AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 19, 2017, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT ELITHARP

PLEDGE OF ALLEGIANCE

ROLL CALL

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

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 19, 2017

PUBLIC COMMENT

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

NOTICE TO THE PUBLIC

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

INTRODUCTION

Human Resources Analyst Bridget Anderson will introduce new employee, Deborah Vale, Customer Service Representative I.

PRESENTATIONS

President Elitharp will present Fernando Mata, Wastewater Treatment Plant Operator I, with his Certificate for Wastewater Treatment Plant Operator Grade III from the State Water Resources Control Board.

2017 WaterSmart Landscape Contest Winners: Third Place: Connie and Tom Nute; Second Place: Cheryl Newman; First Place: Cynthia Jones
CONSENT CALENDAR

1.1 APPROVAL OF MINUTES (pp. 6-13)
   
   A. REGULAR BOARD MEETING – JULY 5, 2017
   B. ENGINEERING/EQUIPMENT COMMITTEE MEETING – JULY 10, 2017

   Approved minutes become a permanent public record of the District.

   Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH JULY 19, 2017 – $1,420,146.83 (pp. 14-17)

   Recommendation: Approve Warrant List

1.3 FINANCIAL REPORTS (pp. 18-24)

   A. WATER METER COUNT – JUNE 30, 2017
   B. WATER PRODUCTION/SALES REPORT – 2016/2017
   C. QUARTERLY FINANCIAL REPORT – JUNE 30, 2017
   D. WATER REVENUE AND EXPENSE REPORT – JUNE 30, 2017
   E. SEWER REVENUE AND EXPENSE REPORT – JUNE 30, 2017
   F. RESERVE FUNDS ACTIVITY – JUNE 30, 2017

1.4 OPERATIONS & MAINTENANCE METRICS QUARTERLY REPORT – JUNE 30, 2017 (pp. 25-32)

1.5 SCHOOLHOUSE TANK INTERIOR REFURBISHMENT (pp. 33-35)

   The existing interior lining of the Schoolhouse Tank requires refurbishment.

   Recommendation: Approve Purchase Order

1.6 REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS “NORDAHL ROAD SUBDIVISION” (APN: 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER AND SEWER SERVICE (TRUSTEES OF THE TELLIER FAMILY TRUST AND WARING FAMILY TRUST) (pp. 36-39)

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

   Recommendation: Approve Annexation with Conditions

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

PUBLIC HEARING

2.1 PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT “A” FOR THE FISCAL YEAR JULY 1, 2017 TO JUNE 30, 2018 (pp. 40-41)
The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees.

Recommendation:  1) Hold Public Hearing  
                          2) Adopt Resolution

ACTION ITEMS

3.1 RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES (pp. 42-43)

Inducement resolution allowing reimbursement for project costs from proceeds of a future bond issuance.

Recommendation:   Adopt Resolution

3.2 SAN MARCOS CHAMBER OF COMMERCE – MEET YOUR ELECTED OFFICIALS SUNDOWNER BUSINESS MIXER – PER DIEM/EXPENSE REIMBURSEMENT APPROVAL (pp. 44)

The San Marcos Chamber of Commerce is not on the list of organizations for which meetings are considered compensable under District Ordinance. Approval for per diem and expense reimbursement is required.

Recommendation:   Request Board Direction

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

REPORTS

4.1 GENERAL MANAGER

4.2 DISTRICT LEGAL COUNSEL

4.3 SAN DIEGO COUNTY WATER AUTHORITY

4.4 ENCINA WASTEWATER AUTHORITY
    - Capital Improvement Committee
    - Policy and Finance Committee

4.5 STANDING COMMITTEES

4.6 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS ATTENDED

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

5.1 MEETINGS (pp. 45)

WEF Northern California Tour
October 11-13, 2017

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

6.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

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

7.1 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 5:00 p.m., Friday, July 14, 2017.

_________________________________________________________________
Diane Posvar
State of California
State Water Resources Control Board

Certificate of Competence

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

Fernando M. Mata

has fulfilled the requirements for certification as a

Grade III

Wastewater Treatment Plant Operator

Certificate Number 41679

Issued this June 13, 2017

Original Issue Date: 06/13/2017
Expiration Date: 06/13/2020

Felicia Marcus
Chair

This certificate is the property of the State of California and in the event of its suspension, revocation or invalidation for any reason, it must be returned to the State Water Resources Control Board upon demand.
President Elitharp called the Regular meeting to order at the hour of 5:00 p.m.

Director Hernandez led the pledge of allegiance.

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

Staff Present: Assistant General Manager Scaglione
Legal Counsel Scott
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Fusco
Operations & Maintenance Manager Pedrazzi
Development Services Senior Engineer Scholl
Public Information/Conservation Supervisor Robbins
Administrative Secretary Johnson

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 5, 2017

17-07-01 MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 5, 2017.

PUBLIC COMMENT

Mike Hunsaker, member of the public, addressed the Board on behalf of the Twin Oaks Valley Property Owners’ Association, the Property Owners’ Defense League and himself, stating one of the things they are looking at closely is Newland Sierra. He inquired about LAFCO’s annexation policy which reviews annexations to ensure they are done for the best benefit to all parties. Newland Sierra’s EIR stated VWD has its own annexation policies and will not need to go through LAFCO. He asked if this statement by Newland Sierra is true and if LAFCO can be evaded? He expressed his concern regarding the Diamond Environmental issue stating that spending one’s effort primarily on single-family dwellings of negligible importance shouldn’t be redirected towards commercial operations for waste treatment dumping to be the primary focus of those efforts. He thanked the Board.

CONSENT CALENDAR

President Elitharp stated he received a Request to Speak form for Item 1.4. This item was pulled from the Consent Calendar for discussion.
17-07-02   MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to approve Items 1.1, 1.2, and 1.3 of the Consent Calendar as presented.

1.1 Approval of Minutes
   A.  Regular Board Meeting – June 21, 2017

1.2 Warrant List through July 5, 2017 - $3,228,975.09

1.3 Final Acceptance of Water and Sewer Improvements for San Elijo Hills, Phase III, P.A. “T”, Unit 8B, APNs: 679-340-21, 22, 23, 24, 25, 26, 27, 28, 29, 30 and 31 (San Elijo Hills Development Company, LLC)

Discussion of Consent Calendar Item 1.4 took place as follows:

1.4 Final Acceptance of Water and Sewer Improvements for Corner at 2 Oaks, APNs: 220-190-54, 55, 56, 57, 58, 59 and 60 (University District Holdings II)

Mike Hunsaker, member of the public, addressed the Board on behalf of the Twin Oaks Valley Property Owners’ Association, the Property Owners’ Defense League and himself, stating this is a large development compared to the previous item which was 11 single-family dwellings. He noticed the water and capacity fees were well noted, but for this larger project, they were not included. Who is paying for the PVC water and sewer mains for both items? He thanked the Board.

Assistant General Manager Scaglione responded that all of the assets listed are paid for by the developer, then turned over to the District.

17-07-03   MOTION WAS MADE by Director Hernandez, seconded by Director Martin, and carried unanimously, to approve Item 1.4 of the Consent Calendar as presented.

