### General Manager’s Message

Working Today for Water Tomorrow

Although 2015 displayed little in the way of snow or rain at the two sources Vallecitos Water District’s wholesalers import water from, the year will still go down as the foundation for increased water availability in the region for now and generations to come.

For more than 60 years the Vallecitos Water District has never strayed from its goal of providing reliable service at the most affordable price possible. However, focusing on the status quo for today did not keep the Vallecitos Board and staff from developing and executing sustainability initiatives to benefit its customers for tomorrow.

As drought and pumping regulations continue to severely impact imported water availability, one solution to emerge as a priority in meeting demand moving forward was an additional water source. So after more than 10 years of planning, design, permitting, funding, and other challenges, the region’s first desalination plant was approved in 2012 to be constructed on the Carlsbad coast to benefit Vallecitos and a few other local water agencies. These projects in conjunction with the District’s 33-million gallon Twin Oaks Reservoir No. 1 and 40-million gallon Twin Oaks Reservoir No. 2 paint a water-reliability portrait unlike ever experienced in Vallecitos Water District's history.

Similarly, the sewer side of the business has seen changes for the better. Thanks to an upgrade to the Meadowlark Water Reclamation Facility (MWRF), approximately 75 percent of the wastewater generated within District boundaries can be treated and used again for irrigation purposes by other nearby agencies. Furthermore, the remaining wastewater not processed at MWRF is sent to the recently expanded Encina Wastewater Authority in Carlsbad. Once there, some of the wastewater is quenched through desalination.

As 2015 marks the year that many of the District’s sustainability initiatives came to fruition, this period wasn’t without its challenges:

- Multiple dry winters statewide resulted in drought and water use restrictions. In 2015, the District and its customers met state mandated drought reductions.
- Energy, treatment, environmental regulations and other costs associated with importing and treating water and wastewater continue to increase.
- Senate Bill SBX, requiring all urban water providers to reduce water consumption 20 percent by 2020 will force a change in water-use patterns that will affect all California residents.

Regardless, with a Master Plan to ensure future service reliability, approved budget of $141,000,000 and favorable Standard and Poor’s and Fitch Rating of ‘AA+’ with a stable financial outlook, Vallecitos Water District will continue to do what it does best: efficiently and equitably working today for water tomorrow.

Dennis O. Lamb
Organizational Values

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

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

**Trust**
Our actions and words inspire fairness and support.

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

**Responsibility**
Demonstrate prudent use of all public and environmental resources.

**Professionalism**
Conduct interactions in a courteous and respectful manner and be accountable for personal actions and decisions.

Mission Statement
Water and wastewater specialists - providing exceptional and sustainable services

Vision of the Future
The District will continue to provide exceptional and sustainable services by:

- Proactively, innovatively, and continuously improve the quality and efficiency of our operations and service.
- Supporting and retaining highly trained staff that is knowledgeable, engaged, team-oriented and responsive to the community and other agencies.
- Providing support for the good of the region to remain a respected and active industry partner.
- Providing continuous outreach and education to our customers on issues and topics that impact the services we provide and our role as water and wastewater specialists.
About Vallecitos Water District

The Vallecitos Water District emerged from a need. Dwindling ground water supplies in the San Marcos and Twin Oaks valleys spurred the formation of the San Marcos County Water District that in 1955 would go on to tap into imported water supply infrastructure that the San Diego County Water Authority was constructing at the time.

Today, that special district that met the water needs of a few hundred has grown to provide water, sewer and reclamation services to a population of more than 97,000 that includes San Marcos, Lake San Marcos and portions of Escondido, Carlsbad and Vista.

From its San Marcos headquarters, decisions made by the Board of Directors and management disperse staff throughout the District’s 45-square-mile boundary to ensure a fully functioning system that encompasses:

- 350 miles of water pipes
- 11 water pumping stations
- 19 potable water storage reservoirs
- 178 miles of sewer pipeline
- 4 sewer lift stations
- 1 water reclamation facility
- Twin Oaks Reservoir #1 - 33 million gallon storage capacity
- Twin Oaks Reservoir #2 - 40 million gallon storage capacity
- Currently said to be the largest pre-stressed concrete tank in the world

Meeting Community Needs by Unique Design

Very few organizations experience success without a plan, and the Vallecitos Water District is no different. The blueprint to expand facilities, perform specialized maintenance, adopt a new technology or introduce a new outreach program actually starts long before implementation. To assist in meeting goals, Vallecitos regularly updates critical documents that serve as an itinerary to providing the superior service our customers have come to expect.

Master Plan – This report, produced every 5 years, examines all of the District’s current pipes, pump and lift stations, reservoirs and other aspects related to the water-delivery or water-disposal process and develops plans to upgrade them as necessary. The Master Plan projects 20 to 25 years into the future, making updates according to population growth and the expected useful life of infrastructure within the District.

Urban Water Management Plan – Also updated every 5 years, this document is critical to identifying existing and potential new water sources to meet customer demand for the next 20 to 25 years.

Strategic Plan – This report is a collaborative effort between the Board of Directors and Vallecitos staff that considers all aspects of Vallecitos’ operations. After reaching consensus on areas in need of improvement, goals are established with updates on progress reported in the document quarterly. A new Strategic Plan will be produced every 5 to 7 years.
Fiscally Fit in an Out-of-Shape Economy

Bridging, Reforming, and Transforming

The economic downturn and recent drought challenged the fiscal health of the economy, businesses, governments, and our ratepayers. The Vallecitos Water District recognized the need to communicate our financial position, get through the economic crisis, create breathing room, carry out a short-term recovery plan, make sustainable reforms, and institutionalize prudent long-term financial planning. The concerted efforts of District staff, management, and the Board resulted in a strong financial recovery from a challenging situation.

Results of Operations

The District has met its strategic goal of covering all expenses, including depreciation, and restoring reserves depleted during the drought.

Budgeting

The District’s $141 million budget for the 2015-16 fiscal year was approved by the board at a public meeting after public workshops were held. The budget includes $44 million of operational expenses and a commitment of $67 million for capital projects.

Water Supply Outlook

As part of a long range financial and strategic plan, Vallecitos has taken steps to mitigate drought impacts by diversifying the District’s water supply portfolio.

Water Supply Outlook

Seawater Desalination

On November 21, 2012, the Board of Directors voted to enter into a water purchase agreement with wholesale the San Diego County Water Authority (SDCWA) to purchase up to 4,083 acre feet of desalinated water directly from the treatment plant in Carlsbad. Regional deliveries commenced in December of 2015. Deliveries direct to Vallecitos started January of 2016. A major benefit of purchasing desalinated water is that the deliveries are not subject to cutbacks or wholesaler-imposed water use restrictions. It will also be from a local source and accessible during a major emergency if imported water is not available.

Purchase Agreement with Olivenhain Municipal Water District (OMWD)

Also on November 21, 2012, the Board of Directors voted to enter into an agreement with OMWD to purchase 2,700 acre feet of water annually. In order to receive treated water from the agreement, a pump station was constructed to move water to the Vallecitos water distribution system. Deliveries started in October 2015.

North San Diego County Regional Recycled Water Project

As desalination and the agreement with OMWD diversifies our supply portfolio, so does recycling water that would otherwise be treated and released into the ocean. Within North San Diego County there is a group of 18 agencies, cities and Camp Pendleton investigating opportunities for expanding the use of recycled water. Vallecitos is a proud member of this group since the agency recycles approximately 75 percent of the total wastewater generated within the District. The group is tasked with matching future recycled water sources with future recycled water demand and is exploring federal, state and local grants that may be available to fund future projects. The steps toward water diversification mentioned above mixed with the District’s constant conservation efforts, outreach programs exemplify the efforts to achieve the goals set forth in the long-standing water source diversification strategy and reduce the demand for imported water to the region that will bode well for Vallecitos’ customers in the future.
Knowledge is Power

Schools

By paying for the most critical expense of a field trip - transportation - Vallecitos has bolstered participation in its school education programs. Last year, more than 1,030 students visited the District’s headquarters for presentations on water sources and treatment, a tour of the Sustainable Demonstration Garden, and introduction to its water and sewer Departments. But that is just one aspect of this outreach. Combine this with co-op programs with the City of San Marcos, San Marcos Historical Society and Palomar College, along with a partnership with the San Diego County Office of Education, the number increases to more than 3,766 students.

All Aboard for the Water Academy

Vallecitos has been able to promote many of its new sustainable programs and facilities through traditional outreach avenues. However, the tail end of 2012 saw the District taking a new approach: placing customers on a bus for a first-hand view.

The “Water Academy” program, featuring presentations and visits to the District’s Twin Oaks Reservoirs and Meadowlark Water Reclamation Facility, has presented a unique perspective that has reaped immense value and has been enjoyed by approximately 250 customers to date. Participants are treated to a full day tour to learn what it really takes to run the Vallecitos Water District. Due to the value of the outreach provided, it earned the District an “Outstanding Outreach” award from the California WateReuse Organization. In 2013, the ‘Water Academy Tour’ won an excellence in Communication award of merit from the CAPIO (California Association of Public Information Officers) under the innovation category.
Proper Disposal of Grease

Sewer overflows and backups can cause health hazards, damage the interiors of homes and businesses, and threaten the environment. A common cause of overflows is sewer pipes blocked by grease. Grease gets into the sewers from household drains, as well as from poorly maintained grease traps in restaurants and other businesses. Grease should never go down the sewer or storm drain.

Regulations regarding food service establishments

Vallecitos Water District is required by state regulations to develop and implement a Fats, Oils and Grease (FOG) Control Program for food service establishments to reduce the discharge of FOG to the sanitary sewer. Food service establishments can be a significant source of FOG because of the amount of grease and oil produced when cooking or preparing food. Without proper cleanup practices and maintenance of a grease removal device, such as a grease interceptor, food particles and FOG will flow to the sanitary sewer system. FOG can be significantly reduced by properly maintaining a grease removal device and implementing Best Management Practices (BMPs).

For more information about the proper disposal of Fats, Oils and Grease, please contact Corey Harrell, Source Control Technician at charrell@vwd.org or (760) 752-7161.

Corey’s creative outreach efforts to both residential and business customers recently earned him the “Pretreatment, Pollution Prevention, and Stormwater Person of the Year” award from CWEA San Diego.

Drought Response

In May 2015, the State Water Board assigned mandatory water conservation goals to each urban area based on residential per capita water use. State regulations required Vallecitos Water District to reduce water consumption by 24 percent. To help achieve this goal, the District focused its efforts on outdoor irrigation. Nearly 50-80 percent of residential water use within the District boundaries is dedicated to irrigation. Therefore, significant savings can be achieved through a combination of proper plant selection and irrigation technology.

Customers took advantage of the rebates available for water efficient devices, installing water efficient rotating sprinkler nozzles and rain barrels. They also participated in Vallecitos’ Watersmart Checkup Program. The program, offered at no-cost, provides customers with a tailor-made plan to achieve the best water savings possible at their homes and businesses.

As a result, customers were able to reduce water use by a total of 29 percent in 2015, exceeding the State mandated reduction.
Dennis O. Lamb was selected as the 2015 General Manager of the Year by the California Special Districts Association (CSDA). He was selected for his outstanding experience, effectiveness and leadership of the Vallecitos Water District as well as his contributions to the water community. Lamb has been with the Vallecitos Water District for over 30 years and was promoted to General Manager in 2010. Over the course of his tenure, Lamb has advocated for water supply diversification strategies, like the Carlsbad Desalination Plant. Lamb has implemented many cost-saving measures which have resulted in Vallecitos’ rates consistently staying below the County average. He is also heavily involved in water education programs and helped to establish the Water Resources Management and Leadership program at California State University San Marcos.