lift Station	113115	2,813.49
Ovivo USA LLC	Cyclo Drive Unit For Roughing Filter Distributor Arm MRF	113116	2,575.96
Pacific Safety Center	Membership Renewal 18-19	113117	280.00
PC Specialists Inc	SCADA Programming	113118	2,751.47
Air Quality Compliance Solutions, Inc.	Fuel Island Maintenance Feb	113119	175.00
Underground Service Alert	Dig Alert Svc	113120	343.30
Unifirst Corporation	Uniform Delivery	113121	1,325.88
Valley Chain & Gear Inc	Hardware Supplies	113122	204.42
Vector Resources, Inc.	Security Camera License	113123	180.00
Vista Fence Company Incorporated.	Fence Install LS1 Chemical Tank	113124	3,698.00
Total Disbursements (96 Checks)			<u>536,464.53</u>
WIRES			
San Diego County Water Authority	January Water Bill	Wire	2,138,142.64
Public Employees Retirement System	Retirement Contribution - February 14, 2018 Payroll	Wire	63,805.26
Public Employees Retirement System	Retirement Contribution - February 28, 2018 Payroll	Wire	64,650.65
Total Wires			<u>2,266,598.55</u>
PAYROLL			
Total direct deposits		Wire	218,513.50
VWD Employee Association		112895	612.00
Garnishments		112897	970.14
IRS	Federal payroll tax deposit	Wire	85,978.81
Employment Development Department	California payroll tax deposit	Wire	16,697.63
CalPERS	Deferred compensation withheld	Wire	23,263.38
VOYA	Deferred compensation withheld	Wire	6,377.99
Total February 14, 2018 Payroll Disbursements			<u>352,413.45</u>
Total direct deposits			
IRS	Federal payroll tax deposits	Wire	1,359.94
Employment Development Department	California payroll tax deposit	Wire	256.47
Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)			<u>3,632.71</u>

VALLECITOS WATER DISTRICT
WARRANTS LIST
March 7, 2018

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Total direct deposits		Wire	228,798.42
VWD Employee Association		113026	606.00
Garnishments		113028	970.14
IRS	Federal payroll tax deposits	Wire	88,470.11
Employment Development Department	California payroll tax deposit	Wire	16,593.29
CalPERS	Deferred compensation withheld	Wire	22,848.60
AETNA	Deferred compensation withheld	Wire	6,331.72
Total February 28, 2018 Payroll Disbursements			<u>364,618.28</u>
Total Payroll Disbursements			<u>720,664.44</u>
TOTAL DISBURSEMENTS			<u>3,523,727.52</u>

DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: PROJECT ACCEPTANCE OF NURSERY VALVE RELOCATION

BACKGROUND:

Sewer flow from Lift Station No. 1 is pumped into a sewer forcemain in Rancho Santa Fe Road. Sewer flow from Lake San Marcos connects to the same sewer pipeline near Camino Del Arroyo Drive and the combined flows are conveyed to Meadowlark Water Reclamation Facility (MRF). A set of valves along Rancho Santa Fe Road allows sewer flow to be diverted into the emergency bypass pipeline which runs to the Land Outfall. Access to the valves in Rancho Santa Fe Road requires a full lane shutdown of the southbound traffic during routine valve maintenance and emergency operations. Currently the 18-inch downstream valve is no longer functioning.

This project replaced the 18-inch non-operational valve with a new 18-inch valve and relocated it to the southside of Redwing Street, out of Rancho Santa Fe Road. This project also relocated an existing 16-inch bypass valve out of Rancho Santa Fe Road to a more accessible location along the emergency bypass pipeline within the District's easement. The existing valves in Rancho Santa Fe Road remain in the "open" position and were left in-place. This project has restored the District's ability to control sewer flows to the bypass pipeline while reducing traffic control costs associated with operating these valves, reducing traffic impacts to the community, improving staff safety, and increasing staff efficiency during future operations.

The Board awarded the contract to Cass Construction Inc. on November 1, 2017.

DISCUSSION:

All construction has been completed with no change orders. District staff provided inspection and construction management with specialty inspection by outside consultants for cathodic protection testing

FISCAL IMPACT:

The total estimated cost and budget summary are as follows:

Budget	\$190,000
Construction	\$ 84,600
Specialty Inspection	\$ 1,550
Staff	\$ 29,875
Overhead	<u>\$ 61,800</u>
Total	<u>\$177,825</u>
Budget Surplus	\$ 12,175

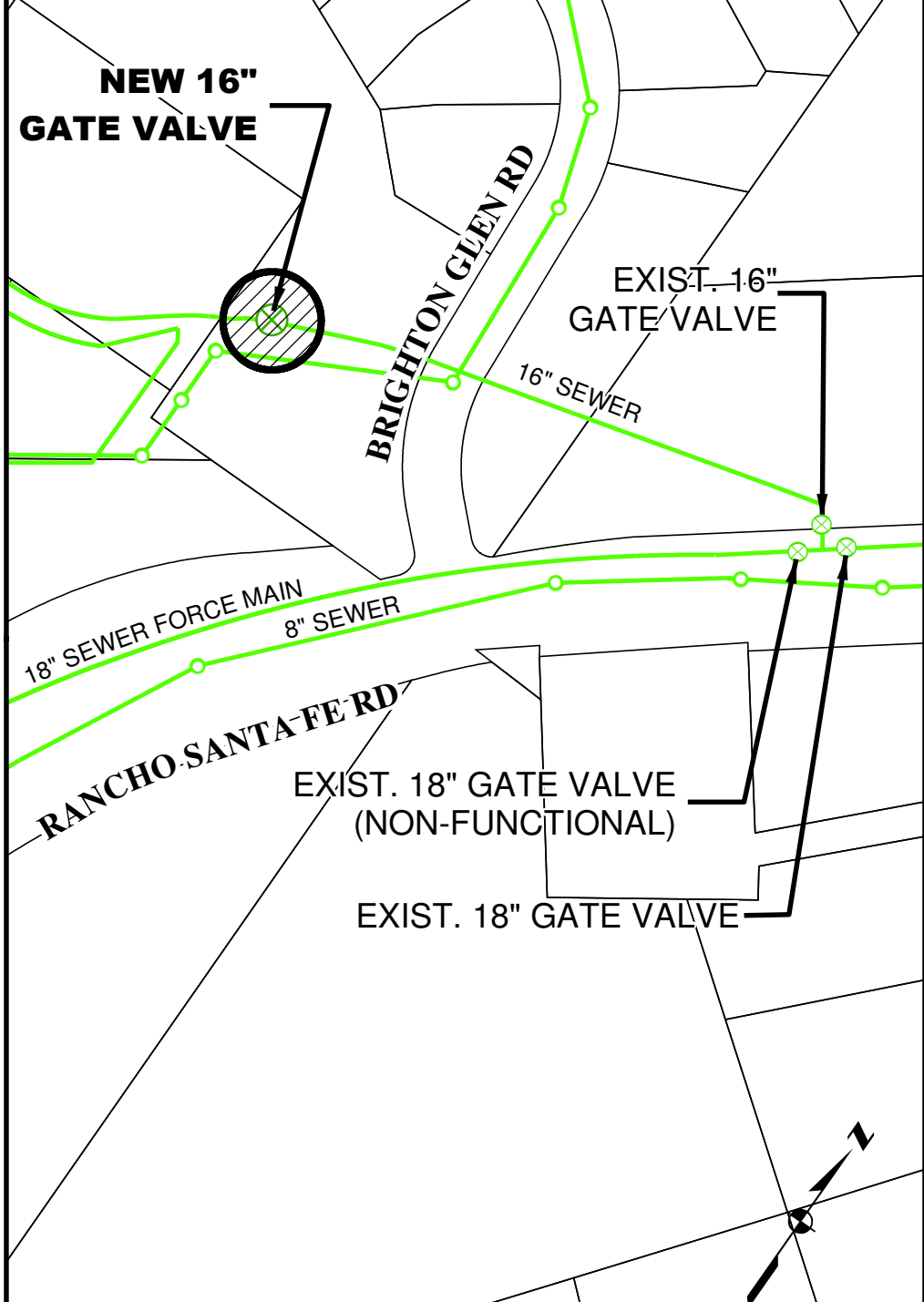
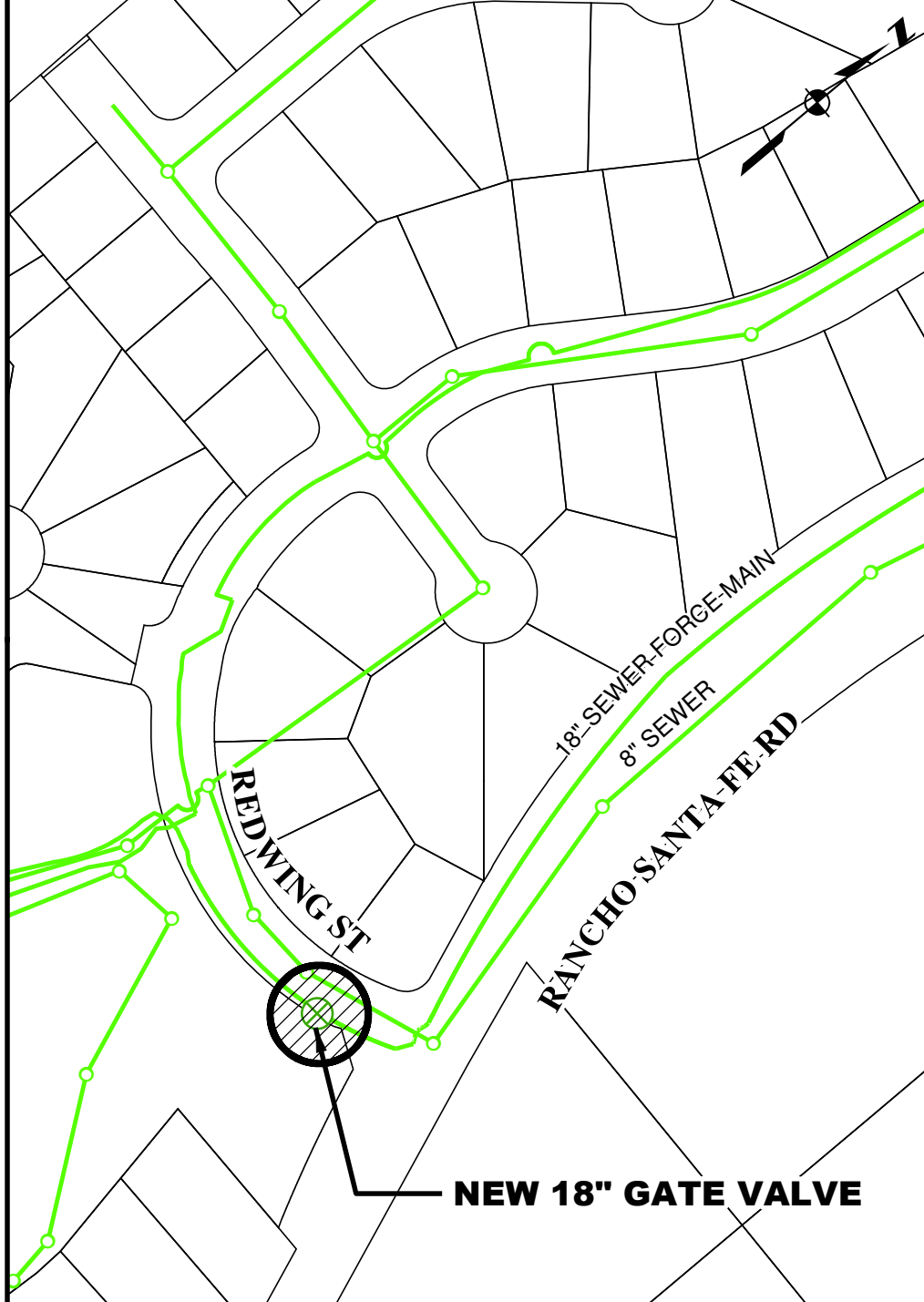
RECOMMENDATION:

Accept the project, file Notice of Completion, and authorize release of retention funds to the contractor following the 60-day notice period, provided no claims are filed.

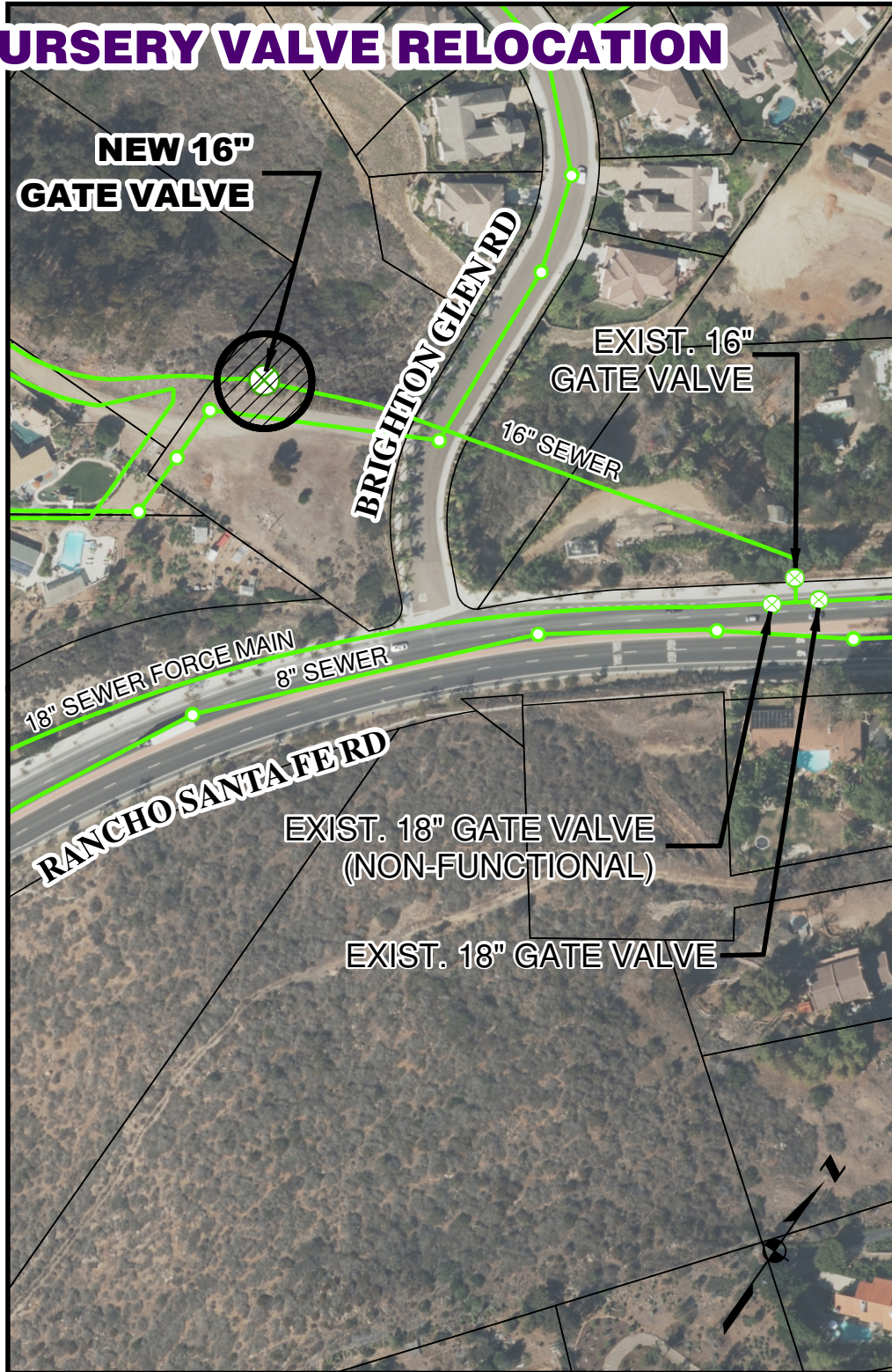
ATTACHMENTS:

Plat and Aerial Exhibit

PROJECT-ACCEPTANCE OF NURSERY VALVE RELOCATION



PROJECT ACCEPTANCE OF NURSERY VALVE RELOCATION



DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "MENCHACA ANNEXATION" (APN 228-130-31) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (JESSE D. MENCHACA AND LINDA S. MENCHACA)

BACKGROUND:

The 1.59 acre Menchaca property is located along St. Paul Drive north of Montiel Road and east of Nordahl Road. The property is currently within the VWD Sphere of Influence but not within either the water or sewer service boundaries of the District. The property is currently within Vista Irrigation District's water service boundary and receives water service from VID. Their septic system is failing and is unable to be repaired.

DISCUSSION:

On January 23, 2018, Mr. Menchaca contacted Vallecitos Water District requesting annexation into the sewer service area and connection to VWD's sewer system.

Per Section 2.5 of District Ordinance 200, any property being annexed into the Sewer Improvement District must also be annexed into the District's water service area.

Mr. Menchaca wishes to continue to take water service from VID. LAFCO allows properties to exist in both Districts' boundaries. Therefore, the property will not be required to detach from VID.

FISCAL IMPACT:

Payment of \$20,809.92 in water and sewer annexation fees was collected in accordance with Ordinance No. 200. Payment of \$9,899.00 in wastewater Capital Facility Fees was collected in accordance with Ordinance No. 176. All other fees will cover actual costs and have no fiscal impact.

RECOMMENDATION:

Staff recommends approval of the annexation of certain property designated as "Menchaca Annexation" APN 228-130-31 into the District for both water and sewer service with the following conditions:

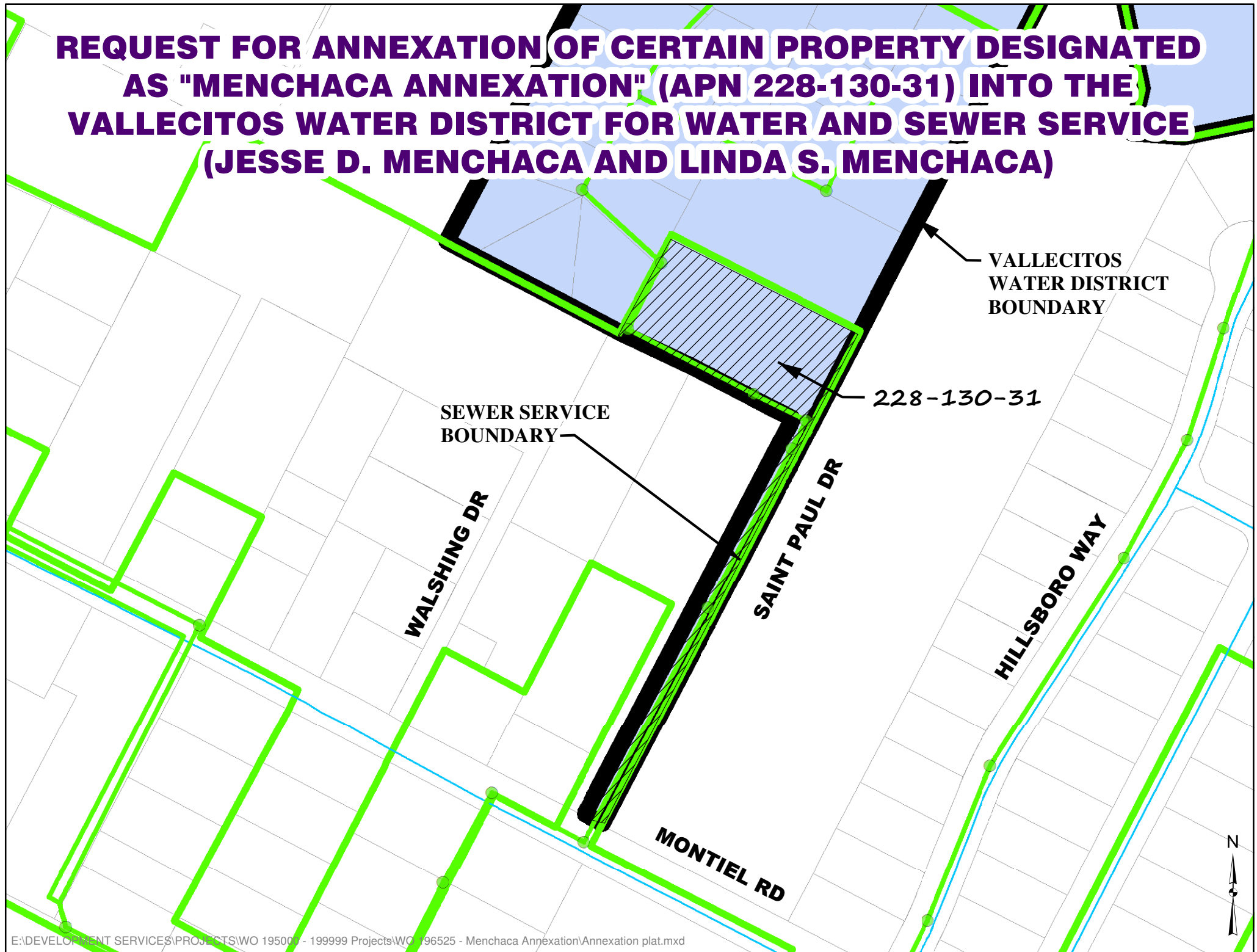
1. Payment of water annexation fee of \$4,639.00 per acre (1.59 acres) = \$7,376.01 (paid).
2. Payment of sewer annexation fee of \$8,449.00 per acre (1.59 acres) = \$13,433.91 (paid).
3. Payment of State Board of Equalization fee for water and sewer annexation of \$350.00 (paid).
4. Payment of Capital Facility Fees for Sewer of \$9,899.00 (paid).
5. Payment of \$1,500.00 inspection deposit (paid).
6. Submittal of a copy of the title report showing ownership and a geographic description* of the property including a plat map.
7. Completion of annexation within 180 days of initial Board approval.

ATTACHMENTS:

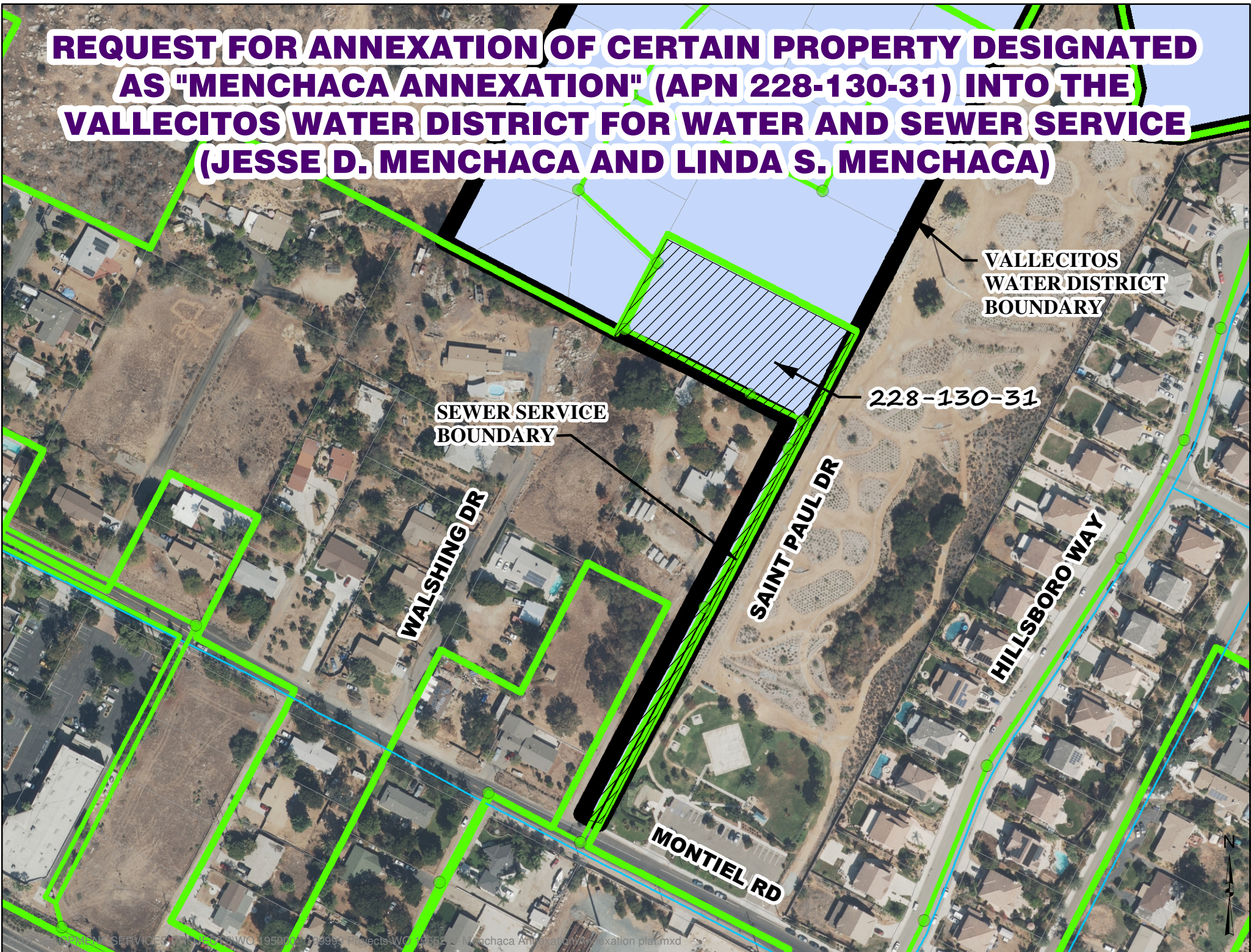
2 Map Exhibits - 1 Plat & 1 Aerial

**A geographic description is a State Board of Equalization requirement and is used to establish geodetic position and is not intended to establish property ownership in a court of law. The State Board of Equalization is not involved in issues relating to property ownership. Check the Board's website at www.boe.ca.gov for complete details.*

REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "MENCHACA ANNEXATION" (APN 228-130-31) INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (JESSE D. MENCHACA AND LINDA S. MENCHACA)



REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "MENCHACA ANNEXATION" (APN 228-130-31) INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (JESSE D. MENCHACA AND LINDA S. MENCHACA)



VALLECITOS
WATER DISTRICT
BOUNDARY

228-130-31

SEWER SERVICE
BOUNDARY

WALSHING DR

SAINT PAUL DR

HILLSBORO WAY

MONTIEL RD



DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD 4 LOT SUBDIVISION" (APN 226-290-50) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (CALIFORNIA PROPERTY DEVELOPMENT, LLC)

BACKGROUND:

The Nordahl Road 4-Lot Subdivision is a proposed 4-lot single-family residential development. The property is on approximately 3.06 acres located on the west side of Nordahl Road and north of Rock Springs Road. The property is currently within the VWD Sphere of Influence but not within either the water or sewer service boundaries of the District. The property is currently within Vista Irrigation District's (VID's) water service boundary.

DISCUSSION:

On January 16, 2018, California Property Development, LLC., as owners of the property, submitted to the District a letter requesting annexation of the 3.06-acre parcel into the water and sewer service areas.

In order for the property to receive water service from VWD, VID staff has required detachment of the property from their district. The property owner has proposed a 300 LF water main line extension to be able to receive water service from VWD.

FISCAL IMPACT:

Payment of annexation fees is per Ordinance No. 200. The project would be required to pay \$40,049.28 in water and sewer annexation fees based on VWD's 2018 rates. Annexation fees are paid at the rate in effect at the time of payment.

Payment of Capital Facility Fees is per Ordinances 175 and 176. The project would be required to pay \$70,420.00 in water and sewer Capital Facility Fees based on VWD's 2018 rates. Capital Facility Fees are paid at the rate in effect at the time of payment.

Future water and sewer revenues will offset costs of service.

RECOMMENDATION:

Staff recommends approval of the annexation of certain property designated as "Nordahl Road 4-Lot Subdivision", APN 226-290-50, into the District for both water and sewer service with the following conditions:

1. Payment of water annexation fee of \$4,639.00 per acre (3.06 acres) = \$14,195.34.
2. Payment of sewer annexation fee of \$8,449.00 per acre (3.06 acres) = \$25,853.94.
3. Payment of State Board of Equalization fee for water and sewer annexation of \$350.00.

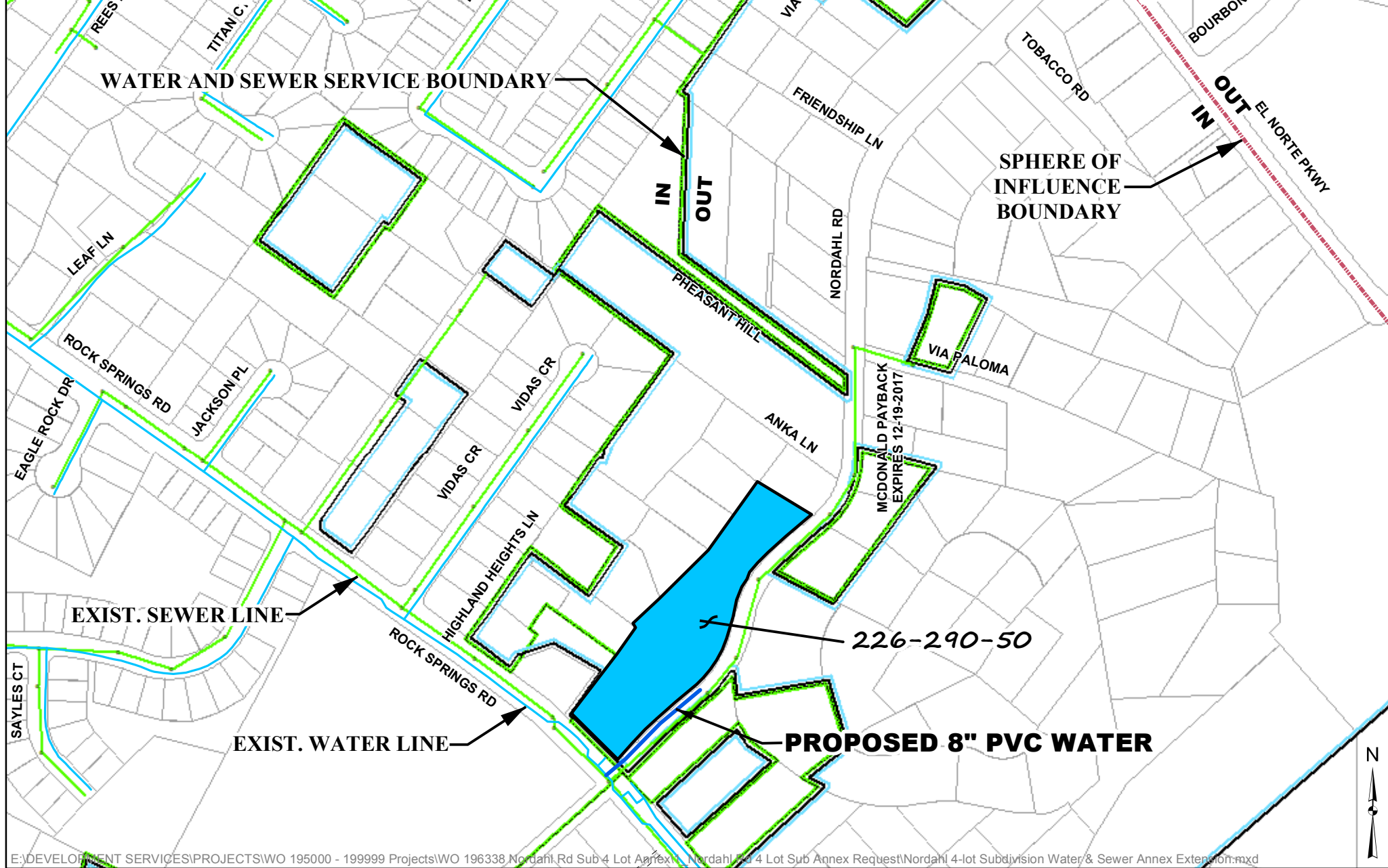
4. Detachment from Vista Irrigation District (VID) water service area.
5. Contacting and completing all Local Agency Formation Commission (LAFCO) requirements.
6. Payment of VWD Capital Facility Fees for water of \$30,824.00, which can be deferred until occupancy per Vallecitos Water District Resolution 1441.
7. Payment of VWD Capital Facility Fees for sewer of \$39,596.00, which can be deferred until occupancy per Vallecitos Water District Resolution 1441.
8. Payment of San Diego County Water Authority (SDCWA) Capital Facility Fees.
9. Submittal of a copy of the title report no older than 60 days showing ownership.
10. Geographic description* of the property including a plat map.
11. Construction of facilities per an agreement for construction of water and sewer facilities to be dedicated to Vallecitos Water District once annexation is completed.
12. Final acceptance of water and sewer facilities will not take place until completion of annexation and completion of water and sewer facilities required for the project, and payment of all current fees and charges.
13. Completion of annexation within 1 year of initial Board approval.

ATTACHMENTS:

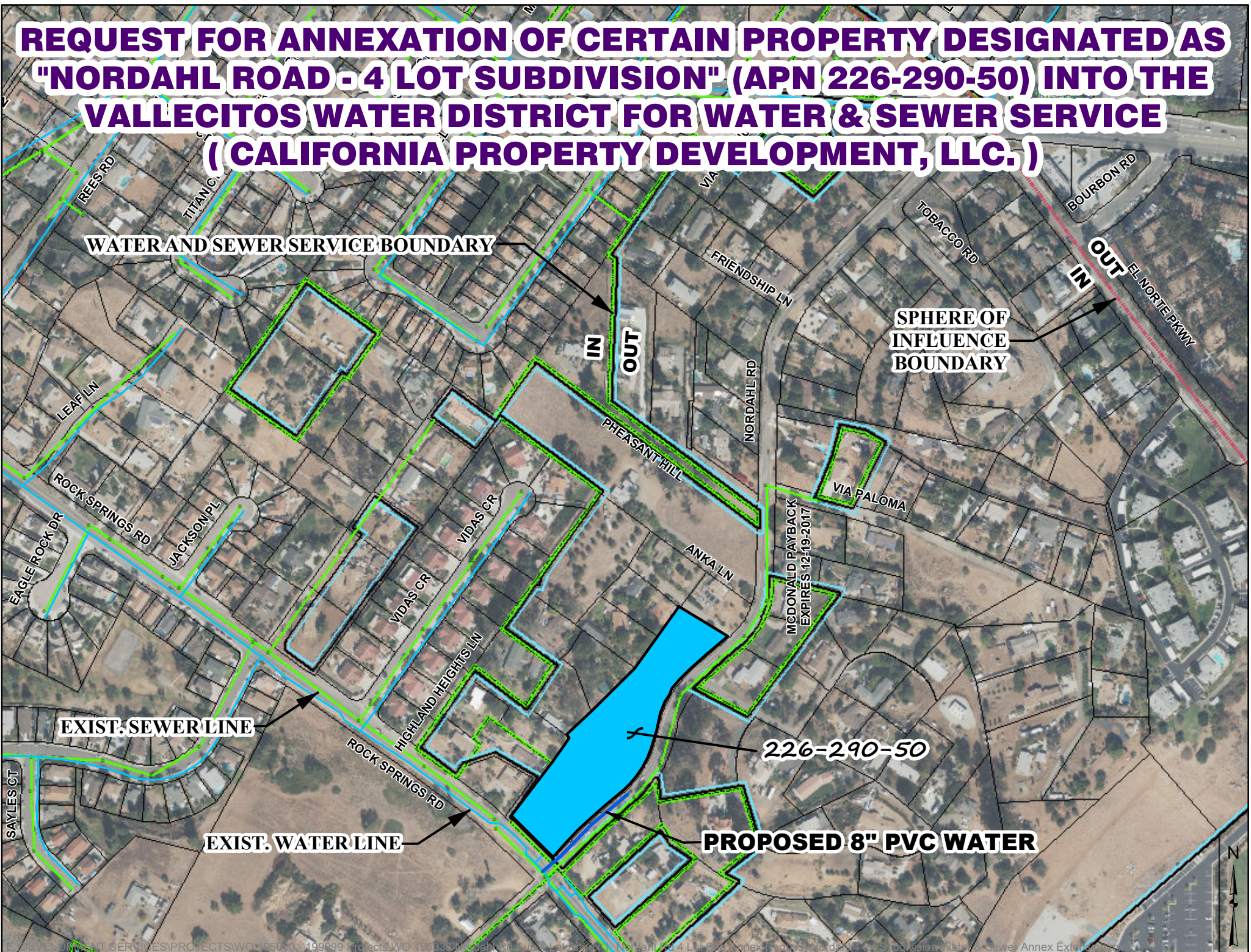
2 Map Exhibits - 1 Plat & 1 Aerial

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REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD - 4 LOT SUBDIVISION" (APN 226-290-50) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (CALIFORNIA PROPERTY DEVELOPMENT, LLC.)



REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD - 4 LOT SUBDIVISION" (APN 226-290-50) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (CALIFORNIA PROPERTY DEVELOPMENT, LLC.)



DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR EXTENSION OF REQUIREMENTS FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD 15 LOT SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (TRUSTEES OF THE TELLIER FAMILY TRUST & WARING FAMILY TRUST)

BACKGROUND:

The Nordahl Road Subdivision is a proposed 15-lot single-family residential development. The property is on approximately 3.8 acres located on the west side of Nordahl Road, north of Rock Springs Road and south of El Norte Parkway. The property is currently within the VWD Sphere of Influence but not within either the water or sewer service boundaries of the District. The property is currently within Vista Irrigation District's (VID's) water service boundary and receives water service from VID.

DISCUSSION:

On May 16, 2017, Trustees of the Tellier Family Trust and the Waring Family Trust, as owners of the property, submitted to the District a letter requesting annexation of the 3.8-acre parcel into the sewer service area for sewer service.

Per Section 2.5 of District Ordinance 200, any property being annexed into the sewer service area must also be annexed into the District's water service area.

LAFCO allows overlapping of District service boundaries. Therefore, the property will not be required to detach from VID to annex into VWD's water service area. The property will continue to receive water service from VID.

The annexation was approved by the Board of Directors on July 19, 2017 with the following conditions (annexation fees have been updated to the 2018 rates):

1. Payment of VWD's water annexation fee of \$4,639.00 per acre (3.8 acres) = \$17,628.20 prior to Board approval of project improvements.
2. Payment of VWD's sewer annexation fee of \$8,449.00 per acre (3.8 acres) = \$32,106.20 prior to Board approval of project improvements.
3. Payment of State Board of Equalization fee of \$350.00.
4. Submittal of a copy of title report initiated or updated within the last sixty days showing ownership.
5. A geographic description* of the property including a plat map.
6. Contacting and completing all Local Agency Formation Commission (LAFCO) requirements.
7. Payment of Capital Facility Fees for sewer of \$148,485.00, which can be deferred until occupancy per Vallecitos Water District Resolution 1441.
8. Construction of facilities per an agreement for construction of water and sewer facilities to be dedicated to Vallecitos Water District once annexation is completed.

9. Final acceptance of sewer facilities will not take place until completion of annexation, payment of annexation fees, completion of sewer facilities required for the project, and payment of all current fees and charges.
10. Completion of annexation within 180 days of initial Board approval.

Annexation was required to be completed by January 19, 2018. Per the owners of the property, the County of San Diego is requiring the annexation approval to be provided to receive discretionary approval of the project. The LAFCO annexation processing must be completed concurrently. The owner is anticipating Tentative Map approval by June 2018 from the County of San Diego. Therefore, the owners of the property have requested a one-year extension of the annexation completion deadline to January 19, 2019.

FISCAL IMPACT:

Payment of annexation fees is per Ordinance No. 200. The project would be required to pay \$49,734.40 in water and sewer annexation fees based on VWD's 2018 rates. Annexation fees are paid at the rate in effect at the time of payment.

Payment of Wastewater Capital Facility Fee is per Ordinance 176. The project would be required to pay \$148,485.00 in sewer capital facility fees based on VWD's 2018 rates. Capital Facility Fees are paid at the rate in effect at the time of payment.

Future sewer revenues will offset costs of service.

RECOMMENDATION:

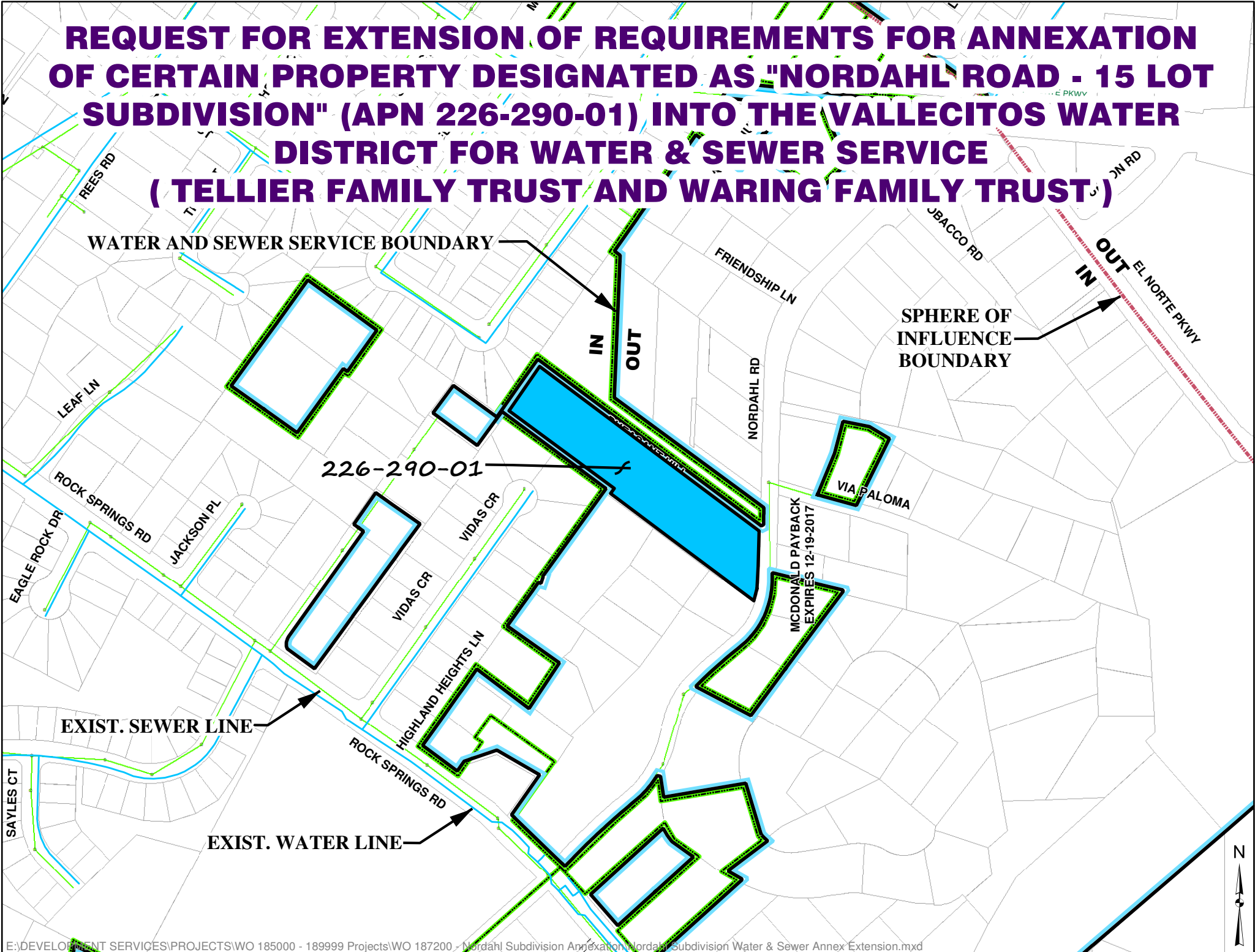
Approve a one-year extension for the completion of the Nordahl Road 15-Lot Subdivision annexation requirements to January 19, 2019.

ATTACHMENTS:

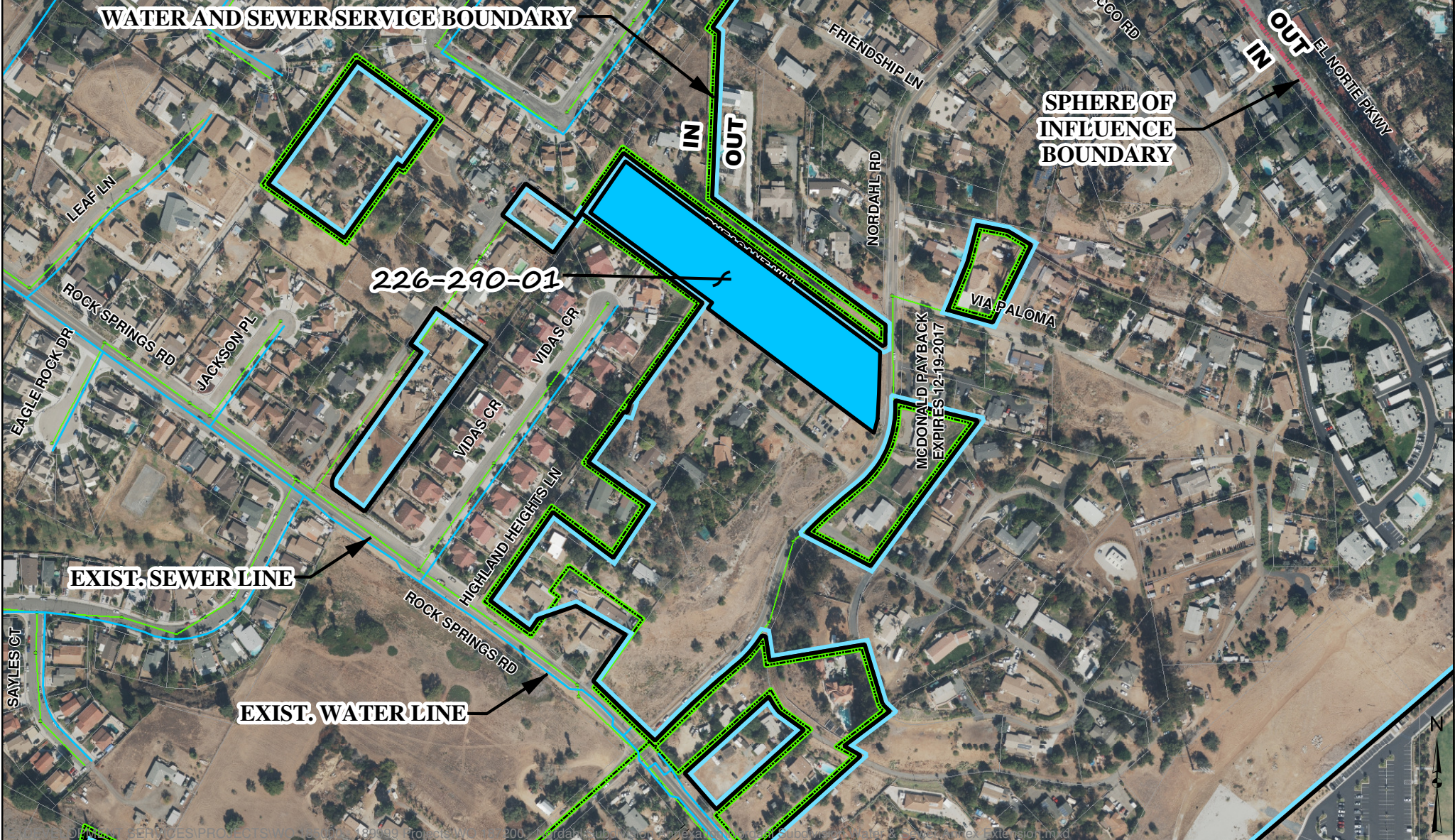
2 Map Exhibits - 1 Plat & 1 Aerial

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REQUEST FOR EXTENSION OF REQUIREMENTS FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD - 15 LOT SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (TELLIER FAMILY TRUST AND WARING FAMILY TRUST)



REQUEST FOR EXTENSION OF REQUIREMENTS FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD - 15 LOT SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (TELLIER FAMILY TRUST AND WARING FAMILY TRUST)



DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTIES DESIGNATED AS THE “BROOKFIELD RANCHO CORONADO - SOUTHLAKE PROPERTY”, A PORTION OF APN 222-190-02, INTO THE SEWER IMPROVEMENT DISTRICT

BACKGROUND:

The existing Rancho Coronado property consists of approximately 253 acres located west of Twin Oaks Valley Road and north of the District’s Southlake property. On September 6, 2017, the VWD Board of Directors approved the sale of 0.61 acres of the District’s adjacent Southlake property to Brookfield Rancho Coronado LLC for right of way uses. The property is within the water service boundary of the District.

DISCUSSION:

The conditions for sale of the District’s Southlake property to Brookfield included annexation into the District’s sewer service area. The property sale has been completed and recorded and 0.61 acres of the former Southlake property must now be annexed into the sewer improvement district.

Brookfield has paid all required annexation and State Board of Equalization fees and have completed the conditions of annexation listed in the September 6, 2017 staff report. No water or sewer services are proposed for this property. Therefore, no water and wastewater capital facility fees are due.

FISCAL IMPACT:

Payment of \$5,153.89 ($\$8,449/\text{ac} \times 0.61\text{ac}$) in annexation fees have been collected in accordance with Ordinance No. 200.

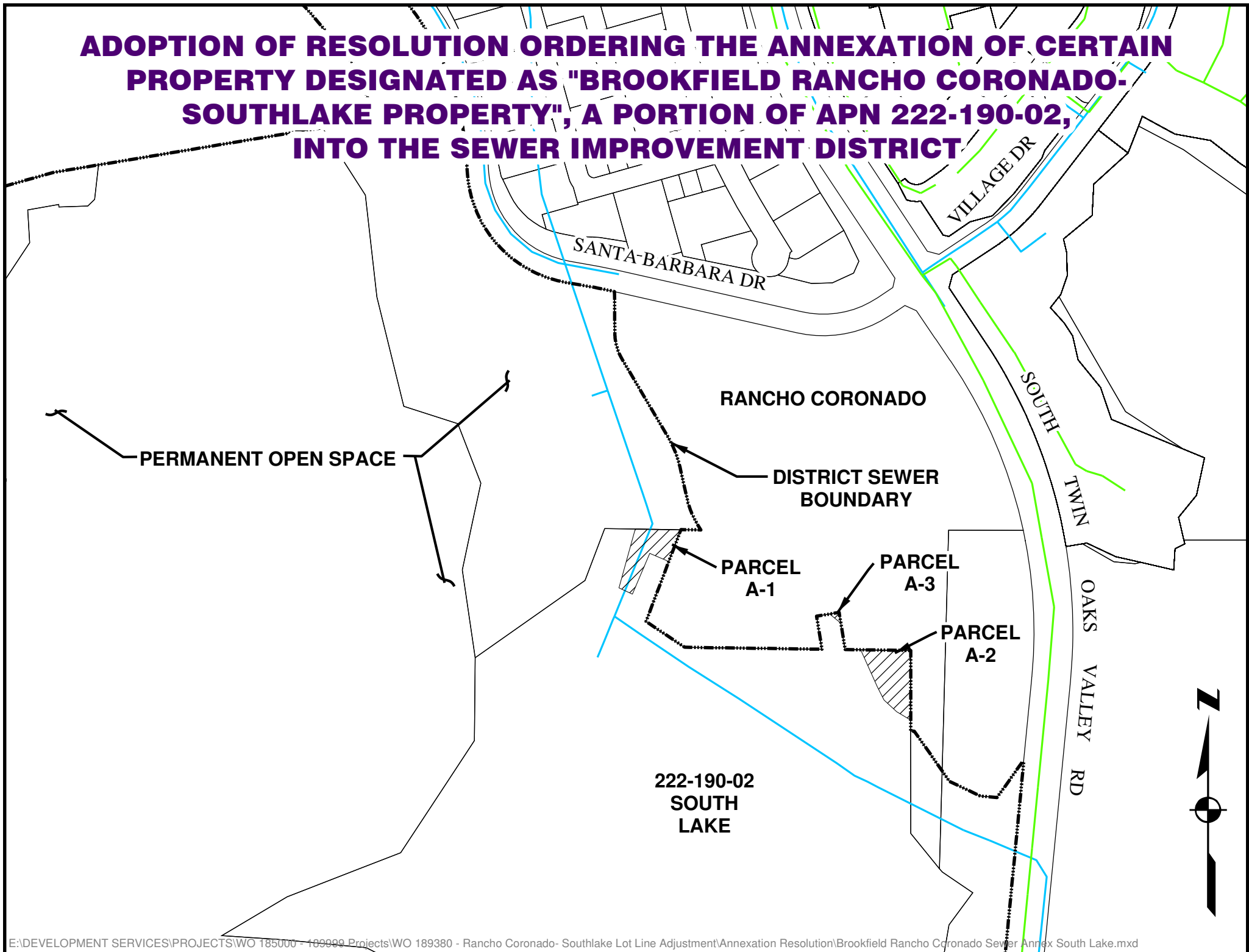
RECOMMENDATION:

Adopt the resolution ordering the annexation of the Brookfield Rancho Coronado property into the District’s sewer service area.

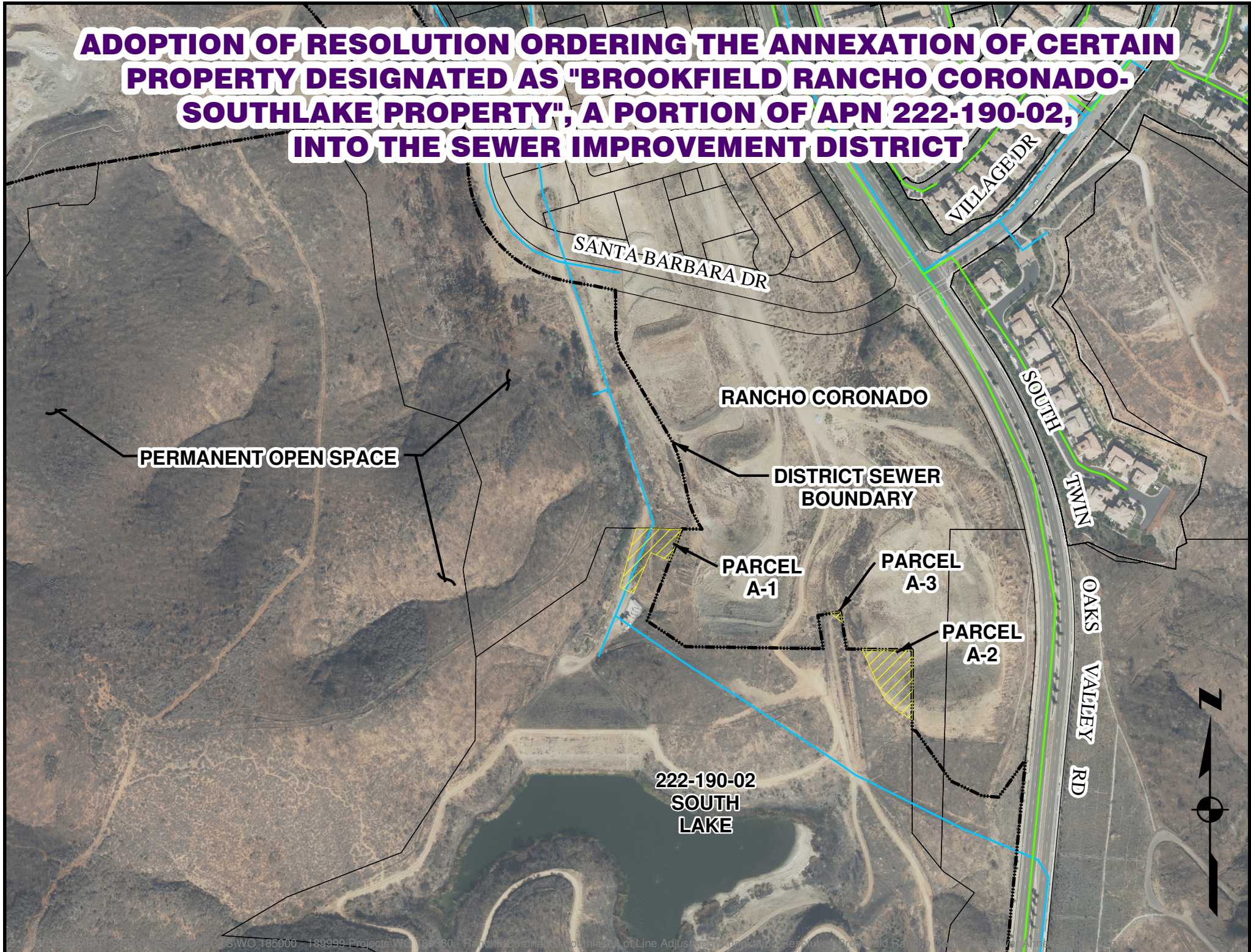
ATTACHMENTS:

2 Map Exhibits – 1 Plat Map & 1 Aerial Map
Annexation Resolution

**ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN
PROPERTY DESIGNATED AS "BROOKFIELD RANCHO CORONADO-
SOUTHLAKE PROPERTY", A PORTION OF APN 222-190-02,
INTO THE SEWER IMPROVEMENT DISTRICT**



ADOPTION OF RESOLUTION ORDERING THE ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "BROOKFIELD RANCHO CORONADO-SOUTHLAKE PROPERTY", A PORTION OF APN 222-190-02, INTO THE SEWER IMPROVEMENT DISTRICT



RESOLUTION NO.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLECITOS WATER DISTRICT ORDERING THE ANNEXATION
INTO SEWER IMPROVEMENT DISTRICTS 5 & 6 FOR SEWER SERVICE
OF CERTAIN PROPERTY DESIGNATED AS THE “BROOKFIELD RANCHO CORONADO –
SOUTHLAKE PROPERTY”, A PORTION OF APN 222-190-02**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT as follows:

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

Section 1.1: That the Vallecitos Water District owns, operates, and maintains a sewage disposal system under and by virtue of Improvement Districts 5 & 6 of the Vallecitos Water District.

Section 1.2: That the owners of the land described in this resolution, consisting of approximately 0.61 acres, and also referred to as a portion of APN 222-190-02, have given their written consent to the annexation of said lands to the Improvement Districts hereinafter designated and have, in writing, requested the annexation of said lands to said Improvement Districts.

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

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

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

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

Section 1.7: That the land herein described is within the boundaries of the Vallecitos Water District and said lands are not a part of an Improvement District constituted for a purpose similar to the purpose of Improvement Districts 5 & 6 of the Vallecitos Water District.

Section 1.8: All of the owners of the land within the territory to be annexed have given their written consent to such annexation and the Board is thereby authorized to order the annexation by resolution without notice and hearing by the Board and without an election.

SECTION 2: The Board of Directors of the Vallecitos Water District does hereby order the annexation of all the lands hereinafter described to Improvement Districts 5 & 6 of the Vallecitos Water District pursuant to this resolution and the proceedings above referred to, which description contained in Exhibit “A” attached hereto and made a part hereof, is sufficient to identify the land.

SECTION 3: The condition of said annexation to Improvement Districts 5 & 6 of the Vallecitos Water District are as follows:

Section 3.1: Payment by petitioners of the sum of \$8,449.00 per acre or fraction thereof for annexation of the territory into Improvement Districts 5 & 6 (together not individually) for the use or right of use of the existing property in the Improvement Districts.

Section 3.2: Payment by the petitioners of the sum of \$1,000.00 to cover costs of annexation, which includes attorney fees, publication, filing fees and miscellaneous costs of annexation.

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

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

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 7th day of March, 2018, by the following roll call vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

James Hernandez, President
 Board of Directors
 Vallecitos Water District

ATTEST:

Glenn Pruijm, Secretary
 Board of Directors
 Vallecitos Water District

DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: GENERAL COUNSEL SERVICES AGREEMENT

BACKGROUND:

The District does not employ any attorneys and receives its legal advice services via a professional services agreement. The District currently receives general counsel services from the law firm of Scott Jackson Law, located in Rancho Bernardo. Consistent with the District's Purchasing Policy, all professional services agreements with a value of greater than \$100,000 per year shall be competitively evaluated at least every five years.

DISCUSSION:

On September 29, 2017, the District released a Request for Proposals (RFP) seeking law firms interested in providing general counsel services to the District. At the proposal deadline of October 27, the District had received proposals from five interested firms.

The District's Legal/Legislative Committee worked with the General Manager to review the proposal and provide the full Board with a list of law firms to interview. The Committee selected the following four law firms:

- Best Best & Krieger
- Nossaman
- Procopio
- Scott Jackson

The full Board of the District met on several occasions to interview the candidate firms and discuss the matter. The outcome of the Board's deliberations was to direct the General Manager to work with the law firm of Best Best & Krieger (BB&K) to negotiate a professional services agreement for general counsel services and to bring an agreement to the Board for its consideration. BB&K is a full-service law firm with extensive history representing special districts and a depth of experience in San Diego County.

The attached agreement is the product of the negotiations between the General Manager and BB&K. The agreement is structured on a time and materials basis and includes the hourly rates to be charged by various members of the law firm. The agreement includes a Consumer Price Index rate adjustment effective January 1st of each year within the term.

BB&K's designated General Counsel is James Gilpin, with Nicholaus Norvell acting as the Assistant General Counsel. The agreement would commence on March 21, 2018 and continue until March 1, 2021. The District may extend the term of this agreement for two additional one-year periods if it is satisfied with the services and value provided by BB&K.

FISCAL IMPACT:

Staff anticipates that legal services will cost between \$150,000-\$200,000 per year. Funds for these costs will be included in the District's operating budget each year.

RECOMMENDATION:

Authorize the General Manager to enter into an agreement with Best Best & Krieger for general counsel legal services.

ATTACHMENT:

Agreement for General Counsel Legal Services Between Vallecitos Water District and Best Best & Krieger LLP

**AGREEMENT FOR GENERAL COUNSEL LEGAL SERVICES
BETWEEN
VALLECITOS WATER DISTRICT
AND
BEST BEST & KRIEGER LLP**

THIS AGREEMENT is made and entered into as of the ___ day of March, 2018, by and between the Vallecitos Water District, organized and existing under California Water Code § 30000 et seq. (“District”) and Best Best & Krieger LLP, a limited liability partnership engaged in the practice of law (“BB&K”). The District and BB&K are sometimes referred to in this Agreement individually as a “Party” and collectively as the “Parties.”

RECITALS

- A. The District and BB&K desire to enter into this Agreement for the purpose of setting forth the new terms and conditions upon which BB&K will provide General Legal Counsel Services to the District.

NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties set forth their mutual covenants and understandings as follows:

AGREEMENT

1. **Term.** The term of this Agreement shall commence on March 21, 2018 and shall continue in full force and effect until March 1, 2021, unless otherwise terminated in accordance with Section 14 of this Agreement. The District may extend the term of this Agreement for two additional one-year periods, subject to the termination provisions of Section 14.
2. **Designated General Counsel.** James B. Gilpin shall be designated as General Counsel and shall be responsible for the performance of all Services under this Agreement, including the supervision of Services performed by other members of BB&K. Nicholas Norvell shall be the Assistant General Counsel. No change in these assignments shall be made without the consent of the District.
3. **Services.** BB&K shall serve as General Counsel and shall perform legal services (“Services”) as may be required from time to time by the District as set forth by this Agreement, unless otherwise agreed to by the District and BB&K.
 - a. **Basic General Counsel Services.**

As part of the Services to be performed hereunder, BB&K shall be responsible for the following Basic General Counsel Services at the rates set out in Section 4 of this Agreement:

- i. Advice to the Board of Directors and District management staff on matters of law including, but not limited to, the Brown Act, Government Code, Public Records Act, Public Contract Code, Water Code, conflict of interest issues, the Political Reform Act, and parliamentary procedures.
- ii. Seek advice from regulatory agencies such as the Fair Political Practices Commission as requested by the Board or management staff.
- iii. Attend all regular, adjourned and special Board meetings unless excused by the President or the General Manager. Regular Board Meetings are held at 5:00 pm on the First and Third Wednesday of each month unless the meeting is cancelled for the lack of business or Board quorum, or if the Wednesday is a recognized holiday of the District, then the meeting is rescheduled. Regular Board Meeting dates can be amended by the Board of Directors, from time to time, in accordance with applicable law.
- iv. Attend other meetings as requested by the Board of Directors, General Manager, or other designee.
- v. Provide regular updates on items of specific legal concern of the District as well as on current general topics of interest, including but not limited to federal, state and local water and environmental policy developments, DWR, SWP, MWD, Bay-Delta, Colorado River Basin, SDCWA-MWD Litigation, QSA-IID Water Transfer, Seawater Desalination, IPR, Brackish Groundwater Desalination, as well as regulatory issues involving the SWRCB, RWQCB, CDPH and other topics which might be of interest or importance to the District Board and staff.
- vi. Advice to the Board of Directors and District management staff on commencement or defense of litigation to protect the District's interests and litigation of such issues as directed.
- vii. Prepare and/or review ordinances, resolutions, board packets as well as contracts, joint powers agreements, memoranda of understanding and other agreements and contracts entered into by the District as requested by the General Manager.
- viii. Provide written updates on new State and Federal regulations legislation and judicial decisions or other activities impacting or having the potential to impact the District and suggest actions to affect the outcome of those activities or once implemented, changes needed in District policies, procedures and operations to ensure compliance.

- ix. Research and interpret laws, court decisions and other authorities in order to prepare legal opinions to advise the Board and staff on legal matters pertaining to District interests.
- x. Promptly return all calls, emails and texts from the Board of Directors and District staff.

b. **Special Counsel Services.**

Notwithstanding the above listing of Basic General Counsel Services, as part of the Services to be performed hereunder, BB&K shall be responsible for the following Special Counsel Services at the rates set out in Section 4 of this Agreement:

- i. **Environmental Matters:** Provide legal assistance and consultation to General Manager or designee as requested on matters of environmental compliance, including CEQA, NEPA, ESA, etc. as they pertain to actions being contemplated by the District; and provide assistance on legal issues related to toxic substances (e.g., CERCLA, RCRA).
- ii. **Real Property Matters:** Provide legal assistance and consultation to General Manager or designee as requested on matters of property acquisition and disposal, eminent domain, property rights and property management, trespass, encroachment, lessee obligations, easements, and inholder access.
- iii. **Construction and Other Contracts/Disputes:** Review construction and other contracts and agreements, bid specifications, and purchasing documents for the purposes of legal and policy compliance, appropriate risk avoidance and transfer, and manufacturer's defect protection. Provide advice on non-routine contract negotiation matters (including non-BB&K model agreements).
- iv. **Labor Relations and Employment Matters:** Consult with the General Manager or designee on personnel, labor relations, retirement, forced staff reductions, litigation, worker's compensation, and other matters concerning District business as requested.
- v. **Water Quality, Water Rights and Water Supply Planning Matters:** Provide legal assistance regarding compliance with regulatory issues under state and federal water quality statutes and regulations; provide legal assistance regarding water rights and water supply planning issues, at the direction of the General Manager.

- vi. **Fees and Taxes, Including Propositions 218 and 26:** Provide legal services related to revenue matters associated with the adoption, imposition, levy, collection and defense of fees and taxes. Provide consultation and prepare required legal notices at the direction of the General Manager. Review and comment on cost of service studies.
 - vii. **Renewable Energy Matters:** Provide legal assistance and consultation on a range of energy related matters including the review of power purchase agreements, net metering agreements, and energy rate setting proceedings before the CPUC.
 - viii. **IT Access/Privacy Policy Matters:** Providing assistance regarding IT agreements, access, privacy and use policy development and implementation.
 - ix. **Telecommunications Lease, License Agreements, and Related Matters:** Provide assistance in developing cell site lease agreements with communications providers and assistance in responding to FCC rule making.
 - x. **Litigation and Formal Administrative Hearing Matters/ Enforcement of District Ordinances and/or Regulations:** In addition to litigation and administrative hearing representation on matters listed above in this Section 3 (b), BB&K shall represent the District in all litigation and formal administrative matters; enforce District ordinances and regulations through administrative and judicial actions as requested by the General Manager; provide legal assistance in pursuing civil remedies related to customer bankruptcy, foreclosures, property liens, tax liens and collections as well as criminal and civil procedures regarding utility theft; and provide assistance in processing Tort Liability claims by third parties against the District.
 - xi. Other matters mutually agreed upon by BB&K and the General Manager.
- c. **Miscellaneous Services.**

BB&K will provide the following additional services at the request of the District.

- i. **Public Policy and Ethics Program:** The District may participate in the BBK Public Policy and Ethics Program, which is more fully described in Exhibit “A” attached hereto and by this reference incorporated herein. The District chooses to participate in the Public Policy and Ethics Program pursuant to the terms set out in Section 4 below and Exhibit “A” and billed as set out in Section 4 below.
- ii. **CEQA Project (Project 5 Program):** The District may participate in BB&K’s optional CEQA Project (“Project 5 Program”). The Project 5 Program provides participants with memoranda summarizing new changes in case law under the California Environmental Quality Act (“CEQA”), an annually updated set of CEQA notices and forms to aid participants in meeting CEQA’s requirements, an annually updated set of Local CEQA Guidelines and a draft Resolution for adopting Local CEQA Guidelines, memoranda summarizing pending and recently passed CEQA legislation, and other CEQA resources and materials. Memoranda, forms, and guidelines are provided to participating agencies via the CEQA Guidelines Client Portal, a secure website providing an on-demand and continually updating library of CEQA resources. The District’s share of the cost of the Project 5 Program will be based on hourly rates for Basic General Counsel Services as established in Section 4 below.
- iii. **Public Finance Legal Services:** BB&K will provide bond counsel, special counsel or disclosure counsel services at the request of the District. Such bond counsel and special counsel services include the preparation of all legislative approvals and legal documentation relating to the appropriate sale and delivery of the bonds, notes or other obligations. BB&K will also prepare such closing certificates and legal opinions necessary for the delivery of the bonds. As disclosure counsel, we will prepare the disclosure documents for the District and conduct the necessary due diligence related to the transaction. Our fees will be determined based upon the type of financing and the expected involvement of the attorneys involved and will be subject to the mutual agreement of the District and BB&K. We will provide the District with a detailed description of our services and our fees and reimbursable costs upon the District’s request. Notwithstanding the foregoing, in those cases where the fees are reimbursable by a third party, at BB&K’s option BB&K may, with the District’s concurrence, proceed on an hourly basis based on our then current BB&K third party reimbursable rates including with respect to services rendered for the formation of, or annexation to, an assessment district or a community facilities district (of either the District or other local public agency), as well as the negotiation and preparation of

funding agreements and joint financing agreements. Legal services related to the District’s compliance with its continuing disclosure covenants and provide such necessary advice on the District’s compliance shall be billed as Special Counsel Services as set out in Section 4, below.

4. **Compensation.** BB&K shall render and bill for Basic General Counsel Services, Special Counsel Services, Third Party Reimbursable Legal Services and other miscellaneous services at the following rates, in accordance with the BB&K Billing Policies attached hereto as Exhibit “B” and incorporated herein by reference.

a. **Rates for Basic General Counsel Services.**

The District shall pay for Basic General Counsel Services at the following rates:

Partners/Of Counsel	\$260 per hour
Associate Attorneys	\$235 per hour
Paralegals	\$145 per hour

b. **Rates for Special Counsel Services.**

The District shall pay for Third Party Reimbursable Legal Services at the following rates:

Partners/Of Counsel	\$290 per hour
Associate Attorneys	\$260 per hour
Paralegals	\$160 per hour

c. **Rates for Third Party Reimbursable Legal Services.**

Third Party Reimbursable Legal Services shall include legal services provided to the District for which the District receives reimbursement from a developer or other third party.

Partners/Of Counsel	\$300 per hour
Associate Attorneys	\$280 per hour
Paralegals	\$190 per hour

d. **Annual Adjustments; Other Mutual Adjustments.**

On January 1, 2019 and every year thereafter during the term of this Agreement, the rates specified in Sections 4(a), 4(b), and 4(c) above, shall be subject to an increase equal to the percentage change in the Consumer Price Index (All Urban Consumers Index, San Diego County), for the prior calendar year (e.g., Calendar Year, 2016 on July 1, 2018). Adjustments for the Public Policy and Ethics program are as established in Exhibit "A." In addition to the automatic rate adjustments, either BB&K or the District may initiate consideration of a rate increase at any time; provided, however, that such an additional rate increase shall not occur without the express written consent of the District. Such adjustments shall become effective on July 1st of the year increased.

5. **Cost Reimbursement.** Reimbursement of costs advanced by BB&K on behalf of the District will be billed in addition to the rates set out in Section 4, above. Authorized reimbursable expenses shall include, but are not limited to automobile mileage expenses at the rate allowed by the Internal Revenue Service for travel outside San Diego County, actual expenses incurred while away on District business, long distance telephone, photocopy charges currently set at \$0.17/ page, and any costs of producing or reproducing photographs, documents, and other items necessary for legal representation. Travel costs will be billed from portal to portal. Additionally, computerized research time (e.g. Lexis or Westlaw), research services performed by BB&K's library staff on behalf of the District, extraordinary mail or delivery costs (e.g. courier, overnight and express delivery), court fees and similar costs relating to the Services, are generally chargeable to a District. However, no separate charge shall be made by BB&K for secretarial or other administrative charges. The rates specified in Section 4, above, include all routine word processing, secretarial and office costs associated with the provision of legal services, including facsimile transmittals and voicemails.
6. **Billing.** BB&K shall submit monthly to the District a detailed statement based upon task billing by department, task, or other matters requested by the District. of account for Services. The District shall review BB&K's monthly statements and pay BB&K for Services rendered and costs incurred, as provided for in this Agreement, on a monthly basis.
7. **Annual Reviews.** The District and BB&K agree that a review of performance and the compensation amounts referenced in this Agreement should occur at least annually.
8. **Time of Performance.** The Services of BB&K shall be performed expeditiously in the time frames and as directed by the District.
9. **Assistance.** The District agrees to provide all information and documents necessary for the attorneys at BB&K to perform their obligations under this Agreement.

10. **Independent Contractor.** BB&K shall perform all legal services required under this Agreement as an independent contractor of the District and shall remain, at all times as to the District, a wholly independent contractor with only such obligations as are required under this Agreement. Neither the District, nor any of its employees, shall have any control over the manner, mode or means by which BB&K, its agents or employees, render the legal services required under this Agreement, except as otherwise set forth. The District shall have no voice in the selection, discharge, supervision or control of BB&K's employees, representatives or agents, or in fixing their number, compensation, or hours of service.

11. **Insurance.** BB&K shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by BB&K, its agents, representatives, employees or subcontractors, pursuant to BB&K's proposal or any subsequent contract entered into with the District. Insurance shall be of the type, in the amounts, and subject to the provisions described below.

- Commercial General Liability coverage with a limit of not less than \$2,000,000 per occurrence. If the insurance includes a general aggregate limit, that limit shall apply separately to this contract or it shall be at least twice the required per occurrence limit.
- Professional Liability, and Errors and Omissions Insurance with a limit not less than two million dollars (\$2,000,000) per occurrence, and five million dollars (\$5,000,000) in aggregate.

All insurance coverage shall be provided by insurers authorized by the California Insurance Commissioner to transact insurance business in California and with a rating of "A" or better in the Best's Key Rating Guide.

a. **Evidence of Coverage.**

- i. Prior to commencement of work under any contract, or within 14 days notification of award of the contract, whichever is shorter, BB&K shall file certificates of insurance and original endorsements evidencing coverage in compliance with this contract and in a form acceptable to the District.
- ii. During the term of this agreement, BB&K shall maintain current valid proof of insurance coverage with District at all times. Proof of renewals shall be filed prior to expiration of any required coverage.
- iii. In the event BB&K does not maintain current, valid evidence of insurance on file with District, District may, at its option, withhold

payment of any moneys owed to BB&K, or which it subsequently owes to BB&K, until proper proof is filed.

b. **Additional Insureds.**

All coverage noted, except for Workers' Compensation and professional liability, shall name the District and its respective officers, employees, agents and volunteers as additional insureds.

c. **General Insurance Provisions.**

Each policy of liability insurance, except workers' compensation insurance and professional liability insurance, shall contain the following endorsement provisions as provided in District's standard endorsement forms:

- i. The District and its respective officers, employees, agents, and volunteers are additional insureds ("Above-Named Additional Insureds") under the policy in relation to those activities described generally above with regard to operations performed by or on behalf of BB&K ("Named Insured"). The Above-Named Additional Insureds have no liability for the payment of any premiums or assessments under the policy.
- ii. The insurance coverage afforded the Above-Named Additional Insureds under the policy shall be primary insurance, and no other insurance maintained by the Above-Named Additional Insureds shall be called upon to contribute with the insurance coverages provided by the Policy.
- iii. The noted coverage, except Workers' Compensation and professional liability, shall contain a Severability of Interests (Cross Liability) clause that stipulates that it is agreed that the insurance afforded by the Policy shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the company's liability.
- iv. The insurance afforded by the policy for contractual liability insurance (subject to the terms, conditions and exclusions applicable to such insurance) includes liability assumed by the Named Insured under the indemnification and/or hold harmless provision(s) contained in, or executed in conjunction with the written agreement(s) or permit(s) designated above, between the Named Insured and the Above-Named Additional Insureds.
- v. The policy to which this endorsement is attached shall not be subject to cancellation, change in coverage, reduction of limits (except as the result of the payment of claims), or non-renewal

except after written notice to District, by certified mail, return receipt requested, not less than thirty (30) days prior to the effective date thereof. In the event of BB&K's failure to comply with this notice provision, the policy as initially drafted will continue in full force and effect until compliance with this noticing requirement.

- vi. BB&K hereby waives all rights of subrogation and contribution against the Above Named Additional Insureds, while acting within the scope of their duties, from all claims, losses and liabilities arising out of the Named Insured's negligence with regard to operations performed by or on behalf of the Named Insured regardless of any prior, concurrent, or subsequent active or passive negligence by the Above-Named Additional Insureds and does not apply to the Above-Named Insured's sole negligence or willful misconduct.

12. **Attorney-Client Privilege.** Confidential communication between the District and BB&K shall be covered by the attorney-client privilege. As used in this article, "confidential communication" means information transmitted between the District and BB&K in the course of the relationship covered by this Agreement and in confidence by a means which, so far as the District is aware, discloses the information to no third persons other than those who are present to further the interests of the District in the consultation or those to whom disclosure is reasonably necessary for the transmission of the information or the accomplishment of the purpose for which BB&K is consulted, and includes any legal opinion formed and advice given by BB&K in the course of this relationship.
13. **Indemnification.** BB&K shall indemnify, hold harmless and defend the District, the Board of Directors, its officers, employees, and agents, from any and all liability or financial loss including legal expenses and costs of expert witnesses and consultants, resulting from any suits, claims, losses or actions brought by any person or persons, by reasons of injury resulting from the negligent actions or omissions of BB&K, including its officers, agents, employees, or any person employed by BB&K, in the performance of this Agreement. BB&K agrees that BB&K's covenant under this Section 13 shall survive the termination of this Agreement.
14. **Termination of Agreement and Legal Services.** This Agreement and the Services rendered under it may be terminated at any time upon thirty (30) days prior written notice from either party, with or without cause. In the event of such termination, BB&K shall be paid for all Services authorized by the District and performed up through and including the effective date of termination. BB&K shall also be reimbursed for all costs associated with transitioning any files or other data or documents to a new law firm or returning them to the District.

15. **Entire Agreement.** This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements.
16. **Governing Law.** This Agreement shall be governed by the laws of the State of California. Venue shall be in San Diego County.
17. **Amendment; Modification.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing and signed by both parties.
18. **Waiver.** No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.
19. **Invalidity; Severability.** If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.
20. **Counterparts.** This Agreement may be signed in counterparts, each of which shall constitute an original.
21. **Delivery of Notices.** All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

District: Vallecitos Water District
Attention: Glenn Pruum General Manager

BB&K: Best Best & Krieger LLP
Attention: James Gilpin

Such notices shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

IN WITNESS WHEREOF, the District and BB&K have executed this Agreement for General Counsel Legal Services as of the date first written above.

VALLECITOS WATER DISTRICT

BEST BEST & KRIEGER LLP

By: _____
Glenn Pruim
General Manager

By: _____
James B. Gilpin
Partner

EXHIBIT “A”
PUBLIC POLICY AND ETHICS PROGRAM

By providing our Public Policy and Ethics Program updates to a large pool of participants, BB&K is able to divide the overall cost of the products among all participants and charge only a fraction of the total costs to the individual client agencies.

For the District, BB&K would charge an annual fee on July 1 of each year for all of the services provided under the Program. As of July 1, 2017, annual costs for the fiscal year are \$4,600. The annual fee covers the following services under the Program:

- Written legal advice concerning matters that affect local government such as new legislation, regulations, court decisions and Attorney General opinions. This service includes monitoring significant developments that may affect the agencies, legal research, and drafting memoranda for those developments.
- Annual updates on the Brown Act, the Public Records Act, the Political Reform Act, and other conflict of interest laws.
- In addition, clients who participate in the Program are offered the following legal services at a discounted rate in addition of the annual fee:
 - Customized, on-site training regarding Statements of Economic Interests (Form 700s). Statements of Economic Interests are building blocks for transparency and good governance. Our Form 700 training covers the different types of reportable interests, avoiding over-disclosure, completing a Form 700, and amending a filed statement. This training is for officials and employee positions listed in the District’s Conflict of Interest Code. As of July 1, 2017, the usual cost is \$2,500, but is billed to Program participants for \$800, plus costs.
 - BB&K-hosted presentations related to the Political Reform Act and the client’s role as: (1) the Filing Officer and/or Filing Official receiving and filing Statements of Economic Interests (Form 700s); and (2) the creators and enforcers of the Agency’s Conflicts of Interest Code. As of July 1, 2017, the usual cost is \$125 per attendee, but is billed to Program participants for \$75 per attendee.
 - Customized, on-site training certifying attendees for compliance with State “general ethics principles and ethics laws” required under AB 1234. As of July 1, 2017, the usual cost is \$2,000 for six attendees, but is billed to Program participants for \$1,200 for six attendees and \$75 for each additional attendee.

As new and existing laws develop and become more complex, public scrutiny intensifies, and expectations for the role of legal counsel change. Our legal updates are critical, and

in some cases, required for our local government clients.

EXHIBIT "B"

BEST BEST & KRIEGER LLP'S BILLING POLICIES

BB&K BILLING POLICIES

Our century of experience has shown that the attorney-client relationship works best when there is mutual understanding about fees, expenses, billing and payment terms. Therefore, this statement is intended to explain our billing policies and procedures. Clients are encouraged to discuss with us any questions they have about these policies and procedures. Clients may direct specific questions about a bill to the attorney with whom the client works or to Judy Ismael of our Accounting Department. Any specific billing arrangements different from those set forth below will be confirmed in a separate written agreement between the client and the firm.

Fees for Professional Services

Unless a flat fee is set forth in our engagement agreement with a client, our fees for the legal work we will undertake will be based in substantial part on time spent by personnel in our office on that client's behalf. In special circumstances which will be discussed with the client and agreed upon in writing, fees will be based upon the novelty or difficulty of the matter, or the time or other special limitations imposed by the client.

Hourly rates are set to reflect the skill and experience of the attorney or other legal personnel rendering services on the client's behalf. Time is accrued on an actual basis (in increments of one-tenth of an hour) for all work. Our attorneys are currently billed at rates from \$225 to \$750 per hour, and our administrative assistants, research assistants, paralegals and law clerks are billed at rates from \$140 to \$290 per hour. These hourly rates are reviewed annually to accommodate rising firm costs and to reflect changes in attorney status as lawyers attain new levels of legal experience. Any increases resulting from such reviews will be instituted automatically and will apply to each affected client, after advance notice.

Fees For Other Services, Costs and Expenses

We attempt to serve all our clients with the most effective support systems available. Therefore, in addition to fees for professional legal services, we also charge separately for some other services and expenses to the extent of their use by individual clients. These charges include but are not limited to, mileage at the current IRS approved rate per mile, extraordinary telephone and document delivery charges, copying charges, computerized research, court filing fees and other court-related expenditures including court reporter and transcription fees. No separate charge is made for secretarial or word processing services; those costs are included within the above hourly rates.

We may need to advance costs and incur expenses on your behalf on an ongoing basis. These items are separate and apart from attorneys' fees and, as they are out-of-pocket charges, we need to have sufficient funds on hand from you to pay them when due. We will advise the client from time to time when we expect items of significant cost to be incurred, and it is

required that the client send us advances to cover those costs before they are due.

Monthly Invoices and Payment

Best Best & Krieger LLP provides our clients with monthly invoices for legal services performed and expenses incurred. Invoices are due and payable upon receipt.

Each monthly invoice reflects both professional and other fees for services rendered through the end of the prior month, as well as expenses incurred on the client's behalf that have been processed by the end of the prior month. Processing of some expenses is delayed until the next month and billed thereafter.

Our fees are not contingent upon any aspect of the matter and are due upon receipt. All billings are due and payable within 30 days of presentation unless the full amount is covered by the balance of an advance held in our trust account. If a bill is not paid within 30 days, a late charge of one percent per month on the unpaid invoice shall be added to the balance owed, commencing with the next statement and continuing until paid.

It is our policy to treat every question about a bill promptly and fairly. It is also our policy that if a client does not pay an invoice within 60 days of mailing, we assume the client is, for whatever reason, refusing to pay. We will then advise the client by letter that the client may pay the invoice within 14 days or the firm will take appropriate steps to withdraw as attorney of record. If the delay is caused by a problem in the invoice, we must rely upon the client to raise that with us during the 14-day period. This same policy applies to fee arrangements which require the client to replenish fee deposits or make deposits for anticipated costs.

From time to time clients have questions about the format of the bill or description of work performed. If you have any such questions, please ask them when you receive the bill so we may address them on a current basis.

Changes in Fee Arrangements and Budgets

It may be necessary under certain circumstances for a client to increase the size of required advances for fees after the commencement of our engagement and depending upon the scope of the work. For example, prior to a protracted trial or hearing, the firm may require a further advance payment to the firm's trust account sufficient to cover expected fees. Any such changes in fee arrangements will be discussed with the client and mutually agreed in writing.

Because of the uncertainties involved, any estimates of anticipated fees that we provide at the request of a client for budgeting purposes, or otherwise, can only be an approximation of potential fees.

BEST BEST & KRIEGER LLP

DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: INVESTMENT ADVISORY FIRM SELECTION

BACKGROUND:

The District has recently reduced staffing within the finance department creating a need of contracted management services. In addition to filling the void in the performance of finance duties, staff anticipates that increased investment earnings from active portfolio management by experience and qualified experts will more than offset investment advisory fees. Prior to the Finance Manager leaving, the District invested passively (buy and hold, no corporate investment to avoid credit monitoring, no recognized gains or losses, no market trend speculation). Since the Finance Manager left, no trades have been made. All proceeds from maturities have been deposited with LAIF.

DISCUSSION:

On January 18, 2018, the District issued a Request for Proposal (RFP) for investment advisory services, and received proposals from:

- Chandler Asset Management (Chandler)
- Garcia Hamilton and Associates, LP (GHA)
- Government Portfolio Advisors (GPA)
- PFM Financial Advisors, Inc (PFM)
- Public Trust Advisors (PTA)
- Raymond James (RJ)

Proposals were evaluated and scored by staff weighting criteria as follows:

- Responsiveness to RFP and understanding of engagement (10%)
- Firm experience, approach and performance (35%)
- Assigned personnel experience (30%)
- Fees (25%)

Staff recommends that the Board authorize staff to contract with Chandler. The following ratings and costs associated with the top three rated firms are presented as follows:

	Chandler	GPA	PFM
Rating	612	536	566
Annual Fees*	\$49,900	\$30,000	\$49,900

*Annual fee is based on \$57,000,000 in managed investments.

The most significant factors considered in recommending Chandler:

- Provided the most similar clients as references (Southern California water districts with full investment discretion)
- Provided the best documentation of understanding the District, including recommending approval of the draft investment policy and suggesting improvements for future consideration
- Outstanding references, including testimonials of being service oriented, providing assistance beyond contracted services, validated performance beyond the benchmark while maintaining a lower risk than the benchmark
- Superior reporting and integration software that will save on District staff time for accounting for investments

There was a natural scoring cutoff point for considering GHA, PTA, and RJ due mostly to insufficient data for evaluation, dissimilar client references, not documenting an understanding of the District, and cost.

FISCAL IMPACT:

Staff anticipates that enhanced investment earnings will exceed investment advisory fees.

RECOMMENDATION:

Authorize General Manager to enter into a contract with Chandler Asset Management.

* Chandler Asset Management proposal is available upon request

DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: PROPOSED 2018 INVESTMENT POLICY

BACKGROUND:

With the reduction in finance staff, the District is in need of contracted investment management services. The District’s current investment policy accommodates a passive investment strategy (buy and hold, ladder, no corporate investments to avoid credit monitoring, no recognized gains or losses, no market trend speculation). Concurrent with contracting for investment management services, the District’s investment policy needs to be modified to accommodate an active investment strategy so that an investment advisor will be within policy limits to appropriately invest and actively maintain the portfolio.

DISCUSSION:

Staff obtained a model investment policy from the San Diego County Water Authority and incorporates industry best practices from the Government Finance Officers Association, California Municipal Treasurers Association, California Debt and Advisory Commission, the Association of Public Treasurers, and other sources. Staff produced the attached draft investment policy for the District considering the size of the District’s investment portfolio, CM’s model, ACWA JPIA’s policy, and the California Government Code.

The draft policy is more restrictive than the model policy, which is more restrictive than the Government Code, but will allow enough flexibility for a successful proposer of investment management services to start actively investing within appropriate risk tolerances. An investment advisor may have policy change recommendations, which can be implemented after future Board approval. The draft policy is also designed to accommodate portfolio management by staff rather than outside advisors. Below is a table comparing permissible investments with restrictions and limitations among the current policy, the proposed draft policy, the model investment policy, and Government Code.

Investment Type	VWD Current Policy				VWD Proposed Policy				Chandler Model Policy				Government Code				
	VWD's Portfolio 11/30/17	Type	Issuer/ Institution	Maturity	Minimum Credit Rating	Type	Issuer/ Institution	Maturity	Minimum Credit Rating	Type	Issuer/ Institution	Maturity	Minimum Credit Rating	Type	Issuer/ Institution	Maturity	Minimum Credit Rating
Bank Deposits	0%	10%	25%			100%	100%			100%	100%			100%	100%		
LAIF	45%	60%	60%			100%	100%			100%	100%			100%	100%		
LGIPs	9%	40%	25%		AAA	100%	100%			100%	100%			100%	100%		
US Treasuries	0%	75%	75%	5 years		100%	100%	5 years		100%	100%	5 years		100%	100%	5 years	
Federal Agencies/GSEs	38%	60%	20%	5 years		100%	10%	5 years		100%	25%	5 years		100%	100%	5 years	
Repurchase Agreements	0%	10%	25%	1 year		25%	10%	1 year		100%	100%	1 year		100%	100%	5 years	
Municipals	0%	20%		5 years		25%	5%	5 years	A	30%	5%	5 years	A	100%	100%	5 years	
Corporate MTNs	0%	0%				25%	5%	5 years	A	30%	5%	5 years	A	30%		5 years	A
Supranationals	0%	0%				25%	5%	5 years	AA	30%	10%	5 years	AA	30%		5 years	AA
Commercial Paper	0%	20%	25%	270 days	A-1	25%	5%	270 days	A-1 / A	25%	5%	270 days	A-1 / A	25%		270 days	A-1 / A
MM Mutual Funds	0%	0%				20%	10%		AAA	20%			AAA	20%	10%		AAA
Certificates of Deposit	8%	20%	25%	5 years		20%	5%	5 years		30%	5%	5 years		30%		5 years	
Asset-Backed Securities	0%	0%				20%	5%	5 years	AA	20%	5%	5 years	AA	20%		5 years	AA
Banker's Acceptances	0%	0%				20%	5%	180 days	A-1 / A	40%	5%	180 days	A-1 / A	40%	30%	180 days	

The Finance Committee discussed the policy at the January 30, 2018 meeting at which no changes were recommended.

FISCAL IMPACT:

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

RECOMMENDATIONS:

Adopt Investment Policy for 2018.

ATTACHMENTS:

- 1) Draft Resolution Approving the Statement of Investment Policy for Calendar Year 2018
- 2) Resolution 1502 Approving the Statement of Investment Policy for Calendar Year 2017

RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE STATEMENT OF INVESTMENT POLICY FOR CALENDAR YEAR 2018

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

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

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Section 1: General Provisions and Objectives

Section 1.1: Introduction

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

Section 1.2: Scope

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

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

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

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

Section 1.3: Pooling of Funds

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

Section 1.4: Prudence

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

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

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

Section 1.5: Objectives

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

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

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

Section 2: Delegation of Authority

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

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

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

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

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

Section 3: Ethics and Conflicts of Interest

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

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

Section 4: Internal Controls

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

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

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

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

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

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

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

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

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

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

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

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

Section 6: Authorized Investments

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

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

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

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

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

Section 6.2: U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries, provided that the maximum maturity is five (5) years.

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

- No more than 10% of the portfolio may be invested in any single agency/GSE issuer.
- The maximum maturity does not exceed five (5) years.

Section 6.4: Banker's Acceptances, provided that:

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

Section 6.5: Commercial Paper, provided that:

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

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

- The amount of the CD insured up to the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limit does not require any credit ratings.
- For Negotiable CDs, any amount above the FDIC or NCUA insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or higher by at least one NRSRO; or long-term obligations rated "A" or higher by at least one NRSRO.
- For Non-negotiable CDs (Time Deposits), amounts deposited in excess of insured amounts are fully collateralized with securities in accordance with California law.
- No more than 20% of the total portfolio may be invested in CDs.
- No more than 5% of the portfolio may be invested in any single issuer or institution.
- The maximum maturity does not exceed five (5) years.

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

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

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

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

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

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

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

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

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

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

- Such Funds meet either of the following criteria:
 1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
- No more than 10% of the total portfolio be invested with one institution.

Section 6.13: Supranationals, provided that:

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

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

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

Section 7: Prohibited Investment Vehicles and Practices

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

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

Section 8: Investment Pools/Mutual Funds

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

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

Section 9: Collateralization

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

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

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

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

Section 10: Delivery, Safekeeping and Custody

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

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

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

Section 11: Maximum Maturity

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

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

Section 12: Risk Management and Diversification

Section 12.1: Mitigating Credit Risk in the Portfolio

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

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

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

Section 12.2: Mitigating Market Risk in the Portfolio

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

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

- The District will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum percent of callable securities in the portfolio will be 20%.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the District based on the District's investment objectives, constraints and risk tolerances.

Section 12.3: Foreign Currency Risk

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

Section 13: Review and Reporting

Section 13.1: Review of Investment Portfolio

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

Section 13.2: Performance Evaluation

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

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

Section 13.3: Monthly Reports

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

Section 13.4: Quarterly Reports

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

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

Section 13.5: Annual Reports

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

Section 13.6: Review of Investment Policy

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

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

Section 14: Glossary of Terms

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

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

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

Certificates of Deposit

Negotiable Certificates of Deposit are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates

the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

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

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

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

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

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

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

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

Local Government Investment Pool (LGIP) is a collection of funds from various governmental entities invested in a common portfolio. Each investor earns interest proportional to their investment in the overall pool.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Annual Statement of Investment Policy for calendar year 2018 is hereby approved and replaces previous versions. The District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 7th day of March 2018, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

James Hernandez, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruijm, Secretary
Board of Directors
Vallecitos Water District

RESOLUTION NO. 1502

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE STATEMENT OF INVESTMENT POLICY FOR CALENDAR YEAR 2017

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

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

Section 1 – General Provisions and Objectives

Vallecitos Water District (District) funds not required for immediate expenditure will be invested in compliance with this policy and the provisions of California Government Code Sections 53600 et seq. The policy applies to all financial assets of the District. These funds are presented in the District's annual financial statements. Criteria for selecting investments and the absolute order of priority are safety, liquidity, and return on investment. Investments will be made in a range of instruments and maturity dates to insure diversification and liquidity of assets in an emergency or when a large cash outlay is necessary. In accordance with California Government Code §53607, the authority to invest or reinvest the funds of the District is delegated to the Treasurer of the District. The Treasurer may assign investment responsibilities to the Finance Manager.

Section 2 – Prudent Investor Standard

All participants in the investment process shall recognize that the investment portfolio is subject to the prudent investor standard as set forth in California Government Code §53600.3 and to public review and evaluation and shall seek to act responsibly as fiduciaries of the public trust. Investments shall be made with the exercise of that degree of judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the preservation of capital, the cash flow needs of the District as well as the income to be derived. In a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the District.

Section 3 – Ethics and Conflicts of Interest

Officers and staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Staff and investment officials shall disclose to the District's General Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

Section 4 – Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Concentration of credit risk is the risk of loss attributed to the magnitude of a District's investment in a single issuer. All participants in the investment process shall consider aversion to concentration of credit risk by:

1. Limiting investment purchases to those types and amounts permissible by California Government Code §53601 and §7 of this Resolution,
2. Conducting delivery-versus-payment (DVP) basis on all security transactions entered into by the District. Securities will be held by a third party custodian designated by the Treasurer or Finance Manager and evidenced by safekeeping receipts.
3. Investing no more than 20% of the portfolio with one issuer of federal agency obligations, with the exception of the US Treasury, and no more than 10% of the portfolio with one commercial issuer,
4. If pursuing a commercial paper obligation, investing only in investments rated in the highest tier (A1, P-1, or F-1 or higher),
5. For deposits in Local Government Investment Pools, depositing funds only in pools with a AAA rating, and
6. Limiting investments in corporate notes to those fully guaranteed by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that the District will not be able to recover deposits or the value of an investment or collateral securities that are in the possession of an outside party. All participants in the investment process shall consider aversion to custodial credit risk by:

1. Investing no more than 25% of the portfolio with one financial institution, with the exceptions of LAIF, the US Treasury, and funds advanced or in trustee accounts for project construction, and
2. If pursuing a deposit, insuring that all deposits are fully collateralized as required by California Government Code §53652 or insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, and the "Contract for Deposit of Monies" will indicate the type and amount of collateral.

Section 5 – Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All participants in the investment process shall consider aversion to interest rate risk by limiting the term remaining to maturity on purchased investments to the maturity limits identified in §6 of this Resolution, unless a longer term is permissible within the California Government Code and specifically approved by the Board prior to purchase.

Section 6 – Foreign Currency Risk

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

Section 7 – Permissible Investments

The table below lists permissible investments and limits on amounts and maturities.

Investment	Limits	
	% of Investment Portfolio	Maturity
US Treasury bills and notes	75%	5 years
LAIF	60%	N/A
Federal agency obligations	60%	5 years
Local Government Investment Pools	40%	N/A
State and local agency ¹ bonds	20%	5 years
Commercial paper	20%	270 days
Certificates of deposit	20%	5 years
Repurchase agreements	10%	1 year
Savings accounts	10%	N/A

¹Local agency as defined in California Government Code §53600 include counties, cities, and special districts.

Investments permitted by California Government Code, but not by this policy, will be made only with prior approval of the Board of Directors.

Section 8 – Authorized Financial Dealers and Institutions

Staff will maintain a list of approved financial institutions authorized to provide investment services to the District in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer or Finance Manager. A current audited financial statement is required to be accessible for each financial institution and broker/dealer in which the District invests.

Section 9 – Safekeeping of Securities

To protect against potential losses by the collapse of individual securities dealers, all trades will be executed on a delivered versus payment (DVP) basis with the securities to be held in safekeeping by a third party custodian, acting as agent for the District under the terms of a custody agreement or a Master Repurchase Agreement. The only exception of the foregoing shall be depository accounts and securities purchases made with: (i) LAIF and local government investment pools (LGIPs); (ii) placement certificates of deposit, and (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held by the Treasurer or his designee.

Section 10 – Strategy

Passive investing - Given the absence of staff dedicated to investment analysis, the District will passively manage the portfolio, and avoid medium to long-term corporate investment and realizing gains and losses, thereby diminishing the need for credit monitoring. Staff tasked with investment decisions will avoid speculation. Diversification - Staff will maintain diversified call provisions rather than anticipate market conditions. Staff will diversify timing of trading and maintain diversification by type within the constraints of other provisions of this policy.

Minimum liquidity and debt considerations – A portion of the portfolio with maturities of no more than three months shall be maintained in excess of the Board-established operating reserve. A portion of the portfolio with maturities of no more than one year shall be maintained in excess of the Board-established operating reserve plus the replacement reserve floor. Staff will also consider that too much liquidity is a risk, and invest to ladder maturities when possible. Staff will consider debt structures and strategies along with investment strategies.

Section 11 – Reporting and Miscellaneous Provisions

The Treasurer, or Treasurer's designee, may maintain one or more accounts with reputable investment security dealers and brokers with which investment transactions are to be conducted. Investments may be held in safekeeping at a designated financial institution where the District has established a safekeeping account.

Pursuant to California Government Code §53646, a monthly report shall be submitted to the Board of Directors within 30 days following the end of the month covered by the report, and a quarterly report shall be submitted to the Finance/Investment Committee or the Board of Directors for review. The quarterly report shall include the type of investment, issuer, settlement and maturity dates, rate of interest, dollar amount invested, fund, current market value, and percentage of portfolio. The report shall state compliance of the portfolio to the statement of the investment policy, or the manner in which the portfolio is not in compliance. The report shall include a statement regarding the ability of the District to meet its expenditure requirements for the next six months.

The District shall establish an annual process of independent review by an external auditor as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

The Treasurer, or the Treasurer's designee, shall establish a system of internal controls to be examined and monitored by the District's independent auditor.


The Board of Directors shall meet on a quarterly basis with staff to review District investments and to appraise market conditions.

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

The Annual Statement of Investment Policy for calendar year 2017 is hereby approved and the District Treasurer is directed to follow this Statement of Investment Policy in investing funds of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 16th day of November 2016, by the following roll call vote:

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



Craig Elitharp, Vice President
Board of Directors
Vallecitos Water District

ATTEST:



Tom Scaglione, Secretary
Board of Directors
Vallecitos Water District

DATE: MARCH 7, 2018
TO: BOARD OF DIRECTORS
SUBJECT: CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) BOARD OF DIRECTORS CALL FOR NOMINATIONS – SEAT A

DISCUSSION:

The CSDA Elections and Bylaws Committee is seeking Independent Special District Board members or General Managers who are interested in leading the direction of the CSDA for the 2019-2021 term. The deadline to submit nominations is April 18, 2018. A resolution or minute action and candidate information sheet must accompany the nomination form.

RECOMMENDATION:

Request Board direction.



**California Special
Districts Association**
Districts Stronger Together

DATE: February 16, 2018
TO: CSDA Voting Member Presidents and General Managers
FROM: CSDA Elections and Bylaws Committee
**SUBJECT: CSDA BOARD OF DIRECTORS CALL FOR NOMINATIONS
SEAT A**

The Elections and Bylaws Committee is looking for Independent Special District Board Members or their General Managers who are interested in leading the direction of the California Special Districts Association for the 2019 - 2021 term.

The leadership of CSDA is elected from its six geographical networks. Each of the six networks has three seats on the Board with staggered 3-year terms. Candidates must be affiliated with an independent special district that is a CSDA Regular member in good standing and located within the geographic network that they seek to represent. (See attached CSDA Network Map)

The CSDA Board of Directors is the governing body responsible for all policy decisions related to CSDA's member services, legislative advocacy, education and resources. The Board of Directors is crucial to the operation of the Association and to the representation of the common interests of all California's special districts before the Legislature and the State Administration. Serving on the Board requires one's interest in the issues confronting special districts statewide.

Commitment and Expectations:

- Attend all Board meetings, usually 4-5 meetings annually, at the CSDA office in Sacramento.
- Participate on at least one committee, meets 3-5 times a year at the CSDA office in Sacramento.
(CSDA reimburses Directors for their related expenses for Board and committee meetings)
- Attend, at minimum, the following CSDA annual events: Special Districts Legislative Days - held in the spring, and the CSDA Annual Conference - held in the fall.
- Complete all four modules of CSDA's Special District Leadership Academy within 2 years of being elected.
(CSDA does not reimburse for expenses for the two conferences or the Academy classes even if a Board or committee meeting is held in conjunction with the events).

Nomination Procedures: Any Regular Member in good standing is eligible to nominate one person, a board member or managerial employee (as defined by that district's Board of Directors), for election to the CSDA Board of Directors.

- **A copy of the member district's resolution or minute action and Candidate Information Sheet must accompany the nomination.**
- **Deadline for receiving nominations is April 18, 2018. Nominations and supporting documentation may be mailed or emailed to Beth Hummel.**
No faxes please.

Mail: CSDA Attention: Beth Hummel
1112 I Street, Suite 200, Sacramento, CA 95814
E-mail: bethh@csda.net

Once received, nominees will receive a candidate's letter in the mail. The letter will serve as confirmation that CSDA has received the nomination and will also include campaign guidelines.

Expiring Terms

(See enclosed map for Network breakdown)

Northern Network Seat A-Ralph Emerson, GM, Garberville Sanitary District*
Sierra Network Seat A-Noelle Mattock, Director, El Dorado Hills CSD*
Bay Area Network Seat A-Robert Silano, Director, Menlo Park Fire Protection District*
Central Network Seat A-Joel Bauer, GM, West Side Cemetery District*
Coastal Network Seat A-Elaine Magner, Director, Pleasant Valley Recreation & Park District*
Southern Network Seat A-Jo MacKenzie, Director, Vista Irrigation District*
(* = Incumbent is running for re-election)

If you have any questions, please contact Beth Hummel at 877-924-CSDA or bethh@csda.net.

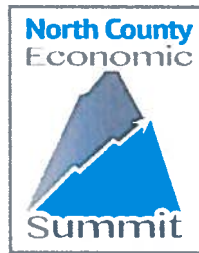
NEW THIS YEAR!

This year we will be using a web-based online voting system, allowing your district to cast your vote easily and securely. Electronic Ballots will be emailed to the main contact in your district June 18, 2018. All votes must be received through the system no later than 5:00 p.m. August 10, 2018.

Districts can opt to cast a paper ballot instead; but you must contact Beth by e-mail Bethh@csda.net, by April 18, 2018 in order to ensure that you will receive a paper ballot on time.

CSDA will mail paper ballots on June 17 per district request only. ALL ballots must be received by CSDA no later than 5:00 p.m. August 10, 2018.

The successful candidates will be notified no later than August 14, 2018. All selected Board Members will be introduced at the Annual Conference in Indian Wells, CA in September 2018.



**SAN DIEGO NORTH ECONOMIC DEVELOPMENT
COUNCIL'S**

5th ANNUAL NORTH COUNTY ECONOMIC SUMMIT

APRIL 11, 2018

7 a.m. to 9:30 a.m.

CAL STATE SAN MARCOS