ACTION ITEMS

RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES

Assistant General Manager Scaglione stated the proposed inducement resolution will allow the District to reimburse itself from debt proceeds for expenditures that are incurred before any bond is issued for the capital projects listed in the resolution. The resolution does not create a commitment to incur debt or impact the District in any way; however, it allows the District to recover capital expenditures from debt proceeds that the District otherwise could not.

Staff recommended the Board adopt the inducement resolution.
General discussion took place, during which Director Martin expressed his discomfort with the language in the proposed resolution, particularly the word “intent.” It is his opinion that intent means it will happen. Assistant General Manager Scaglione clarified that the intent is in regard to expenditures that are incurred before any debt is issued between the adoption date of the resolution and the date debt is actually incurred. Director Hernandez further clarified that the capital projects listed in the resolution were included in the Capital Improvement Budget which the Board already approved and that the proposed resolution will ensure that in the event the District issues a bond, the District can be reimbursed for the funds to be put back into whatever fund the money was taken out of.

Mike Hunsaker, member of the public, addressed the Board on behalf of the Twin Oaks Valley Property Owners’ Association, the Property Owners’ Defense League and himself, expressing his concern if the proposed resolution is adopted. He learned at a recent San Marcos City Council meeting that there are 7,000 homes now in the pipeline and more than 2,100 coming possibly from Newland Sierra. He stated the District’s existing infrastructure isn’t adequate for the current population and the District has deficits from inadequate development fees. There is also the question of Encina with an unknown amount of capital improvements coming, one of which is consideration of going to a full recycling capability. He thanked the Board.

Director Hernandez responded to Mr. Hunsaker’s comments stating the District’s infrastructure is sufficient, the District has plans to increase it, and if it is increased, the developers will be paying for that. As the District’s representative to Encina, he confirmed they are only considering something. If Encina decides to do something, information will be provided to this Board for a decision for which costs will not be laid on any existing rate payer.

General discussion took place.

17-07-04 MOTION WAS MADE by Director Martin, seconded by Director Sannella, and carried unanimously, to table this item to the next Regular Board meeting for further consideration.

RESOLUTION SUPPORTING THE SAN DIEGO COUNTY WATER AUTHORITY’S LONG TERM WATER SUPPLY PLAN AND LITIGATION AGAINST THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Assistant General Manager Scaglione stated the San Diego County Water Authority has requested the District’s support of their long-term water supply plan and litigation against the Metropolitan Water District of Southern California. A resolution of such support was provided to the Board for their consideration.

Staff recommended the Board adopt the resolution.
17-07-05  MOTION WAS MADE by Director Hernandez, seconded by Director Evans, and carried unanimously, to adopt the resolution.

Resolution No. 1520 – The roll call vote was as follows:

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

REPORTS

GENERAL MANAGER

Assistant General Manager Scaglione reported the following:

- The District will be conducting smoke testing in the residential area north of Palomar College on July 11.
- The District sent a letter of opposition to AB 1479, a bill that would increase the burden on requirements for Public Records Act requests and subject the District to potential liability and more administrative work.
- A Closed Session Board meeting to discuss the appraisal of the adjacent property is scheduled for Monday, July 17 at 4:00 p.m.
- Very positive feedback has been received about the video regarding the history of the District. He asked Public Information/Conservation Supervisor Robbins to discuss the making of the video.

Public Information/Conservation Supervisor Robbins stated the video is part of a “virtual” academy which would allow people unable to attend the District’s Water Academy to be able to view a series of videos containing the same information they would receive at the Water Academy. The video of the District’s history is the first in a series of videos which will feature topics such as the Twin Oaks Reservoirs, the District’s Conservation Garden, Meadowlark Reclamation Facility, water and wastewater operations, and collections. He commended the District’s Public Information Representative Alicia Yerman for being instrumental in creating the video.

He further stated the video has been connected 13,000 times on Facebook and viewed by 5,700 people. The video is available on the District’s You Tube page and website, and will be broadcast on San Marcos TV through the end of July on Wednesday and Saturday evenings at 10:30 p.m. and on Friday mornings at 10:00 a.m.
DISTRICT LEGAL COUNSEL

Legal Counsel Scott stated that last week the San Diego County Assessor announced the 2017 assessed value of all taxable property has topped $500 billion and is approaching $512 billion, an increase of about 6% over last year. Of that, 1% (approximately $5 billion) goes to schools, law enforcement, parks and other public services.

He further stated the Little Hoover Commission has completed its most recent review of special districts and is recommending more frequent reviews of municipal services and requiring more information on both the LAFCO website and local agencies’ websites regarding what they do.

SAN DIEGO COUNTY WATER AUTHORITY

Director Evans stated the SDCWA Board directed their General Manager to enter into a cost-sharing agreement with the City of San Diego for the San Vicente storage project.

Director Evans reported on the results of a recent public survey the SDCWA conducted regarding several topics including statewide regulations to ensure future reliability, conservation issues, and the value of water.

Director Evans stated she attended three JPA Conservation Garden Governance Committee meetings, and attended the San Diego County and Imperial County Chamber Event at the zoo, representing the SDCWA.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee has not met since the last Board meeting.

President Elitharp stated the next Policy and Finance Committee meeting is scheduled on July 11.

STANDING COMMITTEES

None.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Directors Sannella and Hernandez reported on their attendance to the San Diego North Economic Development Council meeting on June 29.

OTHER BUSINESS

None.
DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

None.

ADJOURNMENT

There being no further business to discuss, President Elitharp adjourned the Regular Meeting of the Board of Directors at the hour of 5:45 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 19, 2017, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.

Craig Elitharp, President
Board of Directors
Vallecitos Water District

ATTEST:

Tom Scaglione, Treasurer
Board of Directors
Vallecitos Water District
MINUTES OF A MEETING OF THE
ENGINEERING/EQUIPMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, JULY 10, 2017 AT 2:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Hernandez called the meeting to order at the hour of 2:07 p.m.

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

ITEM FOR DISCUSSION

LOCKER ROOM EXPANSION PROJECT

Capital Facilities Senior Engineer Hubbard provided background on the locker room expansion project. The goals of the project, as envisioned over a year ago, were to: 1) expand the space to accommodate current and future staffing; 2) create a space to architecturally match the existing facilities; and 3) utilize durable products to lower maintenance costs. On August 3, 2016, the Board awarded a professional services agreement with Jeff Katz Architecture (JKA) for the design of the project. On May 17, 2017, concerned with project costs, the Board directed staff to put the project out to bid in order to determine real costs and how best to move forward. After advertising the project for 4 1/2 weeks, only one bid was received for $613,046 with $72,069 for additive items which was significantly higher than JKA’s estimate. Having received only one bid, analysis of the bid was inconclusive; however, staff determined the highest costs of the project were for flooring and exterior wall systems.

Staff proposed the following changes to the plans to reduce the construction cost and to re-bid the project:

- Do not install 260 SF of wall tile above lockers for the new expansion – only install in the existing locker room and shower area to match
- Add new concrete joints to minimize the removal and replacement of concrete sidewalk
- Remove the section of concrete sidewalk along the northeast side of the expansion and leave as existing planter space
- Leave the existing men’s locker room tile flooring “as is” – do not remove and place epoxy
- Install new floor as bare concrete with sealer instead of epoxy
- Reduce the height of the building by 5’
- Change exterior wall system from concrete tilt-up to metal stud/plaster (troweled to match existing as best as possible)
- Leave the existing men’s locker room counter/sink “as is” – do not replace to match the new counter/sink
• Staff to remove and refurbish interior swing door
• Staff to install new fire extinguisher
• District to pre-purchase lockers for contractor to install
• Reduce the size of the HVAC system and include into base bid to improve competitive pricing
• Include fire protection system into base bid to improve competitive pricing

Capital Facilities Senior Engineer Hubbard stated the proposed changes could conservatively save approximately $105,000. The additive items that would have cost approximately $55,100 such as upgrades to the women’s locker room would be removed as well. Additional design cost is estimated at $10,000. The current project budget is $810,000 with $135,000 having been spent to date for design, staff, staff overhead and miscellaneous.

Director Hernandez presented a preliminary design and construction cost estimate to the Committee that he created which would expand the men’s locker room into the space where the women’s locker room is currently, and build a smaller addition for a new women’s locker room. His design does not have to include the tilt-up walls which would make this project a more standard type project and could possibly increase the number of contractors bidding on the project.

General discussion took place regarding what has already been spent on the project to date, the possible cost savings with Director Hernandez’s design, staff and overhead costs, the design/build process, conducting a new Request for Proposal (RFP) with a well-defined scope of work, existing fixtures and lockers. District Engineer Gumpel estimated Director Hernandez’s design could save approximately $100,000, but would take more time which could decrease the savings, particularly the process involved with a new RFP. He suggested having JKA revise the current design which could save two months’ time just on staff time.

The Committee directed staff to negotiate an amendment with JKA to re-design the project to construct a smaller women’s locker room addition and convert the current women’s locker room into the men’s locker room. The Committee will report to the full Board the Committee’s recommendation to move forward with the project as discussed.

OTHER BUSINESS
None.

PUBLIC COMMENT
None.

ADJOURNMENT
There being no further business to discuss, the meeting was adjourned at the hour of 3:12 p.m.
Summary

- July Warrants: $1,420,147
- YTD Warrants: $1,420,147
- FY2018 Budget: $69,615,000

* Excludes Debt Service

** Historical Warrants by Month chart summarizes amounts in the Warrants List for the given month not amounts paid during the month with the exception of SDCWA & OMWD payments.

Invoices Processed

Current 100%

Top 10 Vendors - FYTD

- SAN DIEGO COUNTY WATER AUTH.: $460K
- ACWA/JOINT POWERS INSURANCE: $184K
- SAN DIEGO GAS & ELECTRIC: $42K
- DESERT PUMPS & PARTS: $30K
- BENS ASPHALT & MAINTENANCE CO.: $28K
- REED ELECTRIC CO: $21K
- PENCCO, INC: $20K
- SHAMROCK GROUP, INC: $15K
- ENVIROHEALTH CORP: $13K
- UNIVAR USA INC: $9K

** Historical Warrants by Month**

- FY 2017
  - JUL: 3.84
  - AUG: 6.30
  - SEP: 5.29
  - OCT: 5.49
  - NOV: 5.53
  - DEC: 5.91
  - JAN: 4.74
  - FEB: 3.46
  - MAR: 4.85
  - APR: 4.99
  - MAY: 1.60
  - JUN: 5.91
  - JUL: 4.74

- FY 2018
  - JUL: 8.49
  - AUG: 1.42

Item 1.2
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<td>Chlorine</td>
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<td>Safety Boots</td>
<td>111328</td>
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<td>Plumbers Depot Inc</td>
<td>Metal Wheels 4 CCTV Camera and Parts</td>
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<td>Concrete Recycling</td>
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<td>Ramzi &amp; Janet Fasheh</td>
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<td>151.24</td>
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<td>Samuel Janssen</td>
<td>Closed Account Refund</td>
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<td>Void</td>
<td>VOID</td>
<td>111352</td>
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<td>SDG&amp;E</td>
<td>Power June</td>
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<td>593.57</td>
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<td>San Marcos Trophy</td>
<td>Name Plate L. Dodman</td>
<td>111355</td>
<td>10.00</td>
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<td>San Marcos Unified School Dist</td>
<td>Transportation Svcs Pj 20171-29</td>
<td>111356</td>
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<td>Schmidt Fire Protection Co Inc</td>
<td>Leak Repair MRF</td>
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<td>Shamrock Group, Inc</td>
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<td>Office Supplies Pj 20171-31</td>
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<td>Crump &amp; Co. Inc.</td>
<td>Check Valves 2</td>
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<tr>
<td>Electrical Sales Inc</td>
<td>Antenna Mast Materials Twin Oaks Reservoir Pj 71126, Fans 2, Hardware Supplies</td>
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<td>Enviro Health Corp</td>
<td>Grease Control Bacteria</td>
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<td>PVC Supplies</td>
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<td>35.01</td>
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<td>Ford of Escondido</td>
<td>Fleet Supplies Pj 20171-18</td>
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<td>Grainger Inc</td>
<td>Vehicle Wax, Sealant, Nozzles, Hardware Supplies</td>
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<td>2,123.79</td>
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<td>Laser Cut Concrete Cutting Inc</td>
<td>Core Drilling Sv Pj 71126</td>
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<td>Bee Removal</td>
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<td>620.00</td>
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<td>42.56</td>
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<td>Marcon Products Inc</td>
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<td>3,820.12</td>
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<td>MGM Plastics Inc</td>
<td>Hardware Supplies</td>
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<td>105.11</td>
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<td>Rick Post Welding</td>
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<td>Replacement of Motor #4 Palos Vista Pump Station Pj 20161-8</td>
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<td>Connection Fees Quarter Ending 6-30-17</td>
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<td>SCADA Programming MRF</td>
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<td>5,187.50</td>
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<td>Total Resource Mgt Inc</td>
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<td>1,785.00</td>
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<td>Traffic Supply Inc</td>
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<td>Underground Service Alert</td>
<td>Dig Alert Sv</td>
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<td>DOT Hazardous Materials Training, L. Miniter, M. Sten, J. Janus</td>
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<td>Varidesk, LLC</td>
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<td>Walters Wholesale Electric</td>
<td>Hardware Supplies</td>
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<td>Total Disbursements (120 Checks)</td>
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<td>972,352.65</td>
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## WARRANTS LIST

**Vallecitos Water District**

### July 19, 2017

<table>
<thead>
<tr>
<th>PAYEE</th>
<th>DESCRIPTION</th>
<th>CHECK#</th>
<th>AMOUNT</th>
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<td>Public Employees Retirement System</td>
<td>Retirement Contribution - July 5, 2017 Payroll</td>
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<td><strong>PAYROLL</strong></td>
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<tr>
<td>Total direct deposits</td>
<td>Wire</td>
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<td>VWD Employee Association</td>
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<td>Garnishments</td>
<td>111283 through 111285</td>
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<td>IRS</td>
<td>Federal payroll tax deposit</td>
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<td>100,457.68</td>
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<td>California payroll tax deposit</td>
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<td>17,881.41</td>
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<td>13,888.86</td>
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<td>VOYA</td>
<td>Deferred compensation withheld</td>
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<td><strong>Total July 5, 2017 Payroll Disbursements</strong></td>
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<tr>
<td>Total direct deposits</td>
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<td>3,823.44</td>
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<td>IRS</td>
<td>Federal payroll tax deposits</td>
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<td>Employment Development</td>
<td>California payroll tax deposit</td>
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<tr>
<td>CalPERS</td>
<td>Deferred compensation withheld</td>
<td>Wire</td>
<td>100.00</td>
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<td>Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)</td>
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<td><strong>Total Payroll Disbursements</strong></td>
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<td><strong>TOTAL DISBURSEMENTS</strong></td>
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<td>1,420,146.83</td>
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Vallecitos Water District
Active Water Meters
June 30, 2017

Active Meters by Size as of June 30, 2017

<table>
<thead>
<tr>
<th>Size</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>18,200</td>
<td>85%</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>963</td>
<td>5%</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1,030</td>
<td>5%</td>
</tr>
<tr>
<td>1 1/4&quot;</td>
<td>690</td>
<td>3%</td>
</tr>
<tr>
<td>2&quot;</td>
<td>516</td>
<td>2%</td>
</tr>
<tr>
<td>3&quot; &amp; larger</td>
<td>65</td>
<td>0%</td>
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</table>

Total Active Meters: 21,464

Active Meters by Type as of June 30, 2017

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Residential</td>
<td>18,961</td>
<td>88%</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>520</td>
<td>2%</td>
</tr>
<tr>
<td>Comm/Indust</td>
<td>937</td>
<td>4%</td>
</tr>
<tr>
<td>Irrigation</td>
<td>839</td>
<td>4%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>115</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>92</td>
<td>1%</td>
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</table>
### Water Sales FY 14-15, FY 15-16 and FY 16-17 (FYTD) (in Acre Feet)

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th>Irrigation</th>
<th>Agricultural</th>
<th>Commer/ Indust/ Construct/ Other</th>
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</thead>
<tbody>
<tr>
<td>FY 2014-15</td>
<td>9,235</td>
<td>2,773</td>
<td>1,261</td>
<td>1,802</td>
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<tr>
<td>FY 2015-16</td>
<td>7,686</td>
<td>1,830</td>
<td>900</td>
<td>1,565</td>
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<tr>
<td>FY 2016-17</td>
<td>8,161</td>
<td>2,455</td>
<td>825</td>
<td>1,715</td>
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</tbody>
</table>

FY 2015-16 YTD Total = 11,981 AF
FY 2016-17 YTD Total = 13,157 AF 9.8%

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

- FY 16 Actual Production/mo
- FY 17 Actual Production/mo
- FY 16 Budgeted Production/mo
- FY 17 Budgeted Production/mo

Item 1.3
**OVERVIEW**

With the fiscal year complete, the District’s water fund has a net operating loss of $553 thousand (before depreciation) while the sewer fund has a net operating income of $8.3 million (before depreciation). The District is cash funding capital projects and current on all debt service payments. We anticipated increased water revenues this year when putting the budget together and continue to monitor expenses in all funds very closely.

**WATER FUND**

Overall, the Water Fund performed as expected during the Fiscal Year 2017.

**Revenues:** As demonstrated in the table below: water sales are 94% of total budget. Water sales and Ready to Serve (RTS) combined are in line with budgeted amounts at fiscal year-end. Pumping Charges were lower than budgeted as no adjustment to the charge was adopted. Other revenues are higher than budgeted due to a settlement from ACWA/JPIA, reimbursement for cost of solar panel repairs, and a refund of insurance premiums.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Budget</th>
<th>YTD Actual</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$23,727,000</td>
<td>$22,185,408</td>
<td>94%</td>
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<tr>
<td>Ready to Serve</td>
<td>12,244,000</td>
<td>13,811,184</td>
<td>113%</td>
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<tr>
<td>Pumping Charges</td>
<td>300,000</td>
<td>156,195</td>
<td>52%</td>
</tr>
<tr>
<td>Other</td>
<td>585,000</td>
<td>727,475</td>
<td>124%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$36,856,000</strong></td>
<td><strong>$36,880,262</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Expenses:** Operating expenses are somewhat high as a result of multiple main breaks. Supporting expenses were slightly lower than budgeted primarily due to lower staffing levels, and overall efficient operation of the system.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget</th>
<th>YTD Actual</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Water Purchases</td>
<td>$26,270,000</td>
<td>$27,165,778</td>
<td>103%</td>
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<tr>
<td>Operating</td>
<td>3,740,000</td>
<td>3,905,199</td>
<td>104%</td>
</tr>
<tr>
<td>Supporting</td>
<td>4,072,000</td>
<td>3,508,136</td>
<td>86%</td>
</tr>
<tr>
<td>General &amp; Admin</td>
<td>2,773,000</td>
<td>2,853,785</td>
<td>103%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$36,855,000</strong></td>
<td><strong>$37,432,898</strong></td>
<td><strong>102%</strong></td>
</tr>
</tbody>
</table>

**SEWER FUND**

The Sewer Fund continues to be stable as revenues received in this fund stem from fixed monthly charges and therefore very predictable.

**Revenues:** Sewer service charges performed as planned and Reclaimed Water Sales are adjusted after the fiscal year audit is complete to recover actual costs. The Other category is higher than budget due to greater than anticipated delinquency charges.

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budget</th>
<th>YTD Actual</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Service</td>
<td>$17,846,000</td>
<td>$17,459,312</td>
<td>98%</td>
</tr>
<tr>
<td>Reclaimed</td>
<td>1,938,000</td>
<td>1,936,389</td>
<td>100%</td>
</tr>
<tr>
<td>Other</td>
<td>77,000</td>
<td>101,173</td>
<td>131%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,861,000</strong></td>
<td><strong>$19,496,874</strong></td>
<td><strong>98%</strong></td>
</tr>
</tbody>
</table>

**Expenses:** Treatment expenses are low primarily due to budgeted chemicals not purchased. Operating expenses are lower than expected due to budgeted repairs that were not performed and lower than anticipated labor. Supporting expenses are low primarily as a result of lower staffing levels.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Budget</th>
<th>YTD Actual</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment</td>
<td>$6,175,000</td>
<td>$5,618,193</td>
<td>91%</td>
</tr>
<tr>
<td>Operating</td>
<td>2,777,000</td>
<td>2,279,023</td>
<td>82%</td>
</tr>
<tr>
<td>Supporting</td>
<td>2,507,000</td>
<td>2,086,084</td>
<td>83%</td>
</tr>
<tr>
<td>General &amp; Admin</td>
<td>1,261,000</td>
<td>1,190,114</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,720,000</strong></td>
<td><strong>$11,173,414</strong></td>
<td><strong>88%</strong></td>
</tr>
</tbody>
</table>

**RESERVES AND FUNDS:**

The following is a summary of the replacement reserves and capacity funds as of June 30, 2017.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Replacement</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 16/17 Transfers</td>
<td>$552,636</td>
<td>-</td>
</tr>
<tr>
<td>Capital Facility Fees</td>
<td>-</td>
<td>$2,881,660</td>
</tr>
<tr>
<td>Property tax &amp; Other</td>
<td>2,511,291</td>
<td>119,500</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>1,958,655</td>
<td>3,001,160</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td>766,426</td>
<td>403,601</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>-</td>
<td>2,171,157</td>
</tr>
<tr>
<td><strong>Total Distributions</strong></td>
<td>766,426</td>
<td>2,574,758</td>
</tr>
<tr>
<td>Net Increase/Decrease</td>
<td>1,192,229</td>
<td>426,402</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>28,693,077</td>
<td>(10,315,457)</td>
</tr>
<tr>
<td>Less: Operating Reserves</td>
<td>5,220,500</td>
<td>-</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$24,664,806</td>
<td>$(9,889,055)</td>
</tr>
<tr>
<td>Replacement Reserve Floor</td>
<td>$6,542,500</td>
<td>-</td>
</tr>
<tr>
<td>Replacement Reserve Ceiling</td>
<td>$26,940,300</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Wastewater:</strong></th>
<th>Replacement</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 16/17 Transfers</td>
<td>$8,323,460</td>
<td>-</td>
</tr>
<tr>
<td>Capital Facility Fees</td>
<td>-</td>
<td>$3,597,405</td>
</tr>
<tr>
<td>Property tax &amp; Other</td>
<td>2,251,204</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>10,574,664</td>
<td>3,597,405</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td>4,030,317</td>
<td>533,720</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>-</td>
<td>3,319,831</td>
</tr>
<tr>
<td><strong>Total Distributions</strong></td>
<td>4,030,317</td>
<td>3,853,551</td>
</tr>
<tr>
<td>Net Increase/Decrease</td>
<td>6,544,347</td>
<td>(256,146)</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>38,840,390</td>
<td>(6,245,765)</td>
</tr>
<tr>
<td>Less: Operating Reserves</td>
<td>6,272,900</td>
<td>-</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$39,111,837</td>
<td>$(6,501,911)</td>
</tr>
<tr>
<td>Replacement Reserve Floor</td>
<td>$11,789,400</td>
<td>-</td>
</tr>
<tr>
<td>Replacement Reserve Ceiling</td>
<td>$41,946,600</td>
<td>-</td>
</tr>
</tbody>
</table>
DATE: JULY 19, 2017
TO: BOARD OF DIRECTORS
SUBJECT: MONTHLY FINANCIAL REPORTS

BACKGROUND:
The Monthly Revenue and Expense Reports and the Reserve Report for the fiscal year ended June 30, 2017 are presented.

DISCUSSION:
The Monthly Revenue and Expense reports summarize revenues by service type and expenses by department over the 12-month period. Comparisons to prior year actual and current year budget amounts are also presented. Each statement contains footnotes regarding significant variances exceeding predetermined dollar and percentage amounts. Any excess of revenues over expenses are transferred to reserves and reflected in the Reserve Report. Any excess of expenses above revenues are paid for out of reserves in the current fiscal year.

The Monthly Reserve Report presents the balances in each of the District’s reserve funds. The report summarizes all sources and uses of reserves. Sources consist of operating transfers, capital facility fees, property taxes, dissolved RDA distributions, investment earnings and annexation fees. Uses are distributions for capital projects and debt service.

RECOMMENDATION:
For information only.
## Vallecitos Water District
### Water Revenue and Expense Report
#### For the Year Ended June 30, 2017

((Unaudited)

<table>
<thead>
<tr>
<th>Current Year Actual</th>
<th>Prior Year Actual</th>
<th>Variance</th>
<th>Current Year Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>$</td>
<td>%</td>
<td>Amount</td>
</tr>
</tbody>
</table>

### Revenue
- **Water Sales**
  - 2017: $22,185,408
  - 2016: $18,466,048
  - Variance: $3,719,360 (20.1%)
  - Budget: $23,727,000
  - Variance: $(1,541,592) (-6.5%)

- **Ready-to-serve**
  - 2017: $13,811,184
  - 2016: $13,659,090
  - Variance: $152,094 (1.1%)
  - Budget: $12,244,000
  - Variance: $1,567,184 (12.8%)

- **Pumping charges**
  - 2017: $156,195
  - 2016: $135,418
  - Variance: $20,777 (15.3%)
  - Budget: $300,000
  - Variance: $(143,805) (-47.9%)

- **Late & lock charges**
  - 2017: $423,597
  - 2016: $426,682
  - Variance: $(3,085) (-0.7%)
  - Budget: $407,000
  - Variance: $16,597 (4.1%)

- **Backflow fees**
  - 2017: $88,695
  - 2016: $83,488
  - Variance: $5,207 (6.2%)
  - Budget: $80,000
  - Variance: $8,695 (10.9%)

- **Other revenue**
  - 2017: $215,183
  - 2016: $343,603
  - Variance: $(128,420) (-37.4%)
  - Budget: $98,000
  - Variance: $117,183 (119.6%)

**Total Revenue**
- 2017: $36,880,262
- 2016: $33,114,329
- Variance: $3,765,933 (11.4%)
- Budget: $36,856,000
- Variance: $(24,262) (0.1%)

### Expenses
- **Water costs**
  - 2017: $27,165,778
  - 2016: $22,064,958
  - Variance: $5,100,820 (23.1%)
  - Budget: $26,270,000
  - Variance: $895,778 (3.4%)

- **Pumping costs**
  - 2017: $609,047
  - 2016: $517,848
  - Variance: $91,199 (17.6%)
  - Budget: $531,000
  - Variance: $78,047 (14.7%)

- **Water quality**
  - 2017: $100,001
  - 2016: $115,474
  - Variance: $(15,473) (-13.4%)
  - Budget: $165,000
  - Variance: $(64,999) (-39.4%)

- **Water treatment**
  - 2017: $467,270
  - 2016: $380,050
  - Variance: $87,220 (22.9%)
  - Budget: $375,000
  - Variance: $92,270 (24.6%)

- **Tanks & reservoirs**
  - 2017: $298,712
  - 2016: $348,533
  - Variance: $(49,821) (-14.3%)
  - Budget: $344,000
  - Variance: $(45,288) (-13.2%)

- **Trans & distribution**
  - 2017: $1,642,070
  - 2016: $1,151,655
  - Variance: $490,415 (42.6%)
  - Budget: $1,412,000
  - Variance: $230,070 (16.3%)

- **Services**
  - 2017: $126,286
  - 2016: $219,220
  - Variance: $(92,934) (-42.4%)
  - Budget: $190,000
  - Variance: $(63,714) (-33.5%)

- **Meters**
  - 2017: $590,523
  - 2016: $677,586
  - Variance: $(87,063) (-12.8%)
  - Budget: $651,000
  - Variance: $(60,477) (-9.3%)

- **Backflow prevention**
  - 2017: $71,290
  - 2016: $59,408
  - Variance: $11,882 (20.0%)
  - Budget: $72,000
  - Variance: $710 (1.0%)

- **Customer accounts**
  - 2017: $532,032
  - 2016: $520,120
  - Variance: $11,912 (2.3%)
  - Budget: $686,000
  - Variance: $(153,968) (-22.4%)

- **Building & grounds**
  - 2017: $381,726
  - 2016: $342,531
  - Variance: $39,195 (11.4%)
  - Budget: $318,000
  - Variance: $63,726 (20.0%)

- **Equipment & vehicles**
  - 2017: $281,047
  - 2016: $261,608
  - Variance: $19,439 (7.4%)
  - Budget: $317,000
  - Variance: $(35,953) (-11.3%)

- **Engineering**
  - 2017: $1,343,562
  - 2016: $1,238,221
  - Variance: $105,341 (8.5%)
  - Budget: $1,539,000
  - Variance: $(195,438) (-12.7%)

- **Safety & compliance**
  - 2017: $216,763
  - 2016: $212,801
  - Variance: $3,962 (1.9%)
  - Budget: $272,000
  - Variance: $(55,237) (-20.3%)

- **Information Technology**
  - 2017: $753,006
  - 2016: $710,508
  - Variance: $42,498 (6.0%)
  - Budget: $941,000
  - Variance: $(187,994) (-20.0%)

- **General & administrative**
  - 2017: $2,853,785
  - 2016: $3,073,218
  - Variance: $(219,433) (-7.1%)
  - Budget: $2,773,000
  - Variance: $80,785 (2.9%)

**Total Expenses**
- 2017: $37,432,898
- 2016: $31,893,739
- Variance: $5,539,159 (17.4%)
- Budget: $36,856,000
- Variance: $(576,898) (-1.6%)

**Net Operating Income**
- 2017: $(552,636)
- 2016: $(1,220,590)
- Variance: $(667,954) (-145%)
- Budget: $117,000
- Variance: $(552,636)

### Explanation of Significant Variances

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

**Pumping charges** has an unfavorable budget variance as a result of budgeted rate increases not implemented in Fiscal Year 2017.

The District received a settlement from the meter distributor in Fiscal Year 2016 resulting in an unfavorable prior year variance in **Other revenue**. The favorable budget variance in **Other revenue** resulted from an ACWA/JPIA settlement and reimbursement of costs for Solar Panel repairs.

**Transmission and distribution** has an unfavorable prior year variance as a result of unplanned repair costs due to multiple main breaks.

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

**Information Technology** has a favorable budget variance as a result of deferred software upgrades.

Variances are considered significant if they exceed $100,000 and 20%.
Vallecitos Water District  
Sewer Revenue and Expense Report  
For the Year Ended June 30, 2017  
(Unaudited)

### Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>Current Year Actual</th>
<th>Prior Year Actual</th>
<th>Variance</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer service charges</td>
<td>$17,459,312</td>
<td>$17,362,994</td>
<td>$96,318</td>
<td>0.6%</td>
</tr>
<tr>
<td>Reclaimed water sales</td>
<td>1,936,389</td>
<td>1,713,556</td>
<td>222,833</td>
<td>13.0%</td>
</tr>
<tr>
<td>Other revenue</td>
<td>101,173</td>
<td>97,579</td>
<td>3,594</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>19,496,874</td>
<td>19,174,129</td>
<td>322,745</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Current Year Budget</th>
<th>Variance</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection &amp; conveyance</td>
<td>1,859,709</td>
<td>(402,291)</td>
<td>-17.8%</td>
</tr>
<tr>
<td>Lift stations</td>
<td>278,081</td>
<td>(43,919)</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Source Control</td>
<td>141,233</td>
<td>(51,767)</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Effluent disposal</td>
<td>2,674,176</td>
<td>(16,824)</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Meadowlark</td>
<td>2,944,017</td>
<td>(539,983)</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Customer Accounts</td>
<td>372,667</td>
<td>(88,333)</td>
<td>-19.2%</td>
</tr>
<tr>
<td>Building &amp; grounds</td>
<td>216,586</td>
<td>(13,414)</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Equipment &amp; vehicles</td>
<td>184,667</td>
<td>(76,333)</td>
<td>-29.2%</td>
</tr>
<tr>
<td>Engineering</td>
<td>540,232</td>
<td>(115,768)</td>
<td>-17.6%</td>
</tr>
<tr>
<td>Safety &amp; compliance</td>
<td>149,033</td>
<td>(15,967)</td>
<td>-9.7%</td>
</tr>
<tr>
<td>Information technology</td>
<td>622,899</td>
<td>(111,101)</td>
<td>-15.1%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>1,190,114</td>
<td>(70,886)</td>
<td>-5.6%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>11,173,414</td>
<td>(1,546,586)</td>
<td>-12.2%</td>
</tr>
</tbody>
</table>

### Net Operating Income

- **Current Year Actual**: $8,323,460
- **Prior Year Actual**: $8,814,307
- **Variance**: $(490,847) -5.6%
- **Current Year Budget**: $7,141,000
- **Variance**: $1,182,460 16.6%

Variance are considered significant if they exceed $100,000 and 20%.
### REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Replacement</th>
<th>Capacity</th>
<th>Replacement</th>
<th>Capacity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 16/17 Operating Transfers</td>
<td>(552,636)</td>
<td>-</td>
<td>(10,315,457)</td>
<td>-</td>
<td>9,770,824</td>
</tr>
<tr>
<td>Capital Facility Fees</td>
<td>-</td>
<td>2,981,660</td>
<td>-</td>
<td>3,631,220</td>
<td>5,874,184</td>
</tr>
<tr>
<td>RDA pass-through</td>
<td>1,047,780</td>
<td>-</td>
<td>1,047,780</td>
<td>-</td>
<td>2,095,559</td>
</tr>
<tr>
<td>Property Tax</td>
<td>1,134,680</td>
<td>-</td>
<td>901,715</td>
<td>-</td>
<td>2,036,395</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>237,674</td>
<td>-</td>
<td>238,932</td>
<td>-</td>
<td>476,606</td>
</tr>
<tr>
<td>Payment on Land Sale to City</td>
<td>56,968</td>
<td>-</td>
<td>56,968</td>
<td>-</td>
<td>113,935</td>
</tr>
<tr>
<td>OMWD Capital Recovery Credit</td>
<td>-</td>
<td>-</td>
<td>119,500</td>
<td>-</td>
<td>119,500</td>
</tr>
<tr>
<td>Annexation Fees</td>
<td>34,190</td>
<td>-</td>
<td>5,780</td>
<td>-</td>
<td>39,969</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>1,958,655</td>
<td>3,001,160</td>
<td>10,574,664</td>
<td>3,597,405</td>
<td>19,131,884</td>
</tr>
</tbody>
</table>

### LESS DISTRIBUTIONS

#### Capital Projects

- Encina Wastewater Auth 5 Year Cap Plan: 1,921,539
- Tertiary Filter Media: 551,153
- San Eliso interceptor sewer: 92,837
- San Eliso Road Facility: 118,291
- Water & Sewer Master Plan: 120,190
- MRF - Aeration System Blower Replacement: 191,109
- Rock Springs Sewer Replacement: 73,016
- Expansion of the Men's Locker Room in Building B: 63,084
- MRF Chlorine Contact Tank Safety Railing Replacement: 110,588
- Montiel Gravity Outfall: 56,699
- Linda Vista Sewer Upgrade: 51,913
- Audiovisual Upgrade: 43,768
- Vactron Pit - District Yard: 83,335
- Deer Springs Pump Station - Refurb Pumps & Motors: 59,149
- Mahr Reservoir Chlorine Injection System: 56,903
- Lift Station 1 Wet Well Room Repairs: 54,607
- MRF - FailSafe Line De-Chlorination System: 53,738
- MRF Refurbish Backwash Pumps And Motors: 52,581
- Knoll Road Sewer Replacement: 51,540
- Peroxide Station Enclosure And Site Renovation: 43,687
- Meter Services Area Remodel: 38,693
- Vulnerability assessment improvements: 14,334
- Aerosol System For Servers: 14,891
- Mahr Reservoir - Potable Water Connection: 14,235
- MRF - Maintenance Building Roof Replacement: 28,753
- Main Facility Roof Replacement: 13,475
- Land Outfall Clearing & Access Road: 26,678
- Palos Vista Pump Station Motor Replacement: 25,915
- Twin Oaks Resv: On-Site Sodium Hypo Generation: 24,184
- North Vista Pressure Reducing Station Upgrade: 23,936
- MRF Potable Water Pump Station: 23,749
- City of San Marcos Joint Projects: 7,467
- South Vista Pressure Reducing Station Upgrade: 18,963
- Palos Vista Pump Station Flow Meter Replacement: 18,428
- Master Plc Replacement & Programming Updates: 8,739
- Constant Speed Aeration Blower: 14,142
- Fulton Road And Nctd Sewer Line Rehabilitation: 14,122
- South Lake dam sluice gate: 13,529
- Desalinated Water Connection: 12,689
- High Pressure Washer In Car Wash: 6,187
- Palos Vista Pump Station: 12,362
- Lake San Marcos Lift Station - Motor Replacement: 12,143
- Lift Station 1 - Waterman Valves Replacement: 10,740
- Lift Station No 1 Pump Improvements: (3,813)
- All other capital projects: 5,535
- Capital Budget - Vehicles/Mobile Equipmmt: 157,009
- Debt Service: 2,171,157
- Interest Expense: 71,628

### TOTAL DISTRIBUTIONS

<table>
<thead>
<tr>
<th></th>
<th>Replacement</th>
<th>Capacity</th>
<th>Replacement</th>
<th>Capacity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,220,500</td>
<td>-</td>
<td>6,272,900</td>
<td>-</td>
<td>11,493,400</td>
</tr>
<tr>
<td>ENDING BALANCE</td>
<td>29,885,306</td>
<td>(9,889,055)</td>
<td>45,384,737</td>
<td>(6,501,911)</td>
<td>58,878,989</td>
</tr>
<tr>
<td>Less: Operating Reserves</td>
<td>5,220,500</td>
<td>-</td>
<td>6,272,900</td>
<td>-</td>
<td>11,493,400</td>
</tr>
<tr>
<td>Replacement Reserves/Restricted Funds</td>
<td>24,664,806</td>
<td>(9,889,055)</td>
<td>39,111,837</td>
<td>(6,501,911)</td>
<td>47,385,589</td>
</tr>
<tr>
<td>Replacement reserve floor</td>
<td>6,542,500</td>
<td>-</td>
<td>11,789,400</td>
<td>-</td>
<td>18,331,900</td>
</tr>
<tr>
<td>Replacement reserve ceiling</td>
<td>26,940,300</td>
<td>-</td>
<td>41,946,600</td>
<td>-</td>
<td>68,886,900</td>
</tr>
</tbody>
</table>

**VALLECITOS WATER DISTRICT**

**RESEVER ACTIVITY FOR THE TWELVE MONTHS ENDED JUNE 30, 2017**
Quarterly O&M Metrics Report

CCTV Sewer Line Inspection Totals in Feet
(Goal is to inspect 180,000 feet of gravity lines per year)

Smoke Testing Footage
(Smoke Testing of Sewer Lines in Feet
(Goal is to Smoke Test 3 areas per year based on suspected I&I)
Sewer Line Cleaning Totals in Feet
(Year is to clean 1,000,000 feet of gravity lines per year)

Customer Sewer Odor Complaints

Item 1.4
Sewer Flows Pumped from District Lift Stations

Water Purchased from the San Diego County Water Authority
(Includes water from the desalination and OMWD plants)
Water Valves Turned in the Distribution System
(Goal is to turn 50% of all valves every year or an average of 306/Month)

Water Valves Replaced in the Distribution System
(Goal is to replace 20 valves every year or around 2 per month)
Water Mainline Breaks in the Distribution System

Sewer Main Emergency Repairs in the Collections System
Water Service Line Leaks in the Distribution System

Hit Fire Hydrants

Fire Hydrants Hit in the Distribution System
Acre Feet of Water Purchased from Olivenhain MWD – San Elijo Pump Station

Acre Feet of Water Purchased from the Carlsbad Desalination Plant

Item 1.4
DATE: JULY 19, 2017  
TO: BOARD OF DIRECTORS  
SUBJECT: SCHOOLHOUSE TANK INTERIOR REFURBISHMENT

BACKGROUND:  
The existing interior lining of the 2.4 MG Schoolhouse Tank has deteriorated and requires refurbishment. This project will remove and replace the existing interior lining, and upgrade the anti-corrosion system. Repairs to the ceiling rafters and equipment upgrades may also be necessary to meet current American Water Works Association (AWWA) and Division of Occupational Safety and Health (Cal/OSHA) standards.

DISCUSSION:  
The District requested a proposal for design and inspection services from Harper & Associates Engineering (HAE) due to their past experience with District facilities. HAE is currently under contract for As-Needed Engineering services for Reservoir Corrosion/Inspection and Design. As-needed agreements are utilized for contracts up to $150,000 in accordance with the District’s purchasing policy.

FISCAL IMPACT:  
The project budget is as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>$675,000</td>
</tr>
<tr>
<td>Construction (Estimated)</td>
<td>$505,000</td>
</tr>
<tr>
<td>Change Order (10%)</td>
<td>$50,500</td>
</tr>
<tr>
<td>Design/Inspection Consultant</td>
<td>$62,570</td>
</tr>
<tr>
<td>Staff</td>
<td>$18,000</td>
</tr>
<tr>
<td>Staff Overhead</td>
<td>$38,930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$675,000</strong></td>
</tr>
</tbody>
</table>

RECOMMENDATION:  
Approve a purchase order for Harper & Associates Engineering in the amount of $62,570 for the Schoolhouse Tank Refurbishment design and inspection.
DATE: JULY 19, 2017
TO: BOARD OF DIRECTORS
SUBJECT: REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS “NORDAHL ROAD 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) 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 a letter to the District requesting annexation of the 3.8-acre parcel into the Sewer Improvement District for sewer service.

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.

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 be able to receive water service from VID.

FISCAL IMPACT:
Payment of $48,799.60 in annexation fees will be collected in accordance with Ordinance No. 200. All other fees will cover actual costs and have no fiscal impact.

RECOMMENDATION:
Staff recommends approval of the annexation of certain property designated as “Nordahl Road Subdivision” APN 226-290-01 into the District for both water and sewer service with the following conditions:

1. Payment of water annexation fee of $4,658.00 per acre (3.8 acres) = $17,700.40.
2. Payment of sewer annexation fee of $8,184.00 per acre (3.8 acres) = $31,099.20.
3. Payment of State Board of Equalization fee for sewer annexation of $300.00.
4. Payment of State Board of Equalization fee for water annexation of $300.00.
5. Submittal of a copy of the title report showing ownership and a geographic description* of the property including a plat map.
6. Construction of facilities per an Agreement for Construction of Sewer Facilities to be Dedicated to Vallecitos Water District.
7. 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.
8. 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](http://www.boe.ca.gov) for complete details.*
REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (TELLIER FAMILY TRUST AND WARING FAMILY TRUST)
REQUEST FOR ANNEXATION OF CERTAIN PROPERTY DESIGNATED AS "NORDAHL ROAD SUBDIVISION" (APN 226-290-01) INTO THE VALLECITOS WATER DISTRICT FOR WATER & SEWER SERVICE (TELLIER FAMILY TRUST AND WARING FAMILY TRUST)
DATE: JULY 19, 2017
TO: BOARD OF DIRECTORS
SUBJECT: RESOLUTION APPROVING COLLECTION OF SEWER SERVICE FEES FOR IMPROVEMENT DISTRICT “A”

Discussion:
The State Health Code requires the District to specify on an annual basis the method it will use to collect sewer service fees. Resolution No. 1519, adopted June 21, 2017, approved the District's proposed method of collection. The attached Resolution orders the collection of sewer service fees for fiscal year 2017/18. The sewer service fees will be collected by the County of San Diego, and then transferred to the District.

Recommendation:
Staff recommends approval of the Resolution.
RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
VALLECITOS WATER DISTRICT ELECTING TO HAVE SEWER
SERVICE FEES FOR IMPROVEMENT DISTRICT "A" FOR
FISCAL YEAR JULY 1, 2017 TO JUNE 30, 2018
COLLECTED ON THE TAX ROLL

WHEREAS, Vallecitos Water District hereby elects to have its sewer service fees for Improvement District "A", as prescribed by Ordinance No.184, or as amended, for fiscal year July 1, 2017, to June 30, 2018, collected on the tax roll in the same manner, by the same persons, and at the same time as, together with and not separate from, general taxes;

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

SECTION 1: A written report has been prepared and filed with the Secretary of this District, which contains a description of each parcel of real property in Improvement District "A" receiving sewer service and the amount of the sewer service fees prescribed by Ordinance No. 184, or as amended. The Secretary of this District is authorized and directed to prepare and cause a notice to be published in the form and manner prescribed by law.

SECTION 2: July 19, 2017, at the hour of 5:00 p.m., at the office of the District, 201 Vallecitos de Oro, San Marcos, California, is fixed as the time and place for the hearing on the report required by law.

SECTION 3: Sewer service fees for properties that connect to the District's sewer system after the foregoing report is prepared, or properties connected to the system that are not included in the report for any reason, shall be billed to the property owners directly by Vallecitos Water District in accordance with rules and regulations established by ordinance of the District.

SECTION 4: Sewer service fees for properties that are not on the tax roll shall be billed to the property owners directly by Vallecitos Water District in accordance with rules and regulations established by ordinance of the District.

SECTION 5: Sewer service fees for fiscal year July 1, 2017, to June 30, 2018, may be paid directly to Vallecitos Water District in advance on or before August 1, 2017, and each calendar year thereafter.

SECTION 6: This resolution is adopted pursuant to Health and Safety Code Sections 5471 and 5473 to be effective immediately upon its adoption and its provisions shall supersede any conflicting provisions of existing ordinances, resolutions, rules, or regulations of the District.

PASSED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 19th day of July, 2017, by the following roll call vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:  

Craig Elitharp, President  
Board of Directors  
Vallecitos Water District

ATTEST:  
Glenn Pruim, Secretary  
Board of Directors  
Vallecitos Water District

Item 2.1
DATE: JULY 19, 2017
TO: BOARD OF DIRECTORS
SUBJECT: RESOLUTION DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES

BACKGROUND:
An inducement resolution allows for reimbursement from the date the resolution is adopted for project costs from proceeds of a future bond issuance. An inducement resolution does not commit the District to incur indebtedness. Without an inducement resolution only expenditures incurred prospective of the date of a debt issuance are allowed to be funded from debt proceeds.

DISCUSSION:
Staff identified the following capital projects in the adopted 2017/18 budget to be funded, at least in part, through restricted capacity reserves which currently have deficit balances.

- District’s share of capital improvement projects of the Encina Wastewater Authority,
- San Marcos Sewer Interceptor,
- Rock Springs Sewer Replacement,
- Montiel Gravity Outfall,
- Meadowlark Tank #3, and
- High Point Pipeline

Staff is recommending an inducement resolution be adopted so that cash funded expenditures can later be reimbursed from debt proceeds in the event the District incurs indebtedness in the future. The resolution does not create a commitment to incur debt or impact the District in any way. The resolution allows the District to recover capital expenditures from debt proceeds that the District otherwise could not.

RECOMMENDATION:
Adopt Resolution.
RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
DECLARING INTENT TO REIMBURSE CERTAIN EXPENDITURES
FOR ENCINA WASTEWATER AUTHORITY CAPITAL PROJECTS, SAN MARCOS SEWER INTERCEPTOR, ROCK SPRINGS SEWER REPLACEMENT, MONTIEL GRAVITY OUTFALL, MEADOWLARK TANK #3, HIGH POINT PIPELINE
FROM PROCEEDS OF INDEBTEDNESS

WHEREAS, the Vallecitos Water District (the "District") intends to incur costs for the District’s share of capital improvement projects of the Encina Wastewater Authority, and in the planning, design, and construction of the San Marcos Sewer Interceptor, Rock Springs Sewer Replacement, Montiel Gravity Outfall, Meadowlark Tank #3, and the High Point Pipeline (the "Projects");

WHEREAS, the District expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with the Projects prior to the issuance of indebtedness for the purpose of financing costs associated with the Projects on a long-term basis;

WHEREAS, the District reasonably expects that debt obligations in an amount not expected to exceed $25,000,000 will be issued and that certain amounts of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the District to declare its reasonable official intent to reimburse prior expenditures for the projects with proceeds of a subsequent borrowing;

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

Section 1. The Board of Directors of the Vallecitos Water District finds and determines that the foregoing recitals are true and correct.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the District to make any expenditure, incur any indebtedness, or proceed with the projects.

Section 3. The District hereby declares its official intent to use proceeds of indebtedness to reimburse itself for reimbursement expenditures as allowed by law.

Section 4. This resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 19th day of July 2017, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

______________________________
Craig Elitharp, President
Board of Directors
Vallecitos Water District

______________________________
Glenn Pruim, Secretary
Board of Directors
Vallecitos Water District

Item 3.1
DATE: JULY 19, 2017
TO: BOARD OF DIRECTORS
SUBJECT: SAN MARCOS CHAMBER OF COMMERCE – MEET YOUR ELECTED OFFICIALS SUNDOWNER BUSINESS MIXER - PER DIEM/EXPENSE REIMBURSEMENT APPROVAL

BACKGROUND:
The San Marcos Chamber of Commerce is not on the list of organizations for which meetings are considered compensable under District Ordinance No. 203; therefore, approval for per diem and expense reimbursement is required.

RECOMMENDATION:
Request Board direction.
Explore the Sacramento River and its tributaries through a scenic landscape as we learn about the issues associated with a key source for the state’s water supply. All together, the river and its tributaries supply 35 percent of California’s water and feed into two major projects: the State Water Project and the federal Central Valley Project. This year, special attention will be paid to the flood event at Oroville Dam and the efforts to repair the dam spillway before the next rainy season.

This 3-day, 2-night tour travels across the Sacramento Valley and follows the river north from Sacramento through Chico to Redding and Lake Shasta, where participants take a houseboat ride.

Experts talk about the history of the Sacramento River as the tour wends through riparian woodland, crop fields and nut orchards. The tour tracks important water issues for farming and environmental uses, visits potential storage sites, discusses innovative programs for flood management, groundwater management and salmon restoration